

Why paying in cash could bring you undone

By **GRANT DUNPHRY**

THE cash economy has always been prevalent in Australia, but the advent of the GST (Goods and Services Tax) in 2000 was meant to suppress its operation. In some service industries however, the GST added a layer of tax that never previously existed, thereby increasing the selling price by ten percent overnight.

While legitimate businesses complied with this new legislative requirement and passed it on to consumers, many small service providers who work directly with the consumer have used the GST as a bargaining tool, telling householders that if they pay in cash the GST component can be avoided. Often this means no paperwork changes hands, and the purchaser prides them self on the ten percent “discount” they have achieved.

In recent times however, this tactic has taken a more sinister turn, with unscrupulous businesses engaging in cash deals with consumers and then denying them any consumer protection for warranty or liability claims that arise, simply by denying the transaction ever took place.

Recent stories to emerge include a Brisbane landscaper who built a retaining wall that subsequently collapsed, requiring thousands of dollars in rectification work. The homeowner involved was unable to make any claim against the landscaper, who claimed to be at other addresses on the dates involved and had persons to corroborate his story. In the absence of a paper trail, authorities were powerless to proceed.

A Sydney couple, David and Julie, ob-

tained three quotes from removalists ranging from \$1600 to \$2100 for moving to their new home. The lowest quote insisted on payment in cash and told them not to worry about the GST because with all the expenses of buying and selling their home, “you’ll need the money more than the Government”. They paid cash on the day but did not get a receipt.

They later discovered the removalist had broken the leg of an expensive dining table, and the truck had clipped the gate on the way out, bending the main pole and doing hundreds of dollars of damage. They contacted the removalist who denied the allegation and refused to meet them and inspect the damage. When the couple contacted Fair Trading to complain, the removalist denied ever having done a job for the couple. Julie had taken photos on the day to celebrate their arrival at their new home, this showed a registration number on the truck which on investigation was found to be registered to a different owner at an address in Victoria and had lapsed anyway. At this point the trail went cold and the couple were left with an expensive lesson.

Many people who pay in cash put their trust in nothing going wrong, but authorities are increasingly unwilling to listen to complaints made by consumers who have no receipts and who have clearly set out to aid and abet the avoidance of the GST. In Germany, the Government ran an award winning series of television ads, showing the consequences of paying ‘under the table’. In an exaggerated example, it showed a builder finishing a new carport, receiving the payment in cash, and driving off into the sunset.

As he disappears, the carport collapses onto the owner’s car, destroying it completely. The catch phrase of the ad goes “If you pay under the table, that’s where your complaint will stay”.

Often the payment in cash flows on to staff working for the supplier, enabling them to avoid employing staff properly and dodging worker’s compensation insurance and the like. It also allows the employee who receives the “cash in hand” to continue drawing other welfare benefits such as the dole. In one case, an employee of a lawn mowing business successfully sued a homeowner in northern Sydney for injuries he sustained when he ran over his own foot with the mower. The homeowner had paid the man cash on a fortnightly basis, knowing that the man shared the proceeds with the owner of the lawn mowing business. After the accident, the lawn mowing business closed down and the owner vanished, and in the absence of any paper trail the courts deemed the homeowner to be the employer and awarded a settlement against him of over \$60,000.

Consumers should be sure to obtain as much in writing from the company as possible ; quotes, sales literature, letters of confirmation and for larger purchases a contract is advisable. Payment by credit card, cheque or direct transfer to the bank will provide significant protection for the consumer by establishing a paper trail that proves the supplier engaged in business with the consumer. A receipt should be provided, and should show an ABN (Australian Business Number) meaning the supplier is registered with the Australian Tax Office, along with full name and address of the business. ■