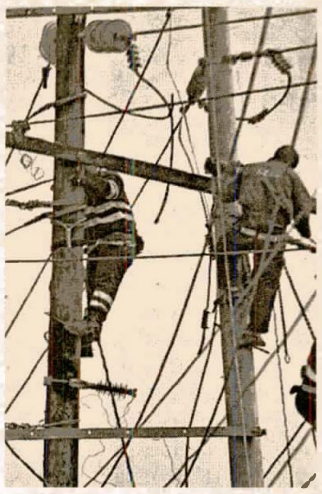
Kenya Power faces costly burden of idle electricity

Patrick Alushula
palushula@ke.nationmedia.com

Kenya Power is facing increased burden of paying for idle electricity as power generators increase production to five-month high amid reduced consumption by homes and businesses in the wake of Covid-19.

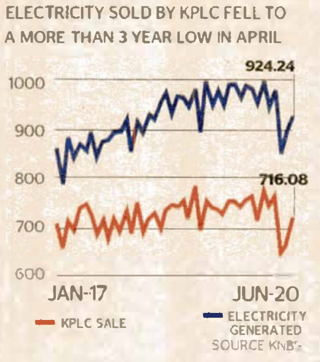
Latest figures from the Energy and Petroleum Regulatory Authority (Epra) shows that power producers such as KenGen increased their supply to Kenya Power to 980.33 million kilowatt-hours (kWh) in July.

The supply is a 7.4 percent rise from 912.89 million kWh and is the highest since January output of 986.08 million kWh, piling pressure on Kenya Power given the subdued demand.



Kenya Power has since April been unable to sell about 24 percent of the power or 214 million kWh it bought from generators like KenGen

Generated electricity vs KPLC sales (Mn KWh)



The take-or-pay clause contained in contracts signed between government and power producers compels Kenya Power to buy the agreed amount of electricity regardless of whether or not the utility needs the energy.

The Ministry of Energy in June said it was pushing to declare force majeure on power generation contracts, which technically means that Kenya will not be bound by the existing pacts on payment of electricity from the more than 10 power producers.

Kenya Power lost Sh5.6 billion in electricity sales, equivalent to about 5.5 percent of its full year sales, in the four months to June due to reduced electricity consumption that followed Covid-19 control measures.

Fighting Covid-19

GARISSA County secretary Mohamed Sheikh Abdi and Agriculture and Livestock executive Mohamed Abdi before launching the Covid-19 Response WASH supplies at CARE offices. –COURTESY

KCB branch deals go down by46pc

Patrick Alushula
palushula@ke.nationmedia.com

The number of transactions in KCB Group branches dropped 46 percent to 3.9 million in the six months to June, highlighting the switch to digital channels and reduced economic activities in the wake of Covid-19 pandemic.

KCB says that the drop was from 7.3 million transactions that had been handled across its 359 branches in a similar period last year.

The share of branch transactions dropped from 95 percent to 98 percent as non-branch transactions such as on mobile phone rose.

The decline coincided with the period in which customers were granted transaction fee waivers on digital transactions to discourage cash handling after Kenya reported the first case of the infectious virus mid-March.

This saw customers shift to digital transactions to reduce cash handling and also achieve social distancing that was required in lowering infections.

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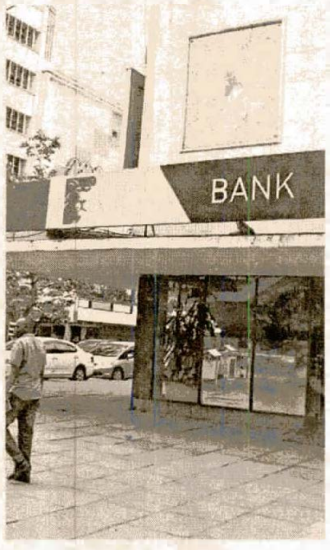
KCB discloses that the number of customers served by one teller in a day dropped by about 13 people on average to 52.

The fall was despite banks having cut the working times by between one and two hours on reduced pace of economic activities and to also allow staff comply with curfew hours.

During the review period, 79 percent of the transactions were on mobile phone while ATMs handled three percent as agency, internet and point of sale took 16 percent.



Kenya Commercial Bank branch on Mama Ngina Street, Nairobi. –FILE

Non-branch revenue grew by 13 percent to Sh4.9 billion, reflecting the switch in customer habits. About Sh4.3 billion was from mobile transactions.

Customer to business (C2B) transactions value rose to Sh98.6 billion coming in the period in which there was waiver of fees.

"Exponential growth in number and value of C2B transactions during Covid -19 period driven by the push to digital transactions and fee waivers," said KCB.

Monthly C2B transactions were below Sh8 billion before the waivers but rose to Sh17 billion and then to Sh35 billion in June after charges were frozen.

Non-funded income grew by six percent to Sh14 billion from Sh13.2 billion driven largely by revenues from the digital proposition and growth in the forex income, KCB said.

However, KCB Group posted a 40 percent decline in net profit to Sh7.5 billion in the half year period under review mainly on 3.6 times rise in provisioning to loan defaults.

KRA hits snag in bid to collect Sh619m from Co-op Bank

John Mutua
jmutua@ke.nationmedia.com

The Kenya Revenue Authority (KRA) suffered a blow in its pursuit of Sh619.16 million in excise tax from Cooperative Bank of Kenya after a tribunal barred the taxman from collecting the money.

The Tax Appeals Tribunal (TAT) stopped the taxman from enforcing the order until Co-Op Bank's appeal against tax demands for the transactions made in 2013, 2014 and 2015 is heard and determined.

The tribunal dismissed KRA's bid to quash Co-Op Bank's appeal saying that the taxman relied on ambiguous clauses on definition of 'interest, fees and commissions' to demand the arrears.

KRA wanted the tribunal to reject Co-Op Bank's appeal saying that the lender had failed to deduct excise duty for loan applications and moratoriums, commissions, fees and interest earned in the three years to 2015.

"The tribunal agrees with the appellant's (Co-Op Bank) submission that the Finance Act 2012 was riddled with a lot of ambiguity," the tribunal said its ruling.

"It is the tribunal's considered opinion that it would be unjust to impose tax based on an ambiguity. Where a tax law is unclear, the law can only be interrupted in favor of the taxpayer."

The tribunal said KRA's decision to charge excise tax on commissions for use of Co-Op Bank's ATMs amounts to double taxation...

KRA is demanding the taxes on commissions paid to Co-op Bank for use of its Automated Teller Machines (ATMs) by other lenders, interest earned on loan moratoriums and salary advances and fees and commissions earned form other banking transactions.

The tribunal added that KRA's decision to charge excise tax on commissions for use of Co-Op Bank's ATMs amounts to double taxation because the withdrawal charges that are deducted at the withdrawal point are already subjected to excise duty.

KRA had in its push for the taxes told the tribunal that the lender failed to pay excise tax on commissions earned from other banks and fees charged on money transfers for the three years to 2015.