

ADMINISTRATIVE GUIDELINES
INCLUSION OF THE SALES TAX IN THE SELLING PRICE
Procedure 130

The CBJ sales tax ordinance requires sellers to add the sales tax to the selling price and to separately state the sales tax on all receipts or slips, rent receipts, charge tickets, invoices, and statements of account. The requirement to add the sales tax to the selling price and to separately state the tax on all receipts is *mandatory*.

Inclusion of the sales tax in the selling price is unlawful except upon written authorization of the Revenue Officer. **A seller cannot make in any form of advertising, verbal or otherwise, any statements which might infer that a selling price includes the sales tax, unless written authorization has been obtained.**

A seller cannot invoice the customer for a selling price of \$1,000.00 with no notation of the sales tax and then expect to “back-out” the tax when remitting to CBJ. The sales tax remitted on the CBJ sales tax return must be calculated on the invoiced selling price.

If a receipt is not provided to the customer, the sales tax office will determine that the sales tax has not been collected, add the sales tax to the agreed-upon selling price, and assess the tax to the seller. Failure to provide a receipt to the customer does not allow a seller to state that the sales tax is included in the selling price and back into the amount of sales tax due.

In order to include the sales tax in the selling price, certain conditions must be met and permission must be obtained as outlined below.

The CBJ sales tax may be included in the selling price of certain items, under certain conditions, and only with written permission from the Revenue Officer. The Revenue Officer will consider the following when determining if permission to include sales tax in the selling price will be granted:

1. The sale is of a single good or service or multiple goods with the same selling price.
2. The inclusion of the tax in the price is to make sales expedient as at a concession stand or vending cart, metering device (gas station), admissions (theater), or cocktail bar serving alcoholic beverages.
3. Prices must be posted on a chart in a conspicuous place and in a type large enough to be read by customers, listing each item and showing the actual selling price, sales tax and the total charge.

For purposes of determining the tax due from the buyer to seller and from seller to the City, it will be presumed that the selling price quoted in any price list, sales document or other agreement between the parties does not include the retail sales tax. Only when special authorization is obtained from the Sales Tax Office will any deviation from the requirement to add tax to the selling price as a separately stated item be permitted.

If you do not have written authority to include the CBJ sales tax in your selling price, but feel you may qualify, please write the sales tax office describing your sales and request written permission. Failure to obtain written permission may result in the Sales Tax Office determining that the sales tax has not been collected and adding the sales tax to your gross receipts and holding your business liable for the tax.

“No Tax Sale Days - We Will Pay The Tax For You.”

The requirement to add the sales tax to the selling price and to separately state the tax on all receipts is *mandatory*. However, who pays the tax is not.

Sellers may obligate themselves to pay the CBJ sales tax for their customers.¹ However, the sales tax paid by the Seller on behalf of his customer must be the tax added to the selling price that is separately stated on the customer’s receipt. A Seller should not agree to a total price including sales tax then add the CBJ sales tax to this price with the intention of backing into a lower sales tax amount when preparing the sales tax return. The receipt must accurately reflect the transaction.

For example, if the agreed selling price is \$1,000.00, not including tax, the customer invoice should read:

Selling Price	\$1,000.00
Sales Tax	<u>50.00</u>
Total	\$1,050.00

If the invoice to the customer is written per the example above, \$1,000.00 would need to be included in gross sales on the CBJ sales tax return. Sales tax in the amount of \$50.00 must be remitted with the return, regardless of whether the Seller collected the tax from the customer or whether the Seller opted to pay it for the customer.

If the Seller receives only the \$1,000.00 from the customer, the Seller is obligated to pay the tax on the \$1,000.00 transaction. At this point, the Seller may not “back out” the tax from the \$1,000.00 and report only \$952.38 ($\$1,000.00/1.05$) as his gross sale. The tax must be remitted on the full \$1,000.00 stated on the invoice.

¹ 69.05.070 (b) The tax levied under this chapter, whether or not collected from the buyer, except for credit transactions covered in subsection (c) of this section, must be remitted by the seller to the city and borough at the time of transmitting the return, and if not so remitted or if the return is not timely filed, such tax is delinquent. . . . (Emphasis added).

However, Sellers may adjust or discount the selling price on any transaction. If the Seller receives only \$1,000.00 from the customer and makes no claims of paying the sales tax for the customer, then the customer invoice must read:

Customer Invoice	
Selling Price	\$952.38
Sales Tax	<u>47.62</u>
Total	\$1,000.00

The seller has adjusted the selling price. The sales tax is due on the adjusted selling price, and the customer's invoice must clearly show the distinction between the selling price and the amount paid as sales tax. If the invoice to the customer is written per the second example above, \$952.38 would need to be included in gross sales on the CBJ sales tax return and tax remitted in the amount of \$47.62.