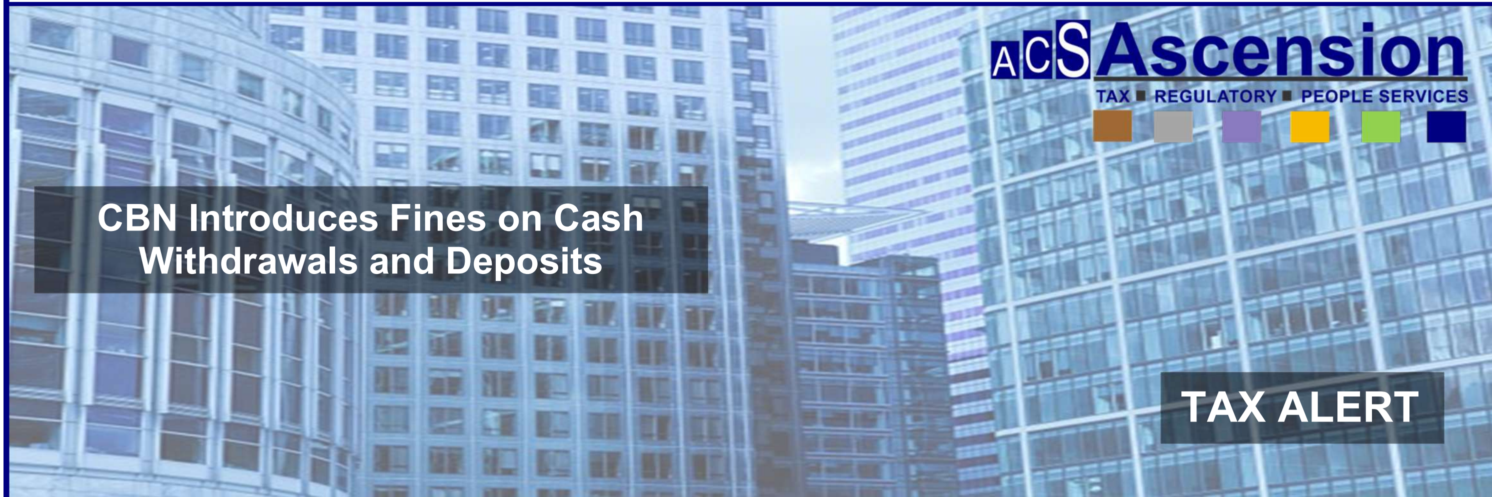

CBN Introduces Fines on Cash Withdrawals and Deposits

TAX ALERT

On Tuesday 17 September 2019, the Central Bank issued a circular introducing a new Cash Policy to be implemented by Commercial Banks in Nigeria.

The new policy is meant to trigger the imposition of charges on deposits in addition to already existing charges on withdrawals. According to the circular, the charges, which take effect from Wednesday, September 18 2019, will attract three (3) per cent processing fees for withdrawals and two (2) per cent processing fees for lodgments of amounts above N500,000 for individual accounts; while charging five (5) per cent processing fees for withdrawals and three (3) percent processing fees for lodgments of amounts above N3,000,000 on Corporate Account holders.

The statement, however, disclosed that the charge on deposits would apply in Lagos, Ogun, Kano, Abia, Anambra, and Rivers States as well as the Federal Capital Territory and would exclude online transactions. The implementation of the cashless policy is expected to take effect from March 31, 2020.

Our Comments

The policy is not an entirely new one. The new circular precedes the one issued in April 2017, where the CBN suspended withdrawals and deposit charges nationwide but maintained only the withdrawal processing charges for Lagos, Ogun, Kano, Abia, Anambra, Rivers, FCT. The only thing that has changed is the introduction of the processing fees for lodgments in the selected states.
practical means of recovering the input VAT, the effect is an increase in the tax burden of existing compliant taxpayers.

Essentially, the policy is meant to discourage physical cash movement, while imposing charges for deposits beyond set thresholds. It is also noteworthy that this does not apply to online Banking transactions.

The increase in Bank charges for cash deposits and withdrawals may negatively impact regular business enterprises involved in cash-based transactions. Consequently, small trading concerns such as petty traders, SMEs, retail traders and even religious organizations would be at the receiving end.

Business entities with heavy dependence on cash would be faced with the options of either paying the imposed charges or resorting to introducing alternative platforms such as electronic based transactions. Any of these options would have their attendant cost implications. It is advisable for businesses and other entities to weigh their exposures before settling for an option.

Finally, the methodical operation of this policy is likely to result in the increased frequency of lodgments and withdrawals without exceeding the set threshold, which may increase human banking interface bringing about queues in banking halls, which seem to have been resolved through technology innovations in modern banking.

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