



Legal Toolkit & Guide: *Bill of Sale*

A Beginners Step-by-Step Guide for
Business Owners, Beginners, and
Non-Lawyers

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NOTICE TO READER: The information in this article is a brief summary for informational purposes only. It is not meant to be legal advice. If you require information or advice as it relates to your individual circumstances you are advised to consult with a lawyer.

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A “*Bill of Sale*” is a legal document that is used when you sell or transfer the ownership of goods or items such as a car, boat, equipment, photocopier, computers, furniture, or other assets from a Seller (also called a “Vendor”) to a Purchaser.

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A *Bill of Sale* may also be used for the purchase and sale of intellectual property such as a customer list or a website.

A typical *Bill of Sale* is provided by the Seller to the Purchaser and depending on the circumstances usually describes:

- (i) the names of the Vendor and Purchaser,
- (ii) a list of the items being purchased and sold,
- (iii) the purchase price and method of payment, and
- (iv) possibly also various legal terms depending on the complexity of the transaction.

If you are buying a business and as part of the purchase you are purchasing all the equipment (e.g.: furniture, chairs, office equipment, inventory, and supplies), you should request that the Seller provide to you a *Bill of Sale* agreement.



One of the main reasons why a Purchaser wants to receive a *Bill of Sale* from the Seller is to prevent the Seller from later claiming that the Seller owns the assets listed on the *Bill of Sale* document.

Essentially the *Bill of Sale* is a receipt or a written record of the purchase and payment of the purchase price similar in nature to the sales receipt you receive from the cash register at the time you purchase an item at a retail or convenience store.

The *Bill of Sale* is similar to a “sales receipt” however it may also contain additional legal terms regarding the purchase and sale. The document will serve as proof of the purchase and sale of specified items listed on the *Bill of Sale*.

Other provisions that you may wish to have in a *Bill of Sale* include terms dealing with such matters as the condition of the equipment (e.g.: “subject to being able to obtain financing”), and other provisions such as a “warranty” by the Seller that the Seller is the legal owner of the equipment being sold and the items are in good and working order. In the event that someone else claims they are the legal owners of the equipment, the “warranty” provisions in the *Bill of Sale* would give the Purchaser some legal rights to make a claim against the Seller. In the event that the item is damaged or does not work as



claimed, the “warranty” provisions would also provide some legal rights for the Purchaser.

It is important to note that receiving a *Bill of Sale* from the Seller is not a guarantee that the Seller is in fact the legal owner of the items listed on the *Bill of Sale*. Technically, one cannot sell what they do not own. By extension, when someone purchases something they only acquire the legal rights in the items to the same extent that the Seller possesses. As such, if the Seller is not really the legal owner of the items, then the Seller has no legal rights of ownership, and therefore the Purchaser acquires no legal rights of ownership in the items on completion of the purchase.

For example, the items purportedly being sold by the Seller may actually be items that the Seller has does not legally own but has only leased from a supplier and not actually purchased them. An example of such a situation is someone trying to sell a photocopier that is actually only leased. In such a case, the Seller does not actually own the photocopier and does not have the legal right to sell it, even though the Seller may be physically in possession of the photocopier. As such one must be careful when purchasing used items or items from someone other than the manufacturer or a retailer or a distributor.

If the Purchaser is buying new goods from a manufacturer, retailer, or distributor then usually there is an acceptable



risk that the Seller is not the legal owner of the items and the Purchaser can be relatively confident that they are purchasing the items from the true owner of the items.

If the items listed on the *Bill of Sale* are either used items or are new items but are being sold by someone other than the original manufacturer, retailer or distributor of the items, there is a risk that the items may be actually legally owned by someone other than the Seller and in such a case the true legal owner has the legal right to recover the items from the Purchaser notwithstanding that the Purchaser paid for the items and has a *Bill of Sale* from the Seller.

As such, if the Purchaser is not careful, the Purchaser may find itself paying for items but not actually acquiring ownership of them. In such a case, all is not lost for the Purchaser because the *Bill of Sale* may be used by the Purchaser in a lawsuit by the Purchaser against the Seller to claim monetary losses incurred by the Purchaser for breach of contract, specifically breach of “warranty” (provided that the *Bill of Sale* is written properly).

In order for the Purchaser to avoid the above situation and to be protected as much as possible, it is important that when using a *Bill of Sale* the Purchaser also examine other documents that are in the possession of the Seller so that the Purchaser can satisfy itself that the Seller is in fact the true owner of the items being sold. For example,



in the case of used goods, the Purchaser should ask the Seller to provide a copy of the original purchase order showing where the Seller originally purchased the items. If the Seller is unable to provide any documentation, then the Purchaser needs to be careful in proceeding forward. The Purchaser may also wish to do a search in the local government office for any liens that have been registered against the items being sold or the Seller.

To prepare a *Bill of Sale* legal document, consult with your attorney/lawyer or obtain one online at LawDepot by clicking below on your country to get started:

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