



## Using Tax Codes in general Journals

### Support Note

For MYOB BusinessBasics, MYOB FirstEdge, MYOB Accounting V15, MYOB Accounting Plus V15, MYOB Premier V9, MYOB Premier Enterprise V3 and AccountEdge V5.

#### Introduction

MYOB accounting software allows you to assign tax codes to General Journal entries. This Support Note outlines how to use this function and some of the circumstances in which you might find it useful.

### How do I use Tax Codes in the Record Journal Entry Window?

To enter a general journal with a tax code you need to complete the following:

1. If the general journal entry needs to be tax inclusive, make sure the **Tax Inclusive** check box is selected.
2. Accept the default **General Journal number** or enter a new one.
3. Key in the **Date** of the journal and if required, enter a journal **Memo**.
4. Enter the Account number(s) you wish to debit in the **Acct #** field. The account name will then appear in the **Name** field.
5. Enter the debit amount(s) in the **Debit** column, followed by any relevant tax code in the **Tax** column.
6. Specify if you want the GST to display in the Business Activity reports as a **Sale (Supply)** or **Purchase (Acquisition)** by clicking on the relevant radio buttons. Your MYOB accounting software will then allocate the GST correctly on your reports.

**Note:** You will not be able to select a radio button until a tax code is entered in the **Tax** field.

7. Repeat steps 5 and 6 for any credit amounts. Note that the total debits must equal the total credits. Click **Record** to record the transaction.

**Note that the GST amount appears in the bottom right of the Record Journal Entry window. Make sure there is no out-of-balance amount.**

In the example below, the business tracks its overall debtors' sales and associated GST by entering monthly totals through the **Record Journal Entry** window. It enters the general journal entry as a tax exclusive transaction.



**Record Journal Entry**

Display in GST [BAS] reports as:  Sale (Supply)  Purchase (Acquisition)  Tax Inclusive

General Journal #: GJ000009  
 Date: 31/10/2002  
 Memo: Update debtor sales for October 02 \$11,000 tax incl

Acct #	Name	Debit	Credit	Job	Memo	Tax
1-1300	Trade Debtors	\$11,000.00				N-T
4-1134	Sales - Spring Water		\$10,000.00			GST
Total Debit:		\$11,000.00				
Total Credit:			\$10,000.00			
Tax ⇄:			\$1,000.00			
Out of Balance:			\$0.00			

Tax inclusive sales to debtors for the month of October were \$11,000 (i.e. assuming a GST rate of 10% the GST on our sales was \$1,000). The debit to the Trade Debtors account is therefore a net amount of the sales (\$10,000) plus \$1,000 GST = \$11,000. The N-T tax code is used on this line because the GST tax code is allocated to the sales amount.

The credit to the Sales – Spring Water account is \$10,000. The GST tax code is used on this line to balance the transaction (note that the out-of-balance amount is zero).

As a sale amount is being entered, the **Sale (Supply)** radio button at the top of the window is selected. This ensures that the GST will be allocated to the GST collected on Sales linked account and will therefore be reported correctly in GST reports and BASlink. Note that the GST amount at the bottom of the window is \$1,000.

A recap of the transaction (**go to the Edit menu and choose Recap Transaction**) before recording it would show that the debtors control account will be debited for \$11,000 (i.e. the tax inclusive amount of the sales). The GST collected on sales will be credited for \$1,000 (the amount of GST), and the sales income account will be credited for the exclusive amount of sales (\$10,000).

**Note that Trade Creditors could also be updated in the same way. The difference being that the expense or cost of sales account would be debited and the Trade Creditors account would be credited.**

## What other uses are there for the Record Journal entry Window?

If the wrong tax code has been assigned to transactions, the **Record Journal Entry** window can be used to correct the tax code.

**Example:** An asset with an acquisition cost of more than \$300 is purchased. The tax code assigned on the bill is GST (Goods & Services Tax at a rate of 10%), whereas the CAP or GCA code (GST on capital acquisitions at a rate of 10%) should have been used. The window below shows the original bill.

**Purchases - New Service**

BILL

Supplier: Curbys Super Stands    Terms: Net 30th after EDM     Tax Inclusive

Ship to: Clearwater Pty. Ltd.  
25 Spring Street  
Blackburn  
VIC 3130    Purchase #: 00000088  
Date: 22/12/2003  
Supplier Inv#:

Description	Acct#	Amount	Job	Tax
1 Teak Boardroom Tables	1-2110	\$4,000.00		GST
Subtotal:		\$4,000.00		
Freight:		\$0.00		GST
Tax:		\$400.00		
Total Amount:		\$4,400.00		

Comment:    Ship Via:    Promised Date:    Journal Memo: Purchase; Curbys Super Stands    Paid Today: \$0.00

Already Printed or Sent    Balance Due: \$4,400.00

Save Recurring     Use Recurring    Rate: AUD    Category:

Help F1    Print    Send To    Journal    Layout    Register    Record    Cancel

A recap of the transaction (go to the **Edit** menu and choose **Recap Transaction**) shows the following journal entries will be posted when the purchase is recorded:

**Recap Transaction**

Recap Transaction in Purchases - New Service

Src	Date	ID#	Account	Debit	Credit	Job
PJ	22/12/2003		Purchase; Curbys Super Stands			
		Auto #	2-1200 Trade Creditors		\$4,000.00	
		Auto #	2-1200 Trade Creditors		\$400.00	
		Auto #	1-2110 F & F - At Cost	\$4,000.00		
		Auto #	2-1320 GST Paid	\$400.00		

Help F1    OK

To correct the tax code allocation, you should enter a new Journal Entry to debit the GST paid on Purchases with \$4000 using the CAP or GCA tax code and credit the GST Paid on Purchases with \$4000 using the GST tax code.

**Therefore, you would need to complete the following:**

1. Decide whether to create a tax inclusive or tax exclusive Journal Entry.
2. Accept the default General Journal number or enter a new number, then key in a **Date** for the journal entry (usually the date of the original transaction).
3. Enter a **Memo** if required describing the nature of the journal entry.
4. On the first line of the journal, enter the GST Paid on Purchases account number in the **Account #** column. Enter the original purchase amount in the **Debit** column. Enter the CAP or GCA tax code in the **Tax** code column.
5. On the second line of the journal, enter the GST Paid on Purchases account number in the **Account #** column. Enter the original purchase amount in the **Credit** column. Enter the GST tax code in the **Tax** code column.
6. Because a bill is being adjusted, select the **Purchase (Acquisition)** radio button.
7. Check that the **Tax amount** at the bottom of the window is zero. Record the transaction by clicking on the **Record** button.

The GST amount of \$400 will now appear against the CAP or GCA tax code in the GST reports and in BASlink.

Record Journal Entry

Display in GST [BAS] reports as:  Sale (Supply)  Purchase (Acquisition)  Tax Inclusive

General Journal #: GJ000010  
 Date: 22/12/2003  
 Memo: Correct tax code allocation on purchase 88

Acct #	Name	Debit	Credit	Job	Memo	Tax
2-1330	GST Paid on Purchases	\$4,000.00				GCA
2-1330	GST Paid on Purchases		\$4,000.00			GST
Total Debit:		\$4,000.00				
Total Credit:			\$4,000.00			
Tax ⇄:			\$0.00			
Out of Balance:			\$0.00			

Save Recurring Use Recurring Currency: AUD Category:

Help F1 Journal Record Cancel

**Disclaimer:** This information is of a generic nature. For specific advice regarding your particular circumstances please seek assistance from your Accountant, the Australian Taxation Office or your IT Consultant as appropriate.

