

BUSINESS DAILY

SHIPPING & LOGISTICS

Cost of imports to rise as trade agency introduces new levy

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SUMMARY

- KenTrade has issued a legal notice which will sharply increase cost of doing business considering that the agency is the only one offering a platform for importers and exporters to do transaction.
- Traders will now be required to pay Sh5,000 annual/registration fee payable on or before the expiry of 12 months from date of the last payment, while another Sh7,000 for every notification for a consignment and Sh750 for the application of every unique consignment reference (UCR) number in the system per transaction, which is payable monthly on or before every 10th day of every month.

Cost of imported goods is set to rise after the Kenya Trade Network Agency (KenTrade) introduced a service fee to all users on its system.

KenTrade has issued a legal notice which will sharply increase cost of doing business considering that the agency is the only one offering a platform for importers and exporters to do transaction.

More than 800,000 traders using the Kenya National Electronic Single Window System (Kenya TradeNet System) to lodge import and export documents will have to pay for the services starting this month.

In a legal notice issued by the National Treasury to be effected this month, the cash-strapped KenTrade has been given powers to charge users as it seeks funds to sustain its operations after the government slashed its budget by more than a half.

This means, all parties involved in international trade and transport logistics using the system to lodge documents electronically for processing and to settle fees and levies will have to pay for the services.

In a legal notice issued 24 December 2019, all system users have to pay for annual fee and for every transaction and notification they receive from the system as the agency seeks to raise more than Sh600 million to fund its operations.

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"In exercise of powers conferred to me, with the approval of the Cabinet Secretary National Treasury and Planning, I wish to impose fee specified in the schedule hereto, payable to the Chief Executive Officer of the agency as specified for use of the Kenya TradeNet System with effect from 1st January 2020," read the notice signed by KenTrade chairman Suleiman Shahbal.

In an interview with Shipping and Logistics, Mr Shahbal said they had to make the move to ensure the operations continue without a hitch.

"We serve more than 800,000 users annually and we took the decision in consultation with stakeholders after the Treasury slashed our budget from Sh1.2 billion to Sh700,000 in 2018/2019 fiscal year then to Sh600,000 this financial year. We had no otherwise but to seek funds from users to continue serving them," said the chairman.

"Since the reduction of budget, the agency has had hitches in giving required services to the traders including giving free internet services at different border points to facilitate e-commerce trade."

Traders have already protested over the new fees stating that it is a setback to those working in logistics and import/export business.

"This year the government increased Railway Development Levy (RDL) and Import Declaration Fees (IDF), and now Kenya TradeNet System fees. This will ultimately increase cost of doing business and the burden it has to be passed to the consumers," said John Mwangi, one of the importers.

All system users in Mombasa will convene a crisis meeting next week to discuss way forward on the issue.

KenTrade is a State Corporation under the National Treasury established in January 2011 to establish, implement and manage KenyaTradeNet System and to facilitate trade.

The Kenya TradeNet System is an online platform that serves as a single entry point for parties involved in international trade and transport logistics to lodge documents electronically, for processing, approvals and to make payments electronically for fees, levies, duties and taxes on goods imported or exported in the country.

The Kenya TradeNet System is currently being integrated with the Integrated Customs Management System (iCMS) being implemented by key Kenya Revenue Authority (KRA). The new system replaced the Simba System in 2014 which had been in use in the country over the last 10 years.

The iCMS will encompass all KRA functionalities that were scattered in other systems including Real Time Cargo Management System (RTMS) which was expected to manage customs operations at the entry and exit borders.

The agency has improved the traders experience in payment processes by integrating the TradeNet System with the Digital Payment platform (e-citizen) as an alternative channel for collecting licence and permit fee payments in addition to the iTax platform..

With the support of Trade Mark East Africa and UNCTAD, KenTrade is implementing the e-portal project for traders who intend to import/export cargo to/from Kenya.

The e-portal project will enable Kenya to comply with article 1.2 of World Trade Organization (WTO) Trade Facilitation Agreement (TFA) on provision of information through the internet.