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**Frequently Asked Questions (FAQs)
on the
2020 ICT Council Private Sector Contribution Fees
26 August 2020**

1. QUESTION: 30 July 2020

We refer to the above letter. Please advise in layman's terms as to what we are expected to do. We got the letter from our consultant as per e-mail below but there was no corresponding explanation.

ANSWER:

The letter is meant to inform you have to pay your contribution fees to the ICT Council before 01 December 2020.

2. QUESTION: 13 July 2020

With reference to the attached, I would like to confirm the following:

- In terms of calculating the contribution amount payable for an ICT Sector entity, do you refer to the previous financial year's info?
- How should it be handled and calculated if the Generic entities' Financials showed a LOSS and not a profit?
- Would this be a requirement for ALL measured entities, even if not measured under the ICT Sector Codes to apply to their Supply chain, therefore they have to check that any of their suppliers that fall under ICT Sector has paid their council contributions?

ANSWER:

“Should the ICT measured entity’s most recent completed financial year show a **loss** or a **profit** that is **less than a quarter of the industry norm**, the same methodology utilised in calculating the targets for Enterprise, Supplier and Socio-Economic Development as per the Amended ICT Codes should be applied to calculate the **deemed NPAT** to be used in calculating the contribution amount as per this notice.”

3. QUESTION: 26 May 2020

With reference to your attached letter date 07 May 2020:

1. Refers to a letter dated letter dated 31 August 2019. I can find no such letter but assume that the letter dated 30 August 2019 is the correct reference.
2. Refers to gazette 38076, 10 October 2014, which is not a final document, and was issued for public commentary. Would it not be better to refer to gazette 38766 issued 6 May 2015?
3. States “It is important to note that contributions made toward the funding of the ICT Council are **not** recognized as SED...” This contradicts point 6 below. Please clarify.
4. With reference to:
“The ICT Council has also decided that as from the 01 December 2020, before a B-BBEE certificate or B-BBEE Sworn Affidavit can be recognised under the 2016 Amended ICT Code; Code Series 400; Statement AICT 400 enterprise supplier development (ESD) element, **the verification agency shall confirm if the measured entity has contributed to the 2020 fees**. If the ME has not contributed, its certificate or affidavit will not be recognised under the ESD element until such time the ME can present proof of payment to the contribution fees.”:

Your 07 May 2020 letter is addressed to Measured Entities which are verified in terms of the ICT Sector Code. Your letter however refers to obligations on Verification Agencies, which as you know are regulated by SANAS.

1. Request: Please provide the agreement you have reached with SANAS to ensure that Verification Agencies will undertake this work.
2. Question 1: Measured Entities which are verified in terms of the ICT Sector Code supply their goods and services to thousands of Companies in South Africa. How is your prohibition of recognition by Measured Entities which are verified in terms of the ICT Sector Code fair, if this same prohibition is not put into effect for ALL Measured Entities and other Sectors?
3. Question 2 – understanding the practicality: Let’s say 100 Measure Entities which are verified in terms of the ICT Sector Code each have 20 Suppliers which are also verified in terms of the ICT Sector Code, and that there is a high degree of commonality in those Suppliers: Question: Are you expecting that 100 separate verification agencies of these Measured Entities to undertake the same work on the common suppliers? Surely this duplication of effort makes no sense and Measured Entities should not be expected to pay verification agencies to do duplicate work?

With reference to your letter date dated 30 August 2019:

5. You state that “The Private Sector Contribution Model is a **voluntary** mechanism”. Practically, if you are going to force confirmation of proof of contribution before your Customer can accept the verification certificate of Measured Entities which are verified in terms of the ICT Sector Code, then effectively this mechanism is not so voluntary.
6. The contributions **will** be recognized as SED investment. This contradicts point 3 above. Please clarify.

ANSWER:

First, I need to acknowledge that there were a couple of inconsistencies in the documentation but they should not detract from the process overall. The letter of 7 May 2020 is to ensure that our stakeholders know that the ICT Sector Council is transitioning from voluntary private contributions (up till 2019) to compulsory ones (from 2020).

We also note that we attempted to show the governance process that led to the letter of 7 May 2020, so it is important to realise that some of the earlier statements and intentions were superseded by later events.

1. The date of 31 August was an error and you correctly noted it should be 30 August 2019.
2. You are correct. The relevant Gazette is 38766.
3. The DTIC ruled that Sector Council Contributions cannot be recognised for SED. This superseded the earlier intention that they could do so.
 - 4.1. There is no requirement for an agreement with SANAS. Accredited VAs are required to comply with the law (in this case, the Amended ICT Sector Code), following the standards set by SANAS.
 - 4.2. The customers of ICT Code Measured Entities who wish to claim points under ESD are required to satisfy themselves that they are entitled to do so. The verification agency that issues the customer's BEE Certificate is required to check the BEE status of the ICT Measured Entity. After 1 December 2020, that status requires proof of contribution to the ICT Sector Council.
 - 4.3. I am not sure of your view on practicality. If the VA assessing Measured Entity A has to check the BEE status of Measured Entity B in its supply chain, it will have to ask for two documents instead of one (only in the case of ICT suppliers and only after 1 December 2020). It makes no difference how many MEs there are or how many have suppliers in common - the process applies for each assessment. We are open to working with VAs and other parties on how to simplify the assurance of compliance.
5. As stated above, the Contribution from Private Sector was voluntary until this year.
6. See 3, above.

4. QUESTION: 19 May 2020

“This is an expense to clients, and as such, procurement. They will require a BEE certificate /EME affidavit from ICT Sector Council.”

ANSWER:

“It’s an exclusion from Preferential Procurement”

5. QUESTION: 26 August 2020

We based the payment on the below calculation:

Leviable NPAT = R673,353.00

Based on SED target will be $R673,353.00 \times 1.5\% = \mathbf{R10,100.29}$

Based on above ICT contribution of **0.015%** = $R10,100.29 \times 0.015\% = \mathbf{R 1.51}$

Or should the calculation of the ICT contribution have been $R10,100.29 \times 1.5\% = R151.50$?

If you can please advise, which is correct as we would like to make sure we get the calculation correct and the contributions paid up to date.

ANSWER:

Before the Leviable NPAT can be determined, the Measured Entity must determine if the Leviable NPAT is less than a quarter of the industry norm.

For example, If a Measured Entity makes a loss over the past 5 year period, or it makes a profit but the Return of Sales (ROS) margin (%) is less than a quarter of the industry norm, then a quarter of the industry norm (%) will be applied to the Measured Entity’s annual turnover for the Measurement Period in order to calculate a theoretical Net Profit after Tax (NPAT) Rand value.

This is illustrated as follows:

Annual turnover: R 50 000 000

Multiplied by ¼ of the industry norm:

0.75%

(for year ended Dec 2019 for Communication Sector - 2.99% divided by 4)

= R 375 000 (theoretical NPAT)

The required ICT Sector Council contribution will be based on **0.015%** of the theoretical NPAT Rand value

= R56.25”