

# **Architecture of Australia's tax and transfer system**

August 2008

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## Foreword

The fairness and efficiency of our tax and transfer systems are matters that touch the lives of all Australians.

These systems have largely evolved over time, in line with Australian society's demands and expectations. They will continue to evolve in line with the economic, social and environmental changes of the 21st century.

We often think of these systems as being separate, but in reality they are interlinked as one tax and transfer system that operates across and between all levels of government.

The combined effects of the tax and transfer systems can have an impact on the choices individuals and businesses make about working, saving, investing and consuming. This means these systems have a critical role to play in the living standards of Australians, now and into the future.

Australia faces significant economic, social and environmental challenges. The tax and transfer system will have a key role to play in how well we meet these challenges to secure Australia's future prosperity and the living standards of Australians.

As the first instalment of the Australian Government's comprehensive review of the tax and transfer systems, the Australian Treasury, in collaboration with the Department of Families, Housing, Community Services and Indigenous Affairs, the Department of Employment, Education and Workplace Relations and the Australian Taxation Office, has produced this paper – *Architecture of Australia's tax and transfer system*.

The paper describes Australia's tax and transfer systems from a factual and analytical perspective to inform public discussion. While this paper provides comprehensive coverage, it is not intended to be exhaustive, nor is it intended to limit discussion to the issues canvassed in this paper.

This paper does not put forward recommendations for reform. That is the task of the Review Panel.

The Review Panel will set out its plan for consultation and some key focusing questions by the end of August 2008. The questions will help guide the initial consultation and open the way for the community to tell the Panel what it thinks are the key issues to be considered in this review of Australia's tax and transfer systems.

Australian Treasury

## Notes

- (a) This paper generally uses Australian tax data for 2006-07, as this is the latest year for which data are available for all levels of government.
- (b) Figures in tables and generally in the text have been rounded.
- (c) The following notations are used:
- |          |                  |
|----------|------------------|
| na       | not available    |
| -        | zero             |
| *        | unquantifiable   |
| \$m      | \$ million       |
| \$b      | \$ billion       |
| cat. no. | catalogue number |
- (d) References to 'the States' or 'each State' include the Australian Capital Territory and the Northern Territory. The following abbreviations are used for the names of the States, where appropriate:
- |     |                              |
|-----|------------------------------|
| NSW | New South Wales              |
| VIC | Victoria                     |
| QLD | Queensland                   |
| WA  | Western Australia            |
| SA  | South Australia              |
| TAS | Tasmania                     |
| ACT | Australian Capital Territory |
| NT  | Northern Territory           |
- (e) The term 'Australian Government' is used when referring to the current government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.
- (f) The term 'Australian government' is used when referring to a past government or governments and the decisions and activities made by past governments on behalf of the Commonwealth of Australia.
- (g) The term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

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