PRACTICAL AND FINANCIAL LITERACY

Sales Tax

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you check a receipt to see whether the tax was worked out right, so you know exactly how much of what you paid was the price and how much was tax. A shopper who knows the tax rate can spot a wrong total before leaving the store. A small business owner checking a supplier invoice needs to know how much of the bill is tax they can claim back. Knowing sales tax tells you how to split any receipt into price and tax, and how to check that the till got it right.



Rule

Sales tax: total = price + tax, and tax = rate × price.

To check a receipt, work out the tax from the rate and the price first, then add it to the price to get the total.

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Worked examples

EXAMPLE 1

Q A pair of shoes costs $80 before tax. The GST is 5%. What is the total price?

SOLUTION

This is a total-with-tax question, so start with the one rule to remember: tax is the rate times the price, and the total is the price plus the tax.

The tax is 5% of $80. Five percent is 0.05, and 0.05 x 80 is 4, so the tax is $4.00.

So the total is $80 + $4 = $84.00

EXAMPLE 2

Q A receipt shows $3.99 of tax on a $42.00 meal. What is the tax rate?

SOLUTION

This is a find-the-rate question, so work backwards. The tax rate is the tax divided by the price.

3.99 divided by 42 is 0.095. As a percent, 0.095 is 9.5%.

So the tax rate is 9.5%.

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Practice questions

1. An item costs $50 before tax. The tax rate is 5%. How much is the tax?

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2. An item costs $50 before tax. The tax rate is 5%. What is the total price?

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3. An item costs $200 before tax. The HST rate is 13%. You pay with a $250 bill. How much change do you get?

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4 **Shoes cost $60 before tax. The GST is 5% and the PST is 7%. What is the total price?**

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5 **A meal costs $40 before tax. The tip is 20% of the price and the tax is 5% of the price. What is the total you pay?**

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6 **The tax on a $90 item is $6.30. What is the tax rate?**

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7 An item costs $120 including 20% tax. What was the price before tax?

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8 What does GST stand for?

A Goods and Services Tax

B General Sales Tax

C Government Sales Tax

D Gross Sales Tax

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9

The same $60 item costs more in one province than in another. Why?

A Different tax rates

B Different prices

C Different items

D Different stores

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10

A $20 item has 5% tax, and another $20 item has 10% tax. Which total is bigger, and by how much?

A The 5% one, by $1

B The 10% one, by $1

C The 10% one, by $2

D They are equal

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ANSWER KEY

1. 2.50

2. 52.50

3. 24

4. 67.20

5. 50

6. 7%

7. 100

8. Goods and Services Tax

9. Different tax rates

10. The 10% one, by $1

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