Small Business Commissioner

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By email: CashAcceptanceConsultation@treasury.gov.au

To whom it may concern,

Thank you for the opportunity to provide feedback on the consultation paper *Mandating cash acceptance*. The NSW Small Business Commission (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution across NSW.

The Commission notes that, as part of the Strategic Plan for Australia's Payments System, the Australian Government intends to mandate that businesses supplying essential goods and services must accept cash as a payment method. The consultation seeks feedback on the mandate's scope, including exemptions for small businesses, and broader implementation considerations.

Our submission offers insights into business attitudes towards the proposal and identifies potential unintended consequences that may warrant consideration as part of the policy development process. It also highlights the importance of targeted consultation with impacted businesses to ensure appropriate exemptions and protections.

When designing regulatory requirements, it is important to adopt a balanced and evidence-based approach to ensure that the benefits of any cash acceptance mandate justify its economic and operational impacts without imposing undue hardship on small businesses. The Commission recently conducted a review into small business experiences with regulatory policymaking which found that small businesses face significant barriers to participating in consultation processes for various reasons. Only 10 per cent of surveyed respondents indicated they had engaged in a government consultation or review, and just 16 per cent felt that regulations were designed with input from their industry. These findings highlight the need for additional efforts to effectively engage small businesses and address specific needs they may have.

Small business perspectives on mandating cash acceptance

In December 2024 and January 2025, the Commission surveyed 573 small business owners to assess their perspectives on the proposed cash acceptance mandate. The Commission noted a high level of awareness among the small business community with two in three (64 per cent) businesses aware of the proposed mandate. While there is broad awareness of the mandate, the Commission notes this may not extend to the specific details of proposals as established by the Consultation Paper.

When small business operators were asked which of the following best describes their attitude to the proposal:

- More than six in ten were supportive (64 per cent), with similar levels of support observed in Greater Sydney (61 per cent) and regional NSW (68 per cent).
- Of the remaining respondents, around three in ten did not have enough information to form a view (28 per cent), with around one in ten unsupportive of the mandate (8 per cent).

Among the survey respondents, three in five (59 per cent) indicated they accepted cash as a form of payment, while one in four (23 per cent) businesses did not.[1] The remaining one in five (19 per cent) respondents operated in settings where cash is not applicable (such as businesses that have no physical location or that operate online only).

Businesses in regional NSW were less likely to refuse cash (18 per cent) compared with those in Greater Sydney (27 per cent). This could be due to infrastructure challenges where the reliability of digital payment options is less certain as well as customer preferences. Businesses in professional and corporate sectors located within Greater Sydney indicate that cash usage has declined to the point of near obsolescence, with digital payments seen as more efficient and aligned with modern business models.

Reasons for not accepting cash

Based on responses from 126 businesses who do not currently accept cash, the top five reasons for not accepting cash as a form of payment for goods and services are, by frequency of selection:

- **Customer preference for digital and contactless payments** (52 per cent): Businesses note that customers prefer the speed and convenience of digital payments, which align with modern payment trends and reduce waiting times during payments.
- **Simplified accounting and tax reporting through digital payment records** (36 per cent): Businesses highlight that digital payments simplify financial management by providing automated records, which reduce errors, streamline bookkeeping and tax compliance.
- **Security risks from keeping cash on-site** (21 per cent): Feedback frequently mentions concerns over theft and robbery, with digital payments viewed as a safer alternative that minimises risks associated with handling cash.
- **Reduced risk of errors with digital payments** (19 per cent): Businesses highlight that digital payments eliminate the potential for manual mistakes, such as incorrect change or miscalculations, improving overall accuracy.
- **Difficulty accessing banks for depositing cash into business accounts** (18 per cent): Businesses cite challenges such as long travel times, limited banking hours, and restricted access to banking facilities, making cash handling inconvenient compared to digital payment options.

Free-text responses also emphasised that customer preferences and business innovation are driving the transition towards digital payments. Respondents noted that contactless payments, app-based bank transfers and online accounting software enhance operational efficiency while reducing risks associated with handling physical cash. This is particularly evident in industries with large payments or remote operations.

[1]The Commission notes small businesses from different industries were invited to participate in the survey. However, additional samples were included to boost responses specifically from the Food Retailing, Fuel Retailing, and Pharmaceutical Retailing sectors. The survey should therefore be viewed as exploratory in nature and may not be representative of the entire business population, or any specific industry.

Potential unintended consequences

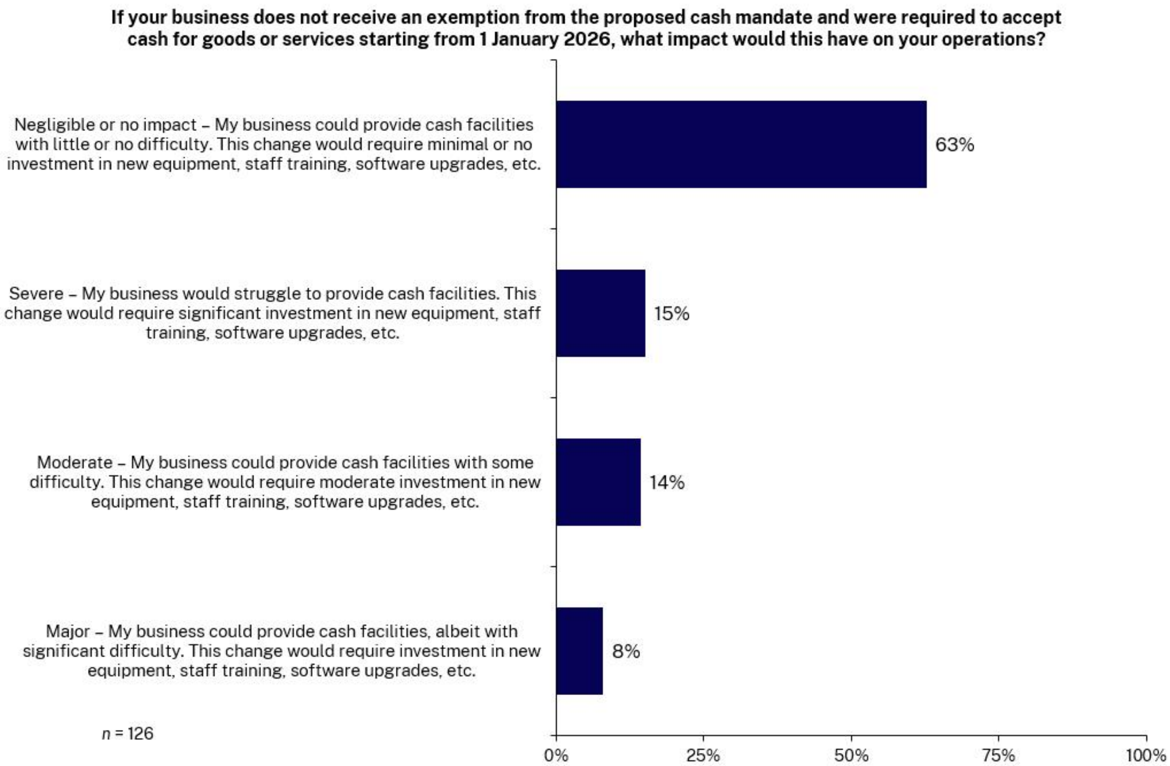
While electronic payments are increasingly popular for small businesses, it is worth noting small businesses located in both regional and metropolitan NSW shared common perspectives on using cash as a safeguard against system failures and as a countermeasure against rising banking fees and distrust in digital systems.

The Commission notes that only a minority of small businesses indicated they were unsupportive of the mandate. However, it is important to consider potential impacts on small businesses affected by any new mandate, including any unintended consequences.

Based on survey feedback, the Commission anticipates a range of potential challenges from a cash acceptance mandate. Among businesses that do not accept cash, 15 per cent indicated they would struggle to provide cash facilities due to costs for new equipment, staff training and software upgrades (see Chart 1). A further 22 per cent indicated their business would experience either a moderate or major impact, being able to provide cash facilities but with difficulty.

While most businesses still accept cash, the mandate may increase financial and operational burdens for those that have partially or fully transitioned to digital payments due to customer demand, security risks and administrative costs. Further, the mandate could restrict decisions that businesses might otherwise make in the future to transition away from accepting cash to better align with their operational needs.

Chart 1: Degree of impact cash mandate would have on business operations



Regional businesses with limited banking services and ATM access may also face disproportionate compliance burdens. For example, as highlighted in the 2024 Australian Parliament's final report on bank closures in regional Australia, stakeholders provided evidence on the challenges of handling cash in regional communities, including high labour costs for cash float management, increased insurance premiums, and rising fees for cash-in-transit services, deposits and coin withdrawals. They also raised concerns about cash shortages, as regional businesses may become in some instances the primary cash providers in communities with declining banking infrastructure.[2]

It is also important to ensure the definition of an essential good or service does not create ambiguity due to variations in "typical circumstances" across demographics, geographic locations and socio-economic groups. By focusing on what is essential for most consumers, the definition risks excluding marginalised groups, including the elderly, people with disabilities and those in lower-income brackets. The criteria for determining whether a good or service has a "reasonable substitute" could also be contentious, as availability and accessibility differ based on individual circumstances and localised markets.

It is also critical to ensure that a cash mandate does not discourage businesses from supplying essential services. It is plausible to contemplate that some businesses may withdraw supply of certain essential goods and services to avoid becoming within the scope of the cash mandate. While this is less likely to occur at present, primarily because of the large proportion of businesses that currently accept cash, this may change in the future if an increasing number of businesses transition to only accept electronic payments. This may be particularly prevalent where a business supplies multiple different types of goods and services and a single category item would place them within the remit of the cash mandate.

Emergency situations may present further challenges. For example, after a natural disaster, a restaurant might be the only place to purchase food, raising questions about whether it provides essential goods. Also, restricting the mandate to a narrowly defined set of goods and services may undermine broader efforts to maintain cash as a viable payment option.

Consideration should be given to enhance clarity to support business compliance and consumer understanding. Further consultation with industry stakeholders is necessary to assess whether the distinction for essential goods and services is helpful for the purpose of the cash acceptance mandate or whether alternative measures may provide a clearer, more practical framework to support policy outcomes.

Small business exemption

Mandating cash acceptance without appropriate exemptions and protections would disproportionately impact small businesses, particularly in the event of future developments which reduce the accessibility of cash-handling infrastructure. Ultimately, the purpose of a small business exemption should be to accommodate the unique circumstances of small businesses, including their lack of resources, and to help to avoid some of the unintended consequences described above.

The Commission strongly supports a robust and inclusive small business exemption.

While the consultation paper proposes using the Australian taxation law definition of a small business entity (turnover under $10 million), the Commission encourages consideration of extending exemptions to small businesses that employ less than 20 employees. Employment size ranges are a good proxy for the complexity of a business, including in circumstances where they are a high turnover, low margin business. The Commission would support exemptions for businesses that could either demonstrate they had less than 20 employees or a turnover of under $10 million. Alternatively, if there is a preference for relying on turnover, then a higher turnover value should be used.

[2] Senate Rural and Regional Affairs and Transport References Committee (2023), Bank closures in regional Australia, Public Hearing in Junee, NSW

The Commission encourages further analysis and engagement with the franchise sector to ensure appropriate understanding of cash handling arrangements, including whether they are typically provided as part of franchise agreements. In the event they are not facilitated by franchisors, franchise businesses should have access to the same small business exemptions that apply to other similar business types.

International experiences

International regulatory approaches provide valuable insights into the design of protections for small businesses. Some jurisdictions require cash acceptance, while others prioritised cash access without mandating its acceptance.

In the state of New Jersey,[3] United States (since 2019) and France[4] (since 2010), laws mandate that businesses must accept cash payments, with exceptions for specific sectors and circumstances, such as security concerns, counterfeit currency, or high-value transactions to prevent fraud. Conversely, the UK[5] and Sweden focus on protecting access to cash without requiring businesses to accept it. The UK's *Financial Services and Markets Act 2023* ensures cash availability through withdrawal and deposit services, while Sweden[6] mandates cash acceptance only for government entities, allowing private businesses the freedom to choose their payment methods.

The Commission encourages any further work that can be undertaken to understand the experiences of businesses impacted by cash mandates in these international jurisdictions.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer, Megan Bennett, at either commission@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Mark Frost
Acting Commissioner
NSW Small Business Commission

Date: 14/02/25

[3] New Jersey Legislature (2019), Bill A591 Prohibits discrimination against cash-paying consumers
[4] Banque de France (2010), The Banque de France guarantees cash acceptability
[5] UK Government (2023), Policy paper Cash Access Policy Statement
[6] Library of Congress (2021), Sweden: Amendment Requiring Banks to Provide Access to Cash Services Enters into Force