



# FACT SHEET

## State taxes

Section 10 of the 'Architecture of Australia's tax and transfer system' paper considers the taxes and other own-source revenue of the States and the taxes of local government. It also outlines the issue of State taxation in the broader context of federal fiscal relations and the revenue and expenditure responsibilities of the Australian Government and the States.

### Key points

- Taxes levied by States and local governments account for a significant proportion of total tax revenue in Australia.
- The taxes levied by the States have changed over time. The current array of State taxes includes some transaction taxes which are relatively inefficient.
- Fiscal relations between the Australian Government and the States are characterised by vertical fiscal imbalance, whereby the States' own revenue sources are insufficient to fund their expenditure responsibilities, while the Australian Government's revenue sources are greater than is necessary to meet its expenditure responsibilities. There are both costs and benefits to this imbalance.

### Composition of State government revenue in 2006-07

