



- Tax – inclusive Pricing -

A Submission to the

**Standing Committee on Community Affairs and Economic
Development**

Presented by: Tourism Industry Association of Prince Edward Island

February 3, 2009

The Tourism Industry Association of Prince Edward Island (TIAPEI) welcomes this opportunity to address the Standing Committee on Community Affairs and Economic Development today on the issue of Bill No. 101 – An Act to Amend the *Revenue Tax Act*. This Private Members bill, proposed by Allan McIsaac, MLA for Vernon River – Stratford, would see all goods and services on Prince Edward Island use a system of tax-inclusive pricing. When this Bill came to the attention of TIAPEI, we immediately solicited the opinion of our membership, noting we needed to be very clear in communication with Government as to how the proposed changes will affect our industry.

As with any important issues that will have a long term impact on our industry, we are lead by the opinion and wisdom of our membership. In this case, 72% of the respondents were opposed to the proposed amendment, with 20% noting some support for the Bill. It is therefore the position of TIAPEI that the Government of Prince Edward Island does not adopt the proposed changes to the *Revenue Tax Act* as outlined in Bill No. 101.

We would like to share some of comments received in opposition to Bill No. 101:

- It will certainly make us look like our pricing is much higher.
- If this was a national proposal, it would work better.
- In 8 years in the giftware business, I have never had a customer complain about the current pricing/tax structure. If there is a complaint, it is about the provincial tax charged on the federal tax. The majority of my customers come from North America. They are accustomed to paying tax on purchases; just not the amount we are forced to charge.
- On the surface, the idea sounds reasonable but in actual practice, the province would lose millions in tourism business.
- Our price for a lobster supper is \$29.95 and that is the price we are asking the customer to pay. The tax of \$4.64 is collected by us on behalf of federal and provincial governments. If we posted a price of \$34.59 public perception would be that we are charging \$34.59, which we are not.

- In my opinion, the logistics and costs of re-pricing, reprogramming and retraining far outweigh the benefits of one price for all.
- This should be a country wide initiative if it happens at all.
- The consumer doesn't like the taxes but at least they know that those additional costs are not coming from the operator and can sympathize with our situation. I think it would be bad for business.
- If PEI includes all taxes and the other provinces and states do not, we will put ourselves at a serious disadvantage.
- Will it curb spending by consumers because of the appearance of higher prices? We need more information.
- It is important that customers see what the operator charges and what the government collects.
- If I was to post the cost of a lobster supper including taxes then people would compare with other province cost for a lobster supper with no tax and thus not come in the door.
- If people were to shop at our shop and compare prices with other shops in the Maritimes, it would seem our prices are higher, while, in fact, our prices may be lower as we do not have HST.
- Franchises and chain retailers will not be able to advertise on PEI without incurring major production costs.
- If they want to change the tax system, then conform to the rest of the Atlantic Provinces and introduce HST to PEI.
- We feel it would have a very negative effect on our business when the consumer compares our prices with advertised prices in the other Atlantic Provinces.
- As far as the cottage business- both taxes are shown on the confirmation and invoice now. As far as changing all the prices on websites, multi- listing sites etc. etc it would be very difficult and would make my business- and PEI too for that matter- look less competitive as this is not standard practise.
- There are many products being sold on PEI pre-priced with taxes out (e.g. cards, stationary, etc.). Those items will need to be price tagged over the pre-priced amount and will look as though the price has gone up at the store, which is not the case. Suppliers will not alter their manufacturing processes to accommodate different prices for PEI products so it will always look as though prices are jacked up with a tacky sticker put over an embossed price.

As these comments show, the majority of the respondents to our request for feedback indicate their strong feelings that Bill No. 101 and tax-inclusive pricing would have a negative affect on the tourism industry and the many tourism based businesses across PEI. Unless this initiative is adopted on a Canada wide basis, such an initiative could place us at a serious disadvantage from our competitors. In this day of decreased economy and increased global competition, any action which could jeopardize our ability to remain competitive must be rejected.

If Government is considering financial initiatives that will be meaningful benefits to the tourism industry and small businesses, implementing a harmonized sales tax will bring about the biggest impact to our industry. Bill No. 101 will be a hindrance, not a help to our industry and for this reason we opposition the adoption of this bill.

Thank you for your time today and we hope that the feelings of the membership of TIAPEI will be taken into consideration when the Province of PEI debates the merits of Bill No. 101.