

Some witnesses were of the view that the option to include or exclude the GST in the prices of goods and services presented significant problems for small businesses and for consumers. According to the Canadian Federation of Independent Business (CFIB), the fact that the GST is not harmonized with provincial sales tax systems will make comparison shopping impossible because the complexity of administering a two-tiered tax system will force small retailers to price their products on a GST-included basis. The Canadian Council of Grocery Distributors claimed that the competitive nature of the market will put pressure on all businesses to exclude the GST from retail prices. The Council felt that small retailers who cannot readily adapt to pricing products net of the GST will thus be at a distinct disadvantage compared to their larger competitors, who can do so.

The Technical Paper acknowledges that not all businesses will be able to adopt the model presentation of the tax because many of the cash register systems currently in place in small and medium-sized stores cannot simultaneously identify two separate sales taxes. The CFIB confirmed this. It was indicated that upgrading and replacement of this equipment could not be completed by the proposed implementation date for the tax.

The Committee supports all efforts to ensure that the GST is both visible and uniformly presented at the retail level. While our preference would be to have the GST displayed as described in the Technical Paper, we recognize that this will not be possible in all circumstances. There is no doubt that the lack of uniform pricing and display requirements will cause a certain amount of confusion among consumers and will make comparison shopping difficult. Moreover, including the GST in the price will compromise the principle of tax visibility. We believe that it would be unjust, however, to require small retailers who lack advanced cash registers to price all products net of the GST. The Committee encourages all retail businesses, however, to display prominent in-store signs that will inform customers as to how the GST is being applied. Consumers must know how much a product or service will cost before the provincial sales tax is applied.

We expect that a uniform pricing policy may develop over time as small retailers upgrade their cash registers. In the interim, however, consumers will have to be particularly vigilant about comparing prices.

The Committee notes that the problems of visibility and uniform application of the GST would be solved with a national sales tax, where the relevant combined federal-provincial tax for each province would be applied at the point-of-sale. Such a tax would have several advantages over a two-tiered tax system. Two of the more significant of these are lower compliance and administration costs and uniform presentation of the tax. These would represent significant improvements for business and consumers. The Committee therefore recommends that: