

## SECTION XIX.

## COMMONWEALTH FINANCE.

## § 1. General.

**1. Financial Provisions of the Constitution.**—The main provisions of the Constitution relating to the initiation and development of the financial system of the Commonwealth are those contained in Chapter IV., "Finance and Trade," being sections 81 to 105 of the Constitution Act. Two other sections which have a most important bearing on questions of Commonwealth finance are sections 69 and 51. For subsequent modification of, and addition to, the original clauses, the enquirer is referred to sub-sections 5 and 6 hereunder.

**2. Departments Transferred or Transferable under Constitution.**—In section 69 it is provided that the Departments of Customs and Excise in each State should become transferred to the Commonwealth on its establishment, and that on a date or dates to be proclaimed by the Governor-General after the establishment of the Commonwealth the following departments should become transferred:—

- (i.) Posts, telegraphs, and telephones.
- (ii.) Naval and military defence.
- (iii.) Lighthouses, lightships, beacons and buoys.
- (iv.) Quarantine.

Under proclamation dated 12th February, 1901, and published in the Commonwealth *Gazette* of the 14th of that month, the Departments of Posts, Telegraphs, and Telephones in each State became transferred to the Commonwealth as from the 1st March, 1901, while under a similar proclamation dated 19th February, 1901, and gazetted on the 20th, the Departments of Naval and Military Defence in each State also became transferred to the Commonwealth as from 1st March, 1901. In the case of Quarantine, an Act (No. 3 of 1908) has been passed and control has been assumed by the Commonwealth.

The requisite proclamation of transfer in the case of departments dealing with "Lighthouses, lightships, beacons, and buoys," was made so as to effect the transfer on 1st July, 1915, although legislation relative thereto was passed by the Federal Parliament very much earlier (Act No. 14, 1911).

**3. Departments Transferable by Means of Commonwealth Legislation.**—In addition to the departments here mentioned which pass to the Commonwealth either automatically or by proclamation, there are several others whose duties the Commonwealth is empowered to undertake after the passing by the Commonwealth of the legislation necessary to authorise the assumption of such duties. These are referred to in section 51 of the Constitution, which contains a statement of all matters respecting which power is (subject to the Constitution) conferred on Parliament "to make laws for the peace, order and good government of the Commonwealth." The matters contained in this section include those already mentioned as being covered by section 69. The principal matters involving for the due performance of the duties connected therewith the creation or transfer of departments of the Public Service are:—

- (i.) Trade and commerce.
- (ii.) Taxation.
- (iii.) Bounties on production or export of goods.

- (iv.) Postal, telegraphic, telephonic, and other like services.
- (v.) Naval and military defence.
- (vi.) Lighthouses, lightships, beacons, and buoys.
- (vii.) Astronomical and meteorological observations.
- (viii.) Quarantine.
- (ix.) Census and statistics.
- (x.) Bankruptcy and insolvency.
- (xi.) Copyrights, patents, and trade marks.
- (xii.) Naturalisation and aliens.
- (xiii.) Marriage.
- (xiv.) Divorce and matrimonial causes.
- (xv.) Invalid and old-age pensions.
- (xvi.) Immigration and emigration.
- (xvii.) Conciliation and arbitration.

4. **Commonwealth Departments.**—As a result of legislation passed from time to time in accordance with section 51, various departments and sub-departments have been transferred from the States to the Commonwealth, whilst other departments necessary for the due performance of the Commonwealth functions have been brought into existence. In the former class are such departments as those of Patents, Trade Marks, Copyrights, Designs, Naturalisation and Meteorology, while in the latter are the Ministerial Departments of External Affairs,\* Home Affairs,\* Treasury, Trade and Customs, Defence, Attorney-General and Postmaster-General, as well as such general departments as Public Service Commissioner's Office, Treasury, Audit Department, Crown Law Department, Bureau of Census and Statistics, Federal Taxation Office, Prime Minister's Office, and Interstate Commission. It may, therefore, be said that, so far as its financial aspect is concerned, the effect of Federation up to the present time has been the transfer from States to Commonwealth of the revenue obtainable from the great revenue-producing Departments of Customs and Excise, and of the expenditure connected with various departments, whose number is gradually increasing, and that, in addition, the various functions of the Commonwealth have necessitated further new expenditure.

5. **Financial Relations between Commonwealth and States.**—For the first ten years after Federation the financial relations between the Commonwealth and State Governments were regulated by section 87 of the Constitution, known generally as the "Braddon Clause." This provided that the Commonwealth should, until 31st December, 1910—and thereafter so long as Parliament should decide—retain for its own use an amount not exceeding one-fourth of the net revenue from Customs and Excise duties, the balance being returned to the States. The framers of the Constitution only contemplated a moderate Federal expenditure, and doubtless considered that one-fourth of the Customs and Excise revenue would be sufficient, as, indeed, it was in the earlier years. It began to be realised, however, later on, that if the Commonwealth was to undertake large national duties such as Defence, a greatly increased expenditure must be faced. Consequently, on the expiry of the "Braddon Clause" in 1910, it was replaced by an agreement much more favourable to the Commonwealth. This agreement, known as the "Commonwealth Surplus Revenue Act 1910," was passed by the Fisher Administration for a period of ten years, after which time it would be subject to revision. It provided that the Commonwealth was to retain the whole of the Customs and Excise revenue, and to make to the Government of each State (by monthly instalments) an annual payment equal to 25s. per head of the population of the State. The population of a State in any financial year was considered, for the purposes of this Act, to be the number estimated by the Commonwealth Statistician as existing in the State on the 31st December falling in that financial year.

\* Portions of these departments were amalgamated, at the end of 1916, into a new department called "Home and Territories."

6. **Special Assistance.**—By the same Act provision was made that, during the period of ten years succeeding 1st July, 1910, a special payment should be made to Western Australia of an annual sum, starting at £250,000 for the first year, and progressively diminishing by £10,000 each subsequent year. One half of the amount was to be debited to all the States (including Western Australia) in proportion to population.

Assistance has also been granted to Tasmania, partly by means of the "Tasmania Grant Act of 1912," and partly by means of a special sum allocated by the Budget of 1913. According to the "Grant Act" a sum of £500,000 was set aside to be paid to Tasmania by ten annual instalments, starting at £95,000, and progressively diminishing by £10,000 until £5000 is reached. In the Budget of 1913 a further sum of £400,000 was allotted to Tasmania, to be paid in nine annual instalments, starting at £5000 and progressively increasing by £10,000 until the last payment, which will, however, be £80,000 instead of £85,000. As the result of these two grants Tasmania will have a first annual instalment of £95,000, then eight instalments of £90,000 each, and a final one of £85,000.

These concessions to Western Australia and Tasmania have been granted in consideration of the sacrifices made by these States, when yielding control of their Customs revenue to the Commonwealth. The whole question of the financial relations between the Commonwealth and States since Federation has been fully treated in the chapters on Commonwealth Finance in all previous issues of the Year Book, up to and including No. 6.

7. **Accounts of Commonwealth Government.**—The Commonwealth Government, like the States' Governments operates nearly all its accounts by means of three funds, the Consolidated Revenue Fund, the Trust Fund, and the Loan Fund. The latter only came into existence in the financial year 1911-12, but on the outbreak of war became so important that it is now treated in two parts: a General Loan Fund for purposes of Public Works, and a War Loan Fund for purely military purposes. The accounts of these funds are now so interwoven, that a proper conspectus of the Commonwealth Accounts can hardly be obtained by an analysis of each of them singly. Two tables are therefore appended, shewing receipts and disbursements from all sources for the last five years. The different funds will then be treated in detail, in the subsequent sections.

#### COMMONWEALTH RECEIPTS, 1911-12 to 1915-16.

Heading.	1911-12.	1912-13.	1913-14.	1914-15	1915-16.
	£	£	£	£	£
Consolidated Revenue ... ..	20,548,520	21,907,084	21,741,775	22,419,798	30,762,216
Trust Funds in aid of Revenue ... ..	...	475,342	1,418,958	1,224,347	...
Total ... ..	20,548,520	22,382,426	23,160,733	23,644,145	30,762,216
General Loan Fund ... ..	700,000	1,300,000	2,100,000	(a)2,429,319	2,859,341
Unexpended Balance of General Loan Fund from previous years ... ..	...	39,525	151,498	96,237	...
Total ... ..	700,000	1,339,525	2,251,498	2,525,556	2,859,341
War Loan Fund in aid of Revenue ... ..	...	...	...	(b)14,100,000	57,656,683
Grand Total ... ..	21,248,520	23,721,951	25,412,231	40,269,701	91,278,240

(a) Includes £371,118 Treasury Bills credited by the Treasury to Consolidated Revenue.

(b) Credited by the Treasury to Consolidated Revenue.

## COMMONWEALTH EXPENDITURE, 1911-12 to 1915-16.

Heading.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Expenditure from Consolidated Revenue	14,299,599	14,930,180	15,458,776	16,056,023	21,415,221
Expenditure from Trust Funds	...	475,342	1,418,958	1,224,347	...
Subsidy to States	5,824,423	6,119,930	6,282,999	6,363,775	6,316,995
Balance paid into Trust Funds	424,498	856,974	...	...	3,000,000
<b>Total</b>	<b>20,548,520</b>	<b>22,382,426</b>	<b>23,160,733</b>	<b>23,644,145</b>	<b>30,762,216</b>
General Loan Fund Expenditure	660,475	1,188,027	2,155,261	2,525,556	2,859,341
Unexpended Balance from General Loan Fund	39,525	151,498	96,237	...	...
<b>Total</b>	<b>700,000</b>	<b>1,339,525</b>	<b>2,251,498</b>	<b>2,525,556</b>	<b>2,859,341</b>
War Expenditure from War Loan Fund	...	...	...	(a)14,100,000	37,423,568
Temporary Advances to States from War Loan Fund	...	...	...	...	2,950,000
Unexpended Balance from War Loan Fund	...	...	...	...	17,283,115
	...	...	...	14,100,000	57,656,683
<b>Grand Total</b>	<b>21,248,520</b>	<b>23,721,951</b>	<b>25,412,231</b>	<b>40,269,701</b>	<b>91,278,240</b>

(a) See footnote (b) to previous table.

## § 2. Consolidated Revenue Fund.

## (A) Nature of Fund.

The provisions made for the formation of a Commonwealth Consolidated Revenue Fund, and the means to be adopted for operating on that fund, are contained in sections 81, 82, and 83 of the Constitution. In section 81 it is provided that "All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution." A strictly literal interpretation of this section would appear to require all loan and trust moneys received by the Commonwealth Executive to be paid to Consolidated Revenue. It is, however, held by Quick and Garrahan, in their "Annotated Constitution," that the "generic word *moneys* must be controlled by the preceding specific word *revenues*, and limited to moneys in the nature of revenue." This is the view of the matter which has been adopted by the Commonwealth Treasury in the preparation of its accounts. At present certain moneys received by the Commonwealth, which are not of the nature of revenue, are paid to Trust Account. As regards expenditure from the Consolidated Revenue Fund, section 82 provides that the costs, charges, and expenses incident to the collection, management, and receipt of the Consolidated Revenue Fund should form the first charge thereon, while section 83 stipulates that "no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law." Such appropriations are either special, and as such are provided for by means of a permanent Act, or are annual, and provided for in an annual Appropriation Act.

## (B) Revenue.

1. **Total Collections.**—The consolidated revenue of the Commonwealth, which in 1901-2, the first complete financial year under the new régime, amounted to £11,296,985, had, in 1915-16, reached a total of £30,762,216, an increase in the period of £19,465,231.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1911, to 30th June, 1916, are contained in the following table:—

**CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1911-12 to 1915-16.**

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
Commonwealth ...	£ 20,548,520	£ 21,907,084	£ 21,741,775	£ 22,419,798	£ 30,762,216

Since 1911-12 the revenue has increased steadily every year, except that 1913-14 shows a slight decline from 1912-13. In 1914-15 the revenue was augmented by instalments, amounting to £14,100,000, of the War Loan from the British Government, and also by £371,118 Treasury Bills in aid of revenue. The great increase in 1915-16 is due to the large expansion in the direct taxation, which will be dealt with in detail in a later section.

**2. Collections per Head.**—In the table given hereunder particulars are furnished of the amount of revenue per head of population collected in respect of the Commonwealth for the last five years:—

**COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1911-12 to 1915-16.**

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
Commonwealth ...	£ s. d. 4 9 11	£ s. d. 4 12 7	£ s. d. 4 9 3	£ s. d. 4 10 9	£ s. d. 6 4 9

**3. Sources of Revenue.**—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1911-12 to 1915-16:—

**SOURCES OF COMMONWEALTH REVENUE, 1911-12 to 1915-16.**

Sources of Revenue.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Customs ... ..	12,071,434	13,055,925	12,652,737	12,105,698	13,610,684
Excise ... ..	2,636,702	2,497,109	2,325,333	2,771,556	3,323,419
Postal ... ..	3,916,254	4,226,313	4,511,307	4,594,542	5,053,596
Defence ... ..	74,298	39,193	22,836	219,152	881,115
Patents ... ..	19,081	18,355	22,393	17,165	15,467
Trade Marks, Copyrights, and Designs	5,639	5,637	5,932	4,741	5,175
Quarantine ... ..	9,875	13,162	15,173	13,768	19,242
Coynage ... ..	156,489	122,647	208,348	208,515	359,720
Public Service Pension Funds, Repayments and Transfers	39,027	42,006	36,824	44,817	47,604
Land Tax ... ..	1,366,457	1,564,794	1,609,836	1,953,696	2,040,436
Probate and Succession Duties	...	...	...	39,646	626,215
Income Tax ... ..	...	...	...	...	3,932,775
Northern Territory ... ..	31,225	40,084	54,777	53,026	64,780
Credit Balance Northern Territory Funds	...	24,456	...	...	...
Miscellaneous ... ..	220,039	257,403	270,179	393,476	791,968
Total ... ..	20,548,520	21,907,084	21,741,775	22,419,798	30,762,216

In addition to the new direct taxation, which has already been mentioned, there has been an appreciable increase in the customs and excise returns. The postal revenue has also shewn a steady upward tendency. The principal items included in the "Miscellaneous" are Lighthouses and Light Dues; receipts from Kalgoorlie-Port Augusta Railway; and Interest.

4. **Customs Revenue for Past Five Years.**—Particulars for the Commonwealth as a whole, for the five years 1911-12 to 1915-16, are furnished in the following table:—

**COMMONWEALTH CUSTOMS REVENUE, 1911-12 to 1915-16.**

Classes.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Stimulants ... ..	2,706,058	2,777,492	2,810,222	2,899,540	2,500,606
Narcotics ... ..	1,150,990	1,206,782	1,175,404	1,257,223	1,333,516
Sugar ... ..	275,077	691,568	209,375	60,403	587,028
Agricultural products ... ..	996,953	1,072,203	1,002,363	1,087,133	1,310,437
Apparel and textiles ... ..	2,385,786	2,367,945	2,514,170	2,302,764	2,902,012
Metals and machinery ... ..	1,554,983	1,639,749	1,672,125	1,638,416	1,572,536
Oils, paints, etc. ... ..	285,737	313,348	310,847	311,545	386,994
Earthenware, etc. ... ..	375,403	490,983	426,134	338,095	368,300
Drugs and chemicals ... ..	104,341	109,619	122,960	131,764	160,997
Wood, wicker, and cane ... ..	501,278	535,576	555,843	455,860	365,969
Jewellery, etc. ... ..	309,309	281,631	272,214	253,290	335,147
Leather, etc. ... ..	386,824	435,801	470,382	428,106	505,652
Paper and stationery ... ..	230,212	237,943	234,504	269,443	346,158
Vehicles ... ..	279,828	328,001	343,633	303,868	499,140
Musical instruments ... ..	176,009	165,839	166,059	83,570	100,562
Miscellaneous articles ... ..	313,505	361,350	330,548	248,977	295,895
Other receipts ... ..	39,141	40,095	35,954	35,701	39,735
<b>Total Customs ... ..</b>	<b>12,071,434</b>	<b>13,055,925</b>	<b>12,652,737</b>	<b>12,105,698</b>	<b>13,610,684</b>

It will be seen that throughout the period here dealt with, the Customs revenue from stimulants and narcotics has represented, approximately, one third of the total Customs revenue, except in the last year, when the proportion was only about two-sevenths. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and agricultural "products."

5. **Excise Collections, 1911-12 to 1915-16.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1912 to 1916, are given hereunder:—

**COMMONWEALTH EXCISE REVENUE, 1911-12 to 1915-16.**

Particulars.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Beer ... ..	694,001	718,869	792,243	1,205,001	1,485,543
Spirits ... ..	376,440	411,192	421,506	514,794	627,431
Sugar ... ..	748,670	518,508	179,149	1,508	(a)170
Tobacco ... ..	810,242	840,012	927,293	1,043,885	1,204,556
Licenses ... ..	9,349	8,528	5,142	6,368	6,059
<b>Total Excise ... ..</b>	<b>2,638,702</b>	<b>2,497,109</b>	<b>2,325,333</b>	<b>2,771,556</b>	<b>3,323,419</b>

(a) Debit.

Comparing the Excise collections for 1915-16 with those for 1911-12, it will be seen that the increase in the revenue from tobacco was about 50 per cent., the yield from beer was more than doubled, and that from spirits increased about 67 per cent., while the revenue from sugar has vanished, owing to the abolition of the excise duties, and a decrease was also experienced in the return from licenses.

**6. Commonwealth Direct Taxation.—(a) General.** Under section 51, sub-section (ii.) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the powers of taxation of the Commonwealth to the imposition of Customs and Excise duties except in cases of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself contains no such provision, and the Commonwealth Parliament is given an absolutely free hand in the imposition of taxation. Up to the end of the financial year 1909-10 the only taxes so levied were those of Customs and Excise, referred to in detail in the foregoing paragraphs. During the 1910 session of the Federal Parliament, however, an Act—assented to on 17th November, 1910—was passed, giving to the Commonwealth the power of levying a tax upon the unimproved value of all lands within the Commonwealth which were owned by taxpayers, and not specially exempted. Detailed reference to this Act will be found in Commonwealth Year Books Nos. 5 and 6.

(b) *Budget of 1914-15.* The fact stated in the previous paragraph, that there was nothing in the Constitution itself to restrain the Federal Government from entering the field of direct taxation, received further exemplification by the Budget of 1914-15. In the first place the Land Tax was raised by altering the graduation so that the increase in rate over the whole taxable value of the estate, for each succeeding pound of taxable value between £5000 and £75,000, was one eighteen-thousand seven-hundred and fiftieth of a penny, instead of one thirty-thousandth of a penny, as hitherto. The maximum rate for resident owners now becomes 9d. in the £ on estates whose taxable value is more than £75,000. Corresponding increases in the rates payable by absentee owners were made, rising to a maximum of 10d. in the £ on estates whose taxable value is more than £80,000. These advances were estimated as likely to increase the annual yield of the Land Tax by £1,000,000. In addition to this substantial increase in an already existing tax, the Federal Government, for the first time, introduced Succession Duties on estates of deceased persons, in addition to those already imposed by the State Governments. The Commonwealth scale of succession duty, after starting by the exemption of all estates of less than £1000, ranges from a minimum of 1 per cent. to a maximum of 15 per cent. on estates of a higher taxable value than £71,000. The rate of duty for any estate may be found by the following rule. Divide the number of thousands of pounds in the estate by five, and to the quotient thus obtained add  $\frac{2}{5}$  per cent. in the case of an exact thousand, and  $\frac{1}{5}$  per cent. in every other case. Thus for an estate of £43,000 the duty would be  $9\frac{1}{2}$  per cent. (i.e.  $4\frac{2}{5} + \frac{2}{5}$ ), but for an estate of £43,001 the duty would be  $9\frac{2}{5}$  per cent. (i.e.  $4\frac{2}{5} + \frac{1}{5}$ ). The succession duties thus outlined yielded £39,646 up to 30th June, 1915, an amount very much less than the estimate. It is possible, however, that sufficient account was not taken of the interval that frequently elapses between a person's death and the taking out of probate on the estate. This is borne out by the great increase in the yield for the year 1915-16. The respective contributions of the several States are as follows:—

## COMMONWEALTH PROBATE AND SUCCESSION DUTIES.

Year.	N.S.W.	Vic.	Qld.	S.A.	W.A.	Tas.	Total.
1914-15	£ 18,474	£ 9,216	£ 4,774	£ 1,900	£ 1,912	£ 3,370	£ 39,646
1915-16	261,477	276,923	23,928	32,790(a)	8,530	22,567	626,215

(a) Including Northern Territory, £164.

(c) *Commonwealth Income Tax.*—(i.) The first Commonwealth Income Tax was levied during the financial year 1915-16. The legislation on the subject comprised the Income Tax Assessment Act No. 34 of 1915, as amended by the Income Tax Assessment Act No. 47 of 1915, whilst the prescribed schedule of rates was contained in Act No. 41 of 1915, as amended by Act No. 48 of 1915. Various estimates as to the probable yield were made, varying from £3,000,000 to £4,000,000, and the confidence of those who quoted the higher amount was justified by the result. The result of the first assessment was as follows:—

## COMMONWEALTH INCOME TAX ASSESSMENTS, 1916.

States.	Number of Assessments.	Tax Assessed.	Average Tax Payable.
		£	£
Central ... ..	8,426	1,393,878	165.4
New South Wales ... ..	88,415	1,197,762	13.5
Victoria ... ..	67,123	682,463	10.2
Queensland ... ..	29,800	507,366	17.0
South Australia ... ..	16,126	161,311	10.0
Western Australia ... ..	18,921	190,712	10.0
Tasmania ... ..	6,300	63,632	10.1
	235,111	4,197,124	17.9

The "Central" returns relate to those taxpayers with income in more than one State.

(ii.) The principal exemptions are as follows:—

- (a) The salaries of the Governor-General and the various State Governors.
- (b) Income derived from the different Commonwealth securities issued for the purposes of the War Loan Act (No. 1) 1915.
- (c) The revenue of a municipal corporation or other local governing body.
- (d) The income of religious, scientific or charitable institutions.
- (e) The income of friendly societies, trade unions, or any associations registered under an Act for the settlement of industrial disputes.

(iii.) *Deductions.* The following deductions, amongst others, are allowed:—

- (a) All rates and taxes paid in Australia, exclusive of those paid under this Act.
- (b) Life assurance premiums and fidelity guarantee payments not exceeding a total of £50.
- (c) Payments not exceeding £50 to a friendly society, sustentation fund, superannuation, widows or orphans fund.



(d) Gifts exceeding £20 each to public charitable institutions, and contributions exceeding £5 to a public fund connected with the present war.

(e) The sum of £26 in respect of each child under sixteen years at the beginning of the financial year, wholly maintained by any taxpayer who is not an absentee.

(iv.) *Special deduction: Income derived from personal exertion.*

(a) The sum of £156 less £1 for every £4 by which the income exceeds £156.

*Special deduction: Income derived from property.*

(b) The sum of £156 less £5 for every £11 by which the income exceeds £156.

When the total taxable income consists partly of income from personal exertion and partly of income from property, the deduction is to be apportioned pro rata between the income from each source.

(v.) It is worthy of note that in the taxation of companies there is deducted from the income not only all the deductions already allowed for, but also so much of the income as is distributed to the members, or shareholders.

(c) *New Taxation in 1916-17.*—The Commonwealth Treasurer, on 27th September, 1916, made an interim financial statement in lieu of the formal Budget for 1916-17. Certain new taxation was proposed, and an old tax—the income tax—was increased. Some of the Treasurer's proposals were modified in detail ultimately by his successor in office. Details are as follows:—

*Income Tax.*—An increase of 25 per cent. was imposed, and it was decided that in the case of single persons without dependents no one should pay a less amount than £1. The general exemption was reduced to £100 in the case of single tax-payers with no dependents who were not absentees, but the exemption for each child under 16 was increased from £13 to £26.

*Entertainments Tax.*—This tax was to amount to 1d. for a ticket costing between 6d. and one shilling, and  $\frac{1}{2}$ d. for each additional 6d., or part thereof.

*War Time Profits Tax.*—This tax has recently been passed by Parliament. It provides for a tax on the amount by which the profits made in a war-time financial year (1st July to 30th June following), exceeds the pre-war standard of profits, which may be either:—(a) the average profits of two of the three years before 4th August, 1917, or (b) 10 per cent. on the capital employed in a business. The tax in respect of profits derived in the financial year 1st July, 1915, to 30th June, 1916, is 50 per cent., and in all subsequent years 75 per cent.

7. *Commonwealth Land Tax.*—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1915, the latest available return at the time of writing, will be found in the following table. Details in regard to rate of tax, etc., will be found in Year Books Nos. 5 and 6.

**PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMON-WEALTH FOR THE YEAR ENDING 30th JUNE, 1916.**

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Central—					
Resident ...	1,456	36,475,504	340,448	360,640	701,088
Absentee ...	214	501,737	5,948	2,502	8,450
	1,670	36,977,241	346,396	363,142	709,538
New South Wales—					
Resident ...	4,553	70,483,037	257,753	397,519	655,272
Absentee ...	578	1,453,662	12,039	5,369	17,408
	5,131	71,936,699	269,792	402,888	672,680
Victoria—					
Resident ...	4,372	48,332,425	117,169	202,715	319,884
Absentee ...	721	1,177,498	12,375	4,284	16,659
	5,093	49,509,923	129,544	206,999	336,543
Queensland—					
Resident ...	1,127	13,674,298	28,670	72,515	101,185
Absentee ...	245	353,701	1,913	1,865	3,778
	1,372	14,027,999	30,583	74,380	104,963
South Australia—					
Resident ...	1,544	16,556,802	43,459	74,052	117,511
Absentee ...	315	351,160	2,825	572	3,397
	1,859	16,907,962	46,284	74,624	120,908
Western Australia—					
Resident ...	494	6,525,327	29,256	26,653	55,909
Absentee ...	1,073	436,048	2,206	785	2,991
	1,567	6,961,375	31,462	27,438	58,900
Tasmania—					
Resident ...	494	5,519,731	8,585	29,192	37,777
Absentee ...	289	222,315	500	843	1,343
	783	5,742,046	9,085	30,035	39,120
Grand Total—					
Resident ...	14,619	197,567,124	825,340	1,163,286	1,988,626
Absentee ...	2,856	4,496,121	37,806	16,220	54,026
	17,475	202,063,245	863,145	1,179,506	2,042,652

8. Details of Postal Revenue, 1911-12 to 1915-16.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1911-12 to 1915-16 are contained in the following table:—

**COMMONWEALTH POSTAL REVENUE, 1911-12 to 1915-16.**

Particulars.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
Private boxes and bags ...	£ 23,383	£ 25,618	£ 27,744	£ 29,995	£ 30,743
Commission—					
Money orders & postal notes	121,432	129,653	134,834	129,760	137,355
Telegraphs ...	788,441	811,592	834,316	878,238	893,904
Telephones ...	752,423	860,726	996,047	1,099,417	1,220,855
Postage ...	2,088,866	2,260,000	2,391,424	2,338,489	2,525,873
Miscellaneous ...	141,709	138,724	126,942	118,643	244,866
Total ...	3,916,254	4,226,313	4,511,307	4,594,542	5,053,596a

(a) These figures are taken from the Auditor-General's Report, and differ slightly from those on page 707 owing to certain small adjustments.

9. Revenue from Patents.—Under the Commonwealth Patents Act 1903, which was assented to on 22nd October, 1903, and came into force on 1st June, 1904, the complete control of the Patents administration of Australia passed from the several State Governments to that of the Commonwealth, which, under section 19 (a) of the Act mentioned, was authorised to collect for each State the fees to which it was entitled under the State Act in respect of proceedings then pending.

The revenue collected since the financial year 1911-12 is shewn in the following table:—

**COMMONWEALTH PATENTS REVENUE, 1911-12 to 1915-16.**

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Revenue ...	19,081	18,355	22,393	17,165	15,487

10. Revenue from Trade Marks, etc.—Under the several Acts of the Commonwealth Legislature relating to trade marks, copyrights, and designs, the Commonwealth Government has assumed the exclusive administration of such matters, and now collects all revenue accruing therefrom. The following table gives particulars of the amounts since this item first appeared in the Commonwealth accounts:—

**COMMONWEALTH TRADE MARKS, COPYRIGHTS AND DESIGNS REVENUE, 1911-12 to 1915-16.**

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Revenue ...	5,639	5,637	5,932	4,741	5,175

11. Defence Revenue.—The revenue appearing under the head of "Defence" comprises the receipts derived from the sale of stores and clothing, from fines, etc., and for 1915-16 amounted to £881,115.

12. Coinage.—The revenue for the Commonwealth under this head is derived from the profit on coin issued, and is made up of £347,297 from silver coin and £12,423 from bronze coin.

## (c) Expenditure.

1. **Nature of Commonwealth Expenditure.**—The disbursements by the Commonwealth Government of the revenue collected by it fell naturally, under the "book-keeping"\* system, into three classes, viz.:—

- (a) Expenditure on transferred services.
- (b) Expenditure on new services.
- (c) Payment to States of surplus revenue.

Of these three, only the first two were actual expenditure, the last being merely a transfer, the actual expenditure being incurred by the States. In accordance with the provisions of the Constitution, the expenditure on transferred services was, under the "book-keeping" system, debited to the several States in respect of which such expenditure was incurred, while the expenditure on new services was distributed *per capita*. Surplus Commonwealth revenue was paid to the States monthly. During the earlier years of Federation, viz., until the end of the year 1903-4, new works, etc., for transferred departments were treated as transferred expenditure, and were charged to the States on whose behalf the expenditure had been incurred. In subsequent years all such expenditure was regarded as expenditure on new services, and was distributed amongst the States *per capita*. Under the new system of keeping the accounts there is no further debiting of expenditure to the several States.

2. **Total Expenditure.**—The expenditure by the Commonwealth Government during the period 1911-12 to 1915-16 is shewn in the following table:—

## COMMONWEALTH EXPENDITURE, 1911-12 to 1915-16.

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Commonwealth ...	14,724,097	15,787,154	15,458,776	16,056,023	21,415,221

The largely increased expenditure of recent years is due partly to Old-age and Invalid Pensions, partly to fleet construction, and partly to such public works as the Transcontinental Railway, Federal Capital, etc. In 1914-15 an additional amount of £14,471,118 was spent, made up of £14,100,000 war loan from the Imperial Government, and £371,118 Treasury Bills in aid of revenue. In 1915-16 the expenditure included £3,000,000 set aside for the purposes of Invalid and Old-age Pensions in subsequent years. These totals include amounts paid into Trust Funds, but exclude subsidy to States.

3. **Expenditure per Head.**—Particulars concerning the Commonwealth expenditure per head are furnished hereunder:—

## COMMONWEALTH EXPENDITURE PER HEAD, 1911-12 to 1915-16.

	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ...	3 4 6	3 6 8	3 3 5	3 5 0	4 19 0

4. **New Works, etc.**—As previously mentioned, the Commonwealth expenditure on new works, etc., for transferred departments was, prior to 1904-5, included under the head of "transferred" expenditure, but in that and subsequent years up to 1909-10 has been treated as "other" expenditure, and debited to the States *per capita*. Particulars of the expenditure on new works, etc., during the last five years are given in the following table:—

\* For an exposition of the "book-keeping system" see Commonwealth Year Book No. 6, p. 780.

**COMMONWEALTH EXPENDITURE ON NEW WORKS, ETC., 1911-12 to 1915-16.**

Departments.	1911-12.	1912-13. (a)	1913-14. (b)	1914-15.	1915-16.
	£	£	£	£	£
Defence ... ..	1,953,195	1,258,277	1,079,940	1,520,684	1,940,682
Trade and Customs ... ..	15,015	51,272	56,014	66,338	133,976
Postmaster-General ... ..	1,443,115	1,088,022	1,121,632	831,828	644,134
Home Affairs... ..	128,290	186,345	266,124	217,784	168,898
External Affairs ... ..	23,276	65,290	50,653	30,647	50,598
Treasury ... ..	3,476	4,076	1,637	6,396	2,547
	3,566,367	2,653,282	2,576,000	2,673,939 (c)	2,940,835

(a) In addition, the following amounts were spent from Trust Funds:—£475,342 for Fleet construction, and £413,097 for Telegraphs and Telephones. (b) In addition, the following amounts were spent from Trust Funds: £721,437 for Fleet construction, and £16,493 for Telegraphs and Telephones. (c) Includes £262 for Attorney-General's Department.

It will be seen that the Commonwealth expenditure under this head has become very considerable in recent years. The main cause of this great amount is the large expenditure on fleet construction.

5. **Cost of Departments, etc.**—Arranged in such a manner as to shew under each Department the expenditure on behalf of that Department, the cost of the several branches of the Commonwealth service for the years 1911-12 to 1915-16 was as follows:—

**COST OF COMMONWEALTH DEPARTMENTS, ETC., 1911-12 to 1915-16.**

Departments, etc.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Governor-General ... ..	23,842	21,648	17,815	24,750	23,535
Parliament ... ..	189,550	281,261	243,163	340,605	263,397
Prime Minister ... ..	14,863	57,559	82,847	56,642	60,790
External Affairs ... ..	494,010	539,722	678,974	595,178	840,199
Attorney-General ... ..	62,899	66,517	82,442	78,466	86,164
Home Affairs ... ..	155,628	129,972	152,289	440,932	592,251
Treasury ... ..	2,368,596	2,910,224	2,787,034	2,527,833	3,817,851
Trade and Customs ... ..	1,024,369	875,784	730,458	551,318	589,121
Defence ... ..	2,128,649	2,612,687	2,950,722	3,545,086	4,518,534
Navy ... ..	...	...	...	...	2,324,173
Postmaster-General ... ..	4,330,896	4,781,524	5,157,022	5,221,274	5,358,371
All other Expenditure ... ..	3,990,865	3,510,256	2,576,000	2,673,939	2,940,835
Total ... ..	14,724,097	15,787,154	15,458,776	16,056,023	17,415,221

(a) Exclusive of £14,471,118 spent from loans in aid of Revenue.

(b) Including £3,000,000 carried forward in respect of Old Age and Invalid Pensions in subsequent years.

The largeness of the expenditure under the head of Parliament in the year 1912-13 was in great measure due to the fact that the general elections were held in that year, while the expenditure in connection with the sugar bounties is mainly responsible for the variations which have taken place in the cost of the Department of Trade and Customs. The amount paid in Old-age and Invalid Pensions is included in Treasury expenditure for every year. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

6. **Governor-General.**—In section 3 of the Constitution it is enacted that, until the Commonwealth Parliament otherwise provides, there shall be payable out of the Consolidated Revenue Fund for the salary of the Governor-General an annual sum of ten thousand pounds, and a proviso is made that the salary of the Governor-General shall not be altered during his continuance in office. The total expenditure in connection with the Governor-General and his establishment for the five years 1911-12 to 1915-16 is as follows:—

## EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1911-12 to 1915-16.

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Salary ... ..	9,973	10,000	10,000	10,000	10,000
Governor-General's Establishment	10,113	6,983	5,118	5,573	4,365
Contingencies ... ..	3,756	4,665	2,697	9,177	9,170
Total ... ..	23,842	21,648	17,815	24,750	23,535 <i>a</i>

(a) See also General Government, § 1, paragraph, 7.

7. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary government of the Commonwealth, including the salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the five years 1911-12 to 1915-16 are furnished in the table given hereunder:—

## EXPENDITURE, COMMONWEALTH PARLIAMENT, 1911-12 to 1915-16.

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Salaries of Ministers ... ..	12,000	12,000	12,000	12,000	13,597
Allowances to Senators ... ..	20,997	20,950	21,004	18,979	21,000
Allowances to Members of House of Representatives ... ..	43,257	39,198	43,745	39,556	43,132
Officers, staff, contingencies, etc. ... ..	30,985	32,873	36,703	36,347	37,746
Repairs, maintenance, etc. ... ..	1,814	3,172	2,808	4,411	6,085
Printing ... ..	16,829	19,341	20,078	21,429	17,817
Travelling expenses of Members and others	10,029	9,252	10,627	10,173	10,458
Insurance ... ..	342	342	342	342	342
Electoral Office ... ..	5,578	6,764	11,716	49,815	49,155
Election expenses ... ..	1,435	82,370	28,252	84,600	1,360
Referendum ... ..	4,183	...	...	...	21,334
Administration of Electoral Act ... ..	39,863	54,441	54,541	57,691	34,687
Miscellaneous ... ..	2,238	558	1,347	5,262	6,684
Total ... ..	189,550	281,261	243,163	340,605	263,397

In section 66 of the Constitution, provision is made that there shall be payable out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of Ministers of State, an annual sum which, until Parliament otherwise provides, shall not exceed £12,000. This was modified in 1915-16, when the Minister of the Navy was given separate Cabinet rank. Allowances to senators and members of the House of Representatives are also provided for in the Constitution, section 48 of which specifies that until Parliament otherwise provides, each such allowance shall consist of £400 a year, reckoned from the day on which the member takes his seat. During the second session of the Commonwealth Parliament in 1907 the question of allowances to members came under consideration, and an Act was passed raising the annual allowance from £400 to £600, such increase to date from 1st July, 1907. This provision is still in force.

8. **Prime Minister's Department.**—This is a new department created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs

Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. The expenditure for the five years of its existence is shewn in the following table:—

**EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Salaries, Contingencies, etc.	4,447	21,685	8,961	11,087	11,906
Executive Council ...	109	128	152	164	137
Audit Office ...	9,454	10,663	12,167	10,943	11,574
Rent, Repairs, etc. ...	761	3,381	2,552	2,829	3,021
Public Service Commissioner's Office...	...	20,683	22,303	23,255	21,252
Miscellaneous ...	92	1,019	36,712	8,364	12,900
<b>Total ...</b>	<b>14,863</b>	<b>57,559</b>	<b>82,847</b>	<b>56,642</b>	<b>60,790</b>

9. **External Affairs.**—Under the control of the Department of External Affairs is placed the expenditure in connection with the London Office, Papua and the Northern Territory. The expenditure in connection with the Northern Territory is exclusive of the Customs and Postal expenditure. Particulars for the five years 1911-12 to 1915-16 are as follows:—

**EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
High Commissioner ...	3,000	3,000	3,000	3,000	3,000
Chief Office ...	15,684	16,486	18,320	17,547	19,263
London Office ...	14,282	21,351	24,606	38,064	28,759
Papua ...	30,280	64,987	60,640	44,126	50,543
Rents, repairs, etc. ...	1,298	1,500	1,466	1,261	1,160
Northern Territory ...	248,758	281,140	335,850	413,436	669,440
Port Augusta Railway ...	119,426	85,965	102,394		
Miscellaneous ...	61,282	65,293	132,698	77,744	68,034
<b>Total ...</b>	<b>494,010</b>	<b>539,722</b>	<b>678,974</b>	<b>595,178</b>	<b>840,199</b>

10. **Northern Territory.**—The Department of External Affairs assumed control of the administration of the Northern Territory from 1st January, 1911, and separate accounts were issued for the first time in the Treasurer's statement for the financial year ending 30th June, 1911. The chief sources of revenue for the year ending 30th June, 1916, were the Customs and Excise, amounting to £21,282, and railways £29,150. The Postal revenue amounted to £7366, whilst the total revenue was £97,180. The chief items of expenditure were as follows:—Postal Department, £18,315; goldfields and mining, £21,506; and railways, £52,395. The total expenditure was £282,188. In addition to this expenditure the Commonwealth is liable for interest on loans and redemption, which for this financial year totalled £464,510. The deficiency for the year was £649,518.

## REVENUE, NORTHERN TERRITORY, 1911-12 to 1915-16.

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Customs and Excise ... ..	12,562	12,337	12,628	13,466	21,282
Credit Balance paid by South Aust. ...	...	24,456	...	...	...
Miscellaneous ... ..	34,120	44,158	61,029	69,599	75,898
Deficiency for year ... ..	364,368	388,658	458,878	391,862	649,518
Total ... ..	411,050	469,609	532,535	474,927	746,698

## EXPENDITURE, NORTHERN TERRITORY, 1911-12 to 1915-16.

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Interest and Redemption ... ..	284,755	227,561	246,271	246,442	464,510
Miscellaneous ... ..	126,295	242,048	286,264	228,485	282,188
Total ... ..	411,050	469,609	532,535	474,927	746,698

11. **Papua.**—The sums shewn in the above table as expenditure in connection with Papua represent the Commonwealth grants towards the cost of administering that territory, as well as certain additional amounts. The ordinary revenue and expenditure of Papua are kept distinct from those of the Commonwealth. Apart from the Commonwealth contribution, the principal source of revenue is the Customs House. Details for the five years 1911-12 to 1915-16 are as follows :—

## PAPUAN REVENUE, 1911-12 to 1915-16.

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Customs dues ... ..	37,751	33,453	37,341	32,244	33,931
Other collections ... ..	13,284	18,882	17,363	19,717	15,380
Commonwealth grant ... ..	30,000	(a)48,000	30,000	30,000	30,000
Total ... ..	81,035	100,335	84,704	81,961	79,311

(a) Including £18,000 for special purposes.

The expenditure for 1915-16 totalled £77,913, out of which £34,874 was spent on the Government Secretary's Department, and £19,357 on the Departments of Agriculture, Lands, and Public Works. The total expenditure for each of the five years 1911-12 to 1914-15 was as follows :—

## PAPUAN EXPENDITURE, 1911-12 to 1915-16.

Particulars.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Total expenditure ... ..	85,636	89,170	81,095	82,535	77,913



12. **Attorney-General's Department.**—The extra expenditure connected with this Department of late years has been brought about in large measure by the extension of the Federal High Court, the total cost of which, including the Court of Conciliation and Arbitration, for the year 1914-15, amounted to £34,623, and in 1915-16 to £40,084. The expenditure on Patents, Trade Marks, Copyrights, and Designs was included for the first time in 1911-12. Details for the five years 1911-12 to 1915-16 are furnished hereunder:—

**EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Attorney-General's Office ... ..	4,449	5,279	6,302	5,852	10,457
Crown Solicitor's Office ... ..	4,829	6,046	7,565	8,371	10,078
Salaries of Justices of High Court ... ..	15,500	16,495	21,500	21,175	21,500
High Court expenses ... ..	6,772	6,839	11,209	9,862	9,947
Court of Conciliation and Arbitration ... ..	4,047	4,690	6,450	3,586	8,637
Rent, repairs, etc. ... ..	3,411	3,745	3,733	4,755	3,412
Patents, Trade Marks, etc. ... ..	23,291	22,768	24,439	23,485	20,579
Miscellaneous ... ..	600	655	1,244	1,380	1,554
<b>Total ... ..</b>	<b>62,899</b>	<b>66,517</b>	<b>82,442</b>	<b>78,466</b>	<b>86,164</b>

13. **Home Affairs Department.**—The creation of new departments such as the Bureau of Census and Statistics, and the Meteorological Bureau, and the extension of the field of operations of the Public Works branch, all of which are grouped for general administrative purposes under the Department of Home Affairs, have led to a considerable increase in the expenditure. The large increase in "Miscellaneous" for 1913-14 was due to an item of £32,916, representing interest on that portion of the Commonwealth Inscribed Stock which was allocated to the expenditure of this department. In 1914-15 the "Miscellaneous" had increased to £131,276, and included £87,019 for interest on Commonwealth Inscribed Stock. In 1915-16 the interest on Commonwealth Inscribed Stock had increased to £97,131, whilst the interest on Treasury Bills was £98,888. The interest charge is heavy, since a large proportion of the general loan expenditure is due to railway expansion. The expenditure on this department is likely to increase materially owing to the extension of Public Works. Particulars for the five years 1911-12 to 1915-16 are as follows:—

**EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Chief Office ... ..	15,684	22,606	26,337	27,381	30,311
Public Service Commissioner ... ..	17,881	(a)	(a)	(a)	(a)
Public Works ... ..	17,192	26,054	11,546	8,885	6,327
Census and Statistics ... ..	68,857	29,886	21,662	15,936	15,796
Meteorological Bureau ... ..	22,389	22,729	23,639	25,614	25,302
Rents, repairs, etc. ... ..	6,111	7,796	12,070	15,874	16,570
Railways ... ..	...	...	...	215,966	275,759
Miscellaneous ... ..	7,514	20,901	57,045	131,276	222,186
<b>Total ... ..</b>	<b>155,628</b>	<b>129,972</b>	<b>152,299</b>	<b>440,932</b>	<b>592,251</b>

(a) Now included in Prime Minister's Department.

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Old-age Pensions Department, and the Taxation Office. The Audit Office was transferred to the Prime Minister's

Department in 1911-12. The statements in previous Year Books, up to No. 5 inclusive, have been rearranged so as to include expenditure on Invalid and Old-age Pensions from 1908-9. The rather large item for "Miscellaneous" in 1914-15 includes the Belgian grant of £100,000. Details of the expenditure of this department for each of the five years 1911-12 to 1915-16 are furnished hereunder :—

**EXPENDITURE, TREASURER'S DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Treasury ... ..	13,708	17,052	22,696	26,291	26,996
Old-age pensions—Salaries, etc.	39,810	42,543	44,942	46,421	42,796
Rents, repairs, etc. ... ..	7,206	7,101	6,294	6,654	17,103
Invalid and Old-age pensions ...	2,143,212	2,288,368	1,881,794a	1,479,963b	2,859,766
Taxation ... ..	60,686	73,452	79,525	78,737	131,089
Maternity Allowance... ..	..	412,375	674,990	694,275	659,745
Miscellaneous ... ..	43,884	69,313	76,793	195,492	80,356
<b>Total ... ..</b>	<b>2,308,506</b>	<b>2,910,224</b>	<b>2,787,034</b>	<b>2,527,833</b>	<b>3,817,851</b>

(a) In addition, £697,471 was spent from Trust Funds. (b) In addition, £1,224,347 was spent from Trust Funds.

15. **Trade and Customs.**—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar and other bounties and the expenses in connection therewith. The administration of Patents, Trade Marks, and Copyright is now entrusted to the Attorney-General's Department. The fluctuations in the total expenditure of this department in recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1911-12 to 1915-16 are given in the following table :—

**EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Chief Office ... ..	12,698	13,582	14,429	16,240	15,986
Customs (ordinary) ... ..	301,278	347,657	341,116	354,205	323,309
Fisheries ... ..	6,688	6,754	7,443	4,447	492
Analyst ... ..	3,235	2,523	3,441	3,441	3,576
Audit (proportion) ... ..	7,057	7,763	8,144	7,427	6,722
Quarantine ... ..	22,973	23,371	44,063	32,057	38,804
Pensions and retiring allowances	12,049	14,099	13,318	16,041	14,524
Rents, repairs, etc. ... ..	17,969	13,371	14,872	15,448	21,067
Sugar bounties and expenses ...	543,503	370,125	149,244	4	...
Bounties ... ..	22,941	18,171	14,304	23,286	6,767
Iron Bonus ... ..	23,048	18,098	51,810	15,072	24,465
Lighthouses... ..	...	...	...	...	86,524
Miscellaneous ... ..	50,950	40,270	68,274	58,650	46,885
<b>Total ... ..</b>	<b>1,024,389</b>	<b>875,784</b>	<b>730,458</b>	<b>551,318</b>	<b>589,121</b>

16. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1911-12 grown to £2,128,649. The largeness of the expenditure for recent years has been in the main the consequence of the new defence

system. The great increase in expenditure of the last two years is, of course, due to the war. Particulars for the five years 1911-12 to 1915-16 are as follows:—

**EXPENDITURE, DEFENCE, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Chief Office ... ..	54,004	74,480	86,191	88,233	46,441
Military ... ..	1,409,398	1,557,443	1,547,921	2,977,903	1,273,885
Naval ... ..	449,701	790,750	979,554		(a)
Audit (proportion) ... ..	1,180	1,298	1,362	2,398	5,486
Pensions and retiring allowances	2,269	1,121	1,103	1,427	363
Rents, repairs, etc. ... ..	46,257	58,746	70,471	79,665	76,744
Miscellaneous ... ..	165,840	128,849	264,120	395,460	109,621
<b>Total ... ..</b>	<b>2,128,649</b>	<b>2,612,687</b>	<b>2,950,722</b>	<b>3,545,086</b>	<b>4,518,534</b> (b)

(a) Now a separate department. (b) Including £3,005,994 war expenditure from revenue.

17. **Navy Office.**—During the financial year 1915-16, the Navy Office, owing to its increasing importance, was separated from the Defence Department and constituted an independent Department. Appended is the expenditure for the year 1915-16, under similar headings to the Defence Department:—

**EXPENDITURE, NAVY DEPARTMENT, 1915-16.**

Chief Office ... ..	£	39,170
Naval ... ..	1,444,521	
Audit (proportion) ... ..	1,166	
Pensions and retiring allowances	899	
Rent, Repairs, etc. ... ..	17,402	
Miscellaneous ... ..	49,160	
<b>Total ... ..</b>	<b>2,324,173</b>	<b>(a)</b>

(a) Including £771,855 War Expenditure from Revenue.

18. **Postal.**—From a total of £4,330,896 in 1911-12, the cost of the Department under the control of the Postmaster-General advanced to £5,358,371 in 1915-16, an increase of £1,027,475. The large amount of "Miscellaneous" since 1911-12 is due, in the main, to the payment of interest on transferred properties, which is discussed in detail later on. Details for the five years 1911-12 to 1915-16 are furnished hereunder:—

**EXPENDITURE, POSTAL DEPARTMENT, 1911-12 to 1915-16.**

Details.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Chief Office ... ..	18,515	20,154	22,506	23,606	21,400
Postal Department (ordinary) ... ..	3,796,157	4,145,803	4,567,895	4,809,672	4,904,839
Audit (proportion) ... ..	2,894	3,184	3,340	3,955	3,670
Pensions and retiring allowances	36,812	42,757	48,400	48,073	53,358
Rents, repairs, etc. ... ..	72,222	84,883	88,884	84,044	92,083
Miscellaneous ... ..	404,296	484,743	425,997	251,924	283,021
<b>Total ... ..</b>	<b>4,330,896</b>	<b>4,781,524</b>	<b>5,157,022</b>	<b>5,221,274</b>	<b>5,358,371</b>

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1915-16 the total expenditure under this heading was £5,940,835, made up partly of £3,000,000 set aside for future payment of Old-age and Invalid Pensions, and partly of £2,940,835 expenditure on new works. Detailed expenditure on new works for the past five years has already been shewn in the table on page 733.

(D) **Subsidy Paid to States.**

1. **Net Revenue.**—As mentioned in sub-section 1 of this section, the Constitution provided under sections 87, 93 and 95 for the payment to the States of all surplus revenue of the Commonwealth, such payment to amount in the aggregate during the continuation of the Braddon clause to not less than three-fourths of the net revenue from Customs and Excise. The expression "net revenue" used in section 87 has been taken to mean the gross revenue less drawbacks and refunds, and less also cost of collection. This view, adopted by the Commonwealth Government, was that indicated by Quick and Garran in their "Annotated Constitution of the Australian Commonwealth," in which they say: "The net revenue from duties of Customs and Excise is the total receipts from these sources after deducting the cost of collection. No attempt was made in the Constitution to define the deductions which may be made in order to arrive at the net revenue; this is a matter of book-keeping, which is left wholly to the Executive Government." In actual practice the statutory three-fourths of net Customs and Excise revenue was ascertained by the Commonwealth Treasury by deducting from the total Customs and Excise revenue (less drawbacks and refunds) the "transferred" expenditure of the Department of Trade and Customs and the expenditure on new works for that department, and taking three-fourths of the result.

2. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1911-12 to 1915-16:—

**COMMONWEALTH SUBSIDY PAID TO STATES, 1911-12 to 1915-16.**

State.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
New South Wales ...	2,046,993	2,178,683	2,248,241	2,287,295	2,297,872
Victoria ...	1,667,657	1,692,121	1,733,229	1,757,891	1,743,467
Queensland ...	761,302	780,051	810,274	831,486	836,743
South Australia ...	511,719	527,151	540,113	542,715	540,649
Western Australia ...	599,991	605,215	613,606	606,900	591,064
Tasmania ...	236,761	(a) 241,709	(b) 247,536	(b) 247,485	(b) 247,200
Total ...	5,824,423	(a) 6,024,930	(b) 6,192,999	(b) 6,273,775	(b) 6,256,995

(a) Not including special grant of £85,000 to Tasmania.

(b) " " " £90,000 " "

In 1911-12, owing to the new system of allotting the Commonwealth subsidy, the amounts received by each State were the smallest for the period under review, but the totals increased in 1912-13, and again in 1913-14. The rate of increase was checked in 1914-15 owing to the departure of the troops, and in 1915-16 four of the States, from this cause, shewed a decrease. The amounts allotted to Tasmania in the last three years are exclusive of the first instalments of the special payment to which reference has already been made (see page 723).

3. **Commonwealth Subsidy per head of Population.**—The following table furnishes particulars concerning the amount of surplus Commonwealth revenue per head of population which the several States received during the financial years 1905-6 to 1909-10, and is of interest in connection with the present financial agreement, under which the Commonwealth pays 25s. per head of population to all the States for a period of ten years, subject to a special arrangement in favour of Western Australia (see page 723).

**COMMONWEALTH SUBSIDY PER HEAD OF POPULATION PAID TO STATES,  
1905-6 to 1909-10.**

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 16 10	1 19 9	2 6 4	2 2 0	2 3 1
Victoria ...	1 14 7	1 16 1	1 18 7	1 11 9	1 13 0
Queensland ...	1 12 3	1 14 10	1 18 1	1 16 10	1 18 1
South Australia ...	1 10 8	1 14 10	-2 1 11	1 16 10	2 2 6
Western Australia ...	3 9 9	3 0 9	2 19 1	2 8 4	2 13 3
Tasmania ...	1 7 5	1 8 2	1 9 6	1 5 6	1 6 3
Commonwealth. ...	1 16 8	1 18 4	2 2 7	1 17 6	1 19 3

4. **Proportion Actually Paid.**—For the period of nine and a-half years from the 1st January, 1901, to 30th June, 1910, the percentage of net revenue from Customs and Excise duties paid to the several States was as follows:—New South Wales, 84 per cent.; Victoria, 80 per cent.; Queensland, 74 per cent.; South Australia, 84 per cent.; Western Australia, 86 per cent.; Tasmania, 78 per cent.

### § 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1916, amounted to £54,098,016, as compared with £36,781,606 for the corresponding date in the year ending 30th June, 1915. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in paragraph 3. Details concerning the various trust accounts contributing to this amount are as follows:—

#### COMMONWEALTH TRUST FUND, 30th JUNE, 1916.

Trust Accounts.	Balance at 30th June, 1916.	Trust Accounts.	Balance at 30th June, 1916.
	£		£
Small Arms Ammunition ...	234,215	Officers' Assurance... ..	2,552
Defence Clothing Material ...	172,363	Defalcations ... ..	162
Small Arms... ..	12,041	Guarantee Fund ... ..	1,018
Unclaimed Militia Pay—Military	8,987	Naval Defence ... ..	60,792
"    "    Naval... ..	153	Repatriation Pacific Islanders	50
Military Expenses ... ..	121	London Liabilities... ..	2,418,882
Deferred Pay—Naval ... ..	252,123	Quarantine ... ..	41
Customs Officers' Overtime ...	990	Other Trust Moneys ... ..	244,644
Money Order ... ..	486,424	Minerals Account ... ..	2,870
International Postal and Money		Australian Notes Account ...	46,679,897
Order ... ..	12,353	Miscellaneous ... ..	404,338
Invalid and Old-age Pensions...	3,103,000		
		Total ... ..	54,098,016

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1916, were as follows:—New South Wales, £1,468,951; Victoria, £51,313,951; Queensland, £521,707; South Australia, £394,225; Western Australia, £208,867; and Tasmania, £190,315.

3. **Australian Notes Account.**—After the passage of the Australian Notes Act, Australian notes began to appear in circulation in December, 1910. For the first half of the calendar year 1911, they circulated side by side with bank notes and Queensland Treasury notes. After 30th June, 1911, the penal clauses of the Notes Act came into operation, and the banks and the Queensland Government began to withdraw their notes from active circulation. By the end of the year the process was virtually complete.



In the financial year 1913-14 the Commonwealth Government called in as far as possible its outstanding advances to the State Governments. The money lent on fixed deposit was taken up as the term expired; and furthermore, the Commonwealth Government, requiring further money for the expenditure on Public Works, etc., induced some of the State Governments to discount a portion of their securities held by the Commonwealth. The money thus obtained was spent in the purchase of further Commonwealth Inscribed Stock, thus increasing the Loan Fund, to which reference is made in the next section. On the outbreak of war the Commonwealth Government agreed to lend to the States (Queensland standing out of the arrangement) the sum of £18,000,000 for the purpose of maintaining the expenditure on Public Works. The bulk of the money, lent to the States from the Note Account, was advanced in pursuance of that undertaking.

#### § 4. Commonwealth Public Debt.

Although it was not until 1915 that the Federal Government appeared before the public as a direct borrower, there has been a Commonwealth Public Debt for many years. It includes several items, such as the balance of the debt taken over from South Australia, the money owing to the States for transferred properties, the Commonwealth General Loan Fund, the loans for military purposes, etc. In view of the recent large expansion of the Public Debt, and its present importance in Commonwealth public finance, the different items are treated seriatim in the sub-sections that follow.

1. **Loans Taken Over from South Australia.**—The first portions of the debt were contracted at the beginning of 1911, when the Commonwealth assumed responsibility for the administration and the liabilities of the Northern Territory and the Port Augusta-Oodnadatta Railway. At 30th June, 1911, the debt on account of the former was £3,657,836, and on account of the latter, £2,274,486, a total of £5,932,322. As the securities fall in they are redeemed by the Commonwealth Government, the money required being taken from the Loan Fund, which was created for this reason, amongst others. This item is thus a constantly diminishing one, and on 30th June, 1916, stood at £4,674,398, of which £2,778,266 was on account of the Northern Territory, and £1,896,132 on account of the railway.

2. **Loan Fund.**—Up to 1911 the Commonwealth Government had met its Public Works expenditure out of revenue. In that year, however, the Commonwealth being faced with the heavy prospective cost of the Transcontinental Railway and the Federal Capital Territory, it was decided to initiate a Loan Fund similar to those of the States. The flotation of this Fund was greatly assisted by the fact that the Treasury at this time held a large quantity of gold, principally on behalf of the Australian Notes Account, at that time only just started. Up to 30th June, 1914, the money required for loan expenditure was taken mainly from this account at 3½ per cent., and inscribed stock of an equivalent value created. Since the outbreak of war the creation of inscribed stock has practically ceased, the money required for the Loan Fund being obtained by the issue of Treasury Bills. The relation between the magnitude of the Loan Fund and the expenditure therefrom is shewn for the last four years in the following table:—

#### SECURITIES CONSTITUTING COMMONWEALTH LOAN FUND AND EXPENDITURE THEREFROM, 1912 to 1916.

Year ended 30th June.	Commonwealth Loan Fund.			Expenditure in year ended 30th June.	Total Expenditure up to year ended 30th June.	Unexpended Balance.
	Inscribed Stock.	Treasury Bills.	Total Receipts.			
	£	£	£	£	£	£
1912 ...	700,000	...	700,000	660,475	660,475	39,525
1913 ...	2,000,000	...	2,000,000	1,188,027	1,848,502	151,498
1914 ...	4,100,000	...	4,100,000	2,155,261	4,003,763	96,237
1915 ...	4,580,000	1,949,319	6,529,319	2,525,556	6,529,319	...
1916 ...	4,580,000	4,808,660	9,388,660	2,859,341	9,388,660	...

The preceding table gives the total expenditure for five years. The details of the expenditure are as follows:—

**COMMONWEALTH LOAN EXPENDITURE, DETAILS, 1912-16.**

Particulars.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Railways Construction—Kalgoorlie to Port Augusta ... ..	...	595,614	1,346,040	1,670,459	1,646,963
Pine Creek ... ..	...	...	126,529	94,392	126,592
Loan Redemption—Port Augusta Railway ... ..	...	168,954	135,627	15,077	923
Northern Territory ... ..	226,000	71,945	...	...	400,000
Payment to South Australia on account of Port Augusta Railway ... ..	34,475	...	...	...	...
Papua—Railways and wharves ... ..	...	...	685	13,042	12,829
Posts and Telegraphs—Purchase of land ... ..	...	...	42,598	84,500	92,712
Construction of conduits ... ..	...	...	258,407	178,142	271,211
Acquisition of Land—Perth (a) ... ..	400,000	19,784	64,887	19,274	113,744
Perth, Western Australia ... ..	...	152,205	...	...	...
Federal Territory ... ..	...	179,525	180,488	36,770	127,537
Defence machinery, etc.; Dockyards, Cockatoo Island ... ..	...	...	...	42,782	66,840
In aid of revenue ... ..	...	...	...	371,118	...
<b>Total ... ..</b>	<b>660,475</b>	<b>1,188,027</b>	<b>2,155,261</b>	<b>2,525,556</b>	<b>2,859,341</b>

(a) Including cost of erection of buildings.

**3. Properties Transferred from States.**—At the time of Federation, when the Commonwealth undertook control of a great many departments which had previously been administered by the States, a great deal of property was handed over to the Commonwealth Government. This consisted mainly of Post Offices, Customs Houses, Defence works, and other buildings necessary to the effective working of the transferred departments. In the early days of the "Braddon Clause," when the Federal Government was spending less than its statutory proportion of the Customs revenue, the question of suitable compensation to the States did not become acute; but, when the "Braddon Clause" was replaced by another arrangement between Commonwealth and States, much less favourable to the latter, the time had evidently come to put matters on a more definite footing. In the Commonwealth accounts of the last five years, certain amounts (independent entirely of the subsidy) have been paid to the States as "Interest on Transferred Properties." These amounts have been substantially based upon a valuation made by the Home Affairs Department, with the following result:—

**ORIGINAL VALUATION OF TRANSFERRED PROPERTIES.**

State.	Department.				Total.
	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	
	£	£	£	£	£
New South Wales ... ..	2,337,316	1,182,003	154,009	1,320	3,674,648
Victoria ... ..	1,332,862	805,389	190,657	1,266	2,330,174
Queensland ... ..	925,628	386,802	202,082	7,356	1,521,868
South Australia ... ..	842,281	161,140	28,486	815	1,032,722
Western Australia ... ..	600,895	64,842	37,714	835	704,286
Tasmania ... ..	214,906	121,490	48,212	143	384,751
<b>Commonwealth ... ..</b>	<b>6,253,888</b>	<b>2,721,666</b>	<b>661,160</b>	<b>11,735</b>	<b>9,648,449</b>

Since the valuation some transfers and retransfers have been made. The estimated value of the transferred properties for the last five years is given in the table in sub-section 7.

**4. War Loan from the Imperial Government.**—On the outbreak of the European war in 1914, the Commonwealth Government contracted a loan from the Imperial Government for the purpose of financing the large military expenditure which was seen to be



inevitable. At first, the arrangement was that the Imperial Government should advance the sum of £18,000,000 in twelve monthly instalments of £1,500,000 each. It was soon found, however, that this would be insufficient, and consequently the Imperial Government made a fresh advance of £6,500,000, also to be paid in monthly instalments. A third loan of £25,000,000 was subsequently contracted for, of which £12,000,000 was received by 30th June, 1916. The total capital debt thus created up to 30th June, 1916, is set out in the following table:—

Authority.	Imperial Loans—Capital Debt created up to 30th June, 1916.			
	Issues, 3½% at 95.	Issues, 4½% at 99.	Issues, 5% at par.	Total.
	£	£	£	£
War Loan Act 1914—£18,000,000 ...	1,263,158	15,454,545	1,500,000	18,217,703
War Loan Act No. 2 1915—£6,500,000 ...	...	5,656,566	900,000	6,556,566
War Loan Act (United Kingdom) No. 2 1916—£25,000,000 ...	...	...	12,000,000	12,000,000
	1,263,158	21,111,111	14,400,000	36,774,269

5. **Flotation of War Loans in Australia.**—In addition to the advances from the Imperial Government, the Commonwealth Government has raised large amounts of money for the prosecution of the war, by direct application to the investing public of Australia. Acts No. 21 and No. 50 of 1915 authorised the Commonwealth to make application for £20,000,000 and £18,000,000 respectively, and in pursuance of these a loan of £5,000,000 was placed upon the market late in 1915, and a further amount of £10,000,000 early in 1916. These issues—unprecedented in Australian finance—were entirely successful, the latter being subscribed twice over, and the former more than two and a-half times. Both loans were issued at par, bore interest at 4½ per cent., and are redeemable on 15th December, 1925. The expenses included a commission of two shillings per cent. to the Commonwealth Bank, commission to brokers at ¼ per cent., and miscellaneous items such as printing. The total cost of flotation, however, was most moderate, amounting only to £85,041, or less than five shillings per cent. of the amount subscribed. The two Acts already mentioned were succeeded by a third, which authorised the Commonwealth Parliament to raise a further sum of £50,000,000. In pursuance of this a third issue was placed upon the market, closing on 1st August, 1916, and subsequently a fourth issue, closing on 8th February, 1917. These issues differ in no material respect from the first two, and the full details for the entire four are appended in the following table:—

#### PARTICULARS OF LOCAL AUSTRALIAN WAR LOANS, 1915-17.

Heading.	1st Issue.	2nd Issue.	3rd Issue.	4th Issue.	Total.
Number of subscribers—	No.	No.	No.	No.	No.
For Inscribed Stock ...	8,603	12,450	13,660	13,657	48,370
For Treasury Bonds ...	10,145	16,495	88,382	53,303	168,325
Total ...	18,748	28,945	102,042	66,960	216,695
Amount subscribed—	£	£	£	£	£
For Inscribed Stock ...	9,581,120	16,271,710	15,417,650	14,565,190	55,835,670
For Treasury Bonds ...	3,808,320	5,383,970	8,169,770	7,011,880	24,373,940
Total ...	13,389,440	21,655,680	23,587,420	21,577,070	80,209,610
Accrued interest ...	221,502	324,170	326,881	254,778	1,127,331
Expenses of flotation ...	34,659	50,382	50,688	45,900	181,629
Total deductions ...	256,161	374,552	377,569	300,678	1,308,960
Net proceeds of loan ...	13,133,279	21,281,128	23,209,851	21,276,392	78,900,650

It will be seen that whilst the expenses of flotation are small, the accrued interest is by no means negligible. Owing mainly to this, the net proceeds to the Federal Government only amount to about 98½ per cent., consequently, when allowance is made for redemption at par, the Government pays about £4 14s. per cent. interest, instead of the nominal 4½ per cent. In view, however, of the advancing rate of interest, this cannot be called excessive.

**6. Australian Notes.**—It is impossible to leave the subject of the Public Debt without a further short reference to the issue of Australian notes. The gold held in reserve in the Treasury has varied from rather more than 30 per cent. to rather less than 50 per cent. of the outstanding notes. Consequently a large proportion of the notes—all of which are payable on demand—is permanently uncovered by gold, and this proportion constitutes an undoubted part of the Public Debt. This item is constantly fluctuating in amount, and financially resembles a bank overdraft on which no interest is payable. Whilst, however, attention has been drawn to this on the ground of principle, no reference has been made to the uncovered notes in the tables summarising the Public Debt which appear in sub-section 7 hereafter. On 30th June, 1916, the value of the notes issued and unredeemed was £45,057,616, against which there was a gold reserve of £16,262,693, leaving an uncovered amount of £28,794,923. In this connection reference may be made to the table on page 742.

**7. Total Commonwealth Public Debt.**—Having given separate consideration to the items composing the Public Debt, it now remains to treat it as a whole. The table appended to this sub-section shows the entire debt of the Commonwealth (apart from the States) at yearly intervals since 1912. The liability on account of the note issue is excluded, for reasons already given, but the liability on account of the transferred properties has been included for the entire period. The Commonwealth Public Accounts do not take cognizance of this item until 1913, but as the debt was incurred, and interest paid for some time previous, it has been inserted in the earlier years for the sake of uniformity.

**PUBLIC DEBT OF THE COMMONWEALTH AS AT 30th JUNE, 1912 to 1916.**

Details.	1912.	1913.	1914.	1915.	1916.
Balance of loans taken over from South Australia—	£	£	£	£	£
(a) On account of Northern Territory ...	3,431,836	3,359,891	3,359,891	3,359,891	2,778,266
(b) On account of Port Augusta railway ...	2,240,011	2,071,058	1,935,431	1,920,354	1,896,132
Value of properties transferred by States ...	9,648,449	9,648,449	9,787,011	10,777,161	10,781,797
Amount of Commonwealth Loan Fund—					
(a) Inscribed Stock ...	700,000	2,000,000	4,100,000	4,580,000	4,580,000
(b) Treasury Bills ...	...	...	...	1,949,319	4,808,661
War Loan from British Government ...	...	...	...	14,842,105	36,774,269
Commonwealth Internal Loans	...	...	...	...	34,965,430
Accrued Deferred Pay, A.I.F.	...	...	...	...	4,759,730
<b>Total ...</b>	<b>16,020,296</b>	<b>17,079,398</b>	<b>19,182,333</b>	<b>37,428,830</b>	<b>101,344,285</b>
<b>Commonwealth Debt per capita</b>	<b>£3 8 7</b>	<b>£3 11 2</b>	<b>£3 17 11</b>	<b>£7 11 6</b>	<b>£20 13 5</b>

The debt has increased most rapidly since 30th June, 1916, on account of the further monthly instalments of the British War Loan, and the last two issues of the Australian War Loan, to which reference has already been made. On 31st March, 1917, it stood at £161,294,712.

It will be noticed that the amount of the Commonwealth Internal Loans does not quite agree with the totals of the first and second issues in the table on page 745. This is owing to the fact that stock to the amount of nearly £80,000 has been presented as payment of Estate Duty, and cancelled. The amount of £34,965,430 is the balance of the first two issues.

8. **Place of Flotation.**—The loans taken over from South Australia, which constituted the first portion of the Federal Public Debt, included both London and Australian securities. The presence in the Treasury of a large holding of gold, and the moderate rate of interest ruling on gilt-edged securities, made the conditions in 1911, and for some little time afterwards, very favourable for the flotation of local loans. London securities were redeemed as they fell due, and replaced by the  $3\frac{1}{2}$  per cent. stock of the Loan Fund. Consequently, up to 1914 the amount of the securities repayable in London fell steadily, and the amount repayable in Australia rose rapidly. In 1915, however, the military loan from the Imperial Government caused a sharp rise in the amount of the securities repayable in London, which was maintained in 1916. Appended is a table shewing particulars of the loans of the Commonwealth for six financial years which have been floated in London and Australia respectively. A separate column is reserved for the transferred properties, which, for obvious reasons, it is impossible to allocate:—

#### COMMONWEALTH PUBLIC DEBT.—LONDON AND AUSTRALIAN FLOTATIONS.

Year ended 30th June—	Payable in—		Value of Transferred Properties.	Total.
	London.	Australia.		
	£	£	£	£
1911 ... ..	3,815,502	2,116,820	9,648,449	15,580,771
1912 ... ..	3,815,502	2,556,345	9,648,449	16,020,296
1913 ... ..	3,646,548	3,784,401	9,648,449	17,079,398
1914 ... ..	3,510,921	5,884,401	9,787,011	19,182,333
1915 ... ..	18,337,949	8,313,720	10,777,161	37,428,830
1916 ... ..	40,063,440	50,499,048	10,781,797	101,344,285

9. **Rates of Interest.**—When the first debt was taken over from South Australia it consisted in the main of a mass of securities varying from 3 per cent. to 4 per cent., the average rate of interest for the first year being £3 12s. 4d. For the first three years the increase in the debt was due almost entirely to the expansion of the  $3\frac{1}{2}$  per cent. stock of the Loan Fund, and as a consequence the average rate of interest fell steadily, until on 30th June, 1914, it stood at £3 11s. 10d. Then came the loans for military purposes, and the fall in the average rate will in future be checked, since there is not likely to be any further borrowing for some time at a rate of less than  $4\frac{1}{2}$  per cent. In fact, the influence of the heavy borrowing of 1915-16 at high rates is already reflected in the average rate of interest, which rose during that year by more than  $\frac{1}{2}$  per cent. It is notoriously difficult to forecast the future of the rate of interest, but the influence of the large Imperial War Loan of 1915 on gilt-edged securities has been so far-reaching, that in all probability during the next decade the average rate of interest on the Federal Public Debt will rise.

The accompanying table gives full particulars concerning the interest for the five financial years ended 30th June, 1915.

## RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1912 to 1916.

Rates of Interest.	Year ended 30th June—				
	1912.	1913.	1914.	1915.	1916.
%	£	£	£	£	£
Not bearing interest ...	...	...	...	...	4,759,730
3 ...	35,612	35,612	35,612	35,612	35,063
3½ ...	10,520,206	11,820,206	14,058,768	30,371,023	16,796,712
£3/12/3 ...	1,124,929	884,031	748,404	748,404	720,411
3¾ ...	1,798,383	1,798,383	1,798,383	1,798,383	1,999,758
4 ...	2,541,166	2,541,166	2,541,166	4,475,408	7,156,070
4½ ...	...	...	...	...	56,076,541
5 ...	...	...	...	...	14,400,000
Total ...	16,020,296	17,079,398	19,182,333	37,428,830	101,344,285
Average rate of interest	£3 12 3	£3 12 1	£3 11 10	£3 11 6	£4 2 10

10. **Dates of Maturity.**—It is now possible to append a table, giving the dates of maturity of the several portions of the Commonwealth debt. The Commonwealth Government has refrained from issuing a large amount of terminable stock, although as regards about one-third of the debt no definite date of maturity had been assigned on 30th June, 1916. It will be noticed that nearly £35,000,000 falls due in one year—1925—but doubtless suitable arrangements can be made for renewal.

DUE DATES OF THE COMMONWEALTH PUBLIC DEBT OUTSTANDING ON  
30th JUNE, 1916.

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1916 ...	27,389	1926 ...	66,801	1972 ...	4,580,000
1917 ...	341,639	1927 ...	4,645	Indeter- minate Indefinite	33,811
1918 ...	134,897	1928 ...	1,263,158		
1920 ...	176,714	1930 ...	750,950	Total ...	101,344,285
1921 ...	47,100	1935 ...	83,051		
1922 ...	125	1936 ...	583,769		
1924 ...	1,553,952	1939 ...	859,755		
1925 ...	34,975,230	1945 ...	21,111,111		