

Mr Michael Andrew AO
Chair, Black Economy Taskforce
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: blackeconomy@treasury.gov.au

29 June 2018

Dear Mr Andrew,

Thank you for the opportunity to respond to the Introduction of an Economy-wide Cash Payment Limit consultation. As a major participant in the global payments industry, Mastercard is well-placed to provide insights on tackling the black (or shadow) economy and on the security, transparency and fiscal benefits of electronic payments.

Mastercard supports the introduction of cash limits as a means of reducing the black economy. Increasing transparency and traceability of transactions, will minimise tax evasion and crime. We also suggest the introduction of further measures to maximise the efficacy of a cash payment limit.

Preliminary results of research we have commissioned from Ernst & Young (EY) to quantify the impact of electronic payments on reducing the shadow economy in Australia, confirms a cash payment limit would be an effective policy response. The research also indicates the efficiency of such a move increases significantly the lower the payment limit is set. Further, additional measures to incentivise acceptance of electronic payments and encourage consumer use of electronic payments, should amplify the positive impact of a cash payment limit on reducing the shadow economy.

We also note that regulations permitting businesses to apply a surcharge on card payments do not align with policy measures designed to contain the black economy. Requiring non-cash payments of sums greater than \$10,000 could attract significant surcharges and thus incentivise avoidance strategies.

The RBA's reason for supporting surcharges on card payments is to send a price signal about the costs of using different payment methods, so consumers can then make an informed choice about which option to use. In practice, the RBA's surcharging rules single out card payments and do not account for the costs involved in cash payments. Nor do they account for the additional value merchants receive by accepting electronic payments. If consumers are required to make an electronic payment to achieve a public policy outcome, then they are not exercising a choice. Whether they should also be liable to pay a surcharge on these transactions is something government needs to consider as it works towards introducing a cash payment limit.

The EY research will be finalised in July and we will be in contact with your office to arrange a meeting to present the findings of the research. If you would like any further information, please do not hesitate to contact Cassandra Smith Director, Public Policy on 02 9466 3777 or cassandra.smith@mastercard.com.

Yours sincerely



Andrew Cartwright
Country Manager Australia