

Merchant Fee Surcharges and Payments to Government agencies

Public statement — April 2025

In October 2024, the New South Wales Ombudsman [announced](#) he had commenced an investigation into the legality of surcharges applied by certain NSW government agencies to payment transactions to recover the costs associated with card payment facilities (merchant fee surcharges).

In November 2024, the Australian Government [established a multi-agency taskforce](#) to examine merchant fee surcharging practices by Australian government agencies. After the taskforce found that agencies collecting merchant fee surcharges may have been unlawful in certain circumstances, the parliament enacted legislation¹ to provide legislative authority for relevant agencies to collect surcharges both retrospectively and moving forward.

From 1 January 2025, the Australian Government stopped applying merchant fee surcharges for payments made using debit cards to the Australian Taxation Office (ATO) and Services Australia, pending the outcomes of the Reserve Bank of Australia's [Review of Retail Payments Regulation, Merchant Card Payment Costs and Surcharging](#). However, people are likely to still incur merchant fee surcharges for payments made by credit and debit cards to some other agencies.

I believe that Commonwealth agencies should take steps to ensure their policies for collecting merchant fee surcharges are transparent and clear information is provided to people about the surcharges they may incur for certain types of card payments. I have not commenced a formal investigation into issues with agencies in my jurisdiction applying merchant fee surcharges. However, given the [public concerns about merchant fee surcharges](#), my Office reviewed the information currently available on

¹ *Commonwealth Entities (Payment Surcharges) Bill 2024, Commonwealth Entities (Payment Surcharges) Tax (Imposition) Bill 2024 and Commonwealth Entities (Payment Surcharges) (Consequential Provisions and Other Matters) Bill 2024.*

several Commonwealth agency websites about their policies for merchant fee surcharges. We observed a lack of consistency in the way fees are described and the level of detail provided about when fees would be applied, to what payment types and at what rate.

We identified one agency [website](#) which clearly outlined the surcharge applied for payments made by card. However, others did not provide any information about the cost of merchant fee surcharges. Some used uncertain language such as 'may' to indicate whether fees would be applied, or advised people to contact their financial institution to find out about any fees that may be charged.

A common theme in complaints to my Office is unclear communications by government agencies. People making payments to government agencies have vastly different English language literacy, financial literacy and financial circumstances.

For these reasons, in my view, it is best practice to make people aware of any transaction fees or surcharges they may incur before they enter into a transaction. Agencies should provide simple, clear information upfront about any additional costs associated with a particular payment method, to help people understand the total cost of the transaction and make informed decisions to use a particular payment type such as credit card.

I encourage all agencies to review the information they provide to the public to ensure it specifies the payment types that attract merchant fee surcharges and the rate which they apply, is available and easily accessible to people who may incur these charges. In circumstances where multiple transactions are involved, such as repaying a debt in instalments, agencies should highlight the fact that this can mean that multiple merchant fee surcharges will be incurred – to help people understand the financial implications of their payment arrangements.

Iain Anderson
Commonwealth Ombudsman

