

# Related parties for eligible revenue reporting

## Why do related parties need to be identified?

Under the [Telecommunications \(Eligible Revenue\) Determination 2025](#) (the **ER Determination**), which replaces the repealed [Telecommunications \(Eligible Revenue\) Determination 2015](#), telecommunication carrier licence holders (**carriers**) can report on their revenue on a group basis (section 13 of the ER Determination).

It is important to identify the revenue of all related parties to ensure a carrier's Eligible Revenue Return (**ERR**) or Eligible Statutory Declaration (**ESD**) is compliant with legislation and has taken into consideration all amounts of telecommunications sales revenue earned by the carrier or its related parties for the relevant period.

**ER Determination section 6: ultimate Australian parent entity** of a participating person or a non-participating person, means an entity described in that way:

- (a) under accounting methods commonly used in Australia
- (b) in the financial statements in which the revenue of the participating person or non-participating person is reported.

## What is a related party?

There are two types of related parties:

- **consolidated related party**
- **declared related party (DRP)**

These related parties are defined in sections 6, 8 and 9 of the ER Determination.

### Consolidated related party

A consolidated related party is an entity whose revenue is included in the annual consolidated financial statements of a participating or non-participating person's ultimate Australian parent entity.

### Declared related party (DRP)

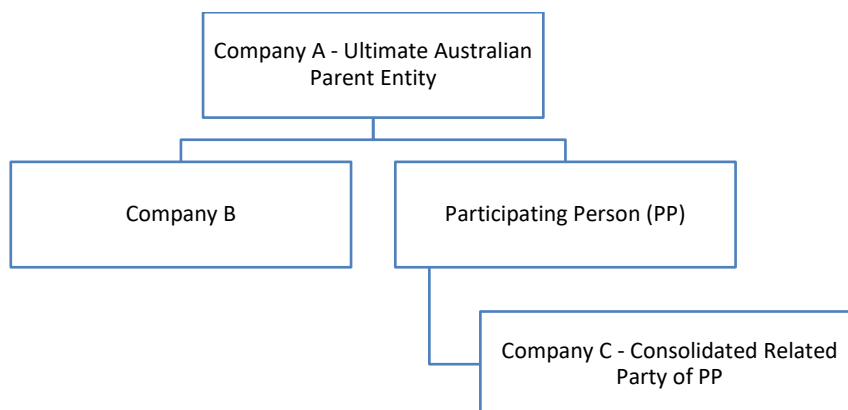
A DRP of a participating or non-participating person is defined in the ER Determination as an entity that is:

- not a participating person
- not a **consolidated related party** of a participating or non-participating person
- is **owned** by a body (meaning the body has company interests of more than 49%), that also owns a participating or non-participating person at any time during an eligible revenue period
- has telecommunications sales revenue in Australia.

For detailed information regarding DRP, please refer to Section 8, 9 and 10 of the ER Determination.

*Example:*

In the diagram below, Company A has company interests in the participating person, Company B and Company C (that is, Company A has company interests in each entity of greater than 49%).



If Company A is the ultimate Australian parent entity and prepares an annual consolidated financial report that includes the participating person and Company C, then Company C is a consolidated related party of the participating person. Accordingly, Company C's sales revenue for the eligible period is included in the calculation of the participating person's initial sales revenue. If Company B is not included in Company A's annual consolidated financial report, Company B may be considered a DRP of the participating person if it meets the criteria set out in the ER Determination.

## How are company interests calculated?

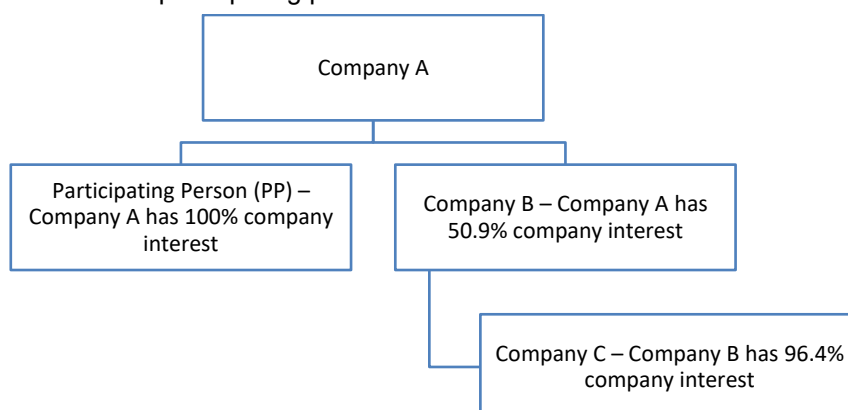
The 'fractional tracing method' is used to determine company interests. In accordance with paragraph 8(3)(b) and 9(3)(b) of the ER Determination, company interests may be traced in the same manner as in Part 4 of Schedule 1 to the [Broadcasting Services Act 1992](#), which sets out the fractional tracing method.

This method traces company interests through a chain of companies by multiplying the percentage interests that a body holds in each entity. The method can be used to identify related parties and also to work out the DRP factor (see section 10 of the ER Determination).

*Example:*

In the diagram below, it is assumed that:

- Company A has company interests in the participating person, Company B and Company C.
- Company B has telecommunications sales revenue in Australia during the eligible revenue period and Company A has company interests of 50.9%.
- Company A is the ultimate Australian parent entity and prepares an annual consolidated financial report that includes the participating person.



To work out Company A's company interests in Company C, the following formula is used:

*Company A interest in Company B expressed as a percentage × Company B interest in Company C expressed as a percentage*

***That is, 50.9% × 96.4% = 49.1%***

As the company interests of Company A in Company C is greater than 49%, Company C could potentially be considered a DRP of the participating person if it meets the criteria under section 8 of the ER Determination.

## **What percentage of the revenue and deductions of related parties is added to or deducted from the eligible revenue of a participating person?**

Participating persons are required to include 100% of the revenues and to deduct 100% of any allowable deductions in relation to consolidated related parties when calculating their eligible revenue for an eligible revenue period.

In the case of a DRP, the percentage of revenue and deductions to be considered in calculating a participating person's eligible revenue is determined using the DRP factor (see also section 10 of the ER Determination).

## **How is the declared related party factor calculated?**

The meaning of DRP factor is set out in section 10 of the ER Determination. It is worked out using the formula:

*participating person interest, multiplied by the party interest*

OR

*non-participating person interest, multiplied by the party interest*

where the party interest is the proportion of the DRP that is owned by the same body that also owns the participating person or non-participating person.

## **Calculating related party revenues when the same Australian parent entity has company interests in more than one participating person and these carriers are consolidated related parties**

Rather than making all of the calculations required under the ER Determination, two or more participating persons with the same ultimate Australian parent entity may make all of the calculations required under Part 3 (gross telecommunications sales revenue) and Part 4 (net telecommunications sales revenue) on a '**group basis**' identifying and accounting for revenue and deductions as a whole (section 13 of the ER Determination). This means that sales revenue and permissible deductions of these related parties that are relevant to calculating the participating person's gross and net telecommunications sales revenue figures is reported on a consolidated basis.

All interests in consolidated related parties and DRP need to be accounted for in working out the revenues and deductions applicable to those parties. In working out a participating person's eligible revenue, where the net telecommunications sales revenue of two or more participating persons has been accounted for on a group basis, the accounts must identify how much of the net telecommunications sales revenue is attributable to each participating person of the group (section 36 of the ER Determination).

## **How is the revenue of related parties reported to the ACMA?**

The telecommunications revenue of related parties (whether declared or consolidated) and their deductions are combined with those of a carrier to determine whether the carrier earned under

AUD \$25 million in initial sales revenue, gross telecommunications sales revenue or eligible revenue for the eligible revenue period. If the carrier's revenue is less than AUD \$25 million, the carrier may meet the definition of non-participating person under the [Telecommunications \(Consumer Protection and Service Standards\) \(Non-Participating Persons\) Determination 2025](#) (the **NPP Determination**), which replaces the repealed [Telecommunications \(Participating Persons\) Determination 2015](#), provided it submits an ESD to the ACMA by 31 October following the eligible revenue period (or the ACMA is otherwise reasonably satisfied of that fact).

The ACMA may seek specific information on related parties in support of the revenue as declared in an ESD. Where the person has the same ultimate Australian parent entity as one or more other carriers, the calculations required to arrive at initial sales revenue, gross telecommunications sales revenue or eligible revenue should be made on a group basis.

For carriers that are a participating person, the DRPs are reported online under the **DRP Financial Information** tab of the Eligible Revenue Submission form in the TELLER system.

The ACMA also requires an outline of business structure to be provided as part of an ERR. This would be a diagram with descriptions explaining the structure of the group of companies, identifying all entities that earn telecommunications sales revenue including the participating person and any DRPs.

Consolidated related parties are required to be identified in the annual consolidated financial statements of the participating person's ultimate Australian parent entity.

## **Where can I obtain further information?**

For further information, please refer to the Eligible Revenue Portal or contact our Revenue Assurance Team at [TIL@acma.gov.au](mailto:TIL@acma.gov.au).

*Please note: This information is intended as a guide only and should not be relied on as legal advice or regarded as a substitute for legal advice in individual cases.*