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***SENATE STANDING COMMITTEES ON ECONOMICS: CURRENCY
(RESTRICTIONS ON THE USE OF CASH) BILL 2019
[PROVISIONS] - SUBMISSION OF THE AUSTRALIAN
TAXPAYERS' ALLIANCE (ATA)***

2 November 2019

- 1 The Australian Taxpayers' Alliance (ATA) thanks the committee for the opportunity to provide comments on the abovementioned bill.
- 2 The ATA is Australia's largest national grassroots taxpayers' advocacy group. The ATA stands for the principles of individual freedom, minimising government waste and rolling back inefficient or ineffective regulatory barriers which impede the progress and prosperity of Australia's economy and the welfare of taxpaying individuals and businesses. The ATA is supported and funded by thousands of civic-minded Australians across the country.
- 3 The ATA opposes restrictions on the use of cash transactions as we support every Australian's freedom of choice in how to conduct transactions involving their own money, oppose the provision of unearned business to banks and financial service companies which will only entrench the market share of big players in an oligopoly, because it will not be effective in undermining the criminals and criminal syndicates it purports to target, and because it sets a terrible precedent for further restrictions on the freedom to contract and connotes support for the surveillance state that undermines the liberties of Australians in the long-term.

Threshold: \$10,000 AUD

- 4 While the bill imposes a threshold of \$10,000 AUD, it is submitted that such a threshold can be and is likely to be lowered in the future as is the case in countries [like Portugal](#) that have implemented similar legislation.
- 5 [Influential and well-resourced multinational accounting firm KPMG](#) is already lobbying for the threshold applicable to the bill to be lowered to a paltry \$2000. It is noted that such a move would benefit the interests of the accounting industry.

- 6 It is further submitted that the effect of inflation is likely to ensure that Australians in the future will see their cash transactions at the same real value increasingly subjected to lower thresholds that force them to conduct transactions digitally through a financial services intermediary or bank.
- 7 The ATA holds significant concern that the bill will eventually result in the abolition of cash transactions entirely. This is attested by the [2017 report from the Black Economy Taskforce](#), the same body that proposed the current threshold, which states that “*we are not **yet** calling for the abolition of cash*”. [Emphasis added]

“Exemptions”

- 8 Although the bill exempts individual-to-individual transactions, like buying a used car through Craigslist, such exemptions could also disappear over time and are likely to be motivated more by political expediency to increase the likelihood of the bill’s passage, than a genuine commitment to protect private dealing. It is submitted that the bill should be opposed regardless of this exception because of the precedent that it sets in government overregulation of cash transactions and the cash economy.

The Bill is Not Necessary, Will Not Undermine Criminals and Illegal Activity

- 9 Businesses are [already required to](#) disclose large cash transactions to the Australian Transactions Reports and Analysis Centre or AUSTRAC.
- 10 Conversely, criminals engaging in illegal activities like tax evasion or money laundering are likely to find other means of exchange, or will keep using untraceable cash undeterred by restrictions. Notably, the common transactions involved in illegal activities such as terrorism have often been conducted by licit means without raising any red flags.¹
- 11 Similarly, the European Commission (2018) [concludes that](#) “*restrictions on payments in cash would not significantly prevent terrorism financing.*”
- 12 The bill also cannot be put under the rationale that it will reduce the illegal activity of tax fraud. It is noted that a significant proportion of tax fraud is committed by non-cash means and typically involves large multinational

¹ https://ec.europa.eu/info/sites/info/files/economy-finance/final_report_study_on_an_eu_initiative_ecorys_180206.pdf p. 38-54.

companies who engage in complex legal and trust structures. The high value typified by such transactions contrast to the low and relatively trivial values of cash transactions, even those equivalent to and above \$10,000.

- 13 Moreover, cash transactions involving tax fraud will also not be limited or deterred by the bill. The [European Commission](#) notes that such transactions fall into two categories. *"The first case involves transactions where both parties are involved in the tax fraud, such as undeclared labour. Such transactions may be of high value (such as salary payments), but because both parties are already exposed to the penalties associated with the tax fraud, a prohibition of payments in cash would exert little deterrence. The second case involves transactions where only one party relies on the cash-nature of the transaction to carry out tax fraud (generally a seller), while the other party remains uninvolved and unaware of the fraud. It appears to the Commission that cash restrictions could have an impact in such cases. However, given that the amounts involved in these kinds of transactions are often low (e.g. restaurant bills), they would in general not be covered by a prohibition on high value payments in cash."*

Cash Transactions Are Popular in the Community

- 14 [Research from the Reserve Bank of Australia](#) published in 2017 found that 37 percent of transactions in the country are conducted with cash, with higher rates of cash use among lower income households and the elderly.

Cash Transactions Ban Will Serve The Interests of Big Banks and Financial Services Companies By Giving Them Unearned Business

- 15 It is noted that banning or restricting cash transactions has the effect of mandating that such transactions are conducted through digital means, typically through an intermediary such as a digital payments system or bank.
- 16 It is in the interest of banks to nudge customers into the digital payments system, as this allows them to reduce costs by culling staff otherwise involved in handling the withdrawal and deposit of cash funds, like tellers. Cash payment restrictions mean more unearned business for banks that doesn't require them to innovate or provide better services in order to attract customers or maintain their market share.
- 17 The findings of Australia's recent royal commission into its banks have revealed a long backlog of dubious behaviour, such as banks [charging people](#) for advisory services they never intended to provide and [knowingly charging fees](#) to dead customers. It is submitted that such behaviour is

more likely in a less competitive market, and that the bill's provision of unearned business to companies with existing market share through mandates against cash transactions which force them to be conducted digitally, will only worsen the problem by reducing incentives for these companies to act ethically or innovate.

Mandating Digital Transactions Exposes Australians To Risk

- 18 One reason why cash has immense value as a means of conducting transactions, even in high value transactions, is because of the flaws inherent in the digital transactions system- including its propensity to crash and severely impact those who rely upon it.
- 19 When the Visa digital payments system, one which accounts for a significant volume of the world's digital transactions, [crashed in 2018](#), millions of businesses and people were severely affected as they could not make or receive payments for goods and services. Such concerns are especially pertinent in an era of increasing cyber attacks and cyber warfare, including at the behest of foreign governments. Members of the Australian community are rightly hold growing concerns over the use of data and personal information. It is therefore perfectly legitimate for Australians to take measures to reduce their digital footprint without being subject to government suspicion.
- 20 For this reason, [several United States jurisdictions](#) have instituted laws that *prevent* businesses from refusing cash transactions. It is noted that "cash doesn't crash."
- 21 Worryingly, major multinational digital payments companies like [Visa](#), [Mastercard](#) and [Paypal](#) have established track records of refusing service to individuals and businesses on political grounds. It is therefore submitted that banning cash transactions has dire implications and sets a bad precedent for the civil liberties of Australians, and our ability to run our businesses and live our lives.

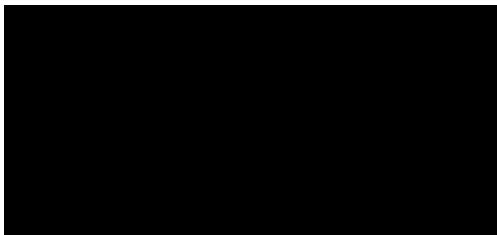
Negative Interest Rates

- 22 There are growing fears amongst the community about the potential for negative interest rates and their impact on savings as attested by [Reserve Bank of Australia governor Phillip Lowe](#) who has refused to rule out the anti-savings move as a potential way to stimulate the economy. Restricting cash transactions will therefore expose even more Australians to potential future policies which erode their hard-earned savings by forcing them to conduct transactions through banks. In such an event, holding cash will be

the only form of protection that Australians have whereby the bill threatens even this meagre form of protection.

Conclusion

- 23 Politicians who support restrictions on the freedom to contract or trade without surveillance or oversight by government bureaucrats often state that those who have nothing to hide have nothing to fear. However, this unconscionably implies 'guilt until innocence is proven' by supporting the notion that governments must be privy to every transaction without any evidence or even suspicion of wrongdoing on the part of citizens. Incidents and scandals such as [recent revelations of abuse committed against law-abiding taxpayers by the Australian Taxation Office](#), for example, attest to the fallibility of bureaucrats and rightly raise community concerns while eroding public trust.
- 24 For this reason and for the reasons outlined above in this submission, the ATA strongly opposes the bill and recommends that the government scuttle it entirely.



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