



# DO THE REVISED AUTOMATED TELLER MACHINE TRANSACTION FEES CONSTITUTE INDIRECT TAXES IN NIGERIA?

## Introduction

In recent years, Nigeria's financial policies have undergone significant changes, especially banking transactions. One of the most recent and widely debated changes is the revision of Automated Teller Machine (ATM) transaction fees. Since these new charges were announced, they have sparked public dissatisfaction, leading to many questioning whether these charges are merely service fees or whether they amount to indirect taxation. As the cost of financial services rise amidst concerns, this discussion is relevant to understanding the trade-off between bank sustainability and consumer rights.

## What is a Tax?

It is important to first understand the meaning of tax prior to determining whether these ATM charges constitute taxes. Tax has been defined as a charge imposed by an authority on persons or property to generate revenue for public purposes. A valid tax must be: (i) certain and predictable; (ii) imposed by legislation; (iii) designed to raise revenue for the government; and (iv) collected by an entity with the legal authority to enforce its payment. Taxation is strictly governed by statute which is a legislative function in Nigeria. See the cases of *Aderawos Timber Trading Co. v FBIR* (1966) NCLR 416, 422 and *Ibrahim & Anor. v Kogi State Govt. & Ors.* (2002) 3 NWLR (Pt. 755) 502, 522.



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This means that no entity asides the legislature, including executive agencies or regulatory bodies, has the authority to impose or collect taxes unless expressly permitted by a valid written law. If the newly revised ATM charges meet these criteria, they could be considered taxes. However, if they are merely service fees imposed by banks to cover operational costs and improve ATM services, they do not qualify as taxes in the traditional sense.

## The Previous Policy on ATM Fees

Nigeria's ATM fee policies have changed a great deal in the last decade, showing changes in banking priorities and consumer protection. Interbank ATM fees were abolished in 2013, but in 2016, these fees were introduced again at ₦65 per withdrawal after the third one. Due to pressure from the public, the CBN introduced a structured framework in 2020 that lowered the charge to ₦35 and allowed customers to withdraw from their bank's ATMs without fees.

## The Current Position on ATM Fees

Under the new policy, which took effect on 1 March 2025, ATM fees have been significantly adjusted:

- Withdrawals from a customer's own bank's ATM (On-Us Transactions) remain free.
- Withdrawals from another bank's ATM (Not-On-Us Transactions) at on-site ATMs (within or directly affiliated with a bank branch) incur a charge of ₦100 per ₦20,000 withdrawal.
- Withdrawals from off-site ATMs (located in shopping malls, fuel stations, or other public areas) attract a charge of ₦100 per ₦20,000 withdrawal, plus a surcharge of up to ₦500 per transaction.
- International ATM withdrawals will be charged based on cost recovery, meaning the exact fee applied by the international acquirer will be passed to the customer.

These changes mean that using an ATM outside a customer's own bank could now attract significantly higher fees, especially at off-site locations.



## **Are These Fees a Tax?**

The newly introduced ATM withdrawal charges are not statute-imposed taxes but rather a revenue-generation strategy for banks. As previously mentioned, these fees are collected by banks but are not to be remitted to the government as a source of revenue. Although the Central Bank of Nigeria (CBN) has mandated Nigerian banks to recapitalize significantly between 1 April 2024 and 31 March 2026, and the banks are consequently under pressure to raise funds, these fees are not a means for banks to generate capital for recapitalization. They are rather intended to finance the expansion and maintenance of ATM networks nationwide.

## **Impact and Consumer Concerns**

The operational costs of deploying and maintaining ATMs – installation, cash replenishment, security, and network maintenance – have become increasingly expensive for banks. The surcharge ensures that customers who frequently use ATMs contribute to sustaining and improving these services. If effectively managed, these additional fees could lead to increased ATM deployment, potentially reducing long queues and downtime.

However, concerns have been raised by citizens regarding the potential for exploitation of customers through this banking policy – from restricted counter payments to transfer downtimes – with a view to multiplying ATM withdrawals and obtaining more revenue. Regulatory controls will be necessary to prevent such exploitative tactics and ensure fair banking practices.

## **Conclusion**

While the current administration, through the Presidential Fiscal Policy and Tax Reforms Committee, has implemented an unprecedented harmonization and simplification of tax laws in Nigeria to boost revenue collection across the country, the revised ATM fees do not qualify as a tax. They are structured charges set by the CBN for banks to recover costs associated with provision and maintenance of ATM services.

However, the implications of these charges remain uncertain. Will they encourage banks to improve ATM accessibility, or will they drive more customers towards Point-of-Sale (POS) operators and digital banking to avoid the fees? Only time will tell. With changing consumer behavior, the banks must balance service quality with affordability to maintain public confidence in the system.

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### Disclaimer

This commentary is not legal or tax advice to readers. Taxpayers and businesses should consult their legal and tax advisors for specific advice regarding their transactions and businesses, including compliance requirements and recourse available to them against tax authorities.

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