



15 November 2019

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

Dear Senators

Currency (Restrictions on the Use of Cash) Bill 2019

Chartered Accountants Australia and New Zealand (CAANZ) supports the Currency (Restrictions on the Use of Cash) Bill 2019 and the yet to be introduced associated legislative instrument entitled Currency (Restrictions on the Use of Cash Excepted Transactions) Instrument 2019.

Small business needs a level playing field

Earlier this year the Australian Taxation Office (ATO) released, for the first time, its [small business income tax gap](#). The small business income tax gap measures the difference between the income tax the ATO collects and the amount that would have been collected if every one of these taxpayers was fully compliant with the law.

The 2015-16 income tax gap for the small business sector is estimated to be approximately 12.5%, or \$11.1 billion. Of this, over \$7 billion (or over 64% of the total value of the gap) is attributed to the black economy. The ATO also found that under-reporting of business income constituted 71% of the small business income tax gap.

The ATO has dedicated more resources and is undertaking several projects to combat the black economy, such as:

- highly-visible mobile strike teams
- using data and technology to better target black economy participants
- analysing information provided through a Black Economy Hotline which allows the community to report suspected or known black economy, tax evasion and illegal phoenix activities.

These initiatives are welcome, and according to the latest ATO [annual report](#) are yielding some results with the raising of \$1.1 billion in liabilities¹. But more needs to be done.

Our members work closely with small businesses and strive to help their small business clients thrive. It is a source of immense frustration and concern for our members, who frequently report that the honest businesses they assist are struggling due to competitors not playing by the rules.

¹ Page 11 of the ATO 2018/19 annual report

These frustrations are particularly acute in those high value industry sectors where cash transactions are common and (in some cases) encouraged. These include building and construction, motor vehicle sales and repairs, markets which sell commodities such as fruit and vegetables, antiques and other second-hand goods, and gaming.

At the criminal end of the spectrum, cash is obviously favoured and criminals in turn often seek to offload cash in business-like transactions.

The late Michael Andrew AO FCA, who led the Black Economy Taskforce, consulted widely and his consultations resulted in two key conclusions², namely:

- Business that evade taxes and underpay their employees gain an unfair advantage over honest businesses. The black economy creates an uneven playing field.
- If people believe 'everyone takes cash under the table', or that not paying tax does not harm anyone else, that they can get away with it, or even if they are responding to peer or community pressure, they are more likely to be in the black economy.

Restricting large cash payments helps

While most individuals and businesses use cash legally, the anonymity of cash is exploited by black economy participants and those engaged in illegal activity.

The anonymity of cash makes it is easier to under report cash income receipts. If cash income receipts are not declared, then to stay under the radar³, expenses (both personal and/or business) need to be paid in cash. The Black Economy taskforce reported that large cash purchases of luxury goods⁴ were a common occurrence even though the retailers of such items did not like dealing in cash due to security concerns.

Restricting cash payments for amounts of \$10,000 and over:

- Can assist in making it more difficult for those participating in the black economy whilst not greatly affecting people who use cash everyday for legitimate purpose,
- Providing those businesses who don't want to deal with large cash payments for security concerns with a legitimate reason to refuse large cash payments.
- Aligns with the anti-money laundering and counter terrorism financing (AML/CFT) provisions. Indeed, the accounting and other professions expect the government to expand current AML/CFT obligations and in that sense, the proposed \$10,000 cash limit is seen as a precursory measure.

Restricting cash payments does not mean that people are forced to hold money in the bank. Research by the Reserve Bank of Australia⁵ is showing that although the use of cash as a means of payment is declining, there is an increase in the use of cash as a storage mechanism.

Exceptions

Parliament only has before it the legislation restricting the use of cash for payments of \$10,000 or more. Treasury has published a draft [legislative](#) instrument which supports this legislation by providing carve outs. These rules cover situations such as purely private transactions, amounts already covered by the

² Page 11 Interim Report of the Black Economy Taskforce - https://treasury.gov.au/sites/default/files/2019-03/BE_IR.pdf

³ The ATO looks at discrepancies between costs and income so both need to be hidden to remain in the black economy.

⁴ Page 46 Interim Report of the Black Economy Taskforce

⁵ <https://www.rba.gov.au/publications/bulletin/2018/dec/understanding-demand-for-australias-banknotes.html#fn0>

AML/CFT rules, and cash payments where no alternative method of payment could reasonably be used - for example where there are significant and prolonged disruptions to communications and transport infrastructure.

Opponents need to provide context

Various groups have already expressed opposition to this measure and it seems there are also parliamentarians with reservations.

Their arguments include:

- A cash payment limit will do nothing to stop the black economy.
- Individuals and businesses should not be 'forced' to engage with financial institutions (e.g. by using electronic fund transfers, BPay etc) and in some situations, incur bank fees.
- There is a 'right' to transact in cash.
- The use of legal tender cannot be made illegal in any circumstances.
- The sanctions are too severe and too easily attracted.
- The measure is an over-reach, an abuse of government power.

Few voices speak for compliant taxpayers who shoulder the burden others choose to evade.

In a modern economy where the vast majority have access to, and regularly utilise, online payment arrangements (with e-invoicing adoption also being encouraged by the government), with cash usage in rapid decline, examples of situations where the cash payment limit will cause actual difficulty in day-to-day transactions are hard to find.

Yes, the measure is tough in terms of sanctions, but CA ANZ continues to agree with the simplicity and interoperability rationale for this measure – and the policy arguments more generally – which were articulated so well in the Final Report of the Black Economy Taskforce⁶.

Further input

To discuss this submission further, please contact [REDACTED] on [REDACTED] or [REDACTED], or [REDACTED] on [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]

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⁶ Page 53 Final Report of the Black Economy Taskforce.

Appendix A

Chartered Accountants Australia and New Zealand

CA ANZ is made up of over 120,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.

Members of CA ANZ are known for professional integrity, principled judgment and financial discipline, and a forward-looking approach to business.

We focus on the education and lifelong learning of members and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants and are connected globally through the 800,000-strong Global Accounting Alliance, and Chartered Accountants Worldwide, which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.