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21 August 2019

Mr Patrick Boneham,
Division Head,
Black Economy Division
Treasury
Langton Crescent
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Dear Mr. Boneham

I am writing to express the Australian Chamber's concern with the proposed economy-wide cash payment limit of \$10,000 to be imposed by the *Currency (Restrictions on the Use of Cash) Bill 2019*. The Australian Chamber is Australia's largest and most representative business group representing all state and territory Chambers of commerce, over 75 industry associations and 300,000 businesses including mostly small and medium sized firms. Given your recent consultation process on the Exposure Draft of the legislation, and consequent public attention on the issue, we wish to make it clear that our concerns about the proposed approach remain unchanged.

Our views on the matter of limiting cash in the economy were initially expressed in the Australian Chamber's response to the Interim Report of the Black Economy Taskforce and then in our submission on introducing an economy-wide cash payment limit dated June, 2018. We questioned claims that cash had a limited role to play in a modernised payment system and that it was causative of black market activity. Despite a fall in the number of cash transactions made in the economy, cash continues to play a significant role as a store of value and medium of exchange in the Australian economy. In our initial submission we referred to comments by the RBA that the demand for cash for precautionary purposes had in fact increased over the past decade and is an essential instrument in the event of a future financial and economic crisis. Policies that act to penalise the use of cash undermine its legitimacy as legal tender and this is problematic to the stability of the financial system.

Banning cash over a predetermined limit is the wrong policy focus for addressing the black economy, and could result in significant unintended consequences. We recommend that the Taskforce focus its efforts on reducing the causes of black market activity such as high compliance and regulatory burden, particularly on hiring new employees or employees for the first time, the comparatively high tax rates and federal and state level compliance overlap. These are the driving factors of black market activity as business owners who do the wrong thing act on causative factors. We must

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work together to make it easier to do business in Australia, by creating a supportive environment for business owners who employ over 11 million of the 13 million employed Australians.

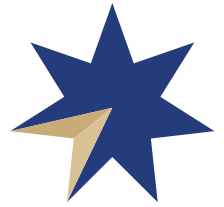
The proposed measure to limit cash payments is neither fair nor likely to be effective. It is not fair as it will make criminals out of otherwise law abiding citizens who for a range of reasons wish to use cash. It will significantly increase the penalties including fines up to \$25,000 and 2 years imprisonment, and these will apply to both the business and the individuals involved in the transaction. Also it is not fair that the draft Bill targets cash, when it is likely to exempt new ways of payment such as cryptocurrency.

It is likely to be ineffective in reducing black market activity and will be difficult to enforce. It is difficult to see how it will prevent two parties intent on circumventing the law from participating in illegal activity using cash or other methods of transferring payment to each other that is untraceable. Participants in the black economy are likely to develop other methods to facilitate payment or develop innovative ways to disguise transactions through non-cash payment systems.

We are concerned that cash would be eroded as legal tender and store of value which may have significant consequences to the economy and financial system in the event of a financial or economic crisis. There are already concerns being expressed that in today's low, even negative, interest rate environment that it is a poor time for downgrading the value and usefulness of cash.

A truly modern payments system should provide Australians with further options for payment rather than limit them. An issue as small as a power outage, or cyber security threat would essentially bar businesses from transacting with one another and their customers. Cash must and should remain an option for payment for all business transactions. While we commend the RBA's effort on introducing the New Payment Platform and readily acknowledge the growth in digital transactions, we are not yet close to a global cashless society.

At our latest meeting with the Black Economy Taskforce we expressed caution and reinforced the need to focus on rewarding businesses that do the right thing. Government should act to take businesses along the journey of better compliance, regulation and tax obligations, rather than imposing a ban on the legitimate use of legal tender.



Despite our opposition to the proposed cash limit, we continue to support the Government's objective to minimise the black economy and level the playing field so that businesses doing the right thing are not facing unfair competition. We look forward to continuing to work with you and your team on other initiatives that will address the black economy.

Yours sincerely

JENNY LAMBERT

A/g Director, Economics and Industry Policy