

# STATES OF JERSEY

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## GOODS AND SERVICES TAX: PRICE MARKING LEGISLATION

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Lodged au Greffe on 27th July 2007  
by Senator L. Norman

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STATES GREFFE

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to request the Minister for Treasury and Resources to take no steps to bring forward for approval an Appointed Day Act in respect of the Goods and Services Tax (Jersey) Law 200- until the States have debated legislation relating to the price marking of goods and, in particular, relating to the inclusion or exclusion of goods and services tax in the marked price of items offered for sale.

SENATOR L. NORMAN

## REPORT

It is clear, and has been confirmed by the Minister for Economic Development, that implementing the Goods and Services Tax (GST) BEFORE debating legislation relating to the price marking of goods will cause confusion to the consumer.

Additionally, permitting retailers to decide how, where and when to charge GST is an abdication of a responsibility which properly belongs with government. It is this very abdication which will create the confusion.

Some shops will show the price of each item they offer for sale on the shelf or on the price ticket. These retailers may or may not show the amount of tax paid on the till receipt, as currently there is no requirement for them to do so. Others will show the net price on the ticket and add 3% at the till. Those who choose this route, again, may or may not show the amount of tax payable on the till receipt.

There are some retailers who currently charge prices with the equivalent of the U.K. rate of Value Added Tax (VAT) included in their marked prices. These, too, will have the choice of how to mark their prices – add 3% to their VAT inclusive prices either on the ticket at the till.

There is going to be huge and certain confusion, making an already unpopular tax even more unacceptable.

To make matters worse, it would be perfectly feasible for a retailer with a number of shops to have inclusive pricing in some, and exclusive on others. Even in a single shop, different pricing policies could be adopted in different departments within that outlet.

Retail businesses exist to provide a service from which they are able to make profits for their shareholders. This is their *raison d'être*. Therefore, when they are offered the choice of how to apply the tax, which method are they likely to choose? The system which is in the best interests of consumers, or the system which best protects their profit margin. The answer, I think, is obvious.

Consider for a moment our existing sales tax, *impôts* duty. All petrol stations include this duty in their advertised retail price. Imagine the confusion and outrage if some petrol stations decided to advertise the pump price net of this duty and add it at the till, while others continued to show the gross price at the pump. The motoring public would find it almost impossible to compare prices and decide which petrol station offered them the best value. And to make matters worse, what would be the position if one week some petrol stations had inclusive pricing and the next exclusive? Even the possibility is horrendous.

But this is what the Minister is to allow retailers to do when GST comes into force. Retailers will be in total charge of how, where and when the tax is applied – and they will be able to experiment with systems until they find the one that best protects their profit margins.

The Minister for Economic Development has said he wishes to be fair to retailers. This is laudable, but by being fair to retailers he is putting the interests of the consumer at risk, and I believe that we, the States, have a greater duty of care to the consumer than we have to business.

This proposition does not argue for inclusive or exclusive pricing. It simply asks that the GST pricing mechanism is debated and decided by the States BEFORE the introduction of the tax so that all retailers are required to be consistent in the way goods are priced and marked. That is being fair – fair to the consumer.

There are no financial implications if this proposition is adopted, provided the Minister brings forward price marking legislation before April 2008.