



THE TAX INSTITUTE

22 June 2018

Ms Kathleen O’Kane
Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: blackedeconomy@treasury.gov.au

Dear Ms O’Kane,

Economy-Wide Cash Payment Limit

The Tax Institute welcomes the opportunity to make a submission to Treasury in relation to the *Introducing an Economy-Wide Cash Payment Limit* Consultation Paper (**Consultation Paper**).

Consultation Questions

Consultation Question	Tax Institute response
1. Should the limit apply to the price of the payment for the goods or services? (Treasury clarified this question is about whether the limit should apply to the total price or a payment made towards the goods or services.)	There needs to be certainty on how the rules will apply and to which payments. The limit should apply to each cash payment made for the acquisition of goods or services. This would include either a lump sum payment made for the full price of the goods or services or a series of cash payments made.
2. What are the barriers to implementing a cash payment limit on 1 July 2019?	Businesses will need to have sufficient lead time to ensure they have systems in place to meet any reporting requirements that may be imposed on businesses as part of the introduction of this measure.
3. Are there any particular industries or transaction types that legitimately operate in large cash transactions and are unable to be made through the electronic payment system?	No comment provided

4. Are there specific types of business to business transactions that the \$10,000 cash limit shouldn't apply to?	The measure should apply to all business transactions.
5. Do affected entities anticipate any increases in transaction costs (both cash and electronic banking) resulting from the cash limit?	No comment provided
6. Is the holding of an ABN an appropriate test for determining which entities are subject to the cash limit?	The holding of an ABN usually indicates that the holder is in business, so it is a good indicator. However, someone who has an ABN is already engaged with the system and is probably less likely to be avoiding tax by making large cash payments. They are less likely to be the target of this measure. The holding of an ABN could be one test, but other tests will be needed to capture payments to and from parties that do not hold ABNs (other than consumer to consumer).
7. Are there types of ABN holders that the limit should not apply to and why?	The measure should apply to all ABN holders.
8. Are there reasons why consumer to consumer transactions should be excluded from the \$10,000 cash payment cap?	Consumer to consumer transactions generally would not be subject to taxation so it would make sense to exclude them from the \$10,000 cash payment cap. In addition, it would almost be impossible to enforce such a measure in consumer to consumer transactions. However, Treasury should consider the application of this measure to business to consumer transactions as well.
9. Should there be any additional reporting requirements for businesses to report transactions above or close to the cash payment limit?	Transactions involving cash payments above the cash limit should be reported. This could operate on a similar basis to the Taxable Payments Reporting System, though this additional reporting would create a compliance cost for businesses.
10. Is it appropriate for both parties to a transaction exceeding the cash payment limit be liable for a penalty?	In the case of a business to business transaction, penalties should potentially apply to both parties to discourage a payer from making a cash payment and the recipient from receiving a cash payment. In the case of a business to

	consumer transaction, penalties should apply to the business.
11. What integrity measures are needed to support the cash payment limit?	An anti-avoidance rule to discourage parties who try to subvert the rules by making two or more cash payments which are each under the threshold but collectively exceed it. Treasury could refer to section 31 of the <i>Financial Transaction Reports Act 1988</i> (Cth) as an example of the kind of rule we are suggesting.
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?	As above for #11.
13. Are there integrity measures that support a cash payment limit, including those in use overseas, that warrant consideration in Australia?	No comment provided
14. Are there any specific groups that should be exempt and why?	It may be difficult for people in remote areas with unreliable internet connections and senior Australians who are not quipped to transact online. Exemptions could be considered for these groups.
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?	It would be difficult to enforce the rules for these groups.
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?	We query why a higher cash limit would be allowable for foreign tourists. The \$10,000 limit is high enough to not require special rules for tourists. It would be difficult to enforce a different limit for foreign tourists.

If you would like to discuss any of the above, please contact either myself or Tax Counsel, Stephanie Caredes, on 02 8223 0059.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Tracey Rens'. The signature is fluid and cursive, with the first name 'Tracey' written in a larger, more prominent script than the last name 'Rens'.

Tracey Rens
President