



### **PUBLIC COMPLIANCE COMMITMENT**

Imperial Tobacco Australia (ITA) is committed to complying with the Government's prices oversight regime introduced to minimise the overall impact of the New Tax System on the level of prices. Specifically, ITA will:

- Comply with the Trade Practices Act 1974, and in particular Part VB of that Act which prohibits companies from engaging in price exploitation in relation to the New Tax System;
- Comply with the ACCC's price exploitation guidelines which require companies to pass on to customers any net cost benefits realised as a result of the New Tax System changes;
- Provide price lists to customers which show GST inclusive prices in a way that is not misleading or deceptive;
- Maintain an effective compliance program in relation to this commitment

### **COST CHANGES**

ITA has implemented a methodology to estimate cost savings that will result from the New Tax System. Most of the goods that ITA currently purchase do not contain embedded indirect tax. As a result, cost savings in the short term are expected to be small. However, we will continue to monitor cost movements attributable to the New Tax System. ITA's revised pricing structure will be based on those anticipated cost savings, and we will adjust pricing in the future should actual cost savings exceed price adjustments already passed on as a result of the New Tax System.

ITA has implemented a program to encourage suppliers to pass on to us cost savings they realise as a result of the New Tax System changes. We will continue to communicate with suppliers over the coming months to ensure cost savings not already identified are passed on to ITA.

In assessing the net effect of the New Tax System on costs, we will include only those implementation and compliance costs reasonably incurred and directly attributable to the introduction of the New Tax System and offset any compliance cost reductions from the removal of the previous tax system.

## **IMPACT OF THE NEW TAX SYSTEM**

None of our products, except cigarette papers, are currently subject to wholesale sales tax. In addition to the excise applicable to our tobacco products, all of our products will be subject to a 10 percent GST. As only a minor portion of the selling price of our tobacco products comes from the price of goods and services purchased by ITA (with the major portion coming from taxation) cost savings will only have a small effect on the prices charged by ITA to our customers. For cigarette papers, the difference between the previously applicable sales tax rate and GST will be passed on to our customers. As ITA is a supplier to the wholesale and retail trade, we do not control the prices ultimately charged to consumers.

## **CUSTOMER & CONSUMER INFORMATION & COMPLAINTS HANDLING**

ITA has a wide-ranging customer and consumer communication program in place to support the New Tax System changes. This program includes the following components:

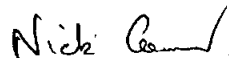
- Advising all customers as to our progress towards compliance with the Act and price exploitation guidelines.
- Price lists provided to customers contain an explanation of the methodology used to determine our prices, as well as providing advice to customers as to their pricing obligations relating to the New Tax System.
- The ITA Customer Service department has undertaken New Tax System training and are fully conversant with the price exploitation guidelines. They are equipped to answer customer queries as they occur.
- The majority of ITA products have consumer information contact details printed on their packaging. Staff handling these consumer information lines are undertaking training and will be equipped to answer queries related to the New Tax System.
- All of our relevant staff have been trained in their responsibilities and customer rights relating to the New Tax System. This training remains an ongoing feature of our employee education programs.
- Communication with customers and employees will continue throughout the coming months as required.

### **LIAISON WITH THE ACCC**

ITA will liaise with the ACCC in relation to:

- our compliance and customer service programs, including complaints handling;
- any other matters that arise regarding ITA's compliance commitment; and
- provision of information to ensure the Commission is satisfied that our prices reflect actual cost savings achieved.

ITA has already commenced reporting and liaison with the ACCC in all of the areas described above and will continue to do so six monthly or as required.



N.B. Cannar  
Managing Director  
Imperial Tobacco Australia Ltd