



AFTA Submission to the Commonwealth Treasury

Currency (Restrictions on the Use of Cash) Bill 2019

AUGUST 2019



ATAS
travel accredited

afta
AUSTRALIAN FEDERATION
OF TRAVEL AGENTS

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CHARGEBACK SCHEME
ACS

Foreword



In 2018 Australians spent over \$42 billion on international travel, representing the largest import sector of the Australian economy and maintaining this position for over 10 years¹. In fact, the Australian travel sector experienced YoY growth of 11.3%, and has maintained growth of 6.6% over the past five years.

Domestic tourism has also continued to grow at record rates, with spend reaching \$74.5 billion during the year ending March 2019 with the primary reason being a holiday². Research by AFTA indicates that 70% of all international travel by Australians is booked through a travel agent. Travel agencies are a major employer within the community in which they operate, employing over 30,000 Australians and contributing over \$28 billion annually to the economy.

The Australian travel sector contains businesses both large and small, ranging from ASX listed companies, including Flight Centre Travel Group Limited (FLT), Corporate Travel Management (CTD) and Helloworld Travel Ltd (HLO); and small to medium sized travel agency businesses located in both metropolitan and regional areas of Australia. There are in fact more travel agency locations throughout the country than there are Australia Post office outlets.

¹ Australia's Trade in Goods and Services 2018 <https://dfat.gov.au/trade/resources/trade-statistics/trade-in-goods-and-services/Documents/australias-goods-services-by-top-25-imports-2017-18.pdf>

² Tourism Research Australia, Latest National Visitor Survey (NVS) Results For The Year Ending March 2019 <https://www.tra.gov.au/Domestic/domestic-tourism-results>

About the Australian Federation of Travel Agents

The Australian Federation of Travel Agents (AFTA) was founded in 1957 to:

-) Establish professional standards for travel agents
-) Stimulate and promote travel both domestically and internationally
-) Bring together those acting as intermediaries in the distribution of travel-related services to enhance service standards and improve business operations
-) Build strong working relationships with suppliers and consumers of travel-related services

As the peak travel industry body in Australia, AFTA represents the majority of travel agencies who service both leisure and corporate travellers and who transact in a retail or online transaction model. AFTA represents the interests of its members on many local and international associations, committees and boards, to promote the benefits of inbound and outbound travel.

AFTA administers Australia's only accreditation scheme for travel agents and travel wholesalers, known as the AFTA Travel Accreditation Scheme (ATAS). ATAS has been operating since July 2014 and has been endorsed by all state and territory jurisdiction consumer affairs and fair trading departments, following the deregulation of the eight separate legislative regimes governing travel agents from state and territory jurisdiction. ATAS accredited travel businesses must comply with a set of strict criteria outlined in the ATAS Charter and abide by the Code of Conduct which has been modelled on the ACCC voluntary code of conduct benchmark.

AFTA members are committed to maintaining Australia's world class travel industry. In particular, ATAS accredited travel agents strongly believe in a thriving domestic tourism industry, where more and more Australians enjoy holidaying at home.

Research indicates 70% of all international departures are booked through a travel agent. Of those who book through a travel agent, 71% will choose an ATAS accredited travel agent over a non-accredited travel agent.

In 2019, ATAS had over 2,800 accredited locations throughout Australia, representing close to 1,400 Australian businesses.

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Background

The Government announced the introduction of an economy-wide cash payment limit of \$10,000 as part of the 2018-19 Budget, applicable to all 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.

Following this announcement, on 26 July 2019 the Government released draft legislation and accompanying explanatory material to implement the economy-wide cash payment limit from 1 January 2020 and for certain AUSTRAC reporting entities from 1 January 2021.

AFTA agrees with the proposition that the black economy, particularly cash transactions, are characterised by anonymity and an arguable lack of accountability for breach of taxation laws. As a consequence, black economy operators enjoy an unfair advantage over legitimate operators; because they do not bear the cost of complying with tax obligations, black economy operators can undercut their compliant operators.

While AFTA is supportive of additional regulations for cash transactions above \$10,000, our members have significant concerns on a number of issues to ensure compliance within the travel landscape:

1. Implementation date and education of the draft legislation.
2. Education of the draft legislation.
3. Regulation of the draft legislation.

Challenges

1. Implementation date of the draft legislation

Customers and businesses who are heavily reliant on cash may need additional time to prepare and adapt to the draft legislation. Banks and financial service providers will also need time to identify and communicate with those customers and provide them with alternatives.

Australian travel agencies currently employ over 21,000 frontline sales staff throughout the nation. There are over 3,000 travel agent locations nationally and a micro network of over 2,500 independent contractors trading as travel advisor locations in Australia.

Implementing new accounting systems that will allow for compliant reporting to the new regulation presents itself with significant workforce training and costs for our members.

It is highly unlikely that by 1 January 2020 AFTA members would be in a position to implement a system that would allow for them to comply with the legislation requiring aggregating individual payments into one overall transaction. A significant investment, both monetary and in time, into staff training of the new compliance requirements and the consequences for noncompliance will also need to be made.

Over a six-month period from January to June 2019, AFTA members processed over 6,000 bookings of \$10,000 or more receipted in only cash, representing over \$108 million in sales. The monitoring of these payments to ensure compliance is costly, and unlikely to be met before the 1 January 2020 deadline.

AFTA recommends the Government implement a twelve-month amnesty period for businesses who unwittingly or unknowingly may be undertaking some activity in the black economy and provide support for transitioning to compliant business activity, without the fear or prosecution or penalty.

AFTA strongly urges the Government to implement a twelve-month amnesty period from 1 January 2020 of the *Currency (Restrictions on the Use of Cash – Excepted Transactions) Instrument 2019* to allow for businesses to be fully compliant.

2. Education of the draft legislation

AFTA is of the firm belief that the Government has to be responsible for education of the new draft legislation. This is critical in ensuring compliance both within the travel market and the wider business economy. It is imperative the Government allocates time and resources over the next twelve months through a number of mediums to ensure the wider economy is made aware of the new legislation, including:

-) Website – a dedicated website detailing the new draft legislation with FAQ and contact information for both businesses and consumers.
-) Webinar – online seminars by Government with the opportunity for interactive Q&A by attendees.
-) Mainstream Media – advertisements in print media highlighting risks associated with participating in the black economy.
-) Development and implementation in partnership with peak industry organisations and professional bodies (including CA, CPA and Tax Agents)

The Government must implement a nation-wide education campaign of the *Currency Restrictions on the Use of Cash – Excepted Transactions) Instrument 2019* to ensure businesses and consumers are aware of the new restrictions and penalties for noncompliance.

3. Regulation of the draft legislation

AFTA participated with the Commonwealth Treasury and Home Affairs departments at the stakeholder roundtable session for the economy-wide cash payment limit, where it was advised that there will be no single regulator of the legislation. A number of bodies will have input and oversight, including the Australian Taxation Office (ATO), Australian Federal Police (AFP), State Police, Australian Securities & Investment Commission (ASIC), Australian Transaction Reports and Analysis Centre (AUSTRAC), Treasury and Border Force.

Without a single regulator, the new draft legislation is unlikely to be properly enforced, and increases the regulatory compliance costs for legitimate businesses, particularly smaller businesses. We do not consider that those individuals and businesses undertaking illegal activities will be deterred by the measure and will continue to participate in the black economy.

Conclusion

While the Australian Federation of Travel Agents supports the introduction of an economy wide cash payment limit, there remains concerns around the implementation of the draft legislation.

AFTA has a long-established track record of advocating for small travel agency business owners, with 71% of AFTA membership predominately small businesses who turn over less than \$5 million per year. AFTA does not support any policy that increases red tape and compliance costs for these small businesses.

Implementing a new system within a six-month timeframe to ensure compliance poses a number of challenges for small businesses. A twelve-month protection period for businesses to transition to compliant business activity will provide business owners to fully understand the changes and impacts on their business.

Education of the economy cash wide limit introduction is the most critical piece to ensure a successful rollout of the draft legislation. The Government should ensure increased, targeted and industry specific tax literacy education and programs designed to assist small business improve understanding and compliance with tax and other regulatory requirements are provided.

Consultation

AFTA thanks the Commonwealth Treasury for seeking public consultation of the exposure draft legislation to implement the economy-wide cash payment limit.

AFTA welcomes the opportunity to meet to expand and explain specific aspects that may be industry relevant to assist the Government in their final determination.

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