

STATES OF JERSEY



GOODS AND SERVICES TAX: PRICE MARKING LEGISLATION (P.99/2007) – COMMENTS

**Presented to the States on 11th September 2007
by the Minister for Economic Development**

STATES GREFFE

COMMENTS

This proposition is ostensibly about price marking, however its real effect is to delay the implementation of GST.

Members will recall that I have for a long time advocated the need for retail price displays to be inclusive of GST. This system would ensure that the buying public are not subjected to misleading price indications and they could be confident that what they see is what they pay. Consumer protection legislation has required this in the U.K. for many years and is best practice in the rest of the world apart from Canada and the USA.

When the GST debate took place in April, it was clear that the price marking issue of inclusive versus exclusive needed to be separated from the arguments about reasons for introducing GST. What is essentially a consumer protection matter was in danger of eroding the fundamental rationale for GST. To separate the consumer protection aspects, I gave an undertaking to bring to the States before the summer break, a price marking Law which would clearly require an inclusive price marking system if the States agreed. As members will recall, when the draft Price Marking Law was lodged "au Greffe", the Economic Affairs Scrutiny Panel announced that they wished to scrutinise the Law. In effect this prevented a debate on the draft Law until October, at the earliest.

Following discussions with the Minister for Treasury and Resources and taking into consideration representations from the Chamber of Commerce, I had no option but to withdraw the Law for immediate debate. Traders needed to have certainty about the arrangements for marking requirements that would be in place in May 2008. All businesses need to have sufficient time to prepare for the introduction of GST. I had no option but to say the matter would be reviewed after 12 months of operation of GST and then to bring forward a price marking proposition to settle the issue, as necessary. I intend to abide by this commitment unless the States instructs me to do otherwise.

I have stated on a number of occasions that I am committed to reducing any confusion for consumers. The Minister for Treasury and Resources is drafting Regulations under Article 94 (see Appendix 2) of the GST Law which will require traders to place conspicuous signage in retail premises informing customers whether prices charged by that business are inclusive or exclusive of GST. I believe that the market will determine very quickly which is the best system of pricing. Moreover, consumers will vote with their feet when faced with a choice of paying the price that is advertised or the price at the till which is 3% greater than advertised. It appears many retailers are planning to introduce GST on an inclusive pricing, although some, represented mainly by the Chamber of Commerce, remain opposed to the inclusive approach.

The Assembly is awaiting the report from Scrutiny. I assume members will wish to consider the outcome of Scrutiny's review before deciding on the detail of price marking.

This proposition delays the date for introduction of GST. It would renege on the commitment given to review actual market experience.

Whilst I regret that a decision on pricing has not been possible, it is vital that GST is implemented according to previously agreed timetable.