

Calculating GST

QUICK GUIDE

This quick guide advises how to apply the new GST rate increase from 12.5% to 15%.

CALCULATING GST

Businesses

The new rate of GST may affect the prices that you charge on certain goods and services. It is up to each business to determine how much of the 2.5% increase is passed onto the consumer.

Calculating GST

Businesses and organisations registered for GST need to consider the impact the increase of GST to 15% will have on GST returns, accounting processes and software, invoicing, receipts and your suppliers, customers or clients.

Previously for the 12.5% rate - the GST component of a GST-inclusive amount can be calculated simply by dividing by 9.

For the 15% rate, the GST component will need to be calculated by either multiplying the GST-inclusive amount by the fraction $\frac{3}{23}$, or instead of using the $\frac{3}{23}$ fraction you can divide the GST-inclusive amount by 7.66 recurring to calculate the GST component.

- To find out the GST component of a GST-**exclusive** amount, multiply the GST-exclusive amount by 15%.
- To calculate the GST component of a GST-**inclusive** amount, multiply the GST-inclusive figure by 3, then divide by 23.

Example:

Value of goods	\$1,500.00
GST at 15%	\$225.00
Total price	\$1,725.00

Step 1: \$1,725.00 multiplied by 3 is \$5,175

Step 2: \$5,175 divided by 23 is \$225.00 (the amount of GST).

Time of supply

If you paid for a service in July for a December delivery you will pay 12.5%.

If you paid for the service after October 1st you pay 15%

If you paid for a deposit in July it is at 12.5% and remainder paid after October 1st at 15%

Note

Although you can also calculate the GST component by dividing the GST-inclusive price by 7.66666666, you must **use at least 8 decimal places** to calculate the correct GST component as using fewer decimal places can result in an incorrect answer.

Using the fraction method (multiplying by 3 and then dividing by 23) will always provide you with the correct answer.

Ref: www.ird.govt.nz

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