

26 July 2019

Black Economy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

## **Response in relation to 'Currency (Restrictions on the Use of Cash) Bill 2019'**

Dear sir or madam,

I welcome the opportunity to provide a response to the Draft Currency (Restrictions on the Use of Cash) Bill.

I am making this submission as an individual and not on behalf of any other group, party or entity. I have observed elements of the community benefiting from the Black Economy in terms tax avoidance. I am committed to working with the Government to ensure all Australians put in their fair share to continue to make Australia the great place that it is. Currently the burden is on Australians who do the right thing and are penalised with a high level of tax being applied to them.

Due to the fundamental reliance of the Black Economy on cash, the key goal of the Australian Government should be to fully remove physical cash from the economy in the short to medium term (3 to 5 years). This will make substantial progress towards eradicating the Black Economy.

The Draft bill goes some way to assist in reducing the use of the Cash in the Black Economy and large commonly known businesses will implement this and it will be effective for certain parts of the community. However, I do not see this substantially impacting the Black Economy as:

1. Transactions will be completed outside of the businesses financial book keeping so there will be no record of them occurring (No receipts and No GST reporting).
2. Transactions will be reported as personal transactions even though they are business transactions so will be exempt from the limit.
3. With the continued existence of the \$100 and \$50 note it is still easy to carry \$10,000 or above in Cash.

My high-level recommendations to be included in the Bill including reasoning are below:

1. **The removal of the \$100 and \$50 notes from the economy by 1 July 2021** – These notes are the current best friends of the Black Economy.

Media reports state that there are currently the same number of \$100 notes in circulation in Australia as there are \$5 notes, yet the \$100 note is rarely sighted day to day. Both notes are used to consolidate the cash position so that less notes are kept whilst attaining the same monetary value.

*As an example Johnny takes cash from his clients (for work he has provided) and then builds up his cash holding over time and then uses the cash to fund his*

*lifestyle purchases. This money never enters the legal economy or banking system and therefore is not traceable on either side of the transactions.*

The removal of the larger notes would immediately make cash non-viable for large value transactions e.g. you would require 500 \$20 notes to make a \$10,000 transaction. This would lead to individuals banking cash received in order to make purchases via electronic means eg. Credit/debit cards.

Following the removal of \$50 and \$100 notes, I recommend that in subsequent years the remaining smaller notes should also be removed from circulation.

2. **Reduce the proposed Cash Payment Limit from \$10,000 to \$1,000 from 1 July 2021 –** Most cash transactions made in the Black Economy are substantially below \$10,000. Therefore I recommend reducing the limit proposed from \$10,000 to \$1,000.

By the introduction of a limit of \$1000, individuals who are avoiding tax by not banking income will be unable to make relatively regular purchases like household furniture, appliances, etc without banking the cash.

The Cash limit should also include transactions made in foreign currency which may be an alternative to AUD.

3. **As the cash limit will force individuals to use electronic transacting, there should be a review of financial institution transaction fees, e.g. merchant fees. These should not be passed on to those obtaining the goods and services above the new limits.**

Some members of the community see the use of cash as a way to save merchant fees being passed onto them. In the case of a Government based limit being imposed the likes of these fees should not be permitted.

In addition to the above, due to the substantial increase in cash that would flow into financial institutions with the proposed changes, merchant fees, transaction fees and other financial fees for example telegraphic transfers currently charged to businesses and consumers will need to be reviewed with the intention of either reducing these or eliminating them.

A key feature needs to be the ability of businesses and consumers to have the monies immediately available in their accounts. Banks are now introducing this for many types of transactions, but this needs to be across the board to ensure there is no reason to revert to physical cash.

To summarise, I believe that implementing a cash limit of \$10,000 on transactions, is not going to have a significant impact on the Black Economy. I think if the government is serious about taking action then a better approach is to remove the larger notes of \$50 and \$100. In conjunction with this a limit of \$1000 would go a long way to increasing tax revenue. Any change would need to be implemented without any exemptions to ensure no loopholes are exploited.

I welcome the opportunity to make this submission as these important changes are being developed. Please do not hesitate to contact me directly on 0413 869 651 or via email on [zats@hotmail.com](mailto:zats@hotmail.com) should you require any further information about this submission.

Yours sincerely,

Anthony Zeitoun