

# Introducing an Economy-Wide Cash Payment Limit

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June 12, 2018

## Introducing Cash Limits

The Australian Chamber of Commerce and Industry (the Australian Chamber) welcomes the opportunity to respond to the Commonwealth Treasury's consultation paper.

The Australian Chamber is cognisant of the motives to ban large cash transactions.

However, we would suggest that it is the wrong policy focus. Rather than restricting cash use, the Australian Chamber notes that black market activity is best reduced by lowering the tax and regulatory burden, and removing the barriers to business and economic activity more generally. That is, black market activity is best reduced by tackling the causes of that activity.

In that respect, cash itself is not the cause of black market activity. It may facilitate payment, but so do many other non-cash alternatives. It is for this reason that the Australian Chamber believes it is incorrect to expect a decline in black market activity following the imposition of cash restrictions.

More broadly, the Australian Chamber remains concerned that the implementation of this policy is perhaps influenced more by speculative assumptions about the motives of business and individuals (perhaps better decided by the judiciary), rather than hard evidence showing a broad-based problem.

As noted on page 6 of the Government response to the Black Economy Taskforce Final Report, "a key finding from the Black Economy Taskforce is that its use [cash] becomes questionable when it is used for large value transactions."

This was, and remains, a speculative judgement and we suggest that a more rigorous and evidence based approach to policy be utilised.

As a first step, policy makers should first determine the nature and size of the problem.

To do this, the proportion of transactions above \$10,000 that are related to illegal activity (actual amounts, not estimates) needs to be established, as does the proportion of those payments that are cash based.

The Australian Chamber otherwise noted in its response to the Interim Report of the Black Economy Taskforce, that cash restrictions will do little to curb black market activity: "Participants in the black economy would simply develop other methods to facilitate payment or develop innovative ways to disguise transactions through non-cash payments systems."

Given that;

- the motives underpinning this policy appear to be speculative,
- that it has not even been determined that there is in fact a problem that needs to be addressed,
- that this policy will do little to nothing to inhibit black market or illegal activity,
- the current AML/CTF reporting obligations have already been set up to capture suspicious activity,

Then we would suggest this current proposal is not the right policy focus for the government or the bureaucracy. This is especially the case because restrictions on cash use have the potential to undermine the integrity of the financial system. Cash is legal tender and its value must be protected, not undermined.

Resources and effort would be better spent dealing with the causes of black market activity and tax avoidance which, as the Black Economy Taskforce correctly noted, are high taxes, a high regulatory burden and low profit margins.



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### **About the Australian Chamber**

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

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