

# DEVELOPMENT OF AUSTRALIA'S TAXATION SYSTEM

## Fact sheet

What is Australia's history in terms of tax events? What were the issues around these events and what was the context of the time? Challenge your preconceptions about policy systems through history.



## DEVELOPMENT OF AUSTRALIA'S TAXATION SYSTEM

Australia's tax landscape has been shaped by a myriad of historical developments and government decisions. The following timeline has five stages in the development of Australia's tax system. During each period, key government decisions and social factors led to the introduction of new taxation policies and approaches.

### Convicts, colonials and customs | 1788-1850

From early colonisation through to the mid-19th century, Australia was a heady mix of cultures and convicts.


1. The First Fleet arrives in New South Wales to set up a penal colony, bringing with it a Royal Instruction to impose taxes as necessary. Soon after, wharfage fees and importation duties on wine, spirits and beer are imposed.
2. The Rum Rebellion (the only armed takeover of an Australian government) sees the overthrow and arrest of Governor William Bligh, who was limiting the use of spirits as payment for commodities.
3. Customs duties are introduced on the export of timber, wool, seal and whale oil, and seal skins.
4. Taxation revenue is used to fund hospital equipment and building works, as well as the construction of a gaol and an orphanage in Sydney.



### Riches, rules and rebellion | 1851-1900

Gold is discovered, and Australia's colonies begin to expand.


1. Death duties are levied in the colony of New South Wales.
2. The Eureka Stockade rebellion sees armed conflict on the Victorian goldfields against a gold licensing fee, which is seen as 'taxation without representation'. The licences were replaced by a Miner's Right.
3. New South Wales introduces the first land tax, with the other colonies soon following.
4. Tasmania establishes an income tax on its citizens, and all the other colonies progressively follow.



### Constitution, currencies and conflict | 1901–1940

Australia becomes a unified nation, with a baptism of fire.

1. The Federation of Australia brings in the Australian Government customs and excise system and provides the constitutional authority for an Australian Government income tax.
2. The Australian Government land tax system is introduced to fund age pensions, break up large landholdings and tax pastoral leases.
3. A new bank note tax means private currencies (issued by banks) are replaced by federally-issued notes in denominations of 10 shillings, £1, £5, £10, and any multiple of £10.
4. The Australian Government introduces income and estate taxes to help fund Australia's involvement in World War I.



### Toil, trade and tariffs | 1941–1960

War makes way for manufacturing and significant cultural events.

1. To help pay for the war effort, uniform tax laws are introduced in Australia, adding extensive powers to the Australian Government and greatly reducing the autonomy of the states.
2. Holden produces its first Australian-designed motor car, supported by Australian Government tariffs on imported motor vehicles and parts.
3. The Australian Government scraps its land tax, which provided significant revenue for over 40 years.
4. The Australian Government charges payroll tax to fund a national child endowment scheme, which lasted for 30 years before this became a state and territory tax.

### Health, holiday homes and hamburgers 1961–2000

Modern Australia thrives as the population pushes out to 20 million.

1. Medibank is replaced by Medicare as Australia's healthcare system, supported by Medicare levy funding.
2. A national goods and services tax (GST) of 10% is introduced to Australia.
3. The Australian Government brings in a capital gains tax and a fringe benefits tax commences the following year.
4. Business activity statements become part of the collection system behind Australia's new goods and services tax (GST).



# TASK 1 DEVELOPMENT OF AUSTRALIA'S TAXATION SYSTEM

## Worksheet

### YOU WILL:

- ▶ synthesise and present information about tax events in a decade of Australia's history
- ▶ draw conclusions about the interrelationship between tax, society and economy

### YOU WILL NEED:

- ▶ *Fact Sheet: Interactive - Shaping the system - Development of Australia's taxation system*

In this task, your group will research and report about a decade of taxation events in Australia's history and how this shaped Australia's current tax 'landscape'.

## BUILD YOUR KNOWLEDGE

1. **Review** the information you have studied to deepen your knowledge of events in Australia's taxation history:
  - ▶ Read *Fact sheet: Interactive - Shaping the system - Development of Australia's taxation system*
  - ▶ Read notes of tax events collated by your teacher following *Activity 5: History of tax in Australia*.
2. Having been assigned an era of about 50 years in Australia's history, **locate** and **synthesise** information from your sources to create a chart that **describes** and **explains**:
  - ▶ events of the era that relate to tax
  - ▶ the nation's circumstances at the time, for example, war or economic growth
  - ▶ effects of society and the economy on tax
  - ▶ effects of tax events and issues on society and the economy.

## DRAW CONCLUSIONS

3. **Develop a conclusion** about the nation and tax at that time.
4. **Display** your chart aside other groups' charts so that a timeline sequence is created.
5. Be prepared to be chosen randomly to **report** on your era and conclusion.
6. In your groups:
  - ▶ **discuss** overall patterns and big understandings relating to all eras presented in the charts
  - ▶ **develop a conclusion** that shows the relationship between society and tax since Australia was colonised: How has society shaped the evolution of tax in Australia and how has tax shaped society?

Go online. Try the interactive version of this activity: <https://www.taxsuperandyou.gov.au/sites/default/files/interactives/shaping-the-system/index.html>

