

Check orchardists are claiming the right GST

We've noticed that tax invoices are being incorrectly written up. Some orchardists aren't picking up the fact that these invoices are incorrect and so they're not accounting for the tax deductions on their EMS (employer monthly schedule) correctly.

Example

	Incorrect invoice	Correct invoice
Pruning 532 plants @ \$7.00/plant	\$3,724.00	\$3,724.00
1 Ha @ \$1,140.00	\$1,140.00	\$1,140.00
Subtotal	\$4,864.00	
Less schedular tax @ 15%	\$729.60	
Total income (GST exclusive)	\$4,134.40	\$4,864.00
Plus GST @ 15%	\$729.60	\$729.60
Total income (GST inclusive)	\$4,864.00	\$5,593.60
Less schedular tax @ 15% (\$4,864.00 (GST exclusive) x 15%)		\$729.60
Amount payable (net payment)	\$4,864.00	\$4,864.00

The incorrect invoice above shows a lower total GST inclusive income, as the schedular tax deduction has already been made. The correct invoice shows that the schedular tax deduction is made after the GST is added. Otherwise the orchardist is short-claiming the GST input.

GST is calculated on the gross amount payable (ie, \$4,864.00 in the example above).

The correct figure to be claimed by the orchardist in their GST return as an input is \$5,593.60 and not \$4,864.00.

The correct figure to be returned by the contractor in their GST return as an output is \$5,593.60 and not \$4,864.00.

The correct figures to be returned by the orchardist on their EMS for this example are as follows:

Gross earnings and/or schedular payments (GST exclusive amount)	\$4,864.00
Earnings and/or schedular payments not liable for ACC earners' levy	\$4,864.00
PAYE and/or schedular tax deductions (Box 3)	\$729.60

The schedular tax deduction on the invoice should be shown after the total income inclusive of GST. This should help both parties get it right.