



FACT SHEET

History of Australia's tax-transfer system

Section 4 of the 'Architecture of Australia's tax and transfer system' paper provides an overview of the development of Australia's tax-transfer system since federation and of the shifting balance between Australian Government and State revenue powers.

Key points

- The development of the Australian tax system can be categorised into two distinct periods. In the first period, from federation to the mid-1970s, the focus was largely on revenue adequacy to fund increasing levels of social provision of goods and services. In the second period, since the mid-1970s, there has been a greater focus on improving the equity, efficiency and simplicity of the tax system.
- Transfers have evolved from basic payments linked to war service and old age (with Age Pension age well above average life expectancy) to a more extensive system of social support. The principles of early pension payments set the social support scene for the future: funded from general government revenue; based on circumstances rather than past earnings; and means-tested to target assistance.
- Since federation the Australian Government has been the predominant revenue raiser and revenue has been redistributed to the States.

Australian Government and State taxation (1902-03 to 2006-07)

