

Tax-Included Pricing

About this Guide

The information in this *Guide* explains how tax-included pricing works and who can use it. Please note that this *Guide* replaces the previous version dated May 2001.

Authority To Use Tax-Included Pricing

The *Retail Sales Tax Act* allows the Minister to authorize the use of tax-included pricing in certain cases. Tax-included pricing means that a vendor may advertise or quote a price that includes Retail Sales Tax (RST). Authorized vendors are not required to apply to the Ministry of Revenue for permission to use tax-included pricing.

Authorized vendors who choose to use the tax-included pricing method must post a sign in a clearly visible location stating that the prices include RST, or they must state on their price list or menu the amount of RST included in each price. If this is not done, all prices will be considered tax-extra. When tax-extra pricing is used, RST charged by vendors must be shown separately on cash register tapes, invoices or other receipts issued to customers. Whether vendors choose to use tax-included or tax-extra pricing, the method chosen must be used consistently. Failure to collect the proper amount of RST could result in a penalty assessment.

Who Can Use Tax-Included Pricing

Vendors of the following products or services are authorized to use tax-included pricing:

- Commercial parking
- Prepared foods
- Alcoholic beverages
- Admission charges

Commercial Parking

The rental of a commercial parking space is taxable at the rate of 8 per cent. Vendors who operate parking meters or other devices requiring exact change for the use of a commercial parking space can use tax-included pricing. Vendors who operate a parking lot have the option of using tax-included pricing or tax-extra pricing since they may not require exact change.

Prepared Foods

Prepared foods are taxable at the rate of 8 per cent when sold by eating establishments for a total charge of more than \$4.00 per transaction excluding the federal Goods and Services Tax (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 \$4.20 (\$4.00 + 5 per cent 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 more than \$4.20 including GST. Eating establishments include restaurants, coffee wagons, mobile caterers, and vending machines. See **RST Guide 300 - Prepared Foods** for more information.

Vending Machines

Vending machine operators must use tax-included pricing even if some items for sale in the machine are less than \$4.00, excluding the Goods and Services Tax (GST). If any of the items in the machine is subject to Retail Sales Tax (RST), its price must include RST. The sale of each item in a vending machine is considered a separate transaction.

Prepared foods sold for a price of less than \$4.00 remain RST-exempt when sold through a vending machine. If vending machine operators do not use tax-included pricing for taxable items, they will be required to remit RST on the full price paid by customers. See **RST Guide 501 - Snack Foods, Beverages and Candies** for more information.

Alcoholic Beverages

Alcoholic beverages are taxable at the rates of either 10 per cent when sold from licensed establishments or 12 per cent when sold from retail outlets (e.g., liquor, beer or wine stores). Vendors can use tax-included pricing for the sale of liquor, beer and wine. See **RST Guide 302 - Alcoholic Beverages** for more information.

Admission Charges

Admission charges to places of amusement are taxable at the rate of 10 per cent where the price is more than \$4.00, excluding 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. Operators of places of amusement can use tax-included pricing for admission charges. See **RST Guide 303 - Admissions** for more information.

Calculating Tax

Calculating the amount of RST to be charged is dependent upon the method used to calculate the federal GST of 5 per cent. 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.

Tax Included Pricing for both RST and GST

If tax-included pricing is used for both GST and RST but the actual amount of RST included in the selling price of each item is not stated, the RST to be remitted is calculated as follows.

For items taxed at:

- 8 per cent RST, multiply total tax-included sales by 8/113
- 10 per cent RST, multiply total tax-included sales by 10/115
- 12 per cent RST, multiply total tax-included sales by 12/117

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 actual RST amount by 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-included Pricing for GST and Tax-extra Pricing for RST

When vendors use the federal option of GST-included pricing to bill customers and charge RST extra, they must use a factor to calculate the amount of RST to charge and collect on the GST-included price so that RST is not charged on the GST. The use of this factor is equivalent to multiplying the GST-excluded selling price by the applicable RST rate.

The factor to be used is:

- 7.619 per cent for items taxed at the RST rate of 8 per cent
- 9.524 per cent for items taxed at the RST rate of 10 per cent
- 11.429 per cent for items taxed at the RST rate of 12 per cent

Tax-included Pricing for GST and Tax-extra Pricing for RST Example of calculating Retail Sales Tax (RST) on GST- included prices:

Factor	Calculation	
7.619 %	GST- included price	\$ 5.25 (\$ 5.00 + 5 %)
	RST	<u>0.40</u> (\$ 5.25 x 7.619 %)
	TOTAL	\$ 5.65
9.524 %	GST- included price	\$ 5.25 (\$ 5.00 + 5 %)
	RST	<u>0.50</u> (\$ 5.25 x 9.524 %)
	TOTAL	\$ 5.75
11.429 %	GST- included price	\$ 5.25 (\$ 5.00 + 5 %)
	RST	<u>0.60</u> (\$ 5.25 x 11.429 %)
	TOTAL	\$ 5.85

(continued)

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

Legislative References

Retail Sales Tax Act, sections 1 and 2 and subsections 40(2) and 40(3)

Regulation 1012 under the *Retail Sales Tax Act*, section 1

Regulation 1013 under the *Retail Sales Tax Act*, sections 1 and 10.

For More Information

The information in this publication is only a guideline and does not replace the legislation. To obtain the most current version of this guide or additional information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at ontario.ca/revenue.

*Ce guide est disponible en français sous le nom « Prix taxe comprise n° 208F ».
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