

18 June 2018

Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Response in relation to 'Introducing an economy wide Cash Payment Limit'

Dear sir or madam,

I welcome the opportunity to provide a response to the consultation paper on an Economy Wide Cash Payment Limit.

I am making this submission as an individual and not on behalf of any other group, party or entity. I have observed over a number of years, elements of the community benefiting from the Black Economy in terms tax avoidance and government benefits. 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 at the soonest possible time. This will make substantial progress towards eradicating the Black Economy. As this change is monumental it will need to be implemented over 2 to 3 years.

My high-level recommendations including reasoning are below:

1. **The removal of the \$100 and \$50 notes from the economy by 1 July 2019** – 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 of these larger 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.

Two further steps should be undertaken:

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

- b) The removal of cash should include steps to remove foreign currency notes from circulation in Australia which may be used as an alternative to AUD. For example we should restrict the exchanging of foreign currencies for Australian cash, instead the exchange should be done electronically by depositing the foreign currency into an Australian bank account.

2. **Reduce the proposed Cash Payment Limit from \$10,000 to \$1,000 from 1 July 2019** – 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.

Most transactions in the Black Economy that are sizeable are broken up so they are paid in instalments. It is relatively rare that a payment would be made to certain businesses at the proposed limit of \$10,000. Payments are generally required at different times.

For example Johnny produces goods for this client. He requests payment at the time his goods are ordered, at a certain stage of production, on delivery and then potentially on installation. Whilst the total amount paid may equal more than \$10,000, the instalments would be under the limit and therefore not traceable.

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.

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.

The benefit of removing cash, to the Australian Government and to the wider economy, is major. These benefits include:


- a. **Tax revenue:** Increased Tax revenue from a wider tax base which was not previously being fully assessed. This should allow the government to review tax rates with the potential of a decrease to personal income tax rates
- b. **Social security burden reduced:** As cash would now be reported as income or an asset in individual bank accounts, due to transactions now mainly being completed electronically, there will be a substantial decrease in short term and long term social security payments.
- c. **Crime will be reduced:** Given that a substantial number of crimes are committed with the purpose of obtaining cash, with the removal of cash from society, a logical assumption would be that without cash crime will reduce.

- d. **Fairer playing field for businesses:** With the removal of cash, businesses would be operating in a much fairer environment. This is not the case currently where the Black Economy does not allow legitimate businesses to thrive due to substantial differences in pricing. For example the legitimate business owner has to charge more for his services than the illegitimate business owner as he has income tax and GST to pay to the Australian government.
- e. **Improved consumer protection:** Many of those businesses that operate in the Black Economy have inadequate or no qualifications and therefore do not have insurances in place to protect consumers and themselves. This has meant many consumers have been left disappointed when issues arise.
- f. **More efficient banking structure:** The cost of banking is expected to reduce with the removal of cash. This will be due to the current infrastructure such as ATMs and some branch services no longer being required. This should translate to lower costs to consumers.

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 and reducing the social security burden. 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 should you require any further information about this submission.

Yours sincerely,



Anthony Zeitoun

