

Name: \_\_\_\_\_

## Unit 3 – Finance

### 3.4 – Sales Taxes

#### A. Definitions

**GST** – a federal tax calculated on goods sold and services provided

**PST** – a provincial sales tax calculated on goods sold; different provinces and territories charge PST at different rates and on different items

#### B. Overview

- **sales tax** is the extra amount that we pay when we purchase an item at a store
- the money is used by the federal and provincial governments to supply services to everyone e.g. the building of schools, hospitals, recreation centres, highways, etc.
  
- **GST** is defined as \_\_\_\_\_
- the rate of GST is \_\_\_\_\_% throughout the country
- GST is charged on every item sold and service supplied
  
- **PST** is defined as \_\_\_\_\_
- the rate of PST varies from province to province. In BC, the rate of PST is \_\_\_\_\_%
- Alberta, Northwest Territories and Nunavut do not have a PST
- PST is charged on all items sold except for food
  
- we can calculate the amount of tax on any item by using the following proportion

$$\frac{\text{Percent Tax}}{100} = \frac{\text{Tax (\$)}}{\text{Price of item}}$$

- the **total cost** of an item can be determined by adding together the price and the tax
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$$\text{Total Cost} = \text{Sale Price} + \text{Tax(\$)}$$

#### C. Examples

1. A pair of boxing gloves cost \$79.99 in B.C.

- a. Determine the amount of PST in \$                      b. Determine the amount of GST in \$.

c. Determine the total cost of the gloves

2. Suppose you want to purchase a surround-sound stereo advertised at \$2645.

a) What is the total amount of tax that will be collected (GST + PST)?

b) What will be the total cost of the stereo?

3. A new car was purchased for \$18 500.

a) Determine the total amount of tax that will be paid on the car.

b) Find the total cost of the car.

4. Suppose an item priced at \$210 cost a total of \$241.50 after taxes.

a) How much tax was charged on the item?

b) What percent was the tax of the regular price?

c) Was the item purchased in B.C.? Explain.

## Assignment – Show all work on a separate sheet of paper.

Use the following proportion to help answer any questions:

$$\frac{\text{percent}}{100} = \frac{\text{amount of tax}}{\text{price of item}}$$

Assume ALL purchases are made in B.C.

- Indicate on which of the following you pay GST and/or PST.
  - 3 kg apples
  - haircut
  - portable CD player
  - box of chocolates
  - restaurant meal
  - pair of jeans
  - jar of peanut butter
  - electrical repair
  - book
  - package of paper towels
- Find the tax on a Toast-r-Oven which sells at \$68.88.
- Janet purchases a new car for \$12 675.00. How much does she pay in taxes? What is her total cost?
- Paul went to an electronics store and bought a CD player advertised at \$450 a set of speakers for \$235 and a portable phone for \$189. What was his final cost?
- If a package of four pairs of socks of Brand A costs \$7.16 and a package of three pairs of Brand B costs \$5.19:
  - Find the unit price of a pair of socks from each package.
  - Which is a better buy?
  - Find the total cost of 12 pairs of the less expensive socks, including all taxes.
- A camera has a list price of \$219 was purchased for a total cost of \$243.09.
  - What was the amount of sales tax?
  - What percent was the sales tax of the original price?
- If the total tax charge on an item was \$12.86, what was the original price?