

# Mastering complex import payments in SA

Advanced Import Payments (AIP) play a vital role in streamlining cross-border operations, which are crucial for enhancing business efficiency.



Source: Supplied.

“In South Africa, where recent regulations have re-shaped the landscape, understanding, and leveraging AIP can yield significant advantages for international trade, integrating South Africa further into the global economy,” says Jean-Pierre Millard from the forex dealing desk at Kuda FX, a foreign exchange specialist.

“AIPs are pre-payments made by importers to their overseas suppliers before receiving the goods they have ordered. This arrangement involves a comprehensive compliance framework, including a valid import license and adherence to the South African Revenue Service’s (Sars) Advance Payment Notification (APN) system, which applies to transactions exceeding R50,000.”

“Critically, without the APN, the importer cannot make payments for goods not yet cleared through customs over the value of R50,000,” adds Tracy Venter, chief executive officer of Import Export License.

In an attempt to combat fraudulent trade activity, Sars updated its rules regarding AIPs in December 2021. Traders could notify Sars when they intended to make advance foreign payments for imports and would then receive an APN reference number.

On Friday, 1 December 2023, a further update to the rules was made, stating that it was now compulsory for importers to provide this APN to the foreign exchange dealer - (namely a foreign exchange broker or bank) to declare when the payment was made - and to the clearing agent, for the bill of entry which reflects when the goods have been cleared.

Kuda FX, in collaboration with Import Export License simplifies the AIP process, enhancing the efficacy and efficiency of AIPs. “We do this primarily in three core areas,” adds Millard.

## Streamlining compliance and BOP

Navigating the regulatory landscape of import payments can be daunting and time consuming. Kuda FX streamlines this process, offering expert guidance on compliance and Balance of Payments (BOP) processing.

BOPs comprise the current account, capital account, and financial account of a business and form part of South Africa’s record of economic transactions.

“Our dedicated team ensures that your transactions are not only compliant with the latest regulations but are also processed efficiently, freeing you to focus on the core aspects of your business,” adds Millard.

Exchange-rate volatility can significantly impact the cost-effectiveness of importing goods. Kuda FX mitigates this risk through Forward Exchange Contracts (FECs), allowing businesses to lock in optimal import rates.

“This proactive exchange-rate management strategy ensures that a business can predict and control costs, regardless of market fluctuations,” Millard says.

## FX rate optimisation success

Over the past five years, Kuda FX’s importing clients have consistently outperformed spot strategy payments anything by 4% to 6%.

“This remarkable track record underscores our capability to secure the most advantageous foreign-exchange rates for our clients,” Millard adds. “Businesses can rest assured that their import payments are executed at rates that maximise their financial efficiency and contribute to higher profitability.”



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While AIPs involve risks, such as the potential for non-delivery of goods, businesses can avoid these potential issues through diligent supplier vetting, taking out insurance, and leveraging banking protocols that require shipping documentation within four months of payment.

“This requirement serves as a safeguard, ensuring that there's a record of the transaction and an expectation of goods delivery, thus reducing the risk of fraud and non-compliance,” Millard says.

## Trade synergy boosts efficiency

In collaborating with Import Export License, Kuda FX extends its financial expertise to complement turnkey solutions for starting and managing import/export operations. This synergy ensures that businesses not only navigate the complexities of international trade with ease but also make use of financial strategies that enhance their competitiveness and growth potential.

“Business expansion is hampered by delays and their repercussions. When the APN function is set up properly on e-filing, it allows for quick and efficient generation of APN codes, preventing avoidable hold-ups,” adds Venter.

“With the APN function in order, an importer is able to plan cash flow and payments according to business and supplier requirements, thus facilitating trade.

“With our expertise in compliance, exchange-rate management, and proven track record, Kuda FX alongside Import Export License is an ideal partner in navigating the complexities of international trade and unlocking new growth opportunities,” Millard concludes.

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