

## RE: Goods and Services Tax/Harmonized Sales Tax (GST/HST)

### Overview

Effective January 1<sup>st</sup> 2008, the GST Tax will be reduced from 6% to 5%. Depending on which Momentum product you have installed will depend on how you may wish to proceed.

See more information: <http://www.cra-arc.gc.ca/E/pub/gi/notice226/notice226-e.html>

### 1) Payables Management

#### **1.1 MIS Financials:**

The Main issue with the GST reduction is invoices dated prior to January 1<sup>st</sup> that are being processed will require the GST rate to be 6%.

The GST tax rate implications in the MIS Financials product are relatively minimal to compare to those of the Materials Management Client.

The following will only affect how the Payable Transaction Entry window behaves in the system and will have no impact on the Invoice Matching window!

#### Changing the 'default' GST Tax Rate:

To change the GST rate simply open the Tax Defaults window and set the GST Rate to 5.00 %.

**Version 7.5:** Setup->Financial->MIS Setup-> Tax Defaults

**Version 8.0:** Tools->Setup->Financial->MIS Setup->Tax Defaults

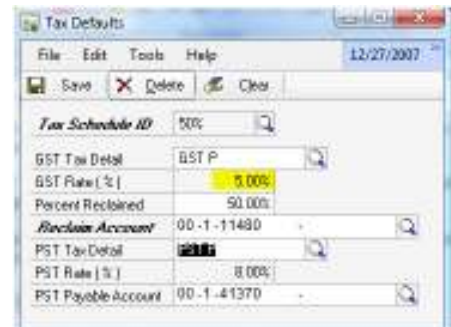
**Version 9.0 (or greater):** Tools-> Setup->Company->Tax Details

*(see Receivable Management section at the end of document for more details)*



Because changing this rate only impacts the Payables Transaction entry window, you may choose to delay updating the default tax rate until most of the 6% invoices have been processed (This will reduce the number of manual edits required in each line item.). You could also consider splitting 5% & 6% invoices into separate batches.

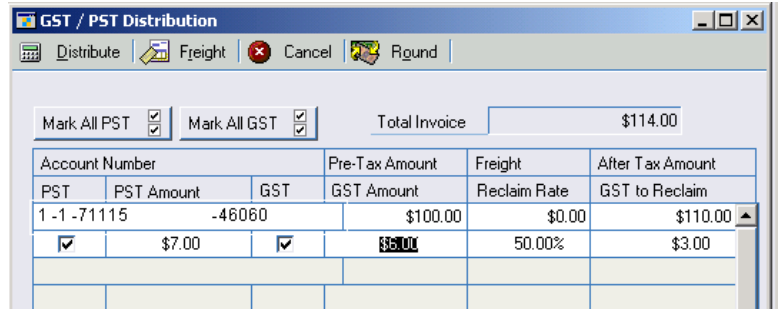
#### Changing the GST Tax Rate in the PM Transaction Entry



When the situation occurs that the default GST tax schedule has been changed to 5%, and the vendor's invoice is for 6% GST; you can simply override the GST Tax amount in the GST/PST window (in the distributions) to reflect the appropriate tax charge.

**Example:**

In the example the \$5.00 GST amount can be changed to \$6.00 to balance the invoice



Account Number		Pre-Tax Amount	Freight	After Tax Amount	
PST	PST Amount	GST	GST Amount	Reclaim Rate	GST to Reclaim
1 -1 -71115	-46060	\$100.00	\$0.00	\$110.00	
<input checked="" type="checkbox"/>	\$7.00	<input checked="" type="checkbox"/>	<del>\$5.00</del>	50.00%	\$3.00

## 1.2 Materials Management:

The GST tax rate implications with the Materials Management product are far more complicated, the January 1<sup>st</sup> date is more sensitive than simply processing the Invoices from the vendors. Because the GST tax rates are used upon creating new Purchase Orders it is essential that the effective rates be changed immediately after the January 1<sup>st</sup> in order for the PO Total costs and Item landed costs be accurately updated.

### Changing the 'default' GST Tax Rate:

To change the GST rate open the Tax Details Maintenance window then select each of the GST tax details you may have setup. Simply set the **Percentage** to 5.00 % and save the changes.

**Step 1:** In the tax Detail Maintenance window update all **Purchasing** type existing Tax Details for GST to 5%.

**Version 7.5 Clients:** Setup->Company->Tax Details

**Version 8.0 (or greater):** Tools-> Setup->Company->Tax Details



Tax Detail ID	GST P	Description	GST on Purchases
Type	Purchases	History	<input checked="" type="checkbox"/> Calendar Year <input checked="" type="checkbox"/> Fiscal Year
Tax ID Number	00-1-11480		
Description	AR-GST Rebate		
Based On	Percent of Sale/Purchase	Percentage	5.0000%
Round	Up to the Next Currency Decimal Digit	Round on Detail	

**Step 2:** In the same tax Detail Maintenance window you'll have to create a new "GST P6" tax details at 6% for Invoice Matching purposes only.

**Step 3:** In the Tax Schedule Maintenance window you'll need to create a new Tax Schedule to be used in the Invoice Matching window.

**Version 7.5 Clients:** Setup->Company-> Tax Schedule

**Version 8.0 (or greater):** Tools-> Setup->Company-> Tax Schedule

Create New Schedules:

- **GST 6%**-> includes GST P6 Tax details (6%)
- **BOTH (6% GST)** -> include GST P6 (6%) and the current PST tax detail

**Step 4:** In the Tax Schedule Maintenance window you'll need to create a new Tax Schedule to be set in the Vendor Maintenance window only. This will allow the same vendor to use either the 5% or the 6% GST tax detail

Create New Schedules:

- **GST P Vendor**-> includes both the GST Tax details (5% & 6%)
- **VENDOR ALL TAX** -> include both GST (5% & 6%) and the current PST tax detail

**Step 5:** Update the Vendors with these new tax schedules in the Vendor Maintenance window that have GST included. You may choose to update all vendors before hand or update them as required during the Invoice Match stage.

### Changing the GST Tax information in the Invoice Matching entry window:

When the situation occurs that the default GST tax schedule has been changed to 6%, and the vendor's invoice is for 6% GST; you can override the Tax Schedules for each line item to reflect the appropriate GST tax charge.

**Example:** In the following example the \$100.00 invoice the GST has been calculated @ 5% but actually needs to be paid @ 6%.

**Step 1:** Verify Vendor's Tax Schedule. You can zoom on the Vendor ID to ensure that the Vendor maintenance record has been updated with the Vendor Specific Tax Schedules.

*If you need to change the vendor tax schedule at this point, you can make the change in the vendor maintenance window, but you'll need to then delete the current Invoice Match transaction for the Vendor Changes to take effect.*

**Step 2:** Verify the GST Tax settings from the menu bar ("Edit GST-> Edit GST Tax Details").

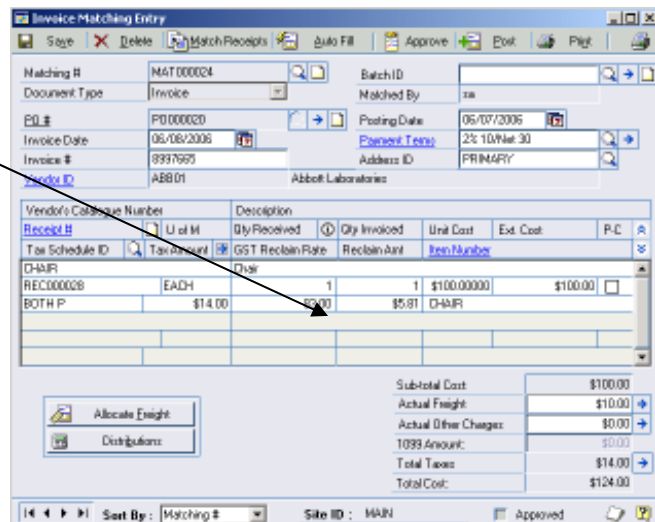
- i) Select the appropriate tax schedules for **freight & other charges** (5% or 6%)
- ii) Select the correct GST reclaim tax detail for the invoice either 5% or 6% GST.

*These tax settings will remain the same for next entry until the window is closed. When the Invoice Matching window is re-opened the default will be set from the Matman Setup.*

**Step 3:** For applicable GST line items, change the Tax Schedule to the appropriate one created in step 3 which should now calculate @ 5%.

**Step 4:** Please ensure that the GST Reclaim Amount has been recalculated accordingly. If the Tax amount includes GST and the GST reclaim amount is not calculating then likely GST Tax Detail in **Step 2** does match the GST tax detail used on the Invoice Match line.

If you must repeat the Step 2 after you've completed step 3, you may choose to auto-allocated the freight and other charges which will automatically re-calculate all tax information.



## 2) Receivables Management

Because there is no reclaim rate implications, you may choose to either create new 6% GST tax details or you can change the default once all of the applicable 6% invoices and charges have been processed.

### Changing the 'default' GST Tax Rate:

To change the GST rate open the Tax Details Maintenance window then select each of the GST tax details that are setup for receivables. Simply set the **Percentage** to 5.00 % and save the changes.

Version 7.5 Clients: Setup->Company->Tax Details

Version 8.0 (or greater): Tools-> Setup->Company->Tax Details



Because changing this rate only impacts the Invoice Entry and the Receivables Transaction Entry windows, if at all possible enter sales transactions for 5% & 6% into two separate batches, and set the tax to the appropriate rate for each batch.

