

<b>Advisory Title</b>	<b>Calculating and paying Universal Service and Access Fund contributions</b>
<b>Date issued</b>	June 2010
<b>Source</b>	<b>Regulations in respect of Prescribed Contributions by Licensees to the Universal Service and Access Fund.</b> General Notice 1270 of 2008, GG 31499, published 10 October 2008. Into force 1 April 2009. <a href="http://www.ellipsis.co.za/wp-content/uploads/2008/10/usaf-regulations.pdf">http://www.ellipsis.co.za/wp-content/uploads/2008/10/usaf-regulations.pdf</a>
<b>Applies to</b>	ECNS and ECS licensees (class and individual), holders of PECN licence exemptions
<b>Note</b>	These regulations are unfortunately broken in certain respects. ICASA is aware of this and is reviewing them, although there is no indication of when this will be achieved.

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## Introduction

Under the Telecommunications Act licensees had an obligation to pay 0.2% of their annual turnover derived from the provision of licensed services as a contribution to the Universal Service and Access Fund (USAF). This obligation remains in place for holders of class and individual electronic communications network service (ECNS) and electronic communications service (ECS) licences under new regulations (“the USAF Regulations”) passed under the Electronic Communications Act (ECA).

The USAF Regulations will apply for the first time to USAF contributions by ECNS and ECS licensees based on the 2009/2010 financial year.

## Calculating your USAF contribution

The USAF Regulations require licensees to pay an annual contribution of 0.2% of annual turnover derived from the licensee’s licence activity to the USAF. This also applies to revenue derived from selling additional capacity under a private electronic communications network (PECN) exemption.

1. The USAF contribution is due on the turnover for the financial year of the licensee, e.g. from 1 March to 28 February if 28 February is the licensee’s financial year end.
2. The term “annual turnover” is not defined in the regulations and we advise that you use the definition from the old regulations:

Revenue received from licensed services (see below)

Less: VAT

Less: discounts

Less: other indirect taxes

3. Remember that most licensees will be calculating the contribution in respect of two separate licences, an ECNS and an ECS.
4. The following electronic communications services (ECS) are to be included in calculating annual turnover from licensed services under an ECS licence:
  - 4.1. Internet access including leased lines and dial-up access; and
  - 4.2. Managed Data Network Services (e.g. VPN, MPLS).
5. The following services do not need to be included in this calculation:
  - 5.1. Internet cafes and wireless hotspots
  - 5.2. Virtual ISPs (VISPs)
  - 5.3. E-mail services, where no infrastructure is registered in the licensee's name
  - 5.4. Domain name services
  - 5.5. Security services
  - 5.6. Educational services
6. Under an ECNS licence you would include any revenue derived from leasing electronic communications facilities to another licensee.
7. Once you have identified revenue derived from licensed services under your ECS and ECNS licences respectively, make the allowed deductions and multiply the result by 0.002 to reach the total contribution to be made in respect of each licence.
8. Complete the forms which ICASA has prescribed for this purpose (see attached). From these you will note that ICASA does not appear to want licensees to set out any detail of how they have calculated their USAF contribution. You may, however, wish to provide ICASA with some guidance in this regard and the template attached (Annexure C) can be used for this purpose.

### **Deadline for payment**

The USAF Regulations require that contributions be paid within three months of a licensee's financial year-end. This is an obvious error as South African companies are required by law to have audited financials prepared within six months of end of financial year and this is the approach adopted by ICASA under the General Licence Fee Regulations.

We suggest that you pay the contribution as soon as possible after receiving your signed-off financials but in any event within six months of your financial year end.

### **Interest on late payments**

ICASA will charge interest in respect of any overdue payments in accordance with the table below.

The interest rate to be used is not specified in the USAF Regulations. ICASA will probably attempt to set this with reference to the uniform interest rate set by the Minister of Finance in terms of section 80(1)(b) of the Public Finance Management Act 1 of 1999. This is currently set at 14%.

<b>Payment overdue by</b>	<b>Applicable interest rate</b>
7 days or less	14%
More than 7 days, less than 14 days	17%
More than 14 days	19%

Where a payment is more than 21 days overdue, a late payment penalty of 25% of the capital amount due will be payable in addition to the overdue amount.

### **Manner of payment**

At the time of making the payment the licensee must also submit a copy of their audited financial statements for the financial year in question.

Note: If a licensee is otherwise not legally obliged to have annual audited financial statements drafted, then they must submit financial statements signed and sworn to by their accounting officer.

Payments must be made by electronic transfer or direct deposit into ICASA's bank account.

Bank: Nedbank  
Branch: CCS - Pretoria  
Branch Code: 146245  
Account no: 1462 002 927  
Type of account: Deposit account  
Reference: Licensee name + USAF

### **What documents must be submitted with each payment?**

ICASA requires submission of Appendix 5: Payment of USAF Contribution and Appendix 3: Basic Financial Reporting Form\*.

\*Note that ICASA is still in the process of finalising these forms and this Advisory will be updated when this happens.

You would typically submit the above under a covering letter and together with proof of payment. As noted above Annexure C to this Advisory is a template which you can use to show ICASA how you have calculated your USAF contribution.

### **Version history**

Date	Document	Revisions
20100610	Version 1.0	

**Annexure A – ICASA Form Appendix 5: Payment of USAF Contribution**

**APPENDIX 5: PAYMENT OF USAF CONTRIBUTION**

**This Form is submitted in accordance with the Universal Access and Service Fund Regulations, 2008 as published in Notice 1270 contained in Government Gazette 31499 of 10 October 2008.**

1. Licence information

<b>Name of Licensee</b>	
<b>License/s held</b>	
<b>Date submitted</b>	
<b>Period under review</b>	

2. Calculation of Contribution

<b>Annual Turnover</b>	
<b>Contribution to USAF (0.2% of annual turnover)</b>	

3. Please find attached financial statements as well as Appendix 3: Basic Financial Reporting Form.

4. I, ....., in my capacity as .....  
hereby verify that the information provided is true and correct.

5. Signature

<b>Signature</b>			
<b>Designation</b>		<b>Date</b>	

**Annexure B – ICASA Form Appendix 3: Basic Financial Reporting Form**

**APPENDIX 3: BASIC FINANCIAL REPORTING FORM**

**This Form is submitted in accordance with the Universal Access and Service Fund Regulations, 2008 as published in Notice 1270 contained in Government Gazette 31499 of 10 October 2008 and is submitted together with Appendix 5: USAF Contribution Form.**

1. Has the financial statement been audited? **Yes / No**

2. Name of Accounting Officer/ Auditor

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3. Auditor / Officer Contact Details


4. I, ....., in my capacity as .....  
hereby verify that the information provided is true and correct.

5. Signature

<b>Signature</b>			
<b>Designation</b>		<b>Date</b>	

**Annexure C – Template for showing calculation of USAF Contribution**

[ L E T T E R H E A D ]

DATE: \_\_\_\_\_

**PAYMENT OF USAF CONTRIBUTIONS**

[NAME OF LICENSEE]

IECS LICENCE NO.

IECNS LICENCE NO.

USAF CONTRIBUTION IN RESPECT OF FINANCIAL YEAR ENDING \_\_\_\_\_

Turnover from licensed services	R11 400 000.00
Internet Access	R2 500 000.00
MDNS	R2 500 000.00
Facilities leasing	<u>R5 000 000.00</u>
<u>Less:</u> Allowed deductions	R 2 400 000.00
VAT	R1 400 000.00
Discounts	R1 000 000.00
Other indirect taxes (specify)	<u>R     0.00</u>
 CONTRIBUTION-ELIGIBLE TURNOVER	 <u>R9 000 000.00</u>
 <b>USF CONTRIBUTION: 0.002 * 9 000 000</b>	 <b>R 18 000.00</b>