



Upgrading to QuickBooks 2008

Sample Upgrade – Joan’s Paint

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Company Background

Joan runs a painting business in Ontario. She used QuickBooks 2007 (Pro version) until she upgraded.

She files GST and PST annually and her sales tax period for both is August 1 to July 31. In August, 2007, she used the File Sales Tax feature to file her federal and provincial sales tax returns in QuickBooks.

She changed her GST rate to 5% at the start of January, 2008, then she continued to use her older version of QuickBooks until she upgraded on February 11, 2008.

Before Upgrading

Joan creates an accrual-based Trial Balance report for February 11, 2008 (the date of her upgrade).

<u>Accrual Basis</u>	Trial Balance		<i>Before Upgrade</i>
	As of February 11, 2008		
	<u>Feb 11, 08</u>		
	◇ Debit ◇	◇ Credit ◇	
Company Chequing Account	21,032.77		
Petty Cash Account	70.00		
Accounts Receivable	0.00		
Undeposited Funds	2,820.48		
Accounts Payable	0.00		
GST Payable		272.63	◀
PST Payable		1,039.36	◀
Retained Earnings		20,115.26	
Painting		<u>2,496.00</u>	
TOTAL	<u>23,923.25</u>	<u>23,923.25</u>	

She also creates a GST Liability report and a PST Liability report.

After Upgrading

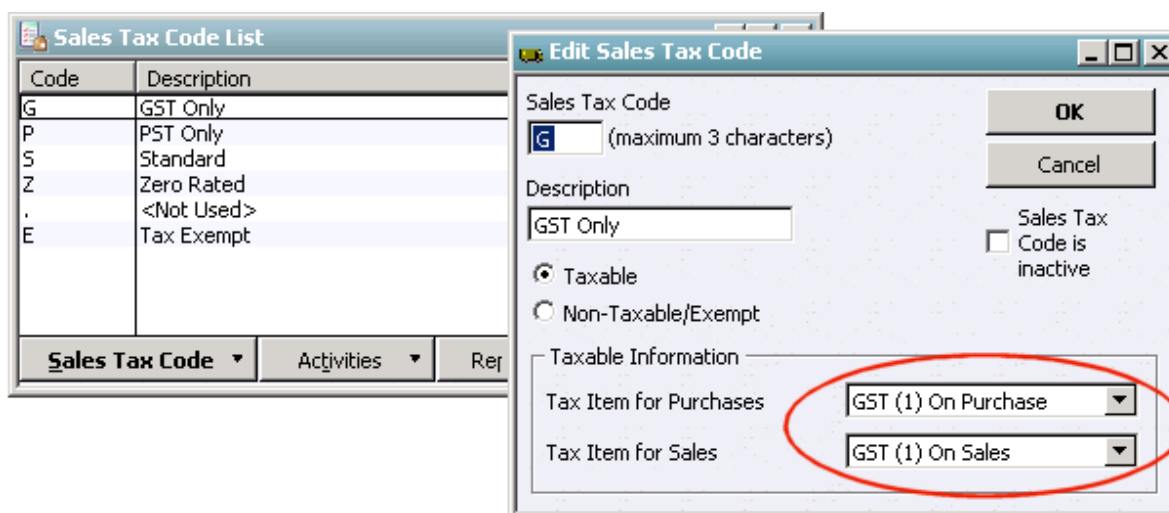
Create Trial Balance Report

Joan creates an accrual-based Trial Balance report in QuickBooks 2008. She confirms that the balances in her sales tax accounts are the same as before the upgrade.

Next, she checks her sales tax codes and sales tax items.

Customize Sales Tax Codes and Items

Joan reviews her sales tax codes. She finds that each code now links to sales tax items. These items calculate the amount of tax and report it on a specific line of a sales tax return.



Because each sales tax item represents a single line of a sales tax return, there are a lot of sales tax items. This also means that there are separate sales tax items for sales and for purchases. Tax collected on sales is always reported on its own line. Tax on purchases, if you can claim it, has a separate line on the sales tax return.

Rename items with numbers

Joan uses the sales tax codes **G** (for charging only GST), **P** (for charging only PST), and **S** (for charging GST and PST). She finds that these sales tax codes link to the following sales tax items:

Tax Code		Name	Description	Type	Account	O..	Price
		Site Work	Site Work	Service	Painting		28.00
		Brush, med angle		Non-inventory Part	Job Materials		0.00
		Customer Holdback	Customer Holdback	Other Charge	Holdbacks ...		
		Deposit	Customer Deposit	Other Charge	Customer ...		
		Vendor Holdback	Vendor Holdback	Other Charge	Holdbacks		
		Subtotal	Subtotal	Subtotal			
		Supplies package		Group			
		Partial Payment		Payment	Undeposite...		
G		GST (1) On Purchase	GST On Purchase	Sales Tax Item	GST Payable		5.0%
		GST (1) On Sales	GST On Sales	Sales Tax Item	GST Payable		5.0%
		GST (2) On Purchase	GST On Purchase	Sales Tax Item	GST Payable		0.0%
		GST (2) On Sales	GST On Sales	Sales Tax Item	GST Payable		0.0%
P		GST (ITC) Adjustments	GST Adjustments on purchases (Line 107)	Sales Tax Item			0.0%
		GST Adjustments	GST Adjustments on sales (Line 104)	Sales Tax Item			0.0%
		GST Instalments	Instalments and net tax paid (Line 110)	Sales Tax Item			0.0%
		PST (2) On Purchase	PST On Purchase	Sales Tax Item			0.0%
S		PST (2) On Sales	PST On Sales	Sales Tax Item	PST Payable		0.0%
		PST (3) On Purchase	PST On Purchase	Sales Tax Item			8.0%
		PST (3) On Sales	PST On Sales	Sales Tax Item	PST Payable		8.0%
		PST (ON) Adjustment	PST (ON) Adjustments on sales (Line 6)	Sales Tax Item			0.0%
	PST (ON) Compensation	PST (ON) Compensation (Line 5)	Sales Tax Item			0.0%	
	GST,PST (2) On Purchase	GST,PST On Purchase	Sales Tax Group			0.0%	
	GST,PST (2) On Sales	GST,PST On Sales	Sales Tax Group			0.0%	
	GST,PST (4) On Purchase	GST,PST On Purchase	Sales Tax Group			13.0%	
	GST,PST (4) On Sales	GST,PST On Sales	Sales Tax Group			13.0%	

Why do the sales tax items have numbers?

If you had sales tax codes that represented different rates of the same tax, you will see numbers in your sales tax items after you upgrade. Rather than make assumptions about how you would like these items named, QuickBooks uses the numbers as placeholders.

For example, if you had codes for charging GST at 7%, 6% and 0%, when you upgrade, you might see sales tax items called GST (1) On Sales, GST (2) On Sales, and GST (3) On Sales, as well as GST (1) On Purchase, GST (2) On Purchase, and GST (3) On Purchase.

Tip

The name of the sales tax item prints on invoices and other forms. The tax rate automatically prints next to the item name, so you may want to avoid including the tax rate in the name of your tax items.

	Rate	Amount	Tax
	32.00	384.00	S
Reg GST on sale	5.0%	19.20	Edit
PST on sale	8.0%	30.72	
Total		433.92	

Joan decides to rename the sales tax items that she uses regularly. For example, she double-clicks "GST (1) On Sales" and changes the name to "Reg GST on sale", where Reg stands for regular rate.

Edit Item Type a help question **Ask** **How Do I?**

Type: Sales Tax Item Use to calculate a single sales tax at a specific rate that you pay to a single sales tax agency.

Sales Tax Name: Reg GST on sale

Description: GST 5% on sales

Tax Rate (%) or Amt: 5.0% Tax Agency (vendor that you collect for): Receiver General

Assign this item to a line of the tax agency's sales tax return.
Sales Tax Return Line: Line 103 GST/HST collected or collectible
[What sales tax line do I choose?](#)

Item is inactive

OK
Cancel
Spelling

She also renames the sales tax group items that she uses.

Edit Item Type a help question **Ask** **How Do I?**

Type: Sales Tax Group Used to calculate and individually track two or more sales tax items that apply to the same sale or purchase.

Group Name/Number: GST & PST on Sale

Description: GST+ PST group for sales

Choose each sales tax item to include in this group. QuickBooks will display the total tax from these items as one amount, but you can still report on each item individually.

Tax Item	Rate	Tax Agency	Description
Reg GST on Sale	5.0%	Receiver General	GST On Sales
PST on Sale	8.0%	Minister of Finance	PST On Sales
Group Rate		13.0%	

Item is inactive

OK
Cancel
Spelling

Customize zero-rate (Z) items

In her business, Joan doesn't supply any zero-rated sales or services. So, she decides to hide the zero-rate items on her item list.

Name	Description	Type	Account	O..	Price
Site Work	Site Work	Service	Painting		28.00
Brush, med angle		Non-inventory Part	Job Materials		0.00
Customer Holdback	Customer Holdback	Other Charge	Holdbacks ...		
Deposit	Customer Deposit	Other Charge	Customer ...		
Vendor Holdback	Vendor Holdback	Other Charge	Holdbacks		
Subtotal	Subtotal	Subtotal			
Supplies package		Group			
Partial Payment		Payment	Undeposite...		
Reg GST on purchase	GST (ITC) 5% on purchases	Sales Tax Item	GST Payable		5.0%
Reg GST on sale	GST 5% on sales	Sales Tax Item	GST Payable		5.0%
GST (2) On Purchase	GST On Purchase	Sales Tax Item	GST Payable		0.0%
GST (2) On Sales	GST On Sales	Sales Tax Item	GST Payable		0.0%
GST (ITC) Adjustments	GST Adjustments on purchases (Line 107)	Sales Tax Item			0.0%
GST Adjustments	GST Adjustments on sales (Line 104)	Sales Tax Item			0.0%
GST Instalments	Instalments and net tax paid (Line 110)	Sales Tax Item			0.0%
PST (2) On Purchase	PST On Purchase	Sales Tax Item			0.0%
PST (2) On Sales	PST On Sales	Sales Tax Item	PST Payable		0.0%
PST on purchase	PST expense 8% on purchases	Sales Tax Item			8.0%
PST on sale	PST 8% on sales	Sales Tax Item	PST Payable		8.0%
PST (ON) Adjustment	PST (ON) Adjustments on sales (Line 6)	Sales Tax Item			0.0%
PST (ON) Compensation	PST (ON) Compensation (Line 5)	Sales Tax Item			0.0%
GST,PST (2) On Purchase	GST,PST On Purchase	Sales Tax Group			0.0%
GST,PST (2) On Sales	GST,PST On Sales	Sales Tax Group			0.0%
GST & PST on purchase	GST + PST group for purchases	Sales Tax Group			13.0%
GST & PST on sale	GST + PST group for sales	Sales Tax Group			13.0%

She double-clicks each of these zero-rate items and group items, clicks Item is inactive, then clicks **OK** to save the change.

Edit Item Type a help question **Ask** **How Do I?**

Type: Sales Tax Item Use to calculate a single sales tax at a specific rate that you pay to a single sales tax agency.

Sales Tax Name: GST (2) On Sales

Description: GST On Sales

Tax Rate (%): 0.0% Tax Agency (vendor that you collect for): Receiver General

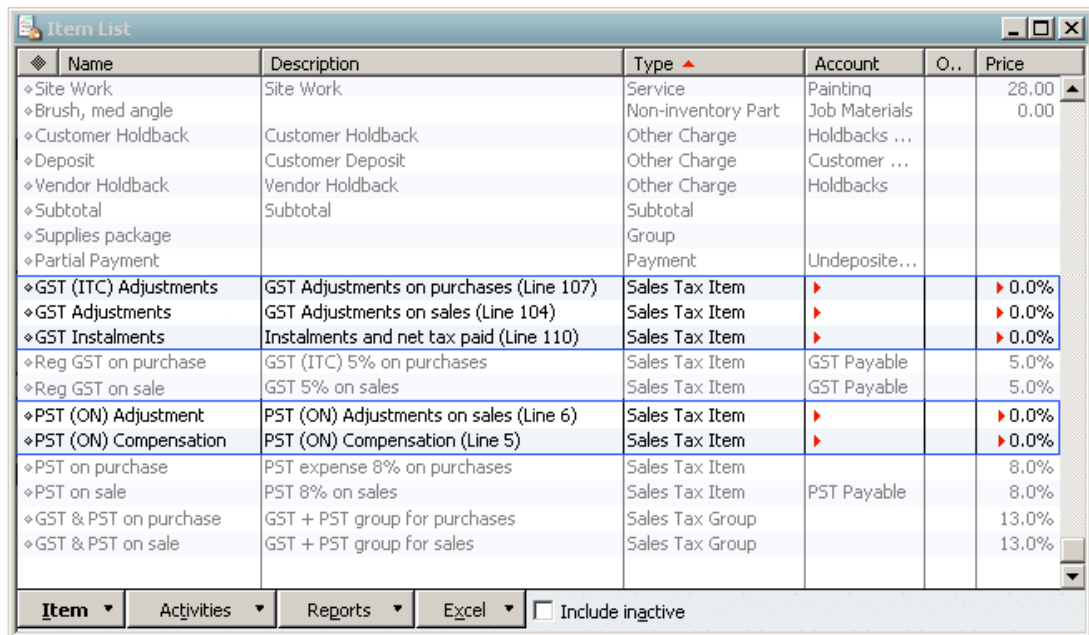
Assign this item to a line of the tax agency's sales tax return. Sales Tax Return Line: Line 103 GST/HST collected or collectible

Item is inactive

Buttons: OK, Cancel, Spelling

Check the instalment, adjustment, and compensation/commission items

There is a known issue with these sales tax items in the early releases of QuickBooks 2008.

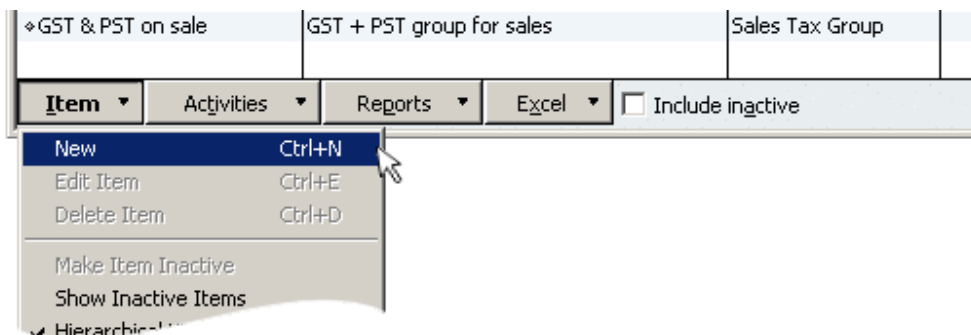


Name	Description	Type	Account	O..	Price
Site Work	Site Work	Service	Painting		28.00
Brush, med angle		Non-inventory Part	Job Materials		0.00
Customer Holdback	Customer Holdback	Other Charge	Holdbacks ...		
Deposit	Customer Deposit	Other Charge	Customer ...		
Vendor Holdback	Vendor Holdback	Other Charge	Holdbacks		
Subtotal	Subtotal	Subtotal			
Supplies package		Group			
Partial Payment		Payment	Undeposite...		
GST (ITC) Adjustments	GST Adjustments on purchases (Line 107)	Sales Tax Item			0.0%
GST Adjustments	GST Adjustments on sales (Line 104)	Sales Tax Item			0.0%
GST Instalments	Instalments and net tax paid (Line 110)	Sales Tax Item			0.0%
Reg GST on purchase	GST (ITC) 5% on purchases	Sales Tax Item	GST Payable		5.0%
Reg GST on sale	GST 5% on sales	Sales Tax Item	GST Payable		5.0%
PST (ON) Adjustment	PST (ON) Adjustments on sales (Line 6)	Sales Tax Item			0.0%
PST (ON) Compensation	PST (ON) Compensation (Line 5)	Sales Tax Item			0.0%
PST on purchase	PST expense 8% on purchases	Sales Tax Item			8.0%
PST on sale	PST 8% on sales	Sales Tax Item	PST Payable		8.0%
GST & PST on purchase	GST + PST group for purchases	Sales Tax Group			13.0%
GST & PST on sale	GST + PST group for sales	Sales Tax Group			13.0%

If Joan tries to use any of these sales tax items, for example when making her next instalment payment, she sees a message “This tax item doesn’t have a valid tax account”.

Also, the return line for each of these items requires an absolute amount, not a rate. If you see a percent sign (%) in the Price column, you need to replace these items by creating new items. Note: the new items need to have a slightly different name than the original ones.

QuickBooks doesn’t allow a percentage tax item to be changed to a fixed amount tax item, so Joan has to create new items to replace these ones.



In the New Item window, she chooses **Sales Tax Item** as the item type.

Joan completes the item as shown below.

New Item Type a help question **Ask** **How Do I?**

Type
 Sales Tax Item Use to calculate a single sales tax at a specific rate that you pay to a single sales tax agency.

Sales Tax Name
 GST Instalments paid

Description
 GST Instalments and net tax paid (line 110)

Tax Rate (%) or Amt Tax Agency (vendor that you collect for)
 0.00 Receiver General

Assign this item to a line of the tax agency's sales tax return.
 Sales Tax Return Line Line 110 Instalment and other annual filer paym...
[What sales tax line do I choose?](#)

Item is inactive

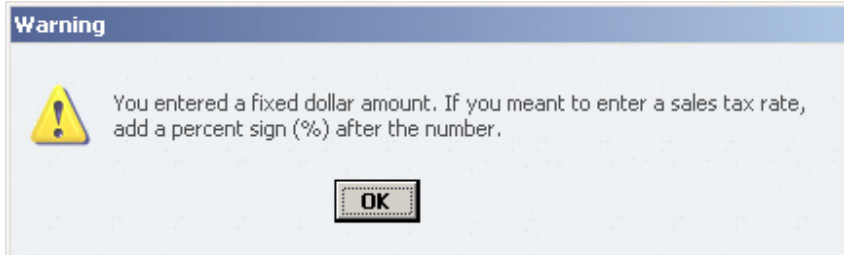
OK
 Cancel
 Next
 Spelling

Notes and Tips

*Use a slightly different name for the replacement sales tax items – you can't use the same name.

*You have to choose the Tax Agency before you can choose the sales tax return line.

*When creating a sales tax item that is a fixed dollar amount, you'll see a warning message. Click OK to confirm that this tax is actually a fixed amount then continue creating the item.

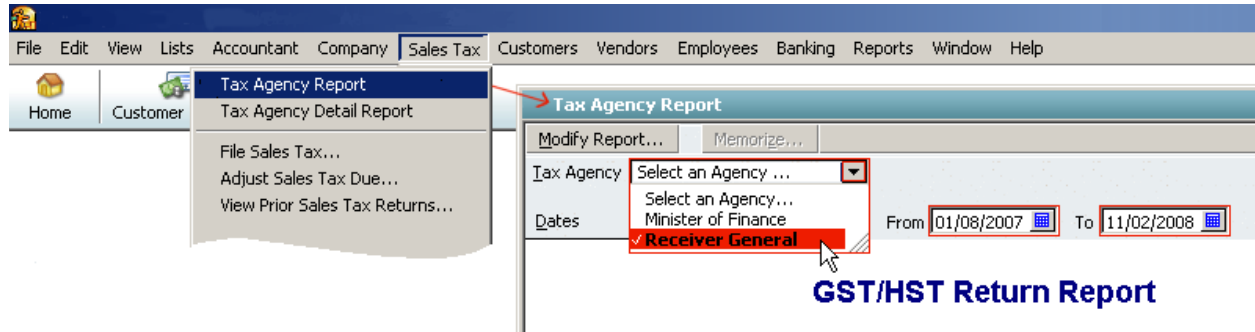


Create Tax Reports and Classify Uncategorized Amounts

Joan begins by checking the sales tax information for the federal agency.

Tax agency report

Just after upgrading, Joan creates a federal Tax Agency Report from the end of her last filed sales tax period to the present day. This is similar to the GST Liability report in earlier versions of QuickBooks.



She checks the report for uncategorized tax amounts and finds an uncategorized amount of \$-430.00

Line 113C Balance	<u>702.63</u>
Uncategorized Tax Amounts	-430.00

Note that the total of the Line 113C Balance (\$702.63) plus the uncategorized amount (-\$430.00) equals the balance in the GST Payable account (\$272.63) as seen in the Trial Balance report.

Uncategorized???

Uncategorized amounts are not included on any return line as QuickBooks doesn't know which lines they belong to.

In the File Sales Tax window, the total owing or refundable is correct and takes the uncategorized amount into account.

For example, the return line balance of 702.63 plus the uncategorized balance of -430.00 equals the \$272.63 owing. This "bottom line" is also the balance in your sales tax liability account (e.g. GST Payable).

Remember to take the uncategorized amounts into account – either by categorizing them using sales tax adjustments, or include them by hand when you fill out your personalized paper return.

File Sales Tax

Tax Agency: Receiver General From: 01/08/2007 To: 11/02/2008

Sales Tax Line	Amount
▶ Uncategorized Tax Amounts	-430.00
Line 101 Sales and other revenue	12,992.00
Line 103 GST/HST collected or collectible	754.56
Line 104 Adjustments	0.00
Line 105 Total GST/HST and adjustments for period	754.56
Line 106 Input tax credits (ITCs)	51.93
Line 107 Adjustments	0.00
Line 108 Total ITCs and adjustments	51.93
Line 109 Net Tax	702.63
Line 110 Instalment and other annual filer payments	0.00
Line 111 Rebates	
Line 112 Total other credits	0.00
Line 113A Balance	702.63
Line 205 GST/HST due on acquisition of taxable real property	0.00
Line 405 Other GST/HST to be self-assessed	0.00
Line 113B Total other debits	0.00
▶ Line 113C Balance	702.63

You owe sales tax of \$272.63 to Receiver General.

Tax agency detail report

Joan creates a federal Tax Agency Detail report to see what's included in the uncategorized amount. She modifies the report and adds the Memo column to see notes about the transactions.

Tax Agency Detail Report

Tax Agency: Receiver General From: 01/08/2007 To: 11/02/2008

Type	Date	Num	Source Name	Memo	Amount	Balance
Sales						
Sales Receipt	06/09/2007	2		Painting	1,664.00	0.00
Sales Receipt	02/10/2007	3		Painting		
Sales Receipt	20/11/2007	4			537.84	537.84
					396.90	934.74
Purchases						
					934.74	934.74
▶ Uncategorized Tax Amounts						
Cheque	13/08/2007		Receiver General	GST - From 01/08/2006 ...	-633.24	633.24
Cheque	31/01/2008		Minister of Finance	GST instalment	-500.00	0.00
General Journal	12/10/2007	1	Receiver General	Northeast project - phas..	70.00	-430.00
Uncategorized Tax Amounts					-1,063.24	-430.00

The amount owing from Joanne's previous filing and the payment of that amount is 633.24

She finds that the uncategorized amount results from two transactions that she made after she filed her last GST return. One was a cheque that she wrote to the Receiver General for an instalment payment of \$500 (which decreased her tax liability). The other was a sale that was entered as a journal entry and that increased her GST liability by \$70. Neither of these transactions included a sales tax code, so QuickBooks puts them into the uncategorized "bucket" during the upgrade.

Note: Just after you upgrade, the balance from your previous sales tax period will appear at the top of the uncategorized section of the Tax Agency Detail report. If you paid the amount owing (or received the refund) before you upgraded, you'll also see the offsetting transaction in the uncategorized area. Ignore these amounts - don't make any adjustments for them.

Classify uncategorized tax amounts

Joan creates sales tax adjustments to move each of her uncategorized amounts to the correct line of the GST/HST return.

Adjustment 1 - Categorizing the instalment payment

Sales Tax Adjustment

Adjustment Date: 11/02/2008

Entry No.: 5

Tax Agency: Receiver General

Sales Tax Item: GST Instalments paid

Tax Line: **Line 110 Instalment and other annual filer payments**

Sales Tax Account: **GST Payable**

[What account should I pick?](#)

Adjustment Account: GST Payable

Amount: 500.00

Increase Sales Tax line
 Decrease Sales Tax line

Memo: Adjusting for instalment made B4 upgrade

OK Cancel Help

1. Choose the agency
2. Choose the item. The return line that it links to appears underneath.
3. Choose the account. Use the sales tax account **only if** you're classifying uncategorized amounts.
4. Enter the amount and keep "Increase Sales Tax line" on. The result is an increase (from \$0 to \$500) on line 110 of the return.

Adjustment 2 - Categorizing the amount that was entered as a journal entry

The sales tax return line that is being changed. This comes from the item selected above.

The sales tax liability account that is being adjusted. This comes from the tax agency selected above.

End result: \$70 moved from the uncategorized bucket in the GST Payable account to a specific return line in the same account.

After the adjustments, Joan's reports and the File Sales Tax window have no uncategorized amounts.

Line 113C Balance	<u><u>272.63</u></u>
Uncategorized Tax Amounts	0.00

Also, the return balance (the amount for line 113C) is now the same as the total owing to the Receiver General and the balance in the GST Payable account.

Check other tax agencies

Once Joan finishes adjusting the federal sales tax amounts, she repeats the steps for her provincial sales tax agency.

Line 7 Total Tax Due	<u>1,216.96</u>
Uncategorized Tax Amounts	0.00

Since she has no uncategorized tax here, she does not need to make a sales tax adjustment to her PST Payable account.

Down to Business – using your upgraded file

Joan is now ready to use her upgraded company file.

From now on, she always uses a sales tax code (e.g. on transaction forms) or a sales tax item (e.g. for sales tax adjustments or journal entries) for every transaction that involves a sales tax liability account. That way, she doesn't create any new uncategorized sales tax amounts in her upgraded company file.

Joan also makes sure to **use the File Sales Tax feature** to file her returns in QuickBooks before she fills out her personalized paper return. The sales tax reports are cumulative – in other words, they include all sales tax amounts that have not been filed in QuickBooks. In order to start the reports for each new sales tax period at zero, you need to use the File Sales Tax feature.

For more information on sales tax tracking and sales tax features, see the in-product help.