

Payment of USF Contributions & Annual License Fees by VANS licencees

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Introduction

The holders of VANS licences are required to pay

- an **annual contribution to the Universal Service Fund (USF)**. Under the Telecommunications Act each VANS licencee must “pay an annual contribution of 0.2% of the annual turnover derived from the provision of the telecommunication services which it is licensed to provide”.
- an **annual license fee**. This is calculated as 0.1% of License Fee Income which is total invoiced revenue (less discounts, VAT and other indirect taxes) derived from the provision of VANS to customers less bad debts as defined in the Income Tax Act.

This Advisory sets out how to go about complying with these two obligations.

How do I calculate my USF Contribution(s)?

1. The USF 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. Annual turnover for the purpose of the USF contribution calculation is defined as:
 - “Revenue received from licensed services” (see below)
 - Less: VAT
 - Less: discounts
 - Less: other indirect taxes
3. The following VANS services are to be included in calculating annual turnover from licensed services:
 - 3.1. Internet access including leased lines and dial-up access;
 - 3.2. Managed Data Network Services; and
 - 3.3. Subletting of telecommunication facilities as per the Ministerial Determination as published in GG 26763 of 7 September 2004. This would include sale of bandwidth.
4. These services are “contribution eligible” services, i.e. the USF contribution is levied on them.
5. ICASA has requested that licensees reflect revenue for each of the contribution eligible services separately (see attached sample USF submission sheet).
6. Licensees must therefore firstly separate out revenue from contribution eligible services from revenue from other services.
7. The following services, which may or may not be VANS, **do not** need to be included in the calculation:
 - 7.1. Internet cafes and wireless hotspots
 - 7.2. Virtual ISPs (VISPs)
 - 7.3. E-mail services, where no infrastructure is registered in the licensee's name
 - 7.4. Domain name services
 - 7.5. Security services
 - 7.6. Educational services
8. Once you have identified revenue derived from the contribution eligible services, make the allowed deductions and multiply the result by 0.002 to reach the total contribution to be made.

9. You will need to complete this exercise for every year or part thereof since your VANS license was granted. For example:

Date of issue of license: 28 March 2005

Financial Year end: 28 February

USF contributions due for the following periods:

- 28 March 2005 – 28 February 2006
 - 1 March 2006 – 28 February 2007
- + an upcoming contribution for the period 1 March 2007 – 29 February 2007

When must the USF contribution be paid by?

The payment is due each year by 1 July each year and ICASA usually sends out letters to licencees reminding them to make the payment.

Payment of past years must be made as soon as possible.

How do I calculate my Annual License Fee?

1. The Annual Licence Fee 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 Annual License Fee is calculated as follows:
0.001 * "License Fee Income" where
"License Fee Income" equals total annual invoiced revenue from the provision of any aspect of VANS
Less: discounts
Less: VAT
Less: other indirect taxes
Less: bad debts incurred as provided for in the Income Tax Act
3. For the purposes of calculating total annual invoiced revenue from the provision of any aspect of VANS the following services need to be included:
 - 3.1. Internet access including leased lines and dial-up access;
 - 3.2. Managed Data Network Services; and
 - 3.3. Subletting of telecommunication facilities as per the Ministerial Determination as published in GG 26763 of 7 September 2004. This would include sale of bandwidth.
 - 3.4. Electronic mail (e-mail) services: revenue from e-mail services should only be included where the telecommunication facility over which the service is being provided is registered in the name of the person providing the e-mail service.
 - 3.5. Web hosting services: revenue from web-hosting services should only be included where the telecommunication facility over which the service is being provided is registered in the name of the person providing the web hosting service.
4. ICASA has requested that licensees reflect revenue for each of the services separately (see attached sample Annual Licence Fee submission sheet).
5. This revenue must be separated out from other revenue.
6. Once you have identified total annual invoiced revenue from the provision of any aspect of VANS
 - 6.1. make the allowed deductions as listed above
 - 6.2. multiplied the resulting amount by 0.002 to reach the Annual License Fee to be paid.

7. You will need to complete this exercise for every year or part thereof since your VANS license was granted. For example:

Date of issue of license: 15 January 2005

Financial Year end: 28 February

Annual License Fee due for the following periods:

- 15 January 2005 – 28 February 2005
 - 1 March 2005 – 28 February 2006
 - 1 March 2006 – 28 February 2007
- + an upcoming payment for the period 1 March 2007 – 29 February 2007

When must the Annual License Fee be paid by?

The payment is due annually within 3 months of the financial year end of the licensee. ICASA usually sends out letters to licencees reminding them to make the payment.

Payment of past years must be made as soon as possible.

How do I make payment?

By EFT:

Bank: Nedbank
Branch: CCS - Pretoria
Branch Code: 146245
Account no: 1462 002 927
Type of account: Deposit account

Reference: Licencee name + USF CONTR FOR VANS

Or

Licencee name + ANN VANS LIC FEE

What documents must be submitted with each payment?

There is no specified requirement but sufficient documentation to verify the calculation of the USF Contribution or Annual License Fee should be provided.

This would typically include:

- Covering letter
- USF
 - Breakdown of revenue per contribution eligible service
 - Final calculation of USF contribution (see attached submission schedule)
 - Audited financial statement
 - Proof of payment
- Annual License Fee
 - Breakdown of revenue per VANS
 - Final calculation of Annual License Fee (see attached submission schedule)
 - Audited financial statement
 - Proof of payment

Audit requirement

Both the USF contribution and the Annual License Fee have to be calculated from audited financial statements for the relevant financial year.

ISPA is aware that licencees who are sole proprietors, partnerships and close corporations are not otherwise required to produce annual audited financial statements and that this places a

burden on such members. Unfortunately ICASA have not responded to submissions to amend this requirement and for now it must be accepted as a reality.

It is important to note that there is no requirement to have any separation of revenue audited or otherwise certified.

Educational Networks

Educational networks that are section 21 companies or associations not for gain and which require a VANS licence must please note that:

- No USF contribution is required, i.e. a zero contribution is levied because no profit is being derived from licensed activities
- Audited financial statements must however still be submitted.¹

¹ According to the Authority “[T]hose educational networks that are section 21 companies – associations not for gain – while still requiring a licence, are not required to contribute to the USF. However, such entities must still provide the Authority with financial statements along with other VANS licencees. The contribution to be levied will be zero, given that no profit is being derived from the use of the VANS licence.”

ICASA Contacts

The following can be contacted if you have queries:

ICASA

Finance Department

Block B, Pin-Mill Farm

164 Katherine Street,

SANDTON, 2146

Contact person: Ms Refiloe Makou

Tel: (011) 321 8516

Fax: (011) 321 8562

Contact person: Ms Noma Makhubu

Tel: (011) 321 8381

E-mail: NMakhubu@icasa.org.za

Contact person: Mr N Khanyile

Tel: (011) 321 8322

EXAMPLE

[LETTERHEAD]

DATE: _____

PAYMENT OF USF CONTRIBUTIONS

NAME: _____

VANS LICENCE NO. _____

USF CONTRIBUTION IN RESPECT OF FINANCIAL YEAR ENDING _____

Turnover from licensed services		R114 000.00
Internet Access	R45 600.00	
MDNS	R34 200.00	
Facilities sub-letting	<u>R34 200.00</u>	
<u>Less:</u> Allowed deductions		R 29 000.00
VAT	R14 000.00	
Discounts	R15 000.00	
Other indirect taxes (specify)	<u>R 0.00</u>	

CONTRIBUTION-ELIGIBLE TURNOVER R 85 000.00

USF CONTRIBUTION: 0.002 * 85 000 **R 170.00**

In support of the above please find:

1. Audited financial statements for the financial year ended _____.
2. Proof of payment of the USF Contribution specified above.

Regards

EXAMPLE

[LETTERHEAD]

DATE: _____

PAYMENT OF ANNUAL LICENSE FEE

NAME: _____

VANS LICENCE NO. _____

VANS ANNUAL LICENSE FEE IN RESPECT OF FINANCIAL YEAR ENDING _____

Turnover from licensed services	R11 400 000.00
Internet Access	R5 000 000.00
MDNS	R3 400 000.00
Facilities sub-letting	R1 400 000.00
Other (specify)	<u>R1 600 000.00</u>

<u>Less:</u> Allowed deductions	R 1 550 000.00
VAT	R1 400 000.00
Discounts	R 150 000.00
Other indirect taxes (specify)	<u>R _____ 0.00</u>

Sub-Total: R 9 850 000.00

Less: Bad debts (see para x of audited financials) R 250 000.00

LICENCE FEE INCOME **R 9 600 000.00**

ANNUAL LICENCE FEE : 0.001 * LICENCE FEE INCOME
= 0.001 * 9 600 000
= R9 600.00

In support of the above please find:

3. Audited financial statements for the financial year ended _____.
4. Proof of payment of the amount as calculated above.

Regards