



MYOB response to Consultation Invitation Introducing an Economy-Wide Cash Payment Limit

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- **MYOB supports the move away from cash**
- **A cashless economy would make it simpler, cheaper and lower risk to start and run a business in Australia**
- **A cash payment limit would reduce the \$25 billion black hole in government revenue**
- **A crucial step towards delivering positive returns for all citizens and ensuring Australian business can compete on an equal playing field**
- **MYOB calls for the cash limit be applied to all amounts over \$1,000 and the phasing out of the \$100 note**

Introduction

MYOB welcomes the opportunity to contribute to the discussion on the introduction of an economy-wide cash payment limit.

We have long believed it would be simpler, cheaper and lower risk to start and run a business in Australia if we moved away from cash. The cash economy adversely affects honest businesses, consumers, employees, the integrity of our tax system, authority of our key financial institutions and our economy.

We congratulate the Government and the Black Economy Taskforce for taking the lead in eliminating approximately \$25 billion of business being done 'off the books' in Australia. This is a major step towards delivering positive returns for all citizens, reducing a black hole in government revenue which can be invested back into our communities, and ensuring that Australian businesses can compete on an equal playing field.

For more than 26 years MYOB has been creating market-leading business management tools for businesses of all size across Australia and New Zealand. We're at the forefront of moving businesses to advanced cloud-accounting, payroll, payments and business management solutions, and we're incorporating the latest innovations in artificial intelligence and machine learning solutions into our services. We see ourselves as future makers.

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To do this, we identify the technological and social trends that are shaping the world and think about how they will impact on our customers and our business in the future. We then look at what opportunities there are to innovate to both leverage and drive these trends. This requires us to ensure there is space in our thinking to focus on the future.

We are passionate about how the power of technology can simplify success for business and we believe our country is well placed to take advantage of the opportunities offered by a cashless, or cash-reduced, society.

A cashless society is no longer science-fiction and Australian businesses, governments and consumers are well placed to take full advantage of the shift. Already, we have made leaps in this direction, embracing technology such as Paywave, Apple Pay and Android Pay. In addition, MYOB has recently launched MYOB PayBy, which is dramatically accelerating the cash flow cycle for businesses of all sizes businesses with payment solutions, including Invoice Payments (formally known as MYOB PayDirect Online), enabling businesses to issue out invoices from their accounting software to get paid faster and auto-reconcile straight back into their software.

The way we pay for goods and services is constantly evolving. Today, cheques are being phased out and it's predicted that they will completely disappear from circulation in Australia by the end of 2019. Cashless is the logical next step. As with many monetary trends, the push is being led by consumers, but it will need government's support.

We are encouraged by the government's moves towards stopping large cash payments, and propose further action, including stopping cash payments for amounts over \$1,000. As research from the Taskforce indicates, cash is most frequently used for smaller transactions. In time, the usefulness and necessity of higher value notes will also diminish and we urge the government to take the bold step of phasing out the \$100 dollar note, followed at some point in the future by the \$50 note.

MYOB believes the cost of running a small business across the board would be lower if we moved to a cashless economy. There are two key drivers of this saving. First, transactions that are captured electronically can flow in to the digital ecosystem. They will be captured by accounting platforms such as MYOB and flow right through to the tax system. A cashless society will be far more capable of achieving zero-touch accounting, and with it zero-touch compliance. Administration and compliance tasks today both take time and money from entrepreneurs, but also make up some of the most frustrating activities they need to undertake.

The second saving is driven by the holding cost of cash across the economy which, while hidden, is quite material. The time taken to "do the banking", the shrinkage that every business suffers due to theft and the cost of measures put in place to secure cash are accepted as necessary costs in many businesses, but in today's world this does not need to be the case. All will be lowered by reducing the size of transactions which are completed with cash, and all would be eliminated if Australia became cashless.

Not only would being cashless lower the cost and risk of running a business, but moving away from real cash would also help speed up cashflow, right around the economy. Today, MYOB clients can email out an invoice to their customers via desktop computer or mobile device; their customers can



click on an embedded link, which will take them to a payments page where they can pay the invoice instantly, speeding up cashflow. MYOB's clients regularly inform us that managing cashflow is one of the highest pain-points in running their business.

The government has a huge role to play – and potentially stands to benefit the most. Ensuring that regulatory systems are preparing for this world by building the cashless vision into their forward plans is key. Consumers will get there before us – we need to make sure our business and governmental systems provide no hinderance to removal of the dead weight of cash.

We note through our research the success that the government has had in driving the digitization of business, and the benefits this has brought small business owners. For example, before the introduction of SuperStream paying super was a time-consuming overhead to employing staff. Post SuperStream, MYOB research shows that paying super is now far less painful than it used to be. Time poor small business owners often will not adopt innovative, streamlined ways of doing business on their own accord, but by requiring this change they do adapt and reap the benefits.

In our view, the digital economy and the cashless economy will go together, driving more innovation simplifying success across society. The Government's focus on digital initiatives, including smart technologies that can automate and digitise transactions and processing and innovations such as the New Payments Platform (NPP), mean that transactions are getting quicker, safer and more efficient.

The future is online. Digital technology has the potential to continue to reduce red tape and administrative burden for business owners, improve transparency of transactions and allows Governments to better regulate the black economy, while also improving the performance of Australian businesses. Modernising our payments system will even the playing field, while shifting our perception that taking part in the cash economy does little harm.

I commit myself and the MYOB team to playing our part in tackling this issue and look forward to seeing the business community, state, territory and local governments and the public do theirs.

I'd be pleased to present this information to the Task Force in person.

Tim Reed

CEO MYOB

Questions

1. Should the limit apply to the price of the payment for the goods or services?

MYOB supports the move to a cashless economy and believes the \$10,000 limit should apply to payments for goods and services. We would recommend even further action, including stopping cash payments for amounts over \$1,000. In time, the usefulness and necessity of higher value notes will also diminish and we urge the Government to take the bold step of phasing out the \$100 dollar note, and eventually – the \$50 dollar note.

2. What are the barriers to implementing a cash payment limit on 1 July 2019?

The implementation of the AUD\$10,000 cash limit is subject to Anti Money Laundering reporting requirements. Other factors may include:

- Readiness of businesses to provide electronic payment options to customers by the 1 July 2019 deadline;
- Education required to change the behaviour of businesses, re: to accept electronic payments and not to use cheques as an alternative for substantial amounts; and
- Available line of credit.

In addition, businesses moving to new models of payment would need to consider how would need to consider research has also consistently proven that consumers dislike for paying surcharge costs on any transactions, particularly smaller ones.

Our research found that 8 out of 10 consumers think it is unfair for businesses to be passing on surcharging fees. For purchases worth \$100, more than half of consumers expect to be charged nothing.¹

Furthermore, a quarter of consumers claim to have walked away from a purchase because a surcharge was being passed on. Businesses will need to build into their operating costs that, in the cashless future, consumers don't foresee surcharging.

3. Are there any industries or transaction types that legitimately operate in large cash transactions and are unable to be made through the electronic payment system?

According to Australian Bureau of Statistics data, the cash economy is worth approximately 1.5 percent of Australia's GDP, or \$21 billion. The two industries which most frequently operate in large cash transactions are:

- *Trade and construction* - however with recent enforcements to taxable payments, payments are easily reported on to the ATO.

¹ 'Cashless Society is Coming', April 2018: <https://www.myob.com/au/blog/cashless-society-coming/>
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- *The Courier and Cleaning Industries* – the Taxable Payments Reporting System builds in an extra level of reporting for business owners in those areas, and this will come into play on 1 July 2018. This is forecast to return \$318 million to the government over the next four years.

4. Are there specific types of business to business transactions that the \$10,000 cash limit shouldn't apply to?

MYOB supports the \$10,000 limit within all industries. We know Australian businesses overall are eager to embrace the move towards cashless economy.

5. Do affected entities anticipate any increases in transaction costs (both cash and electronic banking) resulting from the cash limit?

The government has recently regulated interchange fees and restricted the ability for businesses to mark-up electronic transaction fees. There would likely be transaction fees on some electronic payments, but we anticipate these are likely to be lower than the hidden costs of all cash.

However, for businesses going cashless there are understandable cost and efficiency advantages. Expenses are logged immediately and can be approved remotely. Paperwork is minimised and both accounts teams and employees will always know their balances and spending patterns with automated reporting. There is also security and compliance control with MYOB online accounting software and payment solutions.

6. Is the holding of an ABN an appropriate test for determining which entities are subject to the cash limit?

The ABN is an appropriate test for determining entities subject to the cash limit.

Businesses operating under a business name or as a registered company must comply with laws that are administered and enforced by ASIC. This includes having access to an ABN to be registered for GST and PAYG withholding.

All cash payments should be declared as income through a tax return, or relevant lodging process such as the TPAR (Taxable Payments Annual Report) for the trade and construction industry.

7. Are there types of ABN holders that the limit should not apply to and why?

All Australian businesses holding an ABN should be subject to the cash payment limits, noting the unique requirements of charities and consumer-to-non-business transactions.

Cash transactions do occur where the selling party does not have an ABN, and it is not intended that the AUD\$10,000 limit applies to consumer-to-non-businesses transactions. These transactions include those where individuals make personal exchanges, such selling a car or personal effects via an online marketplace i.e. Gumtree.

8. Are there reasons why consumer to consumer transactions should be excluded from the \$10,000 cash payment cap?

In Australia, there are some individuals who heavily dependent on cash. These are often among the poorer and least educated people in our society, and therefore those with least access to technology, the traditional banking infrastructure or information about how to adapt including:

- Homeless people and others who ask for money on the streets
- Charity workers soliciting cash donations in public areas
- Manual and casual laborers who get paid in cash, either for convenience or for tax reasons
- Drivers
- Those who don't have bank accounts or credit cards, including many without regular incomes
- The elderly or the very young, also unlikely to have bank accounts or regular access to one
- Anybody who works based on tips, from waiters and waitresses to maids and barhops in hotels to valet parkers
- Small local retailers and restaurants that can't justify credit card processing fees on mostly small purchases.

However, as the Taskforce research indicates, cash is frequently used for small transactions, where the most common payment method for transactions of \$10 or less (accounting for over 60 per cent of these payments), and the median size of a cash payment was \$12.

9. Should there be any additional reporting requirements for businesses to report transactions above or close to the cash payment limit?

Reporting requirements, such as taxable payments, should and can be captured for transactions close to \$10,000. MYOB's online accounting software captures this information for all transactions and allows business owners to report it to the government in a seamless manner.

10. Is it appropriate for both parties to a transaction exceeding the cash payment limit be liable for a penalty?

Yes, we believe that theft penalties should be enforced through the Anti Money Laundering legislation. The cost of the black economy is approximately \$25 billion in Australia. This is not a victim-less crime, the black economy short-changing all Australian citizens, and punishing Australian businesses who do the right thing.

11. What integrity measures are needed to support the cash payment limit?

We would recommend the following integrity measures:

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- Cash deposits/withdrawals >\$10,000 over a single month to be automatically reported according to Anti-Money Laundering Act;
- Banks to be required to report on any transactions over \$1,000 to financial regulators;
- Converting AUD\$1,000 into other currencies to require identification; and
- Fines to apply for breaches to the cash payment limit.

12. What restrictions should be put in place to ensure cash transactions cannot be structured to take place over a period of time in amounts below the payment limit as a way of subverting the policy?

We recommend integrity measures be aimed at restricting the ability to structure payments ‘get around’ the payment limit. Lowering the cash payment limit from \$10,000 to \$1,000 will significantly reduce the probability that this occurs.

13. Are there integrity measures that support a cash payment limit, including those in use overseas, that warrant consideration in Australia?

See question 11.

14. Are there any specific groups that should be exempt and why?

While some businesses may prefer cash payments, it’s best to double-check that all your cash payments are accounted for and you’re paying the right level of tax. MYOB accounting software will make it easier for you to be sure you’re doing the right thing.

According to the Reserve Bank of Australia, people prefer to pay electronically and this trend is increasing. The Reserve Bank of Australia’s *How Australians Pay: Evidence from the 2016 Consumer Payments Survey* showed that 37 per cent of participants surveyed made their payments in cash in 2016 compared to 69% in 2007. Innovations such as the New Payments Platform (NPP) mean that transactions are getting quicker, safer, and more efficient.

15. Are there examples of current large cash payments made by people living in remote areas or by senior Australians that cannot easily be made through electronic payment systems?

Some groups, including those living in remote areas or charities, may be negatively impacted as they may rely on the ability to make or receive large cash payments/donations or have limited access to electronic payment options in remote areas. These groups may require special solutions including access to mobile banking services visiting remote communities, government and other service providers i.e. Australia Post, supporting the receiving of cash payments and targeted education programs on using electronic payment systems.



16. Is there a need for different rules for foreign tourists? Would the administrative burden on business in administering a higher cash limit specifically for tourists, justify retaining the \$10,000 cash limit for all, including tourists?

While in principle we believe that globally, electronic payments are becoming the preferred method of payments and don't believe that exemptions are required, we acknowledge that the spending patterns of tourists would need to be better understood to determine whether they should be subject to these restrictions.

Case Study: Cannings Butchers

April 9, 2018 by James McGrath

<https://www.myob.com/au/blog/ride-paywave-tips-go-cashless/>

Ride the paywave – tips to go cashless

More businesses are going completely cashless, but there are a few things to keep in mind if you stop using notes and coins.

Melbourne free-range butcher group Cannings has been cashless since 2014, a decision driven by the group's founder Sam Canning.

"I'm really big on simplifying processes, and the thing was that at the time we were taking 80 percent card anyhow," he told *The Pulse*.

"There was also the hygiene factor and not needing to go to the bank every day and get money – which is a bit of a pain in the arse."

Other benefits for Canning has been reduced slippage, fewer errors at the till and quicker transaction times.

READ: Welcome the new world of payment solutions

With the business' 10,000 transactions per week, the seconds used to take someone's cash, put it through the till and hand out the correct change quickly add up.

"We're only talking about a few seconds. Now, it's literally a press of the button, they paywave and it's done," said Canning.

He also said going cashless had improved business relations with its bank. This is thanks to full transparency and confidence in the numbers presented to the bank.

"Going cashless has forced us to be completely by the book. That's one of the best things I've ever done," said Canning.

"All of our sales have been put into the system and it's all there for the bank to see. Because of that, my borrowing capacity has increased."

He also said the ATO appreciated the transparency of a cashless business.

"As you get bigger you want to have that relationship [with the ATO]," said Canning.

"As a small business you can't see past the short term of the potential tax savings. Having a good relationship with the ATO has been one of the main benefits for us."



Thinking of going cashless? Here's what you should keep in mind.

Think about your margins and impact

Going cashless means you've got more credit card transactions that attract merchant fees.

For Canning, the efficiency of going cashless outweighs the dollars and cents impact of the move – but the business has toyed with the idea of adding surcharges.

READ: [Dealing with surcharges in your business](#)

“We've thought a lot about surcharging. Every time we sit down and workshop it we always come out at the same point – nobody likes being surcharged,” said Canning.

“We're a premium product so I guess you can say that's rolled into the prices. It's never been a calculated approach.”

He also said the switch to cashless did mean a few customers took their shopping bags elsewhere.

“You just need to weigh up the difference between what you can lose with a pissed off customer and what you can gain with increased efficiencies,” said Canning.

Spell out the payment changes

Canning said communication was key to becoming cashless, especially a “soft launch” approach.

“We had a three-month lead time from when we were marketing it on Facebook and in-store,” he said.

“We soft-launched it as well. If we were getting people coming in and being heartbroken about us not taking cash, we'd take the cash once and then inform them that we wouldn't be taking cash next time.

“I also had a pretty good relationship with the customers at that time, which definitely helped.”

Now, he said, aside from in-store signage, it was up to the trained counter staff to explain the payment policy to customers.

Canning knows eventually all businesses will be cashless so he thinks it's worth business owners nudging themselves towards going cashless early.

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“You do take a little bit of a hit in the short term. Long term, it will just be forgotten – it’ll be the norm in five years’ time so people may as well get on with it,” he said.