MYOB Advanced Business

GST Rounding

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Cloud Solutions
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MYOB® Advanced Live

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Introduction

In some cases, the Gross amount displayed on the MYOB Advanced 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 – Example

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

Setup

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

Invoices

An invoice is for $100.05, excluding GST. The invoice shows:

- GST-exclusive (Net) amount: $100.05
- GST amount: $15.01
- **GST-inclusive (Gross) amount: $115.06**

Six more invoices with the same amounts are created in this period, resulting in the totals:

- Total GST-exclusive (Net) amount: $100.05 × 7 = $700.35
- Total GST amount: $15.01 × 7 = $105.07
- **Total GST-inclusive (Gross) amount: $115.06 × 7 = $805.42**

GST Return

A GST Return for the period is created (the seven invoices are the only transactions for this period). The return shows:

- GST collected: $105.07
- **Gross amount: $805.54**

While the GST amounts are the same, there is a $0.12 difference between the Gross amount on the invoices and the Gross amount on the GST Return.

Why is this Happening?

On the Invoice

Each invoice has a GST-exclusive (Net) amount of $100.05:

Net amount	$100.05

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

Net amount (invoice)	$100.05
multiply by	15%
GST amount	$15.0075

The GST amount is rounded to two decimal places, and is displayed on the invoice as $15.01.

GST amount (one invoice)	$15.01
GST amount (all invoices)	$15.01 × 7 = $105.07

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

The GST amount is added to the Net amount to calculate the Gross amount:

Net amount (one invoice)	$100.05
GST amount (one invoice)	$15.01
Gross amount (one invoice)	$115.06
Gross amount (all invoices)	$115.06 × 7 = $805.42

On the GST Return

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

GST Collected $105.07

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.

GST Collected	$105.07
multiply by	23/3
"Calculated Gross"	$805.53666666

This "Calculated Gross" is rounded to two decimal places, and is displayed on the GST Return as $805.54.

Gross amount (GST Return)	$805.54
Original Gross amount	$805.42

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 invoices.

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 $115.06 is the correct amount to be displayed on each invoice, as this is the GST-inclusive amount of the invoice. The total across all seven invoices is therefore $805.42.
- The calculated gross of $805.54 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 Customer must equal the GST paid to the IRD**. To ensure that this is the case, MYOB Advanced 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.