fell into short supply or became entirely unobtainable. Rationing of clothing and certain foodstuffs was introduced to restrict consumption and promote equity in distribution of available supplies, but this step of itself could not restore the general supply situation.

In July, 1943, the Civilian Requirements Board was established with the responsibility of determining essential civilian needs, exploring the possibility of those needs being met, and of promoting fair distribution of available civilian essential supplies throughout Australia. The Board is comprised of representatives of the Department of War Organization of Industry, with the Deputy Director-General of that Department as Chairman, the Rationing Commission, the Controller-General of Food, and the Department of Post-war Reconstruction. It does not control production, but works closely with the production Departments and the Directorate of Man-power, thereby ensuring that such resources of materials, man-power and productive capacity as can be released from war production are applied to the satisfaction of civilian requirements of the greatest essentiality Resumed production of certain household utensils and implements, and a programme of expanded manufacture of civilian clothing are examples of responses to the representations of the Board.

Civilian Requirements Committees—similar in constitution to the Board—have been established in all States and these, through local representatives in provincial and country districts are able to provide the Board with information regarding essential civilian supplies.

§ 21. Income Taxes in Australia.

1. **General.**—Income Tax was first levied in Australia by the State of South Australia in 1884, and was adopted by the other States in succeeding years, the last being Western Australia in 1907. The Commonwealth first imposed income tax for the financial year 1915–16, the tax being based on incomes derived during 1914–15. Commonwealth and State income taxes were collected independently under acts which differed widely in principle.

2. **Development of Commonwealth and State Income Taxes.**—(i) *Historical.* In 1923 agreements were entered into between the Commonwealth and all States except Western Australia, under which the Commonwealth tax was collected by the State Department. In Western Australia the Commonwealth Department collected the State income tax. A joint form of income tax return for both Commonwealth and State purposes was used in all States.

The revenue difficulties of governments during 1929–30 and subsequent years led to the imposition by all Governments except that of South Australia of special taxes on income in addition to the ordinary income tax. These taxes were variously described as Unemployment Relief, Financial Emergency, Special Income, etc., and differed widely in principle from the ordinary income tax. In general, they were imposed at a flat or very slightly progressive rate on gross income without allowance for family circumstances. The Commonwealth imposed a special tax on income from property.

Attempts had been made, since Commonwealth income tax was first imposed, to obtain a uniform assessment act for the Commonwealth and all the States and this was substantially achieved in 1936. The uniform act, however, related only to ordinary income tax and the differences which remained between the ordinary and special taxes in any one State were, in many respects, greater than those which had existed between the ordinary taxes of the Commonwealth and States.

In the three years up to 1941–42 three of the State special taxes were eliminated by amalgamation with the ordinary tax, and, in that year, New South Wales and Tasmania, as well as South Australia, levied only a single income tax. The Commonwealth, however, in 1941–42 imposed a special War Tax along much the same lines as the State special taxes.

In 1941 a Premiers Conference discussed the possibility of the Commonwealth levying a single income tax on behalf of the Commonwealth and the States for the duration of the war; but the proposals then made proved unacceptable. In 1942 the Commonwealth Parliament passed legislation providing for the imposition of a single uniform tax for the duration of the war and one year thereafter, and offering the States

£33,500,000 as compensation if they would agree to abandon the field of income tax. The validity of this legislation was upheld in the High Court and the offer was accepted by the States. In 1942–43 all State income taxes were suspended until after the war and only the uniform income tax was levied.

A Joint Parliamentary Committee under the chairmanship of the Treasurer (Hon. J. B. Chifley) was appointed on 10th February, 1944, to inquire into the adoption of the "pay-as-you-earn" method of taxation. The Committee recommended that this method be adopted and that tax for any financial year be based on the income of that year. Under the previous system tax payable in any financial year was based upon the income of the previous year. The recommendations of the Committee were adopted by Parliament in the Income Tax Assessment Act 1944, which was assented to on 3rd April, 1944.

(ii) *Assessment and Collection of Tax.* Prior to 1930 Commonwealth and State income taxes were assessed and collected as follows:—The taxpayer was required to lodge a return of income by 31st July of each year (31st August for business income) showing the income derived from each source during the twelve months ended 30th June, together with any deductions or allowances claimed. The return was checked and the tax payable was assessed. Notices of assessment were sent to the taxpayer as completed (in most cases from January to June following the lodgment of the return). The due date for payment of the tax shown on the notice of assessment was within a few weeks of the receipt of the notice and additional tax was charged if payment was not made by the due date. The tax shown on the notice of assessment was expressed as being in respect of the financial year following the year of income on which the tax was based. Thus tax based on the income of any given year was payable in a lump sum from six to twelve months after the close of that year. The method of collection from employees was progressively altered after 1930 to deduction at source from wages and salaries. Collection from non-employees continued unaltered until the adoption of "pay-as-you-earn" in 1944.

(iii) *Deduction at Source from Wages and Salaries.*—(*a*) *General.* In conjunction with the introduction of the special taxes and heavy increases in normal taxes at the beginning of the 1930 depression all States adopted a new method of payment by deduction from wages. The deduction system was extended in several States to cover ordinary taxes as well as the special taxes.

Under this method deductions were made from all wage and salary payments in accordance with a published schedule showing the amount to be deducted from each weekly payment. The wage-earner received stamps in lieu of the sums deducted. In some States, however, large employers were permitted to make the deductions and remit the sums so deducted direct to the Taxation Department. The employee on request received a certificate showing the amount which had been deducted.

(*b*) "*Wages Tax*" *System.* The moneys so deducted were applied towards meeting income taxes due in two ways. Under the "wages tax" system (adopted in full in New South Wales) the deductions were the final payment of tax on the income. A taxpayer was not required to lodge a return unless he had either income from non-wage sources or was liable to pay ordinary income tax. If a return was lodged, the non-wage income was assessed to special tax in the ordinary way and the whole income was assessed to ordinary tax if the taxpayer was liable. Under the "wages tax" system the tax on wage income was actually paid week by week in the year in which it was earned while the tax on non-wage income was paid in one amount six to twelve months after the close of the year of income. When the "wages taxes" were first introduced only the non-wage income of the previous year was assessed to tax, while tax from wages was collected from wages earned in the current year. The New South Wales special tax was of the "wages tax" type and the Queensland and the Western Australian special taxes closely approximated to it.

(*c*) "*Instalment*" *System.* The second method of applying deductions from wages to meet tax was the "instalment" system. Under this method the deductions were regarded as instalments towards meeting the lump sum payment due six to twelve months after the close of the year of income. When the taxpayer received his notice of assessment he presented to the Taxation Department all the tax stamps or deduction certificates he held at the time, irrespective of the date at which the deductions were made. Any excess of tax due over the deductions made had to be paid in cash, while any excess of deductions was refunded in cash. Under this method the deductions were simply an advance payment of tax and were only an approximation to the actual amount of tax payable. The instalment system was used by Victoria for both ordinary and special taxes, and by South Australia for the one State income tax.

(*d*) *Commonwealth Instalment Deductions.* The Commonwealth adopted the instalment system of deductions from 1st January, 1941, concurrently with the extension of the tax to lower incomes, and a joint system of Commonwealth and State deductions was established in all States except Western Australia. Deductions made could be applied either in meeting Commonwealth or State taxes.

In 1941–42 deductions from wages and salaries commenced on 1st August, 1941, and continued until the assessment based on income earned during 1940–41 was paid between January and June, 1942. All deductions made up to the due date of payment were applied to meeting the tax payable and any difference was either paid in cash or refunded. The employee then received an exemption certificate exempting him from deductions till 31st July, 1942. The deductions were thus spread over about 40 weeks, the rate of deduction being calculated to approximate to the full tax payable. Exemption certificates were also issued to those employees whose return of income lodged in July, 1941, showed that they would not be liable for any tax in 1941–42.

(*e*) *Continuous Deductions.* The instalment system was modified on 1st April, 1943, to provide for deductions being spread over the full 52 weeks instead of only 40 weeks. In addition the concept of a "deduction year" was introduced. Under this system deductions were continuous throughout the year, and all deductions made at any time up to the due date of payment of the assessment could be applied to meeting the tax due. If the deductions were insufficient to meet the tax, the balance was paid in cash; but if the deductions exceeded the tax due, only the excess of deductions, made up to 31st March of the year following the year of income, over the tax based on income of that year was refunded. Deductions made between 1st April and the due date of the assessment (i.e., for up to three months for some taxpayers) were retained to be applied to meet the tax due in the following year and a certificate of credit was issued showing the amount retained. Interest at 2 per cent. per annum was allowed on these certificates. Exemption certificates were issued for the period up to 31st March following any income year in which the income earned was insufficient to render the taxpayer liable to income tax.

Under this system the rate of deduction from 1st April was based on the rates of tax imposed on assessments to be made in the following financial year. Previously increased rates of tax were not reflected in deductions until 1st August.

(*f*) *Pay-as-you-earn.* Under the pay-as-you-earn proposals, adopted in April, 1944, the method of applying deductions to meet tax assessed was altered substantially and certain changes were made in the method of making deductions.

Deductions made from 1st April, 1943, to 31st March, 1944, were applied, under the old system, to meet tax assessed on income of the year ended 30th June, 1943. Under the pay-as-you-earn scheme deductions from 1st April, 1944, to 30th June, 1944, will be applied to meet tax on income of the year ended 30th June, 1944, and deductions from 1st July, 1944, to 30th June, 1945, will be applied to meet tax on the income of that year. From 1944–45 the deduction year coincides with the income year instead of being nine months behind it.

The group scheme of deductions has been extended to cover most employers with more than ten employees. These employers make deductions from each pay in accordance with the published schedule, remit the proceeds to the Taxation Department, and after 30th June each year give each employee a group certificate showing the amount of deductions made during the year. When the employee receives his assessment he uses the group certificate in payment or part payment of his tax. Any excess of the group certificate over the assessment is refunded and any deficiency is payable in cash.

The stamp scheme of deduction has been modified to provide for the use of a stamp deduction card in two parts. Each four weeks the employer purchases stamps (also in two parts) for the amount of the deductions made each pay day and sticks one part on each half of the card. At the end of the year the employer gives the employee one half of the card and sends the other half to the Taxation Department. The employee's half is then used in the same way as a group certificate.

3. **Collection from Non-employees.**—Under the pay-as-you-earn system payment of tax by non-employees in one amount will be continued but the nature of the payment has been altered. The notice of assessment (usually issued about nine months after the end of the income year) will show the amount of provisional tax payable on the income of the current year. This provisional tax is an approximation to the tax which will prove to be payable after the return of income for the current year has been lodged. It will be ascertained by assuming that the income of the current year will be the same as that for the previous year (for which a return has already been lodged). The notice also shows the net adjustment between the provisional tax for the previous year and the tax finally assessed on the income of that year. The total amount of tax shown on the notice is payable in one amount within a few weeks of receipt of the notice.

Employees with income in excess of £50 from sources, other than wages or salary, will be required to pay provisional tax on that other income.

4. **Pay-as-you-earn Adjustments in 1944-45.**—(i) *Salary and Wage Earners.* The return of income for the year ended 30th June, 1944, will be assessed in the normal way but in most cases 75 per cent. of the tax assessed will be rebated. Employees' group certificates or stamp deductions for the three months 1st April to 30th June, 1944, will be approximately equal to the tax payable.

(ii) *Non-employees.* An amount equal to the full tax on income of the year ended 30th June, 1944, will be payable by non-employees as provisional tax for 1944–45, and will be subject to adjustment when tax on income of the year ended 30th June, 1945, is finally assessed. The tax on income of the year ended 30th June, 1944 (in most cases 25 per cent. of the full tax) will be payable in three equal instalments which will be included in the notices of assessment for 1944–45, 1945–46 and 1946–47. The notice of assessment for 1944–45 will therefore show full tax on income of the year ended 30th June, 1944, as provisional tax for 1944–45, and one-third of 25 per cent. of the tax on that year as a first instalment of tax finally assessed for that year. The notice issued in 1945–46 will show full tax on income of the year ended 30th June, 1945, as provisional tax for 1945–46, an adjustment equal to the difference between provisional tax paid for 1944–45 and tax finally assessed on that year, and the second instalment of tax on income of the year ended 30th June, 1944.

If the income of the year ended 30th June, 1944, exceeds £500 and exceeds the income of the previous year by more than 20 per cent. the rebate of 75 per cent. of the tax is limited to 75 per cent. of the tax on what the income of the year ended 30th June, 1944, would have been if no abnormal items of income had been included.

5. **Assessable Income.**—Income tax in Australia is levied, primarily, on all income derived from Australian sources by any person, rather than on income derived from all sources by Australian residents. Thus a non-resident is taxed on all income derived from Australia while a resident is, in general, not taxed on income other than dividends derived from overseas (provided the income is taxed in the country in which it is derived).

Certain types of Australian income are exempt from tax in Australia, the most important being income from gold-mining and a small amount of tax-free interest on Commonwealth Government securities. The value of a house occupied by its owner is not assessable income. Profits derived from the sale of property are not assessable income if such property was not purchased with a view to resale at a profit.

Assessable income is divided into two main groups—personal exertion and property. Personal exertion income includes all wage, salary, business and professional incomes, while property income includes all rents, dividends and interest. Property income is taxed at higher rates than personal exertion income in all cases where the total taxable income exceeds £200.

Expenses incurred in earning income, certain subscriptions to business associations, trade union dues, War Damage Insurance and certain A.R.P. expenditure are allowable deductions. Losses incurred in previous years may be carried forward as a deduction.

6. **Rebates of Tax.**—No deductions from taxable income are made for dependants but rebates of tax are allowed. The rebate of tax is calculated as follows :—Concessional allowances of £100 are made for a dependent spouse ; mother ; a housekeeper for a widower with children ; and daughter-housekeeper for a widower without children. Concessional allowances of £75 are made for the first dependent child under 16 years of age ; a child between 16 and 18 years of age receiving full-time education ; or an invalid child aged 16 or over ; and £30 for each dependent child under 16 years of age in excess of one. Dependent children under 16 years of age include any children (irrespective of relationship) actually dependent on the taxpayer. No allowance is made for dependent spouse if the separate income is over £50 per annum and if any dependant is only partially maintained or is maintained for less than the full year the allowance is reduced.

The rebate of tax is calculated by applying the personal exertion rate of tax on the taxable income to the amount of the concessional allowance. The rebate for dependants, however, is limited to £45 for dependants for whom the concessional allowance is £100 or £75 and £8 for the second and other children (for whom child endowment is payable).

The actual expenditure of the taxpayer on life assurance, superannuation and friendly society contributions (amount limited to £100) ; medical, hospital, pharmaceutical and dental expenses ; funeral expenses (amount limited to £20) ; rates and land taxes on non-income producing property (including owner-occupied house) ; and gifts to charitable, benevolent or patriotic funds, is also treated as a concessional allowance. The amount allowed for dental expenses is limited to £10 for the taxpayer or any one of his dependants and for the whole group medical, hospital, dental and pharmaceutical expenses to £50 for the taxpayer or any one of his dependants. The rebate is calculated by applying the personal exertion rate of tax to the total amount of such expenditure.

A rebate of tax is also allowed at one-third the personal exertion rate of tax on amounts paid as calls to gold-mining, forestry and oil prospecting companies.

Interest on Commonwealth Loans issued prior to 1st January, 1940, is subject to the condition that it shall not be taxed at rates higher than those for 1930–31 and since present rates are higher in all cases, a rebate of tax of the difference in rates is allowed. Interest on Commonwealth Loans issued after 1st January, 1940, and certain State semi-governmental loans issued free of State income tax receives a rebate of 2s. in the £. This latter rebate is provided as being equivalent in value to the exemption from State income taxes, which are at present suspended under the Uniform Tax arrangement.

The rate of tax for farmers and pastoralists is determined by the average taxable income of the five years up to the current year, but the rate is applied to the actual income of the current year.

7. **Members of Forces.**—The following concessions in tax are given to members of the Forces :—

(*a*) Deferred pay is exempt from tax, either as credited or when actually received ;

(*b*) Dependants' allowances (but not the member's allotment to dependants) are exempt from tax. At the same time the member receives the concessional rebate for dependants ;

(*c*) Active pay of members who serve outside Australia is exempt from tax ;

(*d*) Members serving within Australia are exempt from tax if the taxable income is less than £250. If the taxable income exceeds £250 the members receive a special deduction of £146 which diminishes as the income increases and vanishes at £587.

The income of a member of the Forces serving in Australia is the sum of his active pay and £44 per annum (the assumed value of food, clothing and quarters supplied).

Merchant seamen receive the special deduction allowed to members of the Forces serving in Australia.

8. **Effective Exemptions from Tax.**—The effective exemption limit from Commonwealth Income Tax before the war was £250 for a single man. State exemptions varied from £100 to £156. In 1940–41 (1939–40 income) the Commonwealth exemption was reduced to £200 and was retained at that level in 1941–42 for ordinary income tax. The special War Tax, however, was imposed on incomes over £156. The exemption was fixed at £156 for the first year of Uniform Tax (1942–43) but has been reduced to £104 for 1943–44 and 1944–45. The effective exemption in 1944–45 for taxpayers without dependants or with one dependant is £104. With wife and one child the effective exemption is £175, with wife and two children £211 and with wife and three children £257. These amounts are increased by the amount of concessional allowances other than for dependants.

9. **Taxes on Sample Individual Incomes.**—The following tables show the combined Commonwealth and New South Wales income taxes on taxpayers with varying incomes and numbers of dependants in the years 1938–39 to 1941–42 and the Commonwealth Uniform Tax in 1942–43 and 1943–44. The level of taxation in New South Wales approximated very roughly to the average of all States. Rates of tax for 1944–45 are the same as for 1943–44. For the majority of taxpayers, however, the pay-as-you-earn rebate of 75 per cent. of the tax on income of the year ended 30th June, 1944, will be allowed.

TOTAL COMMONWEALTH AND NEW SOUTH WALES INCOME TAXES: 1938-39 TO 1943-44.

Income.	1938–39.	1939–40.	1940–41.	1941–42.	1942–43.	1943–44.
INCOME FROM PERSONAL EXERTION.—TAXPAYER WITH NO DEPENDANTS.						
£	£	£	£	£	£	£
100 ..	..	..	..	..	..	..
150 ..	..	4.1	..	..	..	10.5
200 ..	3.0	6.7	5.4	6.8	7.9	21.9
250 ..	5.8	10.0	14.0	17.1	19.2	36.7
300 ..	10.2	14.7	24.1	28.0	31.5	55.0
350 ..	15.6	20.0	34.1	38.6	44.2	75.1
400 ..	20.3	25.3	43.9	49.2	57.3	95.4
500 ..	31.0	37.4	65.1	75.1	84.8	136.7
600 ..	42.9	50.8	89.2	101.2	114.0	178.7
800 ..	69.9	81.3	146.3	161.2	179.4	265.4
1,000 ..	96.7	111.6	215.7	233.0	256.0	355.4
1,500 ..	181.0	202.0	440.0	466.0	495.0	619.0
2,000 ..	279.0	311.0	718.0	770.0	804.0	951.0
3,000 ..	515.0	623.0	1,315.0	1,563.0	1,599.0	1,747.0
5,000 ..	1,166.0	1,441.0	2,562.0	3,332.0	3,374.0	3,530.0
INCOME FROM PERSONAL EXERTION.—TAXPAYER WITH DEPENDENT WIFE.						
£	£	£	£	£	£	£
100 ..	..	..	..	..	..	..
150 ..	..	..	..	..	..	3.5
200 ..	1.7	..	..	1.9	3.9	10.9
250 ..	4.5	8.7	7.4	3.8	9.6	18.3
300 ..	6.7	11.0	15.0	18.9	21.0	36.7
350 ..	11.7	15.8	24.8	29.1	31.5	53.6
400 ..	16.1	20.9	34.6	39.4	43.0	71.5
500 ..	26.2	32.3	55.0	63.7	67.9	109.3
600 ..	37.4	44.9	77.3	88.4	94.9	149.0
800 ..	63.2	74.1	131.4	145.0	157.0	232.2
1,000 ..	90.8	104.7	197.7	214.2	230.4	319.9
1,500 ..	173.0	193.0	415.0	440.0	462.0	578.0
2,000 ..	269.0	300.0	690.0	738.0	764.0	906.0
3,000 ..	502.0	607.0	1,285.0	1,520.0	1,554.0	1,702.0
5,000 ..	1,146.0	1,418.0	2,529.0	3,290.0	3,329.0	3,485.0

TOTAL COMMONWEALTH AND NEW SOUTH WALES INCOME TAXES: 1938–39 TO 1943–44—*continued.*

Income.	1938–39.	1939–40.	1940–41.	1941–42.	1942–43.	1943–44.
INCOME FROM PERSONAL EXERTION.—TAXPAYER WITH DEPENDENT WIFE AND ONE CHILD.						
£	£	£	£	£	£	£
100 ..	..	..	..	..	..	..
150 ..	..	..	..	..	..	..
200 ..	0.4	..	..	0.6	0.9	2.7
250 ..	3.2	7.4	6.1	2.5	3.8	7.3
300 ..	5.4	9.7	8.5	10.5	13.1	22.9
350 ..	8.2	12.1	15.7	19.5	22.0	37.5
400 ..	12.1	16.7	25.3	29.6	32.3	53.7
500 ..	21.6	27.4	45.4	53.1	55.2	88.9
600 ..	32.3	37.4	66.2	76.1	80.7	126.6
800 ..	56.8	67.2	117.3	129.8	140.2	207.3
1,000 ..	84.1	98.0	180.5	195.9	211.2	293.2
1,500 ..	165.0	184.0	390.0	415.0	437.0	547.0
2,000 ..	259.0	289.0	662.0	706.0	734.0	870.0
3,000 ..	489.0	592.0	1,255.0	1,476.0	1,514.0	1,658.0
5,000 ..	1,127.0	1,395.0	2,496.0	3,248.0	3,284.0	3,440.0
INCOME FROM PERSONAL EXERTION.—TAXPAYER WITH DEPENDENT WIFE AND TWO CHILDREN.						
£	£	£	£	£	£	£
100 ..	..	..	..	..	..	..
150 ..	..	..	..	..	..	..
200 ..	..	..	..	..	..	..
250 ..	1.9	6.1	4.8	1.2	1.5	2.9
300 ..	4.1	8.4	7.2	7.3	10.0	17.4
350 ..	6.9	10.8	9.3	16.4	18.3	31.1
400 ..	8.7	13.0	16.2	26.4	28.0	46.5
500 ..	17.4	22.9	36.0	49.0	50.2	80.9
600 ..	27.4	34.3	56.2	71.8	75.7	118.6
800 ..	50.8	60.8	104.0	125.5	135.2	199.3
1,000 ..	78.0	91.5	164.1	191.6	206.2	285.2
1,500 ..	157.0	176.0	366.0	411.0	432.0	539.0
2,000 ..	250.0	280.0	634.0	702.0	729.0	862.0
3,000 ..	478.0	576.0	1,226.0	1,471.0	1,509.0	1,650.0
5,000 ..	1,107.0	1,371 0	2,464.0	3,248.0	3,279.0	3,432.0
INCOME FROM PROPERTY.—TAXPAYER WITH NO DEPENDANTS.						
£	£	£	£	£	£	£
100 ..	..	..	..	..	..	..
150 ..	..	3.1	..	..	..	10.5
200 ..	3.3	5.8	6.0	6.8	9.9	21.9
250 ..	5.8	8.9	16.0	18.4	24.0	40.1
300 ..	10.7	14.5	28.2	31.0	39.4	63.3
350 ..	17.1	20.6	40.2	43.6	55.2	89.2
400 ..	23.1	27.1	52.2	56.0	71.6	115.4
500 ..	36.4	41.9	87.7	85.9	106.0	167.9
600 ..	51.9	59.1	106.9	116.6	142.5	221.5
800 ..	92.0	103.6	176.7	187.2	224.2	331.0
1,000 ..	132.8	148.7	261.1	273.0	320.0	444.0
1,500 ..	263.0	289.0	530.0	549.0	619.0	766.0
2,000 ..	418.0	460.0	823.0	907.0	1,005.0	1,159.0
3,000 ..	795.0	924.0	1,448.0	1,769.0	1,902.0	2,026.0
5,000 ..	1,807.0	2,134.0	2,764.0	3,558.0	3,702.0	3,830.0

10. **Rates of Commonwealth Income Tax on Individuals.**—From 1931–32 to 1939–40 the rates of Commonwealth Income Tax on Individuals were expressed as a percentage of the formula adopted in 1931–32. The following formulae show the tax in pence where T is the taxable income in pounds :—

	Taxable Income.	Tax in Pence.
Personal Exertion ..	£1–£6,900 ..	$.00625T^2 + 3T$
	over £6,900 ..	$90T - 302,737.5$
Property	£1–£500 ..	$.01T^2 + 3T$
	£501–£1,500 ..	$.014T^2 + T$
	£1,501–£3,700 ..	$.0115T^2 + 4.75T$
	over £3,700 ..	$90T - 157,990$

The following percentages of the tax calculated under this formula were payable from 1931–32 to 1939–40 :—

Year.	Personal Exertion.	Property.
	%	%
1931–32 and 1932–33	100	100(*a*)
1933–34 and 1934–35	85	100(*b*)
1935–36	85	100(*c*)
1936–37 and 1937–38	76.5	90
1938–39	87.975	103.5
1939–40	96.7725	113.85

(*a*) In addition a further tax of 10 per cent. of the Taxable Income from Property was payable.
(*b*) In addition a further tax of 6 per cent. of the Taxable Income from Property was payable.
(*c*) In addition a further tax of 5 per cent. of the Taxable Income from Property was payable.

The Rates of Commonwealth Income Tax in subsequent years were as follows :—

(T = *Taxable Income.*)

Year.	Personal Exertion.		Property.	
	Taxable Income.	Tax in Pence.	Taxable Income.	Tax in Pence.
1940–41..	£1– £400 £401–£1,500 over £1,500	$16T$ $.04T^2$ $120T - 90,000$	£1– £400 £401–£1,200 over £1,200	$20T$ $.05T^2$ $120T - 72,000$
1941–42(*a*)	£1– £400 £401–£2,500 over £2,500	$16T$ $.04T^2$ $200T - 250,000$	£1– £400 £401–£2,000 over £2,000	$20T$ $.05T^2$ $200T - 200,000$
1942–43..	£151– £200 £201– £250 £251– £600 £601–£2,500 £2,501–£4,000 over £4,000	$.12T^2 - 28T + 2,700$ $.08T^2 + 18T - 4,900$ $.02T^2 + 48T - 8,650$ $.033T^2 + 32.4T - 3,970$ $.006T^2 + 168T - 174,220$ $216T - 270,220$	£151– £200 £201– £250 £251– £600 £601–£2,100 over £2,100	$.15T^2 - 35T + 3,375$ $.10T^2 + 22.5T - 6,125$ $.025T^2 + 60T - 10,812.5$ $.04125T^2 + 40.5T - 4,962.5$ $216T - 191,600$
1943–44.. 1944–45(*b*)	£101– £300 £301–£1,000 £1,001–£2,000 £2,001–£3,000 £3,001–£5,000 over £5,000	$.165T^2 - 3T - 750$ $.01T^2 + 90T - 14,700$ $.033T^2 + 44T + 8,300$ $.015T^2 + 116T - 63,700$ $.004T^2 + 182T - 162,700$ $222T - 262,700$	£101– £200 £201– £300 £301–£1,000 £1,001–£2,000 £2,001–£5,000 over £5,000	$.165T^2 - 3T - 750$ $.24T^2 - 20.5T - 250$ $.01T^2 + 117.5T - 2,950$ $.034T^2 + 69.5T + 3,050$ $.00275T^2 + 194.5T - 121,950$ $222T - 190,700$

(*a*) In addition a War Tax was imposed at rates commencing at 3d. in the £ on incomes in excess of £156, rising by .125d. for every additional £6 of income in excess of £156 until the rate reached 6d. in the £ on incomes in excess of £300.
(*b*) Rates of tax for 1944–45 are the same as for 1943–44 but are subject to the pay-as-you-earn 75 per cent. rebate.

From 1931–32 to 1941–42 a statutory exemption was allowed as a deduction from net income (assessable income less all other deductions) in order to arrive at taxable income. The statutory exemption from 1931–32 to 1939–40 was £250 less £1 for each £2 by which the net income exceeded £250. The exemption vanished at a net income of £750. From 1931–32 to 1933–34, however, the statutory exemption allowed on income from property was £200 less £1 for every £2 by which the net income exceeded £200 and vanished at £600. In 1940–41 and 1941–42 the statutory exemption was £200 less £1 for each £1 by which the net income exceeded £200. and vanished at £400. No statutory exemption was allowed for War Tax.

In 1942–43 it was provided that if the taxable income was less than £157 no tax should be payable and that if the taxable income was less than £167 tax payable should not exceed half the excess of the taxable income over £156.

In 1943–44 and 1944–45 no tax is payable if the taxable income is less than £105, and if the taxable income is less than £113 tax payable shall not exceed half the excess of the taxable income over £104.

In each year the minimum tax payable was 10s. and for 1942–43, 1943–44 and 1944–45 it is provided that tax payable and rebates shall be calculated to the nearest shilling.

11. **Company Income Taxes.**—(i) *General.* For taxation purposes, companies are divided into two main groups—public companies and private companies. A private company is defined as a company which is under the control of not more than seven persons, and which is not a company in which the public are substantially interested or a subsidiary of a public company. Ordinary income tax is imposed on both groups of companies, but other taxes on companies are imposed according as to whether a company is public or private. Pay-as-you-earn taxation has not been applied to companies.

(ii) *Public Companies.*—(*a*) *Ordinary Income Tax.* Companies are assessed for Commonwealth Income Tax on the same principles as individuals. Tax is, however, assessed at a flat rate on the whole taxable income. Dividends received are assessable income both for companies and individuals, but companies receive a rebate at the company rate on the amount of dividends included in the taxable income. This rebate is not allowed to non-resident companies. The rates of ordinary income tax since 1931–32 have been as follows :—1931–32 and 1932–33, 1s. 4.8d. in £1 ; 1933–34 to 1937–38, 1s. in £1 ; 1938–39, 1s. 1.8d. in £1 ; 1939–40 and 1940–41, 2s. in £1 ; 1941–42, 4s. in £1 ; and 1942–43 to £944–45, 6s. in £1. A further tax on taxable income from property was payable as follows :—1931–32 and 1932–33, 10 per cent. ; 1933–34 and 1934–35, 6 per cent. ; and 1935–36, 5 per cent. The rate on Commonwealth Loan Interest subject to 1930–31 rates is 1s. 4d. in £1 or the actual company rate, whichever is the lesser.

(*b*) *War-time* (*Company*) *Tax.* The War-time (Company) Tax was first imposed in 1940–41 on income derived in 1939–40. The tax is levied on the taxable profit of a company in relation to capital employed. Taxable profit is obtained by deducting from taxable income :—

(*a*) Commonwealth ordinary income tax payable in respect of that taxable income ; and

(*b*) any dividend included in taxable income.

Capital employed excludes shareholdings in other companies.

The tax is imposed on the excess of the taxable profit over a percentage of capital employed. This percentage standard was 8 per cent. for 1940–41 and 5 per cent. since that year. The rates of tax varied from 4 per cent. of the excess to 60 per cent. of the excess (where the excess was over 14 per cent. of capital employed) in 1940–41, and from 6 per cent. of the excess to 78 per cent. of the excess (where the excess was over 12 per cent. of capital employed) in subsequent years.

Unlike the War-time Profits Tax of the last war, the tax is not related to pre-war profits.

Private companies, co-operative companies, mutual life assurance companies, companies in which little or no capital is required and profits are derived from commissions, etc., and companies other than subsidiaries whose taxable profits do not exceed £1,000 are exempt from the tax.

(*c*) *Super Tax.* In conjunction with the War-time (Company) Tax, a Super Tax of 1s. in the £ on the excess of the taxable income over £5,000 was imposed. All companies receive a rebate of 1s. in the £ on the amount of dividends (from companies which have already paid super tax) included in super tax income.

Commonwealth Loan Interest subject only to 1930–31 rates of tax is excluded from super tax income since the full 1930–31 rate of 1s. 4d. in the £ is already paid as ordinary income tax. The interest is, however, included in taxable profit for the purposes of War-time (Company) Tax where it has the effect of reducing the War-time (Company) Tax payable.

If a company is liable to both Super Tax and War-time (Company) Tax, the taxes are alternative and, in effect, only the higher of the two and not both taxes are payable. This is achieved by allowing a rebate against War-time (Company) Tax of the lesser of the following amounts :—

(a) the amount of War-time (Company) Tax assessed, or
(b) the net amount of Super Tax payable.

(d) *Undistributed Income Tax.* Since 1940–41 a tax has been imposed at the rate of 2s. in the £ on the undistributed income of a public company. The undistributed income is the taxable income less :—

(a) Commonwealth Income Tax, Super Tax and War-time (Company) Tax and any tax paid outside Australia on the taxable income ;
(b) Dividends paid out of the taxable income before the expiration of six months (nine months if the company is a non-resident) after the close of the year of income ;
(c) The net loss incurred in carrying on the company's business outside Australia ; and
(d) The portion of Commonwealth Loan Interest subject to 1930–31 rates remaining in undistributed income.

Mutual life assurance companies and non-resident companies not carrying on business in Australia are exempt from the tax.

(iii) *Private Companies.* Private companies are not liable for War-time (Company) Tax, super tax or the normal undistributed income tax. An additional tax on the undistributed income is imposed, this tax being based on the close relationship between a private company and a partnership.

The undistributed income is calculated in approximately the same way as for a public company, but instead of a flat rate of 2s. in the £ being imposed, the additional tax which would have been payable by the shareholders, if all the income had been distributed, is calculated, and this amount is charged to the company as additional tax on undistributed income. The tax so charged is allowed with other taxes as a deduction in determining the undistributed income for the following year. In this way the shareholders of a private company are required to pay approximately the same tax as if they were a partnership or sole traders.

12. **Yield of Income Taxes.**—(i) *Collections from all Income Taxes.* The following table shows the collections of taxes of all types imposed on income for the past six years :—

INCOME TAX COLLECTIONS.

Year.	Individuals.			Companies.			Total.		
	Commonwealth.	State.	Total.	Commonwealth.	State.	Total.	Commonwealth.	State.	Total.
	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.
1938–39 ..	7,582	18,314	25,896	4,300	11,498	15,798	11,882	29,812	41,694
1939–40 ..	8,450	20,618	29,068	7,980	12,833	20,813	16,430	33,451	49,881
1940–41 ..	26,505	21,149	47,654	16,800	14,310	31,110	43,305	35,459	78,764
1941–42 ..	46,883	20,352	67,235	30,681	16,370	47,051	77,564	36,722	114,286
1942–43(a) ..	93,481	4,792	98,273	48,408	1,520	49,928	141,889	6,312	148,201
1943–44(a) ..	132,559	887	133,446	51,410	384	51,794	183,969	1,271	185,240

(a) Commonwealth collections are greater than the Budget figures by the amount of refunds of State taxes—State collections are net arrears.

(ii) *Commonwealth Income Tax Assessed.* The amounts of Commonwealth taxes assessed on the income of recent years are shown in the following table. The amounts are shown under the year in which most of the assessments were made, i.e., the year following the income year :—

COMMONWEALTH INCOME TAXES ASSESSED.

Tax.	1938–39.	1939–40.	1940–41.	1941–42.	1942–43.
	£'000.	£'000.	£'000.	£'000.	£'000.
Individuals—					
Income Tax	7,259	7,423	29,787	38,974	83,227
War Tax	..	..	..	8,378	..
Companies—					
Income Tax	4,239	8,041	9,342	19,916	35,764
Super Tax	..	..	2,856	2,713	3,208
War-time (Company) Tax ..	..	..	2,212	4,090	3,286
Undistributed Income Taxes(*a*)—					
Private Companies ..	698	688	3,766	6,296	9,100
Non-Private Companies ..	..	..	2,578	2,397	1,758
Total	12,196	16,152	50,541	82,764	136,343

(*a*) Approximate.

(iii) *Commonwealth Income Tax on Residents in Grades of Incomes.* Individual income taxes assessed on residents were distributed according to grades of actual income (income before allowing deductions of a concessional nature or statutory exemptions and including exempt income) as follows :—

COMMONWEALTH INCOME TAXES ON RESIDENT INDIVIDUALS IN GRADES OF INCOMES.

Grade of Actual Income.	1939–40.		1940–41.		1941–42.				1942–43.	
	No. of Tax-payers.	Tax.	No. of Tax-payers.	Tax.	No. of Tax-payers.	In-come Tax.	War Tax.	Total Tax.	No. of Tax-payers.	Tax.
£ £		£'000.		£'000.		£'000.	£'000.	£'000.		£'000.
151– 200	..	..	..	..	187,000	..	394	394	193,605	961
201– 250	..	..	88,328	242	265,497	272	810	1,082	193,259	1,762
251– 300	47,732	27	127,231	720	316,872	825	1,348	2,173	276,287	3,890
301– 350	55,375	53	102,204	881	211,813	1,167	1,224	2,391	266,049	5,733
351– 400	48,835	73	72,821	876	119,371	1,259	817	2,076	182,714	5,515
401– 500	68,168	182	86,751	1,570	118,262	2,190	988	3,178	182,915	8,032
501– 600	38,939	197	44,272	1,300	51,500	1,613	543	2,156	71,949	4,821
601– 751	29,912	294	33,434	1,559	36,003	1,778	473	2,251	(*a*)54,531	5,681
751– 1,000	23,070	460	25,915	2,096	27,418	2,340	464	2,804	(*b*)23,675	4,022
1,001– 1,250	10,922	372	12,376	1,745	13,173	1,986	283	2,269	15,597	4,015
1,251– 1,500	6,281	306	7,467	1,610	7,720	1,798	198	1,996	9,026	3,329
1,501– 2,000	7,987	691	7,938	2,748	8,024	3,008	244	3,252	9,756	5,436
2,001– 3,000	4,549	686	6,294	3,862	6,509	4,820	243	5,063	7,619	7,702
3,001– 4,000	2,045	615	2,399	2,464	2,316	3,212	103	3,315	2,718	4,815
4,001– 5,000	984	484	1,123	1,562	1,158	2,410	59	2,469	1,223	3,182
5,001–10,000	1,298	1,321	1,480	3,297	1,507	5,203	98	5,301	1,667	7,317
10,001–15,000	205	504	244	1,023	264	1,800	26	1,826	276	2,402
15,001–25,000	92	393	112	714	112	1,237	17	1,254	(*c*) 152	2,343
25,001–50,000	39	316	47	600	46	900	10	910	(*d*) 28	767
50,001 and over	8	141	12	297	12	396	5	401	7	321
Total ..	346,441	7,115	620,448	29,166	1,374,577	38,214	8,347	46,561	1,493,053	82,045

(*a*) Grade £601–£800. (*b*) Grade £801–£1,000. (*c*) Grade £15,001–£30,000. (*d*) Grade £30,001–£50,000.