

THE ADMINISTRATIVE BURDEN OF OVER-REGULATION ON AGRICULTURAL BUSINESSES: EXAMPLE OUTPUT

OVERVIEW

To identify the administrative cost of over regulation, AmCham is conducting a survey of businesses across the agriculture and forestry sectors, to compile a list of the licenses and fees required annually and the time and effort it takes to pay them. The tables below illustrate the level and impact of these costs on an average mid-sized agricultural firm in Tanzania.

DIRECT COSTS (TZS x 1,000 / annum)

Business Licenses	11,300
Office licenses (multiple premises)	2,300
TCRA Fees	8,500
Water Use Rights	500
Ministry Licenses (E.g. Ministry of Agriculture, Natural Resources and Tourism, Industry, etc..)	2,552
Annual Harvesting License	313
Annual Export License	517
Harvest Registration	406
Annual Factory Registration	1,055
Annual Trading License	261
Government Permits (e.g.: Chemist, other)	644
Government Chemist - Registration Fees	644
Annual Land Rent	53,551
Plantations and Factory	53,551
Employee Costs (work and residence permits)	22,300
Expatriate costs (5 expats)	22,300
Health and Safety (e.g.: OHSA annual fees, safety inspection)	24,650
Occupational Health and Safety Authority (OHSA) – Medical, Inspection fees	19,150
Fire License Inspection Fees	5,500
Professional Association Fees	3,500
Membership of Trade Organizations	3,500
Levies (e.g.: Transport permit, service levies)	530,000
Transport permit, service levy, grading	530,000
TOTAL DIRECT COSTS	648,498

INDIRECT COSTS (TZS x 1,000 / annum)

Allowances Govt. Employees (e.g: fire & rescue, OHSA)	1,170
Fire & Rescue	870
OHSA	300
Time spent on licenses and permits (Manhours, travel time to govt. offices)	195,500
Export Clerk	13,500
Office Clerk	12,000
Asst. Commercial Manager	65,000
Commercial Manager	105,000
Travel, vehicle cost, facilitation, etc..	26,200
Other indirect costs (Delays in VAT, costs due to errors)	125,405
Operating hours restrictions	135,405
Delayed VAT refunds	90,000
Shipping delays (5% missed shipments)	20,250
TOTAL INDIRECT COSTS	368,525

IMPACT OF REGULATORY BURDEN

Breakdown of compliance costs	>1bn TZS
Land rent, licenses and permits	10%
Service levies	15%
Transport Permits	40%
Indirect costs of above regulation	35%
Compliance costs as proportion of turnover	
Direct costs	4%
Indirect costs	2%
TOTAL REGULATORY BURDEN	6%

CONCLUSIONS

Our survey shows that the cost of compliance with sector regulation can be as high as double that of corporate income taxes¹. The costs of moving agricultural produce across the country, and of dedicating man-hours and travel time to visiting multiple regulatory agencies make up the bulk of the compliance burden and present opportunities for streamlining and rationalization. Reducing the number of local levies and consolidating regulation across fewer sector authorities can improve the competitiveness of the Tanzanian agriculture and forestry sectors.

¹ Corporate taxes would represent around 3% of turnover for an agribusiness operating on 10% margins