



## Trade Practices Act Update - Prominent, Single Figure Pricing

*Under the Trade Practices Act 1974 (Cth) businesses are required to ensure advertising accurately represents the goods or services they offer for sale to consumers.*

The Trade Practices Amendment (Clarity in Pricing) Act 2008 (Cth) ("Clarity in Pricing Act"), applies from 25 May 2009 with a new component pricing rule in section 53C.

### ▶ Who is Caught Under the New Requirements?

Component pricing is where a business represents the cost of a good or service to consumers in, or as the sum of, multiple component parts: For example:

- the cost of a hire car is \$50 per day plus a surcharge of \$1.50 per kilometre; or
- a good is priced at 5 payments of \$19.95.

If a business uses component pricing in its advertising it must also provide a prominent single or total price for a good or service. In calculating the "single price" the business must state the minimum total cost able to be calculated into a dollar amount when the good or service is advertised.

Where the total price comprises a number of payments, the total price must be prominently displayed. Using the example above, where a good is advertised as "5 payments of \$19.95," the

total price of \$99.75 must be highlighted as clearly and as prominently as the "\$19.95".

If the purchase price is subject to administrative fees, booking fees, taxes or other certain charges, then these need to be included in the advertised price. However, if the purchase price is subject to uncertain variation (eg currency fluctuations), the business must calculate the variable amount based on information available at that time and clearly advise consumers that it may be subject to change.

If the purchase price is subject to optional extras such as delivery fees or modifications to the goods or services, then these fees do not need to be included in the advertised price.

### ▶ What Businesses Must Do

The Clarity in Pricing Act is targeting those businesses that sell goods or services to consumers. Business to business transactions are not governed under these rules.

Businesses that sell goods or services to consumers should review their advertising practices in light of the obligations imposed under the Clarity in Pricing Act.

For further information about the Trade Practices Act please contact:

Rick Goldberg - Partner T: +61 3 9242 4734  
E: rick.goldberg@madgwicks.com.au  
Michael Levy - Lawyer T: +61 3 9242 4792  
E: michael.levy@madgwicks.com.au

▶ For information on Madgwicks' Business Services Group, please click [here](#)