

## **2.9 Deputy K.C. Lewis of the Minister for Treasury and Resources regarding action to be taken against shops and businesses charging the equivalent of V.A.T. on top of G.S.T:**

With the introduction of the G.S.T. does the Minister have any plans, in consultation with the Minister for Economic Development if necessary, to take action against shops and businesses charging the equivalent of U.K. V.A.T. (Value Added Tax) on top of G.S.T?

### **Senator T.A. Le Sueur (The Minister for Treasury and Resources):**

In any market economy shops and businesses charge prices which are influenced mainly by competition and by what customers are prepared to pay. V.A.T. is the U.K. tax, which is not payable on goods and services supplied in Jersey. Suppliers can, however, charge what they consider the market will tolerate and a number of retailers do charge the equivalent of V.A.T. (Value Added Tax) inclusive prices. I think the main action that the States can take in this respect is firstly to have policies that encourage rather than restrict competition and, secondly, for consumers to be provided with information to assist in making informed decisions. The *Jersey Evening Post* and the Consumer Council, for example, should be congratulated on their campaigns to encourage retailers who do charge lower prices than their U.K. counterparts to highlight this in their shop windows. It is my personal opinion that much of the so-called V.A.T. inclusive pricing in Jersey is a result of U.K. chains' reluctance to alter pre-priced tickets. My belief is that these retailers will be more likely to absorb the 3 per cent G.S.T. (Goods and Services Tax) if they are required to charge G.S.T. inclusive prices rather than if they add 3 per cent at the till even on top of those tickets, but that is a matter we will be debating shortly. In conclusion, Sir, I understand that the Minister for Economic Development is, in fact, considering a Price Marking Law and hopes to bring that Law and Regulations to the States later this year.

### **2.9.1 Deputy K.C. Lewis:**

Further to that, Sir, I too congratulate my colleague, Deputy Breckon, for his good work with the Consumer Council but I consider the Consumer Council to be a safety net with policy coming from Ministers. Only yesterday I received an email from a constituent complaining that V.A.T. had been removed from one particular item but then this item had been widely advertised as a promotion, which is completely unfair. Does the Minister not agree?

### **Senator T.A. Le Sueur:**

I think, Sir, if shops charge a price which is higher than the customer should be paying it is up to the customer to vote with their feet. Unless we have a situation where we try to control every single price charged by every shop I think the only effective solution is to encourage greater competition and greater awareness.

### **2.9.2 Deputy G.P. Southern:**

Does the Minister not agree that the time for encouragement and awareness is past and the time for action is present? Can he give more details of the Price Marking Law he understands the Economic Development Minister to be considering?

### **Senator T.A. Le Sueur:**

No, Sir, it would be wrong of me to pre-judge or even pre-empt what the Economic Development Minister may wish to bring but I am sure what he wants to do is to promote legislation which is in the interests of the consumer.

### **2.9.3 Deputy G.P. Southern:**

Supplementary, if I may, Sir; the Minister carefully avoided answering my question. What action is he prepared to take to ensure that V.A.T. is not foisted on inhabitants of Jersey?

### **Senator T.A. Le Sueur:**

Any business that issues an invoice which purports to charge V.A.T. or G.S.T. at other than the 3 per cent set down by the Law will be in breach of the Goods and Services Tax Law once the Law is passed. But if a shop chooses to charge a price which reflects a V.A.T. equivalent that is something which no legislation can deal with effectively, Sir, in the present situation.

**2.9.4 Deputy A. Breckon of St. Saviour:**

I wonder if the Minister is aware of any terms under the Regulation of Undertakings Law that could be applied to ensure that U.K. retailers do charge different prices?

**Senator T.A. Le Sueur:**

I am not aware of any Regulations, Sir, and I shall be surprised if there were.

**2.9.5 The Very Reverend R.F. Key, B.A., The Dean of Jersey:**

Does the Minister not agree that the theory of consumer choice in realistic terms is more open to the rich than to the poor and it may be that there is a moral imperative on those who could well afford to pay a price equivalent to U.K. V.A.T. plus G.S.T. to help force down prices by their consumer choice thus protecting the poor?

**Senator T.A. Le Sueur:**

The Dean makes a very good point there. But I think it is going to depend very much on the type of goods being offered for sale and the element of choice that there is in existence. One can have all the best intentions in the world but if a customer has only one place in which to shop they are forced to pay the price at that shop. If there are many shops around and the customers generally, rich or poor, all indicate that they are not prepared to pay over the odds for their goods then retailers, sooner or later, will get that message.

**2.9.6 Deputy G.P. Southern:**

Again, the Minister draws a fine distinction between a payment of V.A.T. in the Island and prices equivalent to the payment of V.A.T. on the Island. Does he not consider that charging prices equivalent to V.A.T., given that V.A.T. is not paid on exports into the Island, amounts to fraud and will he either bring a Law to outlaw this practice or support his Economic Development Minister in so bringing such a Law.

**Senator T.A. Le Sueur:**

The price which a shop chooses to charge may well be inflated above the normal rate if it believes it can exert a higher profit margin. Unless we legislate to dictate what the profit margin of any shop would be; trying to regulate that price is not feasible. I would point out to the Deputy that if V.A.T. inclusive or pseudo-V.A.T. prices are being charged that revenue does not go to the Chancellor of the Exchequer in the U.K. or to the tax man here, it goes to the shopkeeper himself. It is that shopkeeper who is making that profit. If the customer is prepared to pay 60 per cent profit margin rather than 30 per cent profit margin that is up to the customer.

**Deputy G.P. Southern:**

The Minister has again avoided answering the question. Will he act on behalf of the consumer to protect Jersey customers this year?

**Senator T.A. Le Sueur:**

I will work with the Minister for Economic Development in producing Price Marking Regulations which I believe are suitable to achieve as much as we can of what the Deputy is trying to achieve.