

Our advocacy team is based in Canberra

Email: ceo@cosboa.org.au
www.cosboa.org.au

Cash Mandate Consultation
Treasury
Langton Cres
Parkes ACT 2600
Via email: CashAcceptanceConsultation@treasury.gov.au

18 February 2025

Dear Assistant Treasurer,

Cash Mandate Consultation

The Council of Small Business Organisations (**COSBOA**) welcomes the opportunity to provide a submission with respect to the proposed cash mandate and small business exemption. Small and medium businesses are key to the success of Australia's economy and COSBOA thanks the Government for its continuing consultation with COSBOA and its members.

Background

COSBOA is the national peak body representing the interests of small businesses. Our members represent an estimated 1.3 million of the 2.5 million small and family businesses that operate in Australia. The economic environment has been challenging for many small businesses over the past year. Growth in demand has slowed while input costs remain elevated, putting pressure on profitability – particularly for businesses reliant on discretionary consumer spending.¹

In respect of a proposed cash mandate, we set out some general comments below.

Proposed mandate scope and application

COSBOA agrees, in principle, with the continued use of cash but envisages that the detail of how the three criteria and defined will pose challenges to creating a regime that is consistently

¹ Reserve Bank of Australia "Small Business Economic and Financial Conditions – October 2024"

well- understood by consumers and small businesses alike. COSBOA notes the ABS data that, as of 30 June 2023, there were 2,542,155 businesses (98.2 per cent) with a turnover of less than \$10 million and 47,718 businesses (1.8 per cent) with a turnover of \$10 million or greater. We also note that cash is still accepted as a form of payment by between 78 and 94 per cent of Australian businesses.

COSBOA strongly advocates for a small business exemption from a cash mandate. Noting that up to half of businesses surveyed indicated they would be likely to discourage the use of cash going forward, COSBOA considers that greater focus should be placed on ensuring that small businesses can easily access cash, particularly in rural and regional areas in order to service customers who want to use cash.

Proposed definition of “essential good or service”

COSBOA is concerned that the nuances between different types of defined services could cause confusion for businesses, particularly for businesses who supply both essential services and non-essential services (such as bakeries with bread versus birthday cakes). Similar issues raised problems when the GST legislation was introduced in determining which products the tax would apply to.

COSBOA would also like to understand if there is data demonstrating how many large businesses (1.8 percent of businesses in Australia) supply essential services in a “in-person payment” environment to properly understand how many businesses will be captured by the definitions

Proposed definition of an “exempt small business”

COSBOA absolutely supports a small business exemption and considers a turnover threshold more appropriate than an employee headcount threshold in these circumstances.

In relation to the proposal to set the exemption threshold at \$10 million turnover, COSBOA notes that issues may vary across industry sectors. For example, the aggregate turnover of small business community pharmacies is inflated due to an increasingly large number of very high cost, low margin medicines being listed on the Pharmaceutical Benefits Scheme (>\$10,000 per occasion of dispensing). These increases in turnover bring no corresponding increase in the scale of the pharmacy business. They also do not result in a corresponding increase in the amount of payments being received from the public, given that patient charges are capped (under law) by the PBS co-payment level (whereby the charge for a \$10,000 medicine may be limited to \$7.70, for example).

COSBOA submits that sector-specific issues such as that outlined above should be examined and appropriate adjustments made to exemption criteria. For example, using the precedent set by the ATO rules for eligibility for certain reporting methods, aggregate pharmacy turnover for the purpose of the threshold should be calculated exclusive of PBS prescription sales.²

² <https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/your-industry/gst-and-food/gst-for-food-retailers-simplified-accounting-methods/business-norms-method#ato-Pharmaciesthataalsosellfood>

Additional thought should be given to the nuanced outcomes which may affect the franchising sector and the likely confusion caused to consumers between corporate owned and franchised entities in the same brand chain.

COSBOA also notes that these sectors of the small business community which would be exempt under the proposed mandate but are already effectively mandated to accept cash under franchise agreements. One major example of this is newsagents who pay out lotteries where it is mandated that a certain amount of cash is kept to pay lottery prizes. From this sector's angle a cash mandate for other businesses to accept cash is welcome from the perspective that the more cash that is circulating in the community the more cash they can accept over the counter to reduce the cost of acquiring elsewhere.

Dollar limits, time limit or combination limit

COSBOA submits that in considering the appropriateness of limits, particularly for larger businesses who may sell higher value items, it is difficult to comment without regard for other areas of legislation (e.g. anti-money laundering) or considerations around security and the cost of protecting premises and protecting against theft.

Impact on regional, rural and remote communities

It would be useful to have further data on how many businesses with turnovers over \$10 million (1.8 per cent of businesses in Australia) which sell essential services operate in regional, rural and remote communities. In principle, the idea of a cash mandate to keep currency circulating in these economies is welcome but it is not clear how many businesses would be mandated in these areas to accept cash.

Educating businesses and consumers about the mandate

COSBOA suggest that data should be made available as to how many businesses with a turnover of \$10 million sell essential items to understand how much education is required and what the nuances are of the data to ensure that consumers are not left confused as to where and when they can spend cash.

COSBOA considers the majority of small businesses will be exempt under the current proposals. The biggest issue would arise from consumers assuming that businesses are subject to a cash mandate when they are not so a carefully planned education piece would be required to ensure confusion is minimised. However, an alternative view is that 94 percent of businesses are still accepting cash so attrition of those who will no longer do so will happen slowly over time in the small business space unless consumer demand is such that it will naturally mandate cash acceptance (i.e. consumers will take their money to outfits that accept cash.)

Enforcement

COSBOA considers that the small business exemption should apply and therefore no enforcement should be necessary in respect of small businesses. However, particularly where cash is hard or expensive to acquire, there may be a multitude of reasons why a mandated business cannot always accept cash and COSBOA submits that educating affected businesses as to their responsibilities would be more effective than punitive enforcement.

Cash-in-transit sector

There is currently a significant issue in small businesses accessing cash in rural and regional areas which has been evident for some time. Many banks have left rural and remote towns and post offices are limited in how much cash they are allowed to hold on the premises. Support for the cash-in-transit sector to ensure that money can reach these areas is crucial in order that small businesses can continue to voluntarily use and accept cash in their communities and help circulate cash in local economies to support those consumers who prefer cash.

Lead times required for the implementation

While COSBOA supports measures that ensure all Australians can access essential services, it is important to consider the broader implications for businesses. To strike a balance, we suggest that any mandate requiring businesses to accept cash should include a review mechanism every two years. This review would assess whether the arrangements and business exemptions remain fit-for-purpose considering changing consumer payment preferences, technological advancements, and the operational challenges faced by businesses. This approach ensures flexibility and fairness while maintaining accessibility for all Australians. The regular review should also include consideration of costs to business for accepting other payment methods, such as credit cards, and changes that may be relevant to the treatment of particular sectors.

Conclusion

COSBOA is not opposed, in principle, a mandate to ensure that cash continues to circulate in the economy into the future. However, strongly agree with a small business exemption and in relation to determining definitions for eligible businesses, we urge caution in testing the data to understand the potential inadvertent consequences which could arise from an overly prescriptive mandate which could result in confusion for consumers and small businesses alike.

Kind regards,



Luke Achterstraat
Chief Executive Officer
COSBOA

