



3 June 2013



Mr. Nick Champion  
Standing Committee on Infrastructure and Communications  
Parliament of Australia - House of Representatives  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Mr. Champion,

I am writing in response to your letter of 29 May 2013 regarding the evidence provided by Apple to the committee on 22 March 2013.

While the two hearings focused on different subjects, the information provided by Apple has been consistent. The US Senate Permanent Subcommittee on Investigations (the "subcommittee") focused on Apple's taxation arrangements that have no relationship to how Apple sets the pricing of our products for sale to customers in Australia.

As stated in our evidence to your committee, when we launch and price an Apple product for sale, our goal is to offer equivalent pricing around the world. Setting aside the daily ups and downs of currency exchange rates, our Apple product prices in Australia are not materially different from those of Apple products sold in the United States.

The same is true of Apple's own software titles offered on the Mac App Store. These products are all priced in Australia within one to three percent of the prices in the United States. Regarding the pricing of third-party digital content sold on iTunes, we explained that the main differential is the higher wholesale price set by the rights holders of the content, which impacts the retail price. In any event, the US Senate hearing and the accompanying subcommittee staff report on taxation practices did not address third-party digital content pricing.

In our letter to the committee of 12 April 2013, with respect to taxation, we clarified that Apple Pty Ltd purchases its hardware and software products predominantly from its affiliates overseas at an arm's length price, based on the value of Apple Pty Ltd's sales and marketing efforts undertaken in Australia.

The Australian Tax Office (ATO) has formally agreed, by way of an Advance Pricing Agreement ("APA"), with the arm's length transfer pricing method used by Apple Pty Ltd. Apple Pty Ltd has been in the ATO's APA program for at least 10 years through FY2011, and is in the renewal process for subsequent years.

Apple Pty Ltd has therefore computed its Australian profits, taxable income and corporate income tax through FY2012 based on the APA with the ATO.

Sincerely,

Tony King  
Vice President  
Australia, New Zealand & South East Asia  
Apple Pty Ltd

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