



The 1910s

LAYING THE FOUNDATIONS



CHAPTER ONE: The 1910s

Laying the foundations

Tax was a big topic during the 1910 federal election campaign, part of the process of creating a new and modern nation. Australians already paid tax through the indirect customs and excise duties that were collected on many imported and locally manufactured goods, but the proposed new tax would be collected directly from many large landholders to help lift the new country out of its old, colonial ways. That, at least, was the way the Labor Party explained its proposed land tax as it approached the election.⁶

Colonial government had risen and fallen on their policies of high or low customs and excise charges, and the new Commonwealth parliament had also begun with the same debates. However, the emergence of the Labor Party after the 1906 election changed that, and by the time of the 1910 election the old colonial politicians found themselves united in the face of new and radical Labor policies. During the colonial period a number of landholders, many of them living in Britain, had built up vast landholdings in Australia but, while many colonial politicians said that was good for the country because it kept British investment here, the Labor Party disagreed.⁷

Labor had already had some success in forcing its opponents to introduce old age and invalid pensions in July 1909 but its major policy was to develop Australia by increasing the nation's population of around four million by opening the land to closer settlement. This could only be done if the large estates were broken up through introduction of a tax that encouraged their owners to sell. The income from that tax would also be useful in helping to pay for services like pension schemes, immigration and defence, and would spread wealth more evenly across the Australian community.⁸

Prime Minister Deakin opened the election campaign in February 1910 in his electorate of Ballarat and then set off on a hectic tour that took him up into Queensland and back to his electorate before the election on 13 April. It was a long and exhausting campaign, travelling 7,000 miles by train and spending a day or two in an electorate supporting the local candidate before moving on. The Labor Party's two most popular politicians, Fisher and Hughes, also embarked on similar tours. In 21st century Australia their election tours seem small and slow, but remember what Australia was like in 1910.⁹

Distance and isolation were major facts of life. The railway and the telegraph were the main means of transport and communications and the only way to reach Western Australia was by ship because the transcontinental railway line had yet to be built. The telephone and the motor car were novelties to most people and most roads were still unformed bare dirt, wireless was in its infancy and the first successful aeroplane flights in Australia took place during the election campaign.¹⁰

There were only two ways of spreading the political message, in person and through the press. There was a printing press and at least one newspaper in almost every town and city and they printed the news about speeches and election events from around the country. There was no radio or television so politicians had to appear in person before their electors. They hired public halls, stood on balconies or the backs of trucks in the street, or stood on a box on a street corner to speak. Deakin was the most popular anti-Labor politician so he appeared in as many places as he could and spoke to as many people as possible. Fisher and Hughes also travelled widely and spoke as often as they could. Microphones and amplifiers had yet to appear so meetings were easily disrupted by men with ‘mouths of brass and lungs of iron’ who shouted down speakers and made it impossible for them to be heard.¹¹

Rowdy democracy

During the election campaign many meetings were disrupted by interjectors. This is the report of only a few moments on one evening.

During a temporary lull, the chairman shouted, “Officer, remove that man”. The noise became worse if possible, vindictive yells being added to the general uproar. Men rose all over the hall, shaking their fists at the chairman, and shrieking defiance at him. A black-bearded senior-constable bore down on the disturber, and conducted him from the hall, to a chorus of boo-hoos and shouts, all of which were drowned in the Labour count of “One, two, three, four, five, six, seven, eight, nine, ten,” and then as constable and disturber reached the door a stentorian “Out!” and yells of laughter. The disturber waved his one free arm, and continued to shout his original defiance, whatever it was.

It was some minutes before order was partially restored, and Mr McPherson tried to continue his explanation of the Interstate Commission. A red-faced man, and a striking pallid man, in one of the galleries kept up a running fire of interjections. By direction of the chairman, a constable moved up, and stood between them, whereupon, they lapsed into sudden silence. There were, however, only three constables in the hall, and some hundred interjectors.¹²

Australia, with its national capital temporarily in Melbourne, was a proud member of the British Empire that was at its peak. Australian school children learned geography from a map of the world on which the red of Empire countries circled the globe and Australians travelled under British passports. Many Australians thought of themselves as being British and wanted to keep their country that way, so one of the earliest acts of the first Commonwealth parliament was to pass restrictive immigration legislation to keep out anyone with coloured skins, creating the 'White Australia Policy'. There were Aboriginal and Torres Strait Islander peoples, the original inhabitants, and Chinese and Pacific Islander immigrants already in the country but they had been marginalised so, in Australian cities and towns, most faces were white and the only language heard was English.

Despite this uniformity there was a great divide between men and women. Traditionally women stayed at home to tend their families and men went out to work to provide for them. In addition, housework was hard physical work and cooking was time consuming because there was little in the way of prepared foods. Women were excluded from most areas of economic, cultural and political life. Some occupations were open to women but only in closely restricted fields and at much lower wages so, at the end of 1914, the average weekly wage for a man was £2 15s 7d and for a woman £1 7s 5d. The fact that women were allowed to vote in 1910 showed that, despite these beliefs, Australia was an advanced democracy.¹³

Women were highly visible during the 1910 election campaign but only one woman, the famous suffragist, Vida Goldstein, stood for election and ran her own election campaign of public meetings, supported by other women of like mind. She said that in time women would play an important place in Australia's political life, but she was not elected.¹⁴

More than 2.3 million Australians over the age of 21 were registered to vote, but voting was not compulsory and preferential voting had yet to be introduced. When polling booths closed at 7.30pm people gathered where news of the results was available, usually outside newspaper offices. By 10pm the crowds were huge and outside *The Argus* building in Melbourne the gathering stopped the trams from running. Sections of the crowd cheered as news of their party's successes came in, but fairly early in the night it became clear that Labor had won a comfortable majority in both houses of parliament.¹⁵



A huge crowd gathers outside the office of *The Sydney Morning Herald* on election night in 1910, the only way of following the count on the night. (National Library of Australia)

The new Labor cabinet began meeting in mid May to plan its legislative program and the new land tax was high on its agenda. However, the first tax the government introduced was the *Bank Notes Tax Act 1910*, which supported its policy of national development by introducing an Australian currency. It placed a 10 per cent tax on bank notes that had previously been privately issued and the new national currency began appearing in December 1910. At first the notes were existing bank notes overprinted by the government and only a few of the original bank notes remained in circulation by March 1911 when the tax went into operation.¹⁶

The new land tax legislation took more time to prepare and took the form of two Acts of Parliament, the *Land Tax Act 1910* that was given assent on 16 November and the *Land Tax Assessment Act 1910*, that was assented to on 17 November 1910. The new legislation's main provision was a graduated tax on the unimproved value of land that applied for the total value of land owned by absentees and applied to the value of the land minus the first £3,000 for non-absentees. A Commissioner of Land Taxation was appointed to administer the legislation and an office under the direction of the Commissioner was created as a branch of Treasury. This office has gone under several names during its history including Federal Taxation Office, Commonwealth Taxation Office and Australian Taxation Office. For sake of simplicity and continuity they are all called the Australian Taxation Office or the ATO in this history.¹⁷

The land tax becomes law

After long weeks of debate in the Senate, the land tax legislation eventually came back to the House of Representatives for approval.

Melbourne, Wednesday.

The House of Representatives renewed acquaintance with an old friend today, when they considered the Senate's amendments of the Land Tax Assessment Bill. It was, perhaps, superfluous, for the Attorney-General to inform members that the amendments were purely formal. Everybody who has watched the progress of the bill through either House knows that only formal and unimportant alterations were permitted by the Government ...

A general discussion took place on the subject, and it looked as though the debate would last for hours. Mr. Hughes had given up hope of forcing a division, and had sat back to let the dissenters tire themselves, when all of a sudden the stonewall collapsed, and, strange to say, it was a little child who pushed it over. Mr. Roberts was in the middle of a tirade against clubs when a merry "Ha, ha," rang through the Chamber. Mr. Roberts went on, and once again came "Ha Ha" and the Chairman glowered. The Sergeant-at-Arms looked round at the strangers' gallery, and members strained their necks to see who had the impudence to openly laugh at Mr. Roberts. There was a brief silence, and then "Ha Ha" again. This time the source of laughter was traced. It proved to be the infant son of Mr Catts who, with his mother, was in the gallery. The incident caused much merriment, and Mr Roberts was so overcome that he sat down. The other stonewallers were so busy laughing that they forgot to take the floor, and before they recovered the bells were ringing for a division.¹⁸

Sixty people applied for the position of Commissioner and George McKay was appointed to it on 11 November 1910. He was a highly regarded and experienced public servant who had joined the New South Wales Public Service in 1877 and risen to become the chief executive officer of the Department of Mines. He became a Commonwealth Public Service Inspector in 1901 and was appointed to the New South Wales Public Service Board in 1910, a position he held when he was appointed the Commissioner of Land Taxation.¹⁹

McKay's first tasks were to plan the administrative system for the new tax and to participate in the selection of his deputies for the branches to be established in each state. This was necessary because problems of distance meant each state branch would have to operate almost autonomously from McKay's control and his deputies would have a great deal of individual power. Many people would have to pay tax on land they owned in more than one state so he also established a central office in Melbourne to handle those cases. The first Deputy Commissioners were appointed on 12 December 1910 and vacancies for the first 33 tax officers, clerks and valuers, were advertised in early January. A number of public servants were brought in from other departments to help set up the ATO and other staff were appointed as they were required and became available. At first the ATO employed temporary valuers because it was very difficult to find men with the necessary experience but small teams of experienced valuers were gradually built up in each state.²⁰



George McKay, first Commissioner of Taxation

Commissioner McKay and the Deputy Commissioners met in Melbourne from 12–22 December 1910 to plan how the land tax would be administered and collected. To meet the government's requirement that the tax would be collected before the end of June 1911 they planned that the first returns would be due by 1 March 1911 so assessments could be sent to taxpayers by 21 April.²¹

The first land tax return forms were issued on 10 January 1911, a 'formidable-looking document of blue paper' on which landholders had to provide all the information required so they could be assessed for their land tax liabilities. There was also a sheet of instructions to help taxpayers understand and comply with the act that included a description of the penalties for failure to send in a return or make a false return (£100), a fine of 10 per cent of the tax for late payment and up to £500 and three times the tax evaded for under-valuing property.²²

Landholders complained bitterly when the forms were issued. They said it was a bad tax that would drive pastoralists from the land and bring ruin to the nation. British land holders said that the tax would force them to take their capital out of Australia and invest it somewhere else. The Labor government listened politely but continued with the tax.²³

More serious were the complaints that the land tax was unconstitutional and its collection illegal. Within a month a case against the tax was mounted in the High Court but, at the end of May 1911, the Court found the tax was constitutional. Another High Court challenge against the general principal of the land tax followed but it was also unsuccessful, followed by a series of challenges to various details of the act to test the legality of parliament's framing of the law. In this way the act and its meaning were gradually developed because the government could amend the law if it was unhappy with a court decision or if problems emerged in the tax's administration. Regular amendments to tax legislation soon became a common part of the tax administration's work.²⁴

Land valuations also brought loud complaints. Landowners filling in their returns had to state the value of their land and when the ATO valuers assessed those returns they could reject those values if they did not agree with them. Landowners could object to the changes and this became the most contentious aspect of the new tax so, by mid 1913, the ATO had received over 1,800 appeals and objections, most about land valuations. In many cases where the landowner and ATO could not agree the matter had to be decided in court. It was a costly and time consuming business but some decisions also helped clarify interpretations of the law and made it easier to reach agreed valuations in later cases.²⁵

The valuation process might have been made simpler by creating a system of common valuations across Australia at local, state and national levels. It was discussed by a conference of State Treasurers in 1914 and a conference of State and Commonwealth tax officials in March 1917 but they could not reach an agreement. Despite this the ATO received help from state taxation offices, lands departments and registry offices which provided information to verify taxpayer returns. The Commonwealth Attorney-General's Department assisted with legal advice on interpretations of the tax law, the Commonwealth Statistician prepared tables used to calculate valuations and tax liabilities and the government printers prepared reports, return forms and other material.²⁶

50,000 calculations

Before the introduction of modern calculating machines most tax was calculated using 'ready reckoners', voluminous tables prepared in advance to make it simple to calculate tax and prepare assessments. However, preparing these tables was far from simple.

The amendment of the rate of tax necessitated the compilation of a new Ready Reckoner, showing the amount of tax at the amended rate payable on any taxable value.

The basic principles of this compilation were obtained from the Commonwealth Statistician, whose assistance in this respect is much appreciated. From the basic principles the Ready Reckoner was compiled by Mr C M Walsh, the Land Tax Officer in charge of the compilation of statistics. The work was of great magnitude, but it was carried out by Mr Walsh and his assistants very rapidly and satisfactorily.

Although the compilation necessitated about 50,000 separate calculations, the new Ready Reckoner was completed in manuscript in five weeks after the Parliament had passed the Act amending the rate, and it was issued to the public three weeks later. It was used for the computation of tax for the financial year 1914–15.²⁷

In its first year the ATO employed 105 staff and assessed about 15,000 land tax returns. The peak workload occurred in the period between the arrival of the first land tax returns and when the assessments were completed and sent out, although the work of valuation, revenue collecting, statistical analysis and handling appeals was spread across the rest of the year. The ATO also put a lot of effort into informing the public by talking to taxpayers who visited the enquiries counters in its offices and by answering letters and assisting the press with information, the only ways of communicating with the public at the time. In the first year or so the ATO tended to be lenient with people who were late with returns or in paying their tax but McKay later became frustrated by the laxness of many people and began enforcing the law more strictly unless there were good reasons for delays. If some people found it difficult to pay their taxes the Commissioner could offer relief if the circumstances seemed to warrant it, and this became necessary during the drought of the middle of the decade.²⁸

In the first three years land tax revenue was around £1.3 to £1.4 million a year. In the first year the percentage of the cost of collection against what was collected was 1.22 per cent because the ATO had not begun operating at full capacity; in the following two years it was 4.09 per cent and 5.78 per cent. While land tax began to make a useful contribution to Commonwealth revenue it was debatable whether it had done much to break up the large estates for closer settlement, and the statistics did not paint a clear picture of what had happened. Some landholders used technicalities in the Act to reduce their tax liability by doing things like selling portions of their land to relatives, partners or companies to take them below the taxable threshold and in many cases the cost of the tax was shifted to purchasers or tenants.²⁹

The first tax day

Taxpayers leaving things to the last moment has always been a fact of life for the Tax Office.

A large sum was received at the office of the Federal land tax commissioner (Mr McKay) yesterday, the last day for the receipt of taxes. In the morning there was not a great rush at the counter, but the cheques paid represented a very substantial amount. The highest individual sum was £15,000, while another cheque represented £11,000. All yesterday afternoon people hastened to the pay office, and at intervals there was such a crush that business was materially delayed. At every delivery of the mail departmental officers were presented with a large bundle of letters, most of which contained cheques. A computation of the receipts will not be made till tomorrow, but an indication of their magnitude can be judged by the fact that the receipts for the two days preceding yesterday amounted to £172,972. Those who have failed to pay are liable to a penalty equal to 10 per cent of the amount of their tax. However, in many cases the commissioner will recommend to the Minister that the penalty be not exacted. Many assessments have required alteration, as the result of recent particulars supplied to the department, but, in consequence of the great amount of work necessarily performed by the land tax officials during the past few days, some of the proper assessments have not been made available. In order to escape the possibility of being fined, a number of people forwarded taxes due on the first assessment. When the assessments are revised refunds will be made to taxpayers who have been overcharged.³⁰

By 1914 many of the early problems in administering the land tax had been resolved and the ATO began to settle into a routine. However, the Labor Party returned to power

in September after a period in opposition with the promise of a new tax intended to redistribute wealth by taxing deceased estates. McKay's Land ATO was given the administration of this new tax which came into effect on 21 December 1914 with the granting of assent to the *Estate Duty Act 1914* and the *Estate Duty Assessment Act 1914*. It was a relatively simple tax to administer, in comparison to the Land Tax, because reporting deaths and valuing estates already took place and the states made that information available to the ATO so no new staff were required to administer this new tax.³¹



The ATO's first officials, circa 1915.

Left to right, back row: L Roche, S McKellar White, A Bergin, A Hampton, H James, RW Chenoweth, G Garcia, HF Whitlam.

Centre row: DM Ray, FW Rose, R Ewing, GA McKay, JS Eastwood, MT Keely, H Brodribb.

Front row: H Storey, L Adams, T Ryan. Notable are GA McKay, first Commissioner of Taxation; R Ewing, second Commissioner of Taxation; S McKellar White, later Deputy Commissioner for Queensland; RW Chenoweth, later Deputy Commissioner for Victoria; HF Jones, later Chief Commissioner of Commonwealth Police; and HF Whitlam who became Solicitor General and whose son Gough became Prime Minister in the 1970s.

In August 1914 the tensions that had built up between the most powerful nations in Europe erupted into World War One. Australia mobilised in support of the British Empire and before the end of the year the first contingent of Australian soldiers had arrived in the Middle East. On the verge of war the Labor Party promised that Australia would stand beside the British Empire 'to our last man and our last shilling'³² and its leaders strove to keep their word when the party was elected to power shortly afterwards. By the end of the war Australia had sent almost 332,000 men overseas

and 61,508 had been killed, and had spent £188.43 million on the war. Just as costly was the rift in Australian society over whether young men should be conscripted for the war that resulted in two bitterly fought conscription referenda in 1916 and 1917 that not only split the nation but also split the Labor Party. Prime Minister Hughes took some other Labor leaders across parliament to join his former enemies in a 'Win the War' party, which later became the Nationalists.³³

In 1914 the government expected the war would not last long and that it could raise the necessary revenue by increasing customs and excise duties and increasing land tax by lifting the rate at which it was assessed and extending its scope to include crown leases. This caused public outrage that resulted in a Royal Commission in 1919 that reported in favour of land tax on crown leaseholds. However, by mid 1915 an end to the war seemed far off with Australian soldiers bogged down at Gallipoli and the horror of the Western Front consuming men and money at an alarming rate. To make matters worse, imports had declined, leading to a reduced income from customs duties so that the government needed new sources of revenue.³⁴

In August 1915 the government announced that it would introduce an income tax to help raise more revenue. Commissioner McKay was given the responsibility for collecting it and became Commissioner for Taxation as well as for Land Tax. The states already had income taxes so this new one increased the tax burden and inconvenience to the community, so when the Commonwealth government began drafting the new legislation it tried to make it as compatible as possible with state income taxes. However, there was so much variation between the various state acts it selected the best features of various state laws and some overseas laws in drafting its new legislation.³⁵

The *Income Tax Assessment Act 1915* was a relatively simple document of only 22 pages that was given royal assent on 13 September 1915. The government needed the money quickly so the ATO had to set up the organisation to collect the tax in only a few months. New systems had to be designed, new forms drawn up, new staff recruited and trained and the public informed about how the new tax affected them. Some of the big problems included finding new staff who were equal to the work, finding office space for them and tables and chairs for them to use. The ATO began planning in August while the legislation was being drafted, aware of the rapid expansion it would soon face, but accommodation was scarce and in Melbourne tax officers inspected old factories and warehouses that were dirty, smelly and cold and could find only a floor and a bit of suitable space in the city in Elizabeth House. The situation was similar in Hobart and Sydney. The other problem was in getting suitable people with the necessary qualifications and experience, so to begin with the ATO had to employ unsatisfactory temporary assistants. Another problem that soon emerged was that although most state governments were willing to help

the Commonwealth with land tax information, the secrecy provisions of most state income tax laws prohibited them from supplying the Commonwealth with information about incomes.³⁶

The strain on McKay was immense and he frequently worked long into the night. In May 1916 he contracted a heavy cold while his strength was low and pneumonia followed. There were no antibiotic drugs to help him and he died on 14 July 1916. His administration of the land tax had been widely praised and his kindly nature and firmness in dealings with colleagues, business people and taxpayers of all descriptions had won him their warm regard. His standing in the public service was shown by the pallbearers at his funeral who included the Federal Treasurer, Comptroller-General of Customs, Interstate Commissioner and Commonwealth Statistician. The high standards he set continued to motivate the ATO and his successor wrote with pride, 23 years later, that McKay's high standards and lofty spirit of good administration still remained active throughout the ATO. A year after his death the ATO erected a grey granite monument to McKay's memory in the Brighton Cemetery in Melbourne.³⁷

Robert Ewing acted as the Commissioner for over a year until he was permanently appointed to the position in September 1917. He had worked in the New South Wales public service, joined the Commonwealth public service and then the Land Tax Branch in 1911 where he became the Deputy Commissioner in Victoria. He had seen the toll the position took on McKay and within a month of his appointment he asked the government to appoint an Assistant Commissioner to help reduce the workload on him that was 'so great that I am unable to cope with it even by continuous night work'. AF Twine was appointed the first Assistant Commissioner (later called Second Commissioner) in November 1917.³⁸

In search of even more money to help finance the war the government introduced three new taxes in 1917; an entertainments tax that came into operation on 1 January 1917, a wartime profits tax that began for the financial year 1917–18 in September 1917 and a bachelor tax that raised such bitter protest that it was never put into operation and repealed in 1918. Administration of these taxes was given to the ATO. The wartime profits tax was a complex piece of legislation that levied a tax on the difference between the profits a company might have made had the war not occurred and the profits it made because of the economic stimulus of the war, so the technical provisions of the legislation made it difficult to administer and open to objections and appeals.³⁹

The entertainments tax was much simpler, being a halfpenny tax on the price of admission over sixpence to entertainments such as picture shows, theatres and races. The tax was collected by the proprietor and paid to the ATO but there were problems in collecting it, particularly in places remote from the large centres of population or from those who



The entertainments tax section of Melbourne branch, c.1919.

thought to keep the tax for themselves rather than hand it over. Like the other taxes it was introduced quickly and ran into early problems but, by 1918, it had settled down to a system of stamped tickets which made the tax easier to enforce and collect.⁴⁰

Introducing these new taxes and developing the complex administrative systems needed for them were made more difficult by the distances that separated the state branches from each other and from the Commissioner. When new systems were introduced the states tended to interpret instruction in different ways that resulted in them doing things differently. The Commissioner could not travel to all the branches to solve these problems so he began writing to his Deputy Commissioners asking them about how their new systems operated. From their replies he usually decided which system worked best and asked the other branches to adopt that process. However, he had little day-to-day control over the branches and Deputy Commissioners often continued to do what suited them best.⁴¹

During the war many taxpayers felt it was their patriotic duty to pay more than their assessed tax. Some were not legally obliged to pay tax but did so and others made payments of double, treble or even quadruple the assessed amounts. Most people simply did what the law required of them without fuss or complaint, passing through the taxation system without trouble. The ATO had a range of procedures for those who did not meet their obligations, starting with circular letters or notices in newspapers for the majority of people who failed to comply through forgetfulness.

Those who still failed to comply were dealt with more severely and in 1917 ATO staff began launching the first prosecutions against them. However, before it started staff conducted a careful search of its records to ensure returns had not been misfiled because, for example, handwriting was so bad that the name on a return had been misread. More staff had to be employed for this work and to conduct the prosecutions that followed. In the year to June 1917 legal action was taken against 325 cases for taxes worth £1,600 and £61 in costs.⁴²

Taxpayers and the war

By 1918 the long war had begun to affect people going to pay their tax.

A taxpayer who went to the Old General Post-office, at the corner of Elizabeth and Bourke streets, to pay his Federal income tax, desired to be taken to the office in the lift. He was informed, however, that this could not be, because the lift was reserved for persons who wished to transact postal business. While climbing the stairs he passed an elderly woman, who complained of similar treatment. It was represented to the taxpayer that this restriction on the use of the lift was due to motives of economy. The taxation department is only a tenant at the General Post-office, and by reason of that fact taxpayers must submit to inconvenience.⁴³

The story continued the next day:

Following an item in *The Argus* that persons who wanted to pay Federal income tax at the old General Post-office building had been refused admittance to the lift because it was reserved for persons who wished to transact postal business, an official reply was given yesterday that the taxation department occupied the whole of the first floor of the building. For some months past it had been necessary to economise in the use of lifts owing to the scarcity of supplies of rope for renewal purposes. In the new General Post-office, and similarly in the Elizabeth street postal building, the lifts had not for some months past been used for the first floor, and it was understood that this practice was almost general in the principal buildings in Melbourne. The practice followed at the Elizabeth street building was therefore adopted generally for the purpose of conserving the life of lift ropes, and there was no discrimination whatever between the classes of passengers carried. Directions had been given by the Minister that aged and infirm persons were to be accommodated in the lift when desiring to visit the Taxation Department.⁴⁴



The overcrowded working conditions of the records section in Melbourne, c.1919.

Rapid introduction of the new taxes put the ATO under enormous stress. In the early days of land tax the ATO had employed 105 people but by the end of the decade it employed 1,565. Among the most serious problems it faced was accommodating the rapidly-expanding staff and storing the growing volume of tax files and other paperwork. In Brisbane and Sydney some accommodation was found in the new Commonwealth Bank buildings and in Melbourne, the ATO occupied two buildings including the upper storeys of the General Post Office. In Sydney in 1917 more accommodation had to be found for staff to administer the new taxes and another floor was rented in the Warwick building. The rapid increase in staff meant that by the end of the decade working conditions in most offices were cramped and unhealthy and sharing buildings with other tenants brought problems such as the security of documents and, in Sydney, the loud sound of machinery on the floor above making it difficult for staff to concentrate on their work.⁴⁵



The assessing section, Melbourne, c.1919.

Introduction of the new taxes also put staff under great pressure. In 1915–16, the first year of the income tax, 391,397 returns were received and had to be assessed between January and May 1916 so the tax could be collected by the end of the financial year. A large number of temporary staff were employed to do the work but the tight deadline meant they only issued temporary rather than final assessments that had to be revised later. In 1916–17, the second year, 410,847 returns were received but the ATO could not start until parliament passed amendments to the legislation and it only had time to issue temporary assessments again to meet the deadline. The ATO did not want to go through that again so, in the third year, it went ahead with assessments in the expectation that parliament would pass amendments to the tax legislation. However, the amendments were not passed so it was necessary to redo about 100,000 assessments. This workload was increased by many objections to assessments, 2,581 in the first year and 2,678 in the second, as well as the introduction of new taxes in 1917 that put an even greater strain on ATO resources.⁴⁶



Women in the correspondence section in Melbourne, c.1919.

Finding satisfactory staff was a major problem. The biggest difficulty lay in finding men with a knowledge of accountancy and auditing, and the ability to analyse complex problems and do the highly technical work of assessing tax returns. The heavy drain on manpower as young men, including many Tax Officers, went to fight in the war made this problem more difficult. A short term solution was to recruit temporary staff but that was unsatisfactory so the ATO began building up a permanent and properly trained staff by recruiting younger men and training them in the work and encouraging permanent officers to study accountancy so they were equipped to become assessors.⁴⁷

These problems also forced the ATO to employ women for the first time around 1917. Most did routine office work but some permanently-employed female clerical officers became temporary assessors, with 'most gratifying results'. Women remained a permanent part of the ATO workforce when the war ended and men returned to the office, but they were employed in the most lowly positions specialising in work such as typing and filing. Public service policy said women had to resign when they married so management was not willing to invest in training them for higher positions.⁴⁸

The unguarded tongue

Commissioner McKay reminds his staff of their commitment to secrecy.

Melbourne, 27th April 1916

The Deputy Federal Commissioner of Taxation

Use of intoxicants

On introduction of the Income Tax Acts it became necessary to largely supplement the staff by temporary assistance. In some cases it has been necessary to caution officers, and in others, to dismiss them for intemperate habits. It is necessary for all officers to keep a strict guard over themselves in this connection.

This Department is the custodian of public credit and the information in its keeping must be regarded as absolutely confidential. Over-indulgence in intoxicating liquors often leads to indiscreet utterance and possibly to violation of the declaration of secrecy, to which each member of the staff had subscribed.

It must be distinctly understood that the Department cannot afford to keep in its employ any person liable to use an unguarded tongue while under the influence of liquor.

I am, however, glad to note that it is an extremely rare occurrence for any officer to offend and I do not wish it to be understood that this memo, though generally circulated, has any application to the vast majority of staff.

G McKay

Commissioner of Taxation⁴⁹

People joining the ATO agreed to accept its values of honesty and integrity, the discipline of the public service and the secrecy needed to protect taxpayer privacy. New tax officers signed secrecy declarations, swearing that they would not divulge, directly or indirectly to anyone, information relating to the affairs of any taxpayer. This oath of secrecy meant they could not discuss their work with others, particularly people who were not tax officers so that secrecy became a barrier between them and the rest of the community and tended to bring tax officers closer together.⁵⁰

Discipline was also generally very strict with supervisory staff firmly enforcing the rules of the office and the Public Service Regulations. An example of this discipline occurred in June 1919 when two young officers were caught talking privately behind some cabinets. They were charged formally under section 46 of the Public Service Act with not having devoted themselves exclusively to their official duties and asked to explain their actions. One already had a record for improper behaviour including late attendance and careless filing and an official reprimand was put on his file. The other was cautioned because his only previous record was for carelessness in handling a return, for which he had been fined one shilling (not a small amount in those days). He could offer no explanation for his actions except that it was an 'indiscretion to which youth seems prone' and he promised that if the offence was forgiven 'your confidence and trust in me to make good will not be misplaced'. He later became a Commissioner of Taxation.⁵¹

Honesty and integrity quickly became an accepted part of ATO life but it also set up procedures to detect staff who engaged in illegal activities. The complexity of the wartime profits tax tempted some officers to approach businesses with offers of obtaining reductions in their assessments, probably hoping to use errors they found in returns to their own profit. The ATO also received complaints that some people who had resigned from it were using their own knowledge or contacts in the office to obtain information from tax returns. Commissioner Ewing urged taxpayers to report any concerns they had about Tax Officer malpractice, he said many people who left the ATO could never be considered tax experts but there were also some retired officers who gave good tax advice and were a real help to their clients and the ATO through their knowledge of the tax law and ATO general practices.⁵²



Sydney branch rugby league team, 1919. Standing: B Stanley (trainer), G Yabsley, C Clemenger, R Hill, W Neill (referee), J Stapleton, J McInnes, G McDonald, D Payne (manager). Sitting: B Marley (honorary secretary), P Johnston, J Palmer, WE Addicoat (captain), C Childers, J Reibelt, S Cooper. Front: B Wearing, S Josselyn (mascot), D Hoctor.

These special working conditions helped forge a common bond between tax officers. The values of honesty and integrity created a shared trust while their requirement for secrecy meant that the only people they could share many of their working experiences with were other officers. These things, the trying conditions and the knowledge that they were all doing work of national importance soon created a shared social life in the ATO, aided by the lack of many modern day distractions like movies and television. Staff social clubs organised dances, picnics and annual balls. Sporting clubs formed to play against teams from other government departments, and tax officers from the Central and Victorian branches visited Adelaide and played two cricket matches against the South Australian branch over the Christmas-New Year period of 1918. This social life laid the foundations for what would become a distinct ATO way of life.⁵³

Freda's office days

Freda worked in the Tax Office from its early days until 1923.

Freda was employed as a stenographer typist in the very first Commonwealth Taxation Office in Victoria, working on the sixth floor in the correspondence section under the supervision of Laurie Smith, a war veteran. Freda explained that each day the six dictator clerks dictated letters to the four stenographers and typists in their team. Also on the sixth floor was the cashier, Mr Ivy, and adjacent to him, tellers and enquiry officers. Mr Hunt was responsible for the dispatching of mail with assistance of an offsider.

The hours and conditions they worked under were more restrictive and demanding than the flexible work patterns we enjoy today. The hours were from 9.00am to 4.45pm each day. Three nights a week overtime was compulsory until 9.00pm with a 45 minute meal break. The weekly pay was 7/6 (75 cents) and 1/6 (15 cents) for each night of overtime.

Staff enjoyed an active social life. Freda played on the left wing of the Tax women's hockey team, playing regular matches against other government departments. The Social Club held dances on a regular basis, with a ball at the end of the year. Freda remembers the feeling of togetherness. Staff morale was very high as a result of sharing these experiences. Freda was fortunate to make some lifelong friendships with other staff members including Christine O'Regan, Ada Peach and Vera Patterson. Freda also remembered working with Irene Condon, Doris Wood, Myrtle Mitchell and Lois Hall.

Freda worked in the ATO until 1923, resigning prior to her marriage when she became Mrs Opie.⁵⁴

From its inception in 1910 the ATO had grown to collect around £10.45 million in taxes in 1918–19 with operating costs of £311,330. The taxes it collected had become an important contribution to the national revenue although the major source revenue remained customs and excise duties which raised £17.5 million at the same time. Even so, it had made great strides and a Royal Commission into Federal Economies in 1920 investigated the organisation and management of the Central and Victorian branches and reported very favourably, on the whole. Commissioner Ewing commented that it was a gratifying finding that reflected well on the united efforts of the staff following 'the tremendous difficulties which faced the Department upon its establishment'.⁵⁵