INSTITUTE OF PUBLIC ACCOUNTANTS®

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Director

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The Treasury

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By email to: CashAcceptanceConsultation@treasury.gov.au

Mandating cash acceptance — consultation paper

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to the Consultation Paper titled *Mandating cash acceptance* (the Paper).

The IPA is one of the three professional accounting bodies in Australia, representing over 50,000 members and students in Australia and in over 100 countries. Approximately three-quarters of the IPA's members work in or are advisers to small business and small to medium enterprises.

Our main points we wish to make are as follows:

- we suggest that the Treasury consider including certain additional goods and services in the draft list of essential goods and services
- we recommend that eligibility for the small business exemption — using the aggregated turnover concept — is determined using the most recently lodged tax return and that eligibility is tested not more often than annually, so as to reduce the regulatory burden
- there should be special provisions, such as a blanket exemption, for newly incorporated companies and companies which have not lodged a recent return
- the Treasury will need to clarify whether there will be a de minimis threshold for determining whether a business which trades in both essential and non-essential goods or services (e.g. a % of sales or stock on hand value) is subject to the mandate
- we prefer the dollar limit option over the time limit option
- we support the introduction of a single cash payment limit across all businesses for its simplicity, but the threshold must be high enough to allow consumers to purchase

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necessary essential goods but not inappropriately high so as to impose unnecessary cash handling burdens on business

- the proposed commencement date of 1 January 2026 should be deferred by at least one year to allow sufficient time for implementation and education after the measure is enacted
- businesses should be able to apply to the regulator for a modification of the mandate rules (e.g. the cash limit or a time limit) if there is a genuine need
- businesses subject to the cash mandate should be required to display relevant signage on their premises
- the Government should consider the feasibility of introducing a temporary tax concession to assist with implementation costs and encourage early adoption, e.g. a bonus deduction and/or an immediate capital allowances write-off
- any implementation support should also be made available to businesses not subject to the mandate which may voluntarily convert from a card-only system to cash acceptance to remain competitive with neighbouring businesses
- we restate our support for the recommendation from the Black Economy Taskforce to make it an offence for businesses to make or accept a cash payment of $10,000 or more.

Essential goods or services (page 18)

In relation to Table 3.1 which sets out the proposed classification of essential and non-essential goods and services — please consider including the following items:

Essential food and beverages	Baby food and formula
Essential housing	Rent
Essential household equipment	Portable heating and cooling devices Certain cooking devices, e.g. a stovetop
Transport	Public transport (e.g. the ability to top up travel cards at the service counter with cash where machines do not take cash)
Education	School textbooks and stationery

The definition of an exempt 'small business' (page 20)

The proposed small business exemption will rely on the income tax law concept of an 'aggregated turnover' (incidentally, we note that the Paper refers to it as 'aggregate' turnover instead of 'aggregated' turnover).

If the tax definition is used for the purpose of assessing eligibility for the exemption, we suggest that the eligibility test is based on the disclosure in the company's most recently lodged tax return (Label F1, Qu 3 in the 2024 Company tax return) — which may not be the most recently ended financial year. While this may mean that some growing businesses may qualify for the exemption even though their aggregated turnover is now at least $10 million, this is far outweighed by the reduced regulatory burden achieved by simply referring to the latest tax return rather than calculating an updated turnover for cash mandate purposes. It also creates efficiencies for regulators undertaking compliance.

The Treasury will need to clarify the point in time at which a company's eligibility for the exemption is tested. Is it an annual test on each 1 July, i.e. if the company lodges a prior year return with an aggregated turnover of at least $10 million during the year for the first time, the mandate does not apply until the following 1 July? Would eligibility be tested quarterly? Or will it be ongoing, i.e. the mandate could commence or cease to apply on any day in the year?

To ease compliance burden we recommend that a company's eligibility status should only change no more often than once a year. To assist companies whose aggregated turnover may naturally fluctuate around the $10 million mark from year to year, the Government could consider allowing companies to remain exempt for a minimum period of two years (even if their eligibility changes for year 2), subject to integrity measures.

There will need to be special provisions for newly incorporated companies or other companies which have not lodged a recent tax return (e.g. previously dormant and now trading). There could be a blanket exemption for such companies until the first return is lodged and eligibility can be properly assessed.

Application to mixed businesses

Many larger businesses supply a mix of essential and non-essential goods (referred to as 'mixed businesses' in this submission). For example, stores such as Kmart, Big W and Myer sell children's clothing and footwear, cleaning and maintenance products and personal care products. They may also sell coffee and tea, pet products and items which may qualify as medical products. These are all proposed to be on the essentials list. These stores also sell many products which would be non-essential goods. (Other examples of well-known stores with mixed businesses include Priceline, the Reject Shop and Bunnings.)[1]

These types of stores also sell many items that are not proposed to be essential goods. Will there be a de minimis threshold to assist mixed businesses decide whether they are subject to the mandate? For example, would a business be subject to the mandate if 50% (or another proportion) of sales or stock on hand values comprises essential goods or services? If this is the case, the threshold should be easy to measure with readily accessible information, e.g. the most recent set of finalised accounts.

Presumably where a mixed business is subject to the cash mandate, the mandate would simply apply to all in-person sales. It would be extremely impractical to only impose the mandate in respect of the essential goods or services.

Options for imposing the mandate

Dollar limit (page 21)

One option canvassed in the Paper is to apply a dollar limit to the mandate.

We support the concept of a simple dollar limit in principle as it is easiest for businesses and consumers to understand and apply.

However, the Treasury will need to analyse and consider whether it is most appropriate to impose:

1. one single limit (e.g. $100) across the board; or
2. different limits for different classifications of goods or services,

while bearing in mind the Paper's stated aim of reducing regulatory burden by limiting the volume of cash transactions a business must handle.

We support the introduction of a single limit for its simplicity. However the Treasury would need to ensure that the chosen limit is sufficiently high such that it is meaningful and useful for consumers of higher value essential goods and services e.g. so that a consumer can purchase several children's outfits in one transaction or at least two months' worth of medications at once (noting the 60-day prescription changes that were implemented in 2023 and 2024). On the other hand there should not be an unreasonable and uncommercial

[1] The named businesses are merely illustrative examples of well-known mixed businesses — we are in no way suggesting that these businesses would be or should be subject to the cash mandate based on the proposed criteria.

burden of holding excessive amounts of cash — for example it may not be necessary to have a threshold high enough to accommodate the payment of annual private school fees or private hospital fees even though education and health services may be classified as essential services.

Time limit (page 21)

Another option in the Paper is to limit the mandate by the time of day, e.g. from 6am to 10pm.

We consider such a limitation to be unnecessary and will add administrative burden to affected companies.

Most businesses, including large supermarkets, are not open to the public 24 hours a day and therefore the existence or lack of a time limit will not affect them for the most part.

For the smaller proportion of businesses which are open overnight, a time limitation will create an extra set of rules for business managers, customer facing staff and consumers to be aware of and manage. Financial institutions are open for limited hours during the day and only on weekdays. From a consumer perspective, a time limit similar to that suggested will also disproportionately disadvantage persons who need to access essential goods and services at night, such as shift workers, emergency services workers, long distance truck drivers and people experiencing medical emergencies and other emergencies (such as escaping domestic violence situations, house fires etc).

Commencement date (page 28)

We submit that the proposed commencement date of 1 January 2026 should be deferred by at least one year. At this stage there is no draft legislation. The upcoming Federal election also adds a lot of uncertainty as to whether and when the proposed measure may be enacted. Businesses need to be given adequate time to assess and understand their obligations, train staff and implement any necessary changes to their procedures and systems — after the legislation is enacted.

Other matters

Case-by-case modification or exemption

We suggest that businesses should be able to apply to the regulator for a modification of the mandate rules if there is a genuine need, e.g. security risks. Such a modification may relate to the cash limit or a time limit. Alternatively the regulator could be empowered to make modifications for a class of entities, e.g. if all or most businesses in a particular industry or in a particular location will suffer the same disadvantages or risks from applying the default mandate.

Signage

We recommend that businesses subject to the cash mandate are required to display signage on their premises notifying that they are subject to the cash mandate and the goods or services that it covers for the relevant business.

Tax concession for relevant transition expenditure

If a cash mandate is legislated, we recommend that the Government considers the feasibility of introducing a temporary tax concession to assist affected businesses which will incur expenditure on upgrading systems or software as a direct result of the mandate. A tax concession would help businesses with the upfront costs of transition as well as encourage early take-up and compliance.

Such a concession could be limited to:

- the relatively smaller businesses subject to the mandate — for example, those with aggregated turnovers from $10 million to less than $20 million
- by time — e.g. eligible expenditure incurred only in the 12 months preceding the start date of the mandate.

The concession could take the form of a bonus deduction (similar to the small business technology investment boost) for revenue expenditure and/or an immediate capital allowances deduction for capital expenditure.

Support for businesses not subject to the cash acceptance mandate

Commercial forces may result in some smaller businesses, or non-incorporated businesses, needing to voluntarily adopt the mandatory cash acceptance rules — where they are currently operating on a card-only basis — to remain competitive with neighbouring businesses.

We encourage the Government to consider support mechanisms for businesses which may suffer a competitive disadvantage. For example, if the Government introduces tax breaks or non-tax assistance, they should also be available to businesses which are not subject to the mandate which choose to convert from a card-only payment system to cash acceptance.

Black Economy Taskforce $10,000 cash transaction limit recommendation

While we acknowledge that this is outside the scope of the proposed cash mandate consultation, we take this opportunity to restate our support for the recommendation from the Black Economy Taskforce to make it an offence for businesses to make or accept a cash payment of $10,000 or more.

We urge the Government to consider reintroducing the measure to help tackle tax evasion and other unwelcome consequences of the black economy.

As noted in the Treasury's paper *Introducing an Economy-Wide Cash Payment Limit* (23 May 2018), there is international precedent for a cash payment limit, including France —

EUR 1,000 (approx. A$1,700), Spain — EUR 2,500 (approx. A$4,200), Italy — EUR 3,000 (approx. A$5,000) and Israel — 11,000 shekels (approx. A$5,000).

If you have any queries or require further information, please don't hesitate to contact Tony Greco, General Manager, Technical Policy, either at tony.greco@publicaccountants.org.au or mobile: 0419 369 038

Yours sincerely

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Institute of Public Accountants