

What you need to Know – Part 4

Tax Changes - October 2010

Had a really interesting session at the Business Expo last week and it is obvious that there are still a number of questions and concerns surrounding the impending GST increase on 1st October 2010.

Nearer the end of September, we will release a newsletter with an update and a refresher on all the issues that we have raised this month.

At Walsh and Associates we look after our clients and will help them plan their way through this change.

Looking at some other forms of transactions

Gift Vouchers

The usual time of supply means that a supplier should treat vouchers as a supply for GST purposes at the time a customer purchases them, not when the vouchers are redeemed.

So, say Peter buys a voucher for \$50.00 from a CD outlet on 15 September and intends to give it to Harry for his birthday. Harry redeems the voucher on the 1st December. What is the time of supply?

The time of supply is on the 15th September and not when Harry redeems the voucher on the 1st December.

Periodic Payments and Hire Agreements

These are treated as a series of separate supplies for each period of the agreement. The time of supply is the date payment is due or received.

For example, Bryan has a Xero subscription for which he is grateful to have, his payments are due on the 1st of the month and he takes out the subscription in July.

So, for August and September, he would pay the GST on the subscription at 12.5% and from 1st October on, he would pay GST at 15%.

Local Authority Rates

The time of supply for rates is the earlier of:

- The date an instalment notice is issued.
- The due date for payment, or
- The date when payment is received.

So, Waipukurau sends out notices to its ratepayers in July, saying that rates can be paid in full on 20 October 2010, or alternatively in quarterly instalments, payable 30 September, 31 Decmeber, 31 March and 30 June.

For those residents who elect to pay the full amount of rates in the first quarter:

- they will pay GST at 12.5%,

For those who elect the quarterly option:

- they will pay GST at 12.5 % on the first quarter (notice issued prior to 30 September) and
- 15.0% on the ensuring quarters after that.