

# Submission on updates to the 2018/19 Telecommunications Development Levy (TDL) specified instructions and templates

4 June 2019



## SUBMISSION

- 1 Thank you for the opportunity to comment on the Commission's proposed updates to the 2018/19 Telecommunications Development Levy (TDL) specified instructions and templates. We agree with the approach proposed for amendments relating to the impact of the REANNZ case and changes to the Telecommunications (New Regulatory Framework) Amendment Act 2018, however we would like to bring to the Commission's attention the differing impacts of NZ IFRS 15 between Qualifying Liable Persons (QLPs) who are Retail Service Providers (RSPs) and other QLPs.
- 2 NZ IFRS 15 changes the way revenue and costs from contracts with customers are recognised, and its adoption for RSPs is likely to result in an adjustment that shifts revenue that would previously have been recognised in the current year into future years.
- 3 As the consumer contracts that this accounting standard applies to are primarily a feature of the retail market, there will not be a similar adjustment for non-RSP QLPs. Due to the revenue-based TDL allocation method, this may lower the amount payable by the RSPs at the expense of other levy payers, when the underlying cash flow of all the entities has not changed.
- 4 While we appreciate that this revenue will be included in future levy allocations it nevertheless creates a disproportionate impact on the levy payable by non-RSP QLPs due to this being the final year of the higher \$50m TDL. The levy falls to \$10 million in the 2019/20 and future years. Practically speaking this means that due to this change RSPs may pay a lower percentage of the current \$50m levy (with the balance funded by other QLPs), and a higher percentage of the significantly lower future levy.
- 5 We ask that the Commission consider whether there is a mechanism by which this outcome could be avoided to maintain the existing proportionality for the final year of the \$50m levy.
- 6 For completeness, we have also responded to your specific consultation questions in **Appendix A**.

## APPENDIX A: RESPONSES TO SPECIFIC CONSULTATION QUESTIONS

<b>Q1</b>	<b>Do you believe the proposed NZ IFRS 15 adoption adjustment is needed?</b> Yes.
<b>Q2</b>	<b>Should the NZ IFRS 15 adoption adjustment be limited to the 2018/19 TDL?</b> Yes, the adjustment as proposed should be just for the 2018/19 year.
<b>Q3</b>	<b>Are there any other changes that should be made to the specified instructions or templates as a result of the adoption of NZ IFRS 15?</b> Refer para 5 of submission text.
<b>Q4</b>	<b>Will QLPs have substantial difficulty splitting broadcasting revenue between the 'non-telecommunications service revenue' deduction line and the 'broadcasting services revenue' deduction line?</b> No.
<b>Q5</b>	<b>Are there any unforeseen flow on effects/interdependencies from the proposed changes to the specified instructions or templates?</b> As discussed in the substantive part of our submission, the adoption of NZ IFRS 15 coinciding with the final year of the higher TDL may give a disproportionate benefit to the RSP QLPs at the expense of the non-RSP QLPs.