1.5 - Sales Taxes: HST, GST and PST

- Why is it that you pay more than the advertised price?
- If a DVD costs $15.95, why do you pay more at the cash register?
- The answer of course is **TAX**.

There are 3 different taxes:

1. **GST**: Goods and Services Tax. This is a federal tax that is paid in every province it is 5%.

2. **PST**: Provincial Sales Tax. Amount varies between the provinces. For example, Ontario has PST rate of 7%, where as Alberta does not pay PST at all.

3. **HST**: Harmonized Sales Tax. The federal tax and provincial tax is combined into one.

What you need to be able to do...using $15.00 item with PST 7% and GST 5%

1. **Calculate the amount of tax.** Multiply the regular or original price by the tax.

   $$ \frac{7\% + 5\%}{100\%} = 12\% \rightarrow 0.12 $$

   $$ \$15.00 \times 0.12 = \$1.80 \text{ (Tax)} $$

2. **Calculating the final price:** Add the amount of tax to the original price.

   $$ \$15.00 + \$1.80 = \$16.80 \text{ (Final)} $$

* **Calculating the final price in one step:** Find the tax % and add it from 100%, convert it to a decimal then multiply it by the original price.

   $$ 100\% + 12\% = 112\% \rightarrow 1.12 $$

   $$ 15.00 \times 1.12 = \$16.80 \text{ (Final)} $$

For example:

1) A CD costs $15.95 calculate 6% PST and 5% GST and the final cost. The item was purchased in Saskatchewan. Use the two step method.

   $$ \frac{6\% + 5\%}{100\%} = 11\% $$

   $$ \$15.95 \times 0.11 = 1.7545 \rightarrow \$1.75 \text{ (Tax)} $$

   $$ 15.95 + 1.75 = \$17.70 \text{ (Final)} $$

2) Using the one step method calculate the final cost of $120.00 mp3 player bought in BC.

   $$ BC \quad 7\% + 5\% = 12\% \rightarrow 112\% $$

   $$ \$120.00 \times 1.12 = \$134.40 $$