

2.6 Senator L. Norman of the Minister for Economic Development regarding the introduction of G.S.T. without price-marking legislation:

Does the Minister consider that the introduction of the Goods and Services Tax (G.S.T.), without price-marking legislation could cause confusion and disaffection among consumers?

Senator P.F.C. Ozouf (The Minister for Economic Development):

It has always been my intention to ask the States to decide on the issue of inclusive versus exclusive G.S.T price marking before the summer recess, and in fact I gave an undertaking to do so. One of the prime reasons for doing so was to debate the likely consumer detriment if exclusive pricing was permitted. Due to Deputy Southern's announcement that he intended to block the passage of that legislation, inclusive pricing upon introduction is now impossible and to be fair to retailers we have had to delay the whole thing because it would not be possible to give an indication for retailers later this year for introduction in April. I have to agree with the Senator that I do consider that the introduction of G.S.T without price marking legislation is, I am afraid, likely to cause some confusion among consumers. However, the question of disaffection among consumers is not clear. There are some that have expressed their views through the media that would seem to prefer to have G.S.T at the till, I am aware that this is by no means a unanimous view. The decision to carry out a review after 12 months of G.S.T will give a firm steer on what consumers want. What I can say is to try and minimise confusion among shoppers, regulations under Article 94 of the G.S.T law will be brought to the Assembly in the autumn. These regulations will ensure that those retailers who do decide to charge G.S.T at the till, and I hope that they will be a minimal number of retailers, will have to make this very clear to their consumers so that they are aware what they see on the shelf is not what they are going to pay at the till.

2.6.1 Senator L. Norman:

I accept the Minister's determination to be fair to retailers. Will he accept my determination to be fair to consumers, which I consider a much more important issue? And will he accept that many retailers already charge U.K. VAT (value added tax) inclusive prices? And will the lack in the absence of price marking legislation enable and indeed encourage such retailers to increase their prices by something more than 20 per cent than they ought to be?

Senator P.F.C. Ozouf:

I have to say I have great sympathy with the views of Senator Norman. I want to be fair to consumers. And the research that we have carried out across the world, and the implementation of G.S.T across the world, shows that consumers are better off when it is inclusive pricing; what you see is what you pay. Unfortunately, it has not been possible for this debate to happen in the States today. It has been impossible for this Assembly to determine this; a matter which I have to say is a matter of deep regret. I am well aware of the issue of 17.5 per cent of VAT being charged, and I think exclusive pricing will mean that it is possible that we will be charging 20.5 per cent in some cases, that is VAT inclusive margin plus 3 per cent G.S.T. There is going to be no motivation to absorb some of that cost. In fact I can tell the Assembly that I am aware of 2 U.K. retailers which were perfectly happy to absorb the 3 per cent cost if it would have been inclusive. I do not know what is going to happen now. As for the issue of rounding, I simply do not understand and it would have been good to debate the issue of rounding and the concerns of rounding in the Assembly. Unfortunately we have not been able to do so.

2.6.2 Senator L. Norman:

In view of the fact that the Minister accepts that without price marking legislation G.S.T is going to be confusing and unfair to the consumer, would he not press the G.S.T to be delayed by 12 months, particularly bearing in mind the improved financial position of the States to have that legislation in place before G.S.T comes into force, in fairness to the consumer?

Senator P.F.C. Ozouf:

No, empathically not. I favour inclusive pricing, and because it probably will not be me at that stage, I will confirm that a consumer survey would be carried out. I do not think that G.S.T should be delayed. I stand shoulder to shoulder with the Treasury Minister, and I hope the rest of the Council of Ministers, on needing to keep G.S.T on track. It is not ideal to have unfair inclusive pricing brought in, but I am afraid that is something we are going to have to live with for 12 months. It does not mean that G.S.T is impossible to bring in.

2.6.3 Deputy G.P. Southern:

Will the Minister note my intention to hold first a public hearing on this matter in the middle of next week, and will he do his utmost to come and present his arguments and his evidence to the Scrutiny Panel at the first possible opportunity, which is next week?

Senator P.F.C. Ozouf:

I am getting sick and tired of the Deputy using his position in this Assembly to say whether or not I am going to turn up to meetings. I am unaware of any invitation to turn up to a public meeting or anything else concerning G.S.T inclusive pricing. I beseech the Chairman of the Panel to engage in proper teamwork in relation to Scrutiny rather than point scoring across this Assembly. He is well aware of the issues that I am currently dealing with personally. I will do my best to attend. And as to the issue of inclusive pricing, I hope that his review is going to be carried out with an open mind. He has already informed this Assembly that he favours exclusive pricing. I think that he is wrong, but I hope his review will be carried out --

The Deputy Bailiff:

Senator, sorry we do not want to get on to too much of a debate about that.