

Submission No. 35



Review of the low value turnover
exemption scheme

Consultation Paper

Response – 19th May 2014

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Nestlé appreciate the opportunity to respond to the consultation paper on the Review of the low value turnover exemption scheme.

The current scheme

Nestlé in the past has used the LVT exemption scheme mainly for products that are on the ARTG but are not being supplied to the Australian market. For us, the scheme in its current form has high administration costs and the overall benefit in claiming the LVT exemption is quite small.

Difficulties with the current scheme include.

- Having an accountant (approved person), external to the company, review the sales figures. It is not simple to link products on our SAP system back to the AUST L or AUST R number. Multiple SKUs may relate to a single AUST R or AUST L number and products within a range or brand all have similar names. Products that have not been supplied for a number of years may not even appear on our SAP system or have a product code. It is a difficult and time consuming job for the external account to trace things in our system.
- Payment of the invoice. The sponsor who wishes to claim an LVT exemption is required to make 3 separate payments. One payment to the external accountant who audited the sales figures, a second payment in the application for the LVT products and a third payment for the annual charges for the rest of the products. It is the third payment that causes us the most problems as we have to try and explain to our accounts department why we are not paying the full amount specified on the TGA invoice.
- Due to the work involved and the requirements of an external accountant, It always seems to be difficult to get the LVT application submitted by the application date

Nestlé agree that the current scheme is an administrative difficulty for both sponsors and the TGA and welcomes changes to the scheme that reduce the burden of administration and are consistent with the principles of cost recovery by the TGA.

Option 1

Nestlé does not support this option as the current LVT scheme is difficult and inefficient.

Option 2

Option 2 is not supported by Nestlé as it does not appear to in any way reduce the administrative complexity and cost of complying with the scheme.

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Option 3

Option 3 would be supported by Nestlé with some changes.

Allowing a sponsor to provide a no supply declaration without the need of an external accountant would remove some of the administration costs of the scheme.

Nestlé suggests however that this “no supply declaration” should be submitted prior to TGA issuing the annual product charges invoice. This could be done either by the sponsor submitting a no supply declaration at the end of each financial year or by sponsors having the ability to declare on the ARTG record for each product if it is not supplied.

TGA could then issue one invoice for the annual product charges plus the cost of the LVT exemption applications. The benefits of this are that TGA would know exactly what annual product charges would be received as they issue the invoices each financial year and sponsors would only be required to make one payment.

The impact of this option on the Nestlé business would be a reduction in administrative work to comply with the LVT scheme.

It is difficult to assess the impact on fees that we would pay, but also taking into account that we also pay an external accountant it may slightly reduce the overall fees and costs to our business.

Option 4

Option 4 to only allow the scheme for small business might work for existing products but it does not seem fair that a product that is entered onto the ARTG just prior to the end of the financial year, and not supplied, should be charged a full year annual product charge for that financial year.

Nestlé would only support this option if there was a system to allow all sponsors (regardless of the size of the business) to claim the exemption for the financial year that products were entered onto the ARTG if they had no sales in that financial year, or to have a pro-rata annual fee applied for the financial year a product was first entered onto the ARTG.

Option 5

Option 5 to cease the scheme entirely might work for existing products but it does not seem fair that a product that is entered onto the ARTG just prior to the end of the financial year should be charged a full year annual product charge for that financial year.

Nestlé would only support this option if there was a system to allow sponsors to claim the exemption for the financial year that products were entered onto the ARTG if they had no sales in that financial year, or to have a pro-rata annual fee applied for the financial year a product was first entered onto the ARTG.

Due to the time, cost and effort to register a product, Nestlé usually only deletes a registered product from the ARTG when we are very sure we will never want to supply the product again.

For this reason, the products that Nestlé maintain on the ARTG with zero sales are predominantly registered OTC products rather than listed products. Option 4 or 5 would greatly reduce the

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administrative cost and burden and of the system. It is difficult to assess the impact of cost as we would pay higher costs for products with zero sales but lower costs for each product.

Option 4 or 5 may have a small positive or negative impact on the overall cost that we pay for annual product charges.

Summary:

Nestlé are supportive of changes to the LVT exemption scheme that reduce the administrative cost and burden of complying with the scheme and are consistent with the principles of cost recovery by the TGA.

As products that are not being supplied to the Australian market do not require any post-market regulatory activities then it is fair that these products have a reduced or zero annual fee.

Nestlé are supportive of option 3 provided that sponsors could self-certify products with zero sales prior to being invoiced for the annual product charges and then receive a single invoice for the total of the annual product fees for products being supplied plus the LVT application fee for zero turnover products.