



Black Economy Division
The Treasury
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Via email: blackedeconomy@treasury.gov.au

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To whom it may concern

Thank you for the opportunity to respond to the consultation paper "*A sharing economy reporting regime*". As a major participant in the global payments industry, Mastercard is well placed to provide insights on the role of our payments technology in addressing compliance with taxation and other laws and helping to reduce the black (or shadow) economy.

Mastercard's payments infrastructure is designed to expedite the processing and settlement of transactions between financial institutions. We have worked with other authorities on the question of whether Mastercard is in a position to help in the collection of information relevant to their areas of responsibility. A key point is the limited nature of information received by Mastercard for the purposes of its core card-based transaction processing and that Mastercard does not have an account based relationship with end-users of Mastercard branded products. In 2017, the Board of Taxation considered whether payments networks should report transaction data relating to payments made in the sharing economy to the Australian Taxation Office (ATO) and concluded the information we collect would not assist in engendering greater compliance.

It remains the case that Mastercard's card-based payments infrastructure is not set up to collect and remit the detailed, personalised information required by the ATO to promote tax compliance among non-platform participants in the sharing economy. Requiring payments networks to collect and report transaction data would not assist the ATO improve compliance with tax laws, because the information we see is not specific enough to support estimation and enforcement activities.

About Mastercard

Mastercard is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and cheques.

A typical transaction on our network involves four participants in addition to us: the cardholder, merchant (a business who accepts payment for goods or services provided), issuer (the cardholder's financial institution) and acquirer (the merchant's financial institution).

Through the Mastercard Network, we enable the routing of a transaction to the issuer for its approval. After the transaction is authorised by the issuer, we help to settle the transaction by facilitating the exchange of funds between parties via settlement banks chosen by us and our customers.

Mastercard does not issue cards, extend credit, determine or receive revenue from interest rates or other fees charged to cardholders by issuers, or establish the rates charged by acquirers in connection with merchants' acceptance of our branded cards. In most cases, cardholder relationships belong to, and are managed by, our bank or financial institution customers.

Our response

We have limited our response to the Taskforce's consultation paper to the proposed Option 2: Reporting by Financial Institutions, which includes payment processors as potential reporters of transaction data to the Australian Taxation Office (ATO).

At its core, Mastercard's card-based payments network transmits messages between network participants (mainly banks) and arranges for clearing and settlement of their net positions among each other. In the sharing economy, sellers, platforms and buyers take the benefit of the facility of electronic payments so as to safely and efficiently exchange funds. Mastercard is not directly involved in the buying and selling of goods that take place. To process a card-based payment for goods Mastercard receives a limited amount of information:

- The time and date of the transaction;
- The Merchant Category Code (MCC), which is a universal four-digit code used by Mastercard and other payments networks to identify the type of business conducted by the merchant. The MCC does not identify the specific merchant or business name;
- The cardholder's bank (the issuer);
- The merchant's bank (the acquirer); and
- The total value of the transaction.

From the information we collect Mastercard cannot identify exactly what goods or services are being purchased, or any further transfer of monies to third parties made as a consequence of this transaction, such as the payment of wages or for services rendered to a provider of services on a sharing economy platform. More specifically, Mastercard does not collect any personally identifiable data in the processing of transactions, therefore we have no ability to attribute transaction information to specific named cardholders

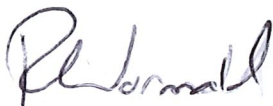
Additionally there is a significant number of transactions, known as 'on us' transactions that Mastercard does not have visibility of. An 'on us' transaction is

any transaction in which the acquirer and issuer are the same financial institution. Typically, these transactions are not processed by Mastercard and therefore we would not be able to provide information about them. 'On us' transactions account for about a quarter of all transactions in Australia.

Requiring payment networks to collect and report transaction data to the ATO would not assist the Office improve compliance with tax laws, because the data we hold is not specific enough to support estimation, enforcement and other compliance activities. Reporting would also impose an administrative burden on networks that could ultimately increase costs for users.

We would be pleased to provide you with more detail on how electronic payments can be deployed to tackle the black economy and facilitate safe, secure and more efficient economic activity. If you would like to discuss this submission further, or require additional information, Chris Siorokos, Director Public Policy can be contacted on 02 9466 3720 or via email at chris.siorokos@mastercard.com

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Wormald', written in a cursive style.

Richard Wormald
Division President Australasia