



QUICKBOOKS 2021 STUDENT GUIDE

Lesson 11

Tracking and Paying Sales Tax

intuit.

Copyright

Copyright 2021 Intuit, Inc.
All rights reserved.

Intuit, Inc.
5100 Spectrum Way
Mississauga, ON. L4W 5S2

Trademarks

©2021 Intuit Inc. All rights reserved. Intuit, the Intuit logo, Intuit ProLine, Lacerte, ProAdvisor, ProSeries and QuickBooks, among others, are trademarks or registered trademarks of Intuit Inc. in the United States and other countries. Other parties' marks are the property of their respective owners.

Notice to Readers

The publications distributed by Intuit, Inc. are intended to assist accounting professionals in their practices by providing current and accurate information. However, no assurance is given that the information is comprehensive in its coverage or that it is suitable in dealing with a client's particular situation. Accordingly, the information provided should not be relied upon as a substitute for independent research. Intuit, Inc. does not render any accounting, legal, or other professional advice nor does it have any responsibility for updating or revising any information presented herein. Intuit, Inc. cannot warrant that the material contained herein will continue to be accurate nor that it is completely free of errors when published. Readers should verify statements before relying on them.

Table of Contents

Lesson Objectives 4

Overview of Sales Tax in QuickBooks 5

Sales Tax Reports10

Review Activities13

Lesson Objectives

- Learn how QuickBooks handles sales tax in QuickBooks (the steps involved in tracking, collecting, and remitting)
- Learn how to set up QuickBooks to track sales tax
- Learn how to apply sales tax to a sale
- Learn how to determine a business's sales tax liability
- To remit sales tax to an agency

Overview of Sales Tax in QuickBooks

Sales Tax Overview

If you collect sales tax, QuickBooks helps automate your sales tax tracking so you can keep accurate records about the sales tax you collect and pay. QuickBooks sets up sales tax for your location.

In this section you'll learn more about sales tax concepts. This will help you understand how QuickBooks uses sales tax items, rates, and codes to track the sales tax you collect from your customers and pay to your tax agency.

Sales Tax Agency: The government agency that sets the requirements for sales tax collection and payment, e.g., CRA. Sales tax agencies are set up as vendors, because you make payments to them. Separate vendors are set up for each tax agency depending on your province. For example, in Ontario you will have a "Receiver General" vendor and a "Ministry of Finance (ON)" vendor.

Sales Tax Code: The identifier that you use on forms to charge sales tax. Behind the scenes, the sales tax code represents a sales tax item, or a sales tax group item. You can see all of your sales tax codes in the Sales Tax Codes List.

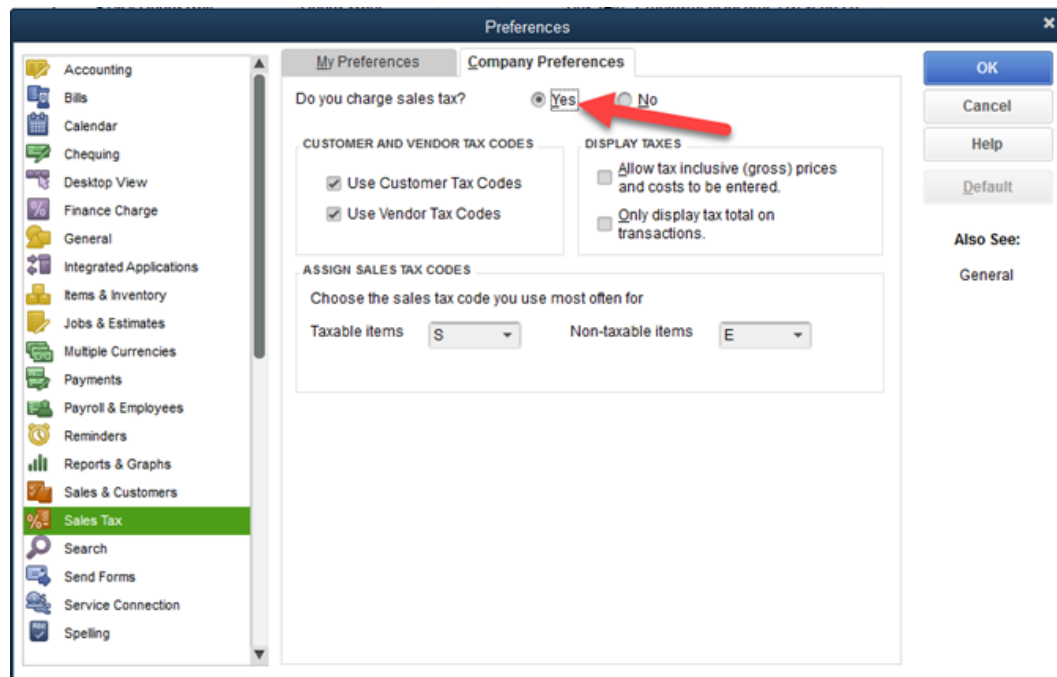
Sales Tax Item: A QuickBooks item (found in the Item List) that stores the sales tax rate or amount. It is used behind the scenes to calculate the appropriate sales tax for each transaction. Each sales tax item links to a specific line of the sales tax return, therefore there are separate sales tax items for things you sell and things you buy.

Sales Tax Group: A QuickBooks item that combines 2 or more sales tax items so you can represent the group by a single sales tax code. For example, Tax A of 5% on sales and Tax B of 8% on sales are combined in a sales tax group item. A sales tax code called "A+B" is used on sales forms to track and report each separate tax amount to its correct sales tax account and agency.

NOTE: All of this information is setup for you when you tell QuickBooks in which province your business is located during the company setup process (Interview Process). This information explains the terms that QuickBooks uses to track your sales tax behind the scenes.

If your sales tax is not enabled do the following:

1. Click **Edit** and then click **Preferences**.
2. Click **Sales Tax** and then click **Company Preferences**.
3. Select **Yes**.



4 Easy Steps to track and pay your sales tax:

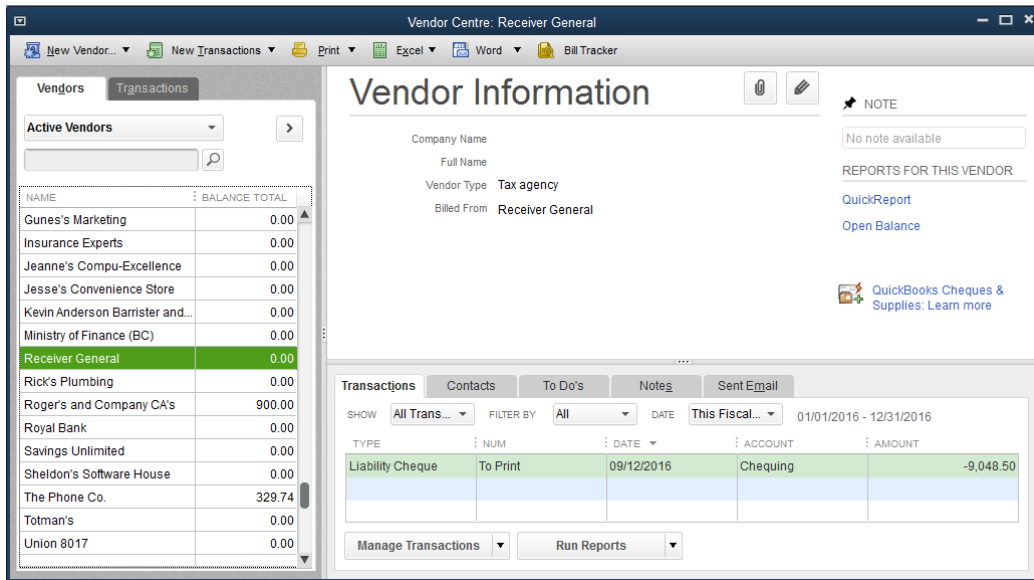
1. **Set up your tax rates and agencies** – QuickBooks does this for you. Tax rates are the rates for GST, HST, PST and QST. Agencies are the Receiver General and the Minister of Finance for each province.
2. **Add sales tax to sales transactions** – you'll add sales tax codes to QuickBooks sales transactions like invoices and sales receipts. QuickBooks will track the sales tax collected.
3. Add sales tax to expense and purchase transactions.
4. Remit your sales tax.



NOTES

Set up Tax Agencies

QuickBooks does this for you. You can view the Receiver General in the **Vendor Centre**.



Adding Sales Tax to Sales Transactions

Here's how sales tax is used and calculated on a transaction form:

The **sales tax code**, shown in the Tax column of the transaction form, is the one you assigned to the product or service.

The sales tax code represents a **sales tax item** or **sales tax group item**, which contains the **sales tax rate** and other details. QuickBooks uses this information to calculate the sales tax and link it to a sales tax agency (e.g. the Receiver General), and a line on the agency's sales tax return.

The tax total area at the bottom of the line items shows the sum of the GST/HST and provincial sales tax, if applicable, for the entire transaction.

While there are places to set defaults for these tax settings, you can also modify each invoice accordingly. This is an important thing to understand if your business works in multiple states and if it is a combination wholesaler/retailer.

To add sales tax to a customer transaction:

1. Open the sales transaction form.
2. Add the **Customer, Date, Item, Quantity** and **Amount**.
3. In the **Tax** column choose the Tax code. The code will calculate the amount based on the % tax of the linked tax item (QuickBooks summarizes the total of the sales tax collected on this invoice in the GST on Sales field).
4. Save the transaction. QuickBooks now records the sales tax amount collected to the appropriate sales tax item and makes an entry in the appropriate sales tax liability account.

Create Invoices

Customer: **Jeremy Kitchen Renovation** | Template: **Invoice from Proposal**

Invoice

INVOICE DATE: 06/25/2017 | INVOICE #: 8

BILL TO: Greene, Jeremy
133 Sunnyside Blvd
Vancouver, BC
V2H 1S0

ITEM	DESCRIPTION	QTY	RATE	CURRENT AMOUNT	TAX
Direct Labour:Cabinetry & Count. Lab.	Cabinetry & Countertops	0.6	4,500.00	2,700.00	G
Direct Labour:Drywall Labour	Drywall Labour	0.6	450.00	270.00	G
Direct Labour:Electrical Labour	Electrical Labour	0.6	1,350.00	810.00	G

GST ON SALES 5.0% 5.0%: 1,491.85

TOTAL: 31,328.85
PAYMENTS APPLIED: 28,866.85
BALANCE DUE: 2,462.00

Buttons: Save & Close, Save & New, Revert

Adding Sales Tax to Expense and Purchase Transactions

In order to capture the sales tax portion of expense and purchase transactions, QuickBooks lets you record sales tax codes on all purchase transactions. This captures the “input tax credits” that will be used in the calculation of your sales tax payable to your tax agency.

To record sales tax on purchase transactions, do the following:

1. Open the expense or purchase transaction like a bill, credit card expense or cheque:
2. Choose the vendor in the **Purchased from** field, enter the **Date** and **Amount** in the top portion of the transaction.
3. Choose the **Account** to track the expense. **NOTE:** You can setup the expense account with a default tax code that will display each time you choose the account on an expense transaction. If the account has a default tax code, you are not required to do anything.
4. Choose the **Tax Code**. QuickBooks calculates the sales tax amount and it is displayed in the footer portion of the transaction.
5. Click **Save** to record the transaction.

Enter Credit Card Charges - Visa

Main Reports

Find New Save Delete Create a Copy Memorize Attach File Download Card Charges Select PO Enter Time Clear Splits Recalculate

CREDIT CARD Credit Cards: Visa Purchase/Charge Refund/Credit ENDING BALANCE 4,755.00

Credit Card Purchase/Charge

PURCHASED FROM Sheldon's Software House DATE 07/15/2016

REF NO. AMOUNT 920.85

MEMO

Expenses \$877.00 Items \$0.00 Ready to pay a credit card bill?

ACCOUNT	TAX	AMOUNT	MEMO	CUSTOMER...	BILLAB...
Supplies:Office Supplies	G	877.00	New software for QuickBooks		

VENDOR TAX CODE GST (ITC) 5.0% 43.85 Edit

0.00

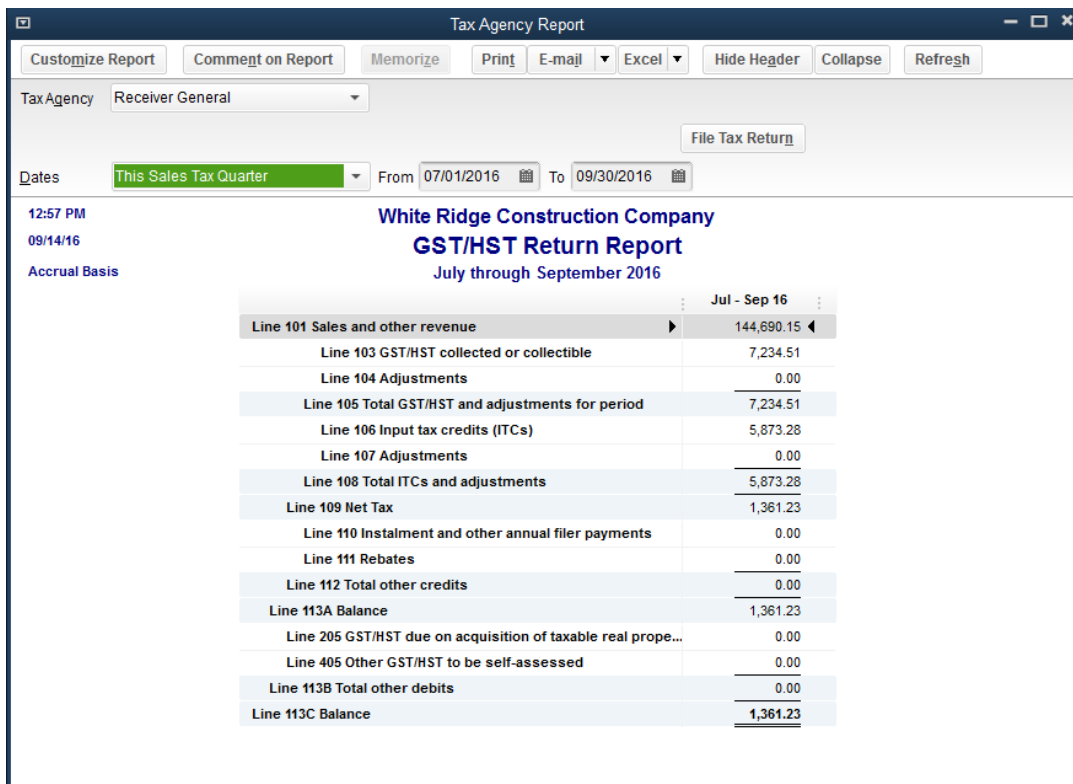
Save & Close Save & New Clear

Sales Tax Reports

You can create several reports that help you understand your sales tax liabilities in QuickBooks. The most important report is the Tax Agency report. This report shows you the information for each line of the sales tax return. This will help you as you file your return in QuickBooks and then complete and submit your return to your sales tax agency. Sales tax reports are on an accrual basis, as required by CRA.

Sales Tax Agency Report – GST/HST Return Report

1. Go to the **Sales Tax** menu, then click **Tax Agency Report**.
2. Choose the **Agency (Receiver General, Minister of Finance, etc.)**
3. In the **Dates** field, set the date range of the sales tax filing. QuickBooks displays the report.



The screenshot shows the 'Tax Agency Report' window in QuickBooks. The report is for 'White Ridge Construction Company' and is a 'GST/HST Return Report' for the period 'July through September 2016'. The tax agency is set to 'Receiver General'. The dates are '07/01/2016' to '09/30/2016'. The report is on an 'Accrual Basis'.

	Jul - Sep 16
Line 101 Sales and other revenue	144,690.15
Line 103 GST/HST collected or collectible	7,234.51
Line 104 Adjustments	0.00
Line 105 Total GST/HST and adjustments for period	7,234.51
Line 106 Input tax credits (ITCs)	5,873.28
Line 107 Adjustments	0.00
Line 108 Total ITCs and adjustments	5,873.28
Line 109 Net Tax	1,361.23
Line 110 Instalment and other annual filer payments	0.00
Line 111 Rebates	0.00
Line 112 Total other credits	0.00
Line 113A Balance	1,361.23
Line 205 GST/HST due on acquisition of taxable real prope...	0.00
Line 405 Other GST/HST to be self-assessed	0.00
Line 113B Total other debits	0.00
Line 113C Balance	1,361.23



NOTES

Filing Sales Tax

1. Go to the **Sales Tax** menu and click **File Sales Tax**.
2. Click the **Tax Agency** drop-down arrow and select the **Sales Tax Agency** (e.g. Receiver General).
3. Check the dates that QuickBooks shows in the From and To fields.
4. The detail area displays all the lines in the agency's sales tax return, with the balance owing or receivable at the bottom.
5. Click **File Tax Return**.

The screenshot shows the 'File Sales Tax' window with the following details:

- Tax Agency:** Receiver General
- Dates:** Custom
- From:** 07/01/2016
- To:** 09/30/2016

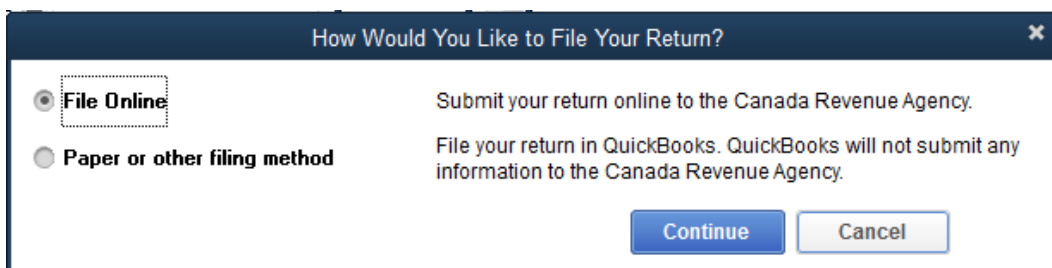
SALES TAX DESCRIPTION	LINE	AMOUNT	BALANCE
Sales and other revenue	101	144,690.15	
GST/HST collected or collectible	103	7,234.51	
Adjustments	104	0.00	
Total GST/HST and adjustments for period	105		7,234.51
Input tax credits (ITCs)	106	5,873.28	
Adjustments	107	0.00	
Total ITCs and adjustments	108		5,873.28
Net Tax	109		1,361.23
Instalment and other annual filer payments	110	0.00	
Rebates	111	0.00	
Total other credits	112		0.00
Balance	113A		1,361.23
GST/HST due on acquisition of taxable real property	205	0.00	
Other GST/HST to be self-assessed	405	0.00	

Buttons: Adjust Return, Print Return

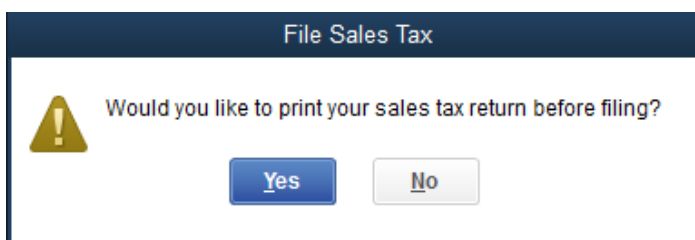
Summary: **Your sales tax return is ready to file**
 Amount you owe in sales tax: 1,361.23
 How is this calculated? [File Return](#)

Help with this screen [Cancel](#)

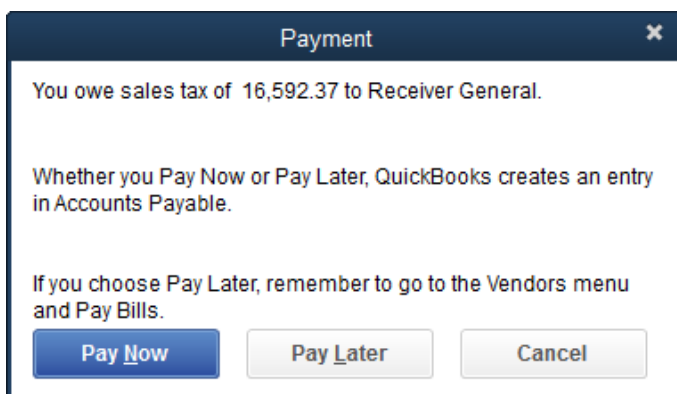
6. Select **How Would You Like to File Your Return?**
7. Click **Continue**.



8. Choose if you'd like to Print your return.



9. You can choose to **Pay Now** or **Pay Later**. **Pay Now** will record the payment immediately. Choosing Pay Later will make an entry in the Accounts Payable. You will pay later by going to the **Pay Bills** window and paying the bill.



Review Activities

1. From the **File menu** in QuickBooks, choose **Open or Restore Company**. QuickBooks displays the **Open or Restore Company window**.
 2. Select **Restore a backup copy** and click **Next**.
 3. Select **Local backup** and click **Next**.
 4. In the **Open Backup Copy** window, navigate to the appropriate directory.
 5. Select the **qblesson.qbb** file, and then click **Open**.
 6. In the **Open or Restore Company** window, click **Next**.
 7. Navigate to your directory.
 8. In the **File Name** field of the **Save Company File As window**, type **Lesson11** and then click **Save**.
 9. Enter the **Password: QBDT2021!**
 10. Click **OK** when you see the message that the file has been successfully restored.
-
1. Create the GST/HST Report for the current sales tax quarter.
 2. File a GST Return for the current sales tax quarter. (i.e. Jan. – Mar., April to June, etc.) Add the bill to be paid later.