



## Special Time of Supply Rules for GST Rate Change due 1 October 2010

Most transactions after 1 October will be recorded at the new 15% rate.

However there are some circumstances where the old (12.5%) rate must be used.

The rulings on some of these areas are changing regularly, so please check with me for free advice if any of these apply to you.

### Sales returns, refunds and bad debts

The date of the original transaction is important for how you handle the GST on these transactions after 1 October 2010.

They need to be reported at the old rate using the GST adjustment box.

It is best to write off any bad debts pre 1 October 2010. Remember that the IRD requirements regarding writing off of bad debts still need to be met by this date.

### Door to Door sales

The time of supply is the first day after the period within which the purchaser may cancel the sale. If you are a door-to-door salesperson, your buyers have either seven days or one month to cancel the sale, depending on the cancellation period.

You account for the supply in the taxable period covering the day after the final date for cancellation.

Example: As the supply is accounted for in the period in which the cancellation period expires, if you are a business involved in door-to-door sales you will need to charge GST at 15% earlier than 1 October 2010.

Example: Lesley, a door-to-door salesperson, sells an item on 30 September 2010, the last day of the taxable period. The eighth day after the sale is 8 October 2010. She includes the full price for the supply using the 15% GST rate. Lesley accounts for the transaction in the return which covers 8 October 2010.

## **Coin and token operated machines**

If you supply goods or services through any coin-operated device or machine, such as a video game or snack machine, you must account for the total value of the coins removed from the machine.

Include the amount in the return that covers the date you removed the coins.

“Time of supply” occurs when the coins or tokens are removed from the machine or meter and the supply is accounted for in the period this happens.

Example: Dave supplies snack vending machines to office buildings.

He is due to clear the coins from their machines on 30 September 2010 but is unable to clear the machine until 2 October 2010.

Dave has to account for GST at the 15% rate on the total value of the coins cleared from the machines.

The value and GST will be accounted for on the return covering the October period.

## **Dishonoured Cheques**

For payments basis GST registered businesses, if a cheque is dishonoured, it is as though the payment didn't occur, and you don't account for it.

At this stage the IRD publication states that we must contact them if a previous GST return has been filed and subsequently a cheque has been dishonoured.

## **Grants and Subsidies**

Grants and subsidies from the government are considered to include GST if the recipient is registered for GST.

Include the full grant or subsidy in Box 5 of your return.

## Lay-by Sales

The time of supply is the date when the title of the asset passes to the purchaser.

If the sale is cancelled and the seller keeps part of the money, the time of supply is the date of cancellation.

If you purchase goods on lay-by, you may claim a deduction when you have fully paid for them, and you hold a tax invoice.

Retailers who use lay-by sales will need to account for the new rate of GST when they set up any arrangement to pay that will span the GST rate change.

Example: Craig buys a Blu-Ray player on lay-by from Soundz Ltd in August 2010.

The GST rate that applies to the purchase will depend when the final payment is made. If the final payment is made:

- Before or on 30 September 2010, the GST rate applied to the transaction is 12.5%
- On or after 1 October 2010, the GST rate applied to the transaction is 15%.

## Deposits and prepayments

I am currently clarifying the timing regarding certain deposits paid for future dated functions or services with the IRD. If this applies to your business, please give me a ring (07) 843 9988 and I can let you know the answer.

## Local Authority Rates

The time of supply for rates is the earliest of the following:

- The date of an instalment notice for a single payment
- The due date for payment
- The date when payment is received.

## Periodic payments and hire agreements

Periodic payments and hire agreements 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, whichever is earlier.

Example: Sean hired a piece of machinery from Vincent on 1 June 2010 for six months.

Sean advises that they will require monthly payments due on 20th of each month.

GST of 15% will apply on payments due after 1 October 2010.

## Road User Charges (RUC)

Time of supply occurs when any payment is made to the New Zealand Transport Agency or one of their agents. The supply is accounted for in the period when the payment is made.

## Vouchers

The supplier should treat stamps, tokens or vouchers as a supply for GST purposes at the time a customer buys them. Generally, a supply takes place when tokens, stamps and vouchers are issued, not when the vouchers are redeemed.

Example: Peter buys a \$50 voucher from Soundz in Wellington on 15 September and gives this as a gift to Jonathan in Auckland. Jonathan buys CDs with the voucher at Music Time in Auckland on 1 November.

The supply takes place when Peter buys the voucher and Soundz accounts for the sale at a GST rate of 12.5% on the return which covers the September period.

Vouchers redeemed at affiliated supplier's stores have a different ruling.

Example: Soundz stores nationwide which are independently owned but affiliated, agree that the time when a store reimburses another store for redeeming a voucher, is when a supply takes place, rather than when the voucher is sold. In the above example,

Music Time would account for the sale at the GST rate of 15% on the return which covers the November period.

Kind regards  
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