

**Federalism
Research
Centre**

Australian National University

**FISCAL FEDERALISM
IN AUSTRALIA:
A TWENTIETH CENTURY
CHRONOLOGY**

Julie Smith

No. 23

November 1992

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FEDERALISM RESEARCH CENTRE

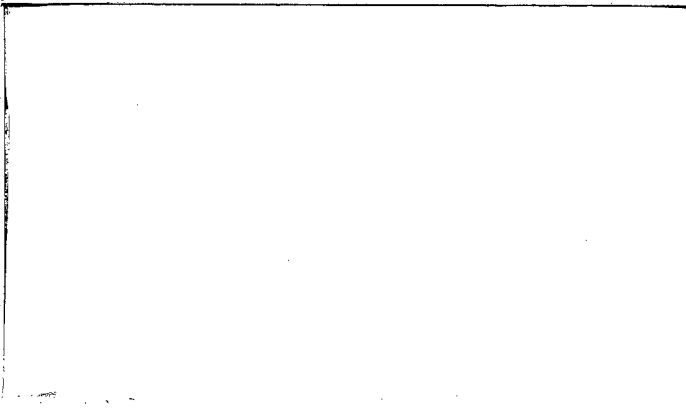
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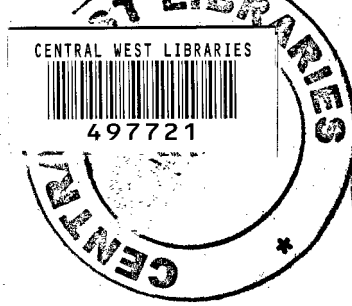
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**FEDERALISM RESEARCH CENTRE
DISCUSSION PAPERS**

FEDERALISM RESEARCH CENTRE
DISCUSSION PAPER NO. 23 (NOVEMBER 1992)
FISCAL FEDERALISM IN AUSTRALIA: A TWENTIETH
CENTURY CHRONOLOGY BY JULIE SMITH
PLEASE NOTE THAT PAGES 35 and 37 HAVE BEEN
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**FISCAL FEDERALISM
IN AUSTRALIA:
A TWENTIETH CENTURY
CHRONOLOGY**

Julie Smith

No. 23

November 1992

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**Fiscal Federalism in Australia
A Twentieth Century Chronology**

Julie Smith

Date _____

Vertical: Grants _____

Vertical: Tax _____

1896-97

Colonial and local government taxation = 100% of total taxation

Income taxes = 7% of taxation

Land taxes = 4% of taxation

Probate and stamp duties = 10% of taxation

Customs and excise duties = 76% of taxation

Colonial and local government outlays = 100% of public sector outlays

1901

Uniform tariff and free trade between the states introduced in October according to s. 90 and s. 92 of Constitution; Braddon clause of Constitution (s. 87) requires a minimum 75% of the revenue surplus from customs and excise to be returned to the states (or applied towards the payment of interest on states debts taken over by Commonwealth) for at least 10 years after federation and thereafter till the parliament otherwise provides

Commonwealth empowered to tax so long as it did not discriminate between states or parts of states (s. 51(ii)), with exclusive powers to impose duties of customs and excise (s. 90)

1901-1902

State and local government taxation = 23% of total taxation

Income taxes = 25% of state and local government taxation

Land taxes = 19% of state and local government taxation

Probate and stamp duties = 46% of state and local government taxation

Customs and excise duties = 100% of Commonwealth taxation

State and local government outlays = 95% of own-purpose public sector outlays

Commonwealth grants as a share of state and local government receipts = 37%

Surplus revenue grants of \$14.8 million = 100% of Commonwealth grants to the states

Horizontal

Borrowing

Surplus revenues to be distributed to the states according to where derived (the 'bookkeeping system') for at least five years after uniform tariffs imposed, and thereafter until parliament otherwise decides (s. 93) (after deducting Commonwealth expenditures attributed to each state (s. 89)); after five years, Commonwealth may make grants of all surplus revenue to the states on such basis as it deems fair (s. 94); during a period of 10 years after federation and thereafter till parliament otherwise provides Commonwealth may make grants to any state as sees fit (s. 96); WA tariff to continue for five years after uniform tariff begins, phasing down to uniform tariff level at the end of the fifth year (s. 95)

Provisions for Commonwealth to take over existing state debts after federation under s. 105 and s. 87, to redress problem of vertical imbalance without transfer of state functions

Date	Vertical: Grants	Vertical: Tax
1904	Premiers reject Commonwealth proposed financial settlement; Commonwealth wants to settle on s. 105 by paying fixed grants with a Commonwealth takeover of states debts, states want to settle on basis of s. 87 of Constitution by extending Braddon clause	High Court defines excise narrowly in <i>Peterswald v Bartley Case</i> , deciding that state breweries licence fees not excise duties
1906	Commonwealth fails in bid to legislate for s. 105 financial settlement on basis of debt takeover and fixed grants in face of state and parliamentary opposition	NSW vacates land tax in favour of local governments
1908	States reject new proposal for settlement through takeover of debt plus fixed payment by Commonwealth; customs and excise tariffs raised under policy of New Protection under <i>Excise Act</i> ; <i>Surplus Revenue Act</i> enacted by Deakin to divert Commonwealth surplus revenue to trust accounts in preparation for introduction of national pension; states get only minimum 75% of revenues under Braddon clause; failure of NSW High Court challenge to <i>Surplus Revenue Act</i> in <i>NSW v The Commonwealth</i> effectively annuls s. 94	-

1909–1910

State and local government taxation = 20% of total taxation

Income taxes = 32% of state and local government taxation

Land taxes = 8% of state and local government taxation

Estate duties = 31% of state and local government taxation

Stamp duties = 21% of state and local government taxation

Customs and excise duties = 100% of Commonwealth taxation

State and local government outlays = 87% of public sector outlays

Commonwealth grants as a share of state and local government receipts = 31%

Surplus revenue grants of \$16.2 million = 100% of Commonwealth grants to the states

Horizontal

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Bookkeeping system of allocating revenues continued till 1909 Financial Agreement; WA tariff ends; resolution by WA parliament to secede

—

Borrowing

First proposal for a Loan Council as part of s. 105 financial settlement

States reject financial settlement based on s. 105 including creation of Loan Council

—

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Date	Vertical: Grants	Vertical: Tax
1909	New Financial Agreement to replace guarantee of revenues under Braddon clause, based on per capita payment of 25s, (adjusted for transfer of expenditure functions, aged pensions, to Commonwealth). Commonwealth old age pension introduced nationally; replaces state pensions in NSW, Vic. and Qld	-
1910	Referendum rejects inserting fixed per capita payment provision into Constitution; <i>Commonwealth Surplus Revenue Act 1910</i> replaces fixed grants and bookkeeping system under s. 87 with per capita grants under s. 96 effective for 10 years	Commonwealth enters direct tax field with a national land tax
1911	-	High Court validates Commonwealth land tax in <i>Osborne v Commonwealth</i>
1911-12	-	-
1912	-	-
1914	-	Commonwealth introduces national estate duty
1915	-	Commonwealth introduces national income tax to fund wartime expenditures and meet 1910 <i>Surplus Revenue Act</i> obligations to pay states per capita grants

Horizontal

Borrowing

Move away from bookkeeping system to per capita grants introduces implicit element of horizontal equalisation in revenue sharing; special grant to WA of \$500,000 p.a. reducing by \$20,000 p.a. until 1920–21, in view of its large per capita contribution to customs revenue; cost of grant shared between Commonwealth and states

Royal Commission on Tasmania recommends special grant of \$1,800,000 over 10 years, based on 'leakage' of Tas. customs duties under federal tariff; \$190,000 paid to Tasmania from 1912–13 reducing to \$170,000 in 1921–22 with \$180,000 in each intervening year

Progressive national income tax plus per capita grants increases equalisation effect of Commonwealth–state financial arrangements

Referendum agrees amendment to s. 105 of Constitution allowing Commonwealth to take over state debts acquired after as well as before federation

Commonwealth Bank established as government owned competitor to private banks

Commonwealth first creates a loan fund and meets capital expenditure out of surplus revenue

Commonwealth first borrows for own-purpose

Commonwealth enters public loan market

Commonwealth begins wartime practice (1915–19) of loan raising in London on behalf of states (except NSW)

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Date	Vertical: Grants	Vertical: Tax
1916	-	First of officials' conferences on uniform income tax return; Commonwealth introduces entertainment tax
1917	-	Commonwealth-state talks on uniform income tax return; Commonwealth war time profits tax introduced

1918-1919

State and local government taxation = 27% of total taxation
 Income taxes = 50% of state and local government taxation
 Land taxes = 8% of state and local government taxation
 Estate duties = 17% of state and local government taxation
 Stamp duties = 17% of state and local government taxation
 Customs and excise duties = 53% of Commonwealth taxation
 Income taxes = 35% of Commonwealth taxation
 State and local government outlays = 34% of government outlays
 Commonwealth grants as a share of state and local government receipts = 17%
 Per capita grants of \$12.4 million = 96% of Commonwealth grants to the states, special assistance = 4% of Commonwealth grants to the states.

1919	Commonwealth first proposes ending grants under 1909 Agreement and returning most income taxation to states at expiry of Agreement	
1920	-	In <i>Engineers Case</i> , High Court rejects 1904 decision (<i>D'Emden v Pedder</i>) of implied immunities; new view that Commonwealth laws 'occupied the field' undermine narrow definition of excise duties; (Warren Kerr) Royal Commission on Taxation begins; agreement between Commonwealth and WA for Commonwealth to collect state income tax
1922-23	-	-

Discussion Paper No. 23

Horizontal	Borrowing
-	-
-	-
-	-
Tas. special grants expire; grant of \$170,000 extended for 1922-23	-

Date	Vertical: Grants	Vertical: Tax
1923	Specific purpose grants introduced under <i>Main Roads Development Act</i> , includes matching provisions for road building; grants based on population and area formula favour WA, SA and Qld	Premiers' Conference considers Commonwealth proposal to end per capita grants in exchange for Commonwealth withdrawing from personal income tax on incomes below \$4,000; states propose Commonwealth withdrawal from all income taxation; Commonwealth offer, to withdraw from all personal income taxes, if able to levy up to 12.5% tax on companies, is agreed by most states but lapses; Commonwealth agreement with states (except NSW and WA) for states to collect Commonwealth income taxes on standard returns
1924	-	-
1925	-	-
1926	<i>Federal Aid Roads Act</i> introduced, funded by customs and, in 1927, excise duties on petrol, Vic, SA and NSW unsuccessfully challenge grants power in <i>Roads Case</i>	May Premiers' Conference rejects Commonwealth proposal to end per capita grants in return for Commonwealth withdrawal from personal income taxation; Commonwealth draws up legislation to replace 1926-27 per capita grants with fixed grants at per capita equivalent levels plus temporary assistance to WA and Tas, and withdraw from land, estate and entertainment taxation and 40% of personal and company income taxation; High Court widens definition of excise in <i>Petrol Case</i> and <i>Newspaper Case</i>

Horizontal

Commonwealth offer to Premiers' Conference includes special provisions for states with lower taxable capacity, Tas., WA and Qld; Tas. special grant of \$170,000 extended for 1923-24

Tas. special grant of \$170,000 extended to 1924-25; Tariff Board report on WA tariff disability; Royal Commission set up on 'Finances of WA as Affected by Federation'

Tas. special grant of \$136,000 for 1925-26; grant of \$900,000 to WA replaces 1910 agreement, as recommended by 1925 Royal Commission recommendation, on basis of WA disability from federation and federal policies

Special grants to WA reduced to \$600,000 for five years from 1925-26 based on minority recommendation of 1924 Royal Commission; grant subsequently extended to 1933-34; Lockyer inquiry into Tas.; Commonwealth agrees to increase Tas. special grant to \$756,000 in 1926-27 and 1927-28 on account of higher than average debt charges; grant conditional on reductions in Tas. taxes

Borrowing

Voluntary Loan Council set up at suggestion of Commonwealth Treasurer Page to coordinate timing and terms of domestic loans in face of war loan conversion program; Commonwealth sets up sinking fund to provide for redemption of Commonwealth debt

Three states renege on Voluntary Loan Council

Voluntary Loan Council extended to overseas loans; NSW withdraws from Voluntary Loan Council but adheres to interest rate decisions

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Date	Vertical: Grants	Vertical: Tax
1927	Commonwealth action to end per capita grants prompts conference with states resulting in Financial Agreement, offsetting per capita grants at original 1910 levels of 25s per capita against state debt servicing taken over by Commonwealth, (in effect general revenue grants replaced by specific purpose grants for 53 years)	Commonwealth introduces legislation (<i>States Grants Bill</i>) to end per capita grants system and abolish its land and entertainment taxes and estate duties, as well as most income taxation
1928	Successful referendum on inserting section 105A (1927 Financial Agreement) in Constitution, allowing agreements to be made and enforced between Commonwealth and states about debts	-

1929–1930¹

State and local government taxation = 46% of total taxation

Income taxes = 34% of state and local government taxation

Land taxes = 4% of state and local government taxation

Estate duties = 8% of state and local government taxation

Stamp duties = 7% of state and local government taxation

Motor taxes = 9% of state and local government taxation

Customs and excise duties = 72% of Commonwealth taxation

Income taxes = 19% of Commonwealth taxation

State and local authority outlays = 72% of outlays

Commonwealth grants as a share of state and local government receipts = 12%

Financial Agreement payments of \$17.2 million = 68% of Commonwealth grants to the states, special grants = 7% of Commonwealth grants to the states, roads grants = 25% of Commonwealth grants to the states

Horizontal


Financial Agreement sets up National Debt Sinking Fund to redeem state debts with flat rate contributions by Commonwealth and states, to the advantage of the most indebted states; passage of *States Grants Act* as part of Agreement provides special grants previously agreed for Tasmania and WA for 1926-27

Special grant of \$440,000 paid to Tas. in 1928-29; new provision for special grant of \$500,000 to Tas. from 1929-30 effective for five years, based on recommendations of 1927 Development and Migration Commission; SA applies for special assistance; Royal Commission on Finances of SA as Affected by Federation established

Borrowing

Financial Agreement to establish Loan Council to regulate and coordinate borrowing by Commonwealth and states; distribution of loan proceeds determined by formula, states having 4/5 of proceeds distributed according to share of net loan expenditures in previous 5 years unless otherwise agreed; public enterprise borrowings, borrowings for temporary purposes and Commonwealth defence borrowings, omitted from Agreement and Loan Council arrangements

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Date	Vertical: Grants	Vertical: Tax
1929	-	Royal Commission on the Constitution (est. 1927) recommends amending Constitution to define excise narrowly
1930	-	
1931	Adoption of Plan at Premiers' Conference to balance state and Commonwealth budgets; matching provisions of roads grants repealed	
1932	-	Second (Fergusson) Royal Commission on Taxation (1932-34) appointed to simplify and standardise Commonwealth and states direct taxes

Horizontal

Borrowing

Royal Commission on the Constitution suggests independent assessment of special assistance to restrict 'benevolence or opportunism of political parties'; special grant of \$720,000 p.a. offered by Commonwealth to SA following Royal Commission report on SA recommending annual grant of \$1 million p.a. for two years for 1929-30 and 1930-31; offer conditional on transfer of railways to Commonwealth; application by WA for higher grant, Commonwealth offers grant conditional on transferring North West of WA to Commonwealth

Commonwealth Joint Committee on Public Accounts (JCPA) report on 'Tasmania's Disabilities' recommends establishment of permanent research body to assess special grants; JCPA report on Tas. recommends extra grant of \$142,000 p.a. 1930 Premiers' Conference agrees \$2,340,000 grant to SA in 1930-31

JCPA commences examination of SA grant; recommended \$2,000,000 for SA; WA applies for increase in grant to \$900,000 after expiry of existing grant from 1932; JCPA asked to also review its report on Tas. to ensure consistency with SA and WA assistance; recommends no change to \$500,000 p.a. grant for Tas.; JCPA suspended as economy measure, never completed inquiry into WA grant

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Loan Council used to enforce adherence to Premiers' Plan; Commonwealth Bank and trading bank ultimatum to Loan Council on level of government borrowings via overdrafts and post-1930 issue of Treasury Bills

Financial Agreement Enforcement Act passed by Commonwealth to force NSW to meet its interest liabilities under Financial Agreement. Commonwealth power to enforce Financial Agreement ruled valid by High Court

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<u>Date</u>	<u>Vertical: Grants</u>	<u>Vertical: Tax</u>
1933	-	-
1934	-	-
1932-33	Emergency grants to states in form of special purpose payments for unemployment relief, assistance to primary producers and unemployment relief works under s. 96 and s. 94	-
1934-35 to 1936-37	Commonwealth pays states unconditional non-recurring grants of \$4 million in 1934-35, \$1 million in 1935-36 and 1936-37 under s. 94, distributed on a per capita basis	-
1936	-	<i>Uniform Income Tax Act adopted by states and Commonwealth</i>

Horizontal

Borrowing

CGC set up to assess any claims for special assistance under s. 96; successful WA referendum on secession presented to British parliament

First CGC Report assesses grants based on relative financial position compensating in principle for differential tax capacities and costs of provision of government services for different states; no penalty for claimancy but assessment procedures adjusted for extent of state and Commonwealth responsibility for losses due to past mistakes; NSW excluded from standard states as difficulty in interpreting NSW budget

Grants of \$2,800,000, \$1,200,000 and \$800,000 paid to SA, WA and Tas. in 1933-34 on CGC recommendation in first report (1934)

Third CGC report in 1936 sets down detailed principles for assessing special grants; rejects claim that special grants should be based on disabilities from federal policy, or natural resource deficiencies; recommendations based on relative fiscal need; uses difference between per capita deficit and that of standard states to determine fiscal need; penalty for claimancy (introduced in 1935) determined by requiring up to 10% higher severity of taxation (depending on extent of responsibility for past loan losses), and 6% lower

'Gentlemen's Agreement' closes off Loan Council loophole for semi-government and local government borrowing

Date	Vertical: Grants	Vertical: Tax
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1936
(cont'd)

1937

1938-1939

State and local government taxation = 46% of total taxation
 Income taxes = 45% of state and local government taxation
 Land taxes = 2% of state and local government taxation
 Estate duties = 18% of state and local government taxation
 Stamp duties = 5% of state and local government taxation
 Motor taxes = 11% of state and local government taxation
 Customs and excise duties = 62% of Commonwealth taxation
 Income taxes = 16% of Commonwealth taxation
 State and local government outlays = 69% of public sector outlays
 Commonwealth grants as a share of state and local government receipts = 14%
 Financial Agreement payments of \$18.1 million = 59% of Commonwealth grants to the states, special grants = 13% of Commonwealth grants to the states, roads grants = 28% of Commonwealth grants to the states

1938

High Court overthrows narrow interpretation of excise because effect of levy was the same as a tax on quantity or value produced (*Matthews v Chicory Marketing Board Case*)

Horizontal

Borrowing

standard of social services in calculating standards for tax and expenditure; adjustments for tax effort, economy in social service spending, economy in administrative costs and economy in public works maintenance spending

CGC increases penalty for claimancy from 6% to 10% of standard social services expenditures (effectively requiring lower standards of services in claimant states); penalty for past policy mistakes (effectively requiring additional tax burden in claimant states) based on responsibility for past loan losses calculated at 6% and 5% of the severity of taxation for SA and WA respectively²; allowance introduced for high cost of social service provision in claimant states; NSW included in standard states with Vic. and Qld

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<u>Date</u>	<u>Vertical: Grants</u>	<u>Vertical: Tax</u>
1940	-	-
1941	-	Commonwealth introduces payroll tax at 2.5% to fund national child endowment payment; Commonwealth proposal for states to vacate income tax for one or two years rejected by states; Commonwealth proposal for uniform national income tax contribution repayable as tax credits after war lapse with change of government
1942	General revenue grants, paid from May 1943 for first time since 1927 in form of tax reimbursement grants under <i>States Grants (Income Tax Reimbursement) Act</i> . Commonwealth introduces national widows' pension	Report of Special Committee on Uniform Taxation in March recommends Commonwealth take over all income taxation; uniform taxation legislation introduced in May; entertainment taxes taken over by Commonwealth under similar arrangements as income tax
1943	-	-
1944	Commonwealth takes over paying unemployment benefit and sickness benefit	-

Horizontal

CGC standardises penalty for past policy mistakes at 5% of the standard severity of taxation for both WA and SA

Tax reimbursement grants distributed at annual average rate of income tax collection in each state in 1939–40 and 1940–41. CGC given responsibility under uniform tax legislation, s. 6 of *States Grants (Income Tax Reimbursement) Act*, for determining the level of additional tax reimbursement grants recommended by Committee. CGC adopts balanced budget standard for special grants

CGC reduces penalty for claimancy to 8% of standard social services expenditure; CGC recommends advance grant in 1942–43 for Tas. from 1944–45 grant

CGC tax capacity adjustments for special grants changed to non-income tax capacity; penalty of 5% of standard severity of taxation for past mistakes suspended; penalty for claimancy expressed as 1% of state's recurrent expenditure;³ specific adjustments for economy ended;⁴ advance grants introduced to deal with deterioration in state's needs due to inflation in period between 'year of review' (1941) and 'year of payment' (1943)

Borrowing

Appointment by Loan Council of Coordinator General of Public Works to advise on public works priorities in wartime; Commonwealth government power over Commonwealth Bank increases under wartime powers and Commonwealth Bank gains full central bank controls over trading banks, continued formally in 1945

National Works Council established under Financial Agreement to coordinate, determine priorities, and develop public works programs to take up anticipated post-war unemployment

Financial Agreement amendments to, *inter alia*, settle outstanding Treasury Bill funding used in Depression and replace states borrowing during second world war

Date	Vertical: Grants	Vertical: Tax
1944-49	<p>Expansion of Commonwealth use of specific purpose grants for health, education and use of matching conditions for grants under <i>Pharmaceutical Benefits Act 1944</i>, <i>Education Act 1945</i>, <i>Hospital Benefits Act 1945</i>, <i>Tuberculosis Act 1946</i>, <i>Mental Institutions Benefits Act 1948</i>, <i>National Health Services Acts 1948</i>, 1949; also specific purpose grants as part of cooperative agreements with states under War Service Land Settlement Agreements, Commonwealth-State Housing Agreement, Railways Standardisation Agreement</p>	-
1945	<p>Successful High Court challenge to Commonwealth <i>Pharmaceuticals Act 1945</i>, bringing into doubt Commonwealth spending on other social services</p>	-
1946	<p>High Court validates <i>States Grants (Tax Reimbursement) Act</i> which formalised income tax reimbursement grants, uses formula combining population and wage trends. Successful referendum formalises Commonwealth powers to provide social services</p>	<p>Commonwealth notifies states that uniform income taxation arrangements to continue after war, entertainment taxes to be returned to states</p>

Horizontal

Borrowing

Additional tax reimbursement grants to SA in 1945-46 and to Tas., SA and WA in 1946-47 under s. 6 of uniform tax legislation as well as special grants paid to claimant states since 1933-34; CGC suspends penalties for claimancy; CGC continues balanced budget standard after non-claimant states returned to budget surpluses (1940-41 to 1945-46)

Tax reimbursement grants to be distributed on adjusted per capita basis rather than reimbursement of collections from 1948-49; new system phased in during 1946-47 and 1947-48; supplementary grants to claimant states make ad hoc adjustments to 1939-45 grant base; uniform tax legislation provision for additional tax reimbursement (s. 6) grants through CGC repealed, with states applying direct to Commonwealth for additional reimbursement grants; ad hoc additions to grants in 1947-48 to 1950-51

Through control over Commonwealth Bank, Commonwealth gains control over monetary policy and interest rates, can thereby prevent borrowing by states in excess of that agreed by Commonwealth in Loan Council; Commonwealth Bank formally given full central banking powers

Date _____ Vertical: Grants _____ Vertical: Tax _____

1948–1949

State and local government taxation = 12% of total taxation
 Income taxes = 0% of state and local government taxation
 Land taxes = 2% of state and local government taxation
 Estate duties = 16% of state and local government taxation
 Stamp duties = 11% of state and local government taxation
 Motor taxes = 16% of state and local government taxation
 Customs and excise duties = 27% of Commonwealth taxation
 Income taxes = 57% of Commonwealth taxation
 State and local government outlays = 44% of public sector outlays
 Commonwealth grants as a share of state and local government receipts = 48%
 Tax reimbursement and additional revenue assistance of \$107.5 million = 69% of
 Commonwealth grants to the states, special grants = 10% of Commonwealth grants to
 the states, specific purpose (including roads and Financial Agreement) grants = 22% (of
 which Financial Agreement payments = 12%) of Commonwealth grants to the states

1949	First continuing grants for recurrent specific purposes	High Court in <i>Parton v Milk Board</i> Case rules a tax on goods sold by a person who is not a producer is an excise, thereby widening definition of excise to include any tax on sale of goods at any point in the distribution process
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1951	Report by Treasury officials for premiers on Commonwealth–state financial relations and taxation powers of states, examined resumption of income tax by the states and how the Commonwealth might withdraw from income tax, and considered issues for smaller states
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Horizontal

Borrowing

Previous CGC system of advance payments and deferments of special grants replaced by two-part system to allow for effects of inflation and lags in production of audited state financial statements on real value of grants; comprises an initial 'advance grant' and, two years later when audited financial statement available, a 'completion grant'; CGC introduces adjustments for revenue-raising effort (ie charging policies) state business undertakings

Commonwealth announces supplementary tax reimbursement grants allocated at Commonwealth discretion; new arrangements lead to additional grants on ad hoc basis over 10-year period of agreement

Commonwealth (instead of Commonwealth Bank) underwrites states' borrowing program of \$450 million out of surplus revenue under pressure from states, with only \$126 million raised from market; informal agreement by Commonwealth to take all its loan program including defence to Loan Council

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Date	Vertical: Grants	Vertical: Tax
1951-52	Commonwealth budget in surplus due to stabilisation efforts and high taxes in excess of own needs	-
1952	-	Commonwealth vacates land tax and indicates it favours restoring income tax powers to the states; Premiers' Conference asks Commonwealth and state Treasury officials to report on technical problems in resumption of income tax by states
1953	-	Commonwealth vacates entertainment tax field; Commonwealth and state Treasury officials' report on 'Resumption of Income Tax by the States' highlights effects of differences in state taxable capacities; Premiers' Conference rejects return of income tax to states because of failure to agree on fiscal equalisation issues
1955	By 1955-56, specific purpose grants paid for 10 different programs	-
1956		NSW re-enters land taxation
1957-58	Unsuccessful Victorian and NSW challenge to uniform tax legislation and conditionality of tax reimbursement grants powers; general revenue (ie formula plus supplementary) grants for 1957-58 totally on adjusted population basis after phasing in since 1946 <i>States Grants Acts</i>	

Horizontal

Borrowing

—

States combine against Commonwealth in Loan Council to approve higher borrowing limits, borrowing program fails, Commonwealth begins practice of funding states' borrowing program out of revenue in form of special loans, giving Commonwealth effective control over level of states' public works program

CGC continues to use balanced budget standard in spite of surpluses in standard states

—

Disagreement between states on return of taxing powers because of effects on states with relatively low income tax capacity

National Works Council abolished in view of high levels of post-war employment and desire of state governments to retain control over public works priorities

CGC excludes motor taxation from special grants taxable capacity calculation

—

CGC returns to budget deficit standard as state budgets deteriorate especially in Vic. CGC introduces an assessment of effect of state basic wage policies on costs in its adjustment for state business enterprises

Date	Vertical: Grants	Vertical: Tax
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1958

1958-1959

State and local government taxation = 17% of total taxation
 Income taxes = 0% of state and local government taxation
 Land taxes = 7% of state and local government taxation
 Estate duties = 12% of state and local government taxation
 Stamp duties = 12% of state and local government taxation
 Motor taxes = 18% of state and local government taxation
 Customs and excise duties = 27% of Commonwealth taxation
 Income taxes = 54% of Commonwealth taxation
 State and local government outlays = 51% of public sector outlays
 Commonwealth grants as a share of state and local government receipts = 45%
 Financial assistance grants of \$489 million = 74% of Commonwealth grants to the states, special grants = 3% of Commonwealth grants to the states, specific purpose (including roads and Financial Agreement) grants = 23% (of which Financial Agreement payments = 4%) of Commonwealth grants to the states⁵

1959 Agreement at Premiers' Conference on introducing new financial assistance grants (FAGs) to replace formula and supplementary tax reimbursement and most special grants from 1959-60; adjusted according to population and increase in average earnings plus 'betterment factor' of 10% applied to increase in average earnings; changes to road grants announced with end of linkage between road grants and Commonwealth petrol tax collections and slight changes to distribution formula, a five-year funding plan and reintroduction of matching provision for supplementary road grants

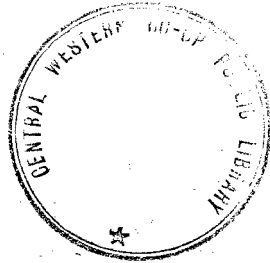
1960

High Court holds that a fee for a licence to sell liquor, assessed on previous period sales, is not an excise duty in *Dennis Hotels v Victoria*

Horizontal

Qld and then Vic. apply for special grants, prompting review of Commonwealth-state relations

Borrowing



Financial assistance grants to SA, WA and Tas. in 1959-60 include 1958-59 special grants in base, replacing substantial part of special grants and resulting in SA ceasing to be a claimant state; substantial per capita differential element thereby introduced to financial assistance grants blurring distinction between special grants to offset horizontal fiscal imbalance and general grants to offset vertical imbalance

Central bank function of Commonwealth Bank transferred to newly established Reserve Bank of Australia

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Date	Vertical: Grants	Vertical: Tax
1961	—	—
1962	—	—
1964	—	Victoria proposes to introduce a state marginal income tax but fails after Commonwealth refuses to collect it
1965	Premiers' Conference review of financial arrangements continued previous system of FAGs but increased betterment factor to 1.2% of total grant	—

1967–68

State and local government taxation = 18% of total taxation

Income taxes = 0% of state and local government taxation

Land taxes = 7% of state and local government taxation

Estate duties = 11% of state and local government taxation

Stamp duties = 14% of state and local government taxation

Motor taxes = 19% of state and local government taxation

Customs and excise duties = 24% of Commonwealth taxation

Income taxes = 62% of Commonwealth taxation

Payroll taxes = 4% of Commonwealth taxation

State and local government outlays = 40% of public sector outlays

Commonwealth grants as a share of state and local government receipts = 44%

Financial assistance grants of \$921.6 million = 69% of Commonwealth grants to the states, special grants = 3% of Commonwealth grants to the states, specific purpose (including roads and Financial Agreement) grants = 28% (of which Financial Agreement payments = 3%) of Commonwealth grants to the states

1967	Commonwealth–state Agreement on off-shore resources	WA introduces a turnover tax, ie stamp duty on business receipts
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Horizontal

Borrowing

CGC adopts two-state average standard, NSW and Vic.; CGC uses balanced budget standard when standard states in surplus; CGC introduces specific expenditure adjustments for some state business enterprises

—

CGC again uses balanced budget standard

—

CGC adopts unit cost method of adjusting for differences in state social services spending

—

Premiers agree to continue previous per capita relativities in distribution of FAGs but also arbitrary increase in FAGs base for Qld and Vic., included for escalation in future grant base

—

CGC announces intention to apply a four-state weighted average standard from 1968–69, following 1965 revision of financial assistance arrangements; decision not implemented (and later abandoned in view of 1970 adjustments to individual state grants and renewed SA claimancy)

—

Federalism Research Centre

Date	Vertical: Grants	Vertical: Tax
1968	-	Vic. introduces turnover tax; Commonwealth warns that grants would be reduced if states levy stamp duty on receipts as wages and salaries considered by Commonwealth to be an income tax
1969 and 1970	FAGs increased to compensate states for loss of receipts duties revenues	High Court rules WA and Vic. turnover tax on business receipts to be a tax on goods so invalid; Commonwealth collects business receipts duties on states' behalf until legislation blocked by Commonwealth Senate
1970	In response to states' manifesto to Commonwealth on 'Financial Relations of Commonwealth and States' Commonwealth agrees to increase betterment factor for FAGs to 1.8%	States present a manifesto to Commonwealth suggesting partial Commonwealth withdrawal from income tax, with states to levy income tax surcharges, plus general revenue grants tied to growth in Commonwealth tax receipts
1971	Increase in FAGs more than offsets adjustment for Commonwealth handover of payroll tax to states; changes to basis of housing grants	Unsuccessful Vic. challenge to High Court on Commonwealth levying payroll tax on states and instrumentalities; withdrawal by Commonwealth from payroll tax in favor of states in September, and corresponding reduction in FAGs; payroll tax immediately raised from 2.5% to 3.5% by states
1972	-	-

Horizontal

Borrowing

Premiers' Conference agrees WA become a non-claimant state after Commonwealth pays WA extra grant of \$15.5 million in 1968-69 and 1969-70

Agreement between Commonwealth and states to maintain existing per capita relativities, but continued agreement to increase Qld share of grants until 1974-75; arbitrary increases in NSW and Vic. grants outside grants base for 1970-71; \$10 million of Tas. special grant included in future grant base; extra \$15.5 million p.a. grant to WA included in base for 1970 review, and agreed to reduce by \$3 million p.a. over five years; SA again becomes a claimant state in 1970-71; CGC abandons 1967 decision to move to a four-state standard

Queensland applies for special grants and becomes claimant state in 1971-72

1970-71 increase in NSW and Vic. grant, included in 1972-73 grants base

Commonwealth agrees to a new interest-free capital grant program⁶ to replace advances for housing and special loans for public works, to meet complaint about forcing states to borrow from Commonwealth at high and increasing interest rates; agreement on progressive partial Commonwealth takeover of state debts and debt servicing between 1970 and 1975 given effect under *State Grants (Debt Charges) Assistance Act*

Consolidation of provisions of Gentlemen's Agreement

Date	Vertical: Grants	Vertical: Tax
1973	-	States uniformly increase payroll tax to 4.5%

1975-1976

State and local government taxation = 18% of total taxation

Income taxes = 0% of state and local government taxation

Land taxes = 6% of state and local government taxation

Estate duties = 6% of state and local government taxation

Stamp duties = 11% of state and local government taxation

Motor taxes = 12% of state and local government taxation

Payroll taxes = 26% of state and local government taxation

Customs and excise duties = 18% of Commonwealth taxation

Income taxes = 70% of Commonwealth taxation

State and local government outlays = 51% of public sector outlays

Commonwealth grants as a share of state and local government receipts = 54%

Tax reimbursement of \$8,357 million = 51% of Commonwealth grants to the states,
 special grants = 0% of Commonwealth grants to the states, specific purpose grants =
 49% of Commonwealth payments to the states⁷

1974	Whitlam Government's New Federalism; increases in special purpose grants for education, housing and health, urban and regional development and transport; Commonwealth takes over financing tertiary education and some state railway programs; changed basis of housing grants	High Court validates state business franchise fee in <i>Dickenson's Arcade v Tasmania</i> ; states uniformly increase payroll tax to 5%
1975	Betterment factor for FAGs increased to 3%	-

Horizontal

Borrowing

Tax sharing grants distributed on a per capita basis according to factors derived from 1975-76 total grant relativities; local government equalisation grants replaced by tax sharing grants, with state allocation determined by CGC and state grants commissions established to determine distribution within state on basis of population and financial need.

CGC adopts factor assessment method (standardised deficit model) of assessing expenditure needs of states, using six-state weighted average

Role of CGC expanded with Commonwealth request to determine per capita relativities among all states for general revenue grants

First CGC Report on State Tax Sharing Entitlements determines relativities for total grants using new distributional model; suggests shares of grants for all states be based on difference between its standardised expenditure and standardised revenue; CGC asked to reassess grants taking account of objections raised by states

Second CGC Report on relativities, 'State Tax Sharing and Health Grants'; Qld withdraws from claimancy after increase in its grant and new procedures for relativities make 'claimancy' redundant

Amendments to Financial Agreement, retrospective to 1974, to introduce new interminable Sinking Fund arrangements and give effect to Commonwealth takeover of \$1000 million of state debts agreed to in 1970

Beginning of progressive relaxation of Loan Council constraints on semi-government authority borrowings with new infrastructure loans as special addition to Loan Council borrowing program

Loan Council restrictions under Gentlemen's Agreement removed for state electricity authorities on trial basis after growth of non-conventional borrowing¹⁰ undermines effectiveness of Loan Council controls

Federalism Research Centre

Date	Vertical: Grants	Vertical: Tax
1975-76	Specific purpose grants for more than 40 programs	-
1976-77	General revenue grants (tax reimbursement and FAGs) under 1942 <i>States Grants Act</i> , and local government equalisation grants replaced under Fraser Government's New Federalism policy by tax sharing grants at 39.87% of income taxes plus guarantee until 1979-80 that grants will be higher than under 1975 FAGs formula	High Court confirms <i>Dickenson's Arcade</i> decision on state business franchise fees in <i>H.C. Sleigh v SA</i> ; states' withdrawal from levying death duties begins in Qld in 1977
1978	-	Introduction of Stage 2 tax-sharing, with Commonwealth legislation allowing state income tax surcharges or rebates
1979	-	-
1981	Tax-sharing formula changed by Commonwealth to 20.72% of total tax base for 1981-82; replacement of specific purpose health grants ⁸ for some states (excluding Tas and SA) with identified health grants included in tax sharing arrangements ⁹	-
1982	-	NSW and Vic. (followed by other states) jointly introduce Financial Institutions Duties in response to Campbell Report call to rationalise state stamp duties on financial transactions

Horizontal

Borrowing

Commonwealth equalisation grants to local government introduced in form of specific purpose grants to states for individual local governments in 1974-75 and 1975-76 with distribution determined by CGC; extra grant to WA of \$6.5 million plus temporary grant of \$3.5 million

CGC adopts direct method of assessing grants, ie grant needed to balance deficit if standard tax effort and expenditure standard were applied to each state tax base and public services; adopts principle of 'full fiscal equalisation', that is, relative not minimum needs in assessing special grants; cessation of special grants to Tas. after increase of \$15 million included in its grant base

Cessation of special grants to SA with increase of \$25 million in grant base for 1975-76; extra grant of \$6.5 million included in WA grant base

Date	Vertical: Grants	Vertical: Tax
1983	-	<i>Hermitite v Victoria (Pipeline Case)</i> decision by High Court defines a tax as an excise if in substance it was imposed on goods
1984-85	-	-
1985	Financial Agreement of 1927 expires; tax sharing arrangements abandoned, return to general revenue grants (FAGs) under <i>State Grants (General Assistance) Act 1985</i> ; FAGs adjusted for inflation and 2% real growth	
<p>1987-88</p> <p>State and local government taxation = 20% of total taxation</p> <p>Income taxes = 0% of state and local government taxation</p> <p>Land taxes = 5% of state and local government taxation</p> <p>Estate duties = 0% of state and local government taxation</p> <p>Stamp duties = 10% of state and local government taxation</p> <p>Motor taxes = 23% of state and local government taxation</p> <p>Payroll taxes = 21% of state and local government taxation</p> <p>Customs and excise duties = 20% of Commonwealth taxation</p> <p>Income taxes = 67% of Commonwealth taxation</p>		
1987-89	Commonwealth abolishes real growth factor for FAGs included in <i>State Grants (General Assistance) Act 1985</i>	-

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Horizontal

Borrowing

—

Loan Council restrictions under Gentlemen's Agreement relaxed for all state authorities; amounts and terms of domestic borrowing determined by own governments; overseas borrowing by semi-government authorities remains subject to upper limit and case-by-case Loan Council approval

—

Global Borrowing Limits (GBL) replace previous Loan Council arrangements for state government borrowing; Gentlemen's Agreement suspended; all overseas borrowing subject to ceiling within GBL

Third CGC report on general relativities; health grants special revenue assistance to certain states based on CGC report

Gentlemen's Agreement terminated, replaced by GBL

Date	Vertical: Grants	Vertical: Tax
1988-1989	<p>State and local government taxation = 21% of total taxation State and local government outlays = 42% of public sector outlays Commonwealth grants as a share of state and local government receipts = 42% Financial assistance grants of \$13352 million = 55% of Commonwealth grants to the states, special grants = 0% of Commonwealth grants to the states and local governments, specific purpose grants = 47% of Commonwealth payments to the states and local governments¹¹</p>	
1989	-	Commonwealth repeals Stage 2 tax-sharing legislation
1990	<p>States at Premiers' Conference reject Commonwealth financial offer and consider 'cooperative federalism' initiative from prime minister ('Towards a Closer Partnership') to review performance of federal system; Special Premiers' Conference in October 1990 <i>inter alia</i> establishes two senior officials committees on federal financial arrangements (one on division of taxation and vertical financial imbalance, the other on reducing the share of tied grants in total grants to states)</p>	
1991	-	<p>Special Premiers' Conference in July receives progress reports from official's committees on fiscal issues and agree (subject to arrangements to coordinate fiscal policy) on significant scope for greater devolution of income taxing powers to states without damaging Commonwealth fiscal equalisation and macroeconomic management; Commonwealth agrees to reduce specific purpose grants as share of total grants; November meeting of premiers and chief ministers in Adelaide seeks</p>

Horizontal

Borrowing

Fourth CGC Report on 1988
relativities includes reference to study
efficiency effects of grants

Date	Vertical: Grants	Vertical: Tax
1991 (cont'd)		Commonwealth agreement to shared national income tax, proposes Special Premiers' Conference in 1992
1992		

Endnotes

1. Mathews & Jay 1972, Tables 17 and 18.
2. Maximum 10% see 1936.
3. Modified and adjusted.
4. In administrative costs and maintenance expenditure.
5. 1959-60.
6. Generally equal to around one-third of the loans program.
7. Moore J.D., 1985.
8. For hospital cost-sharing, community health and school dental programs.
9. Except for SA and Tas. cost-sharing agreement which ran to 1985.
10. Such as use of security deposits, front end capital contributions, sale and leaseback, and leveraged or unleveraged leasing arrangements, deferred payments and instalment purchases, trade credits, changes in short term indebtedness and cash balances.
11. Commonwealth Budget Paper No. 1, 1989-90, p. 3.329.

Premiers' Conference agrees to
Treasury officers' reviewing fiscal
equalisation arrangements

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Table 1
State and Local Government Outlays
as a percentage of Total Government Outlays

1901-02 ^a	95
1909-10 ^a	87
1918-19 ^b	34
1928-29 ^b	65
1929-30 ^c	72
1938-39 ^c	69
1948-49 ^c	44
1958-59 ^c	51
1967-68 ^d	47
1975-76 ^d	51
1985-86 ^d	47
1988-89 ^d	48

- Notes: ^a State government expenditures as percentage of total government expenditure (Mathews & Jay, Tables 6, 8).
^b State government expenditures plus transfers as percentage of total government expenditure plus transfers (cash social service benefits, bounties and subsidies plus net interest paid) (Mathews & Jay, Tables 12, 14).
^c State and local authorities expenditures plus transfers (Mathews & Jay, Tables 24, 25, 34, 35).
^d State and local general government outlays (Foster & Stewart, Tables 2.7 and 2.10).

Sources: Mathews & Jay 1972, Tables 6, 8, 12, 14, 21, 24, 25, 34, 35; Foster & Stewart, 1991, Tables 2.7 and 2.10.

Table 2
Commonwealth Grants to the States

	Special Grants		General Revenue ^a		Spec. Pay't Grants		Total
	\$'000	% total	\$'000	% total	\$'000	% total	
1901-02	-	-	14800	-	-	-	14800
1909-10	-	-	16200	-	-	-	16200
1918-19	520	4	12389	96	-	-	12909
1925-26	1036	6	14867	86	1438	8	17341
1929-30	1820	7	17158 ^b	68	6186	25	25164
1938-39	4000	13	18100 ^b	59	8600	28	30700
1948-49	14900	10	126400 ^b	81	15300	10	156600
1959-60	16652	3	516100 ^b	78	126700 ^c	19	659452
1967-68	35407	3	943139 ^b	72	332400 ^c	25	1310946

- Notes: ^a Includes Surplus Revenue Payments under Braddon Clause, tax reimbursement grants, financial assistance and additional revenue assistance.
^b While debt charge payments made by the Commonwealth under the 1927 *Financial Agreement (FA)* are arguably specific purpose grants, I have included them under general revenue grants. Including *FA* payments as specific purpose grants shifts 12% of grants from general to specific purpose payments in 1948-49, 4% in 1959-60 and 3% in 1967-68. For 1929-30 and 1938-39 the amounts shown as general revenue grants are Commonwealth debt charge payments under the *FA*.
^c Road grants only until 1948-49. For 1959-60 and 1967-68, amounts of \$2.2 million and \$40.5 million in loans have been removed from specific purpose payment amount set out in Table 46 of Mathews & Jay to give totals for specific purpose grants.

Source: Mathews & Jay 1972, Tables 6, 11, 17, 23, 30, 32, 33, 40, 42, 46.

Table 3
Commonwealth Grants
as a percentage of State and Local Authority Receipts

1901-02 ^a	37
1909-10 ^{a,c}	31
1918-19 ^{a,c}	17
1929-30 ^b	12
1938-39	14
1948-49	48
1958-59	45
1967-68	44
1975-76	54
1985-86	48
1988-89	42

- Notes*
- ^a Commonwealth grants as a percentage of state government revenues — excludes state semi-government authorities.
 - ^b For years since 1929-30 data includes state and local authorities. Hence, the share of Commonwealth grants in total receipts is lower than the share of state government receipts as state local authorities have substantial receipts of their own. For example, in 1929-30 the share of Commonwealth grants in state government revenues was (according to data in Mathews & Jay) 17%. For 1948-49, 1958-59 and 1967-68, the relevant percentages are 58%, 68% and 65% respectively.
 - ^c Excludes state semi-government authorities.

Sources: Mathews & Jay 1972, for 1901 to 1967-68 — Tables 6, 11, 18, 24, 34, 50.
Foster & Stewart 1991, for 1975-76 to 1988-89 — Tables 2.2b and 2.9.

Table 4
State and Local Taxation
as percentage of Total Taxation

1901-02	23
1909-10 ^a	20
1918-19 ^a	27
1929-30	46
1938-39	46
1948-49	12
1959-60	17
1967-68	18
1975-76	21
1985-86	19
1988-89	21

Note: ^a Excludes state semi-government authorities.

Sources: Mathews & Jay 1972, Tables 6, 8, 23, 25, 32, 35, 45, 50 for 1901-02 to 1967-68.
Foster & Stewart 1991, Table 2.9 for 1967-68 to 1988-89.

Table 5
NSW Taxation 1875

	\$	%
Customs and Excise duties	2,028,542	90.4
Income tax	na	0
Probate and Stamp duties	9,452	0.4
Land Tax	na	0
Licences and duty on gold	206,010	9.2
Total	2,244,004	100

Note: na = not applicable.

Source: Mills 1925.

Table 6
Taxation 1896-97

	NSW		Vic		Qld	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	3	63	4	77	2.5	86
Income tax	0.6	13	0.4	8	0.1	3
Probate and Stamp duties	0.7	15	0.6	12	0.2	7
Land Taxes and rates	0.3	6	0.2	4	na	0
Other taxes	0.2	4		0	0.1	3
Total	4.8	100	5.2	100	3.0	100

	SA		WA		Tas		All Colonies	
	\$mill	%	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	1.3	65	2.2	96	0.7	78	113.8	76
Income tax	0.2	10	na	0	0.1	11	1.3	7
Probate and Stamp duties	0.3	15	0.1	4	a	0	2.9	10
Land Tax	0.2	10	na	0	0.1	11	0.7	4
Other taxes		0		0	a	0	10.5	3
Total	2	100	2.4	100	0.9	100	18.1	100

Notes: ^a Less than \$50,000

Source: Mathews & Jay 1972, Table 5.

Table 7
Taxation 1901-02

	Commonwealth		State & Local		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	18	100	0	0	18	77
Income tax	0	0	1	25	1	6
Probate and Stamp duties	0	0	2	46	2	10
Land Taxes	na	0	1	19	1	4
Other taxes	0	0	1	10	1	2
Total	18	100	5	100	23	100

Source: Mathews & Jay 1972, Table 6.

Table 8
Taxation 1909-10

	Commonwealth		State & Local ^a		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	23	100	0	0	23	74
Income taxes	na	0	3	32	3	10
Estate duties	0	0	2	31	2	6
Stamp duties	na	0	2	21	2	6
Land Taxes	0	0	1	8	1	3
Other taxes	na	0	1	8	1	3
Total	23	100	9	100	32	102

Note: ^a Excludes state semi-government authorities

Source: Mathews & Jay 1972, Table 11.

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Table 9
Taxation 1918-19

	Commonwealth		State & Local ^a		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	35	53	0	0	35	39
Income & Wartime profits tax	23	35	12	50	35	40
Estate duties	2	3	4	17	6	6
Stamp duties nei	0	0	4	17	4	4
Land Taxes	4	6	2	8	6	7
Other taxes	2	2	2	8	4	4
Total	66	100	24	100	90	100

Note: ^a Excludes state semi-government authorities

Source: Mathews & Jay 1972, Table 14.

Table 10
Taxation 1928-29

	Commonwealth		State & Local ^a		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	82	73	0	0	82	46
Income taxes	20	17	32	49	52	29
Estate duties	0	0	8	12	8	4
Stamp duties	4	4	8	12	12	7
Land Taxes	6	5	4	6	10	6
Other taxes	1	1	13	21	14	8
Total	113	100	65	100	178	100

Note: ^a Excludes state semi-government authorities

Source: Mathews & Jay 1972, Table 14.

Table 11
Taxation 1938-39

	Commonwealth		State and Local		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	95	62	0	0	95	33
Sales Tax	19	16	0	0	19	7
Income taxes	24	16	60	45	84	30
Estate duties	4	3	10	18	14	5
Stamp duties nei	0	0	7	5	7	2
Land Taxes	3	2	3	2	6	2
Other taxes	7	5	52	40	59	21
(Payroll)		na		na		
(Motor taxes)		na		(11)		
Total	152	100	132	100	284	100

Source: Mathews & Jay 1972, Table 21.

Table 12
Taxation 1948-49

	Commonwealth		State and Local		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	252	27	0	0	252	23
Sales Tax	78	8	0	0	78	7
Income taxes	545	57	0	0	545	51
Estate and gift duties	11	1	20	16	31	3
Stamp duties nei	0	0	14	11	14	1
Land Taxes	6	1	3	2	9	1
Other taxes	58	6	90	71	148	14
(Payroll)		(4)		na		
(Motor taxes)		na		(16)		
Total	950	104	127	100	1,077	100

Source: Mathews & Jay 1972, Table 24.

Table 13
Taxation 1958-59

	Commonwealth		State and Local		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	616	27	0	0	616	23
Sales Tax	287	13	0	0	287	11
Income taxes	1,214	54	0	0	1,214	44
Estate and gift duties	31	1	54	12	85	3
Stamp duties nei	0	0	57	12	57	2
Land Taxes	na	0	31	7	31	1
Other taxes	117	5	323	69	440	16
(Payroll)		(4)		na		
(Motor taxes)		na		(18)		
Total	2,265	100	465	100	2,730	100

Source: Mathews & Jay 1972, Table 34.

Table 14
Taxation 1968-69

	Commonwealth		State and Local		Total	
	\$mill	%	\$mill	%	\$mill	%
Customs and Excise duties	1,249	23	0	0	1,249	19
Sales Tax	494	9	0	0	494	7
Income taxes	3,408	62	0	0	3,408	51
Estate and gift duties	70	1	134	11	204	3
Stamp duties nei	0	0	207	17	207	3
Land Taxes	0	0	75	6	76	1
Other taxes	306	6	803	66	1,109	16
(Payroll)		(4)		(na)		
(Motor taxes)		na		(19)		
(Gambling)		na		(9)		
(Liquor Licence)		na		(3)		
Total	5,528	100	1,220	100	6,748	100

Source: Taxation Revenue Australia, ABS Cat. No. 5506.0, various

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Table 15
Taxation 1975-76

	Commonwealth		State and Local		\$mill	Total %
	\$mill	%	\$mill	%		
Customs and Excise duties	3,375	20	0	0	3,375	16
Sales Tax	1,406	8	0	0	1,406	7
Income taxes	11,813	70	0	0	11,813	55
Estate and gift duties	87	1	227	5	314	1
Stamp duties nei	0	0	551	13	551	3
Land Taxes	0	0	200	5	213	1
Other taxes	255	2	3,406	78	3,648	17
(Payroll)		na		(26)		
(Motor taxes)		na		(12)		
(Gambling)		na		(8)		
(Business franchise)		na		(4)		
Total	16,936	100	4,384	100	21,320	100

Source: *Taxation Revenue Australia*, ABS Cat. No. 5506.0, various

Table 16
Taxation 1984-85

	Commonwealth		State and Local		\$mill	Total %
	\$mill	%	\$mill	%		
Customs and Excise duties	12,051	23	0	0	12,051	18
Sales Tax	4,966	9	0	0	4,966	7
Income taxes	35,303	67	0	0	35,303	53
Estate and gift duties	1	0	13	0	13	0
Stamp duties nei	216	0	2,027	15	2,243	3
Land Taxes	0	0	507	4	507	1
Other taxes	359	1	10,928	81	11,287	17
(Payroll)		na		(27)		
(Motor taxes)		na		(11)		
(Gambling)		na		(8)		
(Business franchise)		na		(8)		
Total	52895	100	13,476	100	66,370	100

Source: *Taxation Revenue Australia*, ABS Cat. No. 5506.0, various

Table 17
Taxation 1990-91

	Commonwealth		State and Local		\$mill	Total %
	\$mill	%	\$mill	%		
Customs and Excise duties	14,924	16	0	0	14,924	13
Sales Tax	9,365	10	0	0	9,365	8
Income taxes	66,377	71	0	0	66,377	56
Estate and gift duties	0	0	0	0	0	0
Stamp duties nei	229	0	3,983	15	4,212	4
Land Taxes	0	0	1,602	6	1,602	1
Other taxes	2,428	3	20,373	78	22,801	19
(Payroll)		na		(22)		
(Motor taxes)		na		(9)		
(Gambling)		na		(7)		
(Business franchise)		na		(10)		
Total	93,323	100	25,958	100	119,281	100

Notes: Until 1988-89 the ACT was included in the Commonwealth sector, and from 1989-90 it was included in the state and local sector. Land taxes excludes local government rates

Source: *Taxation Revenue Australia*, ABS Cat. No. 5506.0, various

Table 18
Taxation as % of Gross Domestic Product

	Commonwealth	State	Total
1849	0	2.8	2.8
1896-97	0	5.5	5.5
1899-1900	3.6	1.2	4.8
1901-02	4.3	1.3	5.6
1909-10	3.6	1.2	4.8 ^a
1918-19	5.9	2.2	8.1 ^a
1928-29	6.6	3.8	10.4 ^a
1938-39	8.3	7.2	15.5
1946-47	18.9	2.5	21.4
1948-49	21.8	2.9	24.7
1958-59	17.5	3.6	21.1
1968-69	20.3	3	23.3
1976-77	22.6	5.8	28.4
1984-85	24.8	6.1	30.9
1988-89	24.7	6.5	31.2
1990-91	24.6	6.8	31.5

Note: ^a excludes state semi-government authorities

Source: For 1849, Mills 1925 and Butlin 1985.
For 1896 to 1969 Mathews & Jay 1972
For 1976 to 1991 Foster & Stewart 1991; ABS.

Table 19
Motor Taxes, Share of Taxation and GDP

	% of State and Local Taxation	% of Total Taxation	% of GDP
1918-19 ^a	-	-	-
1928-29 ^a	13	5	0.5
1938-39	14	6	0.8
1948-49	17	2	0.5
1958-59	18	3	0.6
1967-68	19	3	0.8
1974-75	13	3	0.8
1988-89	10	2	0.6
1990-91	9	2	0.6

Note: ^a excludes state semi-government authorities

Source: Mathews & Jay 1972; Butlin 1987; Foster & Stewart 1991; ABS.

Table 20
Company and Income Tax

	Company tax as % of Total Tax	Company tax as % of Inc Tax	Company tax as % of GDP
1918-19	3	7	2
1938-39	11	4	2
1946-47	13	26	3
1948-49	14	27	3
1958-59	16	36	4
1967-68	14	28	4
1974-75	14	24	4
1983-84	8	15	3
1988-89	9	17	3
1990-91	13	23	4

Note: For 1918-19, 'company tax' data refers to wartime profits tax only

Sources: Mathews & Jay 1972; Foster & Stewart 1991; Butlin 1987; ABS

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