

ACCC well into its GST role

The Commission is now well under way gearing up for its price exploitation prevention role during the transition phase to the New Tax System and the GST.

Concentrating on the need to 'Get some useful information out there and get it out fast' to begin with, in July it published guidelines on what it considers to constitute price exploitation. Short news-sheets on specific aspects are being produced regularly as the Commission identifies issues that need explanation.

A consumer hotline began operation on 14 July and the Commission is taking an increasing number of calls. The hotline's purpose is to provide information to consumers and business, and to take complaints from consumers.

Its website is proving to be a popular source of information — and the Commission is in the process of upgrading the site to accommodate the increasing amount of information it believes should be available to the public. Regular visitors should notice the change towards the end of the year.

The Commission is working closely with the Australian Tax Office in the roll out of both agencies' publications and seminars. It is also working with industry associations and other stakeholders to identify opportunities to provide tailored business material. In relation to particular issues it will work with industries to establish compliance strategies consistent with the guidelines.

Small business, big business, consumers — the Commission will not overlook any in its efforts to help them come to grips with what they can expect and what is required.

Specific material will be developed for small business to help it to understand the issues and to enable it to apply the principles and pass any savings through to consumers.

Some of Australia's biggest companies have been invited to give voluntary public commitments of compliance to the guidelines. This end of business can often influence market prices, and can provide a lead for smaller business. Such commitments would also be an assurance to the community that companies intend to play fairly and not use the change in the tax system as an opportunity to increase margins. A number of companies are currently discussing proposals and the Commission will set up a public register of organisations it considers to have adopted acceptable public commitments.

The Commission's emphasis while pursuing its role during the transition phase will be on education and encouraging compliance — its preferred enforcement practice with all of its work. That is not to say it won't investigate and take action whenever it believes necessary.

Businesses will be encouraged to develop effective compliance programs which would include giving the right advice to staff and then monitoring performance. The Commission recommends Australian Standard 3806 as a guide to good practice.

Price monitoring

The Commission is already monitoring prices. Information gathered from a survey of 112 cities and regional centres will provide benchmarks to assess price movements in response to the tax change. A snap survey the day after the Wholesale Sales Tax reduction showed that of over 3000 prices checked 87.4 per cent had dropped by an average 7.9 per cent. Days later it had risen to 98 per cent of prices checked.

The tax changes

Wholesale Sales Tax reduced from 32% to 22% (29 July 1999)
Excise on cigarettes changes (1 November 1999)
GST introduced (1 July 2000)
WST abolished (1 July 2000)
Bed taxes abolished (1 July 2000)
Excise on petrol and diesel changes (1 July 2000)
Excise on alcoholic beverages changes (1 July 2000)
Luxury car tax introduced (1 July 2000)
State taxes on bank transactions abolished (date to be determined)

A more comprehensive approach to price monitoring will be undertaken when the GST comes into effect on 1 July 2000. The Commission intends using the information it collects — together with information from consumer groups, industry sectors, economic modelling, industry analysis and any other source it finds useful — to build a sound base for its compliance and enforcement activities.

The legislation

In August 1998 the Commonwealth Government proposed A New Tax System for Australia. The legislation was passed by Parliament in June 1999. Among other things it introduced personal income tax cuts and a broad-based Goods and Services Tax (GST) to replace a number of existing indirect taxes.

The changes will affect the prices that businesses (or suppliers) charge for goods and services in virtually all industries. The effects

will vary with some prices falling and some rising. The Government wants consumers to receive the full benefit from indirect tax reductions. It wants to avoid them being exposed to greater than necessary price rises. In short, there should be no exploitation of consumers.

To ensure this the Government has established a price oversight regime which prohibits price exploitation during the transition phase: 9 July 1999 to 30 June 2002. The Commission has been given special powers to monitor prices and prevent price exploitation during this period.

In performing its role the Commission wishes to achieve the aims of the legislation in the least costly ways possible to business and the community.

Qantas compliance commitment

Qantas is the first major company to announce a public compliance commitment to adhere to the ACCC's price exploitation guidelines.

ACCC focus

The Commission wants to make clear that when evaluating prices its focus will be on price changes, not price levels. The purpose of the price exploitation provisions is not to ensure that all prices are reasonable; the Commission's role is not to object to profits that are already high. The purpose is to ensure that the changes that take place are reasonable.

Publications

ACCC GST publications are free and available from all Commission offices, the hotline and the website: <http://www.accc.gov.au>

Guidelines

Price exploitation and the New Tax System

News for business news-sheets

Pricing claims and the New Tax System
Pricing — during the New Tax System transition

GST talk bulletins

Electronic goods — the price will go down
The New Tax System — What changes? When?
Protecting consumers in the New Tax System

Pricing inquiries
should be directed to
the ACCC Pricing Hotline

1300 302 502

or

the ACCC website at
www.accc.gov.au which
contains useful information
on the ACCC's role in
the New Tax System.