

The cost, after trade-in, is subject to tax

3.4.5. Rebates and Trade-ins. - When merchandise is taken as a trade-in for the purpose of reducing the price the purchaser must pay, the value of the trade-in shall not be included in the monetary consideration or purchase price. However, the amount of any manufacturer's rebate available to entice the purchase of the item shall not decrease or otherwise affect monetary consideration or purchase price. In other words, the monetary consideration or purchase price shall not include the value of any item traded-in but monetary consideration or purchase price shall not be reduced by the amount of any manufacturer's rebate.

3.4.5.1. Example 1: A person owns a diamond ring with a value of \$2,500.00, and seeks to purchase a second diamond ring which will sell for \$10,000.00. The \$2,500.00 value of the trade-in may be applied to reduce the amount of the monetary consideration upon which consumers sales and service tax is based. Therefore, \$7,500.00 will be subject to tax.

3.4.5.2. Example 2. - In order to increase sales, a manufacturer offers a \$10.00 rebate on the purchase of a \$50.00 power saw. Customer purchases a saw and applies for the rebate. The entire \$50.00 will be subject to tax. However, a rebate offered by a retailer to his customer is treated as a cash discount under Section 3.4.3 of these regulations.