

## Printing

### About this Guide

This guide describes those printing operations considered to be manufacturing for Ontario retail sales tax (RST) purposes. Please note that this *Guide* replaces the previous version dated November 1995. Revisions to previous content have been identified by a bar ( | ).

### Manufacturers

A manufacturer or producer is a person who produces goods:

- for sale to others (without installation) and total sales are more than \$5,000 in a fiscal year
- for their own use and the “manufactured cost” of those goods is more than \$50,000 in a fiscal year.

A manufacturer or producer does **not** include:

- a barrister, solicitor, notary, accountant, engineer or architect, when printed matter is produced in connection with the rendering of professional services
- a restaurateur, caterer or person in the business of producing prepared food products, snack foods, confections, or beverages in an eating establishment, centralized kitchen or similar facility
- a public hospital, school, school board or university a religious, charitable, benevolent or non-profit organization when stage props, sets and costumes are manufactured for use by the organization in the staging of a live theatrical or musical performance.

### Manufacturing Operations

Printing by any of the following methods is considered a manufacturing operation:

- hectograph (gelatin or spirit), stencil, blueprint or whiteprint process
- letterpress, duplicators or imprinters using the relief process
- offset lithography, dry offset or lithographic process.

The following reproduction processes may also be considered manufacturing:

- reproductions using “stencils” when the major operation is the production of forms to be filled in at a later date.
- reproduction, by any duplicating method, of forms for insertion of variable data, but without reproduction of the variable data at the same time. As an example, a person may use a laser printer to produce a form for their sales invoicing system. The printer is also used to print the invoice’s variable data at the same time the invoice is produced. This laser printing production would not be considered taxable printing for own use. Laser printing is considered a manufacturing operation when used to produce promotional literature, printed matter for resale, or forms without inserting the variable data at the same time.

## Printing

- The production of forms in a normal office setting would only be considered a manufacturing operation if the printing is done in a dedicated area where the main function is the production of printed matter. Your local Retail Sales Tax Office can be contacted if you have questions about the nature of your printing operation.
- reproduction by commercial or high speed photocopy machines producing a large volume of copies from one master. “Commercial” type photocopiers can be any make or model machine. Photocopies using “high speed” machines may be considered a manufacturing operation. These types of machines are intended for use in commercial applications outside the normal office setting. However, if these machines are used in a normal office setting to print forms, the printing would not be considered manufacturing.

It is not the number of photocopies made from a master which determines if photocopying is a manufacturing operation. Manufacturing is based on a number of factors such as how the photocopiers are being used, where the machines are located, whether the photocopies are being resold, etc.

- word processing services provided by businesses where a customer’s handwritten notes are keyed into a computer and **more than one** hard copy is printed. Retail Sales Tax (RST) must be collected on the total sale. If the hard copy (i.e., more than one hard copy printed) sales are greater than \$5,000 in a fiscal year, the word processing service would be considered a manufacturing operation.

Word processing services provided by businesses where a customer’s handwritten notes are keyed into a computer and **only one** “hard copy” is printed is not a manufacturing operation and the charge made for this service is not taxable. RST must be paid on all items purchased to provide this service.

## Calculation of RST

**Printed Matter Produced for Own Use** RST must be accounted for on line 3 of the periodic return cards, on taxable printed matter produced for own use. RST is to be calculated on the actual production costs. This includes materials, shop labour, manufacturing overhead, and any applicable customs and duty paid on imported materials. If the produced costs cannot be easily determined, the following formula may be used (dollar amounts are shown for illustration purposes only):

Actual cost of imaged articles (e.g. artwork, printing plates, typesetting and composition, matrices, etc. - see Artwork and Other Imaged Articles section.)		\$18,000.00
Actual cost of “other materials”* (excluding GST and consumable materials, such as cleaning chemicals)	\$10,000.00	
Add: 220 per cent of other materials (220 per cent is part of the formula)	<u>\$22,000.00</u>	<u>\$32,000.00</u>
Total Produced Cost		<u>\$50,000.00</u>
RST payable (\$50,000.00 x 8 per cent)		<u>\$4,000.00</u>

**Calculation of RST**  
*(continued)*

Note:

\* “Other materials” include paper, ink, binding materials, etc. The 220 per cent represents the cost of labour, overhead and consumable materials. The method chosen to arrive at produced cost, i.e. actual or formula, must be used consistently. The Ministry of Revenue must be notified if the calculation method is changed.

**Artwork and Other Imaged Articles**

Imaged articles include printing plates (including electros, engravings, half-tones, negatives and stereotypes), metal plates, cylinders, matrices, film, artwork, designs, photographs, materials such as rubber, plastic, and paper when impressed with or displaying or carrying an image for reproduction by printing.

If you produce your own artwork and other imaged articles, the amount to be included in the “Total Produced Cost” (see above) is the actual cost (materials, direct labour, and manufacturing overhead), or the cost calculated as shown in the following examples (dollar amounts in examples 1 and 2 are for illustration purposes only except for the rate of \$20 per hour):

**Example 1**

To be used for **artwork only**:

Actual cost of materials (excluding GST and consumable materials)	\$100.00
Direct labour @ 10 hours	
Using formula rate of \$20.00 per hour: 10 x \$20.00 =	<u>200.00</u>
Produced Cost	<u>\$300.00</u>

**Example 2**

To be used for other imaged articles (may also be used for artwork):

Actual cost of materials (excluding GST and consumable materials)	\$100.00
Direct labour (actual)	100.00
Overhead using formula of 150 per cent of direct labour (\$100 x 150 per cent)	<u>150.00</u>
Produced Cost	<u>\$350.00</u>

Metal plates, cylinders, matrices, film, artwork, designs, photographs, materials such as rubber, plastic, and paper when impressed with or displaying or carrying an image for reproduction by printing can be bought by manufacturers or producers without paying Retail Sales Tax (RST) only if:

1. RST is paid on the produced cost of taxable printed matter. The cost price of these items must be included in the total produced printing cost, or
2. they are the actual manufacturers or producers of the items being printed, or
3. the printed matter is not subject to RST.

**Sale of Printed Matter**

RST is to be collected on the total selling price of taxable printed matter unless the customer provides a valid Purchase Exemption Certificate at the time of sale. (See **RST Guide 204 - Purchase Exemption Certificates**).

**Exemptions**

If you qualify as a manufacturer, you are entitled to various manufacturing exemptions. (See **RST Guide 400 - Manufacturers**).

Some printed matter such as books, newsletters, newspapers, etc. are not taxable. (See **RST Guide 507 - Publications**). Artwork may be bought without paying RST when used in the production of **non-taxable** printed items. If you wish to determine the tax status of any printed matter produced, a sample copy of the publication should be sent to Tax Advisory Services Branch, Retail Sales Tax Section, 33 King Street West, 3<sup>rd</sup> Floor, Oshawa, Ontario, L1H 8H5.

## Non-Manufacturing Operations References

Using the following types of equipment for producing printed matter is not considered manufacturing, therefore RST must be paid on all related equipment and materials:

- adding machines, addressing machines, and cheque signing machines
- electronic or automated computing and tabulating machines
- manual or electronic accounting machines
- typewriters.

## Legislative References

*Retail Sales Tax Act*, Subsection 1(1)

Regulation 1012 under the Act, Subsections 14(1)18 and 14(3)

Regulation 1013 under the Act, Sections 1 and Subsections 3(1) and 3(2)

## For More Information

The information contained in this publication is only a guideline. For more information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at [ontario.ca/revenue](http://ontario.ca/revenue).

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