



Australian Government  
The Treasury

**TSY/AU**

# Introducing an Economy-Wide Cash Payment Limit

Government response to the Black Economy  
Taskforce Final Report  
23 May 2018

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# Consultation Process

## Request for feedback and comments

All information (including name and address details) contained in formal submissions will be made available to the public on the Australian Treasury website, unless it is indicated that you would like all or part of your submission to remain confidential. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain confidential should provide this information marked in a separate document.

A request made under the *Freedom of Information Act 1982* for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

Closing date for submissions: 24 June 2018

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# Introduction of an Economy-Wide Cash Payment Limit

## Introduction

The Government has announced the introduction of an economy-wide cash payment limit of \$10,000 as part of the 2018-19 Budget, applicable to payments made to businesses for goods and services from 1 July 2019. Transactions in excess of this amount would need to be made using the electronic payment system or by cheque.

The Government is seeking to strike the right balance between cracking down on black economy participants using large cash transactions to avoid their tax obligations, and ensuring that businesses doing the right thing are not unduly burdened by increased red tape.

The consultation paper is also seeking the views of stakeholders to identify further issues and solutions for the implementation of this measure. This includes what exemptions, if any, should apply, what enforcement and reporting obligations should exist and what integrity measures are required.

## Background

This measure follows the findings of the *Black Economy Taskforce Final Report* that significant risks to legitimate commercial behaviour can result from large, undocumented cash payments being made for cars, yachts and other luxury goods, agricultural crops, houses, building renovations and commodities.

The Report recommends (*Recommendation 3.1*) the introduction of a cash payment limit that removes the ability of any individual or business to make a single transaction in cash in excess of \$10,000. The limit would apply to all payments made to businesses for goods and services. Transactions in excess of this amount would need to be made through the electronic payment system or by cheque.

The Government recognises that cash remains an important part of the economy and a legitimate means of payment for consumers and businesses. The measure targets high value cash payments. Transactions may be arranged for payment in this manner so as to avoid obligations under the tax and regulatory systems or for laundering the proceeds of crime. Businesses that insist on cash payment may be doing so to avoid their tax and other obligations, and may therefore receive an unfair competitive advantage compared with firms that meet their obligations.

## Current cash transaction regulations

Australia does not have a cash payment limit, though entities have discretion to refuse to accept cash payments made using coins in excess of a certain amount. However, law enforcement, intelligence and national security agencies do have visibility of some large cash transactions. Businesses that provide designated services (broadly, financial services, services relating to bullion or gambling services) are regulated under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. These entities are required to submit Threshold Transaction Reports (TTRs) to the Australian Transaction Reports and Analysis Centre (AUSTRAC) within ten business days where a transaction is undertaken of AUD \$10,000 or more (or foreign currency equivalent) in cash. These TTRs provide valuable financial intelligence about the movements of large amounts of cash.

The entity making the report to AUSTRAC must include details of the transaction and the individuals involved, as required by Chapter 19 of Australia's [Anti-Money Laundering and Counter-Terrorism Financing \(AML/CTF\) Rules](#).

A penalty regime applies for failures to report to AUSTRAC<sup>1</sup>.

## Imposing an Australian cash payment limit

### Key Facts about Cash Use

In November 2016, the Reserve Bank of Australia undertook its fourth triennial survey of consumer payments.

Results showed a trend decline in the share of consumer payments made in cash:

- Survey participants made 37 per cent of their payments in cash, compared with 47 per cent in 2013 and 69 per cent in 2007.
- Cash was still frequently used for smaller transactions and was the most common payment method for transactions of \$10 or less (accounting for over 60 per cent of these payments). The median size of a cash payment was \$12. When measured by the value of payments (rather than the number), the share of cash transactions was steady, at around 18 per cent, reflecting a small number of large cash payments.
- Although electronic payment methods have become more popular, some members of the community make a substantial share of their payments in cash, including older Australians and lower-income households. While these demographic groups have not, on average, adopted electronic payments as quickly as the general population, they are nonetheless using cash for a smaller share of transactions than in the past. Older Australians, for example, are using electronic payment methods more frequently, as indicated by the ongoing decline in the share of payments made in cash by people aged 65 and over – from 78 per cent in the 2007 survey to 51 per cent in 2016.
- In 2016, around 70 per cent of survey participants reported holding some cash outside of their wallet, compared with about 75 per cent in 2013. While the majority of participants held \$100 or less, around 3 per cent reported that they held over \$1 000. The most common reason for holding cash elsewhere was for emergency transaction needs. A smaller but still significant share of respondents (26 per cent) cited issues relating to the accessibility of cash – ATM fees and access, and withdrawal time – as their most important reasons for holding cash outside their wallet.

Source: Doyle M-A, Fisher C, Tellez E, Yadav A "How Australians Pay: New Survey Evidence" Reserve Bank of Australia Bulletin – March Quarter 2017.

Cash payments make it easier for entities to under-report their income and GST turnover, and may enable these entities to offer consumers discounts in exchange for cash. This behaviour affects all Australians. Lower tax collections reduce the the level of services that governments can provide.

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<sup>1</sup> Subsection 43(4) of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* provides that subsection 43(2) is a civil penalty provision. Subsection 43(2) is the requirement where the TTR must be submitted to AUSTRAC within 10 days. Under section 175, which deals with Civil Penalty Orders in the Federal Court, the maximum penalty for a civil penalty contravention is up to a maximum of \$21 million for a body corporate (s175(4)) or for an individual \$4.2million (s175(5)).

A number of countries already have implemented a cash payment limits to combat the black economy, terrorism financing and as austerity measures following the Global Financial Crisis. France has a limit of EUR 1,000 (AUD 1,600), Spain has a limit of EUR 2,500 (AUD 4000) and Italy EUR 3,000 (AUD 4,800). More information can be found at Attachment A.

### Changing social norms which legitimatise participation in the black economy

A cash payment limit will help change social norms on participation in the black economy. It sends a strong signal to the community that it is not acceptable to avoid tax and other obligations by using cash.

A cash payment limit will also support businesses to decline high-value cash payments of \$10,000 or more. Currently, honest entities may find it difficult to decline large cash payments even where they suspect such payments are being made for the purposes of money laundering. This scenario emerged as a concern for some traders in high-value goods in the Black Economy Taskforce's consultations.

Introducing a cap on cash transactions will support businesses in requesting that large payments be made through the banking system. It will also serve as a disincentive to consumers' willingness to offer cash payment in exchange for a discount.

### What is the cash payment limit?

While cash is and will remain a legitimate means of transacting within the economy, a key finding from the Black Economy Taskforce is that its use becomes questionable when it is used for large value transactions.

The cash limit is therefore set at an amount that does not impinge on the legitimate transactions of businesses but will still lead to a reduction in black economy behaviour. It allows businesses and individuals to continue their use of cash for most transactions.

The cash limit is also the same as the reporting threshold for the Anti-Money Laundering /Counter Terrorism Financing (AML/CTF) framework which ensures interoperability of the two systems.

The cash payment limit would apply to the price of the goods or services being purchased. This means that where a good is priced above the cash limit, it must be paid for electronically or by cheque. It will not be possible to split the price into small cash amounts below the cash payment limit.

It is intended that this measure will apply to transactions that take place from 1 July 2019.

### Questions

1. Should the limit apply to the price of the payment for the goods or services?
2. What are the barriers to implementing a cash payment limit on 1 July 2019

### Who will be affected by this measure?

The cash transaction limit will be imposed for payments for goods and services to all entities holding an Australian Business Number (ABN). This will help provide clarity to the consumer that the other party to the transaction is carrying on a business.

It is not intended that the measure applies to consumer-to- non-businesses transactions, such as those in second-hand markets like Gumtree, where the selling party does not have an ABN.

The measure will not apply to financial institutions. There will be no impediment on the ability of individuals, businesses or other entities to deposit large amounts of cash with their bank or to deposit cash in paying off loans with a financial institution<sup>2</sup>. For example, a business would not be prevented from depositing cash takings in excess of \$10,000 into their financial institution. In such cases, deposits do not represent a payment to the financial institution for providing a service. Such payments of \$10,000 or more, however, would still be subject to the AML/CTF reporting requirements.

We are seeking information on any particular industry or type of transaction that is frequently conducted using large amounts of cash and that are unable to be made through the electronic payment system.

Businesses incur a range of expenses in dealing with and holding cash including transportation, storage and fraud controls (including for staff). The Black Economy Taskforce Final Report uses the example of a café going cashless to avoid the estimated \$270 per week additional cost of transaction in cash.

However, the Final Report also notes there are transaction costs associated with using electronic payment systems.

### Questions

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?
4. Are there specific types of business to business transactions that the \$10,000 cash limit shouldn't apply to?
5. Do affected entities anticipate any increases in transaction costs (both cash and electronic banking) resulting from the cash limit?
6. Is the holding of an ABN an appropriate test for determining which entities are subject to the cash limit?
7. Are there types of ABN holders that the limit should not apply to and why?
8. Are there reasons why consumer to consumer transactions should be excluded from the \$10,000 cash payment cap?

### How will this be administered?

The cash payment limit will support the Government's efforts in AML/CTF by hardening the environment and reducing the potential for serious and organised crime groups to use cash to avoid detection. Current AML/CTF reporting obligations will be leveraged to assist the administration and enforcement of the cash limit, in particular the combination of threshold transaction reporting and reporting suspicious matters.

We are seeking views on whether further reporting may be necessary beyond that which applies under the AML/CTF regime. For example, should businesses have a positive obligation to report cash transactions of \$10,000 and above or where a consumer has offered to make a payment in excess of the limit.

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<sup>2</sup> Reporting entities, including financial institutions that are regulated by AUSTRAC will continue to have the obligation to report TTRs.



As a source of further information, the Black Economy Hotline, which was announced as part of the 2018-19 Budget, will facilitate community referrals on suspicious behaviour.

Penalties will apply to both parties to the transaction - the payer and receiving business. This will ensure that both businesses requesting cash payments and consumers pressuring businesses to take cash in exchange for a discount are captured.

### Questions

9. Should there be any additional reporting requirements for businesses to report transactions above or close to the cash payment limit?
10. Is it appropriate for both parties to a transaction exceeding the cash payment limit be liable for a penalty?

### Do we need further integrity measures?

Many European countries that have introduced cash payments limit have also introduced complementary integrity measures to facilitate compliance by all industries (see Attachment A).

In Australia, there will still be the requirement for compliance with the current AML/CTF reporting requirements in addition to the new cash payments limit. However consideration needs to be given to whether similar integrity measures are required and what risks they address.

Furthermore, consideration should be given to integrity measures aimed at restricting the ability to structure payments to get around the payment limit.

Specific examples for consideration include:

- Long term payment plans where the total purchase price is above the cash payment limit.
- Digital currencies.
- Traveller's cheques.

Integrity measures should, if implemented, not increase the regulatory burden on businesses but rather target known black economy behaviour which may see an increase, as dishonest operators seek to get around the cash payment limit.

### Questions

11. What integrity measures are needed to support the cash payment limit?
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?
13. Are there integrity measures that support a cash payment limit, including those in use overseas, that warrant consideration in Australia?

### Is there a need for specific exemptions?

Whilst it is anticipated that the majority of transactions made by consumers will be compliant under the new rules, there may be some groups that require an exemption to the cash payment limit.

Approximately 98 per cent of Australians have a bank account however, this does not automatically equate to 98 per cent of Australians having regular access to banking facilities.

As a result of this measure, potential groups, including those living in remote areas or charities, may be negatively impacted as they may need to rely on the ability to make or receive large cash payments.

Further, the Black Economy Taskforce Final Report and work undertaken by the Reserve Bank of Australia highlighted that some groups, including senior Australians, have a higher reliance on cash as opposed to electronic banking facilities.

Many foreign jurisdictions either have an exemption or apply a higher cash payment limit to foreign tourists to reflect the fact that whilst they are able to legitimately have large sums of physical currency, they may not be able to make transactions through electronic payments systems. For example, in France the cash payment limit for residents is EUR 1,000 but non-residents have a higher limit of EUR 15,000.

This lack of access could be a matter of convenience, their home bank not having international access or home country domestic laws placing restrictions on transfer of currency.

There is currently no limit imposed on the amount of cash that a person entering or leaving Australia at the border is able to carry. However, amounts in excess of \$10,000 in physical cash must be declared to AUSTRAC on entering and exiting Australia. This includes mailing or shipping currency of \$10,000 or more (or foreign currency equivalent) into or out of Australia. Reports must be submitted before the physical currency is sent or carried out of Australia, or carried into Australia.

Stakeholder views are sought on what the expected impacts would be if tourists are included in the cash payment limit and whether there are specific impediments to tourists making large cash payments in excess of the limit through the electronic banking system.

If, as in other countries, a higher limit is given for tourists, what practical implementation issues would there be for businesses to determine which customers are eligible to access the higher limit.

### Questions

14. Are there any specific groups that should be exempt and why?
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?
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?

## Attachment A - International examples of payment limits

A number of European countries have implemented a cash payment limit in recent years.

The UK has recently released a consultation paper calling for evidence concerning large cash transactions, why they are used and what can be done to crack down on the minority who use cash to evade tax and launder money<sup>3</sup>.

Israel has also recently passed legislation to introduce a cash limit to target economic crime and money laundering.

### France

#### Cash Limit Rules

Residents are not allowed to make cash payments for goods of over EUR 1,000 (approx. AUD 1,600). Cash payments for certain services cannot exceed EUR 450.

Exceptions exist for non-residents to make payments up to EUR 15,000 (approx. AUD 24,000); for salaries paid in cash up to EUR 1,500 (approx. 2,400) and for people who do not have any other means of payment.

For amounts below EUR 1,000, French laws require that merchants accept cash with no surcharge.

#### Integrity Measures

Any cash deposits or withdrawals of more than EUR 10,000 (approx. AUD 16,000) euros over a single month will be automatically reported to the Tracfin Anti-Fraud and Money Laundering Agency by the relevant bank. Further, authorities also have to be notified over transfers of more than EUR 10,000.

Changing more than EUR 1,000 in cash into another currency requires identification.

### Spain

#### Cash Limit Rules

Cash payments are restricted to a maximum of EUR 2,500 (approx. AUD 4,000) where one of the parties of the transaction is a business or a sole trader.

It does not apply to payments between individuals and allows foreign tourists to make payments of up to EUR 15,000 in physical cash.

#### Integrity Measures

A fine of 25 per cent of the transaction value will apply on non-compliance which can be imposed on both parties to the transaction.

If the price of the good or service is above the limit, no part of the payment can be in cash.

### Italy

#### Cash Limit Rules

Cash payments are restricted to a maximum of EUR 3,000 (approx. AUD 4,800).

Payments above EUR 3,000 amount must be made using traceable instruments, such as bank transfers and non-transferable cheques

#### Integrity Measures

Banks are required to report any transaction over EUR 1,000 to financial regulators. Fines apply for breaches to the cash payment limit.

Lower limits are applied in the use of prepaid cards if they are not registered in any name (EUR 2,500) and transferable cheques or money

<sup>3</sup> HM Treasury "Cash and digital payments in the new economy: call for evidence" March 2018.

orders (EUR 1,000).

Israel

**Cash Limit Rules**

Cash payments to businesses are restricted to 11,000 shekels (approx. AUD 4,000).

Cash transactions between individuals are limited to 50,000 shekels (approx. AUD 18,500).

The Israeli Finance Minister has noted that these limits may be reduced to 6,000 and 15,000 shekels respectively in 2020.

**Integrity Measures**

Payments with bank cheques will be limited to 10,000 shekels. Tourists will be limited to paying no more than 55,000 shekels (approx. AUD 20,400) to buy services or assets, although they can do so up to five times.