# MYOB Exo Business White Paper GST Rounding Issues

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### Introduction

In some cases, the Gross amount displayed on the MYOB Exo Business GST Return does not match the Gross amount on invoices. These discrepancies are caused by rounding; however, even though different amounts appear in different places, the amounts are correct in the context they appear in.

#### Disclaimer

While every effort has been made to ensure the information in this document is correct, it is ultimately the client's responsibility to obtain correct tax advice and meet their tax obligations, such as making any necessary adjustments, filing correct GST returns, and paying the correct amount of taxes. MYOB takes no responsibility for any penalties or other losses incurred by clients due to failing to meet their tax obligations.

# GST Rounding Issues - Example

The following worked example illustrates the issues that can arise with GST calculation and rounding in MYOB Exo Business.

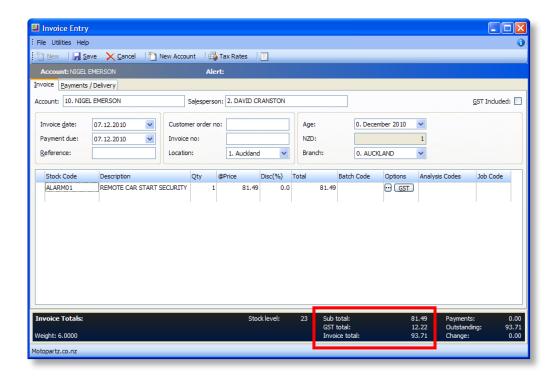
#### Setup

This example uses the demo NZ database (Motorpartz.co.nz), configured to use GST-inclusive pricing. The system is using a default GST rate of 15%, i.e. post 1 October 2010.

#### Invoice

An invoice is raised in the October 2010 period for the ALARM01 stock item. This item has a sale price of \$93.71, including GST. The invoice shows:

- GST-exclusive (Net) amount: \$81.49
- GST amount: \$12.22
- GST-inclusive (Gross) amount: \$93.71

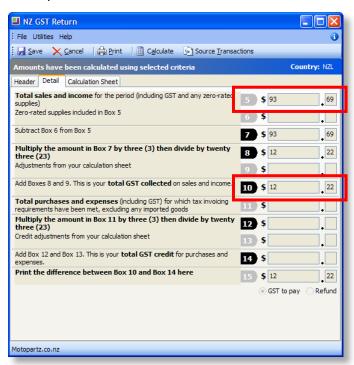


#### **GST Return**

A GST Return for the December 2010 period is created (the above invoice is the only transaction for this period). The return shows:

GST collected: \$12.22

Gross amount: \$93.69



While the GST amounts are the same, there is a \$0.02 difference between the Gross amount on the invoice and the Gross amount on the GST Return.

# Why is this Happening?

#### On the Invoice

The ALARM01 stock item has a GST-inclusive (Gross) price of \$93.71:

Gross amount \$93.71

The Gross amount is divided by 1.15 to give the GST-exclusive (Net) price:

Gross amount \$93.71

divide by 1.15

Net amount \$81.48695652

The Net amount is rounded to two decimal places, and is displayed on the invoice as \$81.49.

The rounded Net amount is then multiplied by 15% to give the GST amount:

\$81.49	Net amount (invoice)
15%	multiply by
\$12.2235	GST amount

The GST amount is rounded to two decimal places, and is displayed on the invoice as \$12.22.

GST amount (invoice) \$12.22

This represents the amount of GST that will be charged to the Debtor, and therefore the amount that must be paid to the IRD.

#### On the GST Return

The GST Collected amount is equal to the GST on the invoice:

GST Collected \$12.22

The Gross amount is then **back-calculated from the GST amount** by multiplying by 23/3 (the coefficient of 15%). The gross amount must be calculated this way, because the IRD does the reverse when assessing the amount of GST to be paid.

\$12.22	GST Collected
23/3	multiply by
\$93.6866667	"Calculated Gross"

This "Calculated Gross" is rounded to two decimal places, and is displayed on the GST Return as \$93.69.

Gross amount (GST Return) \$93.69

Original Gross amount \$93.71

Due to rounding and the need to back-calculate, the gross amount that appears on the GST Return is different from the original Gross amount on the stock item.

If there were no rounding, the two Gross amounts would be the same:

Gross amount (invoice)	\$93.71
divide by 1.15	1.15
Net amount	\$81.48695652
multiply by	15%
GST amount	\$12.22304348
GST Collected	\$12.22304348
multiply by	23/3
"Calculated Gross"	\$93.71
Gross amount (GST Return)	\$93.71

## Which Amount is Correct?

There are now two different Gross amounts—which is the correct one?

The answer is that they are both correct:

- The original gross of \$93.71 is the correct amount to be displayed on the invoice, as this is the GST-inclusive price of the item.
- The calculated gross of \$93.69 is the correct amount to be displayed on the GST Return, as this amount ensures that the GST amount will be correct.

The important point is that **the GST charged to the Debtor must equal the GST paid to the IRD**. To ensure that this is the case, Exo Business back-calculates the Gross amount for the GST Return from the (rounded) GST amount. As the IRD calculates the GST amount from the Gross amount, this back-calculation ensures that the GST amount will always be correct.

# **Unsupported Options**

MYOB Exo Business includes GST options that should not be used in normal circumstances. These options are discussed below.

#### **Gross Derived from GST Option**

The Exo Business GST Return window includes a **Gross derived from GST** option. If this option is not ticked, the system calculates the gross by summing all the relevant transactions' gross amounts. MYOB recommends that this option on the NZ GST Return window is always ticked when preparing GST Returns, so that the Gross is calculated in accordance with how the IRD calculates GST.

#### **GST Value Override**

Although Exo Business allows users to override the GST value on each Invoice line, this is not recommended practice when raising Debtors transactions.



If the client manually overrides the **GST value** field, this will result in a discrepancy between the Gross on the invoice and the Gross on the GST Return. Instead of changing the GST value, clients should change the **GST rate**.

#### Changing the GST Rate

In some circumstances, clients may want to change the GST, e.g. from 15% to 0%, because the GST on a transaction is for a "Zero Rated" supply such as exported goods.

In this case, clients should change the **GST rate** using the drop down of available rates to a rate that is set to 0%, and let the system recalculate the GST amount to \$0.00. **Do not simply override the GST Amount to \$0.00**.

This way MYOB Exo Business will correctly calculate the Gross to be shown in Box 5 of the GST Return, and will also correctly calculate the amount of Zero Rated supplies to be shown in Box 6 of the return.

#### Changing the GST Value (Creditors Invoices)

In some rare circumstances, clients may want to change the **GST value** on a Creditors transaction, e.g. when entering a Creditors Invoice, the GST as calculated by Exo Business may differ slightly to that as charged by the Supplier.

In this circumstance, it is acceptable to override the **GST value** to agree with the supplier's documentation.