How to Adjust an HST Report in PCLaw® Software

Many bookkeepers for small law firms work part-time or on a contract basis, and are not in the office every day. They may do the bank reconciliations on one day, and calculate the Harmonized Sales Tax (HST) and payroll remittances on another. They then pass on the reports to the lawyer for payment.

The lawyer may wait till the end of the month when the HST is due, but many lawyers remit right away or by the fifteenth (the same date as payroll).

The banks need to be reconciled by the twenty-fifth. If the HST was remitted on the fifteenth, there is a gap of time from the HST payment and the prior month being closed. Examples of things that could affect the HST report are:

• Invoice write-offs
• Prior month expense invoices
• Posting The Conveyancer® invoice into PCLaw long after the closing date

For example, I have a client who likes to pay his HST immediately after the first. His Visa statement is issued at the end of the month and arrives early in the following month. I usually do the Visa entries during the first week of the month, but the HST has already been paid by this point in time. Posting the Visa entries on the statement date in the prior month results in new HST input tax credits (ITCs).

When I run the HST report for the next period, I will want to capture these ITCs from the previous period. This is why it is important to run two HST reports:

1. For the current reporting period (change both the start and end dates)
2. For all dates ending on the period ending date (change only the end date)

If you submit the report to someone else to remit the payment (e.g., my client remits online), you will want the current period report to display the amount owing, including the HST adjustments from the prior period. To do this, make a G/L adjustment on the last day of the prior period and reverse the entry on the first as follows:

1. Create an HST Adjustments G/L account (G/L 2401).
If your current report shows more HST is owing than the G/L balance, run the report for the prior period. It should show a refund balance.
2. To capture the refund, increase (credit) the HST owing (G/L 2400) by the refund amount for the prior period end date, and debit HST Adjustments (G/L 2401).
3. On the first of the month, decrease (debit) the HST owing by the same amount, and credit HST Adjustments.
4. For your explanations, refer to the other date (e.g., “HST adjustment — see July 1” and “HST adjustment — see June 30”).
5. Remember to select the “Show journal entry on HST journal” box.

To check your work, refresh the prior period HST report, and the refund should disappear (balance $0.00). On your current report, the report balance and the G/L balance should now be the same amount.