

More frequently asked questions

Q **When must I register for GST?**

A Generally, if you earn more than \$60,000 in a 12-month period or will earn that over the next 12-month period you must register for GST. Obviously, you'll need to register if you are charging GST on the goods or services you provide.

Q **What to do after I've registered?**

A We generally take care of all of your GST returns, all we need you to do is reconcile Xero as soon as you can at the end of your GST period and we'll take it from there.

Q **Why would I voluntary register for GST?**

A Every business journey is different, but generally if you're just starting up it would be worth looking at registering for GST, why?

Because:

- You can claim back the GST paid on all the goods and services you bought, essentially 15% on buying all those things you need to get your business up and going.
- It gives you an element of legitimacy as businesses prefer the suppliers and contractors they work with to be registered for GST and are able to provide them with a GST receipt on completion of services.
- In today's world, you need to be able to know how your business is doing day in day out. Having the compliance "deadlines" for GST puts in multiple cut off points for you to reconcile your Xero account, otherwise you might leave it to the end of the year and have 1000's of transactions to sort out, then need to spend hours to sort it all out. Instead of spending an hour or so throughout the year and knowing your Xero is up to date so you can make those vital business decisions when needed.
- Plus GST is only a consumption tax, so you are only paying GST where you are the end user.

There are also a few disadvantages to registering voluntarily, such as the increased compliance costs to complete the GST returns and you'll need to pay GST back on any assets you keep when you de-register or cancel your GST registration.

Q **How does GST impact on our cash flow?**

A Cash is King and the timing of cash flow is hugely important to all businesses no matter what stage in the business journey they are in.

The GST filing frequency and accounting basis will dramatically impact on a business's cash flow, it is a very underrated and vastly unconsidered decision that has huge implications on a business cash flow if not selected wisely.

If a business has slow recovery of its debtors, a good option may be to register on a payments basis so that the GST on its debtors is not payable until the funds are collected, rather than when invoice has been raised.

If your business will regularly be receiving GST refunds, it is wise to register on a monthly basis so the cash is received as early as possible from the IRD. If your business will generally be making GST payments, the payment should be deferred as much as possible by registering for longer GST periods.

For example, a property developer in the early stages of their business development would be paying out larger amounts initially, so in turn they would be receiving GST refunds as it has spent money on the development but will not receive any revenue until the end of the project. It therefore makes sense for the business to be registered on an invoice basis and to file GST returns monthly so the GST refunds are received as early as possible. Due on the 28th of the month refer to our tax calendar for dates.

Q What records do I need to keep?

A All receipts/invoices over \$50 for seven years are required, this is important in case of an IRD audit. These receipts do not need to be physically kept like in the good old days, these can be uploaded into Xero and stored there.

If you have ALOT of receipts, there are a whole bunch of nifty apps you can utilise, where you can take a photo with your smart phone and store/upload it straight to Xero or another system as required.

Q How does the GST system work?

A Most goods and services supplied in New Zealand have GST added to the price. The exceptions are goods and services supplied by businesses not required to register for GST and exempt supplies.

GST registered businesses charge GST on their sales and income and claim back the GST on their purchases and expenses.

To claim the GST you have paid, you need to complete a GST return. If there's GST to pay, you pay this amount to Inland Revenue. If there's GST to be refunded, IRD will pay you this amount.

Businesses not registered for GST can't charge GST on their sales and income, or claim back the GST on their purchases and expenses.

Q What if I do not have the money to pay my GST bill?

A In certain circumstances, Inland Revenue will accept payment arrangement as a financial relive but this can't be relied on or used for every GST payment. If you feel like you will not be able to make a payment on time, pick up the phone and give us a shout, so that we can do everything within our power to reduce the compounding costs that come with Inland Revenues interest and late payment penalties regime.

If you simply don't make the payment, Inland Revenue will impose late payment penalties and interest which is compounding from the date the GST was due.

Q Will there be GST on my property sale?

A We cannot stress enough about property transactions just pick up the phone and talk to the team if you are thinking of selling a property or business or any large asset. A phone call can save you a lot of necessary costs down the road.