

## Question on Notice

No. 504

Asked on 20 April 2005

**MR WALLACE** ASKED THE DEPUTY PREMIER, TREASURER AND MINISTER FOR SPORT (MR MACKENROTH)—

QUESTION:

Has the State of Queensland abrogated its income taxing powers to the Commonwealth?

ANSWER:

The states have constitutional power in relation to income taxing powers with the Commonwealth only having exclusive constitutional powers to levy customs and excise duties.

However, in 1942, the Commonwealth effectively forced the states out of income taxes by introducing, as a wartime measure, a uniform rate of income tax and requiring this uniform federal rate to be paid before state income tax. The states were also offered “income tax reimbursement grants” provided they did not impose an income tax.

This wartime measure was made permanent around 1946. Effectively, the Commonwealth replaced the states’ income tax powers with today’s system of Commonwealth grant funding to the states and territories.

The history of Australian income tax highlights the fact the Commonwealth still has the upper hand compared with the states when it comes to revenue raising powers.

Therefore, while the Queensland Government is prepared to be reasonable and negotiate with the Australian Government on the current review of certain state taxes, we cannot discount the fact Queensland is heavily reliant on Commonwealth revenue grants. Any Australian Government proposal which potentially reduces Queensland’s future fiscal capacity needs to be viewed with caution.

That is why the Queensland Government has proposed a schedule of tax abolition providing substantial tax relief to the Queensland business community, while still allowing the Queensland Government to continue to provide the social and economic infrastructure and vital services required to meet the demands of the State’s rapidly increasing population.