**Section 3.4: Other Forms of Taxation**

We pay both direct taxes and indirect taxes.

Income tax, PST, and GST are direct taxes because the exact amount of the tax is clear.

Indirect taxes are collected on goods such as alcohol, cigarettes, gas and jewellery. The taxes are included in the selling price, not added to it.

**Example:**

An indirect jewellery tax is collected by the federal government. It is 10% of the wholesale price, or price that a store pays. It is included in the stores selling price.

Without a calculator, determine the 10% tax on the following jewellery:

1. A watch, with a wholesale price of $78.50
2. A ring, with a wholesale price of $305
3. A necklace, with a wholesale price of $520

In addition to the PST and GST added to the selling price of cigarettes, three cigarette taxes are included in the selling price. On a carton of 200 cigarettes with a price of $40.70,

* The provincial government collects $8.90
* The federal government collects $6.85
* The federal government collects another $5.50

1. What is the total of the three cigarette taxes on one carton?
2. What is the price excluding the three cigarette taxes?
3. What percent of the selling price is the total of the three cigarette taxes?

**Questions to complete:**

Page 55

# 4 – 9

Skills Check