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Tracking GST

This tip only applies to QuickBooks

QuickBooks now handles the GST on a proper accounting basis by recording a refund due as a receivable and a balance owing as a payable. This setup works well as long as everything goes smoothly in that refunds are received as expected and you pay any liability on time. However, in the real world this is not always the case.

If an expected refund is held by CRA for some reason, then later applied to a balance owing, you will then be faced with making various journal entries to correct your accounting records.

Rather than process the GST through either receivables or payables, I set up a separate account as an “Other Current Liability” and name it “GST Filing Balance”. I use this account to track all GST filings, payments made and refunds received.

Use the normal steps provided by QuickBooks to process your GST filing. QuickBooks will then make a journal entry for the accounting entries required.

The next step is to edit the journal entry created by QuickBooks and change the account posting for the net balance owing or receivable to “GST Filing Balance”. You can find the journal entry by either checking the customer center under “Receiver General” or the vendor center again under “Receiver General” depending on whether you have a refund or an amount to pay.

The only difference with this setup compared to the QuickBooks setup is that you will have to manually prepare a cheque to pay a balance owing and record the payment to “GST Filing Balance”. When you receive a refund, you also record it in the same account, the “GST Filing Balance”.

By opening the “GST Filing Balance” account, you can use the reconciliation feature of Quickbooks to clear offsetting transactions. If any amount does not match, you should investigate the reason for the discrepancy and make the appropriate corrections.

This setup also allows you to easily review your GST filings in one account rather than having to check both customer and vendor accounts.