TAXATION IN AUSTRALIA

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TAXATION

IN

AUSTRALIA

BY

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PREFACE

This small work is an attempt to give an outline of the development of Taxation, Indirect and Direct, in the Colonies (now States) of the Australian Group, with a short account of Origins, and with references (partly concentrated in Chapter III., and partly distributed throughout the text) to the Constitutional changes which culminated in the creation of the Commonwealth of Australia as a Federation under the British Crown.

The book is not intended as a criticism of Fiscal policies, past or present. A student of the Australian conditions of to-day must, in my opinion, come to the conclusion that Finance governs Policy to a degree never before experienced. The enormous War debt, and the great increase in the cost of Administration, compel the Governments to maintain in active operation the most productive forms of Taxation, both Direct and Indirect. Some of the old theoretical distinctions necessarily vanish when one sees, working side by side, and both at high pressure, forms of Taxation which used to be considered antithetical and substitutionary.

Desire for reduction of Taxation finds expression, more or less vigorous, but it must be said that the Australian community is carrying its Tax-burdens with a remarkable resilience and courage.

I wish to thank the Chief Librarian of the Melbourne Public Library (E. La T. Armstrong, Esq.) and his staff, and the Parliamentary Librarian (A. Wadsworth, Esq.), for their courtesy in granting facilities for study, also the Comptroller-General of Customs (R. McK. Oakley, Esq.), and the Commonwealth Statistician (C. H. Wickens, Esq.), for information kindly supplied.

STEPHEN MILLS.

Melbourne,
November, 1924.

CONTENTS

ABBREVIATIONS USED IN THE FOOTNOTES

Allin	'A History of the Tariff Relations of tl Australian Colonies.' C. D. Allin.
Blacket	'History of South Australia.' Rev. Joh Blacket.
C.L.R.	Commonwealth Law Reports.
Cramp	'State and Federal Constitutions of Australia K. R. Cramp.
Dowell	'History of Taxation in England.' Stephe Dowell.
Financial Statements, N.S.W.	Financial Statements of the Treasurer New South Wales, 1855–1881.
Finney	'The History of the Australian Colonies Finney.
Finniss	'Constitutional History of South Australia B. F. Finniss.
Gibbon	'The Decline and Fall of the Roman Empire Edward Gibbon. Ward Lock's editio 4 vols.
Green	'A Short History of the English People J. R. Green.
Hodder	'History of South Australia.' Hodder.
H.R. of A.	'Historical Records of Australia.' Dr. I Watson, Editor.
Jenks	'The Government of Victoria.' Profess Edward Jenks.
Parl. Debs.	Parliamentary Debates.
Pittar	Customs Tariffs of the United Kingdon Accounts and Papers, 34, 1898, vol. lxxxv c. 8706.
Roy. Com., 1923 ..	Commonwealth Royal Commission on (Direc Taxation, which after a lengthy investig tion issued its Fifth and Final Repo early in 1923.
Rusden	'History of Australia.' G. W. Rusden.
Scott	'A Short History of Australia.' Profess Ernest Scott.
Sessional Papers, 1857	Sessional Papers, 1857, U.K., Report of Con missioners of Customs.
The King's Customs ..	'The King's Customs.' Atton and Holland
West	'History of Tasmania.' Rev. John West.

APPENDIX I

NOTE ON MUNICIPAL TAXATION

At the present day practically the whole area of the States of Victoria, Queensland, Western Australia, and Tasmania is under the control of Municipal or District Councils, while only the more thinly populated parts of New South Wales and South Australia are not yet brought under their jurisdiction. The Cities of Sydney, Melbourne, Geelong, Hobart, and Launceston are administered under separate State Acts.[1]

New South Wales.—The units of Local Government are Municipalities and Shires. A Shire must levy a general rate of not less than 1d. and not more than 2d. in the pound on the unimproved value, but this minimum may be reduced with the consent of the Governor in Council. A Municipality must also levy a general rate of not less than 1d. in the pound on the unimproved capital value, and *may* raise further funds by an additional general rate on either the unimproved or improved capital value. In a Municipality the total amount derived from general rates must not exceed the total amount which the Council estimates would be yielded by a rate of 2d. in the pound on the unimproved capital value, and 1s. 6d. on the assessed annual value, taken together, of all rateable land in the Municipality.

In any Municipality the total amount of all rates must not exceed 2d. in the pound on the unimproved value, and 2s. in the pound on the assessed annual value, taken together.

The Municipality of Sydney is administered under special legislation. In 1908 an amendment was made by which the Council is enabled to assess the general rates on the unimproved capital value instead of on the improved value, and under such

[1] See the monograph on 'Local Government in Australia,' published in 1919 by the Commonwealth Bureau of Census and Statistics. That work is the chief authority for this Note.

conditions the levying of the State Land Tax within the city has been suspended. The general rate must not be less than 1d. in the pound, in addition to any other rate, but the total amount leviable of all rates must not exceed 3d. in the pound on the unimproved value, or 2s. in the pound on the average annual value.

VICTORIA.—Essentially, though with some differences of nomenclature, the units of Municipal Government in Victoria are the same as in New South Wales. Until 1914 the basis of rating was the annual value, but in that year an Act was passed enabling the Council to levy rates on the unimproved capital value, instead of on the annual improved value of land, the valuation under the Land Tax Act, 1910, being adopted. A Council may adopt the provisions of the Act, but if required the consent of the taxpayers must be obtained by poll. The statutory permission to levy rates on the unimproved capital value has not yet been largely availed of. General rates on the basis of annual value must not exceed 2s. 6d., nor be less than 6d. in the pound on the net annual value.

While the City of Melbourne is incorporated under a separate Act, the powers and duties of the Council are the same as those conferred on and required of other Municipalities.

QUEENSLAND.—With the exception of a few 'Cities'[1] Local Government units are Towns or Shires. The basis of rating is the unimproved capital value. A general rate must be made and levied equally on all rateable land in the area, and must be not less than ½d. nor more than 6d. in the pound on the unimproved value, with a minimum amount of 5s.

SOUTH AUSTRALIA.—Incorporated areas are either Municipalities or 'Districts.' The City of Adelaide is under the same legislation as other Municipalities. In a Municipality the valuation of property is based on the annual value at which it would be let for seven years, if such rent is more than 5 per cent. of the value in fee-simple, otherwise at 5 per cent. of such value.

A Council may declare a general rate not exceeding 1s. 6d.

[1] The Cities are Brisbane, Rockhampton, Townsville. These Cities are subject to the same Acts as other Municipalities.

in the pound, a lighting rate not exceeding 3d., a rate for the improvement of park lands, squares, and reserves not exceeding 3d., and a fire brigades rate not exceeding 3d. in the pound. A watering rate may also be levied and apportioned rateably according to the lineal frontage of the streets watered. If the general rate is insufficient, or certain works have not been provided for by a separate rate, the Council may declare a special rate, but such rate must not, together with the general rate, exceed 2s. in the pound, and must be consented to by the ratepayers at a meeting or at a poll, if such be demanded.

In a *District* an annual assessment must be made on the following principles: (*a*) as to any building and all land occupied therewith, wherever situated, and all land situated outside the limits of a township, at four-fifths of the gross annual rental, at which the whole would be let for a term of seven years, or at 5 per cent. on the capital value of the fee-simple; (*b*) as to all township land unbuilt on, at 5 per cent. on the capital value of the fee-simple; and (*c*) as to lands held under mining lease from the Crown, at an assessment not exceeding the rental payable to the Crown. A Council may, however, adopt the last previous assessment with or without alteration, but must cause a new assessment to be made every seven years at least. The general rate must not be less than 1s. nor more than 2s. in the pound on the assessed annual value, and other rates must not be levied so as to bring the total of all rates above 2s. 6d. in the pound, unless at the request of a majority of the ratepayers representing not less than two-thirds in value.

WESTERN AUSTRALIA.—At the present time there are three forms of Local Authorities: (*a*) Municipalities, (*b*) Road Boards, and (*c*) Local Boards of Health. The City of Perth is classed as a Municipality. In a Municipality the basis of rating is the annual value, which must never be taken as less than 4 per cent. of the capital value. The general rate must not exceed 1s. 6d. in the pound on the annual value; a special (lighting) rate, 6d., nor a loan rate, 1s. 6d.

The Road Boards, whose operations extend to all areas outside Municipalities, are empowered to levy a general rate which must not be less than 1d. in the pound, nor greater than 3d. in the pound, on the capital unimproved value, or exceed 2s., or be less than 9d., in the pound on the annual value. A loan rate may be levied at a rate sufficient to enable the Board to pay the interest on the loan and the amount of the sinking fund.

TASMANIA.—The State is divided into forty-eight Municipalities, excluding the Cities of Hobart and Launceston. Rates are of two classes, general and special. Among special rates is a road rate, which every Council is bound to levy, at not less than 6d. in the pound on the annual value. A separate local rate must not exceed 1s. in the pound on the annual value.

The Official Year Book of the Commonwealth, No. 16, p. 128, shows the revenues of Local Authorities throughout Australia, 1921. The receipts for New South Wales are not dissected to show rates separately from other sources of revenue, but if the proportion is the same as in Victoria, then the total rate revenue in all the States is about 9·6 million pounds, or about 1·68 pounds per head of the population (taken as 5,700,000).

APPENDIX II

LAND VALUATION FOR TAXATION AND OTHER PURPOSES

An important proportion of the difficulties encountered in the administration of a Land Tax arises out of differences of opinion between the authorities and the taxpayer as to the valuation of the lands subject to tax, and of the improvements upon such lands. At the outset the Administration is faced with the difficulty of obtaining a sufficient staff of competent valuers. This is a difficulty which can never be rapidly overcome, for the building up of an effectively trained and reliable staff is the work of years. A difficulty of another order is due to the fact that, outside the Taxing Authority, valuations are made for several other purposes—for example, for Probate, Land Resumption, Municipal Rating, Advances by State Savings Banks, etc. Such valuations have a *prima facie* authority equivalent to those made for Land Tax only, and as they are often lower than the Land Tax valuations, they are freely used in support of claims for reduction of assessment.

Where, as in the Commonwealth, a graduated Land Tax, rising to high rates, is in existence, many taxpayers press the view that the valuations of land which form the basis of assessment should be effected by officers who have no connection with taxation. The reason put forward is that officers of a Taxation Department, whether those actively engaged in the work of valuing properties, or those who have the responsibility of dealing finally with questions of assessment, are liable to an unconscious bias in favour of maintaining high values. Whether one regards this belief as soundly based, or as a mere prejudice, the existence of such a belief in the minds of many taxpayers must be accepted as a fact.

The first Government to deal with Land Valuation in a comprehensive way was that of New Zealand, which in 1896 secured the enactment of the Government Valuation of Land Act. This Act provides for the establishment of a separate Department for the valuation of all lands within the

Dominion, such valuation being made the sole legal basis for Land Taxation and other purposes of the Government, also for rating by Local Authorities.

In Tasmania the Land Valuation Act of 1909 constitutes the Commissioner the Chief Valuer, with a staff of District Valuers, for the purposes of the Land Tax. Valuation Rolls prepared under the direction of the Chief Valuer for each district fix the value of all lands for the purpose of assessment, subject, however, to appeal to a Court of Review. Local Authorities are not bound to adopt the values shown in these Rolls for the purpose of rating within their districts, but the Act under which their own Rolls are prepared provides that in no case shall the annual values upon which their rates are levied be less than 3 per cent. of the capital value as shown by the Land Tax Roll.

In 1916 the State of New South Wales adopted practically the same system as is in force in New Zealand. An Act was passed setting up a Department of Valuation under a Valuer-General, who is charged with the preparation of a Roll showing the unimproved, the improved, and the annual value of the whole of the privately owned lands in the State, and of so much of the Crown lands as the Valuer-General deems advisable. That Roll is made the legal basis for all State and Local Taxation and rating; for rates collected by such bodies as the Water Supply and Sewerage Board, Fire Brigades Board, etc.; for advances upon mortgage by the State Savings Bank Commissioners; and for the payment of compensation in the case of land resumed for any public purpose. The Roll is open for public inspection, and on payment of a small fee any person may obtain a copy of any valuation.

Departmental valuations, made for the purposes of Land Tax, are accessible to the public in Victoria, Queensland, South Australia, and Tasmania without charge. In South Australia copies of the official valuation may be obtained at a charge of 4d. per folio of seventy-two words, and in Tasmania at a charge of 1s. In South Australia and Tasmania it is said that the valuation registers are largely resorted to by the public, but it appears that in other States they are but little used.

ADDENDUM

THE following information is supplementary to that in the text.

CANADA (see p. 219).—The negotiations referred to resulted in an agreement between the Government of the Commonwealth and that of Canada for certain reciprocal Tariff preferences. This agreement has been ratified by the Parliament of the Commonwealth, though up to the close of the year 1924 it had not received the approval of the Parliament of Canada. It was understood that the Canadian Parliament would deal with the matter early in the year 1925.

NEW SOUTH WALES (see p. 68).—By Act No. 14 of 1924 certain changes were made as to *Income Tax.*

The rates applicable to individual incomes were fixed as follows:

On so much of the taxable income as does not exceed £250, 9d. in the pound plus one-third of 9d. on such part of the income as is derived from property.

Where the taxable income exceeds £250 the rates are as follows, *plus in each case* one-third of the prescribed rate in respect of such part of the income as is derived from property:

					d.
Exceeding	£250,	but not	exceeding	£500	10
,,	£500	,,	,,	£750	11
,,	£750	,,	,,	£1,000	12
,,	£1,000	,,	,,	£1,500	13
,,	£1,500	,,	,,	£2,000	14
,,	£2,000	,,	,,	£2,500	15
,,	£2,500	,,	,,	£3,000	16
,,	£3,000	,,	,,	£3,500	17
,,	£3,500	,,	,,	£4,000	19
,,	£4,000	,,	,,	£5,000	21
,,	£5,000	,,	,,	£7,000	23
,,	£7,000	..	..	.. .. ..	24

The General Exemption remains at £250, and the rate on company income (to which the General Exemption does not apply) remains at 2s. 6d. in the pound.

VICTORIA (see p. 92).—An Act passed in December, 1924, effected some important changes with regard to Income Tax. The principal scale of rates is left unchanged, but a Super Tax is imposed as follows:

	Per Cent.
On incomes exceeding £800, but not exceeding £1,000	10
On incomes exceeding £1,000, but not exceeding £1,250	$12\frac{1}{2}$
On incomes exceeding £1,250, but not exceeding £2,200	15
On incomes exceeding £2,200, but not exceeding £5,000	20
On incomes exceeding £5,000	25

Company rates remain at 1s. in the pound for mutual life insurance offices, but for other companies the rate is now 1s. 3d.

The General Exemption is raised to £200, but this does not apply to incomes exceeding £800.

The allowance for each dependent child is increased to £50, and a new allowance of £50 for the wife of a taxpayer is provided. These two allowances are limited to taxpayers whose incomes do not exceed £800, and in the case of the wife allowance a further restriction is that it shall not apply if the wife is in receipt of a separate income exceeding £100.

"Where income is derived both from Personal Exertion and from Property, and such income exceeds £500, the rate for every pound of the taxable amount shall be the same as if the income from each source exceeds £500."

LAND TAX.—The flat rate of $\frac{1}{2}$d. in the pound on the unimproved value is still operative, and a Super Tax of 5 per cent. additional is now in force.

QUEENSLAND (see p. 124).—A consolidating and amending Act (No. 34) dealing with Income Tax was passed in 1924.

The scales of rates were not altered, but the General Exemption was raised from £200 to £250. It was provided that where the income is in excess of £250, but not in excess of £252, the full exemption applies; £249 is exempt if the net income is not greater than £253; and beyond that point the exemption is reduced by £1 for each £3 in excess of £253, thus vanishing when the net income reaches £1,000.

The Super Tax of 20 per cent. is retained, but is not applied in the case of individual incomes not exceeding £250. Where an individual income exceeds £250, the amount of Super Tax on £250 is deductible from the Super Tax otherwise payable, at the Personal Exertion rate appropriate to the income of the person concerned.

SOUTH AUSTRALIA (see p. 146).—The allowance for children has been increased from £30 to £50.

TASMANIA (see p. 198).—In 1924 (by Act No. 33) the Tasmanian Parliament made some important changes in the Income Tax law. The General Exemptions were altered, and the "step" system of rates was exchanged for progressive scales of rates identical with those of the Commonwealth Act (see p. 238).

The principal details are:

Rates.—On company incomes and company dividends, 1s. 9d. in the pound.

On individual incomes from "Business" (a term corresponding with the term "Personal Exertion" used in other Acts) other than incomes from company dividends:

Where taxable income does not exceed £3,000, the average rate of tax is calculated from the formula:

$$R = 3 + \frac{3}{800} I \text{ pence.}^{1}$$

R = average rate in pence per pound.
I = taxable amount in £s.

The average rate of tax so calculated is multiplied by a

[1] This formula is identical with the Commonwealth formula for incomes under £7,600, derived from Personal Exertion. The percentage addition, now levied under the Commonwealth law, does not apply.

constant, 1·625. For a taxable income of £3,000 the average rate is therefore 23·15625 pence in the pound. For every taxable pound in excess of £3,000 up to £5,000 the rate is 27d. in the pound, and for every pound in excess of £5,000 the rate is 36d. in the pound.

On income from *Property:*

For taxable amounts up to £2,000[1] the scale of rates is the same as that of the Commonwealth (see p. 238), and from £2,000 to £5,000 the rate is 33d. in the pound. For amounts in excess of £5,000 the rate is 36d.

An unusual provision of the Act imposes a tax of 1s. in the pound (in addition to any other rate payable under the Act) on any part of the income of a taxpayer which is derived from profits on the manufacture by him or sale by him of any "liquor" as defined by the Licensing Act, 1902. A rebate is allowed of any wholesale or importers' licence fee paid.

Exemptions.—The following exemptions from tax apply. Tax is not payable by any person who—

1. Is married or is a widower or widow having a dependent child under the age of sixteen, and whose net income for the year preceding the year of assessment did not exceed £156; or
2. Is unmarried, and whose net income for the year preceding the year of assessment did not exceed £125.

Further, in the case of a net income not exceeding £500, a taxpayer who is (*a*) married, or (*b*) a widower or widow having a dependent child under the age of 16, is allowed a deduction of £1 for every £3 by which the net income is less than £500.

[1] The amount of tax is multiplied by a constant, 1·625. For amounts above £2,000 the rates given above are not so multiplied.

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