

CONTACTS	Derek Hargreaves	353 1020
	Rick Hill	353 1040
	Bev Stott	353 1046
	Ravi Prasad	353 1045
	Cheong Ng	353 1044
	Sonia Bird	353 1041
	Amanda Cullen	379 7484

BUDGET FACT SHEET

Changes to GST

Increase of GST

The increase in GST from 12.5% to 15% requires a range of systems changes and checks. Whether GST on a sale should be at the old or new rate will depend on whether the time of supply is before, or from 1 October 2010. The time of supply is triggered by the earlier of receiving a payment or issuing a tax invoice. This means the old rate can be locked in for a customer purchasing goods to be received after 1 October 2010 by the customer paying a deposit before 1 October 2010.

For those on the payments basis, debtors and creditors existing at the time of the change are subject to a notional 2.5% conversion at their values on the date of transition, with all payments or receipts thereafter being subject to 15%. The notional conversion has the effect of deeming payments or receipts relating to prior to the rate increase to be at a net 12.5%.

If 1 October 2010 comes part way through your GST period, two GST returns must be completed, i.e. one return for supplies made to 30 September 2010 and a second return for supplies from 1 October 2010. The IRD will provide a special form for the additional GST return.

You will need to ensure your systems can deal with two GST rates for a period of time. Credit notes issued post 1 October for purchases made pre 1 October will need to be issued using the old rate. Systems set-up to automatically code repeat transactions will need to be reviewed or switched to manual coding during the transitional period to ensure the correct GST rate is accounted for.

Where goods and services are paid for by progress payments, e.g. insurance or rates, each payment is deemed to be a separate supply. Therefore, the GST on a progress payment made after 1 October 2010 will need to have GST charged at 15%.