November 2012 Newsletter

This Issue

Accounting workshops – You asked for it!
CCA Accounting Workbooks – Version 2.0 coming right up.
GST Problems - Try our GST Code of Conduct.

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Supporting Non-Profits

Council of Social Services have started to pull together the handful of organisations in Christchurch that support other non-profits in order to get us all working together and to make sure that non-profits have easy access to the back-up support they need.

One of the ideas is a central contact point for non-profits from which help can be organised. Some of the agencies involved (Community Law Centre, Community House, Volunteer Centre, Small Business/Enterprise Centre, COSS and us) are working very closely together already.

One of the gaps the group has identified was IT planning and support. Like accounting or legal help this is readily available on the open market, but often prohibitively expensive. Also like with accounting or legal issues, the IT needs of non-profits are often not well understood by people who are used to the business world – and advice is often driven by the need to make sales rather than a genuine needs assessment.

Putting non-profit needs into non-profit hands is something I strongly believe in. When non-profits hire professional help, they have to pay for this out of money that was given to them to support their charitable and/or social purpose. I believe it is wrong for businesses to make a profit out of such funds, and the more of those essential services the non-profit sector can provide for itself, the better.

Harald

Accounting Workshops

CCA is planning a whole series of accounting workshops in the first half of 2013, based on the training needs identified by community groups. This includes things like grant (and contract) accounting, GST, payroll, using accounting software (there will be separate workshops for: MYOB, XERO and our spread sheets), management accounting, accruals/journal entries, and interpreting financial statements. We will send out the dates and a short description of each workshop before the end of the month to all recipients of this newsletter.

CCA Excel Accounting Workbooks (Spread sheets)

A new version of our Excel accounting workbooks will be available from our web site before Christmas.

The improvements we made include:

- An optional budget module.
- The same workbook can now be used for any financial year, and transferring all information to a new spread sheet for a new financial year will no longer be necessary.
- Customisable monthly reporting function (with budget comparison).

If you are currently running a CCA accounting workbook and would like to transfer to the new version, let us know – we'll change you over for free.

The problem with GST

In theory, GST in New Zealand is quite a simple system. With only a few exceptions, GST is added onto everything. Businesses and other organisations can claim GST back on supplies they bought to ensure that GST is not added several times onto the same product or service.


Inland Revenue
Te Tari Taake
Goods and services tax return

Yet, GST is the most common problem area for the organisations we work with and the most common reason why we would have to make changes to financial statements. Very often software (such as MYOB or XERO) is relied upon to do the GST accounting, but software works on the basis of GST rates attached to accounts. If, in your list of accounts, you have indicated that 'IT services', for example, have GST on it , then your software will deduct GST automatically on every expense you code to 'IT services', *unless* you *manually* correct the GST code for a specific transaction.

This works for most transactions, however you can only deduct (i.e. claim back) GST for *expenses you have a tax invoice for*. If that IT guy provides you with an invoice that is not a 'tax invoice' (i.e. does not have a GST number on it) you have to assume they are not GST registered and you have to change the GST code for this transaction.

Some organisations work out their GST by simply summing up all transactions on a bank statement, perhaps leaving out bank fees, interest or wages. The problem with this is that those expenses you do not have a tax invoice for are included anyway. There is no way around it: you have to check every single transaction.

To stay on top of GST try our GST Code of Conduct:

1. GST is a tax on consumers, not you. The government is asking you to **add GST** to the price of all your sales of goods and services, not to pay GST from what you would charge anyway.
2. Think GST-exclusive! When you budget your income and outgoings use the GST-exclusive figures. When you compare prices about an expensive purchase you want to make, compare GST-exclusive prices. Authorise your expenditure at Board meetings for the GST-exclusive rates. Get used to thinking that GST has nothing to do with your own finances – it's a tax you collect *on behalf* of the government.
3. Take note of the GST code your software comes up with **for each and every expenditure** and change the code if you do not have a "tax invoice".

Expenditure from which GST cannot be claimed back:

- Anything over $50 you don't have a "tax invoice" for, *except* goods purchased from private individuals.
- Financial supplies (interest, bank fees); **but** merchant fees (on Credit Cards or EFTPOS) **do** carry GST.
- Rent for a domestic building, even if you run an organisation's office from it.
- International transactions (purchases from or while overseas, international air travel, all purchases made in another currency).
- Allowances (such as travel, away, home office or similar allowances).
- Reimbursements for use of private car at a set rate per kilometre.

How to work out the GST component in a GST-inclusive price:

GST is 15% of the *value* of a supply, not the *price* of a supply. To get from the price of an item to its value, **divide by 1.15** (i.e. do *not* deduct 15% off the price). The difference, then, is your GST.

Example:

You charge a membership fee of $25, GST inclusive (the *price*)

The *value* of your membership fee is $25/1.15 = $21.74. This is your actual income from that membership fee.

The GST on your membership fee is $25 - $21.74 = $ 3.26

If you wanted to generate income of $25 from each membership, add the GST on (**multiply by 1.15**)

$25 x 1.15 = $ 28.75 = membership fee.

For more info on GST, visit the IRD site.