

Restrictions on cash payments

November 2022

On 1 November 2022, a new Law on Restrictions on Cash Settlements came into force in Lithuania, which allows settlements and payments for transactions to be made in cash if the amount of the transaction does not exceed €5,000 (or the equivalent amount in foreign currency).

It should be noted that it is not the amount of a single payment/installment that is being assessed in this case, but the total amount of all payments for a particular transaction. The parties to the transaction are not entitled to artificially break up the transaction to avoid restrictions.

For example, if you buy a car worth €10,000, you must pay the full amount in non-cash money from 1 November 2022. In cases where the contract for the sale of a car provides for payment to be staggered over some time, an amount of up to €5,000 can be paid in cash, while the remainder must be paid on non-cash only.

Similarly, for example, if the sale of goods and their delivery are agreed upon at the same time and exceed €5,000, this will also be considered as a single transaction subject to the restrictions set out above, and the full amount would also have to be paid in non-cash terms only.

If settlements or payments under a transaction cannot be settled in non-cash terms because the payment service providers do not provide the necessary services at the place of settlement or payment and the transaction needs to be settled promptly, the settlement will be settled in cash.

In such a case, the person receiving/accepting the cash settlement or payment will be obliged to notify the National Tax Inspectorate (VMI), indicate the circumstances that prevented the non-cash settlement, and provide the identification details of the parties to the transaction. The person will have 10 days to notify the fact of the cash transaction.

When are cash restrictions not applicable?

Cash payments above the threshold of €5,000 can be made through statutory payment service providers, but only if the customer's identity is guaranteed. This means that counterparties can make cash payments through banks, other credit or payment institutions without restrictions, for example, by depositing cash in a bank account at bank branches or ATMs;

depositing cash with a payment service provider, which will carry out the transfer to the counterparty.

It should also be noted that cash may be used even if all these conditions are met (it should be stressed that the absence of any of these conditions will make this exemption):

- if the payment service provider does not provide its services at the place of settlement of the counterparties for appropriate reasons, i.e. the persons are not in an objective position to settle in non-cash form. For example, if the payment service procedures or the banking application on the phone are temporarily unavailable; the contract for the sale of a car is concluded on a Sunday and the payment service provider in the location of the transaction is only open on weekdays, or if the payment service provider does not provide any services in the area concerned (e.g. in a rural area) at all;
- the counterparty must settle the transaction immediately after the transaction is concluded. For example, where a sale and purchase contract is concluded for goods worth more than €5,000 and the payment service provider does not provide services at the time of the transaction. If the buyer wants to buy the goods immediately but the seller does not agree to sell the goods until the full price of the goods has been settled, a cash payment is possible.

It should be stressed that after the cash payment, the counterparty who received the cash must notify the National Tax Inspectorate (VMI) within 10 days as a transaction being settled in cash. The person must also indicate the circumstances proving the existence of the first two conditions which prevented the cashless settlement, the object of the transaction, the amount of the transaction, and the details of the parties to the transaction.

Liability for non-compliance with the restriction

The Code of Administrative Offences provides for administrative penalties for both persons making and receiving payments. The amounts of fines can range from €100 to €3000, depending on the size of the offense. Also, companies that ignore the restrictions on cash payments risk losing their right to participate in public procurement.