

Tax-Included Pricing

About this Guide

The information in this *Guide* explains how tax-included pricing applies to certain taxable goods and services. Please note that this *Guide* replaces the previous version dated July 1996.

Authority To Use Tax-Included Pricing

The *Retail Sales Tax Act (Act)* allows the Minister to grant authorization to use tax-included pricing in certain cases.

Rental of Commercial Parking Spaces

Under the Act, vendors who operate parking meters or other devices requiring exact change for the use of a commercial parking space may use tax-included pricing. The use of tax-included pricing is extended to any vendor who operates a parking lot.

Vendors who choose to use the tax-included pricing method must post a notice in a clearly visible place stating that the parking charge includes retail sales tax (RST). If this method is used, the RST to be remitted is to be calculated as follows:

- if the federal Goods and Services Tax (GST) is included in parking charges: 8/115 X total collections
- if GST is **not** included in parking charges: 8/108 X total collections

If the sign is not posted or if tax-included pricing is not used, the 8% RST charged by vendors must be shown separately on cash register tapes, invoices or other receipts issued for parking charges.

Eating Establishments

The Minister allows vendors within the hospitality industry to use RST-included pricing **provided** they comply with the conditions outlined in this guide.

Prepared foods are tax-exempt when sold by eating establishments for a total charge of \$4.00 or less per transaction, excluding the GST. Since the federal government allows vendors the option of using GST-included pricing when billing customers, RST does not apply unless the GST-included price for prepared foods is more than \$4.28 (\$4.00 + 7% GST).

When the total charge, excluding the GST, is more than \$4.00 per transaction, RST applies at the rate of 8% to the full amount of the charge. RST is **not** to be added on top of the GST.

Eating establishments can use tax-included pricing for sales of prepared foods **ONLY** if every item on the menu is more than \$4.00 excluding GST, or \$4.28 including GST. Vendors must post a sign in a clearly visible location stating that prices include the applicable 8% RST, or they must state the amount of RST included in each price.

The \$4.00 threshold for using tax-included prices does not apply to vendors who sell soft drinks, snack foods, and prepared foods **from vending machines**. However, they must post a sign notifying customers that the prices either include the applicable 8% RST, or state the amount of RST included in each price. Please refer to **RST Guide 300 - Prepared Foods** for further details.

Eating Establishments (continued)

Vendors who sell alcoholic beverages can use RST-included prices for sales of liquor, beer and wine, if they post a sign in a clearly visible location, or indicate in their price lists that prices for alcoholic beverages include 10% RST. As an alternative, the actual amount of RST included in each price may be stated on the sign or price list. If RST is not included in the selling price, the amount of RST must be shown as a separate item on the customer's bill. The method chosen must be used consistently. Please refer to **RST Guide 302 - Alcoholic Beverages** for further details.

Admission Charges

Admission charges to view indoor or outdoor performances and entertainment are taxable at the RST rate of 10% where the price is more than \$4.00 (excluding the GST). RST is to be collected **at the time the tickets are sold** whether they are sold by series, or season subscription, or on the day of the event. A cover charge is considered to be a price of admission.

A vendor who chooses the federal option of GST-included pricing for admissions, and whose sales are also taxable provincially, may use a factor (described below) to calculate the amount of RST to collect from customers, if every admission is more than \$4.28 (\$4.00 + 7% GST).

Calculating Tax

Calculating the amount of RST to be charged is dependent upon the method used to calculate the federal GST. If a vendor charges both RST and GST on a tax-extra basis, RST is to be charged on the selling price and not on the GST. If a vendor charges GST on a tax-included basis, then they can choose one of the following methods to calculate RST. Once a method has been chosen, it must be applied consistently.

Tax-Included Pricing for Both RST and GST

If a vendor's sign or price list states that RST is included but does not state the actual amount of RST-included in the selling price of each item, the RST to be remitted is calculated as follows:

- for items taxed at 8%, multiply total tax-included sales by 8/115
- for items taxed at 10%, multiply total tax-included sales by 10/117

If a vendor's sign or price list states the actual amount of RST included in the selling price of each item, the RST to be remitted is calculated by multiplying the RST-included amount times the number of items sold. As an example, if the RST included in the selling price of a candle is 5 cents and 10 candles were sold, the amount of RST to be remitted is 50 cents (5 cents x 10 candles sold).

Tax-Extra Pricing for RST and Tax-Included for GST

Vendors using this method must use a factor to calculate the amount of RST to collect from customers. The use of this factor is equivalent to multiplying the GST-excluded selling price by the applicable RST rate. **The factor for items taxed at the rate of 8% is 7.477% and for items taxed at the rate of 10%, the factor is 9.346%.**

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|---------------------------------|----------------------------|-----------------------|
| Example of 7.477% Factor | GST-included selling price | \$5.35 (\$5.00 + 7%) |
| | RST | .40 (\$5.35 x 7.477%) |
| | Total | <u>\$5.75</u> |
| Example of 9.346% Factor | GST-included selling price | \$5.35 (\$5.00 + 7%) |
| | RST | .50 (\$5.35 x 9.346%) |
| | Total | <u>\$5.85</u> |

Vendors who use this pricing alternative must show the amount of RST separately on the billing to customers, **but not the equivalent factor used.**

Important Notice

If tax-included pricing is used, vendors **MUST** advise customers that their prices include RST. It is important to follow the directions in this guide regarding the use of a sign or appropriate statement in the price list. If this is not done, **all prices will be considered to be RST-extra**. This could result in a penalty assessment for failure to collect the proper amount of RST.

For Further Information

The information contained in this publication is only a guideline. For further information, please contact the nearest Ontario Ministry of Finance Tax Office listed in the blue pages of your telephone directory, call our TAX FAX service at 1-877-4-TAX-FAX (1-877-482-9329), or visit our Web site at: www.trd.fin.gov.on.ca.

*Ce guide est disponible en français sous le nom « Prix taxe comprise n° 208F ».
Vous pouvez obtenir un exemplaire en appelant le 1-800-668-5821.*