17 NCAC 07B .0108 TRADE DISCOUNTS AND CASH DISCOUNTS

(a) Trade. -- Trade discounts and bargaining discounts are not a part of the sales price on which sales tax is computed when the sales price is reduced by the discounts before the computation of tax. A trade discount is a price reduction afforded a particular customer or customers in a particular trade or group without reservation at the time the sale is being negotiated. A bargaining discount is a price reduction extended to a customer at the time the sale is being negotiated as a result of bargaining between the customer and the seller.

(b) Cash. -- A cash discount is a reduction in the sales price, and the tax must be computed and paid on the sales price after allowance for the cash discount. Generally, a cash discount is a deduction from the sales price allowed for prompt payment of the bill. Likewise, cash discounts are not a part of the purchase price on which tax is due. A person who purchases tangible personal property for use or consumption in this State is liable for remitting the tax due on the purchase price after allowance for the cash discount.

(c) Over-allowance. -- The amount of an over-allowance to a purchaser for an item taken in trade as a credit or part payment on the sale of a new article is not a reduction in the sales price of the new article. The tax must be computed and paid on the full gross sales price of the new article without any deduction on account of the trade-in credit or allowance.

History Note: *Authority G.S. 105-164.3; 105-262;*
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