

Mexico Considers Banning Cash for Gasoline Purchases, Highway Tolls

By Michael O'Boyle and Nacha Cattan
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An attendant fuels a taxi while counting money at a Pemex gas station in Mexico City. Photographer: Luis Antonio Rojas/Bloomberg

Mexico is considering a ban on the use of cash for purchasing gasoline and to pay for tolls as a way to fight tax evasion and money laundering, according to people with direct knowledge of the discussions.

The plan, which has been discussed between the banking industry and the government, hasn't been fully approved. A final decision may not be taken until after the central bank rolls out its digital payments platform known as CoDi next month which is part of a broader government program to push more Mexicans into the banking system and cut down on cash, said the people who asked not to be named, since the plan isn't public.

Mexico is awash in cash from the informal economy of street merchants and the illicit drug trade. Cash is used for between 80% to 90% of transactions in Mexico, Finance Minister Arturo Herrera said in March, when he was still deputy minister. At a time of a slowing economy, the plan could also help widen Mexico's tax base.

Mexico's Finance Ministry did not immediately respond to a request for comment. The country's banking association declined to comment.

In addition, the move will help identify gas stations that are buying stolen fuel by tracking their sales electronically, both people said. President Andres Manuel Lopez Obrador has made a crackdown on fuel theft from state-owned oil company Petroleos Mexicanos a cornerstone of his drive to root out widespread corruption. For banks, the plan to push for more cashless transactions -- albeit without fees -- could be a boon for expanding their client base and open opportunities to provide more Mexicans with cards, loans and mortgages. The CoDi system -- which relies on QR codes with mobile phones -- and a ban on gasoline and tolls, could increase digital payments tenfold, one of the people said.

Only around two-fifths of Mexicans have bank accounts, World Bank data shows, and Mexico has the lowest tax take as a share of its economy among members of the Organization for Economic Co-operation and Development.

AMLO, as the leftist president is known, surprised Mexico's bankers by embracing a cashless strategy which his predecessors had previously shunned. The ambitious project gels with his anti-graft campaign as well as a wish to to achieve greater financial inclusion in remote parts of the country of 125 million. To be sure, challenges abound to weaning Mexicans off cash, including poor connectivity for both mobile networks and internet service outside of major urban areas.

With the need to give consumers time to prepare for a cash ban on goods like gasoline and highway tolls, the enforcement of such a policy may take some time. Other areas that could be pushed into digital payments include public transportation, school tuition, electricity bills and passport fees, the people said.

India instated an even broader cash ban in 2016 - one that prohibited high-denomination currency notes. While it didn't weed out illicit cash use altogether, it did widen the country's tax base and increase digital payments.