



V6.09 Training Manual

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GST

Find the freedom to focus on what matters with Nimbus

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Document Information

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Version	1
Date Created	16 September 2022
Date	16 September 2022

Overview

The Nature of GST (Goods and Services Tax)

GST is a tax of 15% imposed by the government on goods and services sold in New Zealand or imported into New Zealand.

- Whenever a customer buys **goods or services** from a GST registered business, that business must **collect** an extra 15% on behalf of the IRD. For example, if the sell price is \$200 then an extra \$30 must be collected and then forwarded to the IRD ($\$200 \times 15\% = \30).
- Whenever a GST registered business buys **goods or services** from another GST registered business, the first GST registered business must **pay** an additional 15% for goods supplied to it. For example, if the purchase price is \$120 then an extra \$18 must be paid. ($\$120 \times 15\% = \18)

GST amounts paid can be offset against the GST amounts collected. For example, if \$30 has been collected and \$18 has been paid, then only the difference (\$12) need be forwarded to the IRD. GST Returns are prepared on a regular basis (monthly, 2-monthly or 6-monthly) so that the offset can occur and the amount of GST payable (or refundable) can be calculated.

GST Rates

Most goods and services sold/purchased in New Zealand incur a tax of 15%; however some items are 'GST Exempt' or 'GST Zero-Rated'.

Where an item is deemed to be 'GST Exempt', no GST is to be collected or paid. Examples include Financial Services (eg. bank fees, interest, sales of shares, life insurance), Wages, and items sold by people not registered for GST.

There are also several items that attract GST at the rate of 0%. These items are 'GST Zero-Rated' and examples include exported goods/services and items sold as part of a going concern.

GST Returns

Because a business collects GST on behalf of the government, all GST registered businesses are required to complete a GST Return on a regular basis. When completing a GST Return the GST amount payable to the IRD (or the GST amount refundable from the IRD) is calculated.

Businesses are required to complete a GST Return using one of three available methods:

- **Invoice Basis**
GST is accounted for when the business issues an invoice or receives an invoice.
- **Payments Basis**
GST is accounted for when the business makes a payment or receives a payment.
- **Hybrid Basis**
A combination of the above two methods where GST from sales/revenue is accounted for using the Invoice Basis and GST from purchases/expenses is accounted for using the Payments Basis. The method is not commonly used and is not available for use without the permission of the IRD.

GST and Nimbus

Nimbus can prepare information for the GST Return using the Invoice Basis and the Payments Basis. In addition it can also apply GST at the set rates, ie. GST Exempt, 0% and 15%. If the government legislates to change the GST Rates, Nimbus can be easily modified to accommodate this.

GST Setup

GST Rates

When your Nimbus database is being built, the GST Rates (E, 0%, 15% and N/A) are set up for you.

To view and/or edit the GST Rates:

1. From the **Setup** menu, click on the **Code Tables** menu item.
2. From the list of tables given, select the **GST Rates** table by clicking on its name. This action opens a report listing all GST Rates held in the database, as shown below.

Add New Item		GSTRates			
GSTCode	Description	GSTRate	PickOrder ↑	Detailed_Description	Discontinued
Std	Standard	0.15	1	Standard GST rate for most things	0
Zero	Zero rated	0	6	eg Overseas sales	0
Exempt	Exempt GST	0	99	Special cases, such as wages, bank fees.	0
NA	Not Applicable	0	99	Where it simply doesn't apply, eg Liability.	0

3. Note the amount in the **GST Rate** field for the **Std** GST Code, ie. 0.15. A GST Rate is entered as a decimal, not as a percentage. Nimbus uses the Standard GST Rate to calculate GST on transactions where the Standard GST Rate applies.
4. To edit a **GST Rate**, click on its **GST Code** or **Description**. This action opens the edit form. The fields on the edit form can be used to edit the GST Rate detail should they change.

GST Ledger Accounts

Nimbus has been set up with three GST ledger accounts; these accounts hold GST amounts, as follows:

Account Name	Account Function
GST Received	All GST amounts collected from sales/revenue are posted to this account. This account usually holds credit entries.
GST Paid	All GST amounts paid from purchases/expenses are posted to this account. This account usually holds debit entries.
GST Control	All GST payments made to the IRD, or GST refunds received from the IRD, are posted to this account. When a GST Return has been prepared, the amounts held in the GST Received and GST Paid accounts are also transferred to the GST Control account. The GST Control ledger account is therefore treated as a control account for all GST amounts. This is the account that is reconciled by your accountant when the end-of-year financial reports are prepared.

To view the GST ledger accounts:

1. From the **Finance** menu, click on the **GL Enquiry** menu item to open the **GL Accounts** web report.
2. Enter 'GST' in the **Description** filter and then press **Enter** to locate the GST ledger accounts.

GL Accounts : Lists general ledger accounts.
 Filter : Description contains gst and Closed contains 0

Refresh Report Print Export Clear Sort Clear Filters Save Report Setting Clear Report Settings

Branch	GLIndex	Description	Category	Division
		gst		
HO	9050200	GST Received	GST	Liabilit
HO	9050210	GST Paid	GST	Liabilit
HO	9050220	GST Control	GST	Liabilit

3. Click on the description of one of the GST ledger accounts to display how the account has been setup. Note the **Integration Only Account** setting.
4. Look up the GST accounts listed in the table below. As you do so, complete the table to gain an understanding of how the main GST ledger accounts have been set up.

	GST Received	GST Paid	GST Control
Division, ie. the financial report the amounts held in this ledger account will be shown in.			
Summary, ie. the category heading this ledger account will be shown under.			
Category, ie. the sub-category heading this ledger account will be shown under.			
Detail, ie. the order this account will display in the reports.			
Report Sign, ie. whether the amounts will be held as a debit (D) or a credit (C) entry.			
Integration Only, ie. whether amounts are automatically posted to this account or not.			

GST Calculation & the Ledger Accounts

The GST amounts **collected** by the business are automatically calculated in Nimbus when:

- Invoicing goods/services using the Invoicing Application;
- Selling goods/services using the POS Application; and
- Using the Trans Posting Application, i.e. the Debtors Ledger and General Ledger options.

Once calculated, GST collected amounts are posted to the **GST Received** ledger account.

The GST amounts **paid** by the business are automatically calculated in Nimbus when:

- Goods/services are purchased using the Purchase Orders Application. This Application also converts an order into a Creditor's invoice once the invoice has been received and processed.
- Using the Trans Posting Application, i.e. the Creditors Ledger and General Ledger options.

Once calculated, Nimbus post GST paid amounts to the **GST Paid** ledger account.

GST Reporting

Nimbus always uses the Invoice Basis when calculating GST for the General Ledger. It is these amounts that are shown in the Current Liability section of the Statement of Financial Position.

Even though Nimbus has been configured to use the Invoice Basis when calculating GST for the General Ledger, the GST Returns and GST Audit Reports Nimbus is able to be configured to collect transactions and report on a Payments Basis.

GST Exemptions / Zero-Ratings

Because of the GST rules, Nimbus needs to know when to calculate GST and when not to. This can be set at various levels, as follows:

GL Account	Any General Ledger account can be set up as GST Exempt. When this setting is applied, Nimbus will not calculate GST for any direct transaction posting to this ledger account.	Form: General Ledger Field: Select an option from the drop-down list in the 'GST Code' field.
Debtor	Any Debtor can be set up as a Zero-Rated Debtor. When this setting is applied Nimbus will calculate GST at 0% for all invoices generated for this Debtor.	Form: Debtors Field: Tick the 'GST Zero Rated Debtor' field
Creditor	If a Creditor is GST Exempt, users must manually ensure that any transactions posted to this Creditor (through Trans Posting or Purchase Orders) do not include GST. The form can be set up to include no calculation of GST (see your Nimbus Consultant), otherwise overwrite the value in the GST column.	

Preparing GST Returns

Nimbus prepares GST Returns using the Invoice Basis and the Payments Basis. The intranet menu should have been configured to use the method your business requires. If it does not, see your Nimbus Consultant.

To prepare a GST Return:

1. From the **Finance** menu, click on the **GST Return** menu item.

2. GST Returns are normally for a monthly, 2-monthly or 6-monthly period. Enter the GST period for the GST Return you are preparing, as follows:
 - a. Enter the last day of the GST period in the **Period Ended** field.
 - b. Enter the number of months in your GST period in the **Months Basis** field, eg. 2.
3. Click the **MS Access** button to preview the **GST Return** report. This report displays the information required to complete the GST Return for this period and is prepared using the invoice basis or the payments basis, depending on the way your intranet menu has been configured. Print the report.
4. The GST Return report displays summary information only; more detailed information can be reported if required, as follows:
 - a. From the **Finance** menu, click on the **GST Detail** menu item.
 - b. Enter the GST Return parameters, as above.
 - c. Click the **MS Access** button to open the **GST Audit List** report. This report displays an audit list of all transactions for a GST period for each monthly period in the GST Return. A total GST amount is given at the bottom of the report. Print this report.

IMPORTANT NOTE: The total GST amount in the **GST Audit List** report should be the same amount as the **GST to Pay/Refund Box 15** field in the **GST Return** report. If the amounts are not the same, do not proceed until the error has been resolved.

5. Use the **GST Return** report to prepare the GST Return for the IRD. Attach the hard copy of each Nimbus report to your copy of the GST Return and file for future reference.
6. Once you have prepared your GST Return and forwarded this to the IRD, amounts for the GST period held in the GST holding accounts (the **GST Received** and **GST Paid** ledger accounts) should be transferred to the GST Control ledger account by way of a general ledger journal (usually the **GST Control** ledger account). This should be done in preparation for the next GST Return period.