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A guide for business

Payment surcharges – only charge what it costs you

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Do you charge customers a surcharge on transactions? This is a quick guide to what you can and can't include when working out your surcharge.



From 1 September 2017, all businesses that impose payment surcharges on card transactions need to comply with the new law that bans excessive payment surcharges.¹

The purpose of the ban is to stop payment surcharges that are more than the actual cost of accepting that payment method. The cost to a business of accepting each payment method is also known as the 'cost of acceptance' for that method.

A payment surcharge is considered excessive if it exceeds the 'cost of acceptance'.

For example, if your cost of acceptance for Visa Credit is 1% you can only surcharge 1% on Visa credit card payments.

You are not required to impose payment surcharges, it's your decision. If you do not impose them this law will not affect you.

What payments are affected?

The new law covers surcharges on typical card payment methods:

- Eftpos (debit and prepaid)
- MasterCard (credit, debit and prepaid)
- Visa (credit, debit and prepaid), and
- American Express companion cards (issued through an Australian financial service provider, rather than directly through American Express).²

¹ *Competition and Consumer Amendment (Payment Surcharges) Act 2016.*

² American Express proprietary cards (issued directly by American Express) are not presently covered by the ban.

What costs can be included when working out a surcharge?

If you choose to impose a payment surcharge on a payment method covered by the ban, the amount of the surcharge must not exceed your 'cost of acceptance' for that payment method.

Your costs of acceptance are provided to you on a statement from your bank or payment facilitator, typically shown as a percentage figure amount.

For most businesses, the fees include:

- merchant service fees
- fees paid for the rental and maintenance of payment card terminals
- any other fees incurred in processing card transactions, including cross-border transaction fees, switching fees, and fraud related chargeback fees (but not the cost of any actual chargebacks).

You can also choose to pass on additional permissible costs, but you are required to calculate the permitted surcharge yourself.

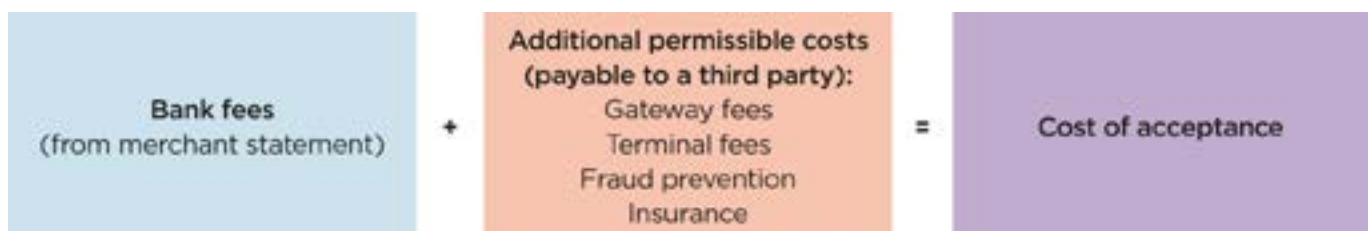
Additional permissible costs paid to other providers are:

- gateway fees paid to a payment service provider
- the cost of fraud prevention services paid to an external provider
- any fees paid for the rental or maintenance of card terminals paid to a provider other than your bank or payment facilitator
- the cost of insuring against forward delivery risk.

These must be able to be verified by contracts, statements or invoices.

Businesses cannot include any of their own internal costs when calculating their surcharges (for example, labour or electricity costs).

Calculating your 'cost of acceptance'



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Can I impose a flat fee surcharge?

If your costs of acceptance are charged to you in percentage terms, it will typically be appropriate that any surcharges you impose will also be expressed as percentages.

The ban does not prevent you from imposing a payment surcharge as a flat or fixed fee, however, you will need to ensure that the amount of the surcharge does not exceed your 'cost of acceptance' for any given transaction.

If you wish to impose a single surcharge across multiple payment methods, you must set the surcharge at the level of the lowest cost method—you can't average across the methods.

Example

If your average cost of acceptance for Visa Debit is 1 per cent, for Visa Credit is 1.5 per cent, and for American Express is 2.5 per cent, you would only be permitted to charge the same level of surcharge for each payment method if it was 1 per cent, as that is the lowest of all payment methods. You would **not** be allowed to use an average of the three figures.

What if I don't comply with the ban?

The ACCC is responsible for enforcing the ban and can take the following actions:

- issue an infringement notice with penalties of up to \$12 600 (body corporate) or \$126 000 (listed corporation)
- take court action seeking pecuniary penalties of up to \$1 358 910 per contravention, injunctions and other orders.

More information

More information is available from your bank and the Reserve Bank of Australia: www.rba.gov.au.

You can read more about the law and your obligations on our website: www.accc.gov.au/surcharges.