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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.

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ABBREVIATIONS USED IN THE FOOTNOTES

Allin	'A History of the Tariff Relations of the Australian Colonies.' C. D. Allin.
Blacket	'History of South Australia.' Rev. Job Blaket.
C.L.R.	Commonwealth Law Reports.
Cramp	'State and Federal Constitutions of Australia' K. R. Cramp.
Dowell	'History of Taxation in England.' Stephen Dowell.
Financial Statements, N.S.W.	Financial Statements of the Treasurer of 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 edition: 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.' Professor Edward Jenks.
Parl. Debs.	Parliamentary Debates.
Pittar	Customs Tariffs of the United Kingdom Accounts and Papers, 34, 1898, vol. lxxxv c. 8706.
Roy. Com., 1923	Commonwealth Royal Commission on Direct Taxation, which after a lengthy investigation issued its Fifth and Final Report early in 1923.
Rusden	'History of Australia.' G. W. Rusden.
Scott	'A Short History of Australia.' Professor Ernest Scott.
Sessional Papers, 1857	Sessional Papers, 1857, U.K., Report of Commissioners of Customs.
The King's Customs	'The King's Customs.' Atton and Holland
West	'History of Tasmania.' Rev. John West.

CHAPTER I

INTRODUCTORY

It is one of the empirical certainties of History that no structural Society has ever arisen without taxation. The power of taxation is one which is peculiarly liable to abuse, either in the hands of an individual autocrat or of a sectional oligarchy such as may wield the sceptre of authority even under the forms of a modern Parliamentary system; but without that power no Government, as we understand the term, is possible. "The power to tax is the one great power upon which the whole national fabric is based. It is as necessary to the existence and prosperity of a nation as is the air he breathes to the natural man. It is not only the power to destroy, but the power to keep alive."¹

Among those who give thoughtful attention to questions of government, and particularly to questions of taxation, there are two schools of opinion, differing from one another as to whether Taxing Statutes should be used primarily as the means of effecting specific social or political purposes, or should be designed with the sole intention of producing necessary revenue. The adherents of one school regard the individual or partially-individual régime of the present as one to be displaced as swiftly and as completely as possible, and view taxation as a system of morally-persuasive penalties whereby the community can be induced to turn from its present courses and follow the path which leads to the imagined elysium of Socialism.

Mr. Sidney Webb, for instance, says:² "It is high time that some one made a stand for the positive advantages of taxation. • In sober truth there are in the United Kingdom

¹ Quoted by Isaacs, J., in *The King v. Barger*, 6 C.L.R. 41, from the Judgment of the Supreme Court of the United States, in *Nichols v. Ames*, 173 U.S. 509.

² In a Preface to Dr. Robert Jones's book, 'The Nature and First Principles of Taxation.'

of to-day not a few taxes that we could not afford to lose even if we did not want the revenue."

The other school believes that taxation should have the single purpose of raising necessary State revenue; that it should be framed as simply as possible with that end in view, and that any other object, whether it be the primary or a secondary object of a tax, is an alien, unassimilable, and injurious ingredient. This is the view of those who prefer to have their Statutes true to label, and who have an uneasy feeling that disruptive effects, greater and more disastrous than can be foreseen, are likely to follow if taxation be regarded as the most suitable therapeutic agent for the treatment of a pathological social condition.

It cannot be denied, however, that the trend of modern opinion, where it does not explicitly favour the use of taxation as a means of effecting a social change or an alteration of pressure upon some section of the community, tends in the direction of tacitly accepting the view that in any taxation measure consideration of social effects cannot be neglected.

It must also be increasingly recognised that the taxation of a nation can never be a purely fiscal operation. Reactions, gradual or swift, of low potential or of great energy are inevitable. Such reactions are not all necessarily unfavourable, but, unless rates are very low and the taxing Statute is really simple—conditions hardly to be found in the modern world—a tax is always likely to create irritation, and may cause undesirable economic changes. The two results may be experienced at the same time, though the economic changes may at first pass unperceived or be attributed to the wrong causes.

It is a commonplace to say that the grievances now so strongly voiced against all the principal forms of taxation have been sharpened to a degree of morbid acuteness by the enormous increase in rates which War-costs or War-effects have forced upon so many nations. That fact, however, makes it probable that the result of any material reduction in existing rates which may be found possible will be to induce

a feeling of relief more than proportionate to the amount of such reduction.

The legislator, at his wisest and best, may be compared to the astronomer of Ptolemy's day, whose theory of position was sometimes contradicted by observation, and who was compelled to devise a system of eccentrics and epicycles to furnish the necessary corrections. But the earthly bodies with which the legislator has to do have no such regularity of movement as those with which the astronomer is concerned, and, from the nature of the case, it cannot be expected that an economic Kepler will arise to calculate the curves which will explain and harmonise the mutations of human behaviour under the pressures and coercions of taxation.

Forms of taxation have varied, and some forms have subtly concealed the essential fact which gave them potency. For instance, the ancient and simple form of 'Capital Levy' so often adopted by early conquerors, which consisted in appropriating vast areas of fertile lands, enabled the Chieftain or King, as the largest landlord of the country, to 'live on the land,' and thus to levy a perpetual impost, which soon lost the aspect of a tax. But overt and undisguised forms of taxation are also of ancient origin. The particular form (Customs and Excise Duties) which provides the largest single item of revenue of the Commonwealth of Australia to-day has its roots deep in the history, not only of the British Isles, from which it has been directly inherited, but also in the history of the Roman people who planted, and for more than three centuries maintained, their civilisation in those Islands. It may not be without interest to glance at the Roman origin of such taxes, and, with a little more detail, at their development in Britain during the 700 years between the Norman Conquest and the first settlement of Australia.

The Customs (portoria) existed in the time of the ancient kings of Rome. They were suppressed in Italy, A.U.C. 694, by the prætor, Cecilius Metellus Nepos.¹ The Roman people,

¹ Note by Wenck to Gibbon's text.

nominally untaxed for centuries, appear during a period of about two hundred years to have contributed large sums for public purposes. These contributions were, at least nominally, of a voluntary character, and Gibbon assumes that they were wholly so, but it may be suspected that, like the 'Benevolences' of English history, the element of compulsion in some form or other was often present. Gibbon says:¹ "During more than two hundred years after the conquest of Veii, the victories of the Republic added less to the wealth than to the power of Rome. The States of Italy paid their tribute in military service only, and the vast force, both by sea and land, which was exerted in the Punic Wars was maintained by the Romans themselves. That high-spirited people (such is often the generous enthusiasm of freedom) cheerfully submitted to the most excessive but voluntary burdens, in the just confidence that they would soon enjoy the rich harvest of their labours. Their expectations were not disappointed. In the course of a few years, the riches of Syracuse, of Carthage, of Macedonia, of Asia, were brought in triumph to Rome. The treasures of Perseus alone amounted to near two millions sterling, and the Roman people, the sovereign of so many nations, was for ever delivered from the weight of taxes." The phrase 'for ever' in the preceding sentence, apparently quoted from Pliny, must not be read literally, though it seems that for more than a hundred years no statutory collection was made except the *vicesima manumissionum*. Augustus introduced (or re-introduced) Customs Duties, and also an 'Excise.'

"In the reign of Augustus and his successors, duties were imposed on every kind of merchandise, which through a thousand channels flowed to the great centre of opulence and luxury; and in whatsoever manner the law was expressed, it was the Roman purchaser, and not the provincial merchant, who paid the tax. The rate of the Customs varied from the eighth to the fortieth of the value of the commodity. . . . The Excise introduced by Augustus after the civil wars was extremely moderate, but it was general. It seldom exceeded

¹ Gibbon, i., 109.

1 per cent., but it comprehended whatever was sold in the markets or at auction, from the most considerable purchases of lands to those minute objects which commonly derive a value from their infinite number and daily consumption."¹ It is said that "there is abundant evidence that the 'portoria' or duties on goods imported into, and exported from, Rome were amongst the vectigalia or tributes imposed upon Britain by its early invaders, but whether they continued to be imposed after the departure of the Romans, for the revenue of the country or for those of the kingdoms into which Britain was divided, is uncertain."² This statement seems to be based, in part at least, on the words, "Let them pay the established duties at the proper places," in a letter from Charlemagne to Offa, King of the Mercians, A.D. 757-794.

Whether, as a continuance of the Roman tradition and practice, some form of Customs taxation was or was not maintained during the interval between the departure of the Romans and the Norman Conquest, the introduction of such an impost during the early stages of the history of a maritime country is *a priori* probable, not only as a deduction from modern experience of the class of taxation which is commonly the first to be levied by a young community, but also from a consideration of the risks of transit incident to those earlier ages when the rule of law on ocean highways was either entirely unknown or was generally disregarded. "Customs taxation must have been coeval with the earliest traffic, for the maintenance of such traffic must have depended upon protection, and it is certain that the protection would be rewarded by tribute."³ Dowell expresses the same view when he says: "Another ancient source of revenue in England consisted of exactions of toll at the ports from merchants importing goods. The origin of these exactions is unknown, but the reason for their existence is clear. The merchant in those predatory times, when everybody was so ready to fleece him that 'pillé comme un marchand' became a proverb,

¹ Gibbon, i., 110.

² Sessional Papers, 1857, U.K., First Report of Commissioners of Customs.

³ The King's Customs, i., 1.

willingly paid on entering the kingdom, and on taking his merchandise out of it, a toll to the King for the necessary protection for himself and his merchandise 'ineundo morando et redeundo' on land and on the sea. The toll was, in short, in the nature of a premium paid to the King for insurance, but in whatever manner these tolls may have commenced in England they became subsequently definite in amount, acquired by continuance the validity allowed to that which has long existed, and so came to be termed 'consuetudines' or 'customs.'¹

It is not likely that these early Customs duties were either regular in amount or that they constituted a material proportion of the revenue. "After the Norman Conquest, the King derived a considerable revenue from the incidents and casualties of the feudal tenures, a source of income which, sometimes in abundant, sometimes in diminished yield, continued to flow for five centuries and a half, and was only dried up when the Court of Wards and Levies created by Henry VIII. for the supervision of this revenue was abolished at the outbreak of the Civil War."² These feudal exactions, however, had less the air of taxes than of 'covenants running with the land,' while the revenues derived from the royal demesne, so far as they consisted of rent or of charges of a like nature, would not have been regarded as other than the natural demands of a landlord. Nor is it probable that the Customs dues levied upon goods entering the kingdom were at first thought of as taxes by the residents, for they were chiefly paid by foreign merchants who personally, or by their own servants, accompanied the goods and sold them in the ports or the surrounding country. It was not an age of economic theory, and it was probably assumed that the foreigner paid once for all.

As early as the reign of King John there are records of import duties on wood, salt, etc., and of export duties on wool and leather.

The authors of the 'King's Customs' are of opinion that the early Norman 'Customs' took the form of purveyance

¹ Dowell, i., 575.

² *Ibid.*, 580.

or prisage, and they say that "the maritime exactions may be specified as Prisage, the Maltolte, and Ancient Custom. By Customs Prisage must be understood the appropriation of a portion of merchandise at or before landing or shipment. This was extensively practised, the goods being usually taken by the Chamberlain of the City of London ostensibly for the use of the King's household. Wine was systematically prised. There were two kinds of Prisage. The regularised appropriation was a tun (252 wine gallons) from every ten when the cargo amounted to 10 tuns or was less than 20 tuns. If the cargo amounted to 20 tuns or more, one tun was taken before and one behind the mast. Cargoes of less than 10 tuns were exempt. A sum stated as 20s. was paid to the merchant as 'freight' upon each tun taken. This method was called 'rightful prisage,' and appears to have been cheerfully submitted to. The other kind, called 'evil prisage,' was simply a pre-emption. The Chamberlain or his deputies enforced it under sanction of the King's special writ empowering them to arrest all incoming wines at a certain port for a period, to buy as much as the King needed at the King's price (usually much below the market rate), and then release the rest on payment of a fine."¹ The system was obviously open to the gravest abuses, and even foreign ambassadors observed the prodigal waste of wine at the Court. Dowell quotes from the Talbot Papers thus: "In 1570, the impost on French wine was £2 10s. per tun. It is therefore not surprising to find Shrewsbury asking Sir Walter Mildmay, Chancellor of the Exchequer, January 15, 1570, for a larger allowance of wine without impost in consideration that his expenses are so much increased by the Queen of Scots, 'for truly 2 tuns in a month have not thereto sufficed ordinarily, besides that which is occupied at times for her bathing and such uses.'"²

The Ancient Custom was divided into three branches. The first and perhaps the most ancient of all these duties which were granted by the Parliament to the Sovereign was that upon wool and leather. The other two branches were

¹ The King's Customs.

Dowell, i., 181.

import duties: the first, a duty upon wine, being imposed at so much a ton (or tun, 252 gallons), was called a tonnage; and, secondly, a duty upon all other goods, which being imposed at so much per pound, was called a poundage. The duties of tonnage and poundage were generally granted to the King by one and the same Act of Parliament, and were called the *Subsidy* of Tonnage and Poundage. The first mention of a tonnage and poundage duty is in the charter known as *Carta Mercatoria*, by which Edward I., in 1303, granted protection from Customs and liberty of trading to certain *alien merchants* in return for the payment of what is variously known as 'The New Custom,' 'Butlerage,' 'Alien Duty,' or 'Petty Custom.' The list of duties was as follows:

For every sack of wool exported, 3s. 4d. beyond the Ancient Custom of 6s. 8d.

For every last¹ of hides exported, 3s. 4d. beyond that which, according to ancient custom, was formerly given.

For every 300 woolfells exported, 3s. 4d. beyond that which, according to ancient custom, was formerly given.

Whether imported or exported:

For every scarlet and cloth dyed in grain, 2s.

For every cloth in which part of a grain colour is inter-mixed, 1s. 6d.

For every cloth without grain, 12d.

For every quintal of wax, 12d.

For every dolium² of wine, 2s. over and above the Ancient Custom due and accustomed to be paid.

And for all other wares and merchandise, 3d. in the pound value.

With a short interruption in the reign of Edward II., these duties, under the name of Aliens Duty, continued to be levied until 1787, "when the poundage duties merged in the general rates then enacted as Consolidated Customs."³ Foreign merchants played an important part in the early commerce of England, both as buyers and as sellers. No doubt, too,

¹ 240 hides.

² Apparently equivalent to 'tun.' The 'New English Dictionary' gives the meaning as 'cask.'

³ Pittar.

their intercourse with the English traders and people made them the carriers, not only of goods, but also of information and ideas which must have produced useful reactions in the minds of those with whom they associated.

During the thirteenth and fourteenth centuries inter-class struggles were in progress, which materially altered trade-controls and trade-groupings, and profoundly affected the problems of social stratification and of commercial leadership, both in England and on the Continent. At the end of the eleventh century the burgesses who had formed themselves into merchant guilds were in a position of great and monopolistic power with regard to trade. "The right of trade and of the regulation of trade, in common with all other forms of jurisdiction, lay wholly in the hands of the landed burghers. . . . The burghers of the merchant-gilds gradually concentrated themselves upon the greater operations of commerce, in trades which required a larger capital, while the meaner employments of general traffic were abandoned to their poorer neighbours. . . . The members of the trades thus abandoned by the wealthier burghers formed themselves into craft-gilds, which soon rose to dangerous rivalry with the original merchant-gild of the town; . . . from the eleventh century, the spread of these societies went steadily on, and the control of trade passed from the merchant-gilds to the craft-gilds."¹

But power does not pass easily and finally from the hands of those who possess experience of the larger movements of trade, and also the wealth to engage in extensive enterprises and carry them to successful issues. It is not, therefore, surprising to find that "the wealthier citizens who found their old power broken, regained influence by enrolling themselves as members of the trade-gilds, and Edward III. himself humoured the current of civic feeling by becoming a member of the gild of Armourers."²

It seems that the consolidation of merchants into powerful organisations and their enterprise in foreign trade developed a little more rapidly on the Continent than in England. One

¹ Green, pp. 192-3.

² *Ibid.*, p. 194.

rather remarkable piece of evidence with regard to this is the appearance of Italian and German merchants in England in connection with the farming of the revenue, a practice which, perhaps a legacy of the Roman occupation,¹ existed in England more or less continuously for some centuries. In the year 1329, the Bardi of Florence farmed the entire Customs of England for £20 a day, Sundays excepted. In the reign of Elizabeth, Sir Thomas Smith, Secretary of State, rented them for annual sums varying from £14,000 to £50,000. It was not till the reign of Charles II. (1671) that "the Customs ceased to be collected by 'farmers' under lease from the King,"² and Commissioners were appointed to manage the Customs revenue. This change, if it put an end to some evils, was nevertheless followed during the next hundred years, not by wise, firm, and efficient administration, but by the growth of almost incredible abuses of a nature which could arise only from the corrupt carelessness both of Parliament and of successive Ministries. Highly lucrative offices remunerated by fees were held by titled sinecurists, who employed deputies, also, rewarded by fees, to attend to the duties of the offices. The Statute Book was crammed with innumerable Acts relating to the Customs, overlapping, chaotic, unintelligible. "Undoubtedly, at the end of this reign (George II., 1760) there was no citizen competent to act as a clearing agent for all classes of goods, and no Customs officer who thoroughly understood the whole of the Customs regulations. The documents used in payment of duty were miracles of elaboration."³

This was the state of things in England at the time of the first settlement of Australia. The jungle of legislation (there were 1,300 laws of the Customs passed between the first and the fifty-third years of the reign of George III.) was not cleared until 1825, when 1,100 Acts were repealed, and there were substituted for them "eleven short and plain Acts divested

¹ Gibbon, i., 112, says, "It is somewhat singular that in every age the best and wisest of the Roman governors persevered in this pernicious method of collecting the principal branches at least of the Excise and Customs."

² Sessional Papers, 1857.

³ The King's Customs, i., 211.

of all redundant and technical phraseology, and contained in an octavo volume of 550 pages."¹

A few pages may be devoted to the question of Direct Taxation in Britain. On the whole, this branch of taxation has received much less attention from writers generally than has been given to Indirect Taxation. A major reason for that difference probably is that a Customs and Excise Tariff, as to its first impact, though not as to its final incidence, is a machine with which an important section of the community is in daily contact. Commercial interests are organised interests, accustomed to act and capable of acting effectively for the furtherance of common purposes. They formulate specific demands, and in support adduce reasons which, whatever the degree of their real validity, are skilfully designed to produce political effect. Directly and indirectly they control or influence the instruments of a penetrating publicity, and enlist able advocates in their cause. In the ages when there was no printing press, other means were found.

With regard to Direct Taxation the position is different. No section of the community (except a few officials) is in daily contact with the machinery of the tax, and its effects upon individual enterprises are as a rule known to individuals only; organisation by taxpayers, formerly unknown, is infrequent even to-day, and where it exists is relatively ineffective. Its demands are not specific; it is weakened by the secrecy attaching to the administration of the taxes, and by its inability to show that a particular alteration would confer a particular benefit on the community. It is further weakened by the public knowledge that financially strong sections of the community refuse to bear the tax, but 'pass it on' with serious additions to the burden. It may express a general desire for relief, but this, when analysed, can under present conditions rarely mean anything else than that some ranges or some classes of income shall be relieved at the expense of others.

¹ Sessional Papers, 1857.

It may be said that a form of *Land Tax* was inherited by William the Conqueror from his Saxon predecessors. This was the 'Danegeld,' a tax levied by reference to the 'hides,'¹ into which in the various hundreds of the shire land was divided for the purposes of taxation. . . . Danegeld was first imposed as a general tax by decree of the Witan in 991, in order to bribe away the Scandinavian pirates. William the Conqueror appears to have levied a similar tax on several occasions before 1084, and in that year he revived the full Danegeld in consequence of a threatened invasion by Sweyn, King of Denmark. On this occasion the rate was 6s. per hide of land. The tax was continued under the Kings of the Norman line as a regular impost, and in the time of Stephen it had become annual at the rate of 2s. the hide. It disappears from the rolls after 1163. From 1194 till 1224 a 'carucage' was levied, generally at the rate of 2s. per 'carucate.'² After 1224 a system of taxation by grants of fractional parts of the value of movables superseded this partial tax.

A Land Tax on the 'Knight's fee' (scutage) in composition for military service in person was levied from 1159 till 1332.

The tax on movables began with the 'Saladin' tithe, 1188, for the Crusade. It consisted of a charge of one-tenth of the value of rents and of movables, with certain exceptions, such as arms, riding horses, household utensils, etc. Sworn declarations of value were required. The assessment was in the hands of elected knights of the shire, and the collection was made by the Reeve and four freemen of the township. After 1334 this kind of tax was superseded by an arrangement which rendered 'one-fifteenth and one-tenth' mere names for a sum ascertained in amount to be levied in an accustomed manner. In the assessments of the various taxpayers it happened that as the tradesmen and others assessed died or removed from the district, the assessors charged their quota on the land, adding it to the previous charge upon the land-owners; so that the tax which was intended to rest in the first instance on goods and offices, the residue only being

¹ A 'hide' varied from 100 to 120 acres.

² In 1198 the 'carucate' was fixed at 100 acres.

charged on the land—that is, a general tax of property—gradually became in effect a tax on land, and a most unfair one, because originally the division of the whole sum representing the rate was extremely unequal, and as the relative riches of the different counties and towns charged was altered, the unfairness increased. This Land Tax, or, more properly, Property Tax, became a permanent part of the fiscal system of England. It had been granted at the annual rate of 3s. in the pound on the annual value from 1717 till 1722, but in 1723 Walpole was able to reduce it to 2s., and in 1731 to 1s. Afterwards, under Pitt, the tax became an Imperial rent charge on the districts charged by the Act of 1798, though the tax was redeemable according to a prescribed scale. A rate of 4s. in the pound was sometimes charged, during or on account of a war, but this was considered the maximum.¹

The tax which was destined to become the most important of all the British taxes—the Income Tax—was of much later date than the Land Tax. Income Tax in England had its origin in the financial necessities of the Great War with France at the end of the eighteenth century. An Act for which Pitt was responsible was passed in 1798, and imposed a tax in the nature of an Income Tax, though it was based on the amount which the taxpayer had paid in the previous year in the form of 'Assessed Taxes' (which included taxes on carriages, horses, men-servants, etc.), also the Window Tax and the Tax on Inhabited Houses. In the following year the 1798 duties were repealed, and a regular Income Tax was imposed at the rate of 10 per cent. A general statement of income was required from the taxpayer, and the assessment was made on the total income subject to certain deductions, some of which, after long disuse, have been revived only in recent times, as for example, deductions for children and for repairs to property. Incomes under £60 were not charged; between £60 and £200 the rate was graduated, but on incomes of £200 and upwards the full rate of 10 per cent. was charged. The yield in the first year was a little more than six millions.

¹ Dowell, ii., 92. This work has been drawn on for the information with regard to Land and Property Taxation in England.

In the short interval of peace that followed the Treaty of Amiens in May, 1802, Addington repealed the Income Tax, stating that he considered it a tax to be reserved for war purposes; and on the resumption of war, in the next year, the tax was revived by the Income Tax Act of 1803. This Act contained the scheme of five Schedules,*A, B, C, D, and E, which are still the framework of the British Income Tax. It also introduced the method of Taxation at the Source, "which, in spite of some modern encroachments, remains the great buttress of Income Tax stability and efficiency. The yield of the tax, though the rate was only 5 per cent., was almost equal to the yield in 1790, when the rate was 10 per cent." This enormous increase in yield is regarded by the British authorities as almost entirely due to the adoption of Taxation at the Source.

Evasions, especially those due to excessive claims for deductions, were found difficult to control, and in 1806 the allowance for repairs to property and the allowance for children were discontinued for that reason. Audacious under-statements of income appear also to have been extraordinarily common. There was a strongly-held opinion that Income Tax could only be justified as a war measure, and when, after Waterloo, the Government, instead of proposing the total repeal of the tax, introduced a Bill to reduce it by one-half, the House threw out the Bill and the Government was forced to resign. At that time the yield of the tax exceeded £14,000,000.

Income Tax was not again levied until 1842, when, in time of peace, Sir Robert Peel passed an Income Tax Act. The rate of the tax was 7d. in the pound, and the exemption limit was fixed at £150. "The duties were levied under the five familiar Schedules, and the tax in its structure, chief principles, and general scheme of administration has not been seriously modified until quite recent years."

In 1851 a Select Committee was appointed to consider "the present mode of assessing and collecting the Income and Property Tax, and whether any other mode of levying the same so as to render the tax more equitable can be

adopted." The enquiry turned chiefly on the question of Differentiation. Actuaries appear to have played the principal part as witnesses, and their suggested mode of differentiating between permanent and temporary incomes was to charge "the tax on capital value instead of on income. Not real property only, but income of every sort was to be expressed in terms of its assumed value by capitalising the various kinds of income at different rates. The official witnesses opposed all these schemes, and John Stuart Mill, who also gave evidence, although in favour of discriminating between temporary and permanent incomes, was against the proposal to capitalise income. The Chairman of the Committee favoured that scheme, with modifications, but the Committee could not make up its mind to recommend any scheme, and contented itself with merely submitting the evidence to Parliament." No action resulted.

In 1853 Mr. Gladstone, then Chancellor of the Exchequer, condemned the proposals submitted to the 1851 Committee for capitalising income for the purpose of effecting differentiation between different classes of incomes, as complicated and unworkable. "Whatever you do in regard to the Income Tax," he said, "you must be bold, you must be intelligible, you must be decisive." Like the Parliamentary representatives of 1816, he was against the employment of Income Tax as a permanent ordinary part of the financial system. The scheme he submitted, which was adopted, was to impose a rate of 7d. in the pound to operate for two years, 6d. in the pound for the next two years, and 5d. in the pound for the next three years, with the idea that at the end of that time Parliament might allow the tax to lapse. With regard to Differentiation, he agreed that the tax did bear too hardly upon intelligence and skill as compared with property, but argued that no hard-and-fast line could be drawn between incomes derived from property and those otherwise derived, "but that, in fact, income from property being assessed upon its gross rental was already differentiated to that extent from what we have now learned to call 'earned income.' Moreover, the effect of the Legacy Duty operated

in the same direction." He proposed to increase that distinction—firstly, by enlarging the scope of the Legacy Duty to all successions whatever, and, secondly, by reviving the allowance for Life Insurance premiums which had been dropped when the tax had been re-imposed in 1842. This allowance he did not confine to incomes of any particular kind, but he said that in practice "the classes who are in the habit of insuring their lives are just those very classes whom it is your main object to relieve by the reconstruction of the tax—namely, the classes of professional men and persons who are dependent on their own exertion." In the following year the Crimean War broke out, and with it the hope of terminating the Income Tax at an early date disappeared.

The agitation for the inclusion in the Income Tax Act of some reasonable form of differentiation between incomes derived from property and incomes otherwise derived was vigorously continued, and in 1861 another Select Committee was appointed with the same terms of reference as the Committee of 1851. This Committee had for its Chairman Mr. Hubbard, the Governor of the Bank of England, who had carried in the House of Commons the motion for its appointment, against the opposition of Mr. Gladstone, who was again Chancellor; and among its members were Mr. Gladstone, Mr. Lowe, and Sir Stafford Northcote. After enquiry the Chairman drafted a report recommending differentiation in favour of what he termed 'industrial' incomes by charging them at two-thirds of the rate charged on 'spontaneous' or property incomes. He also recommended deductions by way of flat rates or averages to reduce gross income from lands, houses, mining rents, and royalties, etc., to net, and the elimination from the assessments on terminable annuities of that portion which might be regarded as repayment of capital. The Chairman was in an unenviable position. The autocratic Gladstone, nominally his colleague, was an opponent of the whole scheme, and others were clearly unsympathetic—in fact, the Chairman afterwards complained, perhaps with justice, that the Committee had been deliberately framed of men hostile to his views. The Com-

mittee rejected the Chairman's draft, and submitted a short report in which they declared that they felt so strongly "the dangers and ill consequences to be apprehended from an attempt to unsettle the present basis of the tax without a clear perception of the mode in which it is to be reconstructed," that they were not prepared to offer any suggestions for its amendment. So, once more, the advocates of Differentiation suffered defeat, and the question does not appear to have been authoritatively raised again until 1906. In that year Mr. Asquith, when making his Budget statement, said: "There are two familiar and, in point of justice and economic principle, valid objections to the incidence of the tax. They are, as everybody knows, first, that above the limits of abatement and exemption it is levied at a uniform rate; and, secondly, that no distinction is made between precarious and permanent incomes. It appears that the time has come for a searching and authoritative enquiry." Accordingly, a Select Committee was appointed under the chairmanship of Sir Charles Dilke.

The Committee reported in cautious terms:

- (a) That graduation was practicable—
 - (i.) By an extension of the system of abatements, and
 - (ii.) By a super-tax on large incomes.
- (b) That differentiation between earned and unearned incomes was practicable.
- (c) That abandonment of the system of collection at the source and adoption of direct personal assessment for the whole of the tax was inexpedient.

The work of this Committee was not fruitless, for in 1907 the principle of Differentiation was incorporated in the Income Tax law, by a provision that, up to a limit of £2,000, earned incomes should pay at the rate of 9d. in the pound, instead of the full rate of 1s. which continued to be charged on incomes derived from property. "This reform, discussed for a century, resisted by Pitt, by Peel, and by Gladstone, was introduced by Mr. Asquith, and carried out without any serious friction or inconvenience."¹

¹ Appendix I. to Evidence, British Royal Commission on Income Tax, 1920. That Appendix is the authority for the facts in the above notes on Income Tax.

Mr. Lloyd George was the next Chancellor to figure in an amendment of principle in the Income Tax by introducing the principle of Graduation. This was first given effect in the Finance (1909-10) Act, 1910, by the imposition of a super-tax on incomes exceeding £5,000, at the rate of 6d. in the pound. The same Act revived the allowance for children, which had been in abeyance since 1806, and extended the limit of differentiation from £2,000 to £3,000.

For a hundred years both Differentiation and Graduation had been centres of struggle. With the passing of the Act of 1910 the contest ended. Since then there have been many changes in the application of those principles to the Income Tax law, and such changes are not likely to cease, for while still retaining those principles, there is much room for Party and Class manœuvring in the endeavour to shift the centre of gravity of the tax burden.

The first of the so-called *Death Duties* in England came into operation in 1694, when an Act was passed imposing a Stamp Duty of 5s. upon each Probate or Letters of Administration. Fifteen years later an attempt was made to impose duties based on the value of property passing at death, whether real or personal. The great landed interests were successful in keeping land out of the sphere of that class of taxation, and the duties were applied to personal property only.

In 1796 Bills were introduced into the House of Commons for the imposition of Legacy Duty in respect of the acquisition of property by collaterals and strangers through the testacy or intestacy of its deceased owner. One Bill dealt with Real property, and the other with Personal property. Once more the landed interests succeeded in confining the tax to Personal property. The Act of 1796, which it will be observed differs from the Act of 1694 in being a Statute imposing tax upon beneficiaries and not upon the estate as a whole of a deceased owner, still forms part of the scheme of Death Duties in England.

In 1853 the Succession Duties Act, a piece of Gladstonian

finance, extended the taxation of beneficiaries' interests to *Real* property. This Act imposed a true Succession Duty, the rate of tax being measured, not by the value of the whole estate of the deceased owner, but by the value of the interest taken by the beneficiary.

The Estates Duty Act of 1894, which completes the group of Acts dealing with Death Duties, imposes duty on the total value of an estate, including both Real and Personal property. The maximum rate under this Act is 40 per cent.

CHAPTER II

NEW SOUTH WALES, 1788-1854

THERE is a curious link between the subject of Taxation and the occupation of New South Wales as a penal settlement. Towards the end of the eighteenth century stubborn persistence in unwisely-devised taxation of the North American Colonies had provoked successful resistance, followed by the achievement of independence. A minor embarrassment of the British Government which resulted from this event was the loss of a convenient penal settlement for its surplus of convicted criminals. But Captain Cook had recently discovered a remote land, to which he had given the name of New South Wales. Nothing could be more timely than the discovery—nothing more suitable than the country. Providence—and an intrepid navigator—had at the right moment provided a new outlet for the surplus by-products of that system of placid and somewhat absent-minded diabolism, the British Criminal Law of the eighteenth century.

So, in May, 1787, a melancholy and unprecedented expedition of eleven small ships left the shores of England for that uncivilised land, aloof from all the world, which the great maritime nomad had so opportunely noticed. One of those ships bore Arthur Phillip, R.N., Captain-General and first Governor of New South Wales. It was a strange company which the Captain-General was leading into exile, this hopeless and miserable crowd of convicts, with its military guards, a few civil officials, and a few other free persons whom a spirit of adventure was taking into an unexplored country.

Rusden, in his 'History of Australia,' says that "the persons who landed from the 'First Fleet' comprised ten civil officers; military, including officers, were 212—accompanying the military were wives and children—and other free persons considerably raised the free population. Deaths

at sea had reduced the number of convicts, and only about 700 were landed at Sydney."

Governor Phillip was perhaps too much occupied with his new responsibilities to let his mind range back over the history of his native land in search of an event which in its consequences might present some parallel to his arrival on this distant shore. If he had recalled Hengist and Horsa, the first of the 'English' to land in Britain, he might, without great prophetic powers, have foreseen the day when, as in the case of England, the then newly-arrived would have wholly dispossessed the original inhabitants. But if in a mental exploration of the past he had concentrated his mind on the forms and realities of government, he might have discerned that he, though ruling only with delegated powers, was beginning at the same stage of sovereignty which, as a reaction from a form of rule granting wider liberty to the governed, began in England with the Norman Conquest. Yet, as to the fundamentals of authority, Arthur Phillip in Australia and William of Normandy in England were similarly equipped. Differences of circumstance are obvious, but the essence of the comparison is that each was a military governor. That this was the real position of Governor Phillip is deducible from the general tenor of his instructions, and there is a curious confirmation of the fact in the language of the Commission issued to the Rev. Richard Johnson, the first Chaplain of New South Wales, which, omitting formal parts, reads thus:

We do by these presents constitute and appoint you to be Chaplain to the settlement in our Territory called New South Wales. You are therefore carefully and diligently to discharge the duties of Chaplain by doing and performing all and all manner of things thereto belonging, and you are to observe and follow such orders and directions from time to time as you shall receive from our Governor of our said territories for the time being, or any other *your superior officers according to the rules and discipline of war.*

Governor Phillip probably did not foresee that within little more than six decades his successors would witness the cycle

of evolutionary changes in the mode of government of New South Wales, which in England had taken more than six centuries to accomplish.

The Governor had received three separate Royal Instructions, issued in the name of "George the Third, by the Grace of God King of Great Britain, France and Ireland, Defender of the Faith, etc." The second of these contains a paragraph which clearly implies a power of taxation. That paragraph is as follows:

Our Will and pleasure is that all public monies which shall be raised be issued out by warrant for the support of the Government and not otherwise.¹

Governor Phillip did not find it necessary to impose any tax during his term of office. Nearly all the little community over which he held sway consisted of convicts or the military and other officials whose duty it was to maintain order. While attempts were soon made to produce crops, for a long time the principal dependence was upon food-stuffs which, together with all other necessary articles, were sent out by the British authorities. The necessity to impose taxation did not immediately arise, and, indeed, the almost entire absence of currency in the Colony during the first few years of the settlement would have made it impossible to collect any impost except in kind. Nearly four years after his arrival Governor Phillip wrote to Under-Secretary Nepean (Despatch of November 18, 1791) in these words:

The landing of spirits without having a permit² has been prohibited in the Port Orders in order to prevent the convicts procuring any; but if some duty was laid on all spirits landed in the settlement it would more effectually answer the purpose. The duties would, of course, be applied for the benefit of the Crown. You will, Sir, favour me with your opinion on that head.³

It does not appear that the Under-Secretary⁴ replied to that part of the despatch, for on August 20, 1796, Governor

¹ H.R. of A., Series I., i., 319.

² It is not clear that *Phillip* charged for these permits, but from January 1, 1801, at latest, a charge of 1s. per gallon was made.—*Ibid.*, v., 280.

³ *Ibid.*, i., 309.

Hunter, who succeeded Phillip, wrote to the Duke of Portland, then Secretary of State, thus:

Spirituous liquors having found their way into the Colony in considerable quantities occasion much idleness among many of the settlers, but I confess have nevertheless some advantages. Much work will be done by labourers, officers, and others for a small reward in this article and (without injury to health) which money could not purchase. I have taken every step in my power to prevent the smuggling of spirits from ships to the shore, but ineffectually, notwithstanding the having a guard on board; . . . to prevent the importation of spirits entirely, my Lord, is near to an impossibility unless I had more assistance to depend on, nor do I think it necessary, for the reasons above stated, that it should be wholly prohibited; but I am of opinion that it may soon be necessary to lay a duty upon the importation, a regulation which might serve to defray some part of the expense of the civil establishment of the Government.¹

Governor Hunter reverted to the subject in a despatch to the Duke of Portland, dated January 15, 1800, in the following words:

Pardon me, my Lord, for begging to refer to my letter No. 14 [that is the letter just cited] wherein I hinted a duty upon all spirits imported here: it would, however, much relieve the expense of the Colony, and would not be felt by the consumer of the article. Other foreign articles might also pay a duty which would scarcely be known except by the merchant whose profits are so immense.²

In a Parliamentary Paper, 'Financial Statements of the Treasurer of New South Wales, 1855-1881,' it is said:

Early in the year 1800, import duties, probably the first form of indirect taxation attempted in the Colony, were imposed on spirits, wine, and beers, for the purpose of providing funds for the completing the erection of a gaol in Sydney, a work which had been previously carried on by voluntary assessment, levied in the first place on the inhabitants of Sydney, but afterwards on the community at large.

¹ H.R. of A., vi., 593.

² *Ibid.*, vii., 437.

As the produce of this impost was, however, found inadequate to complete the work, duties on other articles of luxury were resorted to, which with slight modifications were continued to be collected under Proclamations of successive Governors until the year 1840.

In another Parliamentary Paper, 'Revenue and Expenditure, New South Wales, 1828,' the statement is made that:

The revenues collected within the Colony of New South Wales, from its establishment until the commencement of the Administration of Governor Macquarie in 1810, were raised in support of the 'Gaol' and 'Orphan' Funds respectively. The revenue thus levied for, and appropriated to, the Gaol and Orphan Funds consisted of an assessment or duty of 1s. per gallon on spirits, 6d. per gallon on wine, and of 3d. per gallon on beer, together with a wharfage duty of 6d. on each cask or package landed. These duties appear to have been first established under the authority of the Governor, Captain John Hunter, R.N., during his administration between the years 1795-1800, and were the earliest sources of local revenue in this Colony. The revenue raised for the Orphan Fund was derived from fees received on the entry and clearance of vessels, and for permits to land and remove spirits, both first levied in 1800; from licences to retail spirituous liquors, and from a duty of $1\frac{1}{2}$ per cent. *ad valorem* on articles imported, the produce of countries to the Eastward of the Cape of Good Hope; from fines levied by Courts of Justice and by Magistrates; from the Governor's fees on all grants of land and leases and from quit-rents on Crown lands, until the year 1805, when the quit-rents ceased to be so appropriated.

The statement above quoted, that the first import duties were levied in 1800, appears to be incorrect. Rusden says: "As early as 1791, Phillip suggested the imposition of a duty on spirits which King afterwards imposed." A General Order of Governor King, dated June 14, 1802, contains the following:

Goods of all kinds brought for sale by individuals from any port to the Eastward of the Cape of Good Hope are to pay a duty of 5 per cent. *ad valorem* on the price they were laid in at, which must be attested before the Governor, exclusive of the wharfage, and spirits, wines, goods of all

kinds, except of British manufacture, brought from any part of the world, are to pay a similar duty. The moneys arising from this fund to be appropriated to the Orphan Establishment of this colony, which the Governor is happy to inform the inhabitants has received His Majesty's most gracious support and assurance of protection.¹

This appears to be the first formal imposition of import duties, though (as already stated in a footnote) a charge in the nature of a duty—*i.e.*, 1s. per gallon—was made on the issue of a permit to land spirits, at least as early as 1801.

The General Order just cited also contains a direction with regard to the maximum price which the merchants may charge, a subject which frequently appears in the General Orders and Despatches of the period. The direction reads:

The Governor has had in command to prevent and prohibit any person under this Government from paying more than 80 per cent. on the prime cost of all articles.

Sometimes an advance of 100 per cent. was allowed, and on one occasion the Secretary of State, who had been asked to advise, after consultation with London merchants, directed the Governor to restrict the profit to 50 per cent. on the landed cost.

The Colony, planted for the sole purpose of the transportation of convicts,² soon began to attract free settlers, while many of the time-expired sailors and soldiers decided to make their homes in the land where they had completed their service. The population, which in 1788, the first year of the occupation, was 1024, had grown to 5,995 in 1800 and to 11,590 in 1810. An early indication that the British authorities were beginning to see that the settlement must be treated as a Colony of free men rather than as wholly convict, is given by the wording of a Treasury Warrant of 1803 which was sent to the British Board of Customs. That Warrant reads:

Having your Secretary's letter foregoing, these are to authorise you to cause articles the produce of New South

¹ H.R. of A., iii, 626.

² Sessional Papers, 1837-1838 (36).

Wales and Norfolk Island to be admitted to entry on payment of duty, as if the produce of, and imported from, any British plantation in America—also that articles exported to New South Wales and Norfolk Island should be subject to such duties and drawbacks as on exportation to the British Colonies.

“This would appear to mark the initiation of import trade with the Antipodes.”¹

In 1805 the revenue of the Colony was:

For the Gaol Fund—

Assessments or duties on spirits		£1,570
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For the Orphan Fund—

Fees on entry and clearance of vessels, Licenses to retail spirits, and Auction duties	..	596
Duty of 5 per cent. <i>ad valorem</i> on articles	..	531
Fines levied by Courts of Justice		86

Total revenue, exclusive of quit-rents	..	£2,783
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When Major-General Macquarie assumed the Government in 1810, the population was 11,590, and the port duties about £8,000 per annum. On his retirement from office, in 1821, the population had increased to 29,783, and the port duties to nearly £30,000.²

At that time and up to the date of establishment of the first Legislative Council, in 1824, the public expenses of the Colony, which consisted chiefly of expenditure connected with the support and management of British convicts, were borne almost entirely by the Imperial Government. From a Parliamentary Paper published in 1824, it appears that the expenses of the Colony to the Crown, including expenditure for transportation, were in 1821, £425,350, and for the period from January 1 to September 7, 1822, £365,729.³

Governor Macquarie's term of office was marked not only by great growth of population and of revenue, but also by the emergence of a spirit of passionate protest against autocratic

¹ The King's Customs, ii., 25.

² Financial Statements, N.S.W.

³ *Ibid.*

rule as exemplified in the local practice of Government by Proclamation. Macquarie's predecessor, Bligh, had affronted the free population, both military and civil, by his attempts to force the social and other recognition of the 'emancipists,' as the time-expired convicts were termed.¹ This and other causes led to a revolt, in which Bligh was arrested, and to the assumption of authority by a small band of colonists, of whom Macarthur was believed to be the moving spirit, though the acts of force which deprived Bligh of his authority and of his personal liberty were effected under the direction of Major Johnstone, who was Commandant of the N.S.W. Corps, and who assumed the title of Lieutenant-Governor.² This incident no doubt helped permanently to transform the spirit of more or less unquestioning obedience to the Executive Acts of the Governor, which had originally been the characteristic of the community, into one of keen and at times hostile criticism.

The fact that all the import duties and other imposts levied upon the community, with the exception of quit-rents on Crown lands and the Governor's fees on the issue of grants and leases, had been so levied on the Governor's authority alone and had no explicit legislative sanction, began to attract attention. There is some evidence in the records of the period that defaulting taxpayers were allowed to leave the Colony without the issue of process for the recovery of the tax-debt. In 1818 the question entered upon a new phase. Governor Macquarie had given instructions for proceedings in the Superior Court to be taken against certain persons for the recovery of unpaid duties. The Judge of that Court, Mr. Justice Field, became aware that the validity of the Proclamations or General Orders under which these duties had been collected would be challenged, and on February 23, 1818, he wrote to Macquarie thus:

Your Excellency having instructed Mr. Wyld to institute several suits in the Court in which I have the honour to pre-
side, the defences to which will probably involve the legality

¹ In theory at least Bligh had the support of the Home Government in these efforts, though his methods may not all have been approved.

² Johnstone was tried by court-martial in 1811 and cashiered.

of the imposition of duties in this country without an Act of Parliament, I have taken that question into serious consideration, and I cannot cherish the least doubt that we must (and as I understand we soon shall) have an Act of Parliament for the purpose of legalising these duties which Your Excellency had thought it expedient to impose. May I be forgiven if an anxiety to prevent the public discussion of a question in which I might perhaps be forced to give an official opinion against the present legality of such duties induces me to request Your Excellency to instruct the solicitor for the Crown to forbear to proceed in the suits in question for the present.¹

The Judge went on to say that his opinion was founded upon one of the first principles of the British Constitution, which declares that "no subject of England can be constrained to pay any aids or taxes, but such as are imposed by his own consent or that of his representatives in Parliament." The Judge also quoted an opinion of the Attorney-General, given in 1772, that no taxes could be imposed upon the Colonies but with the authority of their several legislative assemblies or, if they had none, by an Act of the British Parliament. Macquarie sent a copy of the Judge's letter to the Secretary of State, and referred to it as "being to my mind very full and clear, although I cannot altogether accede to the expediency or even the propriety of our Law Courts acting thereon at this time."²

The Secretary of State took the opinion of the Attorney-General, who concurred in the opinion of Mr. Justice Field. The matter came up in the House of Commons, where Mr. Brougham attacked the Administration for allowing the collection of duties without the authority of an Act of Parliament. In reply, Mr. Goulburn admitted that on a late occasion several persons had refused to pay the duty; that Lord Bathurst had referred the matter to the Law Officers, and that only in the last fortnight those officers had delivered their opinion that the duties were illegal.³

The Government took prompt action, and quickly passed

¹ H.R. of A., ix., 774.

² *Ibid.*, xviii., 772.

³ Rusden, i., 502.

through the Houses an Act (59 Geo. III., c. 114, assented to July 12, 1819). The Act provided that until the first day of January, 1821, no action or prosecution should be commenced against the Governor or other person in any way connected with the collection of those rates or duties. Another section authorised the rates or duties collected before the passing of the Act to be continued or discontinued wholly or in part by the Governor of the Colony as he should deem expedient. A further provision empowered the Governor to levy a duty upon spirits made within the Colony, provided that such duty should not exceed the duty levied upon imported spirits, and also that it should not exceed 10s. per gallon. The provisions of the Act 59 Geo. III., c. 114, were continued by 1 Geo. IV., c. 62, and 1 and 2 Geo. IV., c. 8. A further continuance was effected by the Act 3 Geo. IV., c. 96, until 1824. That Act authorised the Governor to impose Customs duties of 10s. per gallon upon British spirits, or British West Indian rum shipped from Britain; of 15s. per gallon upon foreign spirits, 4s. per pound on tobacco, and 15 per cent. *ad valorem* upon non-British manufactures imported direct from British ports, and upon the importation of all goods, wares, and merchandise not being the growth, produce, or manufacture of the United Kingdom. As will be shown later, the duties imposed under this authority were considerably less in amount than those authorised, which were maximum rates.

In 1819 the affairs of New South Wales received more than the usual amount of attention and publicity in England. In that year William Charles Wentworth, a son of the Principal Surgeon of New South Wales, and who afterwards became a notable political leader in the Colony, published in London a book entitled 'A Description of the Colony of New South Wales,' in which he denounced taxation under the *ipse dixit* of a Governor as an "unprecedented deviation from all Constitutional authority." He admitted that Governor King had devoted the fruits of his 'illegal taxation' to objects of great importance and utility, but hinted that Bligh had not been so scrupulous. He also declared that, on an appeal from the Magistrates, even the Civil Courts of the Colony

would be compelled to pronounce the demand for duties illegal.¹

As we have seen, the British Parliament passed an Act to legalise the collection of duties. But the British Government did not stop there. In the office of the Secretary of State there had for some years been accumulating a mass of documents, some veracious and accurate, others inspired by unworthy motives and stained with misrepresentation, a perusal of which led to the disturbing belief that there was something seriously wrong with the whole system of relations between the Governor and the community of New South Wales. An independent investigation was decided on, and Mr. W. J. Bigge, formerly Chief Justice of Trinidad, was selected to make that investigation. He was given a Commission with wide powers, and the Governor was instructed to afford him every facility in his enquiry. Mr. Bigge arrived in the Colony on September 29, 1819, and remained until February 14, 1821. He furnished valuable reports, which were placed before Parliament in 1822 and 1823. On the taxation side, one result of his work was the Act 3 Geo. IV., cited above. Another result was the cancellation or suspension of British import duties on certain products of the Colony. The duty on wool was reduced from 3d. per pound to 1d., and duties on tanning bark and timber were suspended for ten years.

A first step towards Constitutional Government in Australia was taken in 1823, when the Act 4 Geo. IV., c. 96, was passed. The 'better administration of Justice' was the prime purpose of the Act, and the machinery it authorised was the institution of Courts of Criminal and Civil Jurisdiction in New South Wales and Van Diemen's Land. This enactment marks the end of that purely military government which had subsisted since the establishment of the Colony. Another very important provision was one authorising the constitution of a Council 'not exceeding seven nor less than five,' with whose advice the Governor might make laws. But the members of the Council held office by appointment, and could not over-ride the Governor in matters of legislation.

¹ Rusden, i., 383, 502.

With regard to taxation, the Act imposed certain conditions upon the exercise of the powers already given, by providing that "The said Governor and Council shall not impose any tax or duty upon any ship or vessel trading with the said Colony or dependencies thereof or upon any goods, wares, and merchandise imported into or exported from the same, except only such taxes or duties as it may be necessary to levy for local purposes; and the purposes for which every tax or duty may be so imposed, and to or towards which the amount thereof shall be applied shall be distinctly and particularly stated in the body of every law and ordinance imposing every such tax or duty." The principal provisions of the Act were carried into effect "by Royal Charter dated October 13, 1823, creating a Supreme Court of Justice, and by the appointment under warrant of December 1, 1823, of five members of Council. These members were the five chief Government officials—the Lieutenant Governor, the Chief Justice, the Colonial Secretary, the Principal Surgeon, and the Surveyor-General."¹ Lord Bathurst's letter, which accompanied the Warrant, explained that other members were to be appointed when he had been made aware of the names of suitable non-official persons, and accordingly, by Warrant of July 17, 1825, the Council was reconstituted, including three private individuals.

In 1825 the enlarged Council passed an Act to remove doubts as to the legality of the collection of duties under Proclamations of successive Governors, and provided that no proceedings should be taken against Colonial Treasurers of New South Wales or Van Diemen's Land, or any other person, for collecting, levying, or receiving duties previous to the passing of such Act. Another Act was passed by the Council in November of the same year to continue certain duties, tolls, rates, fees, and other sums of money, and to legalise the collection of all such duties, rates, etc., levied under any Proclamation or Order of any Governor before August 12, 1824, the date on which the Legislative Council was established.²

¹ These officers were all appointed and paid by the Imperial Government.

² Jenks, p. 12.

We have seen above that Acts of the Imperial Parliament authorised the collection of certain (maximum) duties of Customs by the Governor of New South Wales. Under that authorisation, and with the advice of the local Legislative Council, Sir Thomas Brisbane issued a Proclamation, dated October 25, 1825, imposing certain duties. The rates were subsequently altered in respect of several of the items by the Proclamation of Governor Darling, dated October 16, 1828. The following schedule shows the rates authorised by the Imperial Parliament, those imposed by Sir Thomas Brisbane, and the alterations made by Governor Darling.

<i>British Acts authorising Collection.</i>	<i>Articles upon Which Duty Levied.</i>	<i>Maximum Rates sanctioned by British Acts.</i>	<i>Rates Levied under Proclama- tion of October, 1825.</i>	<i>Rates Levied under Proclama- tion of October, 1828.</i>
59 Geo. III., c. 114, and 4 Geo. IV., c. 96	Spirits made or dis- tilled from grain the produce of the Colony or its de- pendencies	Per gal. 10s.	Per gal. 2s. 6d.	Per gal. 2s. 6d.
	Spirits made or dis- tilled from sugar or molasses	10s.	4s. 2d.	8s. 6d.
3 Geo. IV., c. 96	Spirits the produce or manufacture of the United Kingdom or of His Majesty's Plantations in the West Indies and im- ported directly from the United Kingdom	10s. 15s.	6s. 7s. 6d.	6s. 6d. 8s. 6d.
" "	All other spirits	15s.	7s. 6d.	8s. 6d.
" "	Tobacco, imported unmanufactured	Per lb. 4s.	Per lb. 1s.	Per lb. 1s. 6d.
" "	Tobacco, manufac- tured, and snuff	4s.	1s.	2s.
" "	Foreign goods, im- ported	15 per cent. (<i>ad valorem</i>)	5 per cent.	5 per cent.

The following are the amounts of import duties collected under these tariffs in each year from 1824 until 1840:

1824	£28,763	1833	£108,466
1825	£48,437	1834	£124,501
1826	£47,733	1835	£140,424
1827	£49,472	1836	£153,682
1828	£65,116	1837	£163,286
1829	£74,731	1838	£145,330
1830	£78,657	1839	£158,232
1831	£87,801	1840	£195,080
1832	£93,864		

It will be seen that in sixteen years the Customs revenue had increased from £28,763 to £195,080, an increase of about 578 per cent. In 1824, when the population of the Colony was 32,702, the Customs revenue was at the rate of 17s. 7d. per head, and in 1840, when the population was 139,463, it was at the rate of £1 10s. 1½d. per head.

The duty on spirits distilled in the Colony, from 1825 until 1840 inclusive, realised an aggregate sum of £44,804, which gives an annual average of £2,800. Of the total sum of £44,804, however, no less than £26,000 was collected in the last two years of the period.¹

No change seems to have been made in the Tariff as fixed by Governor Darling in 1828, until 1840, when the Legislative Council passed an Act (4 Vic., No. 11) increasing the duties on spirits, wines, and other goods and merchandise imported into the Colony and its dependencies. By this Act the duty on all imported spirits, whether British or foreign, was fixed at 12s. per gallon; wine was made dutiable at an *ad valorem* rate of 15 per cent.; tea, sugar, flour, meal, rice, or grain and pulse at 5 per cent.; and all other foreign goods 10 per cent. The duties on imported tobacco and on spirits distilled in the Colony remained unchanged. The revenue collected under this tariff was, in 1840, £223,845; in 1842, £215,253; in 1843, £164,929. The falling off in 1843, while partly due to some check on importation resulting from higher rates of duty, was partly affected by other causes. In 1839 there had been

¹ Financial Statements, N.S.W.

a protracted drought. The combined effect of this drought, of a period of excessive speculation, and of a reduction in the price of wool in England, was a commercial depression which culminated in 1843. In that year the belief that the Tariff was too high induced the Legislative Council to pass an Act (7 Vic., No. 24), which reduced by one-half the rates upon spirits, whether imported or distilled in the Colony, and substituted specific duties for the *ad valorem* duties upon imported goods generally. This Act was reserved for the approval of Her Majesty, but was disallowed, and consequently the reduced duties were never levied. It is not clear why the Act was disallowed, but it was probably for the reason that the reduction in duty on the principal revenue-producing items was thought too great, and it was perhaps feared that a large decrease in revenue would lead to requests for financial assistance from the Imperial Government, which, since 1829, had ceased to bear the costs of the local administration. By an Act of the local Legislative Council (11 Vic., No. 7), which came into operation on January 1, 1848, the duty on spirits distilled in the Colony was increased to 3s. 6d. per gallon; that on imported rum and whisky reduced to the same rate, and on all other spirits to 6s. Spirits, liqueurs, wines, etc., containing above 25 per cent. of alcohol of a certain specific gravity, were charged at 6s. per gallon. By a subsequent Act (14 Vic., No. 8), passed in September, 1850, a duty of 3s. 6d. per gallon was imposed on perfumed spirits without regard to strength.

Year.					Customs Duties.	Excise Duties.
					£	£
1844	..	..	..	..	151,969	13,122
1845	..	..	..	..	157,489	19,504
1846	..	..	..	..	151,354	13,658
1847	..	..	..	..	170,822	15,084
1848	..	..	..	..	169,678	9,232
1849	..	..	..	..	187,048	4,357
1850	..	..	..	..	219,298	2,850
1851	..	..	..	..	201,501	7,210

The above table shows the amounts of Customs duties, and also of Excise duties upon spirits distilled in New South

Wales, collected in the years 1844-1851, the year in which the separation of Victoria was effected. The tariff was altered in 1852 and again in 1854, the changes made being in the direction of enlarging the range of articles to which duties were applied, and of increasing the duties on spirits.

On July 1, 1851, the district of Port Phillip (which since its settlement in 1836 had formed part of New South Wales) was erected into a separate Colony under the designation of Victoria. Up to that time, therefore, the Customs duties and other revenue derived from that district were included in the revenue of New South Wales.

CHAPTER III

CONSTITUTIONAL CHANGES IN THE AUSTRALIAN COLONIES •

THE detailed story of taxation in New South Wales may be interrupted at this point, in order to provide an opportunity for viewing certain Constitutional changes which were destined to affect profoundly not only the future history and development of taxation, but also the whole political status of the Australian communities.

On July 5, 1828, the Royal assent was given to an Imperial Act (9 Geo. IV., c. 83), which is considered to be the first charter of Constitutional rights in Australia. To a limited extent that Act merely repealed and re-enacted provisions of some of the earlier Acts referred to in the previous chapter. But it took a wider sweep. It set up a Supreme Court of Justice in New South Wales and in Van Diemen's Land, and gave power to appoint other Courts. It provided for a Legislative Council with larger membership—"not exceeding fifteen nor less than ten"—than that appointed under the temporary Act 4 Geo. IV., c. 96. It continued the restriction that taxes and duties should not be imposed except for local purposes, and it required the Governor in future to seek the advice of the Council in respect of the levy of Customs and Excise duties. But its most important provision was one which determines (so far as it is determinable by Statute) to what extent the Statute and Common Law of the Mother Country is applicable in Australia."

The Act declared all the laws of England in force at the time of the passing of the Act to be applicable (so far as practicable) in the administration of justice in New South Wales and Van Diemen's Land, but gave power to the Governor and Council to modify such laws by ordinance, or to declare whether any law was or was not applicable, and in the absence of any such ordinance the Supreme Court

was given power to decide in case of doubt. The Act of 1828 marked a definite stage in the progress towards that complete autonomy in domestic affairs which has long been the political possession of Australian communities. That Act remained in operation for fourteen years. During that time the beginnings of permanent settlement took place in what is now the important State of Victoria. The first of these was the "settlement of the Hentys at Portland Bay in 1834, ultimately merged in the fortunes of the Port Phillip Colony."¹

The history of Port Phillip begins with a notable example of private initiative and enterprise. In 1835 a few residents of Launceston formed themselves into a somewhat informal corporation, and sent an agent over to Port Phillip with instructions to acquire, with some legal or quasi-legal formalities, a large tract of land from the aborigines. The agent found little difficulty in inducing a few aboriginal chiefs to append their marks to a 'deed' or 'treaty' in which they purported to grant to the corporation an area of about 150,000 acres of land, subject to the payment of a perpetual tribute. But the grantees had 'forgotten Goschen.' In other words, they had forgotten that the lands in question were deemed to be vested in the Crown, and that nothing but a Crown grant would constitute a valid title. They were quickly reminded of the Crown's rights and powers by a Proclamation of Sir Richard Bourke, the Governor of New South Wales, dated August 26, 1835, which declared Port Phillip to be under his jurisdiction, and warned all persons in possession of Crown lands without authority that they would be treated as trespassers. The corporation sent an agent to England to present their protest and appeal to the Home authorities, who, however, declined to interfere. Eventually the Sydney authorities, although maintaining their view that the transaction with the natives was a nullity, allowed a limited compensation to the disappointed 'grantees.' In the following year (1836) Governor Bourke proclaimed the territory of Port Phillip open for settlement, and in 1837 he paid an official

¹ Jenks, p. 23. There had been two earlier attempts at settlement, but they were soon discontinued.

visit, during which he approved, with alterations, of the plan of Melbourne.

In 1842, the next important step in the Constitutional development of New South Wales was taken by the passing of the Imperial Act "for the Government of New South Wales and Van Diemen's Land" (5 and 6 Vic., c. 76). This Act "seems to have passed the Imperial Parliament without attracting the smallest interest. It is with difficulty we can trace its progress in the pages of Hansard. What small amount of attention was, in 1842, given to Colonial matters seems to have been divided between the Crown lands question, the financial embarrassments of South Australia, and the grievances of Newfoundland. The English public had other matters to think of."¹

The Act did two important things: it introduced the principle of Representation into the Legislature, and it provided for a system of Local Government. It instituted a Legislative Council of thirty-six members, twenty-four of whom were to be elected in the Colony of New South Wales. Apparently it was not considered at that time that Van Diemen's Land had reached the stage of development which justified the liberalising of its form of government, for the Act specifically continued the old form of government in that Colony.²

Of the thirty-six members of the new Council only twenty-four were elective. The other twelve were nominated by the Crown. The Governor was required to reserve for the Royal assent certain Bills, among which were Bills affecting Customs duties. The independence of the Governor and of the Executive were protected by a provision of the Act charging upon the revenue a permanent Civil List of £81,000 a year, which sum was payable to the Governor without special vote.

The requirement that all Bills dealing with Customs duties be reserved for the Royal assent soon opened up a question, and led to a decision which had far-reaching effects. By an

¹ Jenks, p. 69.

² Transportation of convicts to Van Diemen's Land, which had been temporarily suspended, was resumed in 1841. In N.S.W. it had finally ceased in 1840.

Act of 6 Vic. the Legislature of New South Wales had provided for the admission, free of import duty, of goods from Tasmania and New Zealand. This Act was, in compliance with the Imperial Statute, forwarded for consideration of the Home authorities. They looked with disfavour upon the introduction of differential duties into a local tariff, and in a despatch dated August 31, 1843, the Secretary of State informed the Governor that the Act had been disallowed. "The principle," said the Secretary of State, "of establishing differential duties in favour of particular Colonies, is so objectionable that His Majesty's Government cannot assent to any further extension or recognition of such a system. If allowed, it would inevitably give rise to retaliatory action on the part of the other Colonies, and a system of protection and preference would be established among the other Colonies of the Empire, by which the operation of commerce would be embarrassed."

On becoming aware of the nature of this despatch, the Collector of Customs at Sydney took it upon himself to charge an *ad valorem* duty of 5 per cent. upon grain imported from Tasmania into Melbourne. Previous Colonial Acts which might have been read as allowing such grain to enter duty free were ambiguously worded, and the Collector took advantage of the ambiguity. Both the Governor and the Board of Customs in London supported the action of the Collector, the Board recommending that the levy should be continued, and the importers be left to take legal action for the recovery of the duties if they felt disposed.¹

When the decision of the British Government with regard to differential duties was given, that Government was travelling fast along the road towards a condition of free trade as absolute as is compatible with the levy of any import duties at all. It would not have been surprising if the British Parliament had ordained a system of free trade throughout the Australian Colonies, and probably the chief deterrent was a fear that such an ordinance might have an adverse

¹ The King's Customs, ii., 215. (In 1873 the Imperial Government removed its embargo on differential duties.)

effect upon the Colonial revenues and lead to claims for financial assistance to make good the deficiency. The disallowance of differential duties was, as the despatch above shows, intended to check the rise and development of protective tariffs between the Colonies. Prevision of the evils which such a development would cause led Mr. Deas Thomson, Colonial Secretary of New South Wales, to suggest a move towards unified tariff action in the Australian Colonies. Speaking through Governor Fitzroy in 1846, he recommended the appointment of "some superior functionary to whom could be submitted all measures passed by the various Colonial Legislatures affecting inter-colonial trade, or the general interests of either England or Australia as a whole. To Deas Thomson, therefore, belongs the honour of having originated the Federal movement."¹ Another writer says: "In his [Deas Thomson's] fertile brain the idea first generated, and to him Australia is indebted for its first recorded expression. He is, *par excellence*, the father of Australian Federation."² The suggestion made by Mr. Thomson for the appointment of a superior functionary, presumably with a power of veto upon Colonial legislation, hardly seems to justify that eulogy. When Mr. Thomson wrote there was an existing power of veto in the British Crown, and it is very improbable that British Ministers would have advised the transfer of that power to any 'functionary.' A wiser suggestion was contained in a despatch of Earl Grey, dated July 31, 1847, addressed to the Governor of New South Wales. In that despatch the Secretary of State said: "There are some questions which, though local as it respects the British Possessions of Australia, are not merely local as it respects any one of those Possessions. Considered as members of the British Empire those have many common interests, the regulation of which, in some uniform manner, and by some single authority, may be essential to the welfare of them all. Yet in some cases such interests may be more practically, effectively, and satisfactorily decided by some authority in Australia itself, than by the more remote, the less accessible,

¹ Cramp, 122.

² Allin, 55.

and in truth the less competent authority of Parliament. Some method will be devised for enabling the various Legislatures of the Australian Colonies to co-operate with each other in the enactment of such laws as may be necessary for regulating the interest common to those possessions, such as the imposition of duties of import and export, the conveyance of letters and formation of roads, railways, and other internal communications traversing two or more of such Colonies.¹

At that time, however, the Colonists were in anything but a receptive mood towards suggestions emanating from the Colonial Office. In New South Wales resentment was felt at the extent of the dependence of the Colony upon the Secretary of State, and that feeling was heightened by a belief that the Governor, Sir George Gipps, was unsympathetic towards the ardent aspirations of the colonists in the direction of enlarged powers of self-government. In the Port Phillip district, separation from New South Wales was the burning question, and the authorities at Sydney were no more popular than was the Colonial Office.

An unfavourable reception for Earl Grey's proposal for action of a Federal character by the Colonies was rendered practically certain by its inclusion in a despatch which also contained an indication of an intention to introduce a bicameral Legislature; to set up a system of Local Government by municipal bodies, to be called District Councils; and to entrust to those Councils the important function of acting as a kind of Electoral College by which the members of the Legislative Assembly should be chosen.

This project was received with hot indignation, as an encroachment on the independence of the Legislative Council, whose powers were considered to be already far too restricted. A large public meeting was held at Sydney to protest against the proposal of the Secretary of State, at which several of the most prominent men of New South Wales spoke in condemnation. As reported in the *Sydney Morning Herald* of January 21, 1848, Mr. Martin (afterwards Sir James Martin, a distinguished Chief Justice) said: "There can be no doubt

¹ Sessional Papers, U.K., 1850, ix.

that the proposed innovation in the Constitution was a blow levelled at the Legislative Council, and it was not proposed from any abstract good-nature. It arose not from the spontaneous belief in the Minister's mind that it would be an improvement, but was due, he had no doubt, to the suggestion of Sir George Gipps, who, finding that, even backed up by the twelve nominees in the present Council, he had been unable to carry his measures against the representatives of the people, suggested these insidious schemes to take from those representatives what little power they ever possessed. . . . It was repeated over and over again in the despatch that the Council had all the power, and therefore it was proposed to erect two Houses of Legislature, one of which should be composed of nominees of the Crown, and which should stand between the Representatives and the Government. Questions of whether two Houses were better than one might be disputed. In an independent country, perhaps, it was so, but here they had no materials for a second House. There were two prominent objections to the proposed change: First, the constitution of the District Councils; and, second, giving those bodies power to elect the Legislature."

Other speakers also condemned the proposals of the Secretary of State, and it was resolved to prepare a Petition of Protest. Accordingly a Petition urging the objections was signed and forwarded to the Home authorities from Sydney, and there were many additional petitions from other centres, all deprecating any change in the Constitution of the Colony, unless it had previously received the approval of the people. Complete autonomy in respect of its domestic affairs was the aim of this small community, but if that was not immediately attainable, it was at least determined to assert the right to be consulted before any change affecting its domestic government was made, and also its right to have its representations properly considered. This latter right was conceded, for Earl Grey, in a despatch of July 31, gave way on the District Council project, though he said: "I certainly continue to believe that in Colonies possessing an extensive territory it is highly desirable that local affairs of different districts should

be entrusted to the management of some local authority distinct from the general Legislature, and that the surest method of preventing a conflict between such authority and the Legislature is to make the latter from the former." The Secretary of State also gave way on the proposed change to a bi-cameral Legislature with one nominee House.

He informed the Governor that a Bill would be introduced for the purpose of (1) effecting the separation of Port Phillip from New South Wales—no change to be made in the composition or authority of the Legislative Council of New South Wales, except such as was the necessary consequence of the separation; and (2) establishing in Port Phillip a Legislature similar to that existing in New South Wales; and (3) providing for similar representative institutions in South Australia and in Van Diemen's Land. Earl Grey also said that he had in contemplation to give power to the Legislative Councils to make such alterations in their Constitutions as they think expedient, but that no ordinance for that purpose should come into force until it had been confirmed by the Queen in Council.

As to the desirability of a uniform tariff, Earl Grey pointed out the probability that differences would grow up between the respective Colonies which would lead to the establishment of Border Customs Houses. "The extreme inconvenience and loss which each community would sustain from such measures needs no explanation; it will, therefore, be absolutely necessary to adopt some means of providing for that uniformity in their commercial policy, which is necessary in order to give free scope for the development of their great natural resources, and for the increase of their trade. In what manner that may be best accomplished is a question of difficulty which I must reserve for more mature consideration."

The Home Government remitted the questions at issue to the Right Honourable the Lords of the Committee of Council appointed for the consideration of all matters relating to Trade and Foreign Plantations, otherwise the Board of Trade. That body presented a thoughtful and suggestive Report. On the question of the tariff, the Board was so strongly

impressed with the necessity of free trade between the Australian Colonies, that it recommended the enactment by the Imperial Parliament of a uniform tariff for Australia. This was intended to be a provisional step, for the Board also recommended that one of the Governors should be appointed Governor-General, with power "to convene a body to be called the General Assembly of Australia . . . the first convocation of that body should be postponed until the Governor-General should have received from two or more of the Australian Legislatures addresses requesting him to exercise that power." The General Assembly was to be "composed of the Governor-General and a House of Delegates, consisting of not less than twenty-four, nor more than thirty, members, elected by the Australian Legislatures, each Colony to have two members with an additional member for each 15,000 inhabitants. The General Assembly to have power to legislate upon the following matters:

1. The imposition of duties of import and export.
2. The conveyance of letters.
3. The formation of roads, canals, or of railways traversing any two or more of such Colonies.
4. The erection and maintenance of beacons and light-houses.
5. The imposition of duties or other charges upon shipping in any port or harbour.
6. The establishment of a general Supreme Court to be a court of original jurisdiction or a Court of Appeal for any of the inferior Courts of the separate provinces.
7. Determination of the extent of the jurisdiction and the forms and manners of proceedings of such Supreme Court.
8. The regulation of weights and measures.
9. The enactment of laws affecting all the Colonies represented in the General Assembly on any subject not specially mentioned in the preceding list, but on which the General Assembly should have been desired to legislate by addresses for the purpose, presented to them by the Legislatures of those Colonies.
10. The appropriation to any of the preceding objects of such sums as may be necessary by an equal percentage from

the revenue received from all the Australian Colonies in virtue of any enactments of the General Assembly of Australia.¹

The Board's suggestion to impose a uniform tariff by Imperial Act was not adopted, and the provision for the General Assembly, though included in the Bill (the third on the subject) introduced in 1850, and passed "in a thin House of Commons," was dropped in the House of Lords when the Bill came on for the third reading. The clauses for the appointment of a Governor-General were carried, and Sir Charles Fitzroy, the Governor of New South Wales, was appointed Governor-General of Australia and also Governor of New South Wales, Van Diemen's Land, South Australia, and Victoria. The Governor-Generalship was hardly more than a nominal supremacy, as the officers administering the Government in Victoria, South Australia, and Van Diemen's Land respectively, though designated Lieutenant-Governors, were in direct communication with the Secretary of State. In 1856 their full gubernatorial rank was restored, and the title of Governor-General was discontinued.²

The Imperial Statute referred to in the preceding paragraph (13 and 14 Vic., c. 59) was an important enactment, since among other things it created the Colony of Victoria; it extended the electoral franchise throughout Australia; it introduced representative institutions into South Australia and Van Diemen's Land, and provided for their extension to Western Australia. But the Statute did not altogether satisfy colonial feeling, and the Legislative Council of New South Wales passed a resolution protesting against certain provisions, including "the control reserved over the Customs."³ This complaint referred to the fact that Customs officials were members of the Imperial Public Service, and not amenable to control, by the Local Authorities. In 1851 the necessary powers were given to the Australian authorities and the staffs were transferred to the Colonial Service, though in Victoria

¹ Sessional Papers, U.K., 1850, ix.

² Cramp, 126.

³ Jenks, 151.

"it would appear that the actual re-organisation was not effected until 1854."¹

The passage in time from the establishment of '*Representative Government*' to that of '*Responsible Government*' was short, for in 1856 Responsible Government was established in New South Wales, Victoria, and Tasmania, and in South Australia also.²

¹ Jenks, 167.

² Queensland was created a separate Colony in 1859, and was under '*Responsible Government*' from the beginning. Western Australia did not attain to Responsible Government until 1890.

CHAPTER IV

NEW SOUTH WALES, 1856-1900

THE introduction of Responsible Government in New South Wales (1856) was not followed by any immediate changes in taxation. Only a few months before that important change in the political status of the Colony took effect, the Legislative Council had passed an Act (19 Vic., No. 14) repealing all then existing Tariff Acts, and enacting an entirely new Schedule. This Schedule, which came into operation on September 12, 1855, imposed duties as under:

	<i>s.</i>	<i>d.</i>
Brandy and gin, per proof gallon	10	0
Whisky, rum, and other spirits, per proof gallon..	7	0
Spirits, liqueurs, etc., the strength of which cannot be determined by Sykes's hydrometer, per gallon	10	0
Perfumed spirits, per gallon	10	0
Wine containing more than 25 per cent. proof spirit, per gallon	10	0
Wine not containing more than 5 per cent. proof spirit, per gallon	2	0
Ale, porter and beer, in wood, per gallon ..	0	1
Ale, porter and beer, in bottle, per gallon ..	0	2
Tea, per pound	0	3
Sugar, refined, and candy, per cwt.	6	8
Sugar, unrefined, per cwt.	5	0
Treacle and molasses, per cwt.	3	4
Coffee and chicory, per pound	0	2
Cigars, per pound	3	0
Tobacco and snuff, per pound	2	0

This tariff was known as the Deas Thomson Tariff, and an official historian, writing in 1875, says that even then "it was spoken of as a model tariff." A glance at the Schedule will show that it is of the type commonly regarded as a Free Trade Tariff. With the exception of a duty of 10s. per

pound imposed on opium in November, 1859, and a reduction of 1s. per pound on the importation of unmanufactured tobacco, the Schedule remained unaltered until June, 1865 when, in consequence of a deficiency in the revenue, an Act was passed increasing the duties for a limited period on all importations then liable to duty (except tea, sugar, brandy, and gin), by an additional charge of 20 per cent. on the existing duties. In the same month, June, 1865, another Act was passed imposing a package duty of 1s. on every description of package imported. This brought in a considerable revenue. That Act expired in December, 1867, and was not re-enacted.

The additional charge of 20 per cent., imposed in 1865, was repealed in 1866, when the Tariff Schedule of 1865 was amended and enlarged. A new feature was introduced by the imposition of an *ad valorem* duty of 5 per cent. upon all imported goods, except those chargeable with specific duties and a small number of articles specifically exempted from duty. The duty on whisky and rum was raised to 10s. per gallon; on wine to 3s. per gallon; on ale and beer, in wood, to 3d., and in bottle, to 6d., per gallon.

For several years after the introduction of Responsible Government the revenue was found adequate to the expenditure, but in the years 1862-1863 a great demand arose for a more vigorous developmental policy by means of public works, and the Government of the day, yielding to the pressure both of the public and of Members of Parliament, sanctioned, in anticipation of the approval of Parliament, a much larger expenditure than the ordinary revenue of the country could meet. The result was a large deficiency which was temporarily provided for by the issue of Treasury Bills with a limited currency. To provide for the payment of these bills at maturity, and to prevent deficits in the future, *ad valorem* duties were proposed by the Government in 1864, and the requisite measure was introduced and passed in the Legislative Assembly, but was rejected by the Council. The rejection of this measure towards the close of a long session resulted in another deficiency almost as large as that of 1863

and previous years. This latter deficiency was, however, more the result of unpropitious seasons, consequent stagnation of trade, and general monetary depression than of the loss of the *ad valorem* duties, which, even had the measure imposing them become law, could not have affected the revenue for the year 1864 to any great extent.

Throughout almost the whole of the decade ending with the year 1870 the Colony suffered from alternate droughts and floods of a disastrous nature, and it was not until the year 1871 that the revenue was again found equal to the expenditure. From that year until 1876 the revenue so largely exceeded the expenditure that the Government was able to pay off the temporary loan of former years, as well as a considerable amount of what was called the permanent debt. But this apparently satisfactory finance had an element of unsoundness inasmuch as the surpluses were not the result of an increased yield of taxation, but were due to the fact that the Government was selling immense areas of the Public Estate, and placing the sums so obtained to the credit of revenue. In 1871 an Act was passed (34 Vic., No. 21) imposing specific duties on a number of articles which had hitherto been charged with an *ad valorem* duty of 5 per cent. Sparkling wines were made dutiable at 6s. per gallon, and still wines at 4s. per gallon. The rate on cigars was raised from 3s. per pound to 5s.; the rates upon ale and porter, in wood and in bottle, were increased respectively by 6d. and 9d. per gallon; the rate on coffee and chicory was raised from 2d. to 3d. per pound, and on rice from £2 to £3 per ton. The rate of duty on opium was reduced to 10s. per pound.

"In 1873, when the revenue was in a flourishing condition, the Government of the day proposed and carried a measure (37 Vic., No. 5) for the abolition of the *ad valorem* duties which were most obnoxious to the mercantile community on account of the extent to which the trade of the port was hampered and interfered with. That measure also provides for the reduction, by thirty-two, of the list of articles chargeable with specific duties."¹

¹ See Financial Statements, N.S.W., p. 494. That document is the chief authority for the earlier part of this chapter.

The following table shows the revenue derived during some of the years between 1852 and 1875 from Customs duties, also from sugar (including molasses) refined in the Colony, and from spirits distilled in the Colony:

<i>Year.</i>	<i>Customs Duties.</i>	<i>Duties on Sugar refined in the Colony.</i>	<i>Duties on Spirits distilled in the Colony.</i>
	£	£	£
1852	217,021	—	18,211
1857	533,104	—	63,477
1862	609,373	—	35,643
1867	783,338	18,232	23,083
1871	860,121	18,617	9,929
1875	974,432	31,267	8,573

In 1875 the public revenue of New South Wales was as follows:

Indirect Taxation—

Customs duties 974,432

Excise duties—

Refined sugar and molasses 31,267

Spirits 8,572

£1,014,271

Direct Taxation—

Stamp duties (arrears only) 4,726

Duty on gold 14,196

Licenses 88,809

£107,731

Revenue from lands—

Sales of lands 1,684,652

Rents of lands 533,978

£2,218,630

Revenue from other sources (including railway receipts, £598,663)

979,363

Total revenue £4,319,995

The Customs and Excise duties were at the rate of £1 13s. 5d. per head of the population, "a rate very much below that of any of the other Australian Colonies."

The history of Indirect Taxation in New South Wales during the last thirty years of the nineteenth century (at the end of which period the control of that form of taxation passed to the Commonwealth) is one of changes dictated almost entirely by revenue requirements only. There is one period of nearly four years which constitutes an exception. During that period a Protectionist Tariff was in force. The Protectionist Party under Sir George Dibbs had come into office in 1891, but in July, 1894, was obliged to give way to the Free Trade Party under Mr. Reid.¹ One of the first acts of the Reid Government was to introduce a Bill for an Act "to provide for a system of Direct Taxation by means of a Land Tax and an Income Tax. The Bill was passed by the Legislative Assembly, but rejected by the Legislative Council, a nominee body having life tenure. Mr. Reid obtained a dissolution, and a General Election was held which resulted in the return of the Reid Government with a working majority. In the course of the Financial Statement which Mr. Reid presented to the newly-elected House, Mr. Reid said:

Until the year 1865 *ad valorem* duties were practically unknown to the fiscal policy of this country. Then in a time of financial embarrassment they were imposed. As soon as the revenue permitted, in the year 1873, they were repealed until 1886, when again financial embarrassment arose, and again they were resorted to. Then, a very few months after placing them on the Statute Book, there was a General Election in this country, and the first thing that was done after that appeal to the people was this, that they were again effaced from the Statute Book. The administration of public affairs in this country has always been in the hands of Free Trade Ministries and Free Trade Treasurers until the Ministry of 1891. . . . It had a perfect right to occupy its place for a time, but I never admitted its right to alter the settled policy of the country without the confirmation of the electors. . . . I think I truthfully assert the verdict of the last General

¹ Parl. Debs., lxxvii., 6,010.

Election to have been a determination on the part of the people that once again these duties should be removed from the Statute Book, and that our Tariff should at least approach that of a Free Trade Government. . . . I say that we were sent into this House to bring about real Free Trade.

In the Legislative Council, the representative of the Government, the Hon. Dr. Garran, said: "Different Parliaments and different Ministries have at various times lapsed into Protection, and into *ad valorem* duties; but never in obedience to a direct mandate from the people."¹

The Reid Government gave effect to its Free Trade principles by repealing the *ad valorem* duties which had been in force since 1892, and also by introducing Direct Taxation in the form of the taxation of incomes and of land.

A short summary of the Tariff changes in New South Wales from 1870 may be given.²

On March 10, 1871, an Act³ came into operation which repealed all former Tariff Acts, and while largely increasing existing specific duties, imposed an *ad valorem* duty of 5 per cent. upon a number of articles.

On January 1, 1874, an Act⁴ took effect which abolished the *ad valorem* duties of 5 per cent., and reduced the duties upon a number of articles subject to specific rates. No further change was made until 1879, when an amending Act⁵ was brought into operation, which increased the duties upon spirits, wine, and spirituous compounds. Another period of nearly five years elapsed before the Tariff Schedules were amended. An amending Act,⁶ taking effect on February 20, 1884, imposed duties on stearine and cigarettes, and increased the duties on cigars, tobacco, and opium. In 1886 the Tariff Acts of 1871 to 1884 were repealed, and a new Tariff Schedule⁷ came into operation on April 7, 1886. The chief features were the re-imposition of an *ad valorem* duty of 5 per cent., and a large increase in the specific rates on many articles. The 1886 Act had a short currency, for a repealing

¹ Parl. Debs., lxxx., 1,523.

² See N.S.W. Statistical Register, 1900.

³ 37 Vic., No. 5.

⁴ 47 Vic., No. 10.

⁵ 34 Vic., No. 21.

⁶ 43 Vic., No. 16.

⁷ 50 Vic., No. 16.

Act¹ came into operation on October 1, 1887. The 5 per cent. *ad valorem* duty again disappeared, and the specific duties were largely reduced.

The 1887 Act in its turn was displaced by an Act² which became effective on December 2, 1891, and marked the advent to power of a Protectionist Government. That Act, while increasing the specific duties upon many articles, imposed *ad valorem* duties of 10 and 15 per cent. on a long list of commodities. Two subsequent minor changes were—the abolition of the duty on tea (March 1, 1892), and the imposition of a duty of 10s. per ton on pig-iron (January 1, 1893).

In 1895 an Act³ was passed repealing the Tariff of 1891, and bringing into operation, as from January 1, 1896, a Schedule which, omitting all the *ad valorem* duties, imposed duties at specific rates upon intoxicants, narcotics, and twenty-five other items. The Act provided that on June 30, 1896, the duties on sixteen of the twenty-five items should cease, and that the duties on the remaining nine items should be gradually diminished on a sliding scale, so as to vanish on or before the year 1900. The only dutiable goods would then have been intoxicants and narcotics. A modification was made by an Act⁴ operative from November 3, 1898, which provided that the duties imposed by the 1895 Act upon sugar, glucose, molasses, treacle, biscuits, confectionery, fruits, jams, jellies, and preserves should cease to be diminishing duties, and should be retained. A duty of 1d. per pound was placed upon tea, and 2d. per pound upon fruits, dried and candied, or prunes, exclusive of dates.

In 1900, the last year in which the State had full control of its own Tariff, the Customs revenue of New South Wales was £1,437,303, of which £1,176,889 was from intoxicants and narcotics. The Excise revenue for the same year was £358,932, of which £303,801 was from beer and tobacco. These figures exhibit the Free Trade or revenue intention of the Tariff, which was in striking contrast with the Tariff of Victoria in force at the same time.

¹ 51 Vic., No. 8.

² 55 Vic., No. 16.

³ 59 Vic., No. 18.

⁴ No. 32 of 1898. Acts of 1898 and subsequent years are numbered in this way, omitting the regnal year.

EXCISE DUTIES—*Spirits.*—It has already been mentioned that an Imperial Act (59 Geo. III., c. 114) authorised the Governor to levy an Excise duty upon spirits distilled in the Colony, “provided that such duty shall not exceed the duty levied upon imported spirits, and also that it shall not exceed 10s. per gallon.” In pursuance of this authority, Governor Brisbane issued a Proclamation in 1825 imposing a duty of 2s. 6d. per gallon upon spirits made or distilled from grain the produce of the Colony or its dependencies. A higher rate was levied on spirits distilled from sugar or molasses, but this was soon discontinued, though reappearing in a different form. The duty of 2s. 6d. per gallon upon grain spirit was not increased until 1855, when, by Act 19 Vic., No. 15, it was raised to 6s. 5d. per proof gallon, and shortly after a duty of 9s. 5d. per proof gallon was imposed upon spirits distilled wholly or in any proportion exceeding 10 per cent. of the whole from materials upon which Customs duty had not been paid. From December 10, 1879,¹ the duty upon all locally made spirits was 12s. per proof gallon, and from March 30, 1887,² it was 14s. per proof gallon, at which rate it remained until the establishment of the Commonwealth.

Beer.—An Excise duty on beer was first imposed on June 3, 1887,³ at the rate of 3d. per gallon, and this rate was not altered.

Tobacco.—An Excise duty upon tobacco was first imposed on February 20, 1884,⁴ the rate fixed being 1s. per pound. On March 30, 1887,⁵ this rate was increased to 1s. 3d. per pound, and from January 7, 1901,⁶ reduced to 9d. per pound.

Cigars.—In 1884⁴ an Excise duty of 2s. 6d. per pound was imposed upon cigars. This rate was reduced to 9d. per pound as from January 7, 1901.⁶

Cigarettes.—In 1884⁴ an Excise duty of 2s. 6d. per pound was imposed upon cigarettes. This rate was reduced to 9d. per pound as from January 7, 1901.⁶

¹ 43 Vic., No. 17.

² 51 Vic., No. 6.

³ 50 Vic., No. 38.

⁴ 47 Vic., No. 12.

⁵ 51 Vic., No. 7.

⁶ Excise Reduction Act, 1900. This Act ceased to operate on the imposition (October 8, 1901) of uniform duties of Excise throughout the Commonwealth.

It will be seen that on the advent of the Commonwealth the Excise duties in force in New South Wales were few in number and not excessive in rate.

The Customs Tariff was contained in a Schedule imposing duties on spirits, beer, tobacco, cigars, cigarettes, opium, and upon nine other articles, all at specific rates.

It is a singular fact that, with the exception of about four years, the fiscal policy of New South Wales was continuously that of Free Trade, while in Victoria, an adjacent Colony, and next in importance in the Australian group, the policy of Protection was early adopted, and was never changed. On the contrary, successive changes of rate were nearly always in the direction of an increase of the protective incidence.

The characterisation (in the preceding paragraph) of Victoria as "next in importance in the Australian group" to New South Wales needs some qualification from the historical point of view. The discovery of gold in 1851 induced a stream of immigration to Australia, and particularly to Victoria, to which Colony, also, many residents of other Colonies were attracted. As a result, in the course of the next ten years, the population and trade of Victoria became much larger than the population and trade of New South Wales. The relative positions of the two Colonies in these respects gradually changed, and about 1890 New South Wales had regained its pride of place. The following figures¹ for the years 1864 (the year in which protective duties were introduced into Victoria), 1873, and 1892 show the changes which occurred:

	<i>Population.</i>	<i>Imports.</i>	<i>Exports.</i>
		£	£
New South Wales, 1864 ..	390,863	10,135,708	9,037,832
Victoria, 1864 ..	601,343	14,974,815	13,898,384
New South Wales, 1873 ..	560,275	10,959,864	12,618,755
Victoria, 1873 ..	772,039	16,533,856	15,302,454
New South Wales, 1892 ..	1,197,650	20,776,526	21,972,247
Victoria, 1892 ..	1,167,373	17,174,545	14,214,546

¹ Rusden, iii., 373.

The population of New South Wales on June 30, 1924, was 2,226,715, and of Victoria, 1,639,704.

DIRECT TAXATION.—The first approach towards *Direct Taxation* in New South Wales may be traced in the fees charged in connection with the issue of Probates and Letters of Administration. Under an Imperial Act of 1828, 9 Geo. IV., c. 83, the Judges of the Supreme Court were empowered to make rules as to fees, poundage, or perquisites to be lawfully demanded by any officer, attorney, or solicitor in the said Court. In 1851, at which time the laws were enacted by the Governor and a Legislative Council consisting partly of nominees of the Crown, an Act was passed (15 Vic., No. 17) which took out of the Judges' hands the power of prescribing fees with regard to Probates and Administrations, and prescribed the following scale:

					<i>Probate.</i>	<i>Administration.</i>
					<i>s. d.</i>	<i>s. d.</i>
Where the effects are under £30, no fee						
£30, but under £50	..	..	..	..	7 6	10 0
£50	..	£100	..	..	10 0	15 0
£100	..	£200	..	..	15 0	20 0
£200	..	£500	..	..	20 0	30 0
Above £500	..	..	..	..	30 0	40 0

In form, at least, this scale with its progressive rates is not unlike some modern Probate duties. It will be noticed that the Legislature penalised intestacy by imposing higher rates in cases where there was no Will, or only an imperfect Will. This precedent was subsequently followed in other Colonies also, in spite of much protest against its unfairness.

This simple scale of fees continued in force until 1865, when simplicity gave way to complexity. Some influential but indiscriminating admirer of the jumble of Acts relating to Probate, Legacy, and Succession Duties then on the British Statute Book appears to have thought that it would be a good thing to have all the complex provisions of those Acts brought together in one Statute, and a complacent Parliament allowed this to be done.

The administrative sections of the Act are numerous and complicated. The Schedules are as follows:

Schedule I.—Stamp duties on documents, etc.

Schedule II.—containing the duties on Probates of Wills and Letters of Administration, and on Legacies and Successions to Real and Personal Estate.

Probate of a Will and Letters of Administration with a Will annexed, where the effects as sworn to by the Executor or Administrator shall be—

			£	s.	d.
Under the value of £100	..	..	1	0	0
Above £100 and under £200	..	..	2	0	0
„ £200	„	£300	3	0	0
„ £300	„	£400	4	0	0
And above £500, 1 per cent.					

Letters of Administration without a Will annexed, where the effects as sworn to by the Administrator shall be—

			£	s.	d.
Under the value of £100	..	..	1	10	0
Above £100 and under £200	..	..	3	0	0
„ £200	„	£300	4	10	0
„ £300	„	£400	6	0	0
„ £400	„	£500	7	10	0
And above £500, 1½ per cent.					

Schedule III. imposed duties on Legacies and Successions to Personal Estate under any testamentary disposition, or upon intestacy, where the value was £20 or upwards.

Relatives were classified according to consanguinity; direct issue and ancestors being in the first class (lowest rates). The rates were respectively 1 per cent., 3 per cent., 5 per cent., 6 per cent., while for strangers in blood the rate was 10 per cent. This Schedule seems to be confined to Legacies and Shares in the Residue of an estate.

Schedule IV. imposed duties on 'Successions.' The classes and rates were the same as in Schedule III. The line between the two Schedules is not perfectly clear in all cases, but as the

classes and rates were the same, perhaps no practical difficulties arose.

The Act imposing these rates was the Stamp Duties Act, 29 Vic., No. 6. Though called a Stamp Duties Act and imposing Stamp Duties on receipts, transfers, etc., the greater part of this long Statute was devoted to provisions relating to Probate and Succession Duties. The object of the duties was stated to be "to assist towards the defrayal of the expenses of Government, and to paying off the deficiency which then existed. The Bill authorising their imposition was carried by a large majority; . . . the Act was expressed to continue in operation until 1871. It was then amended, and continued until 1874, when, at a time of political crisis, it lapsed through Parliament being out of session. In 1876 Mr. Forster introduced a Bill to re-enact the duties. This was passed in the Assembly, but before being sent to the Council exception was taken to the manner in which it was introduced. The Speaker held that the measure was improperly before the House, and it was dropped."¹

From 1874 no Probate or similar duties were in force, until in 1880 the Stamp Duties Act was passed, which included a provision imposing a Probate Duty of 1 per cent. The triple Schedule and all the complications of the 1865 Act were omitted, and this low single duty restored simplicity of form, and reduced the burden to a point at which it could hardly have been felt. The duty was applied in the case of property passing at death, whether by Will, on an intestacy, or by a Settlement. The Act covered a range of Stamp Duties apart from the Probate Duty. As first introduced, the Bill was passed by the Assembly and sent to the Council. The Council made some amendments which the Assembly considered were an encroachment upon its powers, and on the motion of Sir Henry Parkes the Bill was laid aside. A second Bill, practically identical with the first, was introduced and passed in the Assembly, but was put aside by the Council. A third Bill was then introduced and passed in the Assembly. "In this Bill," said the Premier, "some verbal amendments

¹ Parl. Debs., 1879-1880, i., 869.

have been made to meet objections which have been raised."¹ These 'verbal amendments' were accepted by the Council, and the Bill became law.

An explanation of the low Probate Duty prescribed by this Act may be found in the following extract from the Financial Statement made a few months after the passing of the Act. The Treasurer said: "I think I can assert without fear of contradiction that at the present time there is remunerative employment for every one who is inclined to work; that trade and commerce are in a flourishing condition, and that the prospects of agriculturists and graziers have been much improved by the fertilising rains."²

In 1886 conditions were a little less propitious; more revenue was needed, and the Treasurer turned to Probate Duties as a source from which that revenue could be collected. In introducing a Bill to impose higher duties, the Treasurer said: "I do not intend to enter further into the question as to the propriety of the measure which is now before the House, for it is perfectly clear that there can be no more legitimate means of raising the money of which the country is in urgent need at this moment than by levying it on those estates which are very well able to bear it."³

The new Schedule, which became law in the Act 50 Vic., No. 10, was as follows, and applied to the estate, whether real or personal, which had belonged to any testator or intestate dying after the commencement of the Act:

	<i>Per Cent.</i>
Where the value of the estate is under £5,000 ..	1
" " " £5,000 and under £12,500 ..	2
" " " £12,500 " £25,000 ..	3
" " " £25,000 " £50,000 ..	4
" " " £50,000 and over that amount	5

These rates also applied to settlements taking effect after the death of the settlor.

Many speeches were made in the House in protest against the re-introduction of the progressive principle, which was denounced as "a bad system in every country and in every

¹ Parl. Debs., 1880-1881.

² *Ibid.*

³ *Ibid.*, xx., 2,477.

age." This view was indeed held by many economists during a great part of the nineteenth century.

An amending Act of 1892 (56 Vic., No. 30) provided that estates of a gross value not exceeding £200 should be exempt from duty.

In 1899 a great increase in rates occurred, the minimum and maximum rates being doubled, and the graduated scale being extended to £100,000. The scale was as follows:

	<i>Per Cent.</i>
Where the total value of any estate, after deducting all debts, exceeds £1,000, and does not exceed £5,000	2
Where the total value of any estate, after deducting all debts, exceeds £5,000, and does not exceed £6,000	3

then rising by one-fifth of 1 per cent. for every additional £1,000 in value up to £10,000; then by one-fifth of 1 per cent. for every additional £2,000 in value up to £40,000; then by one-fifth of 1 per cent. for every additional £4,000 up to £100,000, and over £100,000, 10 per cent.

Half rates were charged in the case of widow and/or children (which term includes grandchildren), where the net value of the estate did not exceed £50,000. This limit was reduced to £30,000 by an amending Act of 1904 (No. 24), to £10,000 by the Act of 1913, and to £5,000 by the Act of 1920 now in force.

Parliament was asked to pass the 1899 Act, with its large increase of rates, for revenue reasons. The Premier said: "I must have revenue," and made no other explanation.

The Schedule of the 1914 Act (No. 3 of 1914), which still further raised the rates to a maximum of 15 per cent., was put forward for the same reason.

The rates under that Schedule were:

	<i>Per Cent.</i>
Exceeding £1,000, but not exceeding £5,000 ..	2

increasing by one-half of 1 per cent. for each addition in value of £1,000 up to £10,000; then at the same rate of

increase for each addition in value of £2,000 up to £16,000; then by three unequal steps to £25,000, at which point the rate was 7 per cent., and, exceeding £25,000, 7 per cent., together with an additional percentage of one-third of 1 per cent. for every £5,000 or part of £5,000 in excess of the sum of £25,000, but so that the percentage shall not exceed 15 per cent.

Under this Schedule the maximum rate of 15 per cent. became applicable when the value of an estate reached £140,001.

But rates were destined to go still higher. The immense increase in cost of all Public Works and Services, and the consequent strain on the revenue which occurred during and subsequent to the War, led to the passing of Act No. 47 of 1920, which, while dealing with Stamp Duties generally, enacted a new Schedule of rates of Probate Duty. The general exemption of £1,000 was retained, and the rates up to £16,000 were not altered, but the graduation was carried up to a value of £150,000, at which point the rate is 19½ per cent. Above £150,000 the maximum rate of 20 per cent. is applied. The Schedule is as follows:

	<i>Per Cent.</i>
Exceeding £1,000, but not exceeding £5,000 . .	2

It then proceeds by increases of ½ per cent. with each step in value. Up to £10,000 the steps are of £1,000 each; then to £18,000 of £2,000 each; then to £140,000 of £5,000 each; followed by one step of £10,000, bringing the value to £150,000.

Among other changes the 1920 Act remedied a hardship which had been the subject of much complaint. As the law stood before the passing of the Act, property passing under a Will through the exercise of a power of appointment was aggregated with the estate of the testator for the purpose of the Probate Duty. This often led to a small estate which had been owned by a testator who had exercised a power of appointment being charged with a rate of duty much in excess of the rate appropriate to its amount.

The 1920 Act provided for a separate assessment in such cases of the property passing under the power of appointment, and provided also that where the value of such property does not exceed £5,000, the duty shall be 2 per cent., and beyond that point shall be chargeable at scale rates. The exemption of £1,000 does not apply to property separately assessed under these provisions. The rates imposed by the 1920 Act are still in force.

Up to estate values of £5,000, the Probate Duties of New South Wales are much lower than those of other States, whether one looks at the lowest scale—that is, that charged to nearest relatives—or at the highest scale—that is, that charged to distant relatives and/or strangers in blood. For values between £80,000 and £200,000 the New South Wales rates are higher than those of other States; at £200,000 the ‘lowest rates’ amount to double those of Victoria and Tasmania, and four times those of Western Australia. South Australia is hardly comparable, as the duty in that State is charged on the amount of each succession, irrespective of the total value of the estate, whereas in other States the total value of the estate determines the rate of duty on every portion into which it may be divided.

LAND TAX.—The first proposal for the imposition of a Land Tax in New South Wales was made to Parliament in 1886, when a Bill was submitted for the collection of tax at the rate of $\frac{1}{4}$ d. in the pound on the unimproved value of all lands privately owned, with an exemption of £1,000. A motion was moved for the exclusion of all lands within municipal boundaries upon which local rates were payable. This was negatived, and after much discussion the Bill was adopted by the Assembly. In the Council it had an unfavourable reception, and after a lengthy debate was shelved by the passing of a motion that it be read “this day six months.”¹ The Government made no further attempt to overcome the opposition of the Council, and the proposal lapsed.

In 1888 the Government of Sir Henry Parkes introduced

¹ Parl. Debs., xxiii., 5,388.

a Land Tax Bill of a similar kind, but with an exemption of £500. This also failed to become law.

In 1895 a fresh attempt was made by the Government under Mr. Reid to pass a Land Tax (in conjunction with an Income Tax). The Legislative Council objected to the exemptions proposed and made amendments which were regarded as encroaching upon the Assembly's jurisdiction. A dispute between the Houses led to a General Election. The Reid Party returned with a majority, and with "a clear mandate from the electors to pass Land and Income Tax legislation." The election was notable for the disaster which overtook prominent men on both sides of the fiscal controversy. Sir Henry Parkes among the Free Traders, Sir George Dibbs among Protectionists, and others who had been conspicuous in the ranks of one or the other Party, lost their seats. A Protectionist member for a country constituency, Mr. Miller, explained the election in terms of a conflict between City and Country. He said: "So far as the people in the country are concerned, notwithstanding what the Premier said to the contrary, they are wholly solid Protectionists. In the country constituencies, Protectionists were returned by overwhelming majorities in almost every case. It was only in Sydney and the suburban constituencies that Free Trade candidates were returned, as is always the case."¹

The Government promptly complied with the 'mandate' by introducing legislation for the imposition of taxation both upon Land and upon Incomes. On the Land Tax question, in the discussions which had taken place before the election, an exemption of £475 had been agreed to. The Premier afterwards explained that this was "a compromise in which many members of the Opposition had voted with the Government."² There was much discussion as to an incremental tax, particularly with regard to country lands which had been sold by the Government at (generally) £1 per acre, and it was urged by some members that Land Tax should be levied only on so much of the value of such lands as exceeded

¹ Parl. Debs., lxxix., 69. At present the large cities are regarded as the Protectionist strongholds.

² *Ibid.*, lxxix., 199.

the original cost price. Mr. W. M. Hughes, then a member of the State Parliament (afterwards Prime Minister of the Commonwealth), quoted an English Parliamentary Return to demonstrate that, over a long period of time, there might be nothing on which an incremental tax could operate. That Return showed that in 1842 the assessment under Schedule 'B' (Statutory Rents of agricultural lands) of the British Income Tax was £39,539,000, and that in 1888 the corresponding assessment was £39,238,000, a decrease of £301,000 at the end of a period of forty-six years. The figures of capital value of all lands in England (quoted from Mulhall, 'Wealth,' p. 590) were, for 1840, £1,680,000,000; and for 1888, £1,544,000,000, a decrease of £136,000,000.

Some members declared that they would vote for the Land Tax (1d. in the pound), because they believed it would not be raised; and others because they believed it would be raised.¹

The question of exemptions had been argued, not only as to the amount of exemption, but also as to whether any exemption should be allowed. A member of the Legislative Council (the Hon. Dr. Garrahan) said: "The only argument for exempting small properties from an increment tax is that by that means the votes of the smallholders will be secured. For the initial period they would be bribed into acquiescence, but their turn would come ultimately. If a Land Tax is proposed as a charge on the unearned increment—that is, on the increase of the value of the land since it became private property—then the exemptions are opposed to the economic doctrines on which the tax is based, and are only defensible as a political dodge."

After the election Dr. Garrahan found himself in the position of Vice-President of the Executive Council, in which capacity he was the representative of the Government in the Council and had the responsibility of introducing the legislation for the Land and Income Taxes. In reply to criticisms upon his former speech with regard to exemptions, he said: "I say there are strong objections to exemptions, but I cannot make the people see the matter in the same light. The exemptions

¹ Parl. Debs., lxxi., 379.

were not put in by the Government, but by the Assembly. The dangers that exemptions may be considered a bribe to smallholders, I admit is a strong objection."¹

However, the Land Tax was passed with an exemption of £240. The rate was 1d. in the pound. Neither the exemption nor the rate of tax has ever been altered. Since 1906, the Land Tax has been quite unimportant in the scheme of State taxation. In that year a Local Government Act was passed which required Local Authorities to levy a general rate on the unimproved value of lands within their boundaries. In the case of Municipalities, the rate must be not less than 1d. in the pound, with permission to raise further funds by an additional general rate on either the unimproved or the improved capital value, and in the case of Shires, the rate must be not less than 1d. and not more than 2d. in the pound, but this minimum may be reduced with the consent of the Governor. The intention is that Land Tax shall be levied only by the Local Authorities, and the provisions of the Land Tax Act are suspended, but revive automatically in any Shire or Municipality in which the requirements of the Local Government Act are not fulfilled. No case of such non-fulfilment has arisen, and the present position is that the State collects Land Tax only in a part of the western district of the State where there are some freehold areas which are not within any incorporated district. The State revenue from this source is about £2,000.

With regard to Land Tax, therefore, the position in New South Wales is entirely different from that in other States. While there is a dormant power to collect the tax, the conditions under which that power would be exercised are so unlikely to occur that, except for the small unincorporated areas already mentioned, it may be said that Land Tax has become entirely a matter of local control.

INCOME TAX.—As in the case of Land Tax, the Parliamentary Session of 1886 was the first occasion on which Income Tax proposals were considered. The Government introduced a Bill for the imposition of an Income Tax at the rate of 4d.

¹ Parl. Debs., lxxix., 102.

in the pound, with an exemption of £300. The second reading was carried by a narrow majority, but after that stage the opposition to the measure appears to have become stronger. Mr. Gladstone was quoted to the effect that "the public feeling of its inequality is a fact most important in itself. The inquisition it entails is a most serious disadvantage, and the frauds to which it leads are an evil which it is not possible to characterise in terms too strong." One member said: "If the Devil had sent a representative here to institute a means of destroying the morality of the people, he could have found no better instrument than an Income Tax."¹ These arguments (or perhaps a careful counting of heads) induced the Government to abandon its attack on the morality of an innocent community, and the Bill was withdrawn without ever reaching the Council, where in any case it would probably have received its *coup de grâce*.

Income Tax (again bracketed with Land Tax) was part of the scheme of taxation of 1895, which in respect of Land Tax has already been briefly described. Together with Land Tax it survived the vicissitudes of the 1895 election, and although subsequently there were disagreements with the Council, these were settled after a 'Free Conference' between managers appointed by each House.

The rate of tax adopted was 6d. in the pound, with a general exemption of £200, except in the case of a company.

However light-heartedly the urban and other voters may have issued their 'mandate' to the Reid Government to bring in legislation imposing Direct Taxation, when that mandate was obeyed by the enactment of a Land Tax and, at the same time, an Income Tax, the impact of those two taxes upon the community caused dismay and irritation of an unexpectedly intense nature. The difficulties of the Administration were, of course, great. Large staffs had to be hurriedly collected, organised, and taught their work, a task which, when it has to be done rapidly, can only be done imperfectly. The records of the time are full of the complaints of a public which, too, had slowly and perhaps painfully

¹ Parl. Debs., xxii., 4,351.

to learn its part, and to realise the wide difference between a comfortable arm-chair admiration for direct taxation as applied to other people, and the uncomfortable personal adjustments and adaptations which its inevitable compulsions demand when it is applied to oneself. Looked at from the point of view of the present enormous and duplicated burdens of taxation, that earlier period seems a Paradise of financial ease, but to many of the New South Wales taxpayers of 1895 a Land Tax of 1d. in the pound and an Income Tax of 6d. in the pound appeared to be extremes of fiscal tyranny.

The administrative Act (Land and Income Tax Assessment Act of 1895) dealt, as its title indicates, with both taxes. That Act has not been greatly altered during the subsequent years. The general (Income Tax) exemption has been increased, and now stands at £250. No exemption is allowed in the case of a company. The rates of tax have been the subject of frequent change, especially during and since the War, and always in the direction of increase. The 'step' system is employed—that is, taxable income is divided into separate strata, and a separate rate applied to each stratum; thus, the first £250 (above the exemption) is taxed at a rate of 1s. in the pound, the second at 1s. 1d., and so on. This is simple but rather clumsy, and does not lend itself to swift determination of the *average* rate at any point of income.

The present scale, imposed by Act No. 21 of 1922, as operating on incomes derived from *personal exertion*, is on the following lines:

On so much of the taxable income as does not exceed £250 . . . 1s. in the pound, then rising by 1d. for every additional £250 (or part) of taxable income up to £1,000; then by 1d. for each additional £500 (or part) up to £2,500; then by 2d. for each additional £500 (or part) up to £5,000 (the rate on the last £500 is 2s.); then on the layer of income from £5,000 to £7,000, 2s. 2d. per pound, and on each pound in excess of £7,000, 2s. 3d. At each point there is an addition of one-third of the prescribed rate "on such of the income as is derived from the produce of property."

The rate on the income of companies is 2s. 6d. in the pound—the exemption allowed to individual taxpayers is not deductible.

The general provisions relating to Income Tax are now contained in a consolidated Statute, the Income Tax (Management) Act, 1912. That Act exempts from tax the revenues of municipal corporations or of other local authorities; the incomes (other than interest on mortgages) of mutual insurance societies; the profits of State Savings Banks; the incomes of Friendly Societies and Trade Unions, of Starr-Bowkett Societies, of Ecclesiastical, Charitable, and Educational Institutions of a public character; incomes derived from Government debentures, etc., from sources outside the State, and from shares in a company. This last exemption is inserted because of the taxation of companies without regard to the interest of individual shareholders. There are other deductions of a sort common to Income Tax legislation. These are usually considered to fall into two classes—namely, losses, outgoings, and expenses incurred in the production of the income, and ‘Concessional Deductions.’

In the first class there are two which are absent from the Acts of other States. These are, a deduction of the annual sum necessary to recoup the expenditure on improvements made on the land under covenant with the lessor, by a lessee who has no tenant rights in the improvements, and an allowance of any sums expended by the taxpayer on suckering or eradicating seedlings or prickly pear on lands owned, held, or occupied by the taxpayer.

Taxpayers have a right of appeal against assessment to a Court of Review, from which, on points of law only, there is an appeal to the Supreme Court.

New South Wales has the highest initial rate of Income Tax in Australia, and for taxable incomes up to about £1,000 it is the most severe, though its *maximum* (average) rate is much lower than that of Queensland, Western Australia, or the Commonwealth. The New South Wales (Personal Exertion) average rates are: at £500, 1s. $\frac{1}{2}$ d.; £1,000, 1s. $1\frac{1}{2}$ d.; £3,000, 1s. $4\frac{1}{2}$ d.; £5,000, 1s. 6·7d.; £7,000, 1s. 8·8d.; £50,000, 2s. 2·1d.; £100,000, 2s. $2\frac{1}{2}$ d. (See Addendum, p. 271.)

CHAPTER V

• VICTORIA

IN 1851 Victoria, which up till then had been known as the District of Port Phillip and had formed part of New South Wales, was created a separate Colony, administered by a Lieutenant-Governor and a Legislative Council.

In 1852 that body passed an Act (No. 2 of 1852), which repealed certain New South Wales Acts, so far as they applied to the District of Port Phillip, and imposed duties of Customs as follows:

	s.	d.
Coffee, per cwt.	10	0
Spirits, or strong waters—namely, spirits or strong waters of any strength not exceeding the strength of proof by Sykes's hydrometer, and in proportion for any greater or less strength than the strength of proof, per gallon	7	0
Spirits, cordials, liqueurs, or strong waters, sweetened or mixed with any article so that the strength cannot be ascertained by Sykes's hydrometer, per gallon	7	0
Spirits, perfumed, per gallon	7	0
Tea, per pound	0	3
Tobacco, cigars, and snuff, per pound	2	0
Wine, per gallon	1	0
All other goods, wares, and merchandise	Free.	

An Act of 1854 (No. 6) amended the Schedule by adding a duty upon ale, porter, spruce, and other beer, cider and perry, at the rate of 6d. per gallon, and by doubling the duty on wine. A later Act of the same year, No. 9, raised the duty on all spirits to 10s. per proof gallon, on tea to 6d. per pound, and imposed duties on coffee and chicory, 2d. per pound, molasses and treacle, 3s. per cwt., and on sugar, 6s. per cwt.

In 1855 an export duty on gold, at the rate of 2s. 6d. per

ounce, was imposed. As in other Colonies, where similar duties have been imposed, the view appears to have been that without such an impost the contribution of the gold industry to the revenue of the country was inadequate, and so long as gold was being freely won and lavishly spent the existence of the duty aroused little or no opposition. Such duties did not usually survive the halcyon days of the industry.

No general revision of the Tariff was attempted until 1864. In the meantime, 1856, Responsible Government had been introduced, with two Houses of Parliament, a Legislative Assembly, and a Legislative Council.

The Council is not, as in New South Wales, a nominee body, but wholly elective, the electors being required to have a property qualification. Another difference between the two States was that in New South Wales the Council had power not only to reject Money Bills passed by the Assembly, but also to amend such Bills, while in Victoria the Council's only power with regard to such Bills was one of rejection and not of amendment.

Following a General Election in 1864, during which the Premier, Mr. McCulloch, though a professed Free Trader, had hinted at a "revision of the Tariff," the Governor's Speech (November, 1864) included an announcement that a measure would be submitted for the purpose of re-adjusting the Tariff. The Ministry was not in a strong position. Representatives of gold-field constituencies demanded the abolition of the existing export duty on gold, and there was an important group of members in the Assembly who, apart from the Gold Duty question, were anxious to see the enactment of import duties of a Protective character. The Ministry could not afford to ignore the advocates of either of these changes. With regard to the Gold Duty the Government was prepared to reduce, but not to abolish, the levy, but the Assembly passed a resolution that the duty should cease to be levied at the end of the year 1866. The passing of this resolution made it more than ever necessary that the Government should adequately meet the wishes of the Pro-

tectionist members of the Assembly. But there was a difficulty as to the Council. "It was presumed that the Legislative Council was hostile to abandoning Free Trade and to throwing away the royalty [export duty] on gold. Mr. McCulloch resolved to bribe the Protectionists and the enemies of the Gold-Duty by tacking his measures to the Appropriation Bill; and thus to coerce the Council to pass the composite Bill, or to furnish him with a popular cry, which might annihilate their influence."¹

In March, 1865, after the introduction of Tariff resolutions, followed by some curiously vacillating procedure on the part of the Government in the Assembly, the Council was informed in reply to a question that the Government intended to introduce the new Tariff clauses in the Appropriation Bill. This was the beginning of a struggle between the two Houses, marked by some extraordinary features. The Council appointed a Committee to search for precedents on the question of 'tacking,' and generally on the subject of taxing and appropriation Bills. The Report of that Committee led to the unanimous adoption by the Council of a resolution to insist upon following the Imperial Parliamentary practice with regard to the matters which may legitimately be included within one Bill. The Resolution also contained a specific declaration that, in accordance with Imperial practice, clauses of 'Aid and Supply' cannot be included in an Appropriation Bill.

The mode of procedure announced by the Government did not pass without criticism in the Assembly either, but the Attorney-General, Mr. Higinbotham, stated (quite incorrectly) that the proposed 'tacking' was in strict conformity with Lord Palmerston's example in 1861, and this silenced the opposition.

Finally, the Government brought in a Bill of a composite character, which included a Tariff Schedule and the ordinary clauses appropriating moneys required for the services of the year. This was passed by the Assembly and sent to the Council. "At this period the responsible Minister in the

¹ Rusden, iii., 198.

Council succumbed to commercial pressure, and forfeited his seat in the Parliament. The Government did not attempt to replace him. They fell back on the evil practice more than once tolerated before, and persuaded a private member to carry messages and move Bills in the Council."¹ When the composite Bill came before the Council, after a ruling of the President that the Constitution precluded the Council from dividing the Bill into two portions and dealing with those portions separately, Mr. Fellows moved:

That as by the thirty-fourth section of the Constitution Act the rules, forms, and usages of the Imperial Parliament are required to be followed so far as the same may be applicable to the proceedings of the Legislative Council and Legislative Assembly respectively, until altered by some standing rule or order to be adopted by both the said Council and Assembly; and it is contrary to those rules, forms, and usages, which have not been so altered, that any clause of Appropriation should be introduced into a Bill of Supply; and as this Bill of Supply contains a clause appropriating the supplies granted during the present session of Parliament to the service of the years 1864 and 1865, and, moreover, regulates the disposal of minerals in the waste lands of the Crown (over which this House claims to exercise equal power with the Assembly), and therefore encroaches upon the just privileges of this House, the subject-matters of this Bill be not considered until they are dealt with in separate measures, and this Bill be laid aside.

This resolution was carried by twenty-five votes against five. The reference to "the disposal of minerals in the waste lands of the Crown" is an allusion to the provision relating to the Gold Duty.

The first step taken by the Government was to cause the passing of resolutions in the Assembly affirming that the Bill laid aside by the Council was framed in strict accordance with the rules, forms, and usages of the Imperial Parliament, and that the Assembly would not consider any Bill for the appropriation of supplies until the Council passed the Tariff which the Assembly had adopted. This was followed by a

¹ Rusden, iii., 202.

notification in the *Gazette* that payments of salaries, wages, and other claims would be suspended until the "necessary authority" could be obtained. This at once involved not only the whole of the Civil Service, but all other creditors of the Crown, as it meant a cessation of all payments.

It appears that for about two months the Government made no attempt to meet the just claims of any of its creditors. The Treasurer then approached six leading banks with a request that they would open cash credits on the authority of the Governor. One bank, a local director of which was Mr. McCulloch, the Premier, consented. The others asked for further information "to enable them to deal with this novel request."

The Government was satisfied with the consent of one bank. Orders in Council were at once passed, authorising the Treasurer (1) to make arrangements for payments by means of cash credits, and (2) to borrow the sums required. The day after the passing of these Orders in Council the Treasurer executed a deed under seal promising to pay to the lending bank all sums of money so lent. But the bank had stipulated for a more effective protection of its rights than it deemed to have been afforded by an undertaking of a Treasurer. This was the arrangement: "The Treasurer was to obtain a loan, the bank to file a petition against the Queen to recover the sum, the Attorney-General to confess the debt, the case to be thus kept from trial, judgment to be entered by the Prothonotary, and the Governor to issue a warrant for the payment of the debts and costs."¹

The Governor (by advice) informed the Council of the provisional arrangements he had made for defraying the public expenditure, and told them that the "lost Bills were in their possession." The Council did not accept the tactical assumption that they were responsible for the Government's difficulties, and adopted an address to the Queen setting forth the events of the session, and praying that such measures might be adopted "as may seem fit for maintaining in this Colony the Constitution as by law established." A little later, in

¹ Rusden, iii., 208

connection with an attempt to arrange a conference between the two Houses, the Council informed the Assembly "that, as the Supply and Appropriation Bill was finally disposed of on July 25 last, it could not be the subject of a conference."¹

Meanwhile a new development occurred. In accordance with a common practice the new or increased duties covered by the Tariff Resolutions introduced in the Assembly were at once collected, in anticipation of the passing of the Act necessary to give them validity. Traders who had paid such duties, when they found that the Bill including the Tariff duties had been rejected by the Council, commenced proceedings for the recovery of the sums so paid, and the Supreme Court decided in their favour. The Government, however, continued to collect the duties. The Attorney-General wrote that "the Government could not allow the decision of the Supreme Court to stop the collection of the duties."

There had been a pretence—it is difficult to regard it as having been a sincerely held belief—that the Bill which the Council had "laid aside" could not be considered as "lost," and that the Council was merely adopting a policy of obstructive delay. The Government affected surprise when the Council declined a proposed conference on the Bill, on the ground that they had finally disposed of it some time before. However, the Government introduced a new Tariff Bill into the Assembly. The preamble of this Bill affirmed that the Assembly was the sole grantor of supplies. The Bill was given a retroactive effect, and without notice a clause was introduced providing that any actions or proceedings, verdict, judgment, order, or decree of the Supreme Court inconsistent with its retroactive effect should be set aside without costs. The Standing Orders were suspended and the clause passed. This Bill was rejected by the Council. Hearing that a dissolution was being sought, the Council forwarded an address to the Governor (of which no notice was taken), reminding him that no Appropriation Bill had been transmitted to them as a separate measure; that they were, as they had previously informed him, willing to pass such a Bill; and that mis-

¹ Rusden, iii., 211.

chievous consequences might arise from a prorogation under the circumstances. The Council's protest was too late, for on the same day on which they adopted that address the Governor prorogued Parliament.

Petitions for and against the action of the Government and of the Council had been presented to the Governor, and among them was one, adverse to the Government, which was signed by twenty-two persons, each of whom had become a member of the Executive Council since the advent of Responsible Government. This petition recited a continuing series of acts which the petitioners contended were in violation of Constitutional liberty, and which "could not have been committed, much less persisted in, if His Excellency the Governor had not given them the sanction of his authority."

When forwarding this petition to the Secretary of State, the Governor (Sir Charles Darling) attacked the petitioners, accusing them of conduct amounting to "a treacherous conspiracy against the Governor," and declaring it "impossible that the relations between the petitioners and myself can, in the face of this conspiracy, be such as ought to subsist between the Governor and gentlemen holding the commission of an Executive Councillor, whether occupying or not responsible office; and it is at least to be hoped that the future course of political events may never designate any of them for the position of a confidential adviser of the Crown, since it is impossible their advice could be received with any feelings than those of doubt and distrust." This indiscreet partisanship led to the downfall of the Governor, for he was recalled by a despatch which arrived in the Colony in April, 1866.

Information as to the earlier phases of the controversy between the two Houses, the transaction with the bank, and the continued collection of duties after the judgment of the Supreme Court which declared them invalid, had been communicated to the Secretary of State, and in a despatch dated November 27, 1865, which was on its way when the Governor penned¹ the sentence quoted in the last paragraph, the course

¹ Or adopted at the suggestion of his advisers.

taken by the Governor in relation to those matters was severely criticised. The following is an extract from the despatch:

... As at present advised, therefore, I am of opinion that in these three respects—in collecting duties without sanction of law, in contracting a loan without sanction of law, and in paying salaries without sanction of law—you have departed from the principle announced by yourself and approved by me, the principle of rigid adherence to the law. I deeply regret this. The Queen's representative is justified in deferring very largely to his constitutional advisers in matters of policy or even of equity. But he is imperatively bound to withhold the Queen's authority from all or any of those manifestly unlawful proceedings by which one political party is occasionally tempted to establish its preponderance over another."¹

The elections held early in 1866 resulted favourably for the Ministry, and in March of that year a new Tariff Bill, to which were tacked provisions relating to the export duty on gold, was adopted by the Assembly and forwarded to the Council. The Council rejected the tacked Bills, "because they repealed existing permanent laws and enacted merely temporary provisions in their stead; because the revenue derived from the gold royalty was foreign to a Bill of aid or supply, and had always been separated therefrom in legislation; and because the preamble was without precedent, and implied that the constitutional disability of the Council to originate or alter Bills was the only difference between the two Houses in regard to such Bills."² Further delay occurred, but finally, after conference, a compromise was agreed to, and on April 18, 1866, the Tariff Bill amended as agreed to (as also a new Appropriation Bill) was passed, thus ending the long conflict between the two Houses.

The Tariff resolutions of February, 1865—the first step in the series of events which caused so much friction—adopted a Schedule which purported to—

- (1) Increase some existing duties.
- (2) Reduce some existing duties.
- (3) Impose duties on some commodities formerly free of duty.

¹ Rusden, iii., 219.

² *Ibid.*, 223.

In proceeding at once to collect duties in accordance with the new Schedule where the new rates were higher than the existing (statutory) rates [as in (1) and (3)], the Government was acting in protection of the revenue, and in accordance with a practice which had become a convention of the Constitution in England.¹ That convention, however, only applied while there was a well-grounded expectation that an Act would speedily be passed conferring validity upon the collections. When the Council rejected the Bill which included the Schedule of rates, that expectation disappeared and the collection should have ceased. The Government not only continued collecting under the rejected Schedule, but refused to satisfy judgments of the Supreme Court requiring refund of certain duties collected without authority. These refunds were eventually made. In cases where the rates in the Schedule adopted by resolution were lower than those imposed by the existing Act, the Government took an unusual course, and one which lacked justification. It was not in protection of, but at the risk of, the revenue, and could not be justified by any appeal to usage. After the struggle between the Houses had ended, this matter was brought up in the Assembly, where it was stated that nearly £100,000 had been unlawfully remitted in this way. An attempt was made to pass a resolution the effect of which would have been to allow those persons who had not given bonds for payment of the amount lawfully due to escape the additional payment required by law, but this attempt failed.

The Schedule adopted at the close of the protracted inter-cameral dispute is included in Act No. 293 of April 18, 1866. This is the first Act avowedly passed in pursuance of a Protectionist policy. It greatly increased the number of articles dutiable at fixed rates, but its main feature was the imposition of an *ad valorem* duty of 10 per cent. upon several important groups of articles as follows:

Watches, jewels, and jewellery of all kinds, manufactures of silk, or of mixed materials of which the greater part is silk,

¹ In the Commonwealth Customs Act there is a provision the effect of which is to prevent the institution of any action for the recovery of duties so collected until after the close of the Session in which a Tariff or Tariff alteration has been proposed.

musical instruments, carriages, glass and glassware, chinaware and porcelain, furniture, toys and turnery, woodenware, brushware and wickerware, earthenware, oilmen's stores not otherwise enumerated (except oils in bulk, tapioca, sago, arrowroot, spices, pepper, and ginger), woollen blankets and rugs.

The Schedule also included a 'Package' Duty. This was a duty of 5s. per cubic foot, measuring outside the package, or for any package less than 1 cubic foot, upon millinery and all articles made up from fabrics of silk, or of silk mixed with other materials. There was a similar duty, but at the rate of 4s. per cubic foot, upon apparel and slops and all articles made up wholly, or in part, from fabrics of wool, cotton, linen, or mixed materials (except corn or wool bags), boots or shoes, hosiery and gloves, hats, caps, and bonnets (untrimmed); saddles, harness, and leatherware.

The 1866 Act did not long remain on the Statute Book, for on July 4, 1867, Act No. 396 was passed, bringing into operation a new Schedule. To a considerable extent this was a rearrangement of the previous Schedule, but it omitted the Package Duty, bringing all the articles formerly subject to that duty under an *ad valorem* rate of 10 per cent. It also included a drag-net rate of 5 per cent. upon all unenumerated goods not specially exempted.

Practically no change was made until 1871, when, on November 23, an Act (No. 400) was passed which repealed the Act of 1867. The 1871 Act shows on its face the evidence of a rising tide of Protectionist feeling. As introduced, the *ad valorem* portion of the Schedule was divided into three parts, the rates in the several parts respectively being $7\frac{1}{2}$ per cent., 10 per cent., and $12\frac{1}{2}$ per cent. Those rates were levied for about three months. Then the $7\frac{1}{2}$ per cent. rate disappeared, and rates of 10 per cent. and 20 per cent. came into operation. The 20 per cent. rate was applied to such important groups as boots and shoes, apparel and slops, agricultural machinery, a long list of manufactures of metals, hats, and many other goods. The drag-net rate of 5 per cent. on unenumerated goods was omitted.

It would be tedious to trace in detail all the Tariff changes which occurred between 1871 and the date when the authority

TABLE I.—BOOTS AND SHOES.

Description.	Act No. 489, 1874.	Act No. 646, 1876.	Act No. 769, 1883.	Act No. 1,019, 1888.	Act No. 1,082, 1890.	Act No. 1,286, 1893.	Act No. 1,401, 1895.
	Per Dozen Pairs.						
Men's, No. 6 and upwards ..	25/-	33/-	33/-	45/-	45/-	60/-	60/-
Youths', Nos. 2 to 5 ..	15/-	21/-	21/-	30/-	30/-	42/-	42/-
Boys', Nos. 7 to 1 ..	11/-	17/6	17/6	23/6	23/6	30/-	30/-
Women's, No. 3 and upwards ..	14/-	19/6	19/6	28/6	28/6	45/-	45/-
Girls', Nos. 11 to 2 ..	11/-	16/-	16/-	22/-	22/-	36/-	36/-
Girls', Nos. 7 to 10 ..	7/-	11/6	11/6	15/6	15/6	24/-	24/-
Children's, Nos. 0 to 6, and slippers ..	3/-	6/-	6/-	6/-	6/-	8/6	8/6
Women's lasting and stuff boots ..	10/-	13/-	13/-	19/-	19/-	19/-	19/-
Goloshes of all kinds ..	3/-	4/-	4/-	4/-	4/-	4/-	4/-
Slippers, men's, women's, and children's, from No. 7 upwards ..	7/-	9/-	9/-	—	—	—	—
Slippers, Nos. 7 to 2 ..	—	—	—	9/-	9/-	12/-	12/-
Slippers, with uppers of lasting or other material not being leather, with or without leather toecaps, but not goloshed or vamped with leather ..	—	—	—	—	19/-	19/-	30/-
Slippers not otherwise mentioned ..	—	—	—	12/-	12/-	12/-	18/-
Boots and shoes of india-rubber ..	—	—	—	12/-	12/-	12/-	12/-
Boot and shoe uppers—viz., ..	—	—	—	—	24/-	24/-	24/-
Leather, closed, men's ..	—	—	—	—	18/-	18/-	18/-
Leather, women's and children's ..	—	—	—	—	6/-	6/-	6/-
Leather, Wellington fronts ..	—	—	—	—	3/-	3/-	3/-
Cashmere, lasting or stuff ..	—	—	—	—	—	—	6/-
Sand shoes ..	—	—	—	—	—	—	—

NOTE.—The present Commonwealth Import Rates on boots and shoes are 35 to 45 per cent. The 35 per cent. is the British Preferential Rate.

of the State Parliament to legislate with regard to Customs and Excise duties passed to the Commonwealth Parliament.¹

¹ Though the Commonwealth came into being on January 1, 1901, the power of the Commonwealth Parliament with regard to Tariff legislation did not become exclusive until uniform duties of Customs were imposed. This took place as from October 8, 1901.

Tables I. and II. show the Tariff changes on certain items—Table I. in respect of boots and shoes, and Table II. in respect of spirits, tobacco, cigars, agricultural implements, woollen piece goods, and apparel. These items give a fair indication of the general course of Tariff changes in Victoria. Prior to 1874 the duty on boots and shoes had been *ad valorem*, the rate at that date being 12½ per cent. It will be seen that from

TABLE II.

Tariff Act.	Spirits per proof Gallon.	Tobacco.		Cigars.	Agricultural Implements.	Woollen Piece Goods.	Apparel.
		Manu- factured.	Unmanu- factured.				
1867, No. 306 ..	10/-	2/-	1/-	5/-	Per Cent. 10	Per Cent. Free ¹	Per Cent. 10
1871 " 400 ..	10/-	2/-	1/-	5/-	10	7½	12½
1878 " 593 ..	10/-	2/-	1/-	5/-	20	10	20
1879 " 646 ..	10/-	2/-	1/-	5/-	20	15 ²	20
1881 " 696 ..	10/-	3/-	1/-	6/-	20	15	20
1883 " 769 ..	10/-	3/-	1/-	6/-	20	15	20
1884 " 791 ..	12/-	3/-	1/-	6/-	20	15	20
1886 " 882 ..	12/-	3/-	1/-	6/-	20	20 ³	25
1889 " 1,019 ..	12/-	3/-	1/-	6/-	20	30 ⁴	35 ⁷ and 25
1893 " 1,285 ..	15/-	3/-	1/-	6/-	20	40 ⁵	50 ⁷ and 35
1895 " 1,401 ..	12/-	3/-	1/-	6/-	15	30 ⁶	35

1874 the duties were charged at a rate per dozen pairs, and that the rates continually increased. From Table II. it will be seen that the changes of rate upon spirits and tobacco have not been numerous. The duties upon these goods have always been regarded as revenue duties, though in fixing Excise rates on these commodities it has been the practice to leave a margin in favour of the local manufacturer. The

¹ Blankets, 10 per cent.

² Except dress goods, 7½ per cent., formerly free.

³ Other than dress goods (7½ per cent.)

⁴ Dress goods, if containing wool, still 7½ per cent.

⁵ As introduced, the duty was 45 per cent., but the House reduced it to 40 per cent.

⁶ And, after January 1, 1898, 25 per cent.

⁷ The higher duty applied to woollen piece goods.

items woollen piece goods and apparel show a continual increase in rate, culminating in the year 1893, a year of financial collapse, and followed by a slight reduction in 1895.

EXCISE DUTIES—*Spirits*.—The first Excise Duties Act passed in Victoria was the Act No. 73, operative January 1, 1859. This Act imposed duties as follows:

	<i>s.</i>	<i>d.</i>
Spirits distilled from sugar, per proof gallon ..	9	3
Spirits distilled from grain and roots, per proof gallon	10	0

In 1862 a comprehensive Distillation Act was passed, which, in addition to a complete scheme of administrative provisions, imposed duties thus:

	<i>s.</i>	<i>d.</i>
Spirits distilled from malt, grain, roots, grapes, or wine, per proof gallon	6	0
Spirits distilled from sugar, treacle, or molasses, per proof gallon	8	0

These duties remained until 1884, when Act No. 792 enacted the following rates:

	<i>s.</i>	<i>d.</i>
Spirits distilled from malt, grain, roots, or wine, per proof gallon	8	0
Other spirits, per proof gallon	10	0

Act 1,825, operative from January 19, 1893, raised the duties to:

	<i>s.</i>	<i>d.</i>
Spirits distilled from malt, grain, grapes, or wine, per proof gallon	11	0
Other spirits, per proof gallon	13	0

These rates proved to be the maximum under the State régime, for in 1895 Act No. 401 was passed, which reduced the duties to the rates hereunder:

	<i>s.</i>	<i>d.</i>
Brandy distilled wholly from grape wine and whisky, and Geneva distilled wholly from barley malt, per proof gallon	8	0
Other spirits, per proof gallon	10	0

These rates continued in force until Federation.

Tobacco, etc.—Tobacco, cigars, cigarettes, and snuff, manufactured in Victoria, were made dutiable in 1880 by Act No. 668, which imposed a duty of 1s. per pound upon each of these articles.

By an Act of 1892, this rate was reduced to 6d. per pound. The rates were again varied by Act 1,401, operative from January 1, 1896, which prescribed as follows:

	<i>s.</i>	<i>d.</i>
Tobacco, snuff, and cigars, per pound	0	9
Cigarettes, per pound	1	6

These rates remained unchanged until Federation.

Beer.—By Act No. 669, an Excise Duty of 2d. per gallon, operative on and after November 1, 1880, was imposed on all beer brewed or manufactured in Victoria.

A later Act, No. 1,257, of September 1, 1892, created a distinction in the rate of duty according to the materials from which the beer was brewed. The Schedule was as follows:

	<i>s.</i>	<i>d.</i>
Beer brewed from malt and hops, per gallon ..	0	2
Beer brewed from other materials, per gallon ..	0	3

These duties remained unchanged until Federation.

DIRECT TAXATION.—Of all forms of Direct Taxation, that of taxation of the estates of deceased persons has, in the Australian Colonies, invariably come first. In Victoria taxation of this kind began with the passing of the Act No. 388 of December 29, 1870.

In introducing the Bill for the Act, the Attorney-General said that "much of the elaborate machinery which belonged to Acts of a similar character that had been passed by the Imperial Parliament, as well as that of New South Wales, had been dispensed with,"¹ and he claimed that by simplification of procedure and practice, thereby reducing the cost of obtaining Probate, small estates would receive advantages

¹ Parl. Debs., 1870, ii., 551.

which would more than offset the duty which would be payable.

The duties chargeable on the estates, real and personal, of deceased persons were:

	<i>Per Cent.</i>
Where the total value of such estates, after deducting all debts, does not exceed £1,000	1
Where the value exceeds £1,000 and does not exceed £5,000	2
Where the value exceeds £5,000 and does not exceed £10,000	3
Where the value exceeds £10,000 and does not exceed £20,000	4
Where the value exceeds £20,000	5

This scale of duties was applied also to settlements of property containing trusts or dispositions taking effect after the death of the settlor.

Half rates were charged where the property passed to the widow or children of the testator or intestate.

A *donatio mortis causa* was charged as part of the estate.

In Victoria, as in other Australian Colonies, while the need of revenue is the motive usually assigned for the enactment of Probate Duties, the first, at least, of such enactments in a young country may be regarded as a Parliamentary declaration that a sufficiently high degree of development and of wealth has been reached to make such duties productive.

Alterations of the law were made on two or three occasions before 1890, when the Statutes dealing with the subject were consolidated by the Administration and Probate Act, No. 1,060, which prescribed a more extended and elaborate Schedule of rates, with duties rising to 10 per cent., but exempted estates up to a value of £1,000. (The 1870 Act provided no exemption.) The higher rates and extended scale must be taken as a sign of the increased opulence of the community, for, while the revenue requirements were not negligible, the Colony was still in a period of great prosperity which, however, was soon to receive a check.

The Schedule of rates was as follows:

	<i>Per Cent.</i>
Value exceeding £1,000 and not exceeding £5,000	2
Value exceeding £5,000 and not exceeding £6,000	3
Then increasing by $\frac{1}{4}$ per cent. with each additional £1,000 of value up to £10,000, and value exceeding £10,000 and not exceeding £12,000, at which point it was	4
Then increasing by $\frac{1}{5}$ per cent. with each additional £2,000 of value up to £40,000, at which point it was	6 $\frac{1}{5}$
Then increasing by $\frac{1}{4}$ per cent. with each additional £4,000 of value up to £100,000, at which point it was	9 $\frac{1}{4}$
Over £100,000	10

Property passing under settlements containing trusts taking effect at the death of the settlor was charged at the same rates.

Half rates in the case of widows or children, as before.

Omitting some intermediate changes, we come to the Act, No. 1,935 of 1904, which prescribed a new Schedule of rates. This Schedule has remained in force until the present day.

The Schedule is divided into four parts, the first two parts referring to property passing by Will or on intestacy, and the other two referring to property passing by settlement taking effect at death.

Part I. prescribes the rates payable where property passes to persons other than the widow and/or children of the deceased. The rates in such cases are as follows:

Where the total value of the estate, after deducting all debts—

	<i>Per Cent.</i>
Exceeds £200 and does not exceed £300 ..	1 $\frac{1}{4}$
„ £300 „ „ £400 ..	2
„ £400 „ „ £500 ..	2 $\frac{1}{2}$
„ £500 „ „ £600 ..	3
„ £600 „ „ £800 ..	3
„ £800 „ „ £1,000 ..	3
„ £1,000 „ „ £1,500 ..	4

	<i>Per Cent.</i>
Then by steps of $\frac{1}{4}$ per cent. for each increase of £500 in value up to £5,000, at which point the rate is	$5\frac{1}{4}$
Exceeding £5,000 and not exceeding £6,000 ..	6
Then by 4 steps of 0.2 per cent. for each increase of £1,000.	
„ 1 step of 0.4 „ for one „	„
„ 3 steps of 0.2 „ for each „	„
„ 1 step of 0.4 „ for one „	„
„ 4 steps of 0.2 „ for each „	„
„ 1 step of 0.5 „ for one „	„

Which brings the scale to £20,000, with a rate of $9\frac{1}{2}$ per cent.

	<i>Per Cent.</i>
Over £20,000	10

Part II. prescribes the rates payable where property passes to the widow and/or children of the deceased. The rates in such cases are as follows:

Where the total value of the estate after deducting all debts, or where the portion of such estate—

	<i>Per Cent.</i>
Exceeds £500 and does not exceed £1,000 ..	2
„ £1,000 „ „ £2,000 ..	3
„ £2,000 „ „ £3,000 ..	$3\frac{1}{4}$
„ £3,000 „ „ £4,000 ..	$3\frac{3}{4}$
„ £4,000 „ „ £5,000 ..	4
Then by 3 steps of 0.25 per cent. for each increase of £1,000	
„ 1 step of 0.25 „ for one „	£2,000
„ 5 steps of 0.2 „ for each „	£2,000
„ 15 steps of 0.2 „ for each „	£4,000
„ 4 steps of 0.2 „ for each „	£5,000

Which brings the scale up to £100,000, at which point the rate is 9.8 per cent.

	<i>Per Cent.</i>
Over £100,000	10

It will be observed that where the beneficiaries are the widow and/or children of the testator, there is an exemption of £500, and in other cases of £200.

In the case of property passing under a Will to a widow

and/or children of the testator, only half the rates of the scale under Part II. are charged when they are the only persons entitled, and the net value of the estate does not exceed £2,000, or, if they are not the only persons entitled, when the total of their shares does not exceed that sum.

This reduction in rate is not allowed in case of an intestacy. The lower scale just cited is applied also to settlements of property both real and personal, where the person taking the property is a widower, widow, or descendant or ancestor of the settlor, and there is a proviso that where the person taking is the child or widow of the settlor, the duty shall be charged at one-half the foregoing rates, if the total value of the estate of the deceased in and out of Victoria is under £2,000.

The higher scale, Part I., is applied to settlements of property where the person taking the property is a brother or sister or descendant of a brother or sister, or any person in any other degree of collateral consanguinity to the settlor. Where the property is taken by a stranger in blood to the settlor or donor, a flat rate of 10 per cent. is charged.

The law relating to the administration of the estates of deceased persons was again consolidated by Act No. 2,611 of September 9, 1915, but the Schedules of rates above set out were re-enacted, and are still in force.

Bequests to charities are exempted from duty. Gifts *inter vivos* made within one year of death, or whenever made if possession was not immediately entered into by the donee, and thereafter retained to the entire exclusion of the donor, and any gift made in anticipation of death, are dutiable. Property to which a deceased person was originally entitled, and which he had voluntarily caused to be registered jointly in the names of himself and any other person so that part or the whole of the beneficial interest passes to the survivor, is, to the extent of such interest, dutiable. Duty is charged on all property over which the deceased had a general power of appointment; on property passing under conveyances and assignments made with intent to evade duty; and on property passing under settlements containing trusts to take effect after the death of the settlor.

LAND TAXATION.—In 1877 the first Act (No. 1,575, October 11) imposing taxation on land was passed by the Parliament of Victoria. This Act was totally different from any Land Tax Act in force to-day. The subjects of its operation were 'Landed Estates' having a capital value exceeding £2,500. Section 2 of the Act shows what was to be understood as constituting a 'Landed Estate.' That section reads: "For the purpose of this Act a parcel or parcels of land of upwards of 640 acres in extent, forming one area or separate areas not more than five miles apart, valued for the purposes of this Act at upwards of £2,500, shall be called a 'landed estate.'"

The value of an estate for the purposes of the Act was not the market value, but a statutory value according to the (sheep) carrying capacity of the land. There were four classes of land, as follows:

<i>Class.</i>	<i>Land Capable of Carrying</i>	<i>Deemed to be of a Value per Acre.</i>
1	2 sheep or more to 1 acre	£4
2	3 sheep to 2 acres, and less than 2 sheep to 1 acre	£3
3	1 sheep to 1 acre, and less than 3 sheep to 2 acres	£2
4	Less than 1 sheep to 1 acre	£1

The rate of tax was 25s. per cent. of the *capital value above* £2,500—that is, there was a general exemption of a capital value of £2,500, whatever the total value of the estate.

The Government was criticised for framing the Act in such a way as to apply only to country lands exceeding 640 acres in extent. It was also objected that the tax might have a 'bursting up' effect on properties none too large for profitable working; that the tax was demoralising since it taxed a few for the benefit of the many, and that it operated unfairly, since the lower the market value of the land, the higher the proportion of the annual value absorbed by the tax. An attempt was made to amend the Bill to provide for a progressive tax, but the Government declared that the form of the Bill had been approved by the people during the election

which had recently occurred, and as there was obviously no hope of passing the amendment it was withdrawn. The yield of the tax was estimated at £200,000 per annum.¹

This Act remained on the Statute Book until 1910. Speaking in the State Parliament in that year, the Treasurer (the Right Hon. W. A. Watt) gave several instances of the irregular incidence of the tax, and of the curious cases which arose under it. A few sentences may be quoted: "The owner of an estate of 1,500 acres was subject to a land tax of £6 5s.; to his holding he added 800 acres of poor land. The lower quality of that land had the effect of lessening the average grazing capacity of the land, and the owner thus escaped taxation. So, by the operation of this strange antediluvian measure, a man may aggregate land, but because the process means lowering the average sheep-carrying capacity of the land, the man drops out of the Register. That is an actual case."²

The 1877 Act was superseded by the Land Tax Act, 1910, No. 2,284. As introduced, this measure provided for a tax of $\frac{3}{4}$ d. in the pound on all the land of any one owner which—

- (a) In the case of land wholly agricultural, exceeded the value of £500.
- (b) In the case of land other than agricultural, exceeded the value of £300.
- (c) In the case of land in part agricultural, exceeded the value of £300.

After lengthy debate in the Legislative Assembly some material changes were made. The rate was reduced to $\frac{1}{4}$ d. in the pound; the exemptions above set out were struck out; and one general exemption of £250, diminishing by £1 for every pound of value in excess of £250, and so vanishing at £500, was inserted, and a special provision was included to exempt from Income Tax incomes derived from land in respect of which Land Tax was paid. Where the unimproved value was more than £5,000 but less than £6,000, the maximum Income Tax was £5; more than £6,000 and less than £7,000,

¹ Parl. Debs., xxyi., 679.

² *Ibid.*, cxxy., 24, 55.

£7 10s.; more than £7,000 and less than £8,000, £10; more than £8,000 and less than £9,000, £12 10s. In 1915 this provision was transferred to the Income Tax Act, and in 1921 was altered to the form shown under the heading "Income Tax."

Among other machinery provisions the Act includes sections authorising a system of valuations of the lands of the State for the purposes of the tax and for other official purposes. In the case of objections to assessments taxpayers have access to a Court presided over by a County Court Judge or a Police Magistrate, whose decisions on questions of law are subject to appeal to the Supreme Court.

No important changes have since been made; the rate of $\frac{1}{4}$ d. in the pound is continued from year to year, as is also the exemption of £250.

INCOME TAX.—Income Tax in Victoria dates from the year 1895. In the Budget Statement submitted to Parliament during November, 1894, the Treasurer showed that on June 30, 1894, there was a deficit of £593,432, and he estimated a deficit for the year 1894-95 of £528,073. His financial proposals included an Income Tax. The Treasurer said: "It will, I think, be admitted that Direct Taxation has many advantages. The result of imposing Direct Taxation will be that the people and the people's representatives will not take the estimates for granted, but will look more carefully and more cautiously at the various items of expenditure than they have been accustomed to do in the past. They will insist that extravagance shall cease, and that whatever savings and retrenchment can be made they shall be effected by the Government which is in power for the time being."¹ There appears to have been some reaction against the high Customs duties, of which the Government felt bound to take effective notice, and, in commending the new Direct Taxes to the Parliament, the Treasurer by implication condemned the previous administration of public affairs, attributing its slackness and extravagance to the indifference engendered

¹ Parl. Debs., lxxv., 130 *et seq.*

by the use of Indirect Taxation as the principal source of revenue.

As introduced, the Bill provided for both Land and Income Taxes, but when the measure reached the Legislative Council it was shelved by the passing of a resolution (January 10, 1895) that it be read that day six months. The objection of the Council was to the Land Tax, and the Government promptly introduced into the Assembly a fresh Bill dealing with Income Tax only, but at higher rates than were first proposed. The rates adopted were—

For every taxable pound up to £1,200	..	..	4d.
Over £1,200 and not exceeding £2,200	..	..	6d.
Over £2,200	..	..	8d.

These rates applied to incomes derived from personal exertion. Incomes derived from property were taxable at double those rates.

There was a general exemption of £200, and deductions were allowed on account of calls on shares and calls made in course of liquidation or reconstruction of companies.¹

It is unnecessary to follow in detail all the changes made by various Income Tax Acts since 1895, but the subjoined Table showing minimum taxable income and the general exemption from that year till the present time is worth reproducing:

<i>Year.</i>	<i>Minimum Taxable Income.</i>	<i>General Exemption.</i>	<i>Allowed to—</i>
1895 to 1902	£ 201	£ 200	All taxpayers except companies and absentees.
1903 ..	126	100	Individuals only, with incomes not exceeding £500.
1904 ..	151	100	Ditto.
1905 to 1906	157	100	Ditto.
1907 ..	201	100	Ditto.
1908 to 1924	201	150	Ditto.

¹ Act No. 1,374, January 29, 1895.

"The reason the so-called general exemption has within Victoria been fixed at an amount less than the minimum amount taxable, was to avoid having to make assessments on which the tax was so small that it did not pay the cost of collection, such as amounts up to 3s. or 4s. The minimum amount of tax payable on a Victorian assessment is 12s. 9d., being 3d. in the pound on £51, the difference between £201, the minimum taxable amount, and £150, the exemption allowed."¹

The present rates of Income Tax in Victoria are—

On income derived by any person (not being a company) from *Personal Exertion*—

Where the income does <i>not</i> exceed £500, for every pound of the taxable amount thereof ..	3d.
Where such income <i>exceeds</i> £500, for every pound of the taxable amount thereof up to £500 ..	4d.
Where such income <i>exceeds</i> £500 and up to £1,000	5d.
Where such income <i>exceeds</i> £1,000 and up to £1,500	6d.
Where such income <i>exceeds</i> £1,500	7d.

Where the income is derived from *Property* the above rates are doubled.

The income of a *Company* is taxable at the rate of 12d. in the pound. It will be seen that the scale of rates applied to individuals is on the 'step' system—that is, the income is divided into separate strata, and the tax on each stratum is calculated at the rate prescribed, so that an increase in rate is not applied to the income below the point of increase. The result is that no individual income is taxed throughout at an average rate equal to the highest rate of the scale. Thus, on incomes derived from *Personal Exertion* the highest rate is 7d. in the pound, but while, as incomes increase, this rate is continually approached, it is never quite reached. On a taxable income of £5,000 the average rate is 6½d. in the pound; at £12,000, 6¾d. in the pound; at £100,000, 6·97d. in the pound.

¹ Evidence of the Commissioner of Taxes to the Royal Commission on Taxation, 1923.

It may be noted with regard to the general exemption of £150 that it has no application where the income exceeds £500. From an income of £500 the deduction of £150 is made, the taxable residue being £350, and the tax £4 7s. 6d.; from an income of £501 no deduction is made, and the tax is £6 5s. 4d.

A taxpayer deriving income from the produce of land the unimproved value of which does not exceed £3,500 is allowed a rebate of Income Tax at the rate of $\frac{1}{2}$ d. in the pound of such value (the Land Tax rate), but not exceeding the Income Tax payable. The Land Tax on an unimproved value of £3,500 is £7 5s. 10d. If the income from such land did not exceed £500, no Income Tax would be payable. If, however, the taxable income was £501, the tax would be £8 7s. 1d., less the allowance on account of Land Tax, £7 5s. 10d., or a net amount of £1 1s. 3d.

Another deduction recently provided (December, 1921), which is peculiar to the Victorian law, allows the deduction from gross income, of medical expenses incurred on behalf of the taxpayer, his wife, or any child under the age of twenty-one years; also in the event of the death of the wife of the taxpayer or the death of any member of his family under the age of twenty-one years, any sum of money paid for funeral and burial expenses.

For changes made in December, 1924, see Addendum, p. 272.

CHAPTER VI

* QUEENSLAND

THE first indication in Australia that a new Colony was to be carved out of what was then the northern part of New South Wales appears to have been given by notices in the Sydney Press of 1840 that Lord John Russell had introduced a Bill into the House of Commons, under which the districts of Port Phillip¹ to the south and Moreton Bay² to the north might be formed into separate and independent Colonies. On December 1, 1840, Sir George Gipps, the Governor of New South Wales, speaking in the Legislative Council, referred to the Press statement, and presented a despatch covering a copy of the Bill. The operative words of the principal section of that Bill were: "It shall be lawful for Her Majesty by Letters Patent to be from time to time issued under the Great Seal of the United Kingdom, to define, as to Her Majesty shall seem meet, the limits of the Colony of New South Wales, and to erect into a separate Colony any territories which now are or which, hereafter, may be comprised within the said Colony of New South Wales." Nineteen then existing counties (all within the present boundaries of New South Wales) were expressly excluded.

The announcement caused alarm and strong protest, which, through the interposition of Sir Robert Peel, led to the withdrawal of the Bill. A new Bill was introduced, with wording which it was stated was intended only to authorise the separation of New Zealand from New South Wales.

Years passed without the issue of Letters Patent under the Great Seal, and, as invariably happens in a Territory remote from the seat of Government, the forces making for separa-

¹ Afterwards included in Victoria.

² Afterwards included in Queensland.

tion became stronger with the passage of time. Grievances of course existed, some real, some perhaps imaginary. In 1840 the transportation of convicts from Great Britain to New South Wales was abolished, and as one consequence the penal settlement at Moreton Bay was broken up, and the district thrown open to free settlement. In New South Wales this event was followed by greatly increased exertions to procure an adequate supply of free immigrants. The complaint of the settlers in the Moreton Bay district was, however, that immigrants arriving from Great Britain were monopolised in the districts nearer Sydney, the seat of Government, and the supply of labour in the Moreton Bay district was so inadequate as to cause serious present difficulties and to prevent the natural and desirable expansion of occupation. This grievance became more acute from year to year, and in 1840 the squatters of the Moreton Bay district, finding no other way to remedy what they considered to be the unfairness of the Sydney Government in the allotment of immigrants, prepared and forwarded a memorial to the Secretary of State, asking that convicts be sent to them to supply the shortage of labour.¹

This course did not meet with the unanimous support of the community, but the programme of the Squatters' Party included a demand for separation from New South Wales; and this secured the allegiance of some who had little or no sympathy with the request that transportation should be resumed. There was still a section of the community in Sydney and other parts of New South Wales which desired the continuance of transportation, and in 1848 this section had displayed much energy in an attempt to revive the practice. The year 1849 seemed a favourable time for the agitation of the pro-transportation party, for it was in that year that transportation to Western Australia began, and two ships carrying convicts were despatched to New South Wales. One of these, the *Randolph*, put in at Melbourne, but a demonstration of force on the part of the people led by prominent colonists, prevented the landing of any convicts at that port.

¹ See Russell, 'The Genesis of Queensland,' pp. 430 *et seq.*

The convicts on the other ship, the *Hashemy*, on arrival at Sydney, were assigned to squatters on the Darling Downs, part of the Moreton Bay district. This incident, so far as the three eastern Colonies were concerned, proved to be the last scene in the long-drawn-out tragedy of transportation, for the system was finally abolished in the following year, 1850.¹

This final defeat of the pro-transportation party of the Moreton Bay district in 1850 was not soon followed by the success of the other main object of their organisation, Separation, for it was not till 1859 that a Proclamation was issued which had the effect of creating the Colony of Queensland, as an independent entity, taking equal rank with the other Colonies of Australasia. Prior to 1859, the other Colonies after passing through various stages of political development had attained the status of Colonies possessing Responsible Government. Queensland began its political existence on that level.

The first Parliament of the new Colony met at Brisbane on May 22, 1860. Provision for the transition period between the establishment of the Colony and the passing of legislation by the first Parliament had been made by an Imperial Order in Council in June, 1859, which continued the operation in Queensland, after separation, of certain New South Wales Acts. Among these were Acts imposing import duties on a small number of articles, one imposing duties on spirits distilled within the Colony, and an Act imposing an export duty on gold, at the rate of 2s. 6d. per ounce. Gold was not produced in large quantities at the time, but the Gold Duty became one of the first objects of executive action on the part of the Provisional Government set up pending the election of a Parliament. That Government, as was afterwards explained,² saw no particular reason for the continued collection of the Gold Duty, and deemed it advisable to remove any restriction upon the development of any industry which might

¹ Transportation to Tasmania was finally abolished in 1853, and to Western Australia in 1868. South Australia was founded as a Free Colony, and was never a penal settlement.

² Parl. Debs., 1864, p. 273.

increase and prove an ultimate source of revenue to the Colony.

Their first step, before the existence of the Parliament, was to instruct the Customs Officers to abstain from collecting the export duty on gold. The first Act passed by the new Parliament (24 Vic., No. 1) repealed the New South Wales Act which imposed the Gold Duty, so far as its application to Queensland was concerned, and indemnified the Customs Officers.

In 1864 the question was viewed from a different angle. Experience had shown that the development of an industry, especially one in which relatively small numbers of men were scattered over a wide territory, though it might have important effects upon the permanent settlement of the country and incidentally create sources of revenue, made immediate calls upon the Treasury for expenditure of public funds. Accordingly, it was decided to re-impose an export duty on gold, and the rate selected was 1s. 6d. per ounce. In explaining the proposal to the Assembly, the Colonial Treasurer said that since 1860 "the gold-producing districts of the Colony had increased, and were now of considerable extent. There was a large gold-field at Peak Downs comprising about two thousand square miles of country, which presented every appearance of being auriferous, and scattered over this gold-field were, at present, about two thousand men. In order to meet this increase in the digger population of the Colony the Government had to go to an increased expenditure for protecting them and for other matters in connection with them. . . . The House had already laid down the principle that whatever portion of the community engaged in special pursuits and required aid from the State for special purposes, such persons should contribute something towards that aid furnished by the State."¹

The gold-export duty was continued until 1872, when an Act (36 Vic., No. 4) was passed which reduced the duty to 1s. per ounce for the period July 1, 1872, to June 30, 1873; to 6d. per ounce for the period July 1 to December 31, 1873;

¹ Parl. Debs., 1864, p. 273.

and thenceforward, no duty. This duty has not since been revived.

The Customs Duties Act of New South Wales (6 Vic., No. 1, June 30, 1842), the operation of which was continued in Queensland after separation, imposed duties as follows:

	s.	d.
Brandy and gin, per proof gallon	10	0
Whisky, rum, and all other spirits, per proof gallon	7	0
Spirits, liqueurs, etc., sweetened, per proof gallon	10	0
Wine, containing more than 25 per cent. of proof spirit, per gallon	10	0
Wine, <i>not</i> containing more than 25 per cent. of proof spirit, per gallon	2	0
Ale, porter, and beer of all sorts, in wood, per gallon	0	1
Ale, porter, and beer of all sorts, in bottle, per gallon	0	2
Tea, per pound	0	3
Sugar, refined and candy, per cwt.	6	8
Sugar, unrefined, per cwt.	5	0
Treacle and molasses, per cwt.	3	4
Coffee and chicory, per pound	0	2
Cigars, per pound	3	0
Tobacco and snuff, per pound	2	0

This Act also provided for the free admission of all commodities (excepting spirituous liquors, cordials, or liqueurs) the produce of New Zealand or Van Diemen's Land.

Another 'continued' Act imposed a duty on opium of 10s. per pound. No change was made in the Customs duties until 1865. In that year the Treasurer's Statement to the House showed a deficit of £158,000, and the Treasurer said: "Admitting, as I hope honourable members of this House are prepared to admit, that it is necessary for us to provide for our deficit and for our revenue without addition to the loan fund, I think it quite clear that there is no other course open to this Colony but to submit to a slight increase of taxation, and the Government are of opinion that the taxation should consist of an increase of Customs duties, thinking that it will be wiser to increase the duties upon the present dutiable

articles, rather than to complicate or interfere with our simple Tariff by adding other articles to it. The increases will not raise the duties so high as the equalised duties on spirits in the other Colonies—namely, 12s. instead of 10s. It is not so high because in the estimation of the Government it is not wise to tempt that which might follow too high duties on all spirits—that is, illicit distillation.”¹

In spite of the deficit, the Treasurer wound up with an optimistic peroration, in which he said: “I find that the general progress of the Colony has been equal to the most sanguine expectations and that the revenue, population, imports, and exports have been increasing in a degree fully to justify those expectations.”²

The increases in Customs duties thus announced by the Treasurer were few and slight. They comprised an increase of the rate on whisky, rum, etc., of 3s. per proof gallon, making the duty 10s. per proof gallon, the same as on brandy; of 3s. per gallon on perfumed spirits; of 1s. per gallon on wine not containing more than 25 per cent. of proof spirit, and an increase of the rates on ale, etc., in wood to 2d. per gallon, and in bottle to 4d. per gallon.

The official optimism of 1865 was absent from the Statements of the following year. In opening the Parliament of 1866 the Governor spoke of “the temporary depression,” which he attributed to drought in the adjoining Colony. Possibly this had operated to check the sale of Queensland stock and other produce. The Treasurer’s Statement disclosed a further deficit and the need for additional taxation. “Undoubtedly,” said the Treasurer, “there is an enormous deficiency, but if we have spent more money than we had calculated on, and have been living upon our credit, we must look the difficulty in the face and pass such measures as will tend to give us prompt and effectual relief.”³

The principal measure passed for that purpose was Act 30 Vic., No. 9, which imposed further additional duties on

¹ Parl. Debs., 1865, p. 241.

² *Ibid.*

³ *Ibid.*, 1866, p. 596 *et seq.*

wine, ale, etc., tea, cigars, tobacco, snuff, and opium, and new duties as follows:

	£	s.	d.
Spruce and other beer, cider, perry, per gallon	0	0	6
Vinegar, per gallon	0	0	6
Rice, per ton	2	0	0
Salt, per ton	2	0	0
Raw cocoa, per pound	0	0	2
Chocolate and manufactured cocoa, per pound	0	0	2
Dried fruits, per pound	0	0	1

Ad valorem duties made their appearance in Queensland legislation in this Act. The Government proposed a drag-net *ad valorem* rate of 10 per cent. on all goods not included in the Schedule of specific rates or among the goods expressly exempted. In Committee on the Bill, an attempt was made to reduce the duty to 5 per cent. It was said that an *ad valorem* duty of 10 per cent. would drive half the store-keepers in the Colony into the Insolvent Court, and that the Government should rather place an export duty on wool. The proposed reduction to 5 per cent. was defeated, as also were further motions to reduce the rate to 6 per cent., to 7 per cent., to £7 10s. per cent. At this stage the Opposition amendments rose by 1s. per cent., until the motion before the House was that the rate be £7 16s. per cent. An all-night sitting ensued without further progress being made, and the House adjourned for a few hours. On re-assembling, the Treasurer offered to accept 8d. as a compromise, but this meeting with opposition, he finally accepted 7½ per cent., at which rate the Bill was passed.¹

The Act provided for a definite free list, which, however, was reduced, under an Act passed in the same session, by the excision of machinery for manufacturing and for agricultural and pastoral purposes, steam and fire engines, pumps, piping, (iron and lead), fencing wire, steam and sailing vessels, guano and manure, hides and skins, military and naval stores, seeds and esculent roots. These articles, therefore, became dutiable at the *ad valorem* rate of 7½ per cent. The ostensible

¹ Parl. Debs., xix., 868.

reason for withdrawing machinery from the free list was that "there was endless difficulty in deciding what was covered by the terms used." Reference was also made to the desirability of providing work for the local foundries, a point which did not secure attention in the previous debate.

In 1870 all existing Customs Duties Acts were repealed and a new Schedule of duties imposed. The Act by which these changes were made (34 Vic., No. 1, November 30, 1870) raised the duty on brandy to 12s. per proof gallon, leaving other spirits at 10s. Duties were imposed on tea, at the rate of 6d. per pound, and on kerosene, at the rate of 6d. per gallon. A determined attempt was made to prevent the imposition of these duties on tea and kerosene, but without success. In Australia "the poor man's tea" has generally been safer from attack than "the poor man's beer," while kerosene, as the illuminant of "the man on the land," has never lacked champions to support the claim that it should be immune from taxation. Ever since Federation neither tea nor kerosene has been taxed, though doubtless more than one Treasurer, looking for means of increasing revenue, has sighed to think of the political barbed wire shutting off the 'easy million' which otherwise could be picked up for Treasury purposes.

The 1870 Act also raised the general *ad valorem* rate to 10 per cent. Almost the only important additions to the limited free list were what may be described as metal piece-goods. In his Financial Statement before introducing the Bill for the Act, the Treasurer, after referring to the amount of Treasury Bills falling due during the next three years, said: "I will now propose to lay before the Committee the Customs Tariff which we propose to recommend for adoption. . . . We start from the basis that we must have from this source a certain revenue, and in order to obtain it, we must adopt one of two courses—either we must tax moderately nearly everything of importance that is brought into the Colony, even articles which it has hitherto been thought advisable to admit free, or we must tax some few articles highly. We have not hesitated as to which of these two courses we ought to pursue. All authority is in favour of spreading taxation

over as wide a basis as possible." The retention of the *ad valorem* duties was defended as necessary for revenue reasons, though having the disadvantage that they "offer an inducement to people to make false declarations as to the value of their goods."¹ Sugar machinery was no longer exempted from duty "because the object in doing so was to encourage an industry which is now established, and because it is desirable to put all occupations requiring machinery on the same footing."²

Four years later (1874) the Tariff was again revised. The objects which the Government had in view appear from the Treasurer's speech. He said: "I have not troubled myself in framing the Tariff as to whether the duties are protective or not; I have looked at the necessities of the revenue alone. . . . We know that all the various qualities of goods which are subject to fixed rates pay the same duty irrespective of their quality. I maintain that the objection of inequality is one that weighs as nothing in the balance, compared with the serious and grave objections of a moral character against the existing system of duties which does now tend to the demoralisation of the community. Therefore, the Government in looking at this question have made up their minds to propose to the House an entire but gradual abolition of the *ad valorem* duties. . . . Perhaps honourable members are not aware that there is what is called a 'black list' at the Customs House. This list contains the names of firms in the other Colonies who were in the habit of systematically preparing and furnishing false invoices to importers here, for the purpose of evading the due payment of duty. . . . Perhaps honourable members will be surprised to hear that there were thirty-six names of firms in Sydney and Melbourne at present on the list, against whom the most conclusive proof—which was in the hands of the Collector of Customs—could be brought. When they had such a fact as this staring them in the face he thought they ought to be prepared to make some sacrifice to get rid of the *ad valorem* duties."³

¹ Parl. Debs., xi., 54 *et seq.*

² *Ibid.*

³ *Ibid.*, xvi., 57 *et seq.*

With the exception of action as to the *ad valorem* duties, the Act (37 Vic., No. 8, April 28, 1874) did not make many or important changes. A few duties were increased, and the free list was added to by including machinery for manufacturing, sawing, sewing, agricultural, mining and pastoral purposes, steam engines and boilers, New Zealand flax, quicksilver and salt.

In 1885 all the machinery items in the above list were removed from the free list and made dutiable at 5 per cent. *ad valorem*. The Act which effected this change (49 Vic., No. 9, September 30, 1885) also raised the duty on brandy to 12s. per proof gallon; on spirits, sweetened or mixed, to 12s. per gallon; and imposed new duties on timber, logs or undressed, 1s. per 100 super feet, and dressed timber 1s. 6d. per 100 super feet. There was much criticism of the duty on machinery, especially as to sewing machines, on the ground that the duty would fall on the poor, and as to the other machines that they should be regarded as tools of trade and exempted on that account. The duty on timber was treated by the Government as defensible for the reason that there was already a royalty of 6d. per 100 super feet on timber cut from Crown forests in the Colony.¹ An amending Act (50 Vic., No. 11, September 22, 1886) increased the *ad valorem* duties, other than those on machinery (which were left at 5 per cent.), to 7½ per cent. This was announced to be purely for revenue reasons.

In 1888 existing Customs duties were repealed and new Schedules enacted (by Act 52 Vic., No. 5, October 25, 1888). The following extracts from the statement made to the House by the Premier and Treasurer (Sir Thomas McIlwraith) indicate the principal features of the Schedules: "In framing the new Tariff I have endeavoured to bear in mind all the varied industries and probable industries of the Colony. The farming industry has been recognised by the increased duties on malt, hops, barley, oats, maize, bran-pollard, cheese, bacon, hams, butter, pork, onions, potatoes, and garden produce. It is after very mature consideration that I have

¹ Parl. Debs., xlv., 505 *et seq.*

proposed an increased duty on machinery with various exceptions, principally of machinery which cannot be made in the Colony, as shown on the free list. There is no lesson that has been better taught us by Victoria than the one that the encouragement of the manufacture of machinery in a Colony immensely lowers its cost of production. Machinery and boilers fixed on board and used in propelling a vessel into Queensland, such vessel being used in trade in Queensland waters, have hitherto come in free. It is now proposed to subject all such material to the *ad valorem* duty. Printing paper, paper for making up into stationery, ink, printing machines and materials, have been made duty free. The effect of these duties, though not heavy, had been to divert a large amount of legitimate trade from Queensland to the other Colonies, where those articles are admitted free, and from which stationery can consequently be made and imported into Queensland. Boots and shoes have been taken out of the *ad valorem* list and put in the fixed duties according to the various descriptions, while materials necessary in manufacturing have been, when possible, put in the free list. The general *ad valorem* duty of $7\frac{1}{2}$ per cent. had been doubled, with the exception of piece goods, which are put on a lower list at 10 per cent. The Government found that under the ordinary rate of taxation a large deficit had accrued which must be provided for. That deficit they propose to provide for by increasing the Customs duties, and, on one item (beer), abolishing the Excise.”¹

Sir Samuel Griffith, ex-Premier, whose Government had been defeated at a recent General Election, in criticising the Tariff proposals of the Government said: “I do not pretend that I have always been a Protectionist, any more than I have been a Free Trader. I have always been and am now what may be called an Opportunist, so far as that goes. The honourable gentlemen who are laughing so loudly now are laughing because they do not understand the meaning of the word. I use it in this sense: that the policy should be adopted which, for the time being, is best for the country to which it is applied. . . . Twenty years ago I think a Protectionist Tariff here

¹ Parl. Debs., Iv., 216.

would have been absurd, but at the present time I believe that the introduction of a Tariff which will encourage native industry is opportune and desirable, and in this sense I use the word. I have always been of that opinion, watching for the time when it would be desirable to encourage the industries of the Colony by extra taxation. I pointed out at the time I said that, that a Protectionist Tariff could not be relied on to increase the revenue from the Customs."¹

In 1890 the import duties on spirits were raised to 14s. per proof gallon. The State finances were far from satisfactory, there being a deficit of nearly £500,000. The position in this respect grew steadily worse during the next two years, and in 1892, at which time there was an accumulated deficit of nearly 1½ millions, a completely new Tariff was passed. When introducing the Financial Statement, the Treasurer said: "The financial results of the year 1891-92 have been most unpleasant for all Australian Treasurers. For many years past all the Colonies have indulged in borrowing to an extent which we now consider excessive. The effect of this borrowing has been not simply to saddle the Government with heavy liabilities for the principal and interest of the loan, but to divert a large portion of the best labour from useful and remunerative channels into others of an entirely opposite character. The temporary prosperity created in all directions by large and abnormal expenditure encouraged and promoted, if it did not induce, the speculation in land which has proved so disastrous to all the Colonies. Everywhere productive industries have been neglected for the industry of borrowing and speculating in land. Such a course was bound to end badly, and its effects are now being experienced throughout the length and breadth of the Australian Colonies, although, fortunately for Queensland, mitigated to some extent by some of the best seasons we have experienced for many years. Our labour troubles, brought about by the excesses I have mentioned, added to the difficulties of the situation, directly by adding very considerably to the expenditure of the Government, and indirectly by diminishing production owing to the

¹ Parl. Debs., iv., 216 *et seq.*

large numbers out of employment reacting unfavourably on the revenue. . . . The assistance which I desire will be raised mainly from the Customs duties."¹

While revenue was probably the principal object, the form and scope of the Customs Schedules were such as to produce protective effects much more markedly than had ever before been the case. The Treasurer was asked in the House why he did not bring in an Income Tax instead of a Protective Tariff. In reply he said: "Because a very large number of people who are supposed to have incomes have not got any, and because the machinery necessary to ascertain the incomes of the community generally would be so enormous. The Income Tax, to be fair, must be a general tax. If we were to impose such a tax now, the honest man would declare his income and would pay on it, but the dishonest man would not pay. We might be able to collect an Income Tax in Brisbane and in the large towns, but who would go all over the country to ascertain the incomes of the people? Have honourable members any knowledge of the machinery in England for collecting the Income Tax? Here the machinery would cost quite as much as the amount the honourable member would save by the carrying of his resolution." In effect, the resolution was that there should be "a general reduction of all official salaries, including those of Ministers, Members of Parliament and Officers of the House, and other high officials, with a certain reduction of the salaries of the Civil Service generally."

The proposals of the Government as passed were embodied in the Act 56 Vic., No. 14, October 4, 1892. Boots and shoes were rendered dutiable at rates ranging from 11s. 6d. to 33s. per dozen pairs. Carriages and other vehicles were charged at specific rates varying from £10 to £30 each. Many other articles dutiable at fixed rates were increased. The free list was somewhat reduced. The most important changes were, however, made in the *ad valorem* duties, which were divided into three groups, dutiable respectively at 5, 15, and 25 per cent. The latter group included all goods not specifically exempted and not included in other Schedules, and

¹ Parl. Debs., 1892, p. 1007 *et seq.*

covered a large range of machinery (excepting agricultural), nearly all manufactures of metals, clothing, etc. The import duties on spirits and the Excise duties were not altered.

When the Bill for the above Act was introduced into the Legislative Council, the second-reading speech (by the Solicitor-General) was a brilliant example of conciseness if not of information. It read as follows: "This is a Customs Bill. It alters the Customs duties at present in vogue. In some cases it reduces the duty, it abolishes the duty on certain articles altogether, and in some other cases it increases the duty. The Bill is in the ordinary form; provision is made for the ordinary exemptions and deductions, and the ordinary machinery is also provided. I do not think there is anything further to say, and I therefore move that the Bill be now read a second time."¹ This illuminating exposition was followed by a speech from one member lasting about three minutes, and then "the clauses, the schedules, and the preambles were agreed to without discussion."¹

In 1896 the Government found itself in the pleasant, if infrequently occurring, position of being able to remit some of the taxation. The House was informed that "the Treasurer finds that he can remove about £40,000 or £50,000 of the duties at present collected, and the Government think the inclusion of the articles in the list before the House in the free list will assist the important producing industries of the Colony. We think it will give great relief to agriculturists, pastoralists, and miners, and that it will also assist some of the manufacturing industries without in any way interfering with the manufactures that have sprung up under the different Tariffs in this Colony. Nearly all of the articles included in this list are now imported, few if any are now being manufactured in the Colony, so that Protectionist Members can safely vote for the inclusion of all the articles now before them without in any way interfering with their principles."² The Act was wholly an exemption Act. The principal items exempted were machinery, agricultural, mining and other, drugs and chemicals, surgical and dental appliances, etc. Power was taken

¹ Parl. Debs., lxi., 124.

² *Ibid.*, lxxv., 583.

to exempt, by *Gazette* notice, machines and machinery and parts thereof required for mining, agricultural, and other purposes, "which are not specified and are of new invention and of a description not heretofore made in Queensland."

The modifications made by these exemptions in the 1892 Tariff constitute the last review of the Customs Tariff by the Queensland Parliament.

As from October 8, 1901, the date of imposition of uniform duties by the Commonwealth Parliament, the power of State Parliaments to deal with Tariff matters finally ceased.

BORDER DUTIES.—The boundary between Queensland and New South Wales, a land boundary, runs for over 700 miles, and in a very early stage of its history Queensland found it necessary to seek an arrangement with its neighbour for the purpose of preventing evasions of Customs duties by the unauthorised transit of goods. An Act of 1862 gave authority for the Governor in Council, "in concurrence with the Government of New South Wales, to make such arrangements as may be deemed advisable for establishing a mutual system of collecting and accounting for Customs duties payable upon goods crossing the boundary by land between the two Colonies."

On the whole, Queensland and New South Wales appear to have had much less friction on the subject of Border Duties than occurred between New South Wales and Victoria. During the years 1891–1893, however, a dispute continued between the railway authorities of the two States, each accusing the other of overstepping the bounds of fair competition by fixing extraordinarily low rates for the carriage of wool and other station products between certain points, with the object of attracting traffic to its own capital city, which the other authority claimed should find another destination. Finally the Queensland Parliament passed an Act imposing a tax of 50s. per ton upon wool, sheepskins, and hides *exported* from Queensland across the Border into New South Wales. The object and effect of this was to make it unprofitable for pastoralists to send their wool, etc., into New South Wales for shipment at Sydney, thus drawing traffic to Brisbane.

The attitude which one Colony should maintain toward a neighbouring Colony was defined in the Queensland Parliament in 1872 by the then Member for Brisbane (Dr. O'Doherty), who said he only spoke "in advocacy of what he held to be the essential rule of statesmen in this Colony and in every other Colony of Australia; their aim should be to place their own Colony at the head of affairs and make the others subservient to the interests of the Colony they ruled."

EXCISE DUTIES.—Among the Acts inherited by Queensland from New South Wales, and kept alive by an Imperial Order in Council, was Act 19 Vic., No. 15 (N.S.W.), of September 14, 1855. This Act imposed duties on spirits *distilled within the Colony* as follows:

Upon such spirits when made or distilled from sugar which shall have paid Customs duties, for every gallon thereof, six shillings and fivepence (6s. 5d.).

Upon such spirits when made or distilled wholly or in any proportion exceeding ten per centum of the whole from materials which are not subject to duty of Customs, for every gallon thereof, seven shillings (7s.)

Spirit distilled by a vigneron for the fortification of his own wine was exempted from duty. In 1866 special permission was given to vignerons to use small stills for making spirits to be used in fortifying their own wines. No duty was imposed on spirits so made and used.

Another Act of the same year authorised persons working a sugar mill capable of making not less than $1\frac{1}{2}$ tons of sugar per day to distil spirits subject to duty at a rate equivalent to two-thirds of the rates leviable upon imported spirits. The reason given by the Government in justification of this measure was that owing to the relatively imperfect machinery in use by sugar manufacturers, a greater quantity of molasses was produced than could be profitably used except as raw material for distillation.

In 1890 the Excise Duties on spirits were raised to 12s. per proof gallon. Revenue necessities were alleged as the only

reason for this increase. The previous financial year had closed with a heavy deficit.¹

Beer Duty.—The first Excise duties on beer in Queensland were imposed by Act 49 Vic., No. 10 (September 30, 1885), a general machinery Act and also a rates Act. The rate of duty was fixed at 3d. per gallon. The measure was introduced in the Legislative Council by the Postmaster-General, who said: "The subject-matter of the Bill the second reading of which I have the honour to move is a fiscal innovation in this Colony, but I think it is one which is amply justified by the circumstances of the Colony in many ways, and also by the specially favourable position of the trade which the Bill affects. We have been cognisant for many years of the satisfactory and lucrative character of the brewing business, both as to the brewers themselves and their companions in the trade comprised under the title of licensed victuallers. The Government believe that this Bill is one which will affect the traders only in its incidence, and that the consumers will not be at all affected by the Excise duty which is proposed in the Bill—that is to say, that the beer will be retailed at the same price at which it had hitherto been retailed. . . . *We have to find money*, and certain sources of revenue have to be looked for, and after very careful consideration of all the possible sources of revenue the Government came to the conclusion that those which are indicated in this Bill and in the Customs Duties Bill are the proper items from which to derive extra revenue."²

Three years later (October 25, 1888) the Excise duty on beer was withdrawn "in the interests of those who drink beer. . . . We do not regard the brewer as gaining much by the withdrawal of the duty on beer. There is an increase in the Tariff on malt, hops, and glucose, which actually brings the expenses of the brewer up to what they are under the present Excise."³ This statement was challenged, and the Premier afterwards admitted that the duty on brewers' materials would not amount to more than two-thirds of the duty on beer.

In 1897 the existence of a deficit, actual of £54,790 on the

¹ Parl. Debs., lxi, 580.

² *Ibid.*, xlv., 77.

³ *Ibid.*, lv., 290.

last year's transactions, and prospective, for the financial year then beginning, of £27,806, induced the Government to re-impose the duty on beer at the rate of 3d. per gallon, which was estimated to produce about £55,900 net. The import duties were raised to a corresponding extent, "in order that our brewers may not be placed at a disadvantage in competition with the imported article."¹

The Beer Duty was not again altered by the State Parliament.

Excise Duties on Tobacco and Cigars.—For some years prior to 1894 the manufacture of tobacco within the Colony had been extending, and, as no duty was charged, the consumption of such tobacco tended to decrease the revenue from import duties on that article. The Government accordingly resolved to impose an Excise duty. In announcing the proposal to the House the Treasurer said: "In my Financial Statement of last year I showed you that the falling in our revenue from the consumption of tobacco was very serious, amounting to £39,665, chiefly owing to the manufacture of tobacco within the Colony, and I wound up my remarks on the subject by saying: 'I draw attention, however, to the matter by way of warning, in my capacity of protector of the Treasury, as it must be evident that such a heavy loss of revenue as I have indicated cannot be submitted to for any length of time.' That warning has, I believe, been taken. I now wish to show what the facts of the case have been up to the present. In August, 1888, the import duty on leaf tobacco was fixed at 1s. 6d. per pound, and on the imported manufactured article at 3s. per pound, with a view to encouraging the manufacture of tobacco in Queensland."

Indicating the effect on the revenue of this alteration of the Tariff, the Treasurer gave figures showing that the import duties had diminished year by year from £153,342 in 1888-89 to £97,830 in 1893-94. "To compensate in a measure for this loss it is proposed to collect an Excise duty on tobacco of 1s. per pound, and on cigars of 2s. 6d. per pound, which is expected to bring in a revenue this year of about £15,000."²

¹ Parl. Debs., lxxxii., 499.

² *Ibid.* lxxi., 170 *et seq.*

The proposed duty on tobacco of 1s. per pound was accepted by the House, but the duty on cigars was reduced to 2s. per pound (Act 58 Vic., No. 5, September 28, 1894). These rates remained unchanged until Federation.

DIRECT TAXATION—*Taxation of the Estates of Deceased Persons.*—While, as in other Colonies, Statutes were passed at an early stage to provide machinery for dealing with Trusts, Settlements, Wills and other matters relating to Inheritance, Successions, etc., the imposition of duties upon the property left by a deceased person was of somewhat later date. The earliest of these duties was a Stamp Duty of 1½ per cent. on Personal Property passing at death. The law of Primogeniture (in cases of intestacy) had been abolished by the Real Estates of Intestates Distribution Act. In introducing that measure, the Attorney-General said: "Honourable members were aware that as the law stood, in cases of intestacy real property descended to the male heir—that was, that the eldest son inherited all the real estate of his father. Now it was believed that such a law operated harshly, and in most cases there was no reason whatever why the eldest son should obtain so great an advantage except for the reason that, in the old country, it assisted to maintain that artificial condition of a family which maintained rank. . . . Under the present law all real property descended to the eldest son, but personal property was dealt with by a different law. . . . The object was to assimilate the law of real property to that of the law dealing with personal property."¹

The Bill was said to be practically identical with the New South Wales Act, which had been in operation for ten years. The Bill was purely an administrative measure, and no duties were then imposed.

In 1886 the question of taxing the estates of deceased persons was dealt with in a comprehensive way by Act 50 Vic., No. 12, September 29, 1886, called the Succession Duties Act. In explaining the scheme of the Act to the House the Treasurer said: "These duties may be considered as an

¹ Parl. Debs., xvi., 147.

attempt to make real property contribute more largely to the requirements of the State than it has hitherto done."¹ At a later stage the Premier said: "At present $1\frac{1}{2}$ per cent. is charged upon all personal property; land is free. I do not think anybody will say that land ought to be free. What we propose to substitute is a uniform tax upon all property that passes at death."²

The duties adopted were:

Where the total value of the estate passing, after deduction of all debts, does not exceed £100		No duty
		<i>Per Cent.</i>
Exceeding £100 and not exceeding £1,000	..	.. 2
„ £1,000 „ „ £10,000	..	.. 3
„ £10,000 „ „ £20,000	..	.. 4
„ £20,000	..	.. 5

Half rates were charged where the estate passed to the widow and/or the children of the deceased, whether the deceased died testate or intestate.

This Act, though called a Succession Duties Act, is not strictly an Act imposing Succession Duties, but rather Probate Duties, as the basis of computation of duty is not the value of the succession passing to each individual beneficiary, but the value of the total estate of the deceased.

The distinction was clearly marked by the Succession and Probate Duties Act, 1892, 56 Vic., No. 13 (October 4, 1892), which repealed the 1886 Act.

In introducing the latter Act the Treasurer said: "This Bill repeals the Succession Duties Act, 1886, in which year Succession Duties were first initiated. There is not only a change in the amount of the Succession Duties, but also in the principle under which the Act will be carried out. Under the Succession Act of 1886 no probate of a Will could be granted until the Succession Duty had been paid. From the way in which we intend to raise the money under this Bill, that will not be necessary—probate can be granted although the duty had not been actually paid. . . . I believe that

¹ Parl. Debs., xlix., 410.

² *Ibid.*, 490.

at the present time the duties are too low; they are lower than at home and in other countries, and they are such that some increase in them can very well be borne by the parties who succeed to property."¹

The Act is one of a dual character. It first imposes *Probate Duty* on the whole value of estates exceeding £50 in value. From £50 to £100 the duty is $\frac{1}{2}$ per cent.; from £100 to £200, 1 per cent.; £200 to £500, 2 per cent.; and exceeding £500, 5 per cent. The rates are doubled where the deceased died intestate. The Probate Duties having been taken out of the estate, the Succession Duties then operate as against each individual who takes a benefit under the Will or Intestacy.

The Succession Duties under the Act are:

Where the amount is less than £200						No duty
						<i>Per Cent.</i>
£200 to	£999 ..	..	..	..	..	2
£1,000 „	£2,499 ..	..	..	..	..	3
£2,500 „	£4,999 ..	..	..	..	..	4
£5,000 „	£9,999 ..	..	..	..	..	6
£10,000 „	£19,999 ..	..	..	..	..	8
£20,000 and upwards	..	..	..	..	..	10

Only half rates are charged where the successor is the wife or husband or lineal issue of the predecessor, and double rates where the successor is a stranger in blood. The value for duty of a succession is determined at the time when the succession takes effect, and duty becomes payable when the successor "becomes entitled in possession." On real property the duty may be paid in four equal instalments at half-yearly intervals, the first instalment being due six months after "the successor becomes entitled to the beneficial enjoyment of the real property in respect whereof the same is payable."

The 1892 Act was amended (not as to rates) by Act 59 Vic., No. 28 (December 23, 1895), which enacted that duty should be chargeable on all property locally situated, "although the testator or intestate may not have had his domicile in Queensland." This was qualified by a provision that where

¹ Parl. Debs., lxxviii., 1221 *et seq.*

the property in Queensland of any person dying domiciled in the United Kingdom or any British Possession is exempted from duty in such place, the property in the United Kingdom or in such Possession of any person dying domiciled in Queensland should not be charged with Succession Duty in Queensland.

An amending Act of 1904 repealed the short graduated scale of Probate Duty and substituted a uniform charge of 1 per cent. on all estates of the value of £300 and over—that is, an amount of £299 was exempted. This provision has not since been altered. The Act also abolished the provision in the 1892 Act, under which a stranger in blood to the predecessor was liable to pay Succession Duty up to 20 per cent. (double rates). The alteration limited the rate to the scale maximum of 10 per cent., while retaining the doubled rate where such rate does not exceed 10 per cent. “It was considered that these double Death Duties had the effect of retarding the investment of outside capital, and by abolishing them we hope to encourage the investment of outside capital.”¹ The Succession Duties were not altered except for a provision that where the total value of a succession to which any one person becomes entitled is less than £500, but forms part of an estate the value of which exceeds £1,000, the duties payable shall be 2 per cent. This could only have affected a few small successions which would otherwise have been free.

A further amending Act of 1915 provided specially liberal treatment in the case of a widow, widower, lineal descendant, or lineal ancestor of any person dying “from injuries inflicted, accidents occurring, or disease contracted within twelve months before death, while on naval or military service,” during the Great War. The allowances were such as practically to free from duty any successions taken by the persons indicated where the net value of the succession did not exceed £2,500. The Act also contained a provision that where property passes more than once, owing to deaths caused by the War, no duty should be charged on the second occasion; this only applies where the successors are within the privileged

¹ Parl. Debs., xciii., 861.

classes specified in connection with the first Will or Intestacy.

The Succession and Probate Act, 1918, imposed a new schedule of duties as follows:

If the whole succession or successions derived from the same predecessor and passing at death to any person or persons amount in money or principal value to *less than* £200, *no duty*.

	Per Cent.
If amounting to £200, but not exceeding £1,000 ..	2
Exceeding £1,000 " " £2,500 ..	3
" £2,500 " " £4,000 ..	3

then by steps of $\frac{1}{3}$ per cent. additional for each additional £1,000 up to a value of £10,000; and from that point the same rise in rate for each additional £2,500, up to a value of £30,000, at which point the rate is 8 per cent. For values above £30,000 the rate is 8 per cent. together with an additional percentage of one-third of 1 per cent. for every £5,000 or part of £5,000 in excess of £30,000, but so that the percentage shall not exceed 15 per cent. This rate (15 per cent.) would apply to values of £51,000 and upwards.

The scale is modified in certain cases, for example:

Where the property passes to wife or lineal issue, duty is charged thus:

Where the total value of the estate	
does not exceed £500	No duty
Exceeds £500, but does not exceed	One-half
£2,500	scale rates
Exceeds £2,500, but does not exceed	Two-thirds
£5,000	scale rates

and where the successor is not a stranger in blood, but is other than the wife or husband or lineal issue, the duty charged is the scale rates plus one-half, but not exceeding 15 per cent.; and where the successor is a stranger in blood, the duty charged is double the scale rates, but not exceeding 20 per cent. The Probate Duty of 1 per cent. was not varied. This applies to Personal Property only.

Duty is charged on realty situated in Queensland and on all personalty. Every disposition of property by reason of which

any person becomes entitled to property or the income thereof, at the death of some other person, is regarded as a succession. The interest accruing to a survivor under a joint tenancy is a succession. A person deriving a general power of appointment on the death of another is regarded, when he exercises this power, as the successor to the property. Dispositions accompanied by a reservation of a benefit to the grantee confer a succession, as do also those made to take effect at periods depending on death or made for the purpose of evading duty. Duty on realty is payable by four half-yearly instalments, and may be paid in advance, subject to a discount of 4 per cent. per annum. Gifts *inter vivos* made within two years of death are dutiable as successions.

For Probate Duty an estate is valued as at the date of grant of probate, but for Succession Duty as at the date when the succession takes effect.

The so-called Succession Duty of Queensland is essentially a second Estate Duty, as it is based upon the value of the whole estate of the predecessor, though the payment of duty is not called for until the succession takes effect, and the value is taken as at that date.

INCOME TAX.—As in Western Australia, so in Queensland, Income Tax was introduced by instalments. The first step was the Dividend Duties Act, 1890 (54 Vic., No. 10), which imposed duties on dividends declared by companies. The rate was moderate, 5 per cent., and being collected at the source would, perhaps it was hoped, not attract too much attention on the part of shareholders.

In the case of a Queensland Company the duty was 5 per cent. upon the amount of dividends, with the proviso that if the company carried on business both within and outside Queensland, the duty was payable in respect of so much only of the dividend as was proportionate to the average capital employed in Queensland since the last dividend was declared, as compared with the total average capital during the same period.

In the case of a *Foreign Company*¹ the duty was 5 per cent.

¹ *I.e.*, a company registered outside Queensland.

on so much of the total dividends as is proportionate to the average capital employed in Queensland during the period, compared with the total average capital.

Mining Companies were allowed certain deductions for developmental expenses, and on account of the cost of machinery and materials used in connection with the mine, and were charged duty on the balance of profit. Insurance Companies of all kinds were liable to duty of 1 per cent. on gross premiums, less re-insurance premiums paid.

The sponsor for the Act, the Premier and Treasurer (Sir Thomas McIlwraith), said: "The tax is a very simple one of itself, and it is applied to companies, for one reason, that companies can be easily reached. It has been made an argument against this tax that it is only part of an Income Tax. To that I have nothing to say except that it is so, it is a part of an Income Tax. But it is the very best part of an Income Tax. . . . I have not gone at length into the merits of the tax, but one of its merits is that it is an absentee tax, and is the best way we can reach absentees. . . . Although it will not produce the amount I should like this year, it will, at the same time, be a very great help to the country until we can find means of obtaining money in a better way."¹

In the course of debate objections were raised to the harsh operation of the tax, viewed as an Income Tax, in the case of shareholders with small incomes, who under an ordinary Income Tax would, if taxable at all, be liable only to a rate much lower than the rate imposed on companies. Whether it is or is not true, as the Queensland Premier said, that a Dividend Tax, collected at the source, is the best part of an Income Tax, such a tax has more than once been the precursor of an Income Tax of wide scope. So it proved to be in the case of Queensland, for in 1902 an Income Tax Act (2 Edw., No. 10) was introduced and passed. In introducing the Bill for the Act, the Treasurer said: "The Commonwealth Parliament, in considering a uniform Tariff, which to them appears most suitable for the Australian States in general,

¹ Parl. Debs., lxi., 796.

have so far decided on one much lower than was at the time of Federation in force in Queensland, with the result that our revenue has been greatly lessened. . . . It is difficult to estimate the loss which the State will sustain through the change in the Tariff, but I think we may safely say that it will amount to at least £300,000 per annum. . . . As all classes have been relieved through the reduction in Tariff, it is only reasonable to ask that all classes shall pay their quota by way of direct taxation.”¹ In the Legislative Council the Vice-President said: “The Government is beset by a series of difficulties. At no time in its history have the affairs of the country been in such a depressed condition. We are passing through one of the most disastrous droughts that Australia has ever experienced; . . . this is the only State (except Western Australia) where an Income Tax does not exist. . . . The peculiarity of the Income Tax proposed in this Bill is that in it there are *no exemptions*. Every male adult must contribute something to the State. . . . In paying Customs duties there are no exemptions, and this Bill equalises taxation as if Customs duties (that is, State Customs duties), had not been interfered with. On the other hand, whatever individuals may lose by the Income Tax, they are recouped by the removal of duties from many of the necessities of life, and to a much larger extent than they are called on to pay under this Bill. . . . Capital is infinitely safer under this Bill in Queensland than it is in any of the other States.”²

The abolition by the Commonwealth of Customs duties on tea and kerosene (both of which had been dutiable under the State Tariff) was said to involve a reduction in revenue in Queensland to the extent of about £130,000.

The Income Tax rates imposed by the 1902 Act were:

	£	s.	d.
Where the taxable income does not exceed £100, a fixed sum of	0	10	0
Exceeding £100, but not exceeding £150, a fixed sum of	1	0	0
Exceeding £150, £1 in respect of the first £150, and on the balance, if derived from personal exertion, 6d. in the pound.			

¹ Parl. Debs., lxxxix., 314 *et seq.*

² *Ibid.*

On all income derived from property, a flat rate of 1s. in the pound. Every male person twenty-one years of age was liable to tax; under twenty-one, not liable unless having an income of £150 or upwards. Females of whatever age, married or unmarried, were not liable to tax unless having an income of £150 or upwards.

The absence of graduation was strongly criticised, and also the fixed taxes of 10s. and £1. These were denounced as poll taxes.

The operation of the above Act, which would otherwise have expired, was continued by Act 4 Edw. VII., No. 9 (December 1, 1904). This Act altered the Schedule of rates, raising the maximum rate on income derived from personal exertion to 8d. in the pound, and altering the property scale in respect of values not exceeding £300. The Act also repealed the Dividend Duty Act, but enacted a new provision to the effect that every company having its head office in Queensland should pay a tax of 5 per cent. on the amount of all dividends declared. Double taxation of income was guarded against by a provision exempting from the assessable income of an individual taxpayer the amount of any dividend received by him upon which tax had been paid by the company.

"As to the need of continuing the Income Tax," the Treasurer said, "I do not suppose there will be any difference of opinion in this Chamber or out of it. . . . Queensland is not in such a position at present that she can afford to give away or to drop £150,000 of revenue. . . . If anyone did propose, or does propose, to discontinue the Income Tax altogether, then I want to make it clear that such a proposal means borrowing money at the end of the year with which to meet the services of the year at the beginning of it. . . . I have no hesitation in saying that I personally think £100 is a high enough exemption for Queensland, but willing as I personally should be to make the exemption higher, we cannot afford it."¹

Further amendment was made by an Act of 1906, the special features of which were explained by the Treasurer thus: "This is a Bill for the lessening the burden of the Income

¹ Parl. Debs., xliii., 468.

Tax on the smaller incomes. . . . The essential principle of the Bill is to amend the Schedules under the existing Act so that all incomes under £160 a year will be exempt altogether, and increasing the exemptions. This will have the effect of exempting from all taxation under the Act 20,000 persons, and reducing taxation upon about 5,000 other persons up to 10s. each, and about 400 persons up to £1 each. . . . The total amount of revenue which will be lost by such alterations in the law will be about £25,000. I know it may be said that when we exempt up to £160 we ought to extend the exemption of £160 to all incomes. . . . To carry the exemption of £160 all through the scale would mean a loss of revenue of somewhere about £63,000. Now I am not prepared to recommend the House to lose £63,000. I can see my way to the £25,000."

In 1915, a War year, some important changes were made by the Act 6 Geo. V., No. 33 (December 29, 1915). The scale of rates under that Act was as follows:

<i>Taxable Income.</i>	<i>Personal Exemption.</i>	<i>Property.</i>	<i>Absentee.</i>
Not exceeding £500	7½d.	12d.	12d.
Exceeding £500, but not exceeding £1,000	8d.	13½d.	14d.
" £1,000 " " £1,500	12d.	15d.	17d.
" £1,500 " " £3,000	15d.	18d.	20d.
" £3,000 	18d.	20d.	24d.

The *General Exemption* was increased to £200 and applied to all incomes.

By provisions peculiar to Queensland legislation companies were, for the purposes of Income Tax, divided into two groups—"namely, ordinary companies and companies controlling public utilities or monopoly companies. For the latter class of companies the higher rate is charged. They will have to pay a higher rate of tax on all profits which exceed 6 per cent. of the capital. There is a graduated tax for all profits exceeding 6 per cent., and they rise gradually to 2s. in the pound where the profits exceed 17 per cent. in the case

of ordinary companies, while, in the case of companies controlling public utilities or monopoly companies, there will be a flat rate of 1s. in the pound on all profits which do not exceed 6 per cent. on the capital; then the rate increases by 2d. in the pound for every additional 1 per cent. increase in the rate of profit where profits exceed 6 per cent., and it rises gradually until the rate reaches 3s. where the profits exceed 17 per cent.”¹

In respect of both classes of companies the amount representing 6 per cent. of the capital was charged at the rate of 1s. in the pound, and the higher rates were only applied to the profits over that amount.

In reply to a question by a member, “What is the definition of monopoly, and how is it applied?” the Secretary for Public Instruction said: “Any company that makes 17 per cent. is a monopoly one way or another.” The same Minister said also: “The various Gas Companies all over Queensland are making big profits. The South Brisbane Gas Company and the Charters Towers Company are making profits of 10, 11, and 12 per cent., besides carrying large sums to reserves. The Brisbane Tramway Company is another company which has a monopoly in Brisbane. What are they doing at the present time? Out of a small nominal capital on which the company started they have made so much money that to-day they have a property worth more than a million pounds. In the past this company has paid very little taxation, but we propose to make them pay something for their huge monopolistic profits. . . . I consider that this is the most fair and scientific form of taxation that has ever been introduced into the Parliament, and it will go down to history as a credit to the Labour Party.”

The Treasurer laid on the table of the House a Comparative Statement showing the amounts of Income Tax which would be paid by a resident of Queensland, as compared with a resident of the United Kingdom, at various stages of income. The State tax is calculated at the rates imposed by the 1915 Act and the Commonwealth Tax at the rates then operative.

¹ Parl. Debs., cxxi., 212.

The Statement is as follows:

1915.

<i>Taxable Income.</i>	<i>Resident of United Kingdom.</i>	<i>Resident of Queensland.</i>		<i>Total.</i>
		<i>Common- wealth Tax.</i>	<i>State Tax.</i>	
	<i>Personal Exertion.</i>			
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
300 ..	31 10 0	5 3 1	9 7 6	14 10 7
500 ..	52 10 0	10 3 1	15 12 6	25 15 7
1,000 ..	105 0 0	28 2 6	37 10 0	65 12 6
1,500 ..	183 15 0	53 18 1	75 0 0	128 18 1
2,000 ..	280 10 0	87 10 0	125 0 0	212 10 0
2,500 ..	408 6 8	128 18 1	156 5 0	285 3 0
3,000 ..	525 0 0	178 2 6	187 10 0	365 12 6
4,000 ..	779 3 4	300 0 0	300 0 0	600 0 0
5,000 ..	1,029 3 4	453 2 6	375 0 0	828 2 6
6,000 ..	1,295 16 8	637 10 0	450 0 0	1,087 10 0
7,500 ..	1,729 3 4	984 7 6	562 10 0	1,546 17 6
10,000 ..	2,529 3 4	1,609 7 6	750 0 0	2,359 7 6
15,000 ..	4,279 3 4	2,859 7 6	1,125 0 0	3,984 7 6
20,000 ..	6,029 3 4	4,109 7 6	1,500 0 0	5,609 7 6
30,000 ..	9,529 3 4	6,609 7 6	2,250 0 0	8,859 7 6

It will be seen from the above table, which relates to income derived from *Personal Exertion*, that on a taxable income of £300 the resident of the United Kingdom would pay rather more than double the tax of a resident of Queensland; on £1,000, about 60 per cent. more; on £4,000, about 29 per cent. more; on £10,000, about 7 per cent. more; and on £30,000, about 7 per cent. more. Comparing the Commonwealth tax with that of the State, it will be seen that on a taxable income of £300 the State tax is nearly double that of the Commonwealth; on £1,000, about 32 per cent. higher; on £2,000, about 42 per cent. higher; and on £4,000 the two taxes are the same. From that point the Commonwealth rate increases so much more rapidly than the State rate that at £30,000 the Commonwealth tax is about 194 per cent. higher than the State tax.

With regard to income derived from *Property* the comparison

works out somewhat differently. On a taxable income of £300 the United Kingdom tax is about two and a half times that of the combined Australian taxes; on £3,000 the difference is small, about 4 per cent., and on £30,000 the difference is only a fraction of 1 per cent., the United Kingdom being the higher.

Act 9 Geo. V., No. 2 (September 6, 1918), altered the rates on taxable incomes over £3,000 thus:

					<i>Personal Exertion.</i>	<i>Property.</i>
Exceeding £3,000, and not exceeding £4,500	..				18d.	20d.
„ £4,500	„	„	£6,000	..	21d.	24d.
„ £6,000	..	..	..	..	24d.	27d.

In the case of an absentee the rates were 4d. between £3,000 and £4,500, and beyond that point, 27d.

A 20 per cent. Super Tax was also imposed, £200 of taxable income to be exempt from Super Tax, or where taxable income exceeds £200, the amount of Super Tax to be deducted.

Further amendments in details were made by Acts of 1920, 1921, and 1922. The principal features of the Income Tax legislation after incorporation of the 1922 amendments are as follows:

In respect of incomes derived from *Personal Exertion* the rates are, on the first pound of taxable income, $6\frac{6}{1000}$ d., rising by $\frac{6}{1000}$ d. with each additional pound up to £4,000, at which point the *average* rate is 30d. in the pound, or, with the Super Tax of 20 per cent., 36d. On each succeeding pound above £4,000 the rate is uniformly 36d. in the pound, or with the Super Tax of 20 per cent. on all incomes exceeding £200, 43·2d.

In respect of incomes derived from the *Produce of Property*, on the first pound of taxable income, $12\frac{4}{1000}$ d., rising by $\frac{4}{1000}$ d. with each additional pound up to £3,000. It will be seen that the basic rate on income derived from property is nearly double the basic rate on income derived from personal exertion, but the difference between the two rates gradually decreases as the income rises, until at £3,000 the *average* rate, 24d., is the same for both classes of income. Beyond that point the two scales are identical.

The incomes of *absentees* are taxed as incomes derived from the produce of property.

Where the net income of an individual (not being a company or an absentee) does not exceed £200, no tax is charged, and where such an income exceeds £200 but does not exceed £1,000, the exemption diminishes at the rate of £1 for every £4 by which the income exceeds £200, thus vanishing when the income reaches £1,000. (*See Addendum, p. 272.*)

In respect of all companies, the scale rate on the total profits, if such profits do not exceed 6 per cent. on the capital, is 15d. in the pound. For the purpose of taxing the company profits exceeding 6 per cent. on the capital, two scales are prescribed—one, applying to public utility companies and monopoly companies, rises by 3d. in the pound with each 1 per cent. of profit in excess of 6d., to a maximum of 48d. in the pound where the profits exceed 16 per cent.; the other, applying to companies other than public utility and monopoly companies, rises by 1½d. in the pound with each 1 per cent. of profit in excess of 6 per cent. to a maximum of 36d. in the pound where the profits exceed 19 per cent. The scales applicable to companies, like those applicable to individual incomes, are subject to the Super Tax of 20 per cent., so that for all companies (except the foreign companies referred to in the next paragraph) the minimum rate is 18d. in the pound, and the maximum rate, for public utility and monopoly companies, is 57·6d. in the pound, and for other companies is 43·2d. in the pound. (This Super Tax, imposed in 1917, “during the continuance of the present War, and the year next succeeding the year in which peace is proclaimed,” was, on the expiry of its term of operation, continued without limitation of period.)

Special *flat* rates are prescribed for foreign companies (not being public utility companies or monopoly companies) as follows:

Banking and Insurance companies, other than Mutual Life companies, 24d. in the pound. Mutual Life companies—that is, companies which distribute all the profits among the policy holders—18d. in the pound. Life insurance companies which

distribute a part only of their profits among the policy holders are taxed at the rate of 18d. in the pound on the proportion of profits so distributed, and 24d. on the balance. Foreign trading companies are taxed at the rate of 24d. in the pound on the amount representing $7\frac{1}{2}$ per cent. of their gross sales in Queensland.

Except in the case of life insurance companies, and to the extent only to which they distribute their profits among the policy holders, all the above rates are subject to the Super Tax of 20 per cent.

LAND TAX.—The first proposal for a Land Tax in Queensland was made in 1867, when a private member moved a resolution, "That it is desirable to impose a tax on all alienated lands." This was debated at some length, but was defeated. Nearly fifty years elapsed before such a resolution received the approval of the Queensland Parliament. Meanwhile, Land Taxes had been adopted in every other Australian State, and by the Commonwealth Parliament.

In 1915 the Treasurer, in announcing the intention of the Government to introduce a Land Tax, said: "A Land Tax is imposed in every State of the Commonwealth and in New Zealand, and is levied also by the Commonwealth, and there is no reason why land-owners in Queensland should be exempt from this tax. . . . Special consideration is given to the primary producer who follows the pursuit of agriculture or grazing, in order that he will not be asked to bear too big a burden. The tax is made a graduated one in order that it would have a tendency to make it unprofitable to hold large aggregations of land in any part of the country. So far as the graduated scale applies to country lands, the idea is to prevent the aggregation of large country estates, and so far as the graduated scale applies to city lands, the idea is to extract from the large land-owners a revenue which they can afford to pay."¹

These views and intentions found legislative expression in an Act, 6 Geo. V., No. 34 (December, 29, 1915), which

¹ Parl. Debs., cxxi., 2127.

imposed tax on the unimproved value of "all land within Queensland which, whether before or after the passing of this Act, has been alienated from the Crown for an estate in fee simple."

Except in the case of an absentee and a company, there is a general exemption of £300. Where the unimproved value exceeds £300, that sum is deductible from the total value in order to arrive at taxable value.

The scale of rates is progressive, beginning at 1d. in the pound of taxable value where such value is less than £500, and rising by thirteen irregular steps till a taxable value of £75,000 is reached, at and beyond which point the rate is 6d. in the pound. Since July 1, 1916, "Undeveloped Land"—by which term is meant land which has not in or upon it improvements of the value of at least one-fourth of the unimproved value of the land—has been subject to an additional tax of 2d. in the pound of taxable value, "and in assessing such value no amount of exemption shall be deducted."

Land which is being used for agricultural, dairying, or grazing purposes by the owner of the land personally (not being an absentee or a company), is the subject of a special exemption of £1,500 which, in the case of land of greater unimproved value, diminishes by £6 for each £5 by which the unimproved value exceeds £1,500, "until the exemption is reduced to £300 at an unimproved value of £2,500. If the unimproved value is over £2,500, the exemption shall be £300."¹

A Super Land Tax² is in operation, as follows:

Where the taxable value—

Is £2,500 or over, but less than £5,000..	1d. in the pound
Is £3,000 or over, but less than £4,000..	1½d. " "
Is £4,000 or over	2d. " "

Provisions added by the Act of 1922 make land owned by a Mutual Life Assurance Society liable to tax at the rate of 2d. in the pound on each and every pound of the unimproved value, and "if such unimproved value in the aggregate

¹ Added by the 1922 Act.

² First imposed as from July 1, 1917.

exceeds £2,500 in lieu of Super Tax so long as such tax is payable, an additional Land Tax shall be charged at the rate of 1d. in the pound on each and every pound of such value." Another section added by the same Act provides that Land Tax shall be chargeable on the value of marketable timber growing on, and on the value of coal contained in any land, with the proviso that where the owner of the land is not the owner of the said timber or coal, as the case may be, there shall be deemed to be a joint ownership, and the Commissioner shall determine the respective interest in the land.

The usual exemptions from tax are declared in the case of Crown lands, and of lands owned by Friendly Societies, Trade Unions (provided such land is not used to carry on a business for pecuniary profit), and by religious, charitable, and educational institutions, etc.

CHAPTER VII

SOUTH AUSTRALIA

THE original settlements in New South Wales and Tasmania were convict settlements which came into existence as over-sea prisons for British criminals.

South Australia began its career as a home for men of British race under happier auspices, since from the inception it was planned to be peopled only by free citizens.

Mr. Edward Gibbon Wakefield conceived the idea of founding a settlement under conditions which he thought would be favourable to harmonious relations between Labour and Capital, and he considered that the territory called South Australia would prove a very suitable field for his experiment. Mr. Wakefield's intention was that the land should be sold at a fixed reasonable price per acre, and in such quantities as actually required from time to time, the proceeds being devoted to the immigration of labourers. He was of opinion that in this way a balance could be maintained between the demand for labour and the supply of labour; that the capitalist would never suffer from an urgent need of labourers; and that the labourer would never lack well-paid employment.¹

In 1831 Mr. Wakefield enlisted the sympathy of Colonel Torrens, then a member of the House of Commons. Various circumstances prevented effective action until 1834, when an organisation called the South Australian Association was formed with the object of founding a Colony under Royal Charter.

The Association obtained influential support and procured the passing of an Imperial Act, the South Australian Act, 1834, which vested the control of the new Colony in the hands of a Board of Commissioners. "The Board of Commissioners

¹ Blacket, p. 23.

were to superintend the sale of lands and to exercise a general control over the matter of immigration. Land was to be sold at 12s. per acre, though the Commissioners were empowered to raise the price when they thought proper. The whole of the purchase money from land was to be administered by the Commissioners, not the Government, and was to be spent by them in sending immigrants of the two sexes in equal proportions, not to exceed the age of thirty; £3 each to be paid for children between the ages of one and fifteen. At fifteen years of age they were to come out free. The Act pledged the Crown to give a Constitution as soon as the population numbered 50,000 persons. No-convicts were to be sent to the Colony. The Government stipulated that £35,000 worth of land had to be sold before the colonising scheme could become operative. This was to be an indication that among the intending colonists there was no deficiency of capital. The Commissioners were empowered to borrow money to the extent of £200,000 on the security of a Colony that as yet had no real existence."¹

By the end of 1835 the statutory conditions for the founding of the 'Province'² had been complied with, and during the next two months the necessary Order in Council was passed, and Captain Hindmarsh was gazetted as Governor of South Australia. For eight years the Administration was solely in the hands of the Governor, but in 1843 a Legislative Council was appointed, consisting of three official members and four non-official members.

The first legislative proposal in the nature of a tax was made during the term of office of Governor Robe, 1845-1848, when a Bill was introduced into the Council providing for the collection of a royalty of one-fifteenth of all metals and ore taken from Crown lands thereafter to be alienated.

This proposal aroused strong opposition. The second reading of the Bill was carried only on the casting vote of the Governor. The non-official members of the Council, who opposed the measure, were so incensed that they walked out in a body, leaving no quorum. The Governor had no alterna-

¹ Blacket, p. 27.

² This was the term used in the Statute.

tive but to adjourn the Council, but he afterwards intimated to the members who had thus put an end to the business of the Council that wilful non-attendance at a meeting of the Council might lead to the revocation of their appointments. This intimation was sufficient to secure the attendance of the non-official members at the next appointed sitting of the Council. At that meeting the Advocate-General moved that the Council should go into committee on the Bill. An amendment which, if carried, would have caused the indefinite postponement of the Bill was defeated on the casting vote of the Governor, and the motion for consideration of the Bill in committee was then agreed to without further opposition. The Governor, however, thought fit to withdraw the Bill. In this action he was supported by the Secretary of State, who in a subsequent despatch said: "Considering the decided opposition which that measure met with in the Council, you did wisely in withdrawing it"; but he added, "You will continue to sell the Crown Lands subject to a reservation of one-fifteenth of the minerals contained in them."¹

The history of Indirect Taxation in South Australia begins with an Ordinance (No. 4) promulgated by the Governor in 1838, which imposed import duties upon wines, spirits, and tobacco. This ordinance was amended in 1843 and 1844.²

In 1846 an Ordinance (No. 16) was passed³ "to consolidate and amend the Laws of Customs." This is a comprehensive measure of the administrative or "machinery" type, but it also imposes import duties. The schedule contains about 150 items, nearly sixty of which are dutiable *ad valorem*. This enactment is of more than ordinary interest, since it appears to be the first Customs Tariff enacted in any British Colony which grants preferential duties to British goods. In all the items dutiable *ad valorem* (and these include all the principal groups of manufactured articles) preferential rates are allowed upon goods the produce or manufacture of Great Britain or of any British Possession. In about thirty of the items the

¹ Blacket, p. 211.

² I am informed that these Ordinances were never printed.

³ By the Legislative Council appointed in 1845, consisting of three official, and four non-official members.

rates are respectively 10 per cent. general tariff, and 5 per cent. British Preference. In the remainder the respective rates are 15 per cent. and 10 per cent. Preference is also given on about forty items which are dutiable at specific rates. The reduction is usually of one-half and one-third of the duty. On spirits, *e.g.*, the general Tariff rate is 12s. per proof gallon and the British Preference rate 8s. per proof gallon. On wine the reduction is two-thirds of the duty, 1s. 6d.—6d. per gallon. On cement and several other items the reduction in favour of British goods is one-half the duty.

At the time, it was the practice to send to the English authorities all Revenue Ordinances passed by the local Council, the power of disallowance in respect of such measures being retained. With regard to the Ordinance in question, the following appears in 'The King's Customs,' vol. ii., p. 301:

"On June 15, 1847, the [British] Treasury transmitted to the Board [of Customs Commissioners] a Revenue Ordinance recently passed by the Legislative Council of South Australia, and asked in the usual way if it contained anything objectionable. The Board pointed out the following imperfections:

"1. The Ordinance had prescribed a method of dealing with undervalued *ad valorem* goods similar to that obtaining in the United Kingdom. The Board, perhaps bearing in mind how badly the British system worked, thought the appointment of an expert appraiser would be preferable.

"2. The Governor and the Naval and Military Authorities were allowed drawback of the import duty paid upon the spirit they consumed. The Board thought this unusual.

"3. The Ordinance tampered with the Navigation Laws in a way only allowed to the King in Council.

"4. The Tariff was extremely complicated and there were many differential duties."

The Treasury communicated with the Governor, upholding the Board's objections. All the objectionable clauses were removed, except the first, which was retained on the strength of a report from the Collector at Port Adelaide to the effect that there had been much undervaluing prior to the issue of the Ordinance, but only one case since.

The example of British Empire Tariff Preference contained in the Ordinance in question is notable for several reasons: (1) Because of its priority in time to all other enactments of a similar nature; (2) because of its appearance when the Colony had only just completed the first decade of its existence; (3) because of the wide range of commodities to which it was applied; (4) because of its application to the whole of the British Empire; (5) because of the liberality of its provisions.

It is somewhat of an anticlimax to record that these Preferential rates remained in force only about two years, for they were abolished by Ordinance No. 11 of November 23, 1848, which repealed the 1846 Schedule and enacted a new Schedule. As to the items enumerated, this Schedule differed little from that which it displaced, but, apart from the disappearance of the Preferential provisions, its general characteristic was a lowering of rates. *Ad valorem* items were made uniformly dutiable at 5 per cent., and changes in specific rates were effected in many cases by applying the lower (former British Preference) rates of the 1846 Ordinance to all goods irrespective of origin. All spirits were made dutiable at 10s. per proof gallon, and wine at 1s. per gallon.

Before any further change was made in the Tariff the Legislative Council was re-modelled by the introduction of the principle of Representation. Its members, whether official or non-official, had been nominated by the Governor, but from October 3, 1851, it consisted of four official and five non-official members, nominated by the Governor, and sixteen members elected by the people.

One of the first Acts passed by the new Council was a Tariff Act, which, however, made no remarkable changes. On fourteen of the *ad valorem* items the rate was raised from 5 to 10 per cent., but the general tendency was towards a reduction of rates. For instance, in the most important revenue item, spirits, the rate was reduced from 10s. per proof gallon to 6s.

Two years later, Act No. 8, November 22, 1853, largely amended the former Schedules. All *ad valorem* duties were fixed at 5 per cent. The duty on all spirits was imposed at the rate of 9s. per proof gallon.

In the same year, 1853, a careful examination of the River Murray, which, before passing into South Australia, forms a boundary between New South Wales and Victoria, demonstrated that it could be navigated by small steamers throughout a large part of its course in South Australia, and also for hundreds of miles eastward where it flows through New South Wales.¹ Valuable as this discovery was from the point of view of development and trade, an immediate effect was the emergence of a political difficulty. "No sooner was the practicability of navigating the Murray and its principal tributaries demonstrated than a war of Tariffs commenced."²

After protracted discussion, the matter was settled by an agreement ratified by an Act, No. 6, of 1855-56, which provided that South Australia should collect Customs duties on behalf of New South Wales and Victoria in respect of goods passing into those Colonies by way of the River Murray.

In April, 1857, the first South Australian Parliament under 'Responsible Government' met at Adelaide, but it was not until 1859 that any Tariff Act was passed, and then only one item was affected—namely, manufactured tobacco, the duty on which was raised from 1s. to 1s. 4d. per pound.

In 1860 a somewhat radical change occurred. Early in that year a new Government came into power, which was imbued with Free Trade beliefs and desired to reduce Customs duties. Accordingly, they introduced a Bill (which passed as Act No. 3 of 1860) repealing the existing somewhat lengthy Schedule, and substituting a very brief list of duties of the type then in force in Great Britain.³ A decrease in revenue was involved, and it was intimated that the deficiency was to be made good by retrenchment in the Civil Service. In introducing the measure into the Legislative Council, the Chief Secretary said: "The reason for abolishing these *ad valorem* duties was inconvenience, because a floating duty was more

¹ The Imperial Act defining the boundary between New South Wales and Victoria declared the bed of the River Murray to be within New South Wales.

² Finnis, p. 138.

³ The Free Trade movement in Great Britain was at its zenith at this period.

difficult to collect than a fixed one, and consequently he might say more open to the commission of fraud. When the duties were rated at fixed values, their collection was a comparatively easy matter, but under the existing system the value depended on the value and quality of each article, which rendered the task a difficult one. It was not an unusual thing for two invoices to accompany the goods, one for the Customs and the other for the consignees. At a time when he was in the office of a large mercantile establishment, some time ago, he had known an instance of a consignment coming out with three invoices—one for the Customs, another showing the net cost of the goods, and a third for the purpose of selling to customers. The last of these invoices amounted to £800 and the first to only £200. . . . Another great objection was the check which the *ad valorem* duties had given to the Murray trade.”¹ The Hon. Captain Hall said: “The *ad valorem* duties might be likened to an insensible perspiration from the pores, for the duties issued insensibly from the pockets of the community.”¹

The Schedule was as follows:

	s.	d.
Beer, porter, ale, cider and perry, per gallon ..	0	6
Coffee and chicory, per pound	0	2
Hops, per pound	0	2
Spirits, per proof gallon	10	0
Spirits, where proof not ascertainable, per gallon	10	0
Tea, per pound	0	2
Sugar, refined and candy, per cwt.	6	0
„ muscovado, per cwt.	3	0
„ molasses, per cwt.	2	0
Tobacco, manufactured and unmanufactured, per pound	2	0
Cigars, per pound	4	0
Snuff, per pound	2	0
Sheepwash, per pound	0	3
Wine containing more than 30 per cent. of proof spirit, per gallon	10	0
Wine not containing more than 30 per cent. of proof spirit, per gallon	2	0

¹ Parl. Debs., 1860.

The Act No. 6 of November 12, 1863, enacted a Schedule which to a large extent was a re-enactment of the Schedule of 1860, but it raised the duty on beer to 1s. per gallon, on tea to 3d. per pound, and added a duty on dried fruits, nuts, and almonds, 10s. per cwt.; also duties on certain timbers. The chief change it effected was to impose a drag-net duty of 5 per cent. *ad valorem* on all unenumerated goods except a few which were specifically exempted.

No further change was made for about seven years, when, by Act No. 10 of October 12, 1870, the Schedule of 1863 was repealed and a new Schedule made operative. The duty on spirits was unchanged. A number of grocery items were made dutiable at fixed rates. The chief alteration was the imposition of an *ad valorem* duty of 5 per cent. upon textiles, chinaware, earthenware, glassware, iron, a number of iron manufactures, and many miscellaneous articles, and the imposition of a duty of 10 per cent. upon unenumerated goods. The free list was somewhat extended.

In his Financial Statement the Treasurer said: "The tariff I purpose imposing is not what I should call protective, but it is to a certain extent discriminating. . . . I do not consider duties protective unless they are intended as prohibitory, or sufficiently so to prevent goods being introduced. In our case it is quite clear that we shall have to raise our revenue. The duties I intend imposing will, I believe, increase the amount of Customs taxation per head of the population to 28s. 3d. or 28s. 6d. Taking the population of 1871 as 190,000 souls, that will bring in an income from this source of £270,000."¹

The Treasurer's Statement was criticised on the ground that "the Treasurer was trying to humbug the House when he said the Tariff was not a protective one. It was introduced purposely to encourage local industries, and therefore must be protective." It was urged that the proper course to take would be to introduce a Property and Income Tax. This, however, was not done until fourteen years later.

The Act of 1870 was, in its turn, repealed by Act No. 34 of

¹ Parl. Debs., xv., 716.

September 20, 1876. The chief features of this Act are the imposition of a duty of 10 per cent. upon a large number of commodities; of 5 per cent. upon all cloth and tweeds, also upon implements; an increase in the number of fixed rate items, and an increase in the number of articles exempted from duty. The Treasurer in his Financial Statement, introducing the Tariff resolution, said: "I will state briefly the principles which have guided us in the revision: (1) To have fixed duties wherever practicable. (2) The fixed duties to assimilate with the New South Wales Tariff or approach thereto. (3) To have the *ad valorem* list at one rate on a fixed number of articles of luxury and of local manufacture. . . . In the proposed Tariff there will be 187 articles on the fixed list, 190 articles at 10 per cent. *ad valorem*, and all other articles free. We thus reduce the Tariff to a fixed list and a 10 per cent. *ad valorem*, and set free no less than 292 articles which are now subject to one or other of the duties."¹ Later the Treasurer said that most of these freed articles had been producing very little revenue. In the Council the Chief Secretary said he "was not aware that the Tariff could be called a protective one, although there were certain industries in the country which had not been lost sight of; nor, on the other hand, could it be called a thorough movement in the direction of Free Trade. It nevertheless had a tendency to follow this latter direction."²

For eleven years no important changes were made in the Tariff. During that period public opinion in South Australia had been turning towards a Protective policy. In 1886-87 the financial year ended with a deficit of £1,100,000. In the second half of 1887 a General Election took place in which one party declared itself definitely in favour of a Protective Tariff, obtained a majority, and came into power. The new Premier was Mr. Playford, who also took the office of Treasurer.

Speaking in the House shortly after the session began, the Treasurer said: "When stating the policy of the Ministry, I said that we were engaged in the revision of the Tariff with a

¹ Parl. Debs., 1876, p. 531.

² *Ibid.*, p. 968.

view to affording substantial encouragement to local products and manufactures. The revision, I said, would not be undertaken for the purpose of revenue, but we hoped when we introduced the amended Tariff to be able to recommend a reduction of some of the duties on the necessities of life. . . . Now the constituencies have spoken out in a most unmistakable manner in favour of a Protective Tariff. . . . They have spoken out unmistakably for a considerable advance on the present Tariff, which neither suits the Free Trader on the one hand nor the Protectionist on the other. The country will not rest satisfied until a Protective Tariff has had a fair trial. . . . We consider that a special reason exists for an alteration of the Tariff, in the fact that our nearest neighbour, Victoria, has a Protective Tariff, and we attribute no inconsiderable portion of her success to the fact that she has that Tariff. We propose to adopt practically a similar Tariff, with such modifications as in our opinion are necessary in consequence of our altered circumstances and position. . . . These are our principles: (1) The encouragement of products and manufactures by increased duties on imported products and manufactures. (2) The admission of raw materials free; the admission of certain necessities of life free, or a free breakfast table.”¹

The Act passed to give effect to the policy so announced (No. 405 of November 30, 1887) provides for a considerable increase of rates and numerous additions to dutiable items. *Ad valorem* duties, higher than any previously imposed, figured largely. Apparel, drapery and millinery, hats, manufactures of metal, and a number of miscellaneous items, were made dutiable at 25 per cent.; machinery generally, glassware cut, engraved, etc., hosiery, and a few other items at 20 per cent.; agricultural implements, blankets, table napery, carpets, silk piece goods, glassware, woollen and flannel piece goods (except dress goods) at 15 per cent., and all other goods not specially exempted, at 10 per cent.

Subsequent Tariff changes until the State control of Tariffs ceased on October 8, 1901, were of slight importance.

¹ Parl. Debs., 1887, p. 558.

EXCISE DUTIES—*Spirits*.—The Distillation Act, 1876, a machinery Act, also imposed a duty on spirits distilled within South Australia from grapes, fruit, or wine, of 6s. 9d. per gallon. In 1881 the rate was raised to 8s. per gallon (Customs Convention Act, 1881). The Act does not specify 'proof' gallon, so that presumably the duty was levied per liquid gallon. The main purpose of this Act was to continue a convention concluded in 1878 between South Australia and New South Wales, under which South Australia undertook to collect Customs duties at rates fixed by New South Wales on certain goods passing into that State via the River Murray, and to pay New South Wales an agreed sum each year as representing the amount estimated to result from such collection.

Act No. 319 of November 14, 1884, an amending and consolidating Act, repealed the Act of 1876, and also imposed a duty upon all spirits distilled in South Australia from grapes, fruit, wine, potatoes, roots, or grain, at the rate of 8s. per proof gallon, which in the following year was raised to 9s. 4d.

***Beer*.**—The Beer Duty Act, 1894 (No. 592), imposed an Excise duty of 2d. per gallon on all beer brewed or manufactured in South Australia. This appears to be the first Act of the kind passed by the South Australian Parliament. These duties remained in force until the taking over of Excise duties by the Commonwealth.

DIRECT TAXATION—*Probate and Succession Duties*.—The first entry of the South Australian Legislature to the field of Direct Taxation occurred in 1876, when the Probate and Succession Act, No. 35 of 1876, was passed. The Parliamentary debates show that the introduction of this measure was not attributed to any change in policy as to the bases of taxation, but was treated as a revenue matter. The duties were estimated to produce about £30,000 per annum.

The Probate and Succession Act, as the title indicates, imposed duties of two distinct kinds. A Probate Duty was levied upon the whole of the estate of a deceased person, and, in addition, a separate duty was made payable by every person who took an interest under the Will or Intestacy.

The schedule of Probate Duties was as follows:

	£	s.	d.	£	s.	d.
Under the value of £100	1	0	0	1	10	0
Above £100 and under £200	2	0	0	3	0	0
" £200 " " £300	3	0	0	4	10	0
" £300 " " £400	4	0	0	6	0	0
" £400 " " £500	5	0	0	7	10	0
Above £500, 1 or 1½ per cent.						

The higher of the two duties shown was charged in cases of intestacy. This was denounced in Parliament as "monstrously unfair." The Chief Secretary thought it sufficient to say in reply that he "was of opinion that the additional ½ per cent. would render people more provident and careful to make their wills."

The second Schedule of the Act, dealing with duties payable by persons taking a succession under a Will or Intestacy was as follows:

Where the successor is—

	<i>Per Cent.</i>
A lineal descendant or lineal ancestor of the predecessor	1
A brother or sister or a lineal descendant of a brother or sister of the predecessor	3
A brother or sister of the father or mother, or the descendant of a brother or sister of the father or mother of the predecessor	5
A brother or sister of the grandfather or grandmother of the predecessor	6
A person in any other degree of collateral consanguinity to the predecessor or a stranger in blood	10

The Act exempted from duty:

1. Any property given to or passing to, or for the benefit of, the husband or wife of the predecessor.
2. Any succession of less value than £20.
3. Any moneys applied to the payment of duty on any succession according to any trust for the purpose.
4. Any legacy of books, pictures, etc., to a body corporate, University, etc., to be kept, and not for sale.

The 1876 Act was amended by Act No. 225 of November 18, 1881, which exempted from Probate Duty estates not exceeding £1,000 in value, and provided that no Succession Duties should be payable in respect of any portion of such estate if taken by the lawful children of the deceased.

The Probate and Succession Act of 1876 was repealed by the Succession Duties Act, 1893, which abolished Probate Duties and imposed Succession Duties at progressive rates. The Treasurer, in introducing the Bill for the 1893 Act, said: "The measure has been four times before the House, and has four times been rejected by the other Chamber." The Treasurer referred to a report of "the Civil Service Commissioners which favoured the charging of one duty only, instead of the two duties—i.e., Probate and also Succession Duties"—and went on to say that "a previous Government had brought in a Bill imposing one duty only, but making it payable on the total amount left by one deceased person. The House considered it was desirable that a man should leave his property to several persons instead of one only, and accordingly it was decided that the duty should be levied on the individual amounts left to the different legatees. . . . He would ask the House to pass the measure as quickly as possible, as it was one of the methods proposed by the Government in order to make the revenue meet the expenditure."¹

A former Premier, Sir John Downer, said he "laid down the principle that no one had any natural right to any property after the death of the owner. As far as children were concerned they had no natural right, and as far as strangers were concerned they had no natural nor any other right."¹

The implications of Sir John Downer's 'principle' were not embodied in the Act, as the Legislature took a more generous view of family rights, and of the privileges of an owner of property to determine the destination of such property after his death.

The principle of progression in rate was the object of the chief attack upon the Bill, but the Opposition failed to convince a majority of the House that a flat rate should be substituted.

¹ Parl. Deb., 1893, i., 342.

The rates varied from 1 to 10 per cent. The lowest rates were payable by near relations in the direct line, a somewhat higher scale by collaterals, while a flat rate of 10 per cent. was imposed upon successions taken by strangers in blood.

The Act of 1893 was amended by the Succession Duties Act, 1915 (No. 1,217), which is still in force. Under that Act real property in South Australia, and personal property wherever situated, is dutiable if the deceased person was domiciled in South Australia. Duty payable outside the State on any property not situated in South Australia may be deducted from the duty payable thereon in South Australia. Duty is payable in addition on—

1. Property passing by way of *donatio mortis causa*.
2. Property accruing to any person under a settlement containing trusts to take effect after the death of the settlor or any other person.
3. Property accruing to a person under a deed of gift made within three months of the death of the donor.
4. Property the subject of any conveyance or assignment made with intent to evade the payment of duty, and in this case at double rates.

The value for duty is determined at date of death of testator.

The rates of duty are as follows:

1. On property passing to widow, widower, descendant, and ancestor. If the present value is—

	<i>Per Cent.</i>
More than £500 and less than £700	1½
More than £700 and less than £1,000	2

and so on irregularly, reaching a maximum of 17½ per cent. at a net value of £20,000. Half these rates only are chargeable if the person taking is the child under twenty-one years of age, or the widow of the deceased, and if the net present value of the whole estate is under £2,000.

2. On property passing to brother, sister, descendant of brother, sister, or any other blood relation. If the net present value is—

	<i>Per Cent.</i>
Under £200	1
Over £200 and less than £300	1½

and so on, the scale reaching a maximum of $17\frac{1}{2}$ per cent. at a net value of £50,000.

3. Where property passes to a stranger in blood, duty at the rate of 10 per cent. is payable where the net present value of the estate is less than £10,000; if between £10,000 and £20,000, at 15 per cent.; if over £20,000, at 20 per cent.

Slightly different rates are payable on property passing under a settlement or a gift *inter vivos*, though the maximum rates are the same.

Another Act of 1915, No. 1,205, provided for a remission of duty where the deceased died on active service. Where the succession does not exceed £5,000, the whole of the duty is remitted, and exceeding that amount, duty on the first £5,000 is remitted and a reduction allowed on the balance. This reduction varies according to the expectation of life of the beneficiary.

LAND AND INCOME TAXATION.—In 1883 the finances of the Colony of South Australia were unsatisfactory, there being a deficit of about a quarter of a million, and the Government proposed to tax all real and personal property in the Colony at a flat rate of 1d. in the pound. This proposal was ill received, and the Government thought it well to modify its view. Accordingly, it introduced a Bill providing for a tax on real and personal property at the rate of $\frac{1}{2}$ d. in the pound, and an Income Tax of 3d. in the pound on trade and professional incomes, and of 6d. in the pound on incomes derived from invested capital. This was passed by the House of Assembly, but was rejected by the Legislative Council. The Government took no further action.¹

In 1884 a General Election occurred, and a new Ministry came into power. The financial position had not improved; on the contrary, it had become worse. The Treasurer of the day (the Hon. W. B. Rounsevell) in his Budget Speech showed that the debit balance on June 30, 1884, was £436,000, a serious deficit for the small population of that time. He spoke of the "terrible commercial depression

¹ Hodder, ii., 98.

which South Australia, in common with Australasia, and indeed, I might say, almost the whole civilised world, has experienced during the last year.”¹

Other parts of Australia were, in fact, more happily circumstanced, but South Australia was undoubtedly in the trough of a serious depression. That depression appears to have continued and deepened during the next two years. Evidence of this may be gathered from the Victorian Parliamentary Debates, 1894–95, vol. xxv., which show that, during a discussion in the Victorian Assembly upon an Income Tax Bill, one of the members (Mr. Trenwith) said:

I had the honour of being asked to go to South Australia in 1886, and I saw in Adelaide the most painful sight that I have ever witnessed in connection with any city. . . . There were whole streets of empty houses. I think I am within the mark when I say that the majority of the shops in the principal streets were closed.

Apparently Mr. Trenwith’s visit was followed by an improvement in the conditions of South Australia, for that gentleman went on to argue that an Income Tax imposes no check upon the advancement of a State, as South Australia, although its citizens were subject to an Income Tax, had since 1886 quite regained its prosperity and was showing marked progress each successive year.

The South Australian Government, when considering remedies for the financial difficulties which existed in 1884, was influenced by personal preferences for Free Trade views, which no doubt were shared by a majority of the House. The Treasurer told the House that “it has been suggested by some that we should increase our Customs duties—in other words, that we should go in for a Protective Tariff. That does not commend itself to my mind.”

An increase in Indirect Taxation being thus negatived, the Government introduced and passed into law the South Australian Taxation Act, 1884 (47 and 48 Vic., No. 323), which imposed taxes upon land and incomes.

The Land Tax was at the rate of $\frac{1}{2}$ d. in the pound on the

¹ Parl. Debs., 1884, p. 583.

unimproved value of all lands in the Colony. No amount was exempted. It was estimated that the revenue from the Land Tax (which was to be expended on Public Works) would be £290,000.

The Income Tax was at the rate of 3d. in the pound upon incomes derived from Personal Exertion, and 6d. in the pound upon incomes derived from Property. In the case of income derived from Personal Exertion the income for the purpose of taxation was taken to be the average of the three preceding years; and in the case of income derived from Property, the tax was levied on the income of the preceding year. A general exemption of £300 was allowed, which was deductible from the net amount of income the produce of Property, but if such income was less than £300 the difference was deductible from the income derived from Personal Exertion, and any net loss in the production of either income was deductible from the net amount of the other income.

Where income was derived from land, Income Tax was not charged except upon such part of the income as exceeded 5 per cent. of the actual value of the land. The 'actual value' was deemed to be the capital amount for which the fee-simple of the land would sell with all improvements (if any) on such land.

The Act of 1884 was amended by Act 356 of 1885. This Act repealed the provision under which Income Tax upon incomes derived from Personal Exertion was levied upon the *average* income of the preceding three years. The matter seems to have attracted but little attention. The Treasurer said that the levy on the income of the preceding year was the simpler method, and the House appeared satisfied to accept that view as a sufficient reason for repealing the 'averaging' provisions. The 1885 Act also provided for the hearing of appeals against assessments by the 'Local Court of Full Jurisdiction.'

Further amendments were made by Act No. 423 of 1887. The General Exemption was reduced from £300 to £200; the income of a Company was declared to be income derived from Property, and taxpayers were given the option of appeal-

ing against assessments either to the Local Court of Full Jurisdiction or to the Local Court of Adelaide.

The Taxation Act Amendment Act, 1892, increased the Income Tax rates to 4½d. in the pound upon incomes derived from Personal Exertion, and to 9d. in the pound upon incomes derived from Property. This Act operated for one year only. In the following year, Act 572 of December 23, 1893, further increased the Income Tax rates to 6d. in the pound upon incomes derived from Personal Exertion, and to 1s. in the pound upon incomes derived from Property. This Act also operated for one year only.

In these changes the Land Tax rates had been untouched, but Act No. 604 of 1894 effected changes in the rates both of Land Tax and of Income Tax.

The change in the Land Tax took the form of imposing an additional rate of ½d. in the pound upon every pound of unimproved value exceeding £5,000.

The existing rates of Income Tax were repealed, and the following rates substituted:

Personal Exertion	..	..	4½d. in the pound up to £800;
			6d. in the pound upon
			every pound above £800.
Property	..	..	9d. in the pound up to £800;
			1s. in the pound for every
			pound above £800.

For the financial year 1896 the Income Tax exemption was reduced from £200 to £125, and applied only to incomes not exceeding £300.

For a number of years subsequently the changes made in the Income Tax were not very substantial. The General Exemption was frequently varied, being successively £150, £135, £150, £200, and £150, at which latter rate it now stands. It is not a diminishing exemption, but extends throughout all ranges of income. Changes in rate were also frequent, and generally in the direction of increase. This was especially the case after the effects of the War came to be felt. *The present rates of Income Tax* are as follows:

	<i>Income Derived from Personal Exertion.</i>	<i>Income Derived from Property.</i>
	Pence.	Pence.
For every pound of the taxable amount up to £400	5	10
Over £400, up to £700	7	12
„ £700 „ £1,000	9	15
„ £1,000 „ £5,000	14	19
„ £5,000 „ £10,000	19	22
„ £10,000	22	27

In addition, there is a Super Tax of 25 per cent. (*See Addendum, p. 273.*)

Land Tax is charged at the rate of $\frac{1}{2}$ d. in the pound on the unimproved value, with an additional charge of $\frac{1}{2}$ d. in the pound upon all lands the unimproved value of which exceeds £5,000. There is no exempted amount.

AMUSEMENTS DUTY.—In 1916, as an incident of War finance, duties in respect of admission to entertainments were imposed in Great Britain, and in the same year similar duties were enacted in South Australia and Tasmania, as also by the Commonwealth Parliament. —

The duties imposed in South Australia, called Amusements Duties, which are still in force, are as follows:

Where the payment for admission to an amusement, excluding the amount of duty—

- | | |
|--|---|
| 1. Does not exceed 3d. | $\frac{1}{2}$ d. |
| 2. Exceeds 3d., but does not exceed 6d. | $\frac{1}{2}$ d. |
| 3. Exceeds 6d. for every 6d. or fractional part of 6d. of such payment | $\frac{1}{2}$ d. |
| Members, or season tickets | $\frac{1}{2}$ d. for every 6d. or fractional part of 6d. of the price of such ticket. |

Where mechanical contrivances are in use which automatically register the number of persons admitted to an entertainment, the proprietor or promoter furnishes returns to the taxation authorities, and pays duty in accordance with the figures shown.

CHAPTER VIII

WESTERN AUSTRALIA

THE imaginary line on the earth's surface, which is shown on maps as representing longitude 135 degrees east, divides Australia from north to south into nearly equal portions. The whole area to the east of that line was, in 1786, included in New South Wales,¹ but the western portion of the Island Continent remained unannexed. For forty years longer that huge territory, containing about a million and a half square miles, was a No Man's Land, the Never Never of the World. Then a belief became current that France seriously intended to take possession, and in 1826 Major Lockyer, with a small force, was sent from Sydney to King George's Sound (now Albany) to hoist the Union Jack and take possession in the name of King George IV. Major Lockyer succeeded in forming friendly relations with the natives, and established a settlement. This, however, was not destined to become the principal focus of British colonisation in that part of Australia, for in the following year Captain Stirling, who had been examining the coast, explored the mouth of the Swan River, and gave a very favourable account of it and of the surrounding country.

The British Government, impressed with this account, decided to form a settlement on the banks of the Swan, and thus take practical possession of the western part of Australia. Captain Stirling was sent to superintend the establishment of the new Colony and to act as its first Governor, as Lieutenant of the Governor of New South Wales. The new Governor, with his staff and some artisans and their families,

¹ In 1829, longitude 129 degrees east was declared the western boundary of New South Wales, thus adding more than half a million square miles to the area of that Colony.

landed in June, 1829, and from that date the Colony may be said to have been established.¹ In 1831 Captain Stirling was appointed Governor-in-Chief of all the settlements on the west coast of Australia, with very large powers, including the power to appoint an Executive and a Legislative Council.²

There was no suggestion by the British authorities that the new Colony should be used as a penal settlement, though that question might soon have arisen, if only from the point of view of providing labour with which to construct roads and buildings, to clear lands, and generally to bring into productive use some portion of the wide unoccupied spaces. But events were happening in eastern Australia which reacted favourably upon the west. To quote Professor Scott:

Following the flow of free immigration to Australia, masses of English capital were awaiting scope for employment in the country. The Australian Agricultural Company, with a capital of £1,000,000, commenced to operate in New South Wales in 1824; in 1825 the Van Diemen's Land Company acquired a great estate in the Southern Island. News about the Swan River came to hand just at the time when this enterprise had been taken in hand. Mr. Thomas Peel, a cousin of Sir Robert Peel, was the prime mover in the scheme. He undertook, on behalf of a syndicate formed for the purpose, to convey 10,000 immigrants to Western Australia and settle them there in return for a grant of 4,000,000 acres, valued at 1s. 6d. per acre, which would exactly recoup this outlay. . . . The Colonial Office cut down the land grant to 1,000,000 acres. Each immigrant was to get 40 acres for every £3 invested by him in land—that is, one acre for every 1s. 6d. invested; and this land was not to become a freehold property of the settler unless he spent 1s. 6d. per acre in improving it within the first three years. . . . But the experiment was a failure. . . . The curve of the population figures shows how the Colony fared. In 1830 there had been as many as 40,000 persons in Western Australia. The great part of them drifted away, and in 1832 there were only 1,500. Then, little by little, a period of growth commenced. It was a very slow pro-

¹ Finney, p. 263.

² *Ibid.*, p. 264.

cess truly, but the corner had been turned. In 1840 there was a population of 2,350, and in 1850 it numbered over 5,000.¹

But the process was too slow for the patience of the colonists, and in 1849 the difficulties of procuring labour led them to initiate negotiations with the Home Government for the transportation of convicts to the Colony. The arrangement finally entered into was that there should be an equal number of convicts and of free immigrants, and "in the nine years from 1855 to the end of 1863, 4,800 convicts and 4,580 free immigrants whose passages were paid from England arrived. . . . The (convict) system ended, however, largely in consequence of vigorous protests made by the other Australian Colonies against the continued shipping of British felons to any part of the Continent. The last convict ship to bring its unhappy freight to these shores arrived in 1867."¹

"In 1869, Governor Weld, who had begun his public life in New Zealand, was appointed to Western Australia. He was commissioned to introduce a new system of Government similar to that granted to New South Wales in 1843. The Colony was forthwith divided into electoral districts, and a Legislative Council was established, consisting of six nominated and twelve elected members."²

Responsible Government of the type which existed in all the other Australian Colonies came into being in 1890.

INDIRECT TAXATION.—As we have seen, Governor Stirling was, in 1831, given power to appoint a Legislative Council. The series of laws passed by that body in the form of statutes or ordinances begins in 1832, and each enactment shows on its face that it was enacted "by His Excellency the Governor of Western Australia and its Dependencies with the advice of the Legislative Council."

The first Act dealing with the imposition of duties upon imports was Act 2 Vic., No. 3, which was of the short and simple type adopted in the other Australian Colonies in their early years.

The Tariff annals of a small community almost entirely

¹ Scott, p. 133 *et seq.*

² Finney, p. 269.

devoid of secondary industries are not of sufficient interest to be followed in complete detail. Let us look at the Tariff in 1871, when the population was still not greatly in excess of 20,000. In that year Act 34 Vic., No. 17, was passed, which imposed duties of Customs as follows:

	s.	d.
Beer, porter, and perry, bottled and in wood, per gallon	0	6
Cigars and snuff, per pound	5	0
Coffee, per pound	0	1
Spirits, cordials, or strong waters, not being per- fumed or medicinal spirits, per proof gallon ..	12	0
Sugar, refined and candy, per cwt.	4	0
„ moist and molasses	3	0
Tea, per pound	0	2
Tobacco, manufactured, per pound	2	6
„ unmanufactured, per pound	1	0
„ for sheep wash, per pound	0	3
Wine, bottled and in wood, per gallon	4	0

On all goods, wares, and merchandise imported into the Colony and not otherwise charged with a specific duty, and not herein set forth as free from duty, a duty of 7 per cent., according to the invoice value.

In the following year another Tariff Act, 36 Vic., No. 4, varied and added to the above Schedule. The duty on beer was increased to 9d. per gallon, spirits to 14s. per proof gallon, tea to 4d. per pound, and the general *ad valorem* rate was raised from 7 to 10 per cent. New duties were imposed on a number of articles, chiefly articles of human consumption, such as butter, cheese, confectionery, dried fruits, potatoes, spices, and salted or dried provisions. Branpollard and hay were also made dutiable. The small free list of the 1871 Act was somewhat enlarged.

While the Tariff was almost exclusively a revenue instrument, the changes made suggest the beginnings of the dairying industry, and of the production, on a relatively significant scale, of dried fruits, potatoes, and of some other articles usually grouped under the generic term 'provisions.'

In 1876 a Parliamentary Commission, the object of which was "to adjust the incidence of taxation, and to remove some

of the glaring anomalies of the existing Tariff, with a view to its simplification,"¹ suggested some changes in the Schedule. However, all the important revenue duties were retained unchanged, as was also the *ad valorem* duty of 10 per cent. The duties on bran and hay were omitted, and a few items were added to the list of specific duties. Three years later the 1876 Act was displaced by Act 43 Vic., No. 25, 1879. This Act made but little difference in the Schedule of specific duties, except by raising the duty on spirits to 15s. per proof gallon. A 10 per cent. duty was imposed on a number of items, chiefly machinery, iron, many manufactures of metals, rolling stock, copper, wool bales, etc. The general *ad valorem* rate of 10 per cent. was raised to 12½ per cent., and the free list was considerably reduced.

Further Tariff changes were made in 1882 and in 1888. Those of 1882 were of small importance. The 1888 Schedules are noticeable mainly for the imposition of duties on living animals (which duties may be regarded as aimed at the neighbouring Colony of South Australia) and for an increase of *ad valorem* rates (on a limited list of articles) to 20 per cent., the highest duty imposed up to that time. A compromise between revenue requirements and the claims of certain industries for the admission of their equipment at low rates of duty is discernible in the adoption of a schedule of 5 per cent. *ad valorem* on such items as agricultural, quartz-crushing, flour-milling and cream-separating machinery, certain manufactures of metals, copper, zinc, boot-manufacturers' materials, etc. It is evident that wheat-growing was on the increase, that dairying interests had acquired influence, and that manufacturing was beginning to take its place in the economic life of the Colony. But the mention of quartz-crushing machinery is of special significance. Two years earlier, Western Australia had made its first modest contribution to the gold production of the world, with a value of £1,148. Ten years later the value had passed the £1,000,000 mark and rose rapidly in each successive year to its highest point, £8,770,719 in 1903.

¹ Parl. Debs., 1876.

In 1893 the last Act dealing with the Tariff as a whole was passed. In the previous session a Commission, partly consisting of Members of Parliament, had been appointed (the resolution to appoint was carried against the Government) to report on desirable amendments of the Tariff.

In introducing the new Tariff in the Legislative Assembly, the Premier, Sir John Forrest (afterwards Lord Forrest), said: "The result of the deliberations of the Commission as altered by the Government is to be found in the Schedules of the Bill. . . . There is one point that we have to keep always before us in dealing with the Tariff, and I am inclined to say that the members of the Commission kept it before them—and that is to take care that the revenue of the Colony is not seriously interfered with. . . . I do not think that any one who goes through the Schedule of this Bill will be able to say that it is either a Free Trade or a Protectionist Tariff. I think that everyone will admit that it is a revenue Tariff, but with a good savouring of Protection in many particulars. Probably about £15,000 more revenue would have been derived last year if the proposed duties had been in force, and if the same class of goods had been imported . . . as I have already said, it is not our Tariff . . . it is a Tariff which has been compiled by a Commission appointed by this House, and which the Government has adopted and altered in a few particulars."

Mr. Richardson, a member of the Legislative Assembly, who had been a member of the Tariff Commission, said: "It does appear to me that the Government, in interfering with the offspring of the Commission, have subjected it to a treatment which can be described by no other term than absolute mutilation. . . . The Commission had a Tariff before them to deal with; that Tariff was, to a certain extent, a Protective Tariff, and our instructions were that we must not interfere with the revenue." Mr. Richardson also indicated that the Commission desired to achieve three results—viz.:

1. To avoid interference with the revenue.
2. To reduce duties on raw materials required by the local manufacturer.

3. To keep down the cost of living. He could not understand why the Government did not adopt the recommendation of the Commission to impose an Excise duty on beer.

The Government was attacked strongly for increasing the duty on imported ale and beer and thus "handing over to the local brewers a sum of between £5,000 and £6,000 annually," while refusing to impose an Excise duty.

Another member (Mr. Simpson) said: "The Premier said that this (the Tariff) is not his child, that it belongs to the Commission; but he took the brains out of the child and then turned it adrift in the Assembly a brainless thing."

With regard to the beer question the Premier said: "Possibly they might, by and by, require a larger revenue than this new Tariff would provide, and they might then consider the expediency of putting an Excise duty on colonial beer."

The Tariff (the step-paternity of which the Government so reluctantly acknowledged) did not greatly alter the specific duties. The rate on ale, beer, and stout was raised to 1s. 3d. per gallon in wood, and to 1s. 6d. per gallon in bottle. The duty on sparkling wine was fixed at 10s. per gallon, and that on spirits raised to 16s. per proof gallon. The *ad valorem* duties were divided into four Schedules, at 5, 10, 15, and 20 per cent. respectively. Among the items dutiable at 5 per cent. were agricultural, horticultural, and viticultural implements and machinery, steam boilers and parts, machinery and parts, carriage- and cart-makers' materials. Dyers' materials, materials for furniture-making, litho work, saddlers', tanning, telegraph and telephone materials, tools and parts, iron pipes, wire netting, etc.

The 10 per cent. Schedule covered cotton and woollen piece goods, apparel, blankets, counterpanes, children's boots and shoes, men's hats and caps, timber (unworked), surgical and dental instruments.

The principal items dutiable at 15 per cent. were boots n.o.e. (that is, not otherwise enumerated), brassware, castings, copper ware, cutlery n.o.e., drapery n.o.e., earthenware, hardware, hollow-ware, ironmongery, medicines, musical

instruments, oilmen's stores, stationery (all n.o.e.), leather, kip, etc., millinery, silks, satins and velvets in piece, wickerware, woodenware, and a few other articles.

A miscellaneous list was made dutiable at 20 per cent., and there was a short list of goods declared free of duty.

This Tariff marks the highest point in the scale of import duties ever reached by the State of Western Australia. In the year in which the Act was passed the population curve entered upon its swiftest rate of ascent. In less than four years the population doubled and the gold production increased six-fold. The numerous sub-artesian wells, whose streams were gold, were transforming the State. An era of unexampled prosperity had set in, and in 1895 an overflowing Treasury impelled the Government to think of lightening the Customs taxation of the people.

When introducing a Bill for that purpose (which became Act 59 Vic., No. 8) the Premier said: "When we were last dealing with the Tariff, in 1893, it was pretty freely stated that the desire of the Government was to increase the taxation in order to get more revenue. We repudiated that idea, but at the same time we had to be watchful of the revenue because we had entered on great obligations. . . . The circumstances of the Colony have changed considerably since 1893, and there has been a tremendous increase in the general revenue of the Colony. Therefore, the desire of the Government now is to abolish some of the duties which were levied under the Act of 1893, especially the duties upon the articles which cannot be produced in the Colony, and the duties upon raw materials which are required in local industries. The effect of the Bill I am now dealing with will be that the revenue will suffer a reduction during the current year amounting to between £40,000 and £50,000."

In addition to tea, sugar, and kerosene, other articles freed from duty were arrowroot and other farinaceous foods, bags and sacks, wool bales, blankets and rugs, cocoa, chocolate, coffee, galvanised iron, wire netting, tinplates, fencing wire, explosives, etc.

The operation of the Act was postponed for three months

in order to give merchants an opportunity of disposing of goods affected by the repeal or reduction of duties.

In the following year further duties were repealed by Act 60 Vic., No. 13. The Premier's explanation to the House was as follows: "We propose to abolish the duty on all machinery and things required to carry on production and which are not produced in the country. . . . I expect the abolition of the duties contained in this Bill for the current year will affect the revenue to the extent of £20,000 to £25,000. . . . Our recommendations are generally in reference to the 5 per cent. list in the Tariff of 1893. . . . I have it from the members of the Tariff Commission of that year that they placed on the 5 per cent. list all those articles which they would have liked to place on the free list if it had been possible."

An Act of 1898 imposed new duties on living animals, frozen and chilled meat, and a few other items. The duties on living animals and on frozen and chilled meat were repealed by Act 64 Vic., No. 3, of October 5, 1900. This was the last occasion on which the Parliament of Western Australia dealt directly with rates of Customs duty. But certain legislation on the subject was still necessary, as to which some explanation may here be given.

In the inter-State conferences, which immediately preceded the adoption by the Australian Colonies of the Scheme of Federation which came into being on January 1, 1901, the representative of Western Australia had pressed for special financial concessions on the ground that (1) the passing of legislative authority over the Tariff into the hands of the Commonwealth would probably lead to the adoption of rates inadequate to produce a sufficient revenue for the requirements of the State, and (2) that, as the eastern States were far more highly developed industrially than Western Australia, the sweeping away of all inter-State fiscal barriers would lead to the swamping of that State with goods produced in the eastern States. If absolute free trade were introduced, such goods would pay no duty on entry into the State, and thus the revenue from Customs would be doubly depleted and the State finances seriously disorganised:

The compromise finally adopted was to insert in the Constitution a provision (Sec. 95) which authorised the State of Western Australia, during the first five years after the imposition of uniform duties (that is, after the date when the first Commonwealth Tariff came into operation), to impose duties of Customs upon goods passing into the State which had not been imported from abroad. The duties (which were to be collected by the Commonwealth) were, for the first of the five years, not to exceed the duties in force in the State at the date of imposition of uniform duties, to be reduced by one-fifth in each of the next four years, and to cease altogether at the end of the five-year period. The necessary legislation was passed, and the arrangement ran its prescribed course, coming to an end on October 8, 1906. Since that date there has been absolute free trade between the Australian States.

EXCISE DUTIES—*Spirits*.—As in some other of the Australian Colonies, the distillation of spirits was for a number of years entirely prohibited, except (under special conditions) for use in the preparation of medicines or other articles required *bona fide* for medicinal purposes.

In 1871 it was considered that the Colony had reached a stage of development which justified statutory recognition of the trade of distillation, with the usual concomitant of the imposition of an Excise duty. This decision was made effective by the passing of Act 35 Vic., No. 6 (August 8, 1871). This was a machinery Act of the comprehensive type, which (following British legislation) was adopted sooner or later in all the Australian Colonies, and was also a Rates Act, as it imposed a duty of 12s. per proof gallon on spirits distilled in Western Australia from malt, grain, grapes, wine, sugar, treacle, molasses, or other materials. This rate was still in force when the control of distillation passed to the Commonwealth.

EXCISE DUTIES—*Beer*.—It was not until 1898 that the Western Australian Parliament decided to impose an Excise duty on beer. In that year Act 62 Vic., No. 4, imposed duty

at the rate of 2d. per gallon on all beer, ale, or stout brewed or manufactured in Western Australia. 'Beer' was defined as meaning and including ale, porter, and all other malt liquor or fermented beverage made in imitation of malt liquor, and containing not less than 3 per cent. of proof spirit. The usual administrative provisions were enacted relating to control of breweries and protection of the revenue. These duties were not altered during the continuance of the State control.

DIRECT TAXATION.—The earliest impost in the nature of a direct tax was a duty on the proceeds of sales by auction. This was made payable by every auctioneer and seller by commission. This duty was in force from 1839¹ until 1873,² when it was repealed, and never again imposed. It may be said that the designation of a tax of this kind as a 'direct' tax, is inconsistent with the definition usually accepted that a 'direct' tax is one which is demanded from the very person who it is desired or intended should pay it. In this case, however, the demand is made on the agent of the person who must pay the tax, and the agent has a fund belonging to his principal from which the payment may be made. Further, in this case the principal will pay the tax and nothing more than the tax. The position in the case of the ordinary instances of 'indirect' taxation is different. There the payer of the tax is (nearly always) able to pass on, not only the tax, but also a profit on that payment, and at the time of making the payment he is unaware of the identity of the person from whom he will recoup himself.

In 1840 a *duty of 1 per cent.* was imposed on the transfer of *Real Property*³ "over and above, and in addition to, such fees as are at present payable on the registration of deeds and other conveyances." This levy was expressed to be "for the purpose of obtaining a fund to be applied to the introduction of labourers, mechanics, and artisans into the Colony." In 1874 it was provided by Act 37 Vic., No. 5, that moneys

¹ Act of Council, 3 Vic., No. I.

² *Ibid.*, 37 Vic., No. II.

³ *Ibid.*, 4 and 5 Vic., No. XIII.

received as duties from this source should no longer be applied to the introduction of labourers, mechanics, and artisans, but be used for general purposes.

TAXATION OF THE ESTATES OF DECEASED PERSONS.—It was not until Western Australia's Golden Age that a scheme of taxation of the estates of deceased persons was brought into operation, except so far as such taxation had been effected by the duty of 1 per cent. (in the nature of a Stamp Duty) upon the transfers of land.

In 1895 a Bill was introduced (which became Act 59 Vic., No. 18) imposing duties on the Real and Personal estate of deceased persons.

The Attorney-General, in the course of the second-reading speech on the Bill, said: "Since we have been in office we have hesitated to introduce a measure of this description, because we thought the amount to be collected under it would be rather small, and up to this year the Bill would be premature. Now that people have grown richer and have money to leave behind them it may be well to try and get a little revenue. . . . The Government has remitted a very large amount of (Customs) duties that affected all parties, and we now propose to get a little of it back by means of this Bill. . . . There is nothing new in the Bill. It is the law in England and in all the other Colonies, and the only reason why it has not been introduced in this Colony before is because of the small amount that was likely to be collected under it. . . . It may be said, now that our finances are flourishing, Why introduce it at all? I think it should be placed upon our Statute Book, because we do not know when any rich estate may fall in, and there is no reason why this particular revenue should not be reaped."

The Bill went through the Assembly with very little opposition, but when the second reading was moved in the Legislative Council, an amendment "that the Bill be read a second time this day six months" was only defeated by a majority of one vote, and the Bill had a difficult passage, though it was eventually passed.

The rates payable were as follows:

Where the total value of the estate, after deducting all debts, did not exceed £1,500, no duty was charged.

						<i>Per Cent.</i>
Where the value exceeds £1,500 and does not exceed £2,500, the rate on the excess over £1,500 was ..						1
From	£2,500	to	£5,000	..	..	2
"	£5,000	"	£10,000	..	..	3
"	£10,000	"	£20,000	..	..	4
"	£20,000	"	£30,000	..	..	5
"	£30,000	"	£40,000	..	..	6
"	£40,000	"	£60,000	..	..	7
"	£60,000	"	£80,000	..	..	8
"	£80,000	"	£100,000	..	..	9
Over	£100,000	..	..	..	..	10

Half the above rates were charged in respect of property passing to parent, issue, husband, wife, issue of husband or wife.

Property passing by way of settlement taking effect at death was charged at the full rates chargeable on property passing under a Will or an Intestacy. There was a provision for deduction of duty paid in the United Kingdom on the same property so long as there was a reciprocal arrangement operative in the United Kingdom.

The 1895 Act was repealed by the Administration Act, No. 13 of 1903. The necessities of revenue had become more pressing, and the new scale of rates was much more severe than the one it displaced. The exemption of the first £1,500, provided by the 1895 Act, was abolished. Beginning at 1 per cent., which applied to values not exceeding £1,000, the rates rose rapidly to 10 per cent., which applied to values over £50,000. The same scale was applied, as a Succession Duty, to any property given or accruing to any person under a settlement taking effect at the death of the settlor, or under a deed of gift, in the event of the death of the donor within six months after the date of the deed, except in cases of death by accident.

Half the scale rates were charged where the person was a close relative, as in the 1895 Act.

The Act amended the previous law as to the interest of a husband or wife in the estate of the other, in the case of an

intestacy, by providing that where the net value of the estate does not exceed £500 the surviving spouse shall be entitled to the whole, and that where the value exceeds £500, the survivor shall be entitled to £500 absolutely, and also to a half share in the residue if there are no children surviving, or if there are children surviving, to one-third of the residue. The remaining two-thirds pass to the issue *per stirpes*.

In introducing the Bill for this Act the Premier said: "I would submit that the rates charged here are reasonable rates, whilst rates charged by the existing Act are too low, I think almost unreasonably low."¹ In the Council it was said that the rates were about an average of the rates charged in the other States of the Commonwealth.

In 1909 the demands of the public revenue were again urgent and the rates were again raised, by Act No. 29 of 1909. The Premier stated the position thus: "This Bill is introduced exclusively in the interests of the Consolidated Revenue Fund. I have no wish, and I think the people have no wish, to increase direct taxation, and it would be at present only under great compulsion that I would resort to that course. . . . There is much leeway to be made up before we will have a balance to the credit of the Consolidated Revenue Fund; there is something like £300,000 between us and that happy condition, and I hope this measure will go some way towards reducing the deficit."²

The rates fixed by the 1909 Act are still in force. They are as follows:

	<i>Per Cent.</i>
On an estate of a net value not exceeding £500	1
Where value exceeds £500 and does not exceed £1,000	2
Where value exceeds £1,000 and does not exceed £2,500	3
Where value exceeds £2,500 and does not exceed £4,500	4
Where value exceeds £4,500 and does not exceed £6,000	5
Where value exceeds £6,000 and does not exceed £7,000	6

¹ Parl. Debs., xxiii., 404.

² *Ibid.*, xxxvi., 765.

From this point the rates increase by one-fifth or two-fifths of 1d. for each £1,000 increase of value, up to £19,000, at which point the rate is 9 per cent. At £20,000 the rate is 9½ per cent., and above £20,000, 10 per cent.

As in the earlier Acts, half rates are charged where the property passes to parent, issue, husband, wife, or issue of husband or wife of the deceased, if such persons are domiciled in Western Australia. Property the subject of a *donatio mortis causa* is also subject to duty at full rates. Where property passes under a settlement made at any time and containing trusts to take effect after death or by a deed of gift made within six months of death, this is subject to duty. It may be noted that, with regard to settlements and gifts *inter vivos*, if the settlor or donor was domiciled in Western Australia, personal property situated within the State only is dutiable. Property conveyed or assigned with intent to evade duty is taxable at double rates. Certain charitable bequests are exempt. For duty purposes the estate is valued as at the date of death.

COMPANY TAXATION.—The Western Australian Parliament, when it determined to approach the delicate subject of Income Tax, decided to begin with the incomes of companies. The Companies Duty Act, 1899, 63 Vic., No. 6, was in effect an Income Tax, levied at the source, upon the incomes of companies only. In the case of companies carrying on business in Western Australia, and not elsewhere, the company was required to pay a duty of 5 per cent. upon the amount of the dividend declared. Mining Companies and Insurance Companies were separately provided for. *Mining* Companies and companies (other than Insurance) carrying on business within and also beyond the boundaries of Western Australia were charged with duty at the rate of 5 per cent. upon their *profits*. *Insurance* Companies (except Life) doing business in Western Australia were charged with duty at the rate of 5 per cent. upon their *net premiums*.

Brewery Companies and other companies producing goods on which Excise duty was payable were exempted, on the ground that they were already sufficiently taxed.

When introducing the measure the Premier (Sir John Forrest) said: "It had long been felt that something should be received by the State more than is being received at the present time from the very large dividends that are being paid, especially by the Gold-Mining Companies. . . . The Government think that this dividend tax is the fairest, and one more likely to produce a considerable amount of revenue than any other tax in the Colony. . . . I think it will produce £60,000 to £70,000 a year at least."

Parliamentary criticism of the Bill was chiefly directed to the inequality which would arise where, of two similar and rival businesses, one, a company, would be taxed, and the other, owned by an individual or firm, would be free of tax. The Premier defended the form of the Bill on the ground that it was identical in principle with a Queensland Act, which had been in operation for many years and was not complained of, and also on the ground that the special privileges—*e.g.*, limitation of liability afforded to companies by the law—justified the imposition of taxation upon their dividends. The real reason evidently was, that the Mining Companies and some other companies were very prosperous, and that by taxing their dividends at the source a substantial amount of revenue could be collected at a small administrative cost.

This scheme of Company Taxation was varied by Act 2 Edw. VII., No. 32, of 1902, which imposed a duty of 5 per cent. upon the amount or value of dividends declared by any company (except Life Insurance) carrying on business in Western Australia *and not elsewhere*. An unusual provision was inserted, giving the Minister power to assess the 'value' of any dividend, not being money, and requiring the company to pay duty on the value so assessed. Companies (other than Insurance) carrying on business in Western Australia *and elsewhere* were required to furnish a yearly return (with balance-sheet) showing profits. The Minister would then assess the profits, and the company was required to pay the duty, 5 per cent. on the amount so assessed. Companies carrying on any form of Insurance business other than Life Insurance were required to pay the duty, 5 per cent. on the *gross premiums*

after deducting premiums actually paid by way of re-insurance effected in Western Australia.

Further amendments were made by Act 30 of 1906, which provided—

1. That profits made by a company in Western Australia and invested outside that State should be treated for duty purposes as if they had been distributed as dividend, unless it was proved to the satisfaction of the Treasurer that such investment was temporary only, pending distribution as dividend; and,

2. That agreements might be made with the Shipping Companies and other companies for the assessment of profits on terms mutually agreed on, and that in the absence of any such agreement Shipping Companies should pay as duty—

(a) 5 per cent. of 5 per cent. upon all inward and outward traffic, including passenger fares.

(b) 5 per cent. of the profits on sales of coal or other goods.

(c) 5 per cent. of the profits of vessels trading exclusively within the State.

LAND TAX.—But circumstances were forcing the Government to look for fresh sources of income, and in the last session of 1906 a Bill was introduced in the Assembly for the imposition of a *Tax on the Unimproved Value of Land*, at the rate of 1½d. in the pound, with a General Exemption of £250. This Bill was rejected by the Council, and a similar Bill of July, 1907, met with the same fate. The reason for this proposed legislation was the existence of a deficit of £298,000. This deficit was partly due to the disappearance of the special Tariff, which existed for the first five years after Federation, on goods produced in other States, and partly to a falling off in the revenue from the Commonwealth Tariff, which operated only on goods imported from outside the Commonwealth. Also, an increase in Commonwealth expenditure had reduced the 'surplus' available for distribution to the States.

The Government declared that public works would have to be reduced unless fresh revenue could be obtained. "The first thing we must do to keep the ship of State moving, and to see that the policy we have laid down is carried into effect,

is to raise money sufficient at least to pay our bills as we go along month by month."¹ A proposal was put forward that bond-holders should be asked to agree to a temporary cessation of sinking fund payments, but the Government declared that it had no intention of doing any such thing.

On the rejection by the Council of the second Land Tax Bill (in September, 1907) the Government tendered its resignation, but, on the ground that the Government still possessed the confidence of the Assembly, the Governor declined to accept the resignation and prorogued the Parliament for a few weeks. When Parliament re-assembled (October 8), the Government announced that a Bill would be introduced providing not only for the taxation of the unimproved value of lands, but also for the taxation of incomes. The reason assigned for the inclusion of incomes was that a further decline in the Customs revenue had occurred.

The Government made one important concession to the opinion of the Council by reducing the rate of Land Tax from 1½d. in the pound to 1d. in the pound. With this alteration, the necessary Bills (that is, a machinery Bill and a Rates Bill) were introduced and passed. The effect of these Acts with regard to Income is dealt with below.

The Act provides for a General Exemption from Land Tax of lands the unimproved value of which does not exceed £50, and in the case of improved lands outside the boundaries of any municipality, and used solely or principally for agricultural, horticultural, or grazing pursuits, or for two or more of such pursuits, a deduction of £250 was made from the assessment. Also, lands held under contract for conditional purchase from the Crown were declared exempt from assessment for five years from the date of contract or date of survey, whichever was the later. This exemption is claimable only by taxpayers who do not hold, legally or equitably, more than 1,000 acres of cultivable land, or 2,500 acres of grazing land or of cultivable and grazing land mixed.

In addition to these special exemptions, there were the usual exemptions of land owned by or on behalf of His Majesty,

¹ Parl. Debs., vol. xxxi.

used for public purposes only, or occupied and used for purposes of charity, religion, public health, recreation, etc.

The Land Tax still stands at the rate of 1d. in the pound, plus a Super Tax of 15 per cent., imposed in 1920, and the special and general exemptions are still operative.

INCOME TAX.—As indicated above, under the heading 'Land Tax,' Income Tax was first levied in Western Australia under the provisions of the Land and Income Tax Act, 1907, and the complementary Rates Act of the same year. The rate fixed was 4d. in the pound. Incomes not exceeding £200 were exempted from tax, and there were the usual exemptions of the revenues of municipal corporations and other public bodies, incomes of ecclesiastical institutions, etc., also the dividends and profits liable to duty under the Dividend Duty Acts. Where income is derived from the ownership, cultivation, or use of land on which Land Tax is paid, the Act provides for the deduction of that tax from the Income Tax.

Under the heading of 'Deductions' the Act provides also for the allowance of the usual business expenses, losses, outgoings, etc., also for repairs, depreciation, an allowance of 4 per cent. of the value of the premises used for the business, Life Insurance premiums up to £50, £10 for each dependent child under 16 years of age residing with the taxpayer, etc.

The rate of Income Tax fixed by the Act of 1906—namely, 4d. in the pound—was continued until 1912, when, by Act No. 71, a graduated scale was prescribed. On taxable income up to £500 the rate was 4d. in the pound, rising by steps of varying heights to 12d. in the pound upon all taxable income in excess of £5,000. As each successive stratum of income was taken separately at its own rate, the *average* rate on a taxable income of £5,000 was not 11d., which was the rate on the last £1,000, but nearly 8½d. As a small set-off against the increased rates the general exemption was raised to £250.

This scale of rates remained in force until 1918, when a basic rate, plus a decimal increase with each successive pound of taxable income, was adopted. The basic rate applicable to the first taxable pound was 2d., and the additional rate was

·006 of a penny for every pound sterling by which the income chargeable from all sources exceeds £100, provided that the rate shall not exceed 2s. 6d. in the pound. An explanatory Act, No. 39 of 1918, states: "The rate of tax when the whole income chargeable is £101 is 2·006 pence in the pound, and the rate of tax per pound sterling on the whole income chargeable increases uniformly by ·006 of a penny with each increase of one pound sterling of the income chargeable, as set out in the following examples:"

<i>Income Chargeable.</i>	<i>Computation of Rate.</i>	<i>Rate of Tax in the Pound on the Whole Income Chargeable.</i>
£ 102	2d., plus $0\cdot006 \times 2$	2·012
103	2d. „ $0\cdot006 \times 3$	2·018
104	2d. „ $0\cdot006 \times 4$	2·024
250	2d. „ $0\cdot006 \times 150$	2·900
800	2d. „ $0\cdot006 \times 700$	6·200
1,000	2d. „ $0\cdot006 \times 900$	7·400

Other provisions of the Act were—

Where the income of the taxpayer, if married or having a dependent, amounts to £157, and no more, the tax shall not exceed £1.

The minimum amount payable for Income Tax is 2s. 6d.

Where the income of a person, whether 'chargeable' or not, exceeds £2,267, and is partly or wholly derived from dividends, he is liable to Income Tax, subject to credit of the duty payable on his dividends under the Dividend Duty Act, 1902.

Concurrently with the introduction of a graduated scale of tax, the general exemption was reduced to £100 for single persons, and £156 for those who are married.

"The necessity for increasing taxation is so evident," said the Treasurer,¹ "that this measure needs no apology for its introduction. The State has for years been increasing its domestic expenditure, in most cases without additional cost

¹ Parl. Debs., 1918, p. 1433.

to the community, and without additional taxation for the payment of such expenditure. Consequently, if we are to continue these services, as members by their votes on the estimates say we must, and pay our way as a State, we must increase taxation. In considering the incidence of such taxation and the necessities of the State, there are two points to be taken into account—first, in getting some direct return from those for whose benefit our domestic expenditure is principally incurred, and second, in getting from those who are getting good money in the State some small proportion of their profits to assist in financing the State in its present difficulties. In future there will be no exemption other than those special exemptions now in force. Every person earning or receiving an income exceeding £100 a year, if single, and £156 a year if married, will pay a tax, if the income has been received from personal exertion or from profits. . . . The Land Tax will not, in future, be allowed as a deduction from the Income Tax. The 4 per cent. deduction allowed for rent and improvements will be curtailed, and will be allowed only on the owner's equity in the business for which the property is used. The allowance for children of £10 will still obtain. It has been urged that an allowance of £26 per child is given by the Commonwealth and should be allowed also by the State. I would point out to the House that the Commonwealth is providing neither for the education of the children nor for their protection and care. That is a responsibility taken by the State above the responsibility of the Commonwealth for the children in the State. . . . Assuming that there are two children in the family and the father is earning £185 a year, under the allowance given by the Commonwealth he would pay nothing. Assuming, for the purposes of this Bill, that there were two children, he would pay 8d. per week, or £1 14s. 8d. per annum, for the education of his children, which costs the State, on an average, £7 7s. 6d. per child. It will be seen that the State will accept about 88 per cent. of the cost of educating these children, and the parents about 12 per cent. A man with a salary of £175 a year, with two children, would be exempt altogether under this proposal. . . . This

Income Tax does not include Dividend Duties, which are provided for under another measure. The Leader of the Opposition suggested the delaying of this measure, in order that we might see whether the Dividends Duties Tax was equitable by comparison. When it is seen that dividends are taxed at a proposed mean rate of 1s. 3d., while income is taxed up to 2s. 6d., that at first blush might appear inequitable. The position, however, is this: dividends are taxed at their source. Thus, assuming that a Company's profits are £10,000, they would pay us a lump sum of £625, on account of the tax. If we had to collect the tax from individual shareholders at Income Tax rates, it would be considerably less . . . the only individual shareholder who would benefit as against Income Tax would be he who was receiving more than £1,500 a year from any one company."

In connection with one of the machinery amendments inserted in the Bill, the Treasurer described a situation which had arisen "through bad drafting" which illustrates the pitfalls of taxation legislation. The result of the "bad drafting" was that "a leaseholder was permitted to deduct 4 per cent. allowance on account of his leasehold premises. The leaseholder has been enabled to do this under the decision of the full Court. I will quote a concrete case to show what the State has been losing under this arrangement. A squatter leases a million acres from the Crown at 10s. per thousand acres. The rent is £500 per annum, but in arriving at the unimproved value of his land the Act provides that twenty times the rental must be taken. Consequently, the value is £10,000. The squatter takes that as his basis, and then he says: 'My improvements on that million acres are £30,000, making a total of £40,000.' On that he has to be allowed, at the rate of 4 per cent., a deduction from his income of £1,600, because it was held that his leasehold station was his business premises. We receive £500 a year and allow a deduction of £1,600 from his Income Tax. Now this is being altered, and the leaseholder gets no deduction of 4 per cent. . . . A provision is inserted to place beyond any shadow of doubt the right of the State to collect tax on the profits on anything

produced or manufactured in the State and sold elsewhere, and to have a portion of the profits where the goods are only partially treated in this State and sent elsewhere for the complete treatment. Another practice which we intend to stop had grown up where branches exist in this State and the parent House is in another State. Invoices are sent charging considerably more to the branch than the wholesale or the manufactured price, leaving only a nominal profit to be earned here, whilst the big slice of profit is taken by the parent House in the other State, which collects the tax."¹

The State was, and still is, in the unhappy condition of being unable to balance its Budget from year to year, and it is not surprising to find that rates of Income Tax show frequent increases.

In 1919, Act No. 26, without altering the form of the scale, provided that incomes 'chargeable' not exceeding £4,766 should be dutiable in accordance with the scale, and incomes exceeding that amount should be dutiable at the rate of 30d. in the pound. The State Act of 1920, No. 48, extended the graduation to incomes up to £7,766, at which point the average rate is 48d. in the pound, with a flat rate of 48d. on all incomes beyond that point. This Act also imposed a Super Tax of 15 per cent. on incomes, with a proviso that the 15 per cent. should not apply to incomes, which, without deducting statutory allowances for repairs, depreciation, losses made in one or more of several businesses carried on by the taxpayer, and cost of developmental work in mining, do not amount to £264.

The rates were not altered in 1921, but in 1922 it was decided for revenue reasons to alter the formula for computation of the Income Tax by substituting .007 for .006 as the fraction of a penny by which the rate should increase with each successive pound of income. The provision under which the rate upon a taxable income not exceeding £100 is 2d. in the pound was not affected, and the formula for computation of the rate on any taxable income exceeding £100 became $R(\text{rate}) = \{2 + .007(I - 100)\}$ pence (I = income in pounds), when the whole of the chargeable income of any person does

¹ Parl. Debs., 1918, p. 1436.

not exceed £6,672. When the income chargeable exceeds £6,672, a flat rate of 48d. in the pound is applied, which by the formula is the *average* rate on a taxable income of £6,672. But the rate on the highest pound (6,672nd pound) is 94d., so that there is a sharp regression (or drop) in the rate at the point where the flat rate begins. In the preceding sentences, both with regard to the flat rate and to the rate on the highest pound, the effect of the Super Tax of 15 per cent. has been disregarded. Taking that into account, the average rate on chargeable income of £6,672 and over is 55·2d. in the pound.

As above stated, the change made by the 1922 Act was made for revenue reasons. In the debate on the second reading on the Bill in the Legislative Assembly, the Leader of the Opposition (the Hon. P. Collier) urged that the amount of taxation should be increased in order to decrease the deficit in the State finances. He pointed out that in the previous year the deficit was £732,000, a record in the history of the State, and that the total accumulated deficit of the State was £6,000,000. An attempt was made to continue the graduation at the increased rate to the old point of £7,766, which would have had the effect of raising the maximum (average) rate from 48d. to 56d. in the pound. The Government resisted this proposal, and it was defeated. The Premier (the Hon. Sir James Mitchell) said that, in his opinion, the maximum¹ rate of 48d. in the pound is as high as the State tax should go, especially in view of the high Federal Tax. An alternative proposal to increase the Super Tax of 15 per cent. to 23 per cent. was also unfavourably received by the Government, and as it evidently could not be carried, was not pressed to a division.

While the rates were varied as above shown, some important changes affecting the weight and incidence of the tax were made (by Act No. 40 of 1922) in the assessment Act. Vanishing exemptions were provided as follows: Single persons having an income exceeding £100, an exemption of £100, diminishing by £2 for every pound by which the income exceeds £200; married persons having an income exceeding

¹ I.e., maximum average rate.

£200, an exemption of £200, diminishing by £2 for every £1 by which the income exceeds £200.

In the case of male persons over sixty-five years of age, and of female persons over sixty years of age, having incomes not exceeding £250 earned by Personal Exertion, and no other income, complete exemption was enacted.

The allowance in respect of each dependent child was raised to £40, and other special deductions provided were: Up to £40 for money actually expended in the maintenance of a dependent; up to £15 for the travelling expenses of a taxpayer between his home and place of business; medical expenses incurred by a taxpayer on behalf of himself or those dependent on him; £50 for the travelling expenses of a Member of Parliament representing a constituency in or near the Metropolis, and £100 for members representing other constituencies; calls on shares in a Mining Company or Syndicate prospecting in Western Australia for gold, silver, base metals, oil, or minerals; net trading, prospecting, or business losses incurred in any one or more years during the three years preceding the year of assessment, also net losses arising over a like period from the loss of stock in trade, crops, and live-stock, due to drought or other circumstances over which the taxpayer had no control, or was unable to protect or insure against.

The rates of Income Tax upon individual incomes in Western Australia are higher than in any other Australian State. The flat rate on company dividends, 1s. 3d. in the pound, is the same as that of Tasmania. The only lower rate is that of Victoria, 1s. in the pound.

CHAPTER IX

TASMANIA

THE island which for about seventy years has been known as Tasmania was, for the first half-century of its occupation by white men, called Van Diemen's Land. For the purposes of this account the name Tasmania will generally be used. The first beginnings of settlement took place in 1803 at Risdon on the Derwent River. In the following year, Hobart¹ and Yorktown were founded, and in 1806 a settlement was established at Launceston. In 1805 a portion of the convicts at Norfolk Island were transferred to Tasmania, which was not finally freed from the oppressive necessity of receiving British convicts until 1853.

One of the earliest developments of trade in Tasmania occurred in connection with the whaling industry, of which Hobart was for many years an important centre. The market for the product of that industry, whale oil, was in Great Britain, but the difficulty of reaching that market was great. "The trading pursuits of the inhabitants were fettered by the privileges of the East India Company. The Act of Parliament authorising its charter prohibited the employment of vessels of less than 350 tons between England and New South Wales [of which Tasmania was then a part. No vessels so large were in use for whaling or for other purposes of the Colony] and the small coasting trade was therefore solely eligible to the people of those colonies, except in vessels unsuited to their commerce. . . . This law was repealed in 1819, and thus vessels of any tonnage could be employed in the colonial trade. [Another difficulty was that] the duties payable in Great Britain on exports from the Colonies were

¹ Then, and for many years afterwards, known as Hobart Town. Act 44 Vic., No. 9 (October 20, 1880), gave statutory authority for the change of name to Hobart.

both excessive and unequal, especially on whale oil, the difference being almost prohibitive, being twenty times more than by London ships."¹ Until 1825, in which year Tasmania was created a separate Colony, under a Lieutenant-Governor, the island was a dependency of New South Wales, and subject to the laws of that Colony.

The first change made in the rates of Customs and Excise duties after the separation from New South Wales occurred in 1829, when (February 4) Colonel Arthur, the Lieutenant-Governor, issued a proclamation, imposing duties as follows:

EXCISE DUTIES.

	s.	d.
Spirits distilled from malt or grain in Van Diemen's Land (or in New South Wales and imported directly therefrom), per proof gallon	3	6

IMPORT DUTIES.

British spirits, per proof gallon	7	6
Other spirits, per proof gallon	10	0
Tobacco, not being the growth, produce, or manufacture of New South Wales, per pound ..	1	6
<i>Per Cent.</i>		
Wine (other than the produce of the United Kingdom or of New South Wales)	15	
Tea, sugar, and other goods not being the produce of the United Kingdom or of New South Wales or its dependencies	5	

There had been a vacillating policy as to distillation within the Colony. "The Crown, by the prohibition of distillation (as had occurred on more than one occasion), had prevented the consumption of grain, and until a fixed price was given corn had sometimes been of no value whatever. A partial market was assured, to prevent the total neglect of agriculture. The patronage, of course, led to official corruption; many officers received wheat from their servants in commutation of their labour, and some of more than usual inferiority was admitted by a Launceston Commandant, a refugee Frenchman, who threatened to transport the store-

¹ West, I., 74.

keepers for calling in question its quality. Commissioner Bigge recommended that the bounty should be entirely abolished, and supplies purchased by tender."¹

On August 7, 1829, the Lieutenant-Governor issued a proclamation promulgating the Royal Warfane of January 30, 1829, which appointed a Legislative Council for Tasmania, consisting of six official members and eight non-official members.

An Act of Council, 4 Wm. IV., No. 15, of January 2, 1834, confirmed the proclamation of February 4, 1829, and continued its provisions until April 1, 1834, on and from which date new rates were imposed. The only actual changes in rate effected by this Act were in respect of spirits, and these changes were merely consequential upon the passing of an Act of September, 1833, adopting the Imperial weights and measures. Formerly, the gallon measure in use was the old English wine gallon of 231 cubic inches.² The effect of this change was to raise the Spirits Duties from 7s. 6d. and 10s. to 9s. and 12s. respectively.

The Spirits Duties were further altered in 1836 by an Act of Council, 6 Wm. IV., No. 14, "For the regulation of distilleries and for imposing duties on spirits distilled therein." This Act was chiefly a machinery Act. The duties imposed by it were only in respect of spirits distilled within the Colony, and were as follows:

	<i>s.</i>	<i>d.</i>
Spirits from malt, grain, corn, and other material the produce of the Colony, per proof gallon ..	4	0
Spirits from sugar or any other materials not being the produce of the Colony, per proof gallon	8	0

The Act gave power to the Governor to alter the duties for limited periods by proclamation, and in 1835 the duty on spirits distilled from material the produce of the Colony was reduced to 2s. 3d. per proof gallon, which later was raised to 2s. 6d.

¹ West i., 68.

² This is still the 'gallon' measure of the United States. The Imperial gallon contains 277.274 cubic inches.

The regulation of distillation was found a difficult matter, and abuses became so serious that in 1838 an Act was passed repealing the Distillation Act and prohibiting the distillation of spirits in the Colony altogether. This Act recites that "It had been made apparent that the colonial revenue has suffered from the effects of colonial distillation to so great an extent as to render it necessary for the interests of the Colony that distillation should be altogether prohibited, and that the present distillers should be compensated." A penalty of £500 was enacted for the offence of distilling, rectifying, or compounding wines or spirits, or for being in possession of a still. The licences formerly issued to distillers and rectifiers were declared void as from January 1, 1839. The Act is silent as to the nature and extent of the compensation to be granted. It was afterwards directed that proof of having been in the habit of distilling contrary to law should disqualify for any compensation.

The statement of the preamble of the Act as to the reasons for prohibiting distillation in Tasmania may be supplemented by the following quotation:

"The claims of the Churches on the Treasury, 1838 [for denominational schools] soon threatened the Government with serious difficulties. It was resolved to increase the revenue by prohibiting colonial distillation. This trade had often been interrupted by the ordinances of the Governors, but when the Crown ceased to purchase wheat at a high fixed price it was deemed unfair to the farmer to restrict the local market for his produce. Duties were imposed, but they discriminated between sugar and cereals, and between colonial and imported grain. This distinction offered ample opportunity for evasion. The distillers employed these various materials at their own pleasure and paid the lowest duty. Colonial spirits were sold as foreign, and the permits of the police office often covered the transit of greater quantities than they specified. From £5,000 to £7,000 was annually lost. The Bill introduced to extinguish the trade was resisted by Mr. W. E. Lawrence and other members of the Country Party. They objected both to the suppression of the local

trade and to the injury inflicted on those who had embarked their capital. The Government proposed to include in the Bill a provision for indemnity to the distillers, leaving its amount to be settled by a Committee. To this Chief Justice Pedder strongly objected. The Government was unwilling to entrust to a jury the claims of the distillers, as proposed by the Chief Justice, and not wishing to delay the law, passed it without providing any security beyond admitting the equity of compensation.

The laxity of the distillation laws had enabled the manufacturers to realise double profits by graduated duties, mostly paid under the lowest denomination. Their gains during the past could not be questioned, but Sir John Franklin, the Governor, was persuaded that it would be ridiculously profuse to pay an indemnity for the losses of profits reached by the success of an illicit trade. . . . The rights of the distillers were recognised by the Home Government, and their unsettled claims to the amount of £7,431 were paid in 1843."¹

In 1842 the Council passed an Act freeing from duty all articles the produce of New Zealand. That Act was reserved for the Royal assent, which, however, was withheld. This was in pursuance of the policy of the Home authorities, maintained until 1873, of withholding assent to Customs laws involving differential treatment of one part of the Empire by another.

By the Act 8 Vic., No. 18, a general *ad valorem* duty of 15 per cent. was imposed on tea, sugar, and other goods imported into Tasmania, and not being the produce of the United Kingdom or of New South Wales, but later the exception in favour of New South Wales was removed.

In 1836 the Secretary of State "took advantage of a considerable local Land Fund to throw on the Council the Police establishment of the Colony, occasioned by transportation."² At the time this was not a heavy burden on the local finances, but it increased year by year, and in the course of the next nine or ten years became a serious charge.

"The execution of public works by the Crown had been the sole vindication of this charge. From this arrangement

¹ West, i., 219.

² *Ibid.*, 240.

Lord Stanley departed, and in peremptory terms prohibited a spade to be moved except on payment from the Colonial Treasury."¹ A threatened resistance by the New South Wales Council to action of this sort was followed by a direction to the Governor of that Colony, Sir George Gipps, "to obviate the threatened resistance of the Council by hastening pardons to prisoners, by withdrawing them from the service of settlers, and by sending those not otherwise disposable to Tasmania." The Governor of Tasmania, with a knowledge of what had occurred in New South Wales, was discouraged from any attempt to resist or modify the stringent instructions he himself had received, and he "resolved that the utmost extent of taxation should be tried rather than infringe the orders of the Secretary of State. A Bill (which became the Act 8 Vic., No. 18, mentioned above) to raise the duties on sugar, tea, and on foreign goods generally from 5 to 15 per cent. encountered an earnest but unavailing opposition. The Bill was still more obnoxious from a clause, afterwards abandoned, to levy the duty on the current value of goods at the market of consumption instead of export, a mode which taxed the expenses of shipment."²

An attempt was made to find an alternative course of taxation, and a Committee of the Council suggested new or increased licence fees for auctioneers, pawnbrokers, butchers, eating-house keepers, stage-coach and steam-boat proprietors, cabmen and watermen. The Governor proposed these new imposts in the Council. The proposals excited hostility on the part of the people, and a public meeting was held (August 6, 1845) at which they were so strongly denounced that the Governor deemed it wise to withdraw them.

"The *ad valorem* duties raised to 15 per cent. for some time produced less than they realised at 5 per cent." Other measures proposed for the purpose of relieving the revenue and employing the convicts were unfavourably received in the Council, and the six non-official members of the Council resigned. These gentlemen sent a letter of explanation to the Secretary of State, Lord Stanley. In September, 1845,

¹ West, i., 240.

² *Ibid.*

a despatch from Mr. Gladstone, who had succeeded Lord Stanley, was received in Hobart, recalling the Governor. Mr. Gladstone expressly stated that the recall was not issued on account of the incidents leading up to the resignation of the non-official members of the Council, but because the Governor had neglected the vices of the convict stations, and had not made it a point of his duty "to examine the inner world of their mental, moral and spiritual state."¹

The all-embracing *ad valorem* duty of 15 per cent. was somewhat curtailed by Act 12 Vic., No. 8, of October 6, 1848, which exempted a short list of articles—namely, wool, coal, various kinds of seeds, live plants, manures and specimens of minerals, metals, and specimens of natural history.

In 1851 the discovery of gold in Victoria drew a large percentage of the male population of that and other Colonies away from ordinary occupations to seek their fortunes at the gold-fields. In Tasmania one result of this was the passing of an Act 15 Vic., No. 3, the preamble of which recited that the Customs duties were the chief source of revenue, and "it has become necessary to secure such revenue for the ensuing year and to provide means of augmenting the incomes of Customs officers and others in order to retain them in the service of the Government; that the discovery of gold in the adjoining Colony has had the effect of enhancing the prices of the necessaries of life in this Colony, whereby the small fixed incomes of the subordinate officers of the Government are rendered inadequate to the suitable maintenance and subsistence of such officers and others." A new schedule of duties was imposed, all at fixed rates. The most important revenue effect was probably produced by the increase of duty on brandy to 12s. per gallon, and on other spirits to 9s.

The revenue requirements evidently did not diminish, for the next change in rates (1858), though affecting but few items, was in the direction of increase, the duty on wine being increased by 50 per cent., and on rum by 1s. per gallon. This Schedule remained in force for four years. The Act 25 Vic., No. 15, of January, 1862, enacted a Schedule of a somewhat

¹ West, i., 241.

different character, imposing low fixed rates on articles of human consumption, a fairly extensive free list, and an *ad valorem* rate of 10 per cent. on all other goods. The Act gave power to the Collector to examine importers on oath, and to require production of invoices.

In the following year another change was made. The Act 27 Vic., No. 1, of July 10, 1863, omitted the *ad valorem* duty of 10 per cent., but extended the Schedule of articles of human consumption, partly by imposing duties on imported spirits at 12s. per gallon; tobacco, 2s. 6d. per pound; sugar, refined, 8s. per cwt.; tea, 6d. per pound; and on ten other items at fixed rates. A Package Duty of 2s. per cubic foot was imposed on manufactures of silk, cotton, linen, and all articles manufactured therefrom, also hats, boots, confectionery, oilmen's stores. As part of a Customs Tariff a so-called Package Duty of this kind is an incongruous element, but it appeared in Tasmanian Tariffs for many years, and was sometimes adopted in other Colonies. As a revenue device it is rather feeble, and its incidence is unequal to the last degree.

In 1868 the question of the continuance of the statutory prohibition of distillation was considered, and the Government appointed a Royal Commission of seven members, six of whom were Members of Parliament, "to make diligent enquiry into distillation."

The Commission reported that distillation was then permitted, "under conditions prescribed by law, in New South Wales, Victoria, South Australia, and New Zealand. . . . At a period like the present, when it may be said that cultivation on any but the very best soils or in the most favourable situations threatened to be suspended, it seems to us the important duty of the Legislature to relieve agriculture of restrictions and discouragements which must aggravate in whatever degree its depression. We have the honour, therefore, to recommend that distillation be permitted from all and any suitable products of the Colony for the purpose, under regulations to be defined by law, at a rate of duty not exceeding two-thirds of the amount charged on imported spirits."¹

¹ Tasmania, House of Assembly Journals, vol. xviii.

The Report of the Royal Commission was soon followed by the passing of an Act, 33 Vic., No. 27, which repealed the prohibition of distillation, and imposed a duty of 10s. per proof gallon on all spirits distilled in Tasmania. Apart from the section imposing the duty, the Act was a comprehensive machinery measure, based, like the Distillation Acts of other Australian Colonies, on British legislation.

During the period of prohibition of distillation, there existed statutory power to license the use of small stills for pharmaceutical purposes and for obtaining certain liquid products (not being low wines, feints, or spirits) from indigenous products of the island.

Changes in the Tariff continued to be made at varying intervals, sometimes of so slight and unimportant a character that one is inclined to wonder that the Parliamentary machine was set in motion for so small a result. In some cases the changes suggest inter-colonial squabbles, reconciliations, renewal of differences. An illustration is to be found in the duties on sheep and cattle, which were imposed, removed, and re-imposed at higher rates. An attempt was made in 1870 to bring about inter-colonial free trade. The Tasmanian Parliament passed an Act dealing with the subject, but on submission to the Home authorities this was disallowed. When the objection so long held in England to anything in the nature of differential duties between the Colonies was removed (in 1873), the Tasmanian Parliament passed an Act authorising the Governor to enter into an agreement with the Governor of any Australian Colony, and of New Zealand, for the admission into Tasmania free of Customs duty, wharfage, and other charges, of any goods (except spirits and tobacco) the produce or manufacture of the said Colony, provided that satisfactory reciprocal concessions were made. No practical result followed this amicable legislative gesture.

As the years passed there was a steady movement towards higher duties and greater elaboration of Schedules, but the tendency was for a long time to regard the protective effect as 'incidental' rather than as the main purpose of a Tariff.

Omitting specific mention of several Tariff Acts, the Act

56 Vic., No. 16, of December 8, 1892, may be cited. This Act repealed all existing Customs Acts and enacted a new and more comprehensive Schedule of rates, including many *ad valorem* rates, varying from 5 to 20 per cent. The duty on spirits was increased to 15s. per proof gallon; on wine in wood to 6s. per gallon, and in bottle to 8s. per gallon. The influence of Victorian legislation is suggested by the form and extent of this Schedule.

The period was one of stress in the State finances, but it was evidently thought that the limit of revenue production through Customs duties had been approximately reached, for in the following year (1893) a subsidiary device for obtaining revenue was adopted in the shape of a 'Primage Duty.' This was a first charge of 1 per cent., additional to the Customs duty, on all goods imported, and after a few months was raised to 3½ per cent. except on goods liable to an *ad valorem* duty of 5 per cent., or especially exempted from duty. This Primage Duty was a temporary levy which expired at the end of 1894.

During 1894, which also was a year of financial embarrassment, as is evidenced by the fact that an Act was passed reducing the salaries of Ministers and of officers of Parliament, the Tariff was again the subject of a comprehensive revision. The Act 58 Vic., No. 4, of August 1, 1894, repealed existing Tariff Schedules and imposed duties which may be briefly summarised as follows:

At 5 per Cent.—Agricultural and horticultural implements and machinery, paper, printing and writing, white and coloured, without printing or ruling thereon, imported in original wrappers and untrimmed edges as it leaves the mill.

At 10 per Cent.—A considerable range of articles, including engines and machinery generally, dairy machinery and implements, sewing and knitting machines, railway and tramway plant, including locomotives, carriages, rails, etc.

At 20 per Cent.—All articles not enumerated above, or liable to specific rates, or specially exempted.

Specific Duties.—A miscellaneous list, including groceries, oilmen's stores, other articles of human consumption, timber,

woolpacks, etc. The duty on spirits was continued at 15s. per proof gallon.

Exemptions.—There was a fairly lengthy list of goods exempted from duty.

With the exception of a temporary Act imposing duties on the importation of cattle and sheep and on beef and mutton during a few months of 1898, the State Tariff was altered only once more—namely, by Act 62 Vic., No. 7, of August 31, 1898. The Schedules of this Act exhibited a tendency to increase of duties, but the changes were not numerous. This Act was in force at the date of the Federation, shortly after which (October 8, 1901) the legislative power with regard to Customs duties became vested exclusively in the Commonwealth Parliament.

EXCISE DUTIES—*Spirits.*—It is shown in the previous pages that the question of the distillation of spirits in Tasmania had been the subject of frequent changes of policy, and that finally, following the course pursued by the other Australian Colonies, the Legislature in 1869 adopted a comprehensive Distillation Act and imposed a duty of 10s. per proof gallon. This was not afterwards varied. The distillation of spirits has never formed an important branch of the industrial activities of Tasmania.

Beer.—The brewing of beer had been carried on in Tasmania for many years before it became the subject of legislation. In 1880 revenue necessities forced the Government to seek new sources of income, and they introduced and passed an Act imposing an Excise duty of 3d. per gallon on all beer brewed in Tasmania.

The Colonial Treasurer, in moving the resolution for the imposition of the duty, said:

Until the hon. member for New Norfolk rose [who had objected to the duty as prejudicial to the interests of the hop-growers] no one had ventured to attack the principle on which this tax was based, nor could it be attacked on any principle of political economy. Most of them were Free Traders, and it was a maxim among such that, whenever a

tax was levied on imports, a corresponding duty must be levied on the local production. Only in this way could the consumer be reached as well as the property owner—the consumer especially who lived in a shiftless way, and when he became old, became also a burden on the Colony. The tax would not be likely to affect the growth of hops.¹

The Attorney-General, speaking in the course of the same debate, said:

The Excise duty on beer had been spoken against, but revenue must be obtained from somewhere, and if not from that source, the alternative would have been a tax of, not 9d. in the pound, but of 1s. 6d. in the pound on property. It might be argued that local productions should not be taxed, but while fostering local industry they must keep their house going.²

It was proposed to levy the duty by means of stamps, which to the appropriate value were required to be affixed to the vessels containing beer before despatch from the brewery. The brewers, eight in number, petitioned against this mode of levying the tax, but the Treasurer said the Government had considered the methods in use elsewhere, and were satisfied that the stamp method would be found the simplest. This method is now in use throughout Australia.

By the Act 56 Vic., No. 5, of November 18, 1892, the duty on beer was raised to 4d. per gallon, at which it remained until the control of Excise was transferred to the Commonwealth.

Cigars and Cigarettes.—In 1895 an Act was passed, 59 Vic., No. 3, of August 9, which imposed an Excise duty of 2s. per pound on cigars and cigarettes manufactured in any licensed factory. Manufacture otherwise than in a licensed factory was prohibited under penalty. These goods were not manufactured in Tasmania to any large extent.

DIRECT TAXATION—*Probate and Succession Duties.*—Jurisdiction over matters connected with Wills and Intestacies in Tasmania was originally given by the Charter of Justice granted, in pursuance of the Imperial Act 4 Geo. IV., c. 96,

¹ *Hobart Mercury*, January 16, 1880. (There is no 'Hansard' in Tasmania.)

² *Ibid.*

to New South Wales (of which Tasmania then formed a part), and authorising the creation of a Supreme Court in New South Wales and in Tasmania. A later Charter, granted after Tasmania became a separate Colony, was practically identical with the earlier one. Under the later Charter a Supreme Court was set up, with John Lewis Pedder as the first Chief Justice, and Alexander McDuff Baxter, Puisne Judge.¹ *Inter alia*, Ecclesiastical Jurisdiction was conferred on the Court with power to grant Probates and Letters of Administration. A right of appeal from decisions of the Court to the Privy Council, in all cases where the amount at issue is more than £1,000, was specifically preserved. Acts were passed from time to time for the purpose of providing the machinery for dealing with Probates and Letters of Administration; for protecting the estates of persons who had died intestate; for the recognition of Probates granted elsewhere, and for cognate purposes; but it was not until 1865 that duties were imposed on the estates of deceased persons. In that year the Succession Duties Act, 29 Vic., No. 34, of September 29, was passed. As the title suggests, this Act did not impose a duty upon the whole estate of a deceased person, as one unit of taxation, but upon the value of the succession actually taken by each person entitled. The rates were:

Where the successor was the lineal issue of lineal ancestor of the deceased, 1 per cent. of the value.

Where the successor was a brother or sister or a descendant of a brother or sister of the deceased, 3 per cent. of the value.

Where the successor was in any other degree of consanguinity to the deceased, 5 per cent. of the value.

The Act applied only to *Personal* property. In addition to property passing in the ordinary way under a will or by operation of law in case of an intestacy, every *donatio mortis causa*, and "the clear residue of the personal estate of every person dying after the commencement of this Act, after deducting the debts, funeral expenses, and specific and pecuniary legacies, if any," was treated as a succession.

¹ Mr. Baxter did not take up the duties of the position.

Three years later this Act was repealed by Act 32 Vic., No. 1, the Probate Duties Act, which imposed Probate Duties as follows:

Duty at the rate of £2 per cent. upon the net value of the personal estate of the testator or intestate when such net value is less than £500, and at the rate of £3 per cent. upon such net value, in case the sum is £500 or upwards, provided that nothing herein shall apply where the net value of the personal estate is less than £100.

It will be seen that under this Act *Personal* estate of value between £1 and £99 was exempt from tax; between £100 and £499 was dutiable at the rate of 2 per cent., and from £500 upwards at 3 per cent. *Real* estate passing at death was untaxed, and remained so until 1894. In that year a Probate Duties Act was passed, which extended the scope of the taxation of the estates of deceased persons to real property. The proposal to subject real property to such taxation had been discussed in the previous session, and the principle affirmed by the Legislative Assembly.

In moving the second reading of the Bill imposing the tax, the Treasurer said:

Every member knew that there was now a Probate Tax on personalty, but it did not apply to realty. It struck him that we were passing through a similar experience to that Great Britain passed through in reference to this tax. No doubt the same forces there stood on the defence for realty, when it was threatened with a tax as had been marshalled against it here.¹ . . . The present law exempted all [personal] estates under £100. Supposing a man saved £200, and left it to his widow; the State stepped in and claimed duty on £100. Another man, instead of saving money, invested it in real estate, and the State allowed the property to escape—it was not asked to contribute anything. . . . What could justify such a position as that? . . . If they looked closely into our system of taxation, personalty was heavily taxed indirectly, through the Customs. In consideration of what the State did for an individual who inherited property, there

¹ It was not until 1894 that Real Property was made subject to Probate Duty in Great Britain.

would be found ample reasons why the State should claim a small share of such inheritance. The State carries out the intention of the deceased person, protects the property, and hands it over to the heirs as directed, and carries out other duties, which clearly entitles it to some percentage. So far as Australia is concerned this tax is in force in all the Colonies. . . . He thought that the law should compel a man to leave a certain amount of his property to his widow, and under the Bill a widow who had helped the husband to amass wealth would hardly be touched. . . . He did not know whether there were any further reasons that he should advance for the necessity of introducing the measure. *The want of the revenue was the almighty reason.* . . . No duty would be payable in respect of money up to £1,000 received from life insurance. Under the existing law life insurance was exempt, but they proposed to exempt only £1,000. He did not see why persons who saved money by means of life insurance policies should benefit more than those who adopted other forms of saving. The Schedules provided for a far more liberal treatment of widows and orphans than the present law, for while under the old law £100 was exempt, under the Bill the exemption went up to £500, and if an estate were left to the widow, widower, descendant, or ancestor of the deceased person, settlor, or donor, £500 would be exempt and the balance charged only 1 per cent. From £2,000 to £5,000, 2 per cent., and so on up to £30,000, over which 5 per cent. would be charged. But if an estate were left to the widow and four children in equal portions, each would only pay 1 per cent. on £500. When the property was derived by or given to any brother or sister, or to a person in any other degree of collateral consanguinity to the deceased person, 1 per cent. would be charged on values between £100 and £500; 2 per cent. between £5,000 and £2,000, and so on up to £30,000, over which 8 per cent. would be charged.¹

The Government accepted an amendment providing that where a widow and children succeeded to an estate, only $\frac{1}{2}$ per cent. should be charged where the value was between £500 and £1,000, and 1 per cent. from £1,000 to £2,000.

The Probate Duties Act, 1868, imposing duties upon Personal property passing at death was repealed by Act 4

¹ *Hobart Mercury*, March 28, 1894.

Edw. VII., No. 9, of 1904, 'The Deceased Persons Estates Duties Act,' which enacted duties as follows:

(a) Where the value of the property of the deceased person, settlor or donor, at the time of death—

					<i>Per Cent.</i>
Exceeds	£500 and does not exceed	£1,000	..	2	
"	£1,000	"	"	£2,000	.. 2½
"	£2,000	"	"	£5,000	.. 3
"	£5,000	"	"	£20,000	.. 4
"	£20,000	"	"	£100,000	.. 5
"	£100,000	..	..	..	.. 10

(b) When the property is derived by or given or accrues to any brother or sister or child of a brother or sister of the deceased person, settlor, or donor, a duty of double the above rates, but in no case exceeding 10 per cent.

(c) A duty of 10 per cent. on the value of the property of any value whatever derived by or given or accruing to a stranger in blood to the deceased person, settlor, or donor, or accruing to any collateral relation beyond the third degree of relationship.

The rates at present in force are, for estates the value of which does not exceed £2,000, the same as in the above scale. From £2,000 to £5,000 the rate is 3½ per cent., and above that point the rates rise by irregular steps to a maximum of 10 per cent. on net values exceeding £92,000. That scale applies to the widow, widower, descendant, or ancestor of the deceased. In other cases the provisions of paragraphs (b) and (c) above apply.

The State Act applies to the estates of all deceased persons having real property in Tasmania, and personal property wherever situated if the deceased was domiciled in Tasmania, and to personal property in Tasmania only if the deceased was domiciled elsewhere. Property passing under a settlement or under a deed of gift made within three years of death is dutiable. The following also are dutiable:

Property conveyed or assigned with intent to evade duty.

Property conveyed or assigned so as to pass at the death of the conveyor or assignor.

Property the subject of a *donatio mortis causa*.

Under an Act of 1909 a deduction is allowed of any Death Duty payable in the United Kingdom on property which is dutiable also in Tasmania.

LAND AND INCOME TAXATION.—In 1880, when the Colonial Treasurer submitted his Financial Statement to the House of Assembly, he announced a deficit of £137,000 (a considerable sum for a small Colony, the population of which at the time was only about 118,000), and stated the intention of the Government to introduce a Bill dealing with duties upon Real and Personal Estates. The Bill introduced and passed into law was the Real and Personal Estates Duties Act, 1880. This measure included "*a tax on real property according to its assessed annual value, at 9d. in the pound, and a tax, also at 9d. in the pound, upon the income arising from dividends in public companies, from Annuities, and from Rent charges.*" The taxation on Real property will embrace realised wealth in the shape of mortgages. The Government proposes to give power to the tenant who pays the tax to deduct it from payments to be made to his landlord, and similarly with regard to mortgagees."¹

The necessities of revenue were admitted by all parties, and the Bill was passed without much debate.

The Act provided for administration by Commissioners, who *inter alia* were charged with the preparation of Land Assessment Rolls for every district. (By an amending Act of 1881 the Commissioners were required "on or before May 1, 1882, and in every succeeding year," to make the assessment rolls and to publish them in the *Gazette* and in districts to which they refer.) Annual value was defined as "the annual rent which a tenant might be reasonably expected to pay for such land."

The tax upon company dividends was made payable by the company. Courts of Appeal against assessments were constituted by the appointment of two Justices in each district.

The Act did not remain long without amendment, for in

¹ *Hobart Mercury*, January 14, 1880.

less than a year after it had been assented to, an Act, 44 Vic., No. 15, November 1, 1880, fixed certain minimum payments to be made by companies not having their head offices in Tasmania, if there were no Tasmanian shareholders, and where there were such shareholders, the company was required to pay such sums as, together with the dividend duties paid by the shareholders, would bring up the total contribution to the fixed minimum. Insurance companies were required to pay a duty of $2\frac{1}{2}$ per cent. on the gross premiums received, with a minimum payment of £25 and a maximum payment of £50.

According to a newspaper account, the new tax on real property and that on company dividends came into operation without friction, and "the property holders came forward with alacrity to pay it."¹

In 1888 it was decided to alter the basis of the taxation from that of *Annual Value* to that of *Capital Value*. In introducing the Bill for that purpose (which became Act 52 Vic., No. 31) the Colonial Treasurer said:

Instead of levying the tax, as had hitherto been done upon the annual value of landed property, it was proposed to levy it on the Capital value. Ministers would say that if it were possible to realise revenue enough from the unimproved capital value of land to meet all requirements of the Colony, they would be content to levy a tax on that and on that alone, but it would be utterly unfair to place so heavy a tax on the unimproved value of land as would yield sufficient revenue, apart from the Customs, to carry on the business of the country.²

The Act imposed a tax of $\frac{1}{2}$ d. in the pound on the capital value of all lands in Tasmania. 'Capital value' was defined as "the sum for which the fee simple of the land would sell at the time it was assessed for taxation under this Act." The exemptions from tax included Crown lands not subject to lease, agreement for sale, or right of purchase, lands the property of and occupied by or on behalf of Her Majesty, and

¹ *Hobart Mercury*, September 12, 1880.

² *Ibid.*, June 30, 1888.

generally all lands occupied and used for public purposes only.

In the same session as that in which the Land Tax was dealt with, a Bill imposing duties upon personal property was introduced into the House of Assembly, but after being carried to a certain stage was withdrawn, apparently because the Council was known to be hostile.

In the following year an amending Act was passed (53 Vic., No. 19) which provided for re-assessment of lands by the Commissioner; for appeals to a judge of the Supreme Court against assessments; for re-assessment on demand of an owner, and in default for the owner to have right of appeal against the existing assessment. A further amendment was made by Act 54 Vic., No. 24 (1890), by a provision that "the Governor in Council may, as often as Parliament may authorise him to do so, cause an assessment to be made of the capital value of all lands subject to taxation under this Act." The Act also effected decentralisation in the administration, by vesting in the Collector at Launceston, in the north, the same powers as were exercised by the Commissioner at Hobart, the capital, in the south. No similar decentralisation exists in connection with the administration in other Australian States, and the position in Tasmania arose as a consequence of the approximate equality of the two towns in political and commercial importance.

A concession was made to mortgagors by Act 59 Vic., No. 21, of 1895, which amended the 1888 Act by providing that a mortgagor who pays interest on the mortgage loan shall have the right to deduct from the Land Tax one-sixth of a penny for every pound of the amount advanced on the mortgage. (In 1909 this was altered to one-fifth—9 Edw. VII., No. 18. The same Act imposed an additional tax of one-fourth of the existing tax in respect of the year ending December 31, 1909.)

Purchasers of Crown lands on credit were brought within the scope of the Land Tax by Act 62 Vic., No. 51, of 1898.

In 1905 an important change was made. Capital value as a basis of assessment was retained, but the principle of

graduation was introduced. The schedule of rates was as follows:

<i>Where the Total Capital Value of all the Land of any Taxpayer is—</i>				<i>The Rate of Graduated Tax on such Total Value is—</i>	
Under £5,000	..	..	..	½d. in the pound.	
£5,000 and under £15,000	..	..	..	¾d.	” ”
£15,000 ” £40,000	..	..	..	¾d.	” ”
£40,000 ” £80,000	..	..	..	¾d.	” ”
£80,000 and over	..	..	..	1d.	” ”

In 1910, by Act 1 Geo. V., No. 37, the rates were altered, the initial rate being fixed at 1d. in the pound on the unimproved value up to £2,500, increasing by successive steps to 2½d. in the pound at and above an unimproved value of £80,000. These rates have not subsequently been altered. There is no exempted amount.

INCOME TAX.—No theoretical preference for direct taxation in relief of or in substitution for indirect, prompted the Tasmanian Legislature to enter the field of Direct Taxation, and with regard to the taxation of incomes, the approach was tentative and partial. The first step was, as shown above, through the Real and Personal Estates Duties Act, 1880, which did not tax incomes generally, but confined the levy to dividends in public companies, annuities, and rent charges, upon which a rate of 9d. in the pound was imposed. A later Act provided that banking companies should pay a rate of 9d. in the pound on a proportion of the total dividends declared, equivalent to the proportions of the total deposits held by the company which were held in Tasmania. Assurance companies other than Life were required to pay a flat rate of £50 per annum.

The first General Income Tax was imposed by the Act 58 Vic., No. 16, of 1894, a year in which the necessities of revenue were specially urgent. As introduced, the Bill provided for a Personal Exertion rate of 8d. in the pound, a Property rate of 10d. in the pound, and a rate of 10d. in the pound on the incomes of companies. Ministerial explanations of the Bill included the following: “Where a man paid a Land Tax he would not be liable under the Income Tax for the amount of

the rent of the property. . . . A resident of Tasmania deriving income from England and subject to the English Income Tax would only pay the difference of 3d. in the pound (the alteration of the rate to 1s. made this 5d.) on Property income, and of 1d. in the pound on Personal Exertion income. . . . It was said that farmers were being hardly dealt with, but that was not so. They were, in fact, treated better than other tradesmen. The farmer was saved all trouble by the adoption of the English principle of assessment, paying on half his rent, or, if he occupied his own farm, paying 5 per cent. on the capital value, with the further option of coming under the general rules if he had a bad year."¹

The rates adopted were:

I. On all incomes derived from Personal Exertion, at the rate of 8d. for every pound sterling of the taxable amount thereof.

II. On all income the produce of property, at the rate of 1s. for every pound sterling of the taxable amount thereof.

III. On all income of any company at the rate of 1s. for every pound sterling of the taxable amount thereof.

Incomes not exceeding £150 were exempted from tax. Where the income exceeded £150, but did not exceed £400, an exemption of £150 was deductible from the gross income.

This was amended by Act 59 Vic., No. 20, of 1895, which provided a general exemption of £150, in respect of income derived from Personal Exertion, and of £100 in respect of income derived from Property. Where the income from Personal Exertion exceeded £150, but did not exceed £400, the exemption was fixed at £120; where, under the same conditions, the income was derived from property, the exemption was £80. In cases where the income was derived partly from Personal Exertion, and partly from Property, it was provided that if the portion derived from property was greater than £100, but did not exceed £150, the whole should be exempt, while if the portion derived from property was greater than £100, and the total was greater than £150, but not greater

¹ *Hobart Mercury*, March 29, 1894.

than £400, a sum of £120 should be exempt. The Act made a company the taxpayer with regard to dividends declared, and in the following year (1896) it was provided that a local body should be the taxpayer in respect of interest on debentures or similar securities which it has issued.

No further change was made until 1902, when an Act was passed (2 Edw. VII., No. 29) which repealed the Real and Property Estates Duties Act and amending Acts, and effected a number of changes in the provisions relating to Income Tax. The rate on income of a company, *ls.* in the pound, remained unchanged, but with regard to individual incomes the rates were fixed as follows:

	<i>s.</i>	<i>d.</i>
Income from business	0	6 in the pound
Income from property	1	0 " "
Or any dividend not otherwise included	1	0 " "

The term 'business' was defined as "including all professions, employments, and occupations." This was intended to cover the incomes which in earlier Acts had been described as incomes from Personal Exertion.

Incomes not exceeding £100 were exempted from tax. Where an income exceeded £100, deductions were allowed on a sliding scale, beginning at £80 for an income of £110, and diminishing as the income increased, until it vanished when the income reached £400.

A provision in the Act (foreshadowing the legislation mentioned in the next succeeding paragraph) gave the Commissioner power to assess a person on an assumed income, determined by multiplying the annual value of the taxpayer's residence by a prescribed multiplier, or, if the taxpayer was a lodger, by applying a prescribed multiplier to the value of the board and lodging received by him. The rates were altered in 1904, but to the extent only of applying the rate of *ls.* in the pound to all incomes irrespective of origin. The sliding scale of deductions was retained. An Act of 1909 made a minor change by reducing the rate of *6d.* in respect of the incomes of companies carrying on mining operations in Tasmania.

A brief statement may here be interpolated as to the 'Ability Tax' of Tasmania. In 1904, under pressure of financial needs, the Tasmanian Parliament passed an Act called the Taxation Act, which was described as "an Act to levy a tax upon persons in proportion to their means and ability." The tax was to be paid—

I. By occupiers and sub-occupiers of property throughout Tasmania occupying property—

- (a) For purposes of residence; or
- (b) Partly for purposes of residence and partly for purposes of business.

II. By lodgers not liable to be taxed as occupiers or sub-occupiers of property.

In the case of occupiers and sub-occupiers of property, the taxable amount upon which tax was to be levied was ascertained from the assessed annual value of the property. The taxpayers in this group are divided into two sections. The first section consists of occupiers and sub-occupiers who occupy for purposes of residence, or partly for residence and partly for business, and who practise a profession other than that of a schoolmaster. In these cases the taxable amount was determined thus:

<i>Where the Assessed Annual Value is—</i>				<i>The Taxable Amount is—</i>			
Under £30	..	..	..	5	times	the	assessed annual value.
£30 and under £40	..	..	..	6	"	"	" "
£40	"	£60	..	7	"	"	" "
£60	"	£80	..	8	"	"	" "
£80	"	£100	..	9	"	"	" "
£100 and over	..	..	..	10	"	"	" "

The rates of tax applying to the above scale are:

- Where the taxable amount is under £60, the tax is 2s. 6d.
- Where the taxable amount is—

£60 and under £100, the rate is	..	..	1d.	in the pound.
£100	"	£115	"	"
£115	"	£150	"	"
£150	"	£400	"	"
£400 and over, the rate is 4d. in the pound on the first £400, and 6d. in the pound on the balance.				

The Act provided for a deduction of the first £30 by way of exemption, where the taxable amount is £60 and over, and a further deduction of £10 for every child under seventeen years of age residing with and dependent upon the taxpayer, when the taxable amount is under £100.

The second section consists of occupiers and sub-occupiers, who occupy partly for residence and partly for business, and do not practise a profession other than that of a schoolmaster. This section of taxpayers was more lightly dealt with.

In the case of lodgers, the taxable amount ranged from twice the assessed annual value of the board and lodging, where that value was under £36, to four times that value where it exceeded £103.

The Act was amended in 1906 and again in 1909, each time in the direction of increasing rates. In the 1909 amendment it was provided that, where the income from business of a taxpayer chiefly consists of salary, the taxable amount should not be based upon the amount of the annual value of property or of board and lodging, but on the income ascertained in accordance with the provisions of the Income Tax Act, 1902.

These Taxation Acts were obviously designed to function as auxiliary to the Income Tax, which was concurrently operative. Occupiers of property as such, and lodgers as such, offered a field of taxation in which the opportunities of evasion were much less than in the field of ordinary income taxation, and the tax had the advantage of comparative ease of collection, but it was inherently a sectional tax, and a tax upon a particular portion of an individual's expenditure, or, in the case of an occupier, upon what may be called his constructive expenditure. The tax is said to have caused much irritation in the community, and, after six years of operation, it was finally discarded in 1910, when the Income Tax was revised.

To resume, an important alteration in the Income Tax law was made in 1910 by the introduction of the principle of graduation, in respect of the income derived from 'business.' A comprehensive 'machinery Act,' 1 Geo. V., No. 47, and also a Rates Act, 1 Geo. V., No. 37, were passed. As part of the

altered scheme for dealing with Income Tax, the Taxation Act of 1904 and amending Acts were repealed. A rate of 1s. in the pound was imposed on the taxable income of a company, and on the income of an individual so far as it was derived from property. The income of an individual derived from 'business' was taxed at rates varying from 4d. in the pound on a taxable income under £125, to 5½d. in the pound on incomes from £350 to £399. Where incomes exceeded £400, the rate was 6d. in the pound on the first £400, rising by steps on the higher strata of income. For example, where the taxable income exceeded £2,000, the rates were:

6d.	in the pound	on the first	£400
7d.	"	"	next £200
8d.	"	"	" £200
10d.	"	"	" £200
12d.	"	"	" £500
14d.	"	"	" £500
16d.	on the balance.		

General exemptions were provided as follows:

A person whose net income during the year ending the thirty-first day of December immediately preceding the year of assessment was exclusively derived from business and was under £100, and who is a widower or widow having a child under the age of sixteen years dependent upon him or her, or is married, shall not be liable to the tax.

An unmarried person whose net income during the year ending the thirty-first of December immediately preceding the year of assessment was exclusively derived from business and was under £80 shall not be liable to the tax.

On individual incomes between £80 and £400 a sliding scale of deductions was allowed. On taxable incomes between £80 and £400 the deduction was £70, which sum was diminished by steps of £10 at irregular intervals of income, and vanished at £400. Taxpayers whose taxable incomes were less than £150 were also allowed a deduction from *tax* of 2s. 6d. in respect of each child under the age of sixteen years residing with and dependent upon the taxpayer. A deduction in this particular form is peculiar to the Tasmanian legislation. In all the other Australian States and under the

Commonwealth law the allowance in respect of each dependent child takes the form of a deduction from taxable income and not from the tax.

Further important changes were made by the Land Tax and Income Tax Act, 1912, which is still nominally in force, although practically all the rates, exemptions, and deductions have been varied by subsequent Acts. Leaving out of account certain changes which have not proved permanent, the present operative provisions with regard to Income Tax in Tasmania are as follows:

RATES

I. On all incomes of any *company*, at the rate of 1s. 3d. in the pound. There is also a Super Tax, imposed in 1917, of one-fifth of the above rate.

II. On all income of any person, represented by *prizes in any lottery* authorised by law in Tasmania,¹ at the rate of 2s. in the pound.

III. On all other (*Personal Exertion*) income of any person (not being a company) at rates ranging from 3d. on the first taxable pound, by nine steps to 15d. on the two thousand and first and each succeeding pound. To this is added a Super Tax of 10 per cent. on all incomes of £200 and over. With the addition of the Super Tax, the rates therefore range from 3d. to 16·5d. in the pound of taxable income.

Exemption from tax is allowed in certain cases, and a distinction is made between a returned soldier (which term includes a person who, during the Great War, served outside the Commonwealth in the Army Medical Corps or Nursing Service) and a person who is not a returned soldier. Where the net income does not exceed £200 in the case of a returned soldier, or £156 in the case of a person who is not a returned soldier, *complete exemption* from tax is allowed if the person is also (a) married, or (b) a widower or widow having a dependent child under sixteen years of age.

Complete exemption is also allowed where the income does not exceed £156 in the case of an unmarried person who is a returned soldier, or £125 in the case of an unmarried person who is not a returned soldier. *Partial exemption* is allowed to

¹ This specially affects a large organisation, 'Tattersall's,' domiciled in Tasmania, which conducts sweepstakes on horse-racing in Australia.

returned soldiers, to the following extent. Where the returned soldier is married or is a widower or widow having a dependent child under sixteen, and has a net taxable income exceeding £200, a deduction of £156 is allowed by way of exemption; and where a returned soldier is unmarried and has a net taxable income exceeding £156, a deduction of £100 is allowed by way of exemption.

An individual taxpayer who is not a returned soldier, and whose net taxable income is not less than £100 and is less than £400, is entitled to a deduction by way of exemption in accordance with the following scale:

<i>Where the Taxable Amount of the Income is not less than—</i>	<i>And is less than—</i>	<i>A Deduction is Allowed of—</i>
£	£	£
100	110	70
110	125	60
125	150	50
150	250	40
250	350	30
350	400	20
400 and over		nil

Where the income of any such person (including a returned soldier, but not a company) is derived partly from business and partly from property, the above deduction is made from the income from business, but if that is insufficient to allow him the full benefit of the deduction, the balance is made up from his property income.

The deduction is not made from any income derived from a prize in any lottery authorised by law in Tasmania.

A taxpayer whose taxable income is under £350 is entitled to a deduction of 6s. *from his tax* in respect of each dependent child under sixteen years of age residing with him.

The scale of rates for *income derived from property* is:

Under £250	8d. in the pound.
£250 and under £400 .. {	8d. in the pound on the first £250.
	10d. balance.
	8d. first £250.
£400 and under £600 .. {	10d. next £150.
	1s. balance.
	8d. first £250.
£600 and over {	10d. next £150.
	1s. next £200.
	1s. 3d. balance.

For changes in the Income Tax law made in 1924, see Addendum, p. 273.

AMUSEMENTS DUTY.—These duties were brought into operation in 1916 by the Amusements Duties Act of that year. In 1917 the Act was amended, in order to bring it into closer harmony with the Commonwealth Entertainments Tax Assessment Act, and to facilitate the collection of the duty by the Commonwealth. Under the existing arrangement specially authorised by the Tasmanian Act of 1917, the whole of the tax leviable under both the Tasmanian Act and the Commonwealth Act is collected by the Commonwealth, the portion belonging to the State being then handed over without any deduction for the expense of collection. In consideration of this arrangement, the services of the State police in the way of supervision, etc., are given free of charge.

The Rates Schedule of the Tasmanian Act is as follows:

1. Where the payment, excluding the amount of duty—
 - (1) Does not exceed 6d. $\frac{1}{2}$ d.
 - (2) Exceeds 6d., for every 6d. or fractional part of 6d. of such payment $\frac{1}{2}$ d.
2. Members' or season tickets $\frac{1}{2}$ d. for every 6d. or fractional part of 6d. of the price of such ticket.

CHAPTER X

THE COMMONWEALTH

IN Australian history the greatest political event is that which took place on the opening day of the twentieth century, when the agreement of the Australian people "to unite in one indissoluble Federal Commonwealth under the Crown of the United Kingdom of Great Britain and Ireland, and under the Constitution," etc., became effective, and certain large powers of Government, hitherto exercised separately, independently, and often adversely to each other by the several States, were permanently transferred to the New Supremacy, the "Commonwealth of Australia."

The scheme of finance of the Commonwealth was at first almost wholly based on the revenues to be derived from Customs and Excise duties. The Constitution required (Section 88) that "uniform duties shall be imposed within two years after the establishment of the Commonwealth." Meanwhile, the collection and control of duties of Customs and Excise was in the hands of the Commonwealth (Section 86), the State Tariffs remaining temporarily in operation. The Constitution also provided (Section 87) that for ten years "after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides,"¹ the Commonwealth should return to the States three-fourths of the net revenue from Customs and Excise, one-fourth only being available for Commonwealth expenditure.

A further provision was that for "five years after the imposition of uniform duties of Customs, and thereafter until

¹ The Surplus Revenue Act, 1910, provided for the termination of this arrangement, as from December 31, 1910, and for payment to the States of 25s. per head of population. This is still in force, though the question of gradual reduction and final cessation of these payments has been seriously discussed on several occasions.

the Parliament otherwise provides" (Section 93), each State should be credited, for the purposes of determining the payment to be made to the State, with the duties collected on the goods consumed in that State, although such duties might have been collected in another State. This provision necessitated an elaborate system of book-keeping, and the presentation of entries to the Customs, which was the cause of much complaint on the part of the commercial community. These restrictions disappeared in 1910.

In the economic sphere, the paramount object of Federation was inter-State free trade with a uniform Tariff in the importation of goods from overseas, and so the preparation of a Tariff became the most urgent task of the new Commonwealth Government.

At the date of Federation there was plenty of evidence to justify the opinion that, apart from the purely revenue obligations towards the States which the Constitution imposed upon the Commonwealth for at least ten years, Australian Tariffs of the future would be of the Protectionist type. New South Wales with its steadfast adherence to Free Trade seemed to supply a counterweight, but there was a certainty that the Commonwealth, if for no other reasons than those of finance, could not confine itself to the few categories of dutiable articles which made up the New South Wales Tariff. There was also the observed tendency of Protectionist Tariffs, not only in Australian Colonies, but in other countries, towards continual increase of rates.

In the Tariff history of the Australian Colonies the persistence of Free Trade opinion and practice in New South Wales, and the still more marked (and unbroken) adherence to the theory of Protection in Victoria, are the outstanding facts. In other Australian Colonies, whose Tariffs had not been markedly different from those of Victoria, there was an absence of the doctrinal fervour which was so conspicuous in that Colony. This difference in intensity of feeling on the subject between Victoria and other Colonies is often attributed largely to the continuous and passionate advocacy of Protection through a long series of years by a Melbourne

morning journal, *The Age*, inspired by its proprietor, Mr. David Syme, a man of strongly marked personality, who is said to have exercised a powerful influence over the local politics of his time.¹ It is certainly true that, in other Colonies, Ministers proposing what were essentially Protectionist Tariffs generally put the chief emphasis on the revenue aspect, and treated as secondary or seemed inclined to apologise for the inevitable Protective effects. "We must have revenue," they often said, "and the duties we propose will provide the sums we require. Incidentally, they may be of use to some of our industries." There was evidence in some cases that duties were imposed, not for the purpose of providing protection against overseas competition, but for protection against the competition of Victorian products.

The "lapses into Protection" in New South Wales were too short-lived and too limited in range to bring into being a strongly organised demand for a change in the Free Trade policy. Free Trade Ministers were fond of quoting figures to show that, under Free Trade, manufacturing industries in New South Wales employed more men (not more women and children) than were employed in Protectionist Victoria, and it appears that successful manufacturers in the Free Trade Colony took pride in the fact that, without Tariff assistance, they had more than held their own in competition with their rivals in the neighbouring Colony. The phenomenon of Free Trade in one Colony among six, five of which had adopted Protection as their fiscal policy, or at least, without excessive enthusiasm for the policy, had continued to enact Tariffs having strongly accentuated Protectionist effects, is not readily explained. One of the causes of that phenomenon is that the spirit of Free Trade was incarnate in the person of Sir Henry Parkes, who for a long period was the most striking figure in the political life, not only of New South Wales, but of Australia. He was supported by some very able men, among whom may be mentioned his successor in the leader-

¹ An enthusiastic biographer says, "It is to be questioned whether a private citizen has ever exercised as absolute power in any British State as David Syme."—"David Syme," by Ambrose Pratt, p. 167.

ship of the Free Trade party, Mr. G. H. Reid,¹ and Mr. Bernhard Wise, a brilliant barrister, who attained ministerial rank at an early age, but never reached the Premiership.

But if the existence of a few outstanding personalities had much to do with the predominant position of Free Trade in New South Wales, the administration of Free Trade Ministers was rendered much easier by their command of an important source of revenue other than taxation. New South Wales had a larger area of marketable Crown lands than other Colonies, and in 1861 adopted a policy of Free Selection before survey, with a view to stimulating settlement. This policy, initiated and carried into effect by Mr. (afterwards Sir) John Robertson, provided for the sale of Crown lands at £1 per acre, subject to conditions of residence for a term of years, and to expenditure of a prescribed amount in improvements. Side by side with this system was a system of subdividing and selling large areas of Crown lands by auction. Large areas were also leased for pastoral occupation, for mining and other purposes. The capital payments derived from auction sales, as well as those from the instalments due by persons who were in process of acquiring the fee-simple of their 'selections,' were treated as revenue of the year. The considerable sums thus placed at the disposal of the Treasury relieved the pressure which would otherwise have compelled the raising of greater amounts by means of taxation. As it was, Customs duties were increased and extended on more than one occasion to meet revenue difficulties, and if the moneys obtained through the disposal of interests in land in all forms had not been available, it is quite possible that New South Wales under the oriflamme of 'Revenue Tariffism' would have proceeded, step by step, to such an extension of the scope of its Tariff as would, after a time, have rendered it hardly distinguishable from the Tariffs of avowedly Protectionist Colonies. For about twenty years no limit was placed upon the areas of land which might be offered by auction in any one year, but in 1884 it was decided to fix a limit of £200,000. In 1900, the year before Federation, a year also in which the

¹ Afterwards the Right Hon. Sir G. H. Reid, P.C., G.C.M.G.

amount derived from sales of Crown lands was only £128,000, the total land revenue in New South Wales, £2,200,000, was nearly as great as (88 per cent. of) the revenue from taxation, £2,500,000, of which £1,750,000 was from Customs and Excise. Of the land revenue a little more than £800,000 represented real revenue in the accountancy sense; the rest being capital payments used as revenue.

Victoria sold her Crown lands in very much the same way as New South Wales, but she had a much smaller area to deal with. In 1900 the land revenue of Victoria was £388,000, of which £280,000 was from sales.

The preparation of a comprehensive and justly proportioned Tariff is always a task of great difficulty, and in the case of the first Commonwealth Tariff there were special difficulties, some of which are suggested by the constitutional provisions above cited, and others are indicated in the following extracts from the speech of the Commonwealth Treasurer, Sir George Turner, on the occasion of the presentation of the first Commonwealth Budget.¹

The Treasurer said:

I feel that in dealing with the finances we all fully realise the responsibility which rests upon our shoulders, and I am certain that, whatever our opinions on the fiscal question are, we shall give each other credit for being animated with the one desire to do that which is best for Australia, and fair and equitable to all the States and to all classes and sections of our community. . . . Another grave responsibility resting upon us is with regard to the way in which we frame our Tariff. We are bound to, as far as practicable, give back to each State about as much as it would have received if Federation had not taken place, and in addition there is a responsibility to provide for the expenditure of the Commonwealth. Whatever Tariff we in our wisdom may pass may not realise our expectations, and therefore whatever views we may hold we must be extremely cautious not to do anything to endanger the solvency of the States.

In the Customs duties we have taken from the States their most elastic and most important source of revenue, and it

¹ Parl. Debs., 1901, 5,673 *et seq.*

is our bounden duty to do everything we can to preserve their solvency and prevent them from being placed in a dangerous position. . . . The important question is how much money we are to raise, and how we propose to raise it. I do not intend to deal with details of the Tariff and the justification of it—that task will be undertaken by the Minister in charge of the department, but it is my duty to point out how our estimate of revenue has been arrived at, and how it affects the various States. We have based our comparisons on the figures for 1899 and not for 1900, and for this reason, that we had all the statistics prepared with regard to the former, and it would have been impossible to get them for the latter year. But we had a stronger and better reason for our action. We found this extraordinary state of affairs, that whereas the imports from overseas in 1899 came to £34,000,000, in 1900 they came to £41,000,000, being an increase of £7,000,000. The figures for 1900 were abnormal in many respects. £1,500,000 worth of goods extra was imported into Western Australia, although the returns in 1899 were comparatively low. The real reason for this great expansion was the fact that the price of export goods in Great Britain had largely increased. They increased in 1900 to the extent of $14\frac{1}{2}$ per cent. We do not take the full amount, but we take 10 per cent. as a fair amount to charge against 1900 as the increase in value, especially as, with regard to *ad valorem* duties, you may get a largely increased revenue and not have any increase in your imports. The prices, as shown by the *Economist*, have gone back to those of 1899. . . . There is no doubt that a considerable quantity of goods was imported in expectation that the Government might, by some means or other, bring in a Tariff immediately after January 1. The total import for 1899 amounted to £63,579,000, and of that inter-State trade represented £29,500,000, leaving £34,000,000 of foreign trade. We find that in 1900 there was an importation of £69,000,000, and that the inter-State amounted to £28,000,000, leaving the foreign imports at £41,000,000. We take £4,000,000 to allow for the inflation of values, and £2,500,000 for the 'loading up' which has occurred. I think that both amounts are fair and reasonable to deduct. We therefore expect that in a normal year our imports from oversea would amount to £34,500,000.

We expect that the effect of the Tariff will be to reduce our imports by about £5,000,000, there being a decrease of

manufactured articles and an increase of raw material, and therefore we expect the taxable oversea imports to amount to about £29,500,000. We propose to leave free, gold and specie, for which we allow £1,000,000, and Government goods, for which we also allow £1,000,000, while on the free list there will be other goods amounting to £6,500,000, further reducing the taxable amount to £21,000,000.

From all the information we can gain, we consider that that is about the amount upon which we shall be able to levy taxation in a normal year. I do not say that this year will be a normal year, but probably next year or the following year the taxable amount will come to about the sum I have mentioned. While we make our calculations on the figures for 1899, we realise that we must give back to the States as much as they got in 1900 from their larger imports for that year, because they are expecting it and many of them have increased their expenditure on that expectation.

To show the difficulty of framing the financial part of the Tariff . . . they found that to frame a Tariff which would suit New South Wales and give her all she requires would mean duties returning £4,975,615, while South Australia would require a Tariff producing £6,642,567; Victoria one producing £7,349,712; Tasmania, £10,684,623; Queensland, £11,846,227; and Western Australia, £19,499,881. Of course, any attempt to raise a sufficient amount to suffice the last three named States would be absolutely futile, and therefore we have not endeavoured to provide so large a sum.

Another difficulty is created by the differing Customs and Excise percentages of the various States to their total sources of revenue. The percentages are based on the figures for the year 1899. In New South Wales the percentage was 17·4; Victoria, 30·43; Queensland, 34·9; South Australia, 22·54; Western Australia, 32·47, and Tasmania, 47·47. . . . We consider that, under our Tariff proposals, Western Australia, with her power to impose additional taxation, will be amply provided for, but we have not been able to deal fully with Tasmania and Queensland, although, in order to help those States, we have on many of our purely revenue items put a heavier burden than we should otherwise have felt inclined to impose.

Another great difficulty that was presented to us was the necessity of levelling up New South Wales, but if New South Wales had had duties imposed and yielding her a higher

revenue, there would have been very little difficulty in making the Tariffs of the various States agree. In the first place, we had to provide a large sum for the purpose of giving New South Wales the proportion of revenue she would be entitled to get under a uniform Tariff. . . . For the first five years of the Commonwealth the money collected from Customs and Excise has to be credited to the States in which the goods are consumed, and therefore New South Wales, under any Tariff we could possibly prepare, would receive a very large increase.

Then, again, we are confronted with the question of inter-colonial duties. For the year 1899, New South Wales collected £141,061; Victoria, £358,659; South Australia, £89,679; Queensland, £144,009; Tasmania, £76,829; Western Australia, £258,060; making a total of £1,066,297. . . . When we do away with the inter-State duties we leave ourselves £1,000,000 short, and we can only raise that sum by oversea imports. . . . In a normal year we hope to get from Customs £7,388,056, and from Excise £1,554,345, making a total of £8,942,401. . . . New South Wales and South Australia are practically safeguarded. With regard to Tasmania and Queensland, no practical Tariff could safeguard those two States, and we shall have to deal with them exceptionally. Western Australia is protected by the power to impose duties.¹ . . . There is a section [78] in our Constitution providing that [for a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides] the Commonwealth must not use more than one-fourth of the net revenue of the Commonwealth from duties of Customs and Excise. It is very difficult to arrive at the meaning of the words 'net revenue . . . excise.' What we think the words mean is this, that we must give back to the States at least three-fourths of what the States would themselves have received from Customs and Excise after drawbacks and rebates had been paid, and after providing for their own expenses of collection. We have made our calculations on that basis. . . . We are merely trustees for the States with regard to that money, and must not use more than one-fourth; and, as I have said, we should be very cautious, because we are spending not our own, but State money.

¹ Under section 95 of the Constitution, Western Australia was authorised for five years after the imposition of uniform duties to levy duties of Customs on goods transferred from and the produce of other States. It was provided that the duties so levied should be reduced by one-fifth each year, ceasing at the end of the fifth year.

The Treasurer's speech is interesting as exhibiting the special difficulties and restrictions which beset the framers of the first Commonwealth Tariff. But it is more notable for its revelation of the mental attitude of the new Government, as expressed by its Treasurer.

The first Commonwealth Ministry, the 'Cabinet of Captains,' was composed almost entirely of ex-State Premiers, some of whom evidently found it difficult to realise that they had independent powers and responsibilities and were not mere agents of State Governments. The Treasurer's declaration that "we should be very cautious, because we are spending not our own, but State money," is so extraordinary that if it did not appear in the official reports, it would be difficult to believe that a Commonwealth Ministry would issue such a statement. It cannot refer to the proportion of revenue which, for a term of years, the Commonwealth was bound to return to the States, for there could be no question of the Commonwealth spending any part of that. This inadequate view had some injurious effects, for it led to the adoption of a policy of palsying parsimony, particularly in the postal, telegraph, and telephone services of the Commonwealth, which in the end proved a costly extravagance.

While the Treasurer gives a view of the Tariff from the financial side, the explanation of the Minister for Trade and Customs (Mr. C. C. Kingston) throws some light on the compromises of fiscal opinion which it embodied. Mr. Kingston said: "... We recognise fully that at this time in our history neither the Free Trader nor the Protectionist can have his own way entirely. *The Tariff is a compromise Tariff*, but at the same time it gives effect to our policy as stated to the country and accepted by the people who sent us here. That policy, as declared at Maitland [by the Prime Minister, the Right Hon. Sir Edmund Barton] required that our Tariff should be framed so as to produce an amount sufficient to allow of there being returned to the States as nearly as possible their ordinary receipts, then estimated at £8,000,000, plus their share of the Federal expenditure, which was then also roughly estimated at from £300,000 to £750,000. That

policy was also for moderate protection, particularly avoiding unnecessary destruction of existing industries whose magnitude and suitability rendered them worthy of fiscal protection. . . . The objects of varying the Tariff were of importance—they were above all to obtain revenue, to preserve the solvency of the States, and to keep faith with them because they entered into Federation on the understanding that they would be so protected.”¹

Mr. Kingston put in the following table, showing the estimated revenue to be derived under each division of the proposed Tariff, total value of imports, and the percentage rate of average duty to total value. In reading the table it is, of course, to be remembered that though the relation of value to duty is shown as a percentage, many duties, especially those in divisions 1, 2, 3, 4, are not levied at *ad valorem* rates, but at fixed rates.

<i>Division of Tariff.</i>	<i>Total Revenue.</i>	<i>Total Value.</i>	<i>Rate per Cent. of Duty to Value.</i>
	£	£	
1. Stimulants	1,959,306	1,349,208	145.21
2. Narcotics	1,016,068	560,424	181.30
3. Sugar	127,660	268,617	47.52
4. Agricultural produce and groceries	1,141,863	2,372,331	48.13
5. Apparel and textiles	1,476,910	8,330,100	17.73
6. Metals	420,898	2,329,458	18.07
7. Oils, paints, and varnishes	279,895	954,056	29.33
8. Earthenware, etc.	146,830	622,508	23.59
9. Drugs and chemicals	115,257	492,369	23.41
10. Wood, wicker, and cane	164,340	1,065,800	15.42
11. Jewellery and fancy goods	120,580	573,400	21.03
12. Leather and rubber	119,755	561,000	21.35
13. Paper and stationery	87,117	584,626	14.90
14. Vehicles	57,480	286,500	20.07
15. Musical instruments	56,570	1,979,058	28.58
16. Miscellaneous	94,507	475,275	19.88
	7,358,056	21,023,630	34.99
Less stimulants and narcotics	2,975,374	1,909,632	
Exclusive of stimulants and narcotics	4,382,682	19,113,998	22.93

¹ Parl. Debs., v., 5,698.

It will be seen that the revenue estimated to be derived from stimulants and narcotics is about 40·5 per cent. of the whole Customs revenue. The Minister stated that, taking Customs and Excise together, it was estimated that about £4,100,000 would be derived from stimulants and narcotics. "The instruction which was given to those concerned in framing the Tariff was that, as regards stimulants and narcotics, they should be taxed up to the highest revenue-producing point. Hence we propose 14s. per gallon for spirits without any allowance for under proof."¹

The 'Compromise Tariff,' of course, failed to please all parties, and especially failed to please the Free Traders, either on the Liberal or the Labour side. This is not surprising, and that for two reasons. First of all, the Tariff was not a compromise between Protectionists and Free Traders, but only between the 'high' and the 'moderate' Protectionists; and, in the second place, if there was a Compromise Tariff, there was no Compromise Cabinet. The Leader of the Opposition, the Right Hon. G. H. Reid, P.C.,² who was also the Leader of the Free Traders, when he looked across to the Ministerial benches, saw there no exponents of his own fiscal faith. Not once has there been a Free Trade Ministry at the head of Commonwealth affairs. Mr. Reid became Prime Minister in August, 1904, and held office until July, 1905, but only in combination with a leading Protectionist, the Hon. Allan McLean, who was 'equal in all things' with the Prime Minister.

In dealing with the 1901 Tariff Mr. Reid drew a comparison between New South Wales and Victoria. "In the case of New South Wales we have had the advantage of being lightly taxed. . . . Under this light taxation, however, we have been able to increase the number of men—not the number of women and children, but the number of men—employed in our factories to a rate that is several thousands above the number in employment in similar factories in Victoria. . . . I was looking at the census returns the other day, and I find that Victoria

¹ Parl. Debs., v., 5,707.

² K.C.M.G., 1909; G.C.M.G., 1911.

has not got a larger male population than she had ten years ago. . . . This is a Victorian Tariff with a few of the rough edges pared off. . . . I believe that a Free Trade and revenue Tariff is a good thing for a country. I was the first to give Victoria the benefit of our free borders, and if that is the way a man shows his hatred of the hard-working artisans of Victoria, it is a very generous way of doing it." Mr. Reid specially attacked the composite rates on boots and shoes, earthenware, and the high rates on many articles not made in Australia.

The Tariff was introduced by resolution on October 8, 1901, and, in accordance with practice, the duties were levied as from that day. The discussions in the Federal Parliament upon details of the Tariff Schedules were very prolonged, and the Tariff Act was not passed until about a year later. Subject to alterations made during the debates, and operating from specified dates, the Act related back to the date of the resolutions and validated the collections made in accordance with those and subsequent resolutions.

Before the Tariff, as finally adopted in 1902, was amended in any way, the question of granting preferential rates to goods the produce or manufacture of Great Britain was debated in the Commonwealth Parliament. This occurred during the financial year 1904-5, when the Reid-McLean Coalition was in office. Mr. Deakin, who was not a member of the Government, but as leader of the Protectionist party, held its life in his hands, moved a series of resolutions in favour of granting preference to Great Britain. The preamble to these resolutions reads as follows: "Inasmuch as every increase in trade between the Mother Country and the Colonies, or any of them, would be of mutual advantage commercially, while collectively by multiplying their production, profitable employment, population, and exchanges, such increases must enhance the unity and power of the Empire,"¹ and the sentences which follow suggest Tariff preference as the means of effecting the desired increase in trade.

No further action was taken at the time, and about the

¹ Parl. Debs., xxiv., 8,476.

middle of 1905 Mr. Deakin withdrew his support from the Reid-McLean Coalition (which was forced to retire from office) and returned to power as Prime Minister.¹ In 1906 he took action to give effect to his opinions on the question of Tariff preference. On August 30 of that year Mr. Deakin's colleague, Sir William Lyne, then Minister for Trade and Customs, proposed a Tariff resolution altering the Tariff with regard to about thirty items, with a view to placing products of Great Britain coming under those items in a favourable Tariff position, as against the products of other parts of the Empire or of foreign countries. The method adopted was to leave untouched the existing Tariff rating as against British goods, while adding 10 per cent. to the duties against all other countries. In respect of about one-fourth of the items there was at the time no duty, and in these cases a duty of 10 per cent. was imposed as against all countries except the United Kingdom. There was also a condition that the goods must not only be the produce or manufacture of the United Kingdom, but also that they should be imported direct in British ships.

This mode of conferring a favour on the Mother Country drew the fire of the Opposition. The Leader, Mr. Reid, said: "After a review of the trade which exists between Australia and the Mother Country, I cannot help saying that Ministers have been singularly skilful in evading the obligation to offer a real substantial concession to the Mother Country. They have skilfully evaded giving a preference instead of honourably extending it. I should like to read a few figures which have not yet been used in this debate, showing the great items of trade in connection with our imports of about £37,000,000. Of this total £23,000,000 are grouped under five headings: apparel and textiles represent a total of £9,500,000; drugs and chemicals represent £900,000; hats and caps nearly £500,000; machinery, iron and steel manufactures, tools of trade, and items of that sort total something

¹ Mr. Deakin, who was Attorney-General in the first Federal Cabinet, became Prime Minister on the retirement of Sir Edmund Barton (who was appointed a Justice of the High Court), September 23, 1903, and held office until April 26, 1904.

like £6,350,000; and piece goods—including woollens valued at £1,800,000—represent £6,257,000. Thus, under five headings we have a total of £23,500,000, and yet, with one exception to which I shall refer, the Government proposals do not touch any of those things. There is one item included among the Government proposals—namely, that of engines, gas and oil, and high-speed engines, turbines, water and steam; our imports under this heading are valued at £9,907, of which all but £97 worth comes from the United Kingdom at the present moment. Then of gas and oil engines were imported £73,000 worth, of which £53,000 worth came from the United Kingdom as country of origin. Therefore of the £6,350,000 worth of imports of iron and steel manufacture the Government proposals relate to only two insignificant items. . . . Under the eighteen headings foreign trade to the value of £675,000 is affected. The items cover a total trade of £2,000,000, of which Great Britain already has over 60 per cent. The Minister for Trade and Customs estimates that there will be a probable gain to the Mother Country of 25 per cent. of the foreign trade affected by the proposal. What does that amount to? A sum of not more than £200,000 worth of trade.”¹

Mr. Reid also criticised the condition in the preference proposal that it was to operate only where the goods not only were produced in Great Britain, but also were imported direct in British ships. “Under an insignificant pretence we were raising questions which may cause a development of hostility to the British mercantile marine, the end of which no man can foresee.” Sir William Lyne, in defending the method of conferring preference by raising existing duties against foreign suppliers, leaving the rates as they were against Great Britain, said: “In view of the fact that our Tariff is not nearly so high as that of the United States or Canada, or in some respects as that of South Africa, we cannot afford to reduce our duties. We can, however, give preference to the old country by raising our duties against the outside world.”²

Mr. (afterwards Sir) Elliot Johnson, a New South Wales

¹ Parl. Debs., xxxv., 5,289.

² *Ibid.*, 4,651.

member, quoted a resolution passed by the British House of Commons, March 13, 1906, "That this House recognising that the people at the recent election demonstrated their unqualified fidelity to the principle and practice of Free Trade, records its determination to resist any proposal to create a system of Protection in Great Britain, by means of a tax on corn or by a general Tariff." Mr. Johnson's motion, "That this House affirms the desirability of establishing a system of preferential trade with Great Britain, upon the basis of conceding a Tariff reduction upon all dutiable imports of British manufacture coming into the Commonwealth of Australia," was defeated by twenty votes to ten.¹

A member of the Labour Party, Mr. Frazer, moved that a further condition of the preference should be that "the dutiable goods should not only be imported in British ships [as the Government proposal ran], but that the goods must be manufactured by white labour." This was negatived. Mr. Frazer then moved that a condition be that the British ships bringing the goods on which preference was claimed should be "manned exclusively by British seamen." This also was negatived by a large majority, including several Labour members. Mr. Hughes (who afterwards became Prime Minister) then moved that a condition be inserted that the ships should be "manned by 80 per cent. of white seamen." This too was negatived. Mr. Frazer then moved that the words "manned exclusively by white seamen" be added to the headline. This was carried against the Government by one vote. The Prime Minister, Mr. Deakin, said: "I regret the introduction of the further condition that no coloured seamen must be employed upon such ships, because it was needless and will be fruitless or nearly so, but I do not think it involves a sufficient departure from the present proposal, and is too much in accord with a principle with which this Government has been identified to cause me to drop the Bill."²

When the Bill came before the Senate, Senator Dobson quoted comments of some of the British newspapers on the

¹ Parl. Debs., xxxv., 4,682.

² *Ibid.*, 5,321.

proposals, among them the *Daily Chronicle*, which said: "The essence of Mr. Deakin's proposals is a further instalment of Protection to Australian manufacturers. . . . Great Britain is asked to alter the whole of her fiscal system and to tax the bulk of her trade, in order to give preference to a smaller part." The *Manchester Guardian* was quoted as saying: "Australia gives nothing. Of Colonial sacrifice there is not the slightest trace. Disappointment is expressed in Canada with the Australian proposals, as they place the products of the Dominion on the same footing as those of America."¹

The Senate passed a 'request' to the effect that the operation of the condition as to importation in British ships manned exclusively by white seamen be postponed until the following August. When the 'request' came before the House of Representatives, the Prime Minister said that since the last sitting of the House he had received a cablegram from the British Board of Trade stating that in examining the proposals before the Commonwealth Parliament it had been discovered that the proposed discrimination in favour of British ships² "is forbidden by a number of treaties, several of which are binding on some, if not all, of the Australian Colonies, which assented to them prior to Federation. These reciprocal concessions cover such countries as Honduras, Morocco, Egypt, Austria-Hungary, Paraguay, and Greece, and include covenants of a mutual character, providing that ships of another nation shall receive an advantage when trading in the waters of these countries. . . . No circumstances have hitherto arisen in Australia rendering it necessary that we should make ourselves acquainted with the terms of these treaties." The Prime Minister consequently moved an amendment (which was carried) confining the grant of preference to certain goods the produce or manufacture of Great Britain.

The Senate was not satisfied, and returned the Bill to the House of Representatives, pressing its own amendments (one was on a matter of detail in the Schedule), and stating

¹ Parl. Debs., xxxv., 6,148.

² *Ibid.*, 6,393.

that the amendments made by the House "are not modifications of the request made by the Senate."¹

The Prime Minister then said: "As the shortest and most expeditious means whereby we can attain our end, the first step I propose is to take advantage of the Constitutional provision, allowing us to advise the Governor-General to recommend the alteration by message." A message of the nature indicated was received from the Governor-General, and the House attempted to get over its difficulty by passing an amending Bill having the effect of confining the preference to British goods, omitting all reference to conveyance in British ships or other conditions. When this reached the Senate, that body rejected the motion for the first reading. The original Bill was afterwards passed, but reserved for the Royal assent, and it never came into operation. The final action in Parliament took place the day before the prorogation preceding a General Election, which resulted in the return to power of the Deakin Government.

But though British Preference was thus postponed, the year 1906 was marked by the first step taken by the Commonwealth in the direction of reciprocal preferential arrangements with other Dominions. An agreement was made with the Governments of the South African Union for mutual Tariff concessions in respect of certain specified articles. This was given effect on the Commonwealth side by the passing of the Tariff (South African Preference) Act, No. 17 of 1906. The general scheme of the preference was to stereotype the existing (1902) Tariff rates, less 25 per cent., as the rates at which specified articles the produce of the South African Union should be admitted into Australia, irrespective of subsequent changes in the Australian Tariff. The principal articles or groups of articles affected were butter and cheese, grain and fodder, leather, machinery, agricultural, horticultural, etc., meats, timber, fruits and vegetables, feathers, dressed and undressed, tobacco, sugar, wine and spirits. In the case of spirits the rates were fixed at the Excise rates in force for the time being, less 2½ per cent.

¹ Parl. Debs., xxxv., 6,408.

Tanning bark and explosives, which frequently constitute important items of export from South Africa to Australia, were not included in the Schedule of the Australian Act. Angora hair and unset diamonds, two articles of export in which South Africa has almost a monopoly, remained as before on the free list.

In moving the resolution for the adoption of the Schedule in the Commonwealth Parliament, the Minister for Trade and Customs, Sir William Lyne, said: "We are entering into a reciprocal Tariff agreement with South Africa. We propose to reduce the duties which were formerly operative on goods from that country, and in return its duties upon our goods are being decreased. I wish hon. members to clearly understand that we export largely to South Africa and import very little from it. Consequently, our export trade will be afforded a greater opportunity of development than it has hitherto enjoyed. The exports of the items mentioned in the Schedule from South Australia to South Africa for 1905 were valued at £2,040,000, and the total imports of the same items into South Africa for six months amounted to £4,482,000, which is equivalent to £9,000,000 for the year. Assuming that the proportion of imports for six months would be approximately doubled in twelve months, I should like hon. members to understand that they are compared with the doubled import into South Africa. Australia exported to that country £107,000 worth of butter, which represents nearly half the total import. In the matter of cheese, our import was practically nil, as against £172,000 worth of exports. Of flour we exported £310,000 worth out of £474,000 imported; of wheat we exported £680,000 worth out of £900,000 worth imported. In jams and jellies, our export amounted to about one-fourth of the imports. Of frozen meats we exported £520,000 worth out of a total import of nearly £2,000,000. . . . The effect of our proposal will be to give to our export trade to South Africa a fillip which it has not previously enjoyed. That country has agreed to reduce its duties upon our exports, and we have consented to decrease a number of the duties hitherto collected upon its imports. At present, however,

the reduction of our own duties will affect us very considerably. *Under the agreement we shall gain nearly everything*, because our importations from South Africa do not amount to very much.”¹

Later it was explained by the Prime Minister, Mr. Deakin, that the Convention (that is, the South African Customs Union Convention) gives varying preferences to Great Britain and to any Colony with which it may make an agreement over the whole list of South African products. The South African Convention provides for rebates of duty in Class I., as individually specified, and in Classes II., III., IV., of 3 per cent. *ad valorem* on all the items.

Negotiations also took place in 1906 for reciprocal Tariff concessions between the Commonwealth and New Zealand. The Right Hon. Richard Seddon, the Prime Minister of New Zealand, conferred personally with Commonwealth Ministers in Melbourne, and a tentative agreement was reached which required Parliamentary approval before becoming operative.

This approval would probably have been given in both Dominions, but the sudden death of Mr. Seddon on the return journey to New Zealand altered the position. The new Prime Minister of New Zealand, Sir Joseph Ward, was not favourable, and when the question was brought before the New Zealand Parliament, there was a majority against the adoption of the agreement. The matter therefore dropped.

In the Commonwealth Parliament the Prime Minister, Mr. Deakin, said: “It is with deepest disappointment that I have to inform hon. members that our reciprocity treaty with New Zealand has failed to meet with the acceptance of the Parliament of that Colony: the fruit growers seem to be unanimous against the treaty; somebody claiming to represent the farmers protested against it; the flour-millers took exception to the proposed preferences on their products, and there was the general objection to the loss of revenue that would result. The late Mr. Seddon had all these items clearly in his mind, and mentioned them as among

¹ Parl. Debs., xxxv., 5,860.

the concessions that New Zealand was making. It was with a full knowledge of all the facts that he threw the great weight of his knowledge and reputation into the scale in favour of the treaty. However, the difficulty was to draft a reciprocal treaty for two countries whose conditions and products were so similar."¹

The Government was criticised for not proposing to New Zealand terms as liberal as those offered to South Africa, and it was pointed out that if the New Zealand agreement had been adopted, there would have been conflict between its provisions and those of the South African agreement. The item 'raisins' was quoted in illustration. The New Zealand agreement provided for the admission into Australia of raisins the produce of New Zealand free, and "from all other countries, 3d. per pound" (the rate then operative under the Australian Tariff), while under the South African agreement provision was made for the admission of raisins the produce of South Africa at the rate of 1½d. per pound.

[Further negotiations between the Commonwealth and New Zealand occurred in 1912, but these, too, were not followed by Parliamentary approval.

In the same year, 1912, a Canadian Minister, Sir George Foster, during a visit to Australia, held a series of discussions with Commonwealth Ministers, with a view of arranging reciprocal Tariff preferences, but these failed to be translated into legislative action. Again, in 1922, Mr. J. W. Robb, Canadian Minister for Customs, visited Australia for the purpose of discussing Tariff preference. His visit synchronised with a vigorous election campaign, preceding a General Election. Whether because of the preoccupation of Ministers with matters of personal and Party concern, or for other reasons, Mr. Robb's discussions with the Commonwealth representatives did not produce any public result.

In the early part of 1924 a Commonwealth Minister (Senator Wilson) visited Canada, and renewed negotiations with the Canadian Government. At the time of writing the public has not been informed of the result.] (*See Addendum, p. 271.*)

¹ Parl. Debs., xxxv., 6, 185.

In 1907 the Tariff was re-opened. A recent General Election had resulted in the return to the House of Representatives of about fifty Protectionists and twenty-five Free Traders. The Ministry was wholly Protectionist. Also, a Parliamentary Tariff Commission, after nearly two years' investigation, had completed its reports. This Commission was composed of equal numbers of Protectionists and Free Traders, and with few exceptions there were irreconcilable differences of opinion between them on the mode of dealing with Tariff items. There were, in fact, two reports. The Government practically treated the report of the Protectionist section as the report of the Commission, but in fixing duties went beyond the rates recommended by the Commission in respect of many items.

<i>Item.</i>	<i>Rates, 1902 Tariff.</i>	<i>Rates as in- troduced in Parliament, 1907.</i>	<i>Rates as adopted by Parliament.</i>
Candles	1d. per lb.	2½d. per lb.	2d. per lb.
Confectionery	2d. "	3½d. "	3d. "
Cocoa, chocolate, potable	1d. "	3½d. "	2½d. "
Matches	6d. per gr.	1s. 9d. per gr.	1s. per gr.
Milk, preserved	1d. per lb.	2½d. per lb.	2d. per lb.
Starch	2d. "	2½d. "	2½d. "
<i>Apparel and Attire :</i>			
Wool and silk	25 per cent.	45 per cent.	40 per cent.
Other than wool and silk ..	25 "	40 "	40 "
Woollen piece goods	15 "	35 "	30 "
Cotton and linen goods ..	15 "	35 "	30 "
Flannelettes	15 "	20 and 25 per cent.	5 "
Silk piece goods	5 "	20 per cent.	20 "
Corrugated and galvanised iron	15s. per ton	25 "	30s. and 20s.
Lamps and lampware	15 to 20 per cent.	25 "	20 "
Engines and machinery ..	12½ per cent.	30 "	30 "
Machine tools	12½ "	25 "	15 "
Electric generators and motors	12½ "	30 "	Up to 200 h.p., 20 per cent. Over 200 h.p., 12½ per cent.
Wire netting	Free	30 "	Free
Barbed wire	10 per cent.	30 "	15 per cent.

The Chairman of the Commission, and leader of the Protectionist section (Sir John Quick), submitted to the House lists of items on which the Government had increased the duties recommended by the Protectionist section. One of these lists was "a list of raw materials and parts of finished products, as well as a number of useful articles not generally made in Australia." Another list enumerated a number of articles on which the Government had increased the duty without granting British Preference. An important feature of the Bill was the introduction of preferential duties on British goods. The preference was usually given by fixing the rate on British goods 5 per cent. lower than on the goods of other countries.

The table¹ on p. 220 shows some of the items on which the Bill proposed increases, also the rates existing at the time, the rates as shown in the Bill when introduced, and as finally adopted by Parliament.

The general effect of the 1907-8 Tariff was to raise duties considerably, at the same time granting Preference to British goods on a large number of items. As in the case of the ineffectual 1906 Preferences (see above), the Government was severely criticised for weakening the effect of the Preferences by making important increases in rates, from which comparatively small deductions were then made by way of preference. It is to be remembered, however, that the Parliament then sitting was the first of the Commonwealth Parliaments in which a large majority of the members were definitely Protectionist, and the opportunity of giving legislative sanction to their views was naturally taken. From the date of the election of that Parliament it may be said that the fiscal policy of the Commonwealth has been unmistakably Protectionist, and every subsequent dealing with the Tariff has affirmed that policy, with a deeper emphasis each time. That is not to say that one fiscal creed has obtained the mental assent of all the Australian people. The British race is far too individualistic for public opinion to be reduced to such an ashen monotony. Free Traders cannot yet be

¹ Parl. Debs., xxxviii., 2,591.

catalogued among the extinct fauna of Australia, and there are all shades of intensity in the colour-card of Protectionist opinion.

The Tariff was amended both in 1910 and 1911. What was said by the Minister for Trade and Customs (the Hon. F. G. Tudor) with regard to the 1911 amendments applies also to those of 1910. Mr. Tudor said: "Of the 124 amendments, nearly half are merely formal, involving alterations neither of policy nor of duty. They are proposed to remove anomalies, assist interpretation, make clear the intention of Parliament, ensure uniformity, and remove difficulties of classification."¹ The next general revision of the Tariff did not occur until 1920-21, although the Schedules of rates had been varied on two or three occasions during the War period by Tariff resolution of the House of Representatives. When necessary, the collections of duties made under these resolutions were validated by Statute. The most important of these resolutions was that of December 3, 1914, which submitted to Parliament a Schedule of rates increasing duties on many items, and markedly increasing also the number of preferential rates applying to the United Kingdom. The margin of preference was extended in respect of a material proportion of those rates. The Schedule of rates introduced by the Tariff resolution of March 25, 1920, which, as amended by Parliament, was embodied in the Tariff Act, 1921, further extended this favourable treatment of the United Kingdom, both as to the number of items to which preferential rates are applied, and also as to the margin of preference.

"On the basis of the imports during 1913, the preferential provisions of the Tariff of 1908-11 covered 65 per cent. of the imports of merchandise of United Kingdom origin, the margin of preference being equal to 5·08 per cent. of the value of the goods. On the same basis, the Tariff of 1921 has extended the application of the preferential Tariff rates to 90 per cent. of the imports from the United Kingdom, and at the same time has increased the margin of preference to 12·22 per cent. *ad valorem*. For the purpose of these computations an

¹ Parl. Deb., lxxxii., 3,489.

unusual importation of warships valued at £2,495,000 has not been taken into account. The average equivalent *ad valorem* rate of duty payable under the Tariff of 1921 on goods of United Kingdom origin is about 25 per cent., whereas the same goods under the general Tariff rates would be called upon to pay an average rate of about 37½ per cent. An application of the Tariff of 1921 to the imports from the United Kingdom during the year 1920-21 shows that 95 per cent. of these imports were favoured by a margin of 11·97 per cent. *ad valorem*, representing about £8,750,000 additional duty, which would have been paid had the same goods been imported under the General Tariff.¹

Until the introduction of the 1920-21 Tariff, the form of the Australian Tariffs had been inconvenient for the purpose of arranging reciprocal Tariff agreements with other Dominions or with countries outside the British Empire, and it was evident that to conclude a number of separate treaties or arrangements similar to that made with South Africa in 1906, having no common *datum*, could only lead to great difficulties in negotiation and much greater difficulties in administration. Other Dominions—for example Canada—had for many years framed Tariffs with the rates arranged in three columns. The Canadian Tariff shows in the first column the British Preference rate, which is the lowest; in the second, the Intermediate rate, which is higher than the rate in the first column, and is used as the basis for negotiation with countries outside the British Empire; and in the third column the General rate, which is the highest, and is applied to the goods of countries, other than Great Britain, with whom no arrangements have been made for reciprocal concessions. The Australian Tariff 1920-21 adopts the form of the Canadian Tariff.²

Until 1921 the New Zealand Tariff had two scales—the British Tariff and the preferential sur-taxes, which were added to importations from foreign countries. The British rate

¹ Official Year Book of Australia, vol. xv., 501.

² The voluminous schedules of the Australian Tariff are printed in Kelly's 'Tariffs of the World,' accessible in most public libraries.

was applied, irrespective of any reciprocal concessions, to goods the produce or manufacture of other Dominions. In 1921 the New Zealand Tariff was amended and three scales of rates adopted, as in Canada and, since 1921, in Australia. The effect, so far as Australia was concerned, was to terminate the generous and unrequited concessions which had long been enjoyed by Australian exporters doing business with New Zealand. Early in the following year, 1922, Australia and New Zealand entered into an agreement on a reciprocal basis which has received Parliamentary sanction.

The announcement on the subject in the Commonwealth Parliament by the Minister for Trade and Customs (the Hon. W. Massy Greene) was as follows: "During the last few weeks we have been conducting negotiations by cable with the New Zealand Government in regard to reciprocal relations, and we have practically come to an agreement on the basis that New Zealand shall concede to the Commonwealth British Preference rates, and we shall concede to New Zealand British Preference rates. As we shall get from New Zealand a much greater advantage than New Zealand will get from us, the Commonwealth trade with the Dominion¹ being about £2,500,000 per annum, and the Dominion trade with us amounting to about £7,500,000 per annum, it is eminently desirable that, at the first possible opportunity, the agreement with New Zealand should be ratified. . . . I feel quite satisfied that the projected arrangement will be entirely advantageous to the Commonwealth, and that we shall run no risk from the Protectionist point of view by its ratification."²

That brief statement gives the broad basis of the agreement. There was, however, a limited number of items which were dealt with specially. The following extract from the text shows what action was taken with regard to them. "In the Schedule to the present agreement certain goods are accorded special rates of duty, whilst all goods unspecified in the Schedule are accorded British Preference rates of duty,

¹ I.e., the imports of New Zealand produce into Australia.

² Parl. Debs., xcvi., 14,166.

when the produce or manufacture of either Dominion. With regard to the special rates of duty provided for in the Schedule, many of the items provide for duties on goods imported into Australia from New Zealand, when the produce or manufacture of the latter, which are lower than the duties on similar goods imported into Australia from the United Kingdom—i.e., the rates of duty on those goods are lower than the rates under the British Preference Tariff. A few instances of such lower rates appear in the Schedule with regard to Australian goods imported into New Zealand.”

The 1920-21 Tariff had been forecast by the Prime Minister (the Right Hon. W. M. Hughes) in a policy-speech made early in 1920, and shortly after a General Election (which had not caused a change of Government) Mr. Hughes said: “Experience has shown that the present Tariff, imposed when different conditions existed, is inadequate. During the War it was impossible, for many reasons, to amend it, and the early appeal to the electors precluded its introduction after Peace had been signed. The Government has carefully prepared a new Tariff. It believes it will prove satisfactory to the manufacturers of the Commonwealth, and intends to lay this Tariff on the table of the House, and give effect to it at the earliest possible moment after the new Parliament meets. . . . This Tariff will protect industries born during the War, will encourage others that are desirable, and will diversify and extend existing ones.”¹

				1908-11 <i>Tariff Items.</i>	1914 <i>Tariff Items.</i>	1920-21 <i>Tariff Items.</i>
Preference of	5 per cent.	..		237	303	24
“	7½	“	..	4	3	nil
“	10	“	..	10	120	367
“	12½	“	..	nil	nil	24
“	15	“	..	nil	nil	136
“	20	“	..	nil	nil	32
				251	426	583 ²

¹ Parl. Debs., xci., 700.

² *Ibid.*, 711.

It has already been stated that the Schedule of rates introduced on March 5, 1920, in accordance with this promise, extended the Preferences to British goods. When introducing the Schedule, the Minister for Trade and Customs put in a tabular statement showing the number of Tariff items affected by preferential rates in the new proposals as compared with those of previous Tariffs. The table is given on p. 225. It will be seen that it refers to the items dutiable at *ad valorem* rates. The Minister also put in a table showing how preference had been applied to certain items dutiable at specific rates. . . . Some of the principal items were as follows (the first amount shown in the columns is the Preferential rate):

	1908-11.		1914.		1920-21.	
Hops (per lb.) ..	1d.	1d.	1d.	1½d.	1d.	2½d.
Felt hats (per dozen)	12s.	16s.	15s.	20s.	15s.	25s.
Wool	—	—	—	—	—	—
Fur	20s.	25s.	24s.	30s.	24s.	36s.
Metal filament lamps	10%	17½%	20%	25%	1s. lb.	3s. lb.
Glass, sheet, plain, clear (per 100 super feet)	2s.	2s. 3d.	2s.	2s. 3d.	2s.	4s.
Pneumatic tyres and tubes (per lb.) ..	1s. 2d.	1s. 6d.	1s. 3d.	2s.	1s. 6d.	2s. 6d.
Strawboard (per cwt.)	1s. 6d.	1s. 6d.	2s.	2s. 6d.	2s.	3s. 6d.
Pianos, grand (each)	£12	£14	£12	£15	£12	£17 10s.
Pianos, upright (each)	£6	£7	£7	£8	£7	£9 10s.

Referring to the new three-column arrangement of the Tariff Schedule, the Minister said:

Hon. members will be able to see what is the object of the Intermediate Tariff. They will find that the Minister is empowered under the Bill to enter into reciprocal arrangements with other Dominions of the British Crown. The Minister will be able, if we can arrange a satisfactory agreement, to extend to other Dominions on individual items the British Preference rate, or the Intermediate rate, or it may be the General rate. Such agreement will be subject to the ratification of Parliament. The provision simply means that, if any of our sister self-governing Dominions desires to enter

into reciprocal trade relationships with us, the Minister, with the British Preference Tariff, the Intermediate Tariff, and the General Tariff before him, may bargain with the sister Dominion and come to an agreement. . . . We have in the past tried to arrange reciprocal Tariffs with other Dominions, but with the sole exception, I think, of South Africa, we have never been able to come to an agreement. . . . The Minister is empowered to extend to countries other than the Dominions only the Intermediate Tariff; that is to say, in entering into such negotiations he is precluded from offering to those countries what we might call the Empire rate. He is confined in his negotiations to the Intermediate Tariff. . . .

The number of new duties (independent of the deferred duties) is ninety-five. In these cases, in the last Tariff, importations from the United Kingdom were free, but it must not be forgotten that we could not afford at the present moment to overlook the necessities of the Treasury. Increases are proposed in such things as soap, potted meats, pickles, sauces, confectionery, and the like, because it is thought that local competition is sufficient to prevent those increases from being passed on to the public on the locally made articles, and that people who insist on getting imported goods of these classes can afford to contribute something to the revenue.²

The deferred duties mentioned in the preceding paragraph are duties to come into force at specified future dates, though the Minister is given power to extend the date. These duties are to meet the case of manufacturers and others who intend to establish industries in Australia, and wish to have some definite provision made for the levying of a protective duty on their products, though at the time of the introduction of the Tariff they were not ready to place their goods on the market.

The 1921 Customs Tariff was a Tariff of increases, and rates generally are now at the highest levels yet reached in Australian Tariffs.

EXCISE DUTIES.—A resolution for the imposition of uniform duties of Excise was submitted to the House of Representatives on the same day (October 8, 1901) as the resolution for the imposition of uniform duties of Customs, and as in

² Parl. Deba., xci., 712-717.

that case the duties were levied from that day, although the Statute (No. 11 of 1902) giving the permanent authority for their collection was not passed until the following year. Some amendments were made during the debates, and the Excise Tariff as finally adopted prescribed duties as follows (n.e.i. means, not elsewhere included):

Beer, viz.:		s.	d.
Ale, porter, and other beer, containing not less than 2 per cent. of proof spirit, brewed from malt and hops exclusively, per gallon			2
n.e.i., per gallon			3
Spirits:			
Distilled wholly from grape wine, per proof gallon		11	0
n.e.i., per proof gallon		13	0
For fortifying Australian wine, or making vinegar, per gallon		1	0
Methylated, per gallon			6
Starch, per pound			1
Sugar, per cwt. of manufactured sugar, 3s. until January 1, 1907, less, from July 1, 1902, a rebate of 4s. per ton of sugar cane delivered for manufacture. Rebate calculated on sugar cane giving 10 per cent. of sugar.			
Tobacco:			
Manufactured, per pound		1	0
Cigars, per pound		1	6
Cigarettes, including the weight of the outer packages, per pound		3	0
Snuff, per pound		2	0

The Beer Duty was treated by both sides of the House as chiefly a revenue matter, though there was much debate as to the preference in the scale of duty to be given to beer brewed exclusively from malt and hops, rather than from other materials. The health of the people was said to be involved, and the sugar or 'n.e.i.' beer was condemned as necessarily containing some injurious ingredients. It was shown, however, that the consumption was vastly greater than that of

the malt beer, and so it has continued ever since. The statement as to injurious ingredients was unsupported by proof. The spirits item was debated on somewhat the same lines (that is, as a revenue item), although in that case sympathy for the large vine-growing industry introduced an element which was absent from the debate on the beer duties.

The duties (and rebate) on sugar were considered very largely from the point of view of the legislation dealing with Pacific Island labourers, though the Government declared that revenue was an important consideration. From 1880 onwards, legislation in Queensland had permitted, under certain regulations, the recruiting of Pacific Islanders (Kanakas) for work in the cane-fields and other purposes. As seems inevitable in connection with such a traffic, abuses occurred, and by degrees public opinion became thoroughly hostile to the continuance of the system. The consummation of Federation and the adoption by the first Commonwealth Parliament of the 'White Australia Policy' as a fundamental article of the national creed was followed by Commonwealth legislation, designed not only to reduce the traffic, but within a few years to bring it to an end, and to cause the deportation, after December 31, 1906, of all Pacific Island labourers except those who, for any one of several specified reasons, might be granted a certificate exempting them from the provisions of the Act. At the commencement of the Federation, cane sugar was being produced to an important extent in Queensland, and to a less extent in New South Wales. In Queensland the State Tariff imposed an import duty of £6 per ton, and in New South Wales the duty was £3 per ton.

In the Commonwealth Parliament the question of import duty was first considered, and a rate of £6 per ton was adopted.¹ The Excise proposals of the Government included an Excise duty of £3 per ton, with rebate of £2 per ton to the grower of cane by white labour, leaving a net Excise duty in such cases of £1 per ton. The difference between this sum and the

¹ This was the rate for cane sugar. The rate for beet sugar was £10 per ton, but it does not appear that any beet sugar was imported.

import duty, £6 per ton, was regarded as the effective protection granted to the grower of 'white' cane.

The duties on tobacco, cigars, etc., were looked on as revenue duties only. A Free Trade member, Sir William McMillan, said: "I do not intend just now to suggest any particular alterations in this item, but I would like to urge that, in dealing with tobacco, cigars, etc., we are dealing with one of the great revenue-producing items of the Tariff. It is not a matter of Free Trade or Protection. No matter how we arrange these things, up to a certain point there is bound to be a considerable protection for the local article. What we have to do is to decide what is a reasonable protection, looking at it from the Protectionist point of view, and then what is a reasonable revenue to derive. In other words, we ought to be very careful not to rob the revenue for the sake of the protection."¹

In 1906 the Excise Tariff was altered with regard to spirits. The Government desired to give special encouragement to the industries concerned in the production of raw materials used in the distillation of different classes of spirits; to the vigneron, by prescribing a preferential rate of duty for brandy distilled wholly from grape wine; to the barley grower, by prescribing a preferential rate for whisky distilled from barley malt; to the manufacturer of sugar, and incidentally to the grower of sugar cane, by prescribing a preferential rate for rum distilled from molasses. Another factor was introduced—namely, the strength at which the spirit was distilled. The older form of still, the 'pot still,' is generally operated to produce spirit at a strength of about 35 to 40 degrees over proof. At this strength the spirit retains certain natural ethers which give flavour. When spirit is distilled at much higher strengths, say 65 to 68 degrees over proof, the ethers are driven off, and the spirit is flavourless, or, as it is termed, 'silent' or 'neutral' spirit. In this form artificial flavourings may be added to simulate brandy, whisky, etc.

The two conditions prescribed as necessary for admission to duty at the lowest rate were:

¹ Parl. Debs., viii., 9,914.

1. Production from what are considered the orthodox materials.

2. Distillation below certain prescribed strengths.

How these conditions are embodied in the Tariff will be seen from the following extracts:

	s.	d.
1. Brandy distilled wholly from grape wine by pot still or similar process at a strength not exceeding 40 per cent. over proof, matured by storage in wood for a period of not less than two years, per proof gallon	10	0
2. Brandy distilled from grape wine, containing not less than 25 per cent. of pure grape wine spirit, separately distilled as in item 1, per proof gallon	11	0
3. Brandy not coming within items 1 or 2, per proof gallon	13	0
4. Whisky distilled from barley malt at a strength not exceeding 35 per cent. over proof, per proof gallon	10	0
5. Whisky containing not less than 25 per cent. barley malt spirit, per proof gallon ..	12	0
6. Rum distilled from molasses by pot still or similar process at a strength not exceeding 45 per cent. over proof, per proof gallon ..	12	0
7. Gin distilled from barley, malt, grain, or grape wine, per proof gallon	12	0
8. Spirits for industrial or scientific purposes, subject to regulations, per proof gallon ..	13	0
9. Spirits, methylated, free.		
10. Spirits for the fortification of wine, or for making vinegar, per gallon		6
11. Spirits for the manufacture from Australian products exclusively of scents and toilet preparations, per gallon	10	0

As to *Sugar*, when the duty and rebate fixed in 1902 expired on January 1, 1907, a new provision, enacted in 1906, came into operation which imposed a duty of 4s. per cwt. At the same time a bounty of 3s. per cwt. became operative in respect of sugar produced from cane grown under white labour con-

ditions. This bounty was paid direct to the grower of the cane. In 1913 both duty and bounty provisions were repealed, and since then Australian-grown sugar has not been subject to any Excise duty, nor has bounty been paid for 'white-grown' cane. Coloured labour in the Australian sugar industry is now practically non-existent. In Queensland, the principal State concerned, wages, prices of sugar cane, and general conditions of the industry are controlled by State legislation. In New South Wales the legislative control is less extensive. (The import duty on sugar is now £9 6s. 8d. per ton, equivalent to 1d. per pound.)

DIRECT TAXATION: LAND TAX.—At the beginning of the Australian Federation, the financial requirements of the Commonwealth were amply met, and for some years more than met, by the allocation of one-fourth of the Customs and Excise revenue,¹ and there was a floating idea, quite unsupported by the Constitution, that the Central Government was not properly entitled to enter the field of Direct Taxation. The powers of the Commonwealth in respect of Direct Taxation are unrestricted, though in this field they are not exclusive, as they are in respect of Customs and Excise, but are concurrent with those of the States. For ten years, however, these powers lay dormant. No revenue needs called for their exercise, and the period of social and political experimentation by their aid had not yet come. But it was not far off. In November, 1908, a Labour Administration came into office, and meeting the House in May, 1909, announced through the medium of the Governor-General's Speech its intention to introduce a Land Tax. The paragraph relating to the matter read as follows: "My advisers recognise that the effective defence of Australia requires a vast increase of population, and that a comprehensive policy of immigration is urgently called for, but that this is impossible without increasing the facilities

¹ This refers to the Constitutional enactment which, during the first ten years of Federation, made it obligatory for the Commonwealth to return to the States three-fourths of the net revenue from Customs and Excise.

for settling a large population on the land. Deeming this matter to be one of extreme urgency, it is proposed to bring forward, at the earliest possible date, a measure providing for the progressive taxation of unimproved land values which, while providing revenue, will, it is anticipated, lead to the subdivision of large estates, and that extensive areas will be thrown open for settlement, and so offer to immigrants those inducements which are necessary to attract them in large numbers."

In accordance with this intimation, the Prime Minister, the Hon. Andrew Fisher, the same day, and before any other business was taken in the House of Representatives, moved the first reading of "A Bill for an Act relating to the imposition, assessment, and collection of a progressive Land Tax upon unimproved values." The Government had not a majority of its own, but was carrying on under some sort of conditional promise of support from the Deakin party.

The next day a member of that party interrupted the debate on the address in reply by moving "That the debate be now adjourned." This appears to have been regarded by the Government as a sudden and not an excessively friendly method of intimating that the support on which they were relying had been withdrawn. The motion was carried, and the Government promptly resigned. A few days later, June 2, 1909, Mr. Deakin resumed the Prime Ministership, forming the third Deakin Administration.

Early in the following year a General Election resulted in a complete rout of the Deakin party, and on April 29, 1910, the second Fisher Administration entered upon a three years' term of office. Mr. Fisher took an early opportunity of introducing a Land Tax Bill, which was swiftly carried. When introducing the measure, Mr. Fisher referred to the 1909 episode, and said: "Since then an appeal has been made from the Parliament to the electors, in whose name alone we can come into this House and pass laws for the good government of the people, with the result that one of the most notable political reverses known to history took place. Every seat in the Senate was won by candidates who supported the principle

of this Bill. Every member of the Labour Party, who was in the last Parliament, successfully appealed to the electors, while fifteen candidates supporting this policy captured seats from their opponents. . . . The principle of the Bill has been affirmed by every State of the Commonwealth, and particularly by the Dominion of New Zealand. . . . Until about twenty years ago, the Lands Department of the States was almost entirely engaged in disposing of the lands of the States to people who desired to obtain them in fee-simple. About twenty years ago it was discovered by the statesmen of the several States that although the lands were largely in the possession of the people or held under leasehold, the actual settlers were being dispossessed, because of the monopoly of lands in the form of large estates. They then set up a Department within a Department. One set of officials attended to the disposal of lands not yet sold, whilst others attended to the buying back of lands which had been sold. . . . This policy opened up a question of very great difficulty, and a question of serious economic and political importance as to whether an agent representing the public should use the public purse to go into the land market for the purpose of buying and re-selling, without making that necessary provision which would prevent not only monopolists, but boomsters, from using the public credit, and gaining personal advantage from the necessities of the people. . . . The justification for this Bill is the necessity of the Government to have the machinery to enable them to impose any taxation they think desirable on the unimproved value of land. I may express the opinion that the incidence and effect of unimproved land value taxation, in every country where it has been applied, has been to make lands available on more reasonable terms for the people who desire to use them."¹

The Prime Minister gave illustrations of the extent to which aggregation had proceeded in Victoria. "Unimproved land value taxation," he said, "is a sound principle, and while the incidence will tend to break up large estates and help to develop the country from an economic point of view without

¹ Parl. Debs., lvi., 1,535 *et seq.*

any over-embarrassing conditions, it is a proper kind of taxation for the purpose of raising Commonwealth revenue . . . the maximum rate is 6d. in the pound, and that rate will not apply except to estates reaching up to the approximate value of £80,000."

The exemption is £5,000, and the tax, beginning at 1d. in the pound, rises to 6d. in the pound when the taxable value reaches £75,000. Beyond that value a flat rate of 6d. in the pound is applied. In the case of absentees no exemption is allowed, but a flat rate of 1d. in the pound is applied to values up to £5,000, and beyond that the progressive scale rising to 7d. in the pound at a value of £80,000, with a flat rate of 7d. in the pound beyond that point.

Soon after the outbreak of the Great War in August, 1914, the Land Tax rates were altered. The 1910 Schedules were repealed and the following Schedules substituted:

First Schedule, applicable where owner is not an absentee: Where the taxable value is not greater than £75,000, the rate on the first pound is $1\frac{1}{18}\frac{1}{80}$ d., increasing uniformly with each increase of £1 of taxable value by $\frac{1}{18}\frac{1}{80}$ d. The formula for the calculation of the average rate of tax, R, is $R = (1 + \frac{V}{18750} \text{ pence})$. V = value in pounds.

Second Schedule, applicable where owner is an absentee: Where the taxable value is not greater than £5,000, the rate is 1d. in the pound. Where the taxable value is greater than £5,000, the flat rate of 1d. in the pound is applied to the first £5,000, and to the balance the same progressive rate as in the first Schedule. The formula for the calculation of the average rate on such balance is $R = (2 + \frac{E}{18750} \text{ pence})$. E = the excess (pounds) over £5,000 in value.

On the above scales, the position is that, in the case of a resident owner possessing land of an unimproved value of £80,000 (taxable value £75,000) the rate on the last pound is 9d., and the average rate is 5d. As the rate on every pound beyond £75,000 (taxable value) is 9d., the tax will as the value rises continually approach an average rate over the whole of 9d. in the pound, but will never quite reach that point.

In the case of an absentee owner of land of an unimproved value of £80,000 (no exemption is allowed) the rate on the last pound is 10d. in the pound, and the average rate is 5·6875d. in the pound. As the rate on every pound beyond £80,000 is 10d. in the pound, the tax will as the value rises continually approach an average rate of 10d. in the pound, but will never quite reach that point.

The increase of the rate to 9d. in the pound was denounced in the House as confiscatory. "Men know to-day that if they continue to hold land in large areas it is the intention of the Party on the other side (the Labour Party then in power), if a tax of 9d. in the pound will not break up the estates, to increase the tax to 1s. in the pound." In view specially of the increased rates, the large exemption of £5,000 was attacked as leaving out of the taxable area many of those who could well afford to pay. The Prime Minister (Hon. A. Fisher) defended the exemption for the reason that, "in the first place, a taxable margin is left of which the States may take advantage if they think necessary. The tax, apart from the revenue that it brings in, helps to break up large estates." It was estimated that the increases in rate would produce an additional revenue of about £1,000,000. A Super Tax of 20 per cent. was imposed in 1918, but has since been repealed, and the Commonwealth Land Tax remains at the rates fixed in 1914.

In some of the Australian States immense areas of pastoral lands are held under lease from the State Governments at low rentals. When the 1910 Land Tax Act was passed, no provision was made for the taxation of the lessees' interests in these leases. The rent payable to the Crown being in many instances less than the rent obtainable in the open market, the lessee possessed an interest in land of a taxable nature, and an amendment of the Act in 1914 brought those interests within the taxable field. The inclusion of these interests within the field of Land Taxation provoked strongly organised and powerful opposition which led, first to suspension of collection of the tax, and finally, after the lapse of several years, during which tax was assessed but not collected, to

the repeal of the provision so far as future assessments were concerned.¹

INCOME TAX.—The enormous increases in Commonwealth expenditure arising out of the War caused the Government to consider new sources of taxation, and in 1915 it was decided to impose a Commonwealth Income Tax. In his second reading speech on the Bill the Attorney-General (the Hon. W. M. Hughes²) said: "In introducing the measure, it is proper that I should refer to the circumstances responsible for its introduction and the principles upon which all sound taxation must rest. That additional revenue is necessary to meet the great and growing liabilities of the War is amply apparent, and the Government has decided that this can best be raised by an Income Tax. The Commonwealth has not hitherto resorted to taxation of incomes. I have always regarded this form of direct taxation as peculiarly appropriate to a modern community, and if the incidence of the tax be based upon sound principles, not only an effective means of raising money for the conduct of Government, but serving as an instrument of social reform. This measure, however, is to be regarded merely from the fiscal aspect. It is a Bill to impose a tax upon incomes for the purpose of obtaining revenue, and must be considered from that point of view. . . . As the productivity of a country and its development depend mainly on the amount of capital invested in it and the employment of that capital, it follows that income taxation must distinguish between that portion of wealth which is destined for the production of more wealth—namely, capital—and that portion over and above that destined for consumption, and any excess of the amount necessary to maintain the community, which may be called surplus wealth. . . . It may be regarded as axiomatic that to tax wealth used for the production of more wealth reduces the productivity of the country by reducing its capital, but to tax the surplus wealth affects merely the

¹ Parliament, however, decided that the outstanding tax should be collected.

² Created a Privy Councillor, 1916.

margin available for luxuries, and so leaves the nation's powers of productivity unimpaired. It is to this margin that economy ought to and must apply at the present time. One of the basic principles of this Bill, then, is the taxation of surplus as distinguished from capital. . . . Practically all enterprises requiring large capital are conducted by companies. It is thus obvious that a tax which presses heavily on companies would tend to retard production, and the impost to be more than the companies could earn on an average. . . . This Bill, of course, is frankly a War measure designed to meet the present circumstances. . . . No doubt this Bill reaches the high-water mark of income taxation, but it does not do so without ample warrant."¹ As is usual in such cases, the legislation took the form of an Assessment Act² and a Rates Act.³ An Act amending the Assessment Act in one detail was passed during the same session.

As the scheme emerged from the Parliamentary crucible, it took this shape.

The rates were—For income derived from *Personal Exertion* :

The *Average* rates applicable to each pound of taxable income run from 3·00375 pence on an income of £1 (rising regularly with each additional pound) to an average rate of 31·5d. in the pound on an income of £7,600. On each succeeding pound of income the rate of tax is uniformly 60d. in the pound, which is the rate on the *Highest Pound* when an income of £7,600 is reached.

The formula for calculating the rate on incomes not exceeding £7,600 is: Rate = $(3 + \frac{3}{800} \text{ pence} \times \text{income in pounds})$.

For income derived from *Property* :

The average rate applicable to each pound of taxable income, where that income does not exceed £546, is:

$$\text{Rate} = \left(3 + \frac{\text{income in pounds}}{181 \cdot 058} \right) \text{ pence.}$$

For taxable incomes between £546 and £2,000, the rate of increase is calculated by means of a curve of the second

¹ Parl. Debs., lxxvii., 5,845 *et seq.*

² No. 34 of 1915.

³ No. 41 of 1915.

degree, and between £2,000 and £6,500 by means of a curve of the third degree. These do not admit of statement by a simple formula. The rate on the highest pound (6,500th pound) is 60d., and that rate is applied to every pound in excess of £6,500.

Income of Companies—a flat rate of 1s. 6d. in the pound.

Special Deductions were provided as follows:

From income derived from *Personal Exertion*:

1. If the income does not exceed £500, a sum of £156.
2. If the income exceeds £500, a sum of £156, less £3 for every £10 by which the income exceeds £500 (thus vanishing when the income reaches £1,020).

From income derived from *Property*:

(b) The sum of £156, less £2 for every £5 by which the income exceeds £156 (thus vanishing when the income reaches £890).

Provided that where the total of the sums so calculated to be deducted under the paragraphs (a) and (b) exceeds £156, each of these sums shall be reduced by half the excess.

(c) A sum of £13 in respect of each child under the age of sixteen who is wholly maintained by the taxpayer.

In 1916 the Income Tax rates were increased by 25 per cent.; in 1918 a further addition of 30 per cent. was made; and in 1920 another addition of 5 per cent. These percentage additions were cumulative, the total effect being to raise the rates by 70·625 per cent. In 1922 a reduction was made which left the rates 53·5 per cent. higher than as originally prescribed in 1915, and a further reduction, made by Act No. 50 of 1924, fixes the rates at a point 38 per cent. above those of 1915.

On taxable incomes derived from *Personal Exertion* the commencing rate (average) is now 4·1452d. in the pound, rising with each additional pound to 43·47d. in the pound when the income reaches £7,600. At that point the rate on the *highest pound* is 82·8d.—i.e., 60d. plus 38 per cent. On each additional pound above £7,600 the rate of 82·8d. in the pound is applied. The *average* rate, therefore, will continually

approach that rate (82·8d.), though it will never quite reach it. With taxable income of £10,000 the average rate of tax is 52·92d.; at £30,000, 72·84d.; at £60,000, 77·82d.; and at £100,000, 79·81d. in the pound. With taxable income of £1,000,000 the *average* rate is 82·5d. in the pound, or only about one-third of a penny less than the flat rate applied to each taxable pound above £7,600.

The special deduction which is commonly called the *General Exemption* has been altered more than once, and now, as fixed by Act No. 51 of 1924, is a sum of £300, less £1 for every £3 by which the income exceeds £300, consequently vanishing when the income reaches £1,200. This deduction is allowed to all taxpayers. The result of raising the exemption to £300 has, of course, been to add greatly to the numbers of persons who do not pay Commonwealth Income Tax.

A concessional deduction made by Act 27 of 1923 raised the allowance for each child maintained by a taxpayer to £50. The same Act also repealed a provision which included in assessable income 5 per cent. of the capital value of land and improvements thereon, owned and used rent free by the taxpayer for the purpose of residence or enjoyment and not for the purpose of profit or gain.

By Act No. 51 of October 20, 1924, the provisions of the law relating to deductions from assessable income on account of depreciation, and as to values of live stock for Income Tax purposes, have been made more favourable to the taxpayer.

Additional provisions under that Act allow a taxpayer (whose taxable income does not exceed £900) to deduct from assessable income:

1. Medical, surgical, and nursing expenses incurred in connection with "any illness of, or operation upon, the taxpayer or his wife or any of his children under the age of twenty-one years."

2. Funeral expenses, not exceeding £20, "arising out of the death of the wife of the taxpayer or any of his children under the age of twenty-one years."

3. Gifts by the taxpayer to any public authority for the purposes of research into the causes, prevention or cure of

diseases in human beings, animals, or plants. Also, to any taxpayer (irrespective of the amount of his income) who is carrying on agricultural or pastoral pursuits in a district which is subject to the ravages of animal pests may now deduct from assessable income money expended by him in the purchase from a Government or State authority of wire netting for fencing, and in the construction of a wire netting fence.

At present a taxpayer with an 'assessable' income of £405, having two dependent children, and paying life insurance premiums £20, and superannuation contributions £20, would not be taxable under the Commonwealth Income Tax Acts.

INCOME OF COMPANIES.—The scheme of the Commonwealth Legislation with regard to taxation of the incomes of companies has been to tax the Company direct in respect only of *undistributed* profits, the distributed profits being taxed in the hands of the individual shareholders. In this particular the Commonwealth Legislation has differed from that of the States, which tax Company profits in the hands of the Company prior to and irrespective of their distribution to shareholders and without adjustment to shareholders.¹ This difference in treatment has been regarded by State authorities as constituting the chief barrier to the adoption of a working agreement under which the taxpayers of the Commonwealth might be spared the irritation and loss of time and money caused by the existence of two independent taxing authorities, maintaining separate staffs for collection and administration in every State.

This question has been the subject of frequent discussions between Commonwealth and State Ministers, and was one of the principal matters included in the terms of reference to a Commonwealth Royal Commission on Taxation which, after prolonged investigation, issued its final report at the beginning of 1923. That Commission, in reporting on 'Harmonisation of Commonwealth and State Taxation,' recommended the allocation of direct taxes between the Commonwealth and the States, Income Tax to be exclusively vested in the Common-

¹ Minor points of difference between one State and another are referred to *infra*.

wealth, and other existing direct taxes to be exclusively vested in the States.¹

While the Commission was engaged in its investigation an agreement was concluded between the Commonwealth and the State of Western Australia, under which the Commonwealth took over the collection of the direct taxes levied by the State at a cost to the State of "an annual sum equal to one-third of the total amount (less the salary of the State Commissioner of Taxation), as certified by the Auditors-General of the State of Western Australia and of the Commonwealth as being involved in the assessment and collection of the said taxes during the financial year of the State ending June 30, 1921." The Commonwealth also took over the State staff, except the State Commissioner, who occupies a somewhat anomalous position under the agreement, his salary being paid by the State, although for many purposes he is, in effect, a Commonwealth officer subject to the directions of the Commonwealth Commissioner.

The Commonwealth declared its willingness to enter into a similar agreement with other States, but the terms of the agreement did not prove attractive to State authorities generally. There was, however, a strong and growing public demand for relief from the duplication of returns, and from the necessity of dealing with two different authorities in connection with Income Tax. Public men announced, and the taxpayers believed, that a large saving of public funds would be effected by some form of amalgamation, and this belief caused the pressure upon the Governments to be intensified. In June, 1923, at a Conference of Commonwealth and State Ministers, the matter was discussed afresh, and the basis of an agreement was reached on lines the converse of the Western Australian agreement.

Two important decisions were made by the Commonwealth in order to meet the views of the States. First, instead of the Commonwealth, as in Western Australia, collecting both its own and the State direct taxes, it consented to appoint the State its agent for the collection of its Income Tax so far

¹ Second Report, p. 79.

as individual taxpayers are concerned; and second, the Commonwealth abandoned its statutory method of dealing with the taxation of the incomes of Companies, and adopted (with the modifications referred to below) the method of State Statutes, under which the tax is levied upon the Company, and the individual shareholder is not taxed directly in respect of his dividend income.

Speaking in the House of Representatives on July 6, 1923, the Prime Minister (the Right Hon. S. M. Bruce) said: "At a recent conference with State Ministers, consideration was given to proposals for eliminating duplication of taxation. On behalf of the Commonwealth, I submitted certain proposals the underlying purpose of which was to limit the field of Commonwealth income taxation collection to Companies, leaving to the States the collection of income taxation from individual taxpayers. In view of the largeness of the field which the Commonwealth was evacuating, it was proposed that the *per capita* payments which have been made by the Commonwealth to the States since 1910 should be discontinued, and the States should no longer receive interest in respect of the value of transferred properties.¹ After discussion, these proposals were endorsed by five of the States, the figures on which they were based being left for future adjustment."²

Investigation of the figures and further consideration of the whole question were followed by adoption of definite agreements with the States, which, however, did not include the retirement of the Commonwealth from the field of individual taxation, and on August 17, 1923, the Commonwealth Treasurer (the Hon. Dr. Earle Page) introduced a Bill for the amendment of the Income Tax Assessment Act in several particulars. The most important change was that relating to Companies. The Treasurer said: "This amending Bill

¹ At the date of Federation the Commonwealth took over from the States, buildings, etc., which were being used exclusively in connection with those departments of the public service of the State which were transferred to the Commonwealth. Agreement was reached as to the capital value of such properties, and the Commonwealth pays interest on that sum to the States concerned.

² Parl. Debs., 1913, p. 822.

has become necessary in order to provide for a less expensive system of administering the Income Tax Act, and to bring it into greater uniformity with the State Act, and permit of the States collecting taxes with the minimum amount of extra work. The great difficulty in the past in securing a uniform return, and in simplifying the system of collection, was due to the great divergence of opinion that existed between the Commonwealth and the States as to taxation of dividends at their source. The Commonwealth practice was to follow the dividends into the hands of the shareholders, and to disregard the Companies so far as the distributed profits were concerned, but to impose a tax on undistributed profits; while the States imposed a flat rate on the Companies' profits and, with the exception of Western Australia, do not follow their dividends at all. The Commonwealth Government has determined to vary its procedure in collecting Income Tax, by imposing a low rate of 1s. in the pound on Companies, and following the dividends into the hands of individuals whose incomes would be assessed at a rate greater than 1s. in the pound on the present graduated scale. A rebate of the 1s. in the pound which has been paid by the Company will be made to those individuals, but the amount of the dividend will be reckoned in fixing the graduated rate. In the case of persons whose income rates would be less than 1s., the dividend will not be pursued, nor will it be taken into account in determining the rate of tax to be paid on their total incomes, thus practically equalising whatever over-payment may have been made in connection with it. . . . The rate that is being imposed will mean a substantial reduction of taxation on Companies, judging from the experience of those years, the final figures of which have been collected. From 1915 to 1921 the proportion of dividends distributed to the total profits earned is shown in the table on p. 245.

"The present rate of tax on Companies' dividends¹ is 2s. 5d. in the pound. At a rate of distribution of 50 per cent. this averages 1s. 2½d., and the suggested rate is 1s."²

¹ This should read 'undistributed profits.'

² Parl. Debs., 1923, p. 2,980. The 1s. rate is now in operation.

<i>Year ending June 30.</i>	<i>Net Profit.</i>	<i>Dividends.</i>	<i>Taxable Income.</i>	<i>Net Tax.</i>	<i>Percentage of Distribution Dividends to Net Profit.</i>
1915 ..	24,977,000	10,767,000	13,309,000	998,000	44.7
1916 ..	26,142,000	12,426,000	13,716,000	1,285,000	47.5
1917 ..	27,537,000	13,767,000	13,769,000	1,291,000	50.0
1918 ..	31,560,000	14,691,000	16,868,000	2,108,000	46.6
1919 ..	31,378,000	15,883,000	15,495,000	1,936,000	50.6
1920 ..	43,915,000	20,020,000	23,895,000	3,183,000	45.6
1921 ..	38,944,000	19,585,000	19,359,000	3,577,000	50.3

So large a proportion of the business of a modern community is carried on under the provisions of Company Law that the methods to be applied in the income taxation of Companies deserve earnest consideration. In the Australian States the method followed is, subject to variation in detail, to tax the Company direct, without taking the individual shareholder into account at all. In New South Wales, Victoria, and Tasmania, Companies' profits, whether distributed or undistributed, are taxed at flat rates. In Queensland, while foreign companies (that is, companies registered outside Queensland) are taxed at a flat rate, local Companies are taxed at graduated rates under two scales. One of these scales (the higher of the two) is applied to Companies classified as Public Utility Companies or as Monopoly Companies, and the other scale is applied to Companies not coming within those designations. In South Australia the rates applicable to individual incomes are applied also to the incomes of Companies, but without the general exemption. Western Australia is an exception. In that State companies are taxed on their profits at a flat rate, but shareholders are required to include dividends in their returns, and are allowed a rebate of the tax paid by the Company. This is not the practice in other States.

The practice of the States generally "has the advantage of ease, certainty, and economy in collection, but on the ground of equity not one word can be said in its favour. It relieves of tax those taxpayers whose personal rate of tax is higher

than the Company rate; in effect, it imposes taxation at a relatively high rate on a large body of shareholders who would not otherwise be taxable, and it adds to the taxation of another large body of shareholders, who, though taxpayers, are liable only to a lower rate of tax than the Company rate."¹

Up till 1923 the Commonwealth scheme of Income Tax legislation was based on the principle of a progressive or graduated individual Income Tax. In accordance with this scheme all Company dividends were taxed in the hands of the shareholders at the rate appropriate to the total income in each case. The *undistributed* profits of a Company were taxed at a flat rate which was fixed from time to time at a point representing nominally the average rate of individual taxpayers. So far nothing could be said against this scheme from the point of equity. But when such accumulated profits were afterwards diverted to the payment of dividends, imperfections in the scheme became manifest. The position of the shareholder in respect of the tax which had been paid by the Company then varied according to whether (as an individual) he was taxable or not, and if taxable according to the rate of his tax. The shareholder whose income for the year, including the dividend in question, was not large enough to bring him within the scope of the tax was, in effect, taxed at the Company rate (which, at the time of the alteration of the law in 1923 was 2s. 5d. in the pound), for he was not granted a refund of the tax originally paid by the Company. A shareholder whose individual rate of tax was less than the Company rate received a rebate in respect of the tax paid by the Company, but a partial rebate only, at the rate applicable to his income, say 9d. in the pound, the balance of the tax paid by the Company being retained by the Treasury. A shareholder whose rate was exactly the same as, or higher than, the Company rate received rebate of the full amount of tax paid by the Company. It will be seen, therefore, that under these provisions equity had deserted the lower levels of income where its presence was most needed, and the man who was hardest hit was precisely the man who should have gone free.

¹ Royal Commission, 1923, p. 127.

In one respect the Commonwealth provisions contained an element of justice which is still absent from the State laws, since the shareholder, whose individual income was taxable at a rate higher than the Company rate, was called on to pay tax at the full rate appropriate to his aggregate income, including the dividends he had received. Under the State laws such a shareholder receives a bounty provided, at least partly, by shareholders whose incomes, if derived from any other source than dividends, would not be taxable, or would be taxable at a rate much lower than the Company rate.

An important change in the Income Tax law of the Commonwealth, made on the recommendation of the Royal Commission on (Direct) Taxation, and embodied in an amending Act of October, 1922, provides for the application of the principle of 'averaging' to incomes for the purpose of the tax. The 'average' period is five years. The average income for the preceding years, not exceeding five, is used only for determining the rate of tax, which rate is then applied to the actual income of the tax year. For example, if the average income of the preceding years was £4,000, and the taxable income of the current year was £7,000, tax would be levied on £7,000 at the rate appropriate to an income of £4,000. In this case the system would be of considerable advantage to the taxpayer in that year; if the figures had been reversed, it would operate to his disadvantage.

The British method is to impose tax on the average income of the preceding three years, at the rate appropriate to that average. That method is more advantageous than the Australian method to the taxpayer whose income is rising rapidly, but affords less relief where the income is falling rapidly. If, for example, incomes for three successive years had been £2,000, £3,000, £7,000 respectively, the average of which is £4,000, the tax in respect of the last year's income (at Commonwealth Personal Exertion rates) would be, on the British method of averaging, £460, and on the Australian method, £806. If the order of the incomes of the successive years had been reversed, so as to run, £7,000, £3,000, £2,000 (the average being the same), the tax in respect of the last

year's income would be, on the British method, the same as before, £460, and on the Australian method, £225.

The 1923 Commonwealth scheme provides for the taxation of Company profits, distributed or undistributed, at the rate of 1s. in the pound. Up to that point it is identical with the State schemes. But it still differs from those schemes, in that it retains the principle formerly applied in the case of dividends paid out of accumulated profits, where the taxpayer's individual rate was higher than the company rate—that is, that the taxpayer shall pay at the rate appropriate to his aggregate income, including dividends, bonuses, etc., but shall receive a rebate of the tax paid by the Company. The taxpayer whose individual rate is less than the Company rate receives no refund. In this respect the law of the Commonwealth and that of the States is less equitable than the British law.

Under the agreements referred to above, entered into by the Commonwealth with all the States (except Western Australia), those States have taken over the greater part of the Commonwealth Taxation staffs, and are now collecting both their own and (as agents for the Commonwealth) the Commonwealth Income Tax also (other than Company Tax). Taxpayers whose income is derived exclusively from one State need now prepare only one Income Tax return, and have but one Administrative Office with which to deal, though they are still called upon to pay two separate taxes, levied under different laws. A taxpayer whose income arises in more than one State must furnish an aggregate return to the Central office of the Commonwealth administration, and a separate return to the State office.

It will be seen that no complete remedy has yet been adopted for the evils of concurrent legislation on taxation by independent authorities dealing with the same set of taxpayers. There is, indeed, no complete remedy for those evils, except to abolish concurrent powers in respect of any one field of taxation.

ESTATE DUTY.—Duties upon the estates of deceased persons were first imposed under the authority of Acts passed in 1914.

Where the total value of the estate, after deducting all debts, exceeds one thousand pounds and does not exceed two thousand pounds, the rate of duty is 1 per cent.; where the value exceeds two thousand pounds the rate is 1 per cent., with an additional percentage of one-fifth of a pound for every one thousand pounds in excess of the sum of two thousand pounds, but so that the percentage shall not exceed fifteen pounds. The 15 per cent. rate applies at £71,001, and is a flat rate from that point upwards.

Duty is levied at two-thirds of the above rates on so much of the estate as by will, intestacy, gift *inter vivos* or settlement passes to the widow or children or grandchildren of the deceased person.

Federal and State Land and Income Taxes which become due and payable after death are deductible as debts from the taxable value of the estate. Estate duties paid outside Australia are also deductible.

WAR-TIME PROFITS TAX.—An Act, largely based upon the British Act, imposing taxation upon war-time profits, was in operation in respect of profits made during the financial years 1915–16, 1916–17, 1917–18, 1918–19. The tax caused great complaints, and has been officially described as “unequal and harsh in its incidence.” In view of the lapse of time since the expiry of the Act, details are omitted.

ENTERTAINMENTS TAX.—Following the lead given by the British Parliament in 1916, the Commonwealth Parliament in the same year passed the Entertainments Tax Act, imposing a tax based upon the price of admission to a place of entertainment. The rates have been varied from time to time, and at present are as follows: Where the payment for admission is less than one shilling, there is no tax. Where the payment is one shilling, the tax is one penny. Where the payment exceeds one shilling, the tax is one penny for the first shilling and one half-penny for every sixpence or part of sixpence by which the payment exceeds one shilling.

CHAPTER XI

THE BURDEN OF TAXATION

A PERUSAL of the present Commonwealth Tariff and of the Tariffs of some of the leading countries of the world makes it clear that, on the grounds of the severity of the duties and the high percentage of dutiable articles, Australia must be classed among high-Tariff countries.

The position with regard to Indirect Taxation in Australia in the first half of 1924 was (1) that prices as compared with pre-war prices were still high, (2) that Tariff rates were high, and (3) that imports were large. The weight of Customs and Excise taxation was consequently heavy.

The revenue for the financial year 1923-24 was from Customs duties £25,177,882, and from Excise duties £10,572,902; total, £35,750,784. Dividing this sum by the number 5,750,000, which represents in round figures the population as at December 31, 1923, we get a cost per head of £6 4s. 4d. It is in this form that the *per capita* burden of any given tax is stated in statistical publications, but with regard to Customs and Excise Taxation, and in a lesser degree with regard to some forms of Direct Taxation, such a statement exhibits only a partial result. It shows with accuracy the amount per head of population which reached the Treasury, but gives no idea of the large additional sum which, as a result of the taxation and without benefit to the Treasury, is ultimately paid by the consumers of the taxed goods. The data for an exact calculation of that additional burden do not exist, but it is possible to make an approximate estimate.

The Customs collections for 1923-24 show an increase of 11·7 per cent. over those of the previous year, and, assuming the value of the dutiable goods imported to have increased in

the same ratio (the figures of value for 1923-24 are not yet available), that value is about £98,000,000. The total Customs duties received being, as already stated, about £25,000,000, are equivalent to an average *ad valorem* rate, on dutiable goods, of 25·5 per cent., say 25 per cent. The value of non-dutiable goods is left out of the discussion.

Let us see the effect upon cost to the consumer of an average duty of 25 per cent.

Three preliminary remarks should be made. First, that the Australian Customs Act provides that, for the purpose of the calculation of the duty, an addition of 10 per cent. shall first be made to the value of the goods. In effect this is the same thing as adding one-tenth to every *ad valorem* rate, so that a rate of 10 per cent. becomes 11 per cent.; 30 per cent. becomes 33 per cent.; 50 per cent. becomes 55 per cent., and so on. In order to avoid complicating the illustration some small factors taken into account in practice will be ignored, and the value for duty assumed to be invoice price plus the statutory 10 per cent. The theory of this 10 per cent. addition is that duty should be based on the value of the goods at the port of destination, and 10 per cent. is assumed to represent the average of freight and other charges. Second, that almost without exception Customs and Excise duties are 'passed on' with an added profit. Third, the actual consumer of imported goods generally buys, not from the importer, but from a retailer or other person who has bought from the importer, so that, as a rule, two profits are added to the duty-paid cost before the goods reach the consumer. Further, it is assumed that the average gross profit added to cost by each seller of the goods is 20 per cent., an assumption probably not in excess of the fact. In the illustrations which follow, the statements in this paragraph are accepted as part of the basis.

For the purposes of illustration take a parcel of goods invoiced at a price which, with freight and other charges added (assumed to be 10 per cent.), costs £100 landed in the importer's store. To meet these conditions the invoice price would be £90 18s. 2d. If there were no duty, the position would be as follows:

	£	s.	d.
Invoice price	90	18	2
Freight and other charges (10 per cent. of cost)	9	1	10
Landed cost	100	0	0
Importer's profit, 20 per cent.	20	0	0
Cost to distributor	120	0	0
Distributor's profit, 20 per cent.	24	0	0
Cost to consumer	144	0	0

If, in the same case, there is, as at present, an average duty¹ of 25 per cent., the position will be:

	£	s.	d.
Invoice price	90	18	2
Statutory addition, 10 per cent. (assumed equal to freight, etc.)	9	1	10
Amount on which duty is levied	100	0	0
Duty at 25 per cent.	25	0	0
Landed duty-paid cost	125	0	0
Importer's profit, 20 per cent.	25	0	0
Cost to distributor	150	0	0
Distributor's profit, 20 per cent.	30	0	0
Cost to consumer	180	0	0

It appears, then, that in respect of a parcel of goods the landed cost of which is £100, a duty of 25 per cent. will involve the ordinary private consumer in a payment of £180, instead of £144, which he would pay if there were no duty. The difference between these two sums, £36, is equivalent to 36 per cent. on the landed cost of the goods, so that while the Treasury receives £25, the consumer pays £36.

But our illustration may be reduced in scale. The ordinary consumer is likely to think of his expenditure in terms of a unit of £1 rather than of £100. Now a duty of 25 per cent. is equivalent to 5s. in the pound. The above illustration shows that the Australian consumer of imported dutiable goods is paying on the average not 5s. in the pound extra, but about 7s. 2d., or 43 per cent. more than the actual duty which reaches the Treasury. In other words, for every £1 of Customs duty collected the consumer must provide 28s. 7d.

¹ The average rate of duty varies slightly from year to year, owing to changing proportions of goods dutiable at the different rates.

Turning to the Excise Tariff we find that for the financial year we are considering, 1923-24, the Excise duties collected amounted to £10,572,902, say £10,500,000. The total value, at wholesale duty-paid prices, of goods subject to Excise duty was about £25,500,000.¹ No figures are accessible from which to compute the average wholesale profit on excisable goods, but that will be assumed to be 20 per cent. Existing figures show that for the whole mass of excisable goods, taken as a unit, the retail price is about 38 per cent. above the wholesale price.

If there were no duty, the position then would be:

Manufacturing cost, including overhead charges	£10,750,000
Manufacturer's profit, 20 per cent.	2,150,000
Cost to retailer	12,900,000
Retailer's profit, 38 per cent.	4,902,000
Cost to consumers	£17,802,000

With duties as at present the position is as follows:

Manufacturing cost, including overhead charges	£10,750,000
Excise duty	10,500,000
	£21,250,000
Wholesaler's profit, 20 per cent.	4,250,000
Wholesale duty-paid price	25,500,000
Retailer's profit, 38 per cent.	9,690,000
Cost to consumers	£35,190,000

The above illustration shows that, as the result of the imposition of Excise duties totalling £10,500,000, the cost to consumers of excisable goods is enhanced by the sum of £17,388,000. The Excise duties are all at fixed rates, but, on the 1923-24 figures, are equivalent to an average *ad valorem* rate of nearly

¹ The exact value for 1923-24 is not available, but the figure given above is that of a previous year plus a small increase (2½ per cent.) corresponding to the increase of duty collected in 1923-24.

98 per cent., or about 19s. 7d. in the pound. But the above figures indicate that the consumer of excisable goods is paying on the average, not 19s. 7d. extra, but £1 13s. 9d., or about 72·3 per cent., more than the actual duty which reaches the Treasury. In other words, for every £1 of Excise duty collected the consumer must provide £1 14s. 5d.

Let us apply these results to the figures showing, per head of the population, the Commonwealth revenue which is derived from taxation. For the financial year 1923-24 these figures are £8 16s. 10d. Of the revenue derived from taxation, about 70·3 per cent. arose from Customs and Excise duties; 70·3 per cent. of £8 16s. 10d. is £6 4s. 4d., of which £4 7s. 7d. is from Customs, and £1 16s. 9d. from Excise. We have seen that in order to arrive at the burden on the consumer due to the average rate of Customs duty, 25 per cent., we must add to 25 per cent. 43 per cent. of that 25 per cent. Consequently, to the sum of £4 7s. 7d., which represents the revenue per head from Customs, we must add 43 per cent. of that sum, that is £1 17s. 8d., making a total of £6 5s. 3d. Similarly, in respect of Excise duties, about 72·3 per cent., or £1 6s. 6d., is additive to the amount, £1 16s. 9d. (which represents the revenue per head from Excise duties), making a total of £3 3s. 3d. Adding these amounts, £1 17s. 3d. and £1 6s. 6d. (in all £3 4s. 2d.), also to the total of £8 16s. 10d., we get £12 1s. as representing the real burden per head of the Commonwealth taxation. Expressing the same fact in other terms, we find that while the Treasury received from taxation £50·8 millions, the out-of-pocket cost to the community, as a result of the existence of that taxation, amounted to £69·2 millions.

It is clear that when the King's representative assents to a Tariff Act he releases a force which is far from being exhausted when the Treasury objective has been attained—a force which goes on to extract from the pockets of the public sums much in excess of the Treasury impost.

One turns to the economists to see if these secondary effects are included in their concept of 'tax.' As a rule, economists seem to feel no need of a definition so long as they are discussing 'Indirect Taxation.' The old terms 'Customary dues,'

'Customs,' and the modern form 'Customs Duties,' appear to have a narcotising effect on the analysts of other forms of taxation, for they generally treat those terms as self-luminous, needing no explanation. When, however, it is a question of a 'Direct' tax, definition is deemed essential.

In 'Notions Élémentaires sur les Impôts Directs'¹ the term 'tax' is defined as 'Un prélèvement de l'État sur les revenus particuliers en vue de l'intérêt général.' The French authorities proceed to an explanation of this simple statement, and point out that while formerly any such levy was based upon the right of a conqueror or of an overlord, it is now an expression of the general will, as it is imposed by the mandates of the people; and they quote the phrase of the Constituent Assembly, "Un peuple esclave paye des impôts, un peuple libre n'acquitte que des contributions." The compulsory nature of the contribution is recognised, but the remark is added that "de nos jours l'impôt est à la fois obligatoire et volontaire, quelque inconciliables que paraissent ces deux termes."

Dr. Robert Jones in his book 'The Nature and Principles of Taxation' devotes a long chapter to the discussion of the nature of a tax, and in an appendix gives a lengthy list of definitions of 'Tax' by well-known economists. Dr. Jones sums up thus: "A tax is a payment compelled, and the compelling power does not guarantee a definite return." But not one of these definitions deals with anything else than face-values. They might all have been dictated by a Treasury official, for not one looks beyond what may be called a Receiver's view of a fiscal payment.

When Gibbon said of Voltaire that he "cast a keen and lively glance over the *surface* of History," he coined a phrase which, with the alteration of one word, might be applied to the constructors of those definitions. So the definitions, skilful enough as mapping the perimeter of a plane surface, fail to help us, because they are two-dimensional, and a tax is three-dimensional. It has not only length and breadth, but also depth. In preceding paragraphs we have gone a little below

¹ Issued by the Ministère des Finances, 1920.

the surface of the tax known as Customs and Excise duties. Is there a lower stratum which we have not sounded? Consider this fact: Australia's annual needs are supplied from two sources, imports and local production. In 1923-24 the value of dutiable imports was about £98,000,000, and in 1922-23 (the latest year for which the figures have been published) the value of the local manufacturing output was £326,000,000.¹ We have seen that, as a result of the Tariff duties, the Australian consumer pays, not only the amount of the Tariff revenue, but a sum considerably in excess of that revenue, in respect of his purchases of imported goods.

Do the Tariff duties also cause an enhancement of price of this large local output, thus in effect taxing the consumer to a still greater extent over and above the amount of the Tariff revenue? Put in its abstract form, "Does Protection raise prices?", this is one of the most controversial questions in fiscal politics. The general answer of the Protectionist is 'No';² the general answer of the Free Trader is 'Yes, by at least the amount of the Protective duty.'

It is relevant and important to present data upon which opinion may operate as to the actual burden of existing taxation, but it is outside the scope of this writing to enter upon controverted questions, and this particular point will therefore be treated on a hypothetical basis. If the Protectionist answer is concretely true, then, although as shown in an illustration above the Australian consumer pays about 28s. 7d. for every pound which the Treasury receives as Tariff revenue upon imports, the effect of the Tariff stops there—that is, it has no effect upon the prices of locally manufactured goods of kinds which, when imported, are subject to duty. On the other hand, if the Free Trade answer is concretely true, the Tariff has an effect of the same kind, if not to the same degree,

¹ Production Bulletin No. 17, *Commonwealth Statistician*. For the purposes of subsequent paragraphs it is assumed that this is also the value of the output for 1923-24.

² Nowadays the Protectionist answer is rarely put in this unqualified form. Discussion usually arises on concrete cases, and other issues are introduced. The only foundation for an adequate answer would be the minute investigation of a multitude of concrete cases, and the results would be relative to the conditions of the time and place.

upon the prices of locally manufactured goods, as upon the prices of dutiable imported goods.¹ On the most restricted interpretation this would mean, on the basis of the 1923-24 figures, that the aggregate cost to the consumer of the Australian manufactures he purchases in the course of a year would be 25 per cent. higher than it would have been if the Tariff did not exist. Now, out of the £326,000,000 representing the value of Australian manufactures, excluding excisable goods and exports, about £257,000,000 is the value (factory price) of goods of the kinds which, when imported, are subject to duty. By hypothesis this is 25 per cent. higher than it would have been if there had been no Tariff duty, hence the price without duty would be £205,000,000,² and consumers will have paid £52,000,000 more than they would have done if there had been no Tariff duties. If the hypothesis on which this calculation rests corresponds with the reality of the situation, then the result of a Tariff, such as that now operative in the Commonwealth, with an average *ad valorem* equivalent rate of 25 per cent. on dutiable imports is that, *over and above the amount which reaches the Treasury*, the Australian consumers pay, in respect of locally manufactured goods, £52,000,000, and, as shown above (and this is independent of the hypothesis in question), in respect of imported goods, £18·5 millions, or in all £70·5 millions. This would mean that, as a result of Commonwealth taxation, the burden per head of population is (not £8 16s. 10d. per head, the amount which reached the Treasury in 1923-24, or £12 2s. per head, which, as shown above, is approximately the real cost to the community

¹ The Commonwealth Tariff Board, in their 1924 Report, traversing some newspaper articles on this point, say, "... clearly underlying the argument is the assumption that every manufacturer in every State of the Commonwealth has taken full advantage of every Protectionist duty, and has in every case added the whole of this amount to the cost of his product. This does not represent the true facts, as the Tariff Board is well aware, and could be regarded as the exception rather than the rule. That, generally speaking, some sum is added on by means of the Tariff is probably true, but that that sum is the full Protectionist duty at all times the Tariff Board is quite satisfied is not the case."

² The effect of any second profit added by an intermediary between the manufacturer and the consumer is left out of account in this calculation.

directly attributable to the present Tariff, but) a little more than £21. The secondary effects of Direct Taxation are not included in this figure.

With regard to *Direct* Taxation, particularly Land Tax and Estate Duties, it is commonly assumed that the tax cannot be passed on, and therefore that it cannot affect prices.

As to Income Tax,¹ taxpayers whose incomes are derived from salary or wages have usually no means of passing on the tax. The groups of taxpayers whose incomes are derived from the sale of products such as wool, wheat, metals, etc., the prices of which are fixed in the world markets, also have no means of passing on the tax. But the great groups of manufacturers, distributing houses, and other classes of business men, also some professional men, frequently have, and no doubt avail themselves of the opportunity of passing on Income Tax. Evidence of public accountants and taxation experts taken in all the Australian States by the 1923 Commission on Taxation was to the effect that Income Tax is treated by business men as one of the overhead expenses of a business, which means that it is merely a factor in the cost of goods or services, to which the business profit is added.

The conditions existing in Australia during the greater part of the last decade have been such that Income Tax, the most important of all the 'Direct' taxes, has, to a material extent, become an 'Indirect Tax,' imposing burdens upon consumers which were not contemplated by the Legislature. The data for estimating the weight of these burdens are, from the nature of the case, less obvious and less exact than in the case of Customs and Excise duties. But it is possible to make a rough estimate. In the Annual Reports of the Commonwealth Commissioner of Taxation, tables are given showing the percentage

¹ Some economists hold that Income Tax on business profits is incapable of being 'passed on.' There are, of course, critical periods in the history of business when even the most fundamental of business expenses cannot be wholly passed on. It is not practicable to discuss the whole question here, but it may be said that, in the absence of (1) a fixed standard of profit, and (2) the application of a principle analogous to the rule known in Equity as the Rule in Clayton's Case, relating to the appropriation of payments, the discussion tends to become merely a sterile logomachy.

of the total Income Tax collections which is paid by each of a number of occupational groups, such as Shipping, Manufacturers, Brewers, Timber Merchants, etc. Some of the groups may be left out of account, as they consist of those who have no means of passing on the tax. The two groups, 'Property Owners' and 'Miscellaneous,' contributing the largest percentages of tax, present some difficulty. It is likely that a proportion of the Income Tax payable by members of these two groups is often capable of being passed on, but one can only make a guess at that proportion. It will be assumed that, in the case of Property Owners, 5 per cent. of the total tax, and in the case of Miscellaneous, 10 per cent. of the total tax, is passed on. With regard to the 'Business' groups generally it will be assumed that the whole tax is passed on. On these assumptions, and taking the mean of percentages in two successive Reports of the Commissioner, it is probable that about 35 per cent. of the total Income Tax payable to the Commonwealth is 'passed on.' Statistics comparable with those of the Commonwealth are not available in respect of the State Income Taxes, but it is reasonable to suppose that the distribution of the total tax with regard to occupational groups is about the same in both cases.

For the financial year 1923-24 the Commonwealth Income Tax collections amounted to a little over £11,000,000, and (for the latest period available) those of the States to £9,500,000, or an aggregate of £20,500,000; 35 per cent. of this sum is £7,175,000.

As already stated, the ordinary business practice is to treat Income Tax as an 'overhead expense,' with the result that it is 'passed on,' with the addition of the business profit.¹ In many cases this procedure may occur more than once before the goods reach the hands of the final purchaser, but it is here assumed that one profit only, say 20 per cent., is added, making

¹ This practice has received judicial recognition in the Arbitration Court of New South Wales, which, in estimates of production costs, allows traders to charge the whole of their personal taxation to the working expenses of their business (see N.S.W. Parl. Debs., 1920, vol. lxxxii., p. 3,306). It is believed that the same practice passes unchallenged in other Arbitration Courts.

the total (£7,175,000+20 per cent.) £8,610,000, equivalent to about 42 per cent. of the aggregate Income Tax paid in respect of both Commonwealth and State Taxes. This represents a levy of about £1 10s. per head of the population of the Commonwealth, and, like the additional burdens borne by taxpayers as the result of Customs and Excise taxation, should be added to any figures in public statistics showing 'Taxation per Head of Population' if it is desired to obtain a closer estimate of the actual effect of taxation.

The following table, kindly supplied by the Commonwealth Statistician, shows (what may be called the *apparent*) taxation—i.e., actual tax collections, per head of population, 1921-22, and 1922-23, for Australia, the United Kingdom, and the United States of America.

Country.	1921-22.			1922-23.		
	Direct.	Indirect.	Total.	Direct.	Indirect.	Total.
Australia (Commonwealth and State) (£)	5.0	7.2	12.2	5.8	6.3	12.1
United Kingdom (Imperial) (£)	11.0	6.9	17.9	10.7	6.4	17.1
U.S.A. (Federal) (\$) ..	18.8	13.8	32.6	15.6	11.2	26.8

Data are not available for the formation of an estimate, on the lines of the preceding discussion, of the actual burden imposed on consumers in the United Kingdom, and in the United States, as a result of the taxation existing in those countries.

For Australia the figures on p. 261,* based upon the facts and subject to the assumptions stated in the preceding pages, show, for the financial year 1923-24, the burden borne by consumers as a result of existing taxation.

Such effects are not peculiar to Australia, but occur to a greater or less extent wherever taxation is imposed of a kind which is intended to be, or by any means can be, 'passed on' by the person who pays the tax in the first instance.

THE BURDEN OF TAXATION

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1. Taxation (actual Tax Collections, Commonwealth and State) per head of population	£11·8
2. Addition arising as a secondary result of Customs and Excise duties	3·2
3. Addition arising as a further indirect result of Customs and Excise duties—i.e., by consequent increase of prices of locally manufactured goods (non-excisable) other than those exported	9·0
4. Addition arising as a secondary result of Income Taxation, Commonwealth and State, which is 'passed on' by the actual payers	1·5
	£25·5

In an attempt to estimate the real net gain or loss to a community of a particular fiscal policy (whether Protection, Free Trade, or any other), a statement of the amounts which that policy takes out of the pockets of the people is, of course, only one side of the account. An *exact* estimate even of those amounts is not attainable, and it is still more difficult to estimate (what it is equally important to know) how much that policy puts into those pockets. An investigation of this latter question would be concerned with many matters not capable of complete expression in terms of finance, though finance would be the foundation. Such an investigation is outside the scope of the present work, and would need a separate volume.

The existence of two taxing authorities (Commonwealth and State) for Income Tax, coupled with the fact that State Income Taxes differ widely as to rates, deductions, etc., causes a variation in the aggregate levy upon a gross income of any given amount, according to the State in which the taxpayer resides.

The State rates are highest in Western Australia and lowest in Victoria. The following table shows, with respect to a few illustrative incomes, the effect of the dual taxation in Western Australia and Victoria. The rates are those applicable to incomes derived from Personal Exertion.

Taxable Income.	Commonwealth Rate and Tax.	Western Australia Rate and Tax.	Victoria Rate and Tax.	Combined Effective Rate and Combined Tax.	
				Commonwealth and Western Australia.	Commonwealth and Victoria.
£500	7-4526d. £15 3s. 3d.	4-8d. £10	3d. £6 5s. 0d.	12-08d. £25 3s. 3d.	10-36d. £21 11s. 8d.
£6,672 ¹	34-18d. £731	55-3d. £1,534	6-55d. £182	81-5d. £2,265	47-37d. £1,317
£50,000	64-91d. £13,522	55-2d. £11,150	6-94d. £1,446	117-5d. £24,472	89-73d. £18,693
£100,000	88-71d. £28,464	55-2d. £23,000	6-96d. £2,904	125-5d. £51,464	93-07d. £38,779

NOTE.—In examining the above table it should be borne in mind: (1) that the Commonwealth law allows a deduction from assessable income of the amount paid as State Income Tax, the Commonwealth Tax being levied only upon the balance—e.g., upon a taxable income of £100,000 earned in Western Australia, the State tax is £23,000, and the Commonwealth Tax is therefore levied on £(100,000 – 23,000) = £77,000. It follows (2) that the figures shown in column 1, 'Taxable Income,' must be read as meaning the Taxable Income subject to State Tax, and that in respect of the Commonwealth Tax the income must be taken as the amount shown in column 1 less the State Tax on that amount. The resulting amount is not the same for any two States.

The limitations pointed out in the above note serve to illustrate the difficulty of obtaining a basis for direct comparison between two systems of taxation, even those which, in their main features, are so much alike as the systems of any two of the Australian States. This difficulty is greatest when a comparison is sought between the respective weights of the tax upon a comparatively small income in each of two taxing jurisdictions. Take, for example, the case of a married man having two children. In New South Wales, where there is a general exemption of £250 and an allowance of £50 in respect of each dependent child under eighteen years of age, such an income-earner would not be taxable unless his gross income exceeded £350, while if he resided in South Australia he would

¹ This is the point at which the graduation of the Western Australian State scale of rates ceases, and the flat rate begins to operate.

be taxable upon every pound of income in excess of £180. Differing treatment as to other forms of deduction may increase or diminish such variations. In the case of large incomes the effect of differences in deductions and allowances tends to become negligible.

The position with regard to taxation in Australia is that, while Customs and Excise taxation is an exclusive power of the Commonwealth, each of the seven Executive Governments of Australia is equipped with a battery of taxes coming within the generic designation of 'Direct Taxation,' and each is fully exercising its taxing powers. The jurisdiction of a State is limited by its own boundaries; the jurisdiction of the Commonwealth extends to all States.

While the Commonwealth taxing power (outside Customs and Excise taxation) is concurrent with that of the States, and not exclusive, there is a provision of the Constitution (Section 109) which enacts that "when a law of a State is inconsistent with a law of the Commonwealth, the latter shall prevail, and the former shall, to the extent of the inconsistency, be invalid." Behind the shield of that Constitutional enactment the Commonwealth might act in such a manner as to reduce the concurrent taxing power of the States to a nullity. But, except under the stress of a great emergency, no such action is likely to be attempted, and if it were attempted in normal times, the checks latent in every free community upon the unreasonable exercise of a theoretically unlimited power would no doubt come into operation.

As to taxation by means of Tariffs, the 'settled policy' of Australia is that of Protection, with a considerable range of Preferential duties in favour of British goods. Agreements with the Dominions of New Zealand and South Africa provide for reciprocal Tariff concessions, and it seems probable that a reciprocal arrangement with Canada may soon be effected.

As to Direct Taxation, while economic creeds have had something to do with the imposition of 'Direct' Taxes either by State Parliaments or the Commonwealth Parliament, financial stresses have generally been the impelling forces.

The Commonwealth Income Tax, for example, which is much the heaviest of the Direct Taxes levied in Australia, was a measure of War finance, and the large increases which have taken place in the rates of Income Taxes are chiefly attributable to War effects, which continue long after the cessation of hostilities.

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.¹ 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 $\frac{1}{2}$ d. 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.² 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:

	<i>Per Cent.</i>
On incomes exceeding £800, but not exceeding £1,000	10
On incomes exceeding £1,000, but not exceeding £1,250	12½
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 ½d. 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 fs.

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 £2,000¹ 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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