

# Application of Tax to Sales and Purchases Made by Restaurants and Similar Establishments

## *Social Service Tax Act*

This bulletin outlines the application of tax to sales and purchases made by restaurants and similar establishments.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations can be found on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

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## **SALES MADE BY RESTAURANTS AND SIMILAR ESTABLISHMENTS**

### **Sales of Food Products**

Provincial social service tax does not apply to sales of meals, snacks (e.g., chips, nuts, doughnuts), candies, chewing gum, non-alcoholic hot or cold beverages, ice cream, or other food products for human consumption.

### **Sales of Alcoholic Beverages**

Tax at the rate of 10% of the purchase price must be collected on all sales of alcoholic beverages. Alcoholic beverages include draft beer, bottled beer, wine, coolers, ciders, spirits, liqueurs, mixed drinks, and any other beverage with an alcohol content of greater than 1%, sold in liquor stores, beer and wine stores, hotels, pubs, bars, restaurants, and any other licensed premises.

**More Info:** [Bulletin SST 094](#), *Sales and Purchases by Liquor Vendors*

### **Sales of Merchandise**

Social service tax at the rate of 7% must be collected on all sales of tangible personal property unless the item is specifically exempted from tax under the *Social Service Tax Act*. Tax must therefore be collected on sales of general merchandise such as gifts and souvenirs.

## **PURCHASES MADE BY RESTAURANTS AND SIMILAR ESTABLISHMENTS**

### **Exempt Purchases:**

Restaurants and similar establishments may purchase their supplies of packaging materials, disposable containers, and disposable utensils without payment of social service tax, provided such items become part of the product sold and, in effect, become the property of the customer at no extra cost.

The following supplies qualify for this exemption.

Bags used to wrap food for the customer

Cocktail picks

Cocktail serviettes

Corn skewers - disposable

Cups (disposable only) - paper, plastic, styrofoam

Cutlery (disposable only), including wooden or plastic knives, forks, spoons

Dishes - disposable only

Fish & chips bags and boxes

Pan liners, perga and souffle cups (disposable)

only), if accompanying food product  
Paper doilies, napkins, table cloths, placemats, if used only once

Stir sticks  
Straws  
Swizzle sticks (disposable)

Trays (disposable), for carry-out food

Wax paper, parchment paper and plastic wrapping material when used to wrap take-out food

### **Taxable Purchases:**

Restaurants are the ultimate consumers of supplies they purchase for their own use in carrying out their business. As such items do not become part of the product sold, restaurants must pay social service tax on their full purchase price.

The following restaurant purchases are subject to tax.

Alcoholic beverages given away at no charge

Bills, cheques, invoices, etc.

Cash register rolls  
Cleansers  
Coasters  
Cooking equipment  
Crockery (reusable), including china cups, saucers, plates  
Customer foodchecks  
Cutlery (reusable)

Doilies, napkins, table cloths and placemats (reusable)

Matches  
Menus and menu strips

Pan liners, when not accompanying food product  
Paper towels  
Patty paper  
Plate racks

Report forms  
Restaurant equipment and furniture

Soap (all types)

Time cards  
Toilet tissue  
Toothpicks  
Tray covers

### **Purchases of Taxable Services:**

Restaurants are required to pay tax on charges for services (other than cleaning services) provided to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain tangible personal property that does not qualify as a fixture or improvement to real property.

**More Info:** [Bulletin SST 018](#), *Taxable Services*

### **NEED MORE INFO?**

**This bulletin is provided for convenience and guidance. If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440 elsewhere in Canada or refer to the legislation.**

**Information is also on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr) While there, you can subscribe to our free electronic update service.**

**References:** *Social Service Tax Act*, Sections 1, 5, 6, 40, 44, 45, 69, 69.1, 70 and Regulations 2.4, 2.45, 2.46