

## Adagio Payables

### Automatic Calculation of GST Input Tax Credits on Purchases

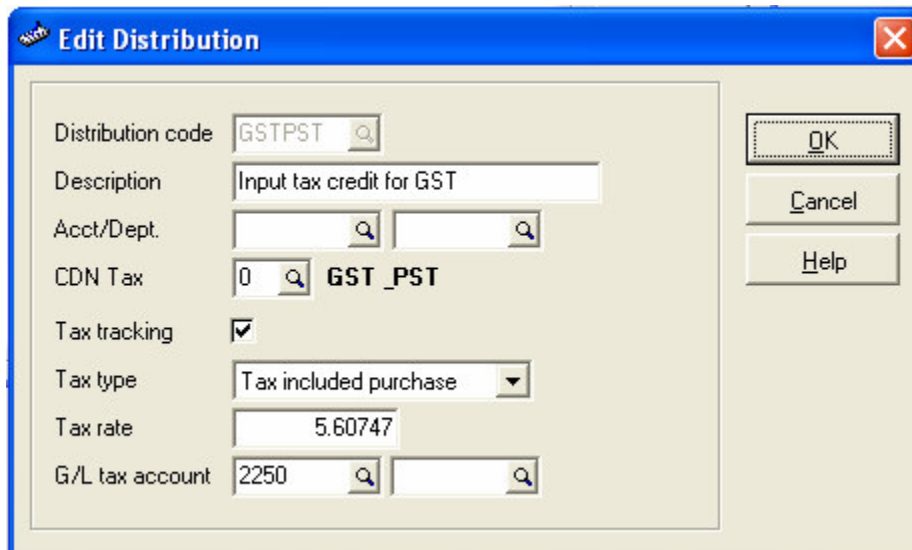
#### Preparing

Select *Edit / Company Profile* and click on the *Tax Information* tab.

Set the tax tracking report to include all details; allow edit of the tax code; and put in any short name you like to the tax code name.

#### Setup

Now set distribution codes to calculate the tax amounts.



The screenshot shows the 'Edit Distribution' dialog box with the following fields and values:

Field	Value
Distribution code	GSTPST
Description	Input tax credit for GST
Acct/Dept.	
CDN Tax	0 GST_PST
Tax tracking	<input checked="" type="checkbox"/>
Tax type	Tax included purchase
Tax rate	5.60747
G/L tax account	2250

You can use any code (up to 6 characters). Put in an appropriate description.

Leave the account and department blank. Turn on tax tracking. Select *Tax included purchase* for the tax type.

Calculate the tax rate by the method shown on the next page.

Enter the account for the GST tax credits.

You will need codes for purchases with GST only and for those with GST and PST.

Non-profit groups that only get half the GST back will need separate codes for those purchases.

## Calculating the tax rate

For purchases that include both GST and PST, you need to calculate the portion of the total that is GST. The formula for that is:

$$\text{GST-RATE} / (1 + \text{PST-RATE})$$

Here are some common examples:

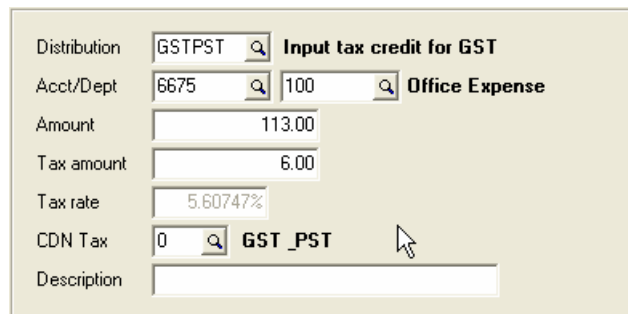
<i>GST Rate</i>	<i>PST Rate</i>	<i>Tax rate for GST ITC</i>
5.00	7.00	4.6728
6.00	7.00	5.6075
3.00	7.00	2.80374
3.50	7.00	3.27103
2.50	7.00	2.3764
5.00	-	5.00
6.00	-	6.00000

(Lines 2 and 3 above are for non-profit organizations claiming back half the GST.)

## Using the Distribution Code

When entering invoices in Adagio Payables, first select the distribution code that applies to line item on the invoice.

Then enter the account and department (if they are not pulled from the default in the vendor record.)



The screenshot shows a software interface with the following fields and values:

- Distribution:  **Input tax credit for GST**
- Acct/Dept:   **Office Expense**
- Amount:
- Tax amount:
- Tax rate:
- CDN Tax:  **GST\_PST**
- Description:

For the *Amount*, enter the total amount including taxes.

When you tab out of that field, Adagio will calculate the GST.

The GST amount will post to the selected GST tax credit account. The rest of the amount will post to the selected expense or asset account.