

Prepare a perfect invoice

Attention to invoicing helps keep a builder on the right side of Inland Revenue, and clients will be happier seeing what they are paying for.

THERE ARE CERTAIN THINGS that must be in an invoice and others that aren't a legal requirement but are recommended. In this article we don't consider payment claims under the Construction Contract Act.

Legal requirements

IRD has slightly different rules depending on the value of the invoice. There are three standards for amounts:

- over \$1,000
- between \$50 and \$1,000
- \$50 or less.

Invoices for more than \$1,000 must contain:

- the words tax invoice in a prominent place
- the name or trade name and GST number of the supplier
- the name and the address of the recipient of the supply
- the date the invoice was issued
- a description of the goods or services supplied
- the quantity or volume of the goods and services supplied
- the amount excluding tax charged for the supply
- the GST and total amount payable for the supply - or a statement that GST is included in the final price if it has been.

Invoices for smaller sums have fewer requirements, but it is still a good idea to provide the information in this list.

Help the client out

To make things clearer to clients, all invoices should contain enough information so that they can see:

- job description
- the charge-out rates and number of hours for each employee
- materials used - not every last screw, but sufficient for clients to see the scope, particularly if there are further invoices to come
- uncompleted jobs - state it's a part payment and the stage charged for
- specific fixtures or fittings, such as kitchen cabinetry or light fittings
- subcontractor charges with details of the work done
- preliminary charges such as waste disposal, scaffolding and so on
- approved variations.

If there is an agreement on specific fixed costs, these should be reflected in the invoice.

If the invoice is for a progress payment, it should reflect the actual work done and what has been agreed to.

Other things to add

Details that should be included are:

- contact details
- invoice number - often used as a reference with electronic payments
- when payment should be made - within 7 days of invoice or by the 20th of the month following, for example
- payment options, including account name and number for payment
- a *Thank you for your business* message.

Late payment

If payment does not arrive by the due date, politely follow up with the client. See Table 1 for steps to reduce the risk of late payment. ◀

Table 1

LATE PAYMENT CHECKLIST

REASON FOR LATE PAYMENT	MEASURES TO AVOID LATE PAYMENT
The amount is higher than expected.	Make sure that extra costs are flagged in advance and approved, stick to contractual arrangements and provide sufficient detail.
They are unhappy with the work done.	Check that work is satisfactory before issuing an invoice.
They are withholding payment as a retention.	All retentions should be clearly stated in the contract. Make sure everyone is aware of them and what each party's obligations are.
They were unaware of terms of payment.	Clearly state on the invoice a date when payment is expected.