Position: ATMIA believes that restrictions on cash payments are not an efficient instrument to combat tax evasion, money laundering or the financing of terrorism. They have a detrimental effect on the economy, they can contribute to the creation of a climate of suspicion towards perfectly legitimate cash transactions, and they may end up becoming *anti* financial inclusion.

Background

Many countries around the globe have imposed restrictions on payments in cash; in some cases, the restrictions apply to certain types of transactions e.g. salary payments or real estate transactions; in other cases, transactions exceeding a certain amount cannot be settled in cash. Several countries apply different caps according to the parties involved: business or individual; resident or non-resident.

Chart 1 below provides an illustration of caps applied in different countries. Other countries, including Germany, have been considering implementing similar measures.

Chart 1

Restrictions on Cash Usage

CashEssentials
cashessentials.com

Belgium	€ 3,000	1 January 2014
Bulgaria	BGN 10,000 (€5,112)	1 July 2011
Czech Republic	CZK 350,000 (€12,673)	1 January 2013
Denmark	DKK 10,000 (€ 1,340)	1 July 2012
France	€ 1,000 Residents € 15,000 Non residents	1 January 2001 revised in 2015
Greece	€ 1,500	1 January 2012
Hungary	HUF 1.5 million (€ 5,000)	1 January 2012
Israel	€ 3,500 for merchants € 12,000 for individuals	
Italy	€ 1,000	6 December 2012
Portugal	€ 1,000	14 May 2012
Slovakia	€ 5,000	1 January 2012
Spain	€ 2,500 Residents € 15,000 Non residents	19 November 2012

Source: The Irreplaceability of Cash and recent Limitations on its Use : Why Europe is off the Track, Edoardo Beretta, Università della Svizzera italiana. Updated by AGIS Consulting.

The ostensible justification for these measures is to reduce tax evasion, fight crime, curb the shadow economy and even combat the financing of terrorism.

Commentary on Cash Restriction Measures

In the opinion of ATMIA, these measures are inefficient. There is no evidence that they actually curb crime or tax evasion. Furthermore, they have damaging socio-economic consequences.

It is highly unlikely that these measures would discourage illegitimate transactions in cash. Criminals will not be deterred from illegal activities just because they risk a fine when they pay in cash.

As for tax evasion, it seems rather easy to work around the rules, e.g. by the splitting the transaction if it exceeds the threshold. Of course, that is easier for a restaurant bill than, say, for a car. Alternatively, bring a foreign friend to foot the bill. Indeed, several countries (including France or Spain) impose different limits for residents and non-residents: € 2,500 in Spain for residents and €15,000 for non-residents. And there is always the option of using other anonymous payment instruments such as anonymous pre-paid cards, not to mention virtual currencies.

Over a dozen countries have imposed restrictions on cash payments but until now, no evaluation of the efficiency of these measures has been undertaken. There does not appear to be any correlation between the size of the shadow economy and the adoption of restrictions as illustrated by Chart 2 below.

Austria, which has the smallest shadow economy in Europe imposes no restriction, whereas Bulgaria which has the largest has set a cap of just over € 5,000.

Mordechai Fein[1], former head of the Currency Department at the Bank of Israel, points out that "One indication that essential economic or social aspects were not accounted for is the wide discrepancy of cash restriction ceilings among countries." In particular, one would expect that restrictions on cash payments would only shift tax evasion towards other, more sophisticated methods.

[1] Cash : Down but not Out by Mordechai Fein - http://www.cashessentials.org/publications/publication/2016/06/30/cash-down-but-not-out

Chart 2

Size of shadow economy in % of GDP
Countries in grey have imposed caps in cash payments

CashEssentials
cashessentials.com

Austria	8.2	Latvia	23.6
Belgium	16.2	Lithuania	25.8
Bulgaria	30.6	Luxembourg	8.3
Croatia	27.7	Malta	24.3
Cyprus	24.8	The Netherlands	9.0
Denmark	12.0	Poland	23.3
Czech Republic	15.1	Portugal	17.6
Estonia	26.2	Romania	28.0
Finland	12.4	Slovenia	23.3
France	12.3	Spain	24.8
Germany	12.2	Slovakia	18.2
Greece	22.4	Sweden	13.2
Hungary	21.9	United Kingdom	9.4
Ireland	11.3	EU average	18.3
Italy	20.6		

Source: Size and Development of the Shadow Economy of 21 European and 5 other OECD Countries from 2003 to 2015: Different Developments, Friedrich Schneider, Johannes Kepler University, Austria

Restricting cash payments could well have far reaching economic and social consequences. It will impact economic activity in that plenty of sales may be lost, if parties are unable to agree on a non-cash payment instrument. For others, it will increase the cost of doing business as enterprises will be forced to accept non-cash payment instruments, which requires investing in point-of-sale terminals and paying merchant fees. This is particularly detrimental to small businesses and to the fostering of the vital entrepreneurial spirit.

In terms of financial inclusion, these restrictions discriminate against people who do not have access to non-cash payment instruments, including the un-banked and under-banked. These people generally belong to the more fragile segments of society, including the poor, the elderly, the blind and even the youth.

It seems patently absurd to discriminate against cash use when the percentage of payments worldwide which are still carried out using cash are recognised to be at least 80%.

Last, but not least, these measures create an unacceptable atmosphere of suspicion around cash and cash-users. The vast majority of cash transactions are perfectly legitimate. The vast majority of cash users are law-abiding citizens. Citizens may prefer cash, for example, because it offers protection against cyber-crime or offers privacy and anonymity. In addition, cash contributes to the better management of household budgets and savings.

In a similar vein, ATMIA opposes any enforced restrictions on ATM cash withdrawals and on private cash holdings by free, law-abiding citizens as misguided measures which end up discriminating against the use of cash without producing any discernible economic or social benefits.

Conclusion

Summing up, ATMIA recommends the scrapping of restrictions on cash payments as discriminatory, misguided and inefficient measures. Not only do they fail to dent crime and tax evasion, but they put cash-preferring citizens at an unfair disadvantage, including several vulnerable segments of society, thereby endangering financial inclusion. Existing restrictions on cash use are regarded by many as the "thin end of the wedge", opening the door to further restrictions which would no doubt also endanger financial and social inclusivity.

It should not be forgotten that the overwhelming majority of cash transactions are perfectly legitimate and that it is unwise to “throw the baby out with the bath water”, unnecessarily penalising law-abiding cash users in a way which appears to them – and to ATMIA **-** to be arbitrary.

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ATMIA takes full responsibility for all the opinions contained in this position paper.

About AGIS Consulting
www.agis-consulting.com

AGIS Consulting is an independent strategy consulting company specialised in payment transaction strategies & solutions. Our focus is on providing payments professionals with value-added business insight & marketing solutions in the payments value chain.

Based in Paris, France, AGIS Consulting was founded in 2001 and has since developed an extensive network of partners worldwide, providing clients with research & consulting services in global markets.

About ATMIA
www.atmia.com

The ATM Industry Association, established in 1997, is a non-profit global trade association with over 6,500 members in 66 countries.

As an independent, non-profit trade association, our mission is: to promote ATM convenience, growth and usage worldwide; to protect the ATM industry's assets, interests, good name and public trust; and to provide education, best practices, political voice and networking opportunities for member organizations.