

Convenience Stores

SBP 910

Cette publication est disponible en français en appelant le 1-800-668-5821.

About this Pointer

This *Pointer* will help you if you have a business such as a variety or convenience store, a smoke shop, a gas bar that sells other goods, or a kiosk. It explains the basic Retail Sales Tax (RST) rules for your type of business. Please note that this *Pointer* replaces the previous version dated July 2001. Revisions have been identified by a bar (|).

Types of foods

Food products sold for human consumption are not taxable. However, for RST purposes, food products are different from prepared foods, snack foods and soft drinks.

What are prepared foods?

Prepared foods are ready-to-eat foods bought from an eating establishment, and include take-out and eat-in service. Examples of prepared foods are meals, pizzas, sandwiches, hand-scooped ice cream, five or fewer pastries, and non-alcoholic drinks such as coffee, tea, milk and juice.

What are snack foods and soft drinks?

Snack foods include candies, gum, chips, pretzels, ice cream bars, and individual portions of prepackaged snack cakes or prepackaged pastries. Please note that an individual portion may have more than one piece in it, such as a package of two snack cakes.

Soft drinks are non-alcoholic drinks, such as pop, bottled water (1 litre or less), and fruit drinks with less than 25 per cent natural fruit juice.

What is an eating establishment?

An **eating establishment** includes a kiosk, gas bar and convenience store **if** they sell prepared foods. For example, if a convenience store has an area where prepared foods, such as hot coffee, submarines and sandwiches are sold, then that area is considered an eating establishment. Please refer to **RST Guide 300 & Small Business Pointer 906 - Prepared Foods** for more information.

Examples of taxable items

You **must** charge 8 per cent RST on:

Taxable food items:

- prepared foods **if the total charge is more than \$4.00**
- snack foods
- soft drinks, including fruit punch, pop, lemonade, drink crystals
- bottled water: plain, flavoured or carbonated in containers of 1 litre or less
- | • salted or coated nuts and seeds
- granola bars
- marshmallows
- | • popcorn (plain, salted, buttered or flavoured)
- popsicles

Taxable non-food items:

- over the counter drugs and medicine
- lozenges, pain relievers, cold medicine
- herbal remedies with therapeutic properties
- | • tobacco related products (pipes, cigarette holders or clips, rolling papers, and filters)
- health and beauty items, gifts
- household and cleaning supplies
- pet foods and supplies
- insecticides, flowers, seeds and soil
- magazines, folded paper maps
- car supplies, road salt
- photography supplies
- video rentals and late charges
- insect repellants, fish bait

Examples of exempt items

You do **not** charge RST on:

Exempt food items:

- non-carbonated fruit drinks containing 25 per cent or more natural fruit juice
- bottled water in containers of more than 1 litre
- tea, including fruit-flavored and/or sweetened crystals, and canned and bottled iced tea
- ice cream, frozen yogurt, or sherbet in containers of a half litre or more
- pepperoni sticks, beef jerky
- six or more pastries, such as donuts
- vitamins and minerals, diet food supplements, meal replacement products
- popping corn
- chocolate for cooking, food colouring

Exempt non-food items:

- diapers
- feminine hygiene products
- books (including bound maps)
- lottery tickets
- transit fares
- ice
- charcoal
- firewood
- newspapers
- postage stamps

To learn more about how RST applies to the goods you sell, please refer to **RST Guide 500 - Food Products; 501 - Snack Foods, Beverages and Candies; 504 - Animals and Pets; 505 - Florists and Nurseries; 507 - Publications;** and **Information Bulletin # 1-99.**

Discount coupons

If your customer redeems ...	then...
a manufacturer's discount coupon	you must charge RST on the full amount of the sale before deducting the coupon value.
a retailer's discount coupon	you must charge RST on the net amount of the sale after deducting the coupon value.
a coupon that offers a free item with no other purchase required	you do not charge your customer RST on the free item.

Please see **RST Guide 511 - Discount Coupons** for information on other types of discounts.

You must pay RST on...

You must pay RST on all taxable items that you use in your business but do not sell to your customers. This includes furniture, equipment and supplies, such as shelving, coolers, coffee machines, cash registers and register tapes.

If you buy such goods privately, or the seller does not charge you RST, you are still responsible for paying the RST. Also, when you take items, such as household cleaners, paper products, and pop from your stock for your own or business use, you must pay RST on the cost of these items. In such cases, report the RST payable on Line 3 of your next RST return. Instructions on how to complete your RST return are included with your return card.

What can I purchase without paying RST?

You do not pay RST on your purchase of items that you sell to your customers. You can also buy, exempt from RST, non-returnable items used to serve food, such as disposable containers used for take-out foods, plastic cutlery, stir sticks and plastic or paper bags. To claim an exemption, you must give a valid Purchase Exemption Certificate (PEC) to your supplier. For details, please refer to **RST Guide 204 - Purchase Exemption Certificates.**

Exempt customers

Status Indians may buy most goods, **for use on a reserve**, exempt from RST. You must record the purchaser's name, federal identification card number, band name or registry number, and a brief description of the goods sold. When Status Indians buy prepared foods that are **not delivered to them on a reserve**, you must charge RST on prepared foods sold for over \$4.00. For details, please refer to **RST Guide 808 - Status Indians, Indian Bands and Band Councils.**

Keeping records

You must keep **all** books and records to support your sales and purchases for at least seven years. Such records include detailed cash register tapes (X and Z tapes), guest checks, sales invoices and journals, purchase invoices and journals, bank records and financial statements.

Lottery privileges

Your right to sell lottery tickets can be **suspended** if you are convicted of offences under the *RST Act*, such as failing to remit RST, filing false returns, destroying business records or evading payment of RST.

For more information

For more information, please contact the nearest Ontario Ministry of Finance Tax Office listed under Taxes - Provincial (Retail) Sales Tax 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 website at www.trd.fin.gov.on.ca.

This Pointer explains the most common situations faced by small businesses. The explanations are provided for guidance only. Whether tax applies in your situation will depend on the specific facts involved. Please contact us if you have questions.