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02

The 1920s

SETTLING DOWN

CHAPTER TWO: The 1920s

Settling down

After a decade of growth the ATO's development stalled. Australian society started to change but the experience of war also made it more conservative, and this had its effect on the ATO.

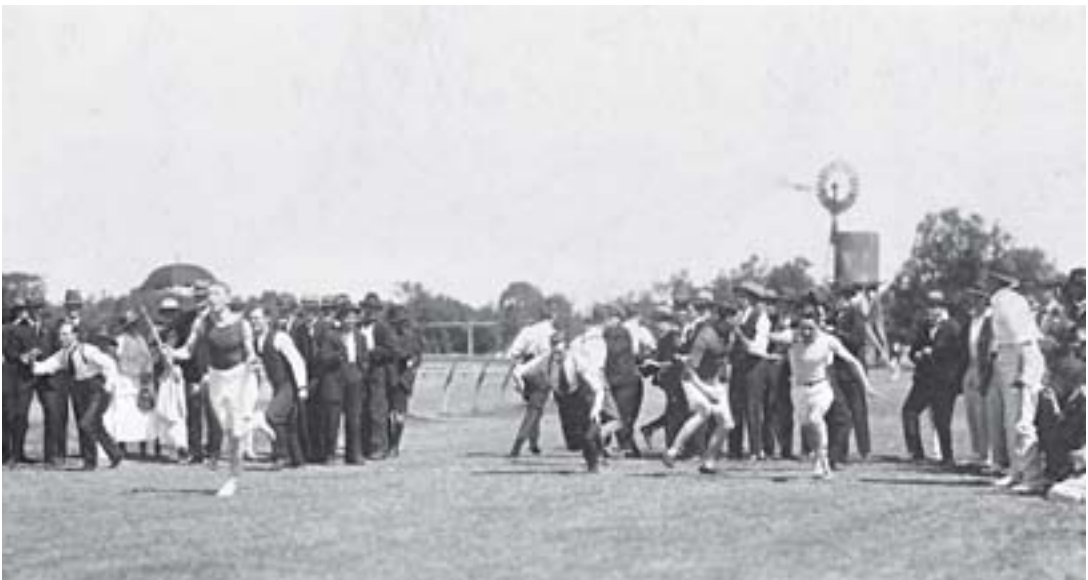
World War One changed Australia. Grief had touched many people, disabled servicemen were visible on the streets and memorials to the war dead were erected in almost every community. The men who came back were changed by their experiences, mentally if not physically, and they found an Australia that was also changed by the experience of war and bitterly divided by the conscription debates. Australia and its people pulled back from the enthusiasm of the previous decade and lacked some of their earlier reforming zeal and energy. History remembers this era as the 'Roaring Twenties' but excitement and glamour were the experience of very few ordinary Australians as the country settled down to recover from the war.⁵⁶

Before the war Australia had begun to express its own youthful independence but the war brought it closer again to Britain. People thought the cost of the war had to mean something and most saw it in the values and power of the British Empire while the thousands of young men who had visited imperial London also revitalised sentiment towards the Empire. This sentiment was reinforced in 1919–20 when the Prince of Wales toured Australia as a gesture of royal thanks for the nation's contribution to the war, also rekindling Empire loyalty. Australia became more stable and sombre, typified by the political environment in which the fiery Hughes was replaced as Prime Minister by the more conservative and 'British' Bruce, leader of the Nationalist Party that governed unchanged through the decade. As a result Commonwealth taxation also changed little in that time.⁵⁷

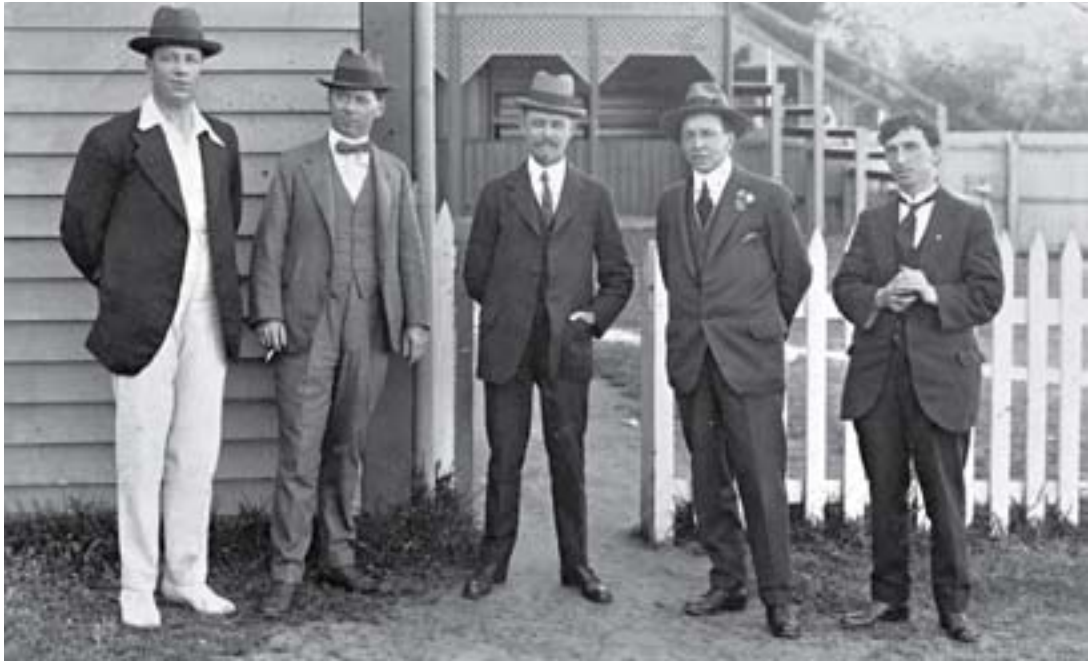
The war brought Australia into the modern age. The United States began to exert its influence around the world and its culture began to appear in Australia. The first American icecream sundae shop opened in Sydney in 1921 and American moving pictures became popular with the first 'talkie', *The Jazz Singer*, screened in Sydney

in 1928. American companies established branches in Australia and brands like Kellogg, Ford and General Motors started to appear. An Australian identity began to emerge with brands like Aeroplane Jelly and Vegemite, and icons like the Sydney Harbour Bridge, on which construction began in 1924, and the first parliament house in Canberra, which was officially opened in May 1927.⁵⁸

New technologies that had been forged during the war also began to change Australia. Radio broadcasting began in 1923 and became a popular form of entertainment by the end of the decade. Motor cars became popular and widespread with over half a million on Australian roads by 1928. Aviation also developed quickly with the first aeroplane flight from Britain to Australia in 1919 and Kingsford Smith's flight across the Pacific to Australia in 1928. By the end of the decade there were airline services in outback Australia, including Qantas services in Queensland and the Northern Territory. However, travel remained slow, costly and inconvenient so Commissioner Ewing did not travel much. In 1927–28 he made several long trips from Melbourne, to Sydney for four months, to Brisbane and Perth for two weeks each and two trips to Adelaide for a total of three weeks.⁵⁹



Relay race during the Melbourne office picnic at Aspendale Park, December 1921.



Senior tax officers at the Aspendale Park picnic, Melbourne, December 1921.

Left to right: J Martin (office manager), RW Chenoweth (chief clerk), R Ewing (Commissioner), D Ray (Deputy Commissioner), E Adams (officer-in-charge, records).

Robert Ewing remained the Commissioner of Taxation throughout the 1920s. During that time the ATO collected in the order of £15 million a year which was significantly less than State tax collections of up to £32 million, or the Commonwealth customs and excise revenue of up to around £43 million a year.⁶⁰

The most significant contributions to revenue came from the land tax, about £3 million a year, and income tax, about £10 million a year by the end of the 1920s. The entertainments tax raised a small but steady stream of revenue worth £358,697 in 1928–29. Estate duties revenue varied considerably, from £1.36 million in 1926–27 to £2.08 million in 1928–29. Collection of the wartime profits tax ceased at the end of June 1919 but complexities in the legislation meant that the ATO was still trying to finalise it at the end of the 1920s.⁶¹

The principal rule in the Tax Office

Commissioner Ewing's memorandum to all staff sets out the Tax Office position on helping taxpayers.

26 June 1920

Deputy Commissioners
All States

Statements have been made that the attitude of the various State Branches of the Department towards taxpayers is not uniform. E.G. it is stated that in some offices taxpayers are informed of any interpretation of the Act which is in their favor, even though the taxpayer may not refer to the point, whilst in other offices no similar assistance is rendered and the attitude of the office towards taxpayers is suspicious rather than helpful.

The policy which it is desired should be followed in this connection is that it is the duty of the Department to advise any enquiring taxpayer of the exact provision of the law, whether it be in favor of or against the taxpayer. Every possible assistance is to be rendered to taxpayers to enable them to fully comply with the law.

Suspicion of taxpayers by officers of the Department breeds distrust of the Department by taxpayers. This result is to be avoided by every possible means. There will, of course, be cases where taxpayers are open to suspicion, but this attitude by the Department towards them should only be adopted for good cause.

The principal rule of the Department is to assist taxpayers in every way possible so that they shall pay the exact amount of tax required by the law, no more, no less.

This memorandum should be noted by all officers whose duties bring them into contact with the public.

(Sgd) R. Ewing
Commissioner of Taxation.⁶²

To collect this revenue the ATO became a large factory that processed paperwork. Tax returns were opened, examined, recorded, filed, matched with previous returns, matched with information from other sources and assessed. Then assessment notices

were prepared and sent out, the revenue collected, enquiries and objections handled and all records securely stored. A lot of temporary staff were employed to do much of the routine work during the peak periods that came to be called 'tax time', when returns came in, were assessed and notices sent out. The entire process was broken down and handled by sections, all carefully organised because of the responsibilities involved in collecting the revenue and being accountable for administering the tax liability of every taxpayer. Supervision was strict because of the need to be meticulous in all decisions, calculations and records, and although errors were common enough because the people who made them were human and fallible, systems were set up and evolved to reduce the risk of mistakes and their effects as much as possible.⁶³

A blot on his record

Jack Bloxsome rose to be a senior investigation officer in Perth in the 1960s, but in the 1920s he had started as an office boy. When he retired this story was told.

One incident of Jack's boy-service is perhaps illustrative of just why Miss Sweeny used to shake her head. In the pre-ballpoint era, when pen and ink-wells were the order of the day, Jack was told to clean the Assessors' ink-wells during their lunch hour. At one o'clock Jack dutifully collected the ink-wells and placed them in a bucket of water to soak off the dry ink. This meant a break in Jack's activities, and, of course, time passes quickly when you're young. At two the job wasn't finished and the worst was to come. Assessors, being what they are, insisted on getting their 'own' ink-wells back and it was over an hour before peace again reigned in the Assessing Room. Jack never again washed ink-wells.⁶⁴

Assessors were the key people in this process. They examined taxpayer returns in the light of all the information at their disposal including the current and previous returns and information from other sources, and made assessments based on the tax law and how the ATO interpreted it. They had to possess a good knowledge of accounting and business procedures, as well as the ability to understand complex issues. If returns were incomplete or unclear they could request more information from taxpayers, and if they were unsure of the details of making an assessment they could refer to more senior officers for advice. There seems to have been no formal assessment training in the early years of the ATO so knowledge and experience was acquired through informal training on-the-job in which new assessor's work was carefully checked by supervisors.

Becoming an assessor was the goal of many new tax officers, because of their higher status in the ATO and their higher salary. Usually assessors started their careers at a young age working in other parts of the office where they became recognised as potential assessors. One way of showing their ability and ambition was by enrolling in night classes and obtaining qualifications in accountancy or similar subjects.



An assessing room during the 1920s.

There was a hierarchy of assessors. They began assessing wage-earners and then small private enterprises and, if their work was satisfactory, they moved up to assess the returns of pastoralists and farmers and, higher again, trusts, partnerships, large property owners and then the more complex company returns. At each stage they became more experienced and knowledgeable in the technicalities of the tax laws and the ways of taxpayers. The career path beyond assessing lay either in appeals or investigations and beyond that as one of the ATO's leaders. However, progression was slow and most tax officers considered themselves to have done well if they reached the middle levels of assessing during their working lives.

Not done for pleasure

Commissioner Ewing explains why the Tax Office questioned people about their return.

Some taxpayers have made protests against the practice of the Department in requiring them to answer questions concerning their incomes, and in one State the daily press has discussed the question adversely to the Department.

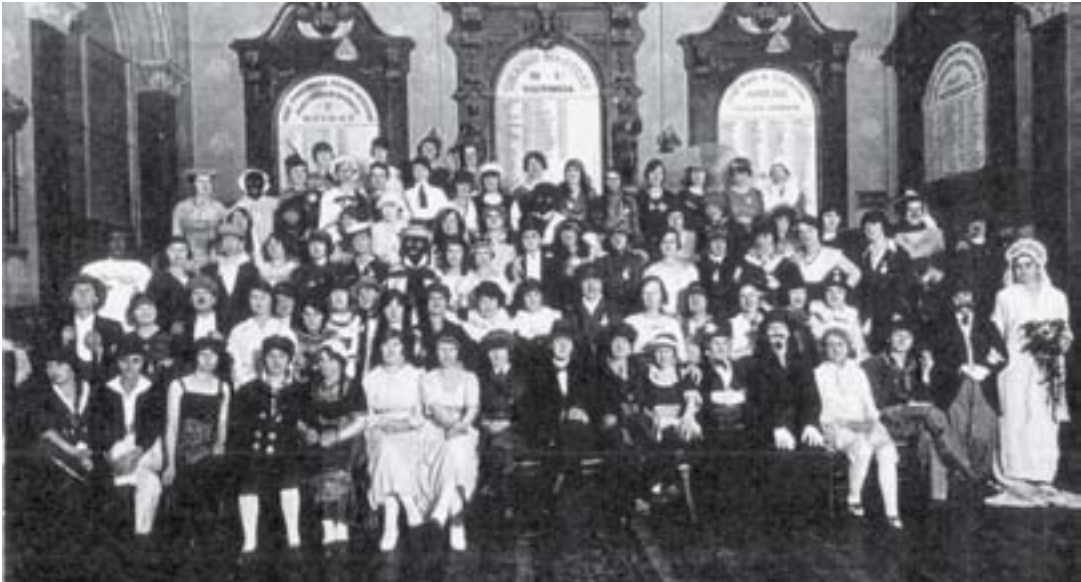
It should be borne in mind that the Department does not issue the queries for pleasure, but because of either the incompleteness of returns or because of their misleading nature. In some instances the taxpayers who have been loudest in their protests have been amongst the most culpable in regard to misleading returns. Many of the persons concerned are under the impression that if they represent their cases to their representatives in Parliament, all their troubles will vanish, but it is desired to point out that this practice cannot advantage the taxpayers in any way. The Department does not act in any case because of the manner in which representations are made to it, but upon the facts of each case.

Taxpayers who follow the course mentioned above only increase the expenditure of the Department unnecessarily without gaining the slightest advantage.

Queries to taxpayers have been amply justified by experience. Considerable additional revenue has been collected in large numbers of cases where queries have [been] issued, and in which the tax would otherwise have been avoided, whilst in a large number of other cases taxpayers have been saved from over-assessment.⁶⁵

The ATO had the power to investigate tax evasion and force taxpayers to meet their obligations. Commissioner Ewing said the investigation of taxpayers' books and accounts was perhaps the most important work of the ATO, which called for the greatest skill, experience and aptitude in its officers. The ATO became aware of several ways in which people could avoid income tax, a common one being people with more than one job using false names and a very large number of people failing to lodge complete returns. The ATO estimated that no less than £300,000 a year in revenue was being lost through these kinds of tactics and developed ways of catching them. In 1921 a special officer visited the coal mining districts of New South Wales and, as a result, 5,600 demands for returns were issued, 631 people were prosecuted and £1,713 collected in penalties and costs. The ATO knew that many of these problems could have been overcome by the collection of income tax in instalments from wages

as they were paid, but that would have required the introduction of expensive processes to calculate the regular deductions and collect the money, which would not have been worthwhile unless the rate of income tax was considerably increased to justify the expense.⁶⁶



Melbourne branch social event during the 1920s. Many people are in fancy dress.

Another problem was collecting income tax from people going overseas or visitors to Australia who made income here and were obliged to pay tax on it. It first arose with overseas entertainers who came to Australia for a short time and then left without paying tax on the income they had made here. Very quickly the ATO began keeping track of them to make sure it collected their tax before they departed because, if they left without paying their tax, the only thing the ATO could do was keep a list of them and the amounts they owed in case they returned.⁶⁷

It was easy to keep track of visiting entertainers and other celebrities because their movements were well publicised so the ATO had a small group of tax officers who checked on these kinds of people for decades to come. Much more difficult was the business of keeping track of Australians who left the country without paying their tax, an easy way of evading tax. Most Australians had neither the money or time to make overseas trips in the days when it took a month to sail to Britain, but wealthier people could afford the trip and included some who were more likely to try evading tax and, by September 1918, 118 people had evaded the payment of £441 15s in income tax

by going abroad. Branch offices built up small sections to keep track of people who seemed likely to be planning an overseas trip and fortunately, before the arrival of international air travel, it took time to make arrangements so the ATO often had time to find out about it. If the ATO thought people might be planning to go abroad it sent them a letter or telegram reminding them of their tax obligations and, in a 10 month period in 1920, the Sydney branch sent out about 1,300 letters and telegrams a month that resulted in about £60,000 being collected, at the cost of about £1000 a year.⁶⁸

The ATO quickly realised that a more permanent solution to its problem lay in amending the Income Tax Act, but it was not clear what the best system would be. At the beginning of 1920 it received a copy of the 'sailing permit' issued by the United States Internal Revenue Service that prevented anyone who did not get a tax clearance from being issued with a passport. This system was adopted in an amendment to the Act in 1922 that required a taxation clearance certificate to be obtained from the ATO before a passport for overseas travel would be issued. These certificates quickly became a normal part of booking any overseas trip and application forms were available from travel agents and shipping company agents.⁶⁹

Increasing complexity

Commissioner Ewing comments on the increasing complexity of tax law.

The work in connection with the administration of direct taxation laws becomes more complicated each year. Changes in business methods and relations which are taking place almost daily are being made in steadily increasing numbers upon lines which are intended to secure more or less freedom from taxation for either or all the periods of the change. The possibility of success in this direction largely depends upon the form of the law. If the law is expressed in wide general terms there is less possibility of avoiding its incidence. If, however, the expression is more specific, the parties affected by it sooner or later take steps to place themselves beyond the operation of the specification.

From time to time action has been taken by interested individuals and organisations to secure amendments of the law to meet cases which are more or less special. Some of these alterations have greatly increased the complexities of the law, and have added to the costs of administration.

It is a truism that equity cannot be secured in taxation laws without complexity. Complex law involves complex forms of return for income and the complicated forms give rise to demands for simplification of the law.⁷⁰

The various tax acts were frequently amended and between 1920 and 1929 parliament passed 28 amendments to tax laws, and Ewing and his staff helped in drafting them. Sometimes they reflected changes in government policy, sometimes they were intended to make the laws more effective and sometimes they were designed to improve the machinery of the tax systems. Drafting had to be done carefully because a simple word or phrase could have multiple meanings, depending on the context in which it was applied, often to circumstances that had not been considered during drafting. To help clarify the complexities of tax laws Commissioner McKay had begun issuing Income Tax Orders, that could run from a few lines to several pages, and from the beginning of operation of the Income Tax Act in September 1915 until the beginning of June 1916 when he went on sick leave, McKay had issued 209 orders. From then until the end of the 1920s Commissioner Ewing issued a further 998 orders.⁷¹

The Commissioner and his staff also produced tax rulings that related to specific cases but were applicable to the entire administration of the tax laws. Although the ATO was sometimes criticised for keeping its orders and rulings secret so it could extract more money from the community, Ewing said he had no desire to keep them secret but the pressure of work had made it impossible to make them public. He had plans to publish them so all taxpayers could see how the ATO interpreted the tax law, but the best he could achieve by 1923 was a small book called *Departmental Rulings Regarding Deductions Under Section 23* that was available to the public for 2s 6d.⁷²

If taxpayers did not agree with the ATO's assessments they could have the matter heard in court, but this was a costly and time consuming process so an income tax Board of Appeal was set up in 1922 to hear cases. However, the High Court found it did not have the proper judicial basis and was therefore unconstitutional, so it ceased to function. This forced all appeals back to the courts but in 1925 an amendment to the income tax law constituted a new body, the Board of Review, which was fundamentally the same as the old Board of Appeal but was constituted to survive a High Court appeal, and it became the avenue through which most appeals against assessments were resolved.⁷³

In 1929 Valuation Boards, modelled on the income tax Boards of Review, were established for the land tax. They comprised an independent chairman, a representative of the Commissioner of Taxation and a representative of landowners. Soon ten boards were sitting, all had the same chairman and Commissioner's representative with the third member selected to represent the local area. They reduced delays and the cost of appeals in comparison to the slow and costly court processes but if taxpayers were unhappy with the Board's decision they could still take their case to court.⁷⁴

The ATO entered the 1920s facing a number of problems, most of them created by the income tax. They included accommodating a growing workforce and keeping capable staff, double taxation and the confusion and complexity caused by state and Commonwealth income taxes.

The work of collecting income tax grew rapidly, from 706,390 returns in 1918–19 to over a million in 1920–21. The number of staff employed to process them also grew and Elizabeth House in Melbourne, that had been inadequate for less than 200 staff in 1916, was holding more than 300 by the end of 1919, and that number continued to grow. With over 300 staff in the office the average floor space for each person was only 35 square feet when 70 square feet was considered a fair thing in the public service. By 1921 the area occupied by some officers was a little over 13 square feet each and two or three of them had to share one table. Some officers had to sit in the passages between filing cabinets and sections were broken up, making it very difficult to organise work and supervise staff. Conditions were little better for taxpayers and in the peak tax time period 1,500 to 2,000 people a day tried to fit into the cashier's room that was only 3.5 feet wide and 20 feet long.⁷⁵

Elizabeth House was reported to be the most overcrowded and unhealthy Commonwealth government office in the entire country and, in October 1921, practically every member of the staff signed a petition that claimed the office was overcrowded, badly lit and ventilated with poor lavatory accommodation. One assessor had recently died of tuberculosis and there was evidence that others in the office were also infected. The ATO knew of these problems and that sick leave in the office was costing it an average of £100 a week, but there was no better accommodation to be had.⁷⁶



Sydney branch picnic, 1922.

The situation was little better in Sydney where staff also suffered overcrowding and poor working conditions. A woman claimed that in one room where women checked assessment two women had died of tuberculosis in the past three years. She also said that the women there were temporary staff because permanent tax officers refused to work there and that they had to check 135 to 140 assessments a day and would be sacked if they could not keep up.⁷⁷

A petition about working conditions

This staff petition shows the conditions staff worked under in the Tax Office in 1921.

Chief Clerk

We, the undersigned officers working on the first four section of the Card Index beg to draw attention to the unhealthy and unsatisfactory conditions under which we are expected to perform our duties.

Firstly, the natural lighting is none too good being mainly a side light from the light well, while the electric lights are so placed as to cause shadows instead of light on our work.

Secondly, there is a cold draft continually present which as the winter advances, is going to be more and more unpleasant and unhealthy.

Thirdly, the space between our chairs and the filing cabinets is far too narrow for a continuous stream of officers (members of the Filing Section etc.) who continually pass along; further, as members of the Filing Section frequently carry ladders, bundles of files, etc. we receive quite a few bruises and knocks from them.

This space is occupied by a small table which we use for sorting files, and when occupied, we practically block what small passage there is.

Trusting that due consideration will be given to our grievances and that we may have them rectified.

Signed

Deputy Commissioner

The unhealthy and inconvenient conditions under which these officers work is well-known, but nothing can be done at this stage even towards temporarily remedying the present lack of heating accommodation as there are no funds available before 1st July.

J.E.M.

Chief Clerk

27-5-21⁷⁸

These appalling working conditions could not continue and the ATO began planning for construction of new buildings in Sydney and Melbourne, big enough to accommodate an entire branch with space left over for other government departments. The Parliamentary Standing Committee on Public Works examined these proposals and recommended that new buildings should be constructed, but they would not be ready until 1924 while working conditions in the existing buildings continued to get worse. In Melbourne the ATO had no option but to renew its lease on the 'altogether inadequate and unsuitable from every point of view' Elizabeth House.⁷⁹

Another problem was the quality of staff and the ATO suffered from a shortage of experienced and capable tax officers at the beginning of the 1920s. After the war most of the tax officers who left their positions to enlist were returned to them, and to higher level jobs and increased pay where possible. However, the employment of other ex-servicemen was not 'an unqualified success' because most of them had neither the education nor experience to equip them for the technical complexities of tax work. To make matters more difficult, a number of experienced tax officers resigned to take up careers in private enterprise, some as tax advisers, leaving the ATO with a shortage of experienced and capable officers. Commissioner Ewing hoped that improved classifications and pay would encourage many officers to stay and negotiations with the Public Service Board to achieve this were completed by the beginning of 1923.⁸⁰

The return of ex-servicemen pushed many women out of the ATO, while those that remained were reassigned to subordinate positions such as sorters and typists. It was compulsory for women to resign when they married so they were not expected to have careers. As a result many of the junior positions that women could have occupied were reserved for men because they were considered to be preparation for promotion to higher positions.⁸¹

Women were also discriminated against in the wages they were paid. In 1923 a strong case was mounted with the Public Service Arbitrator that women doing the same work should be paid the same but he disagreed and set the basic wage for men in the public service at £198 a year and the basic wage for women £54 lower. He said, that in the majority of cases, the division of work between men and women meant they did not do the same work and, even if they did, they could not be paid the same because women did not have the same responsibilities as men. Young women had no dependents under normal circumstances but men normally had a wife and two or more children to support, so they needed more money.⁸²

As well as administrative problems caused by the introduction of income tax, there were technical problems like double taxation. People living in Britain who made income in Australia paid tax in Australia and in Britain on the same income. Initially the British government relieved this problem by giving its taxpayers a rebate for the income tax they paid in other parts of the Empire, but it was a temporary solution. In 1919 Britain convened a conference of Empire countries to consider the problem and Australia was represented there. It supported the general principle that the country in which income was first made had first call on the tax, but this was complicated by other countries that had different ideas so no Empire-wide agreement was reached. These problems remained unresolved for many years.⁸³

Perhaps the biggest problem caused by the introduction of the Commonwealth income tax was the confusion and additional work it caused in the community. Although exemption from the requirement to pay Commonwealth income tax was set at a fairly high level so it did not affect most people, those who did have to pay it had to send returns to two tax authorities and pay two lots of income tax. The confusion this caused and the strident complaints it raised led to a series of conferences and meetings between Commonwealth and State politicians and tax officials, but they achieved little. In 1919 the Commonwealth offered to drop its income tax if the states would drop any financial demands on it, but it soon became clear that the Commonwealth needed an income tax of its own to help reduce Australia's war debt. A Royal Commission was appointed in September 1920 to investigate the whole issue of taxation. It issued five reports that included recommendations that were incorporated into tax legislation and a major recommendation that the Commonwealth should have exclusive right to income taxes and the states should retain other taxes such as estate duties and entertainments taxes. But neither the states nor the Commonwealth agreed.⁸⁴

While the Royal Commission was sitting the Commonwealth suggested that it could simplify tax collection and reduce costs by taking over the collection of state income tax. The Western Australian government agreed and the Commonwealth's ATO took over collection of all the state's taxes from 1 July 1921 for one-third of the cost previously incurred by the state government. Before the amalgamation the state and Commonwealth tax offices had played annual football matches and they continued after amalgamation because no suitable building in Perth was available to accommodate them until they were brought together in the Perth General Post Office in about 1923.⁸⁵



Perth branch football team, 1923.

Back row, left to right: Norm Mosel, Bill Peacock, Bert Aderly, Bill Earnshaw, Dave David, Vern Bray.

Middle row: Roy McCarter, Ted Fleming, Harry Wenlock, Alf Langsford, Tommy Duncan, Cyril King.

Front row: Harry Hogue, Bill Hughes, Bert Smith, Bill Moore, Jack Event.

The situation in the eastern states remained at an impasse until January 1923 when Stanley Bruce replaced William Hughes as leader of the Nationalist Party and Prime Minister. Hughes had been involved in creating the Commonwealth taxation policy and staunchly favoured the Commonwealth over the states so the Royal Commission recommendation that the states should leave income tax to the Commonwealth suited his line of thinking. On the other hand, Bruce was much more concerned about the strength of the federation and eliminating the friction between Australia's seven governments. In a meeting with state premiers he tried to resolve the taxation problem but was not successful, and not long after that the Commonwealth offered to let the states collect income tax on its behalf. The states, who had seen their powers slowly being eroded by the Commonwealth, were probably happy to take at least some control over the Commonwealth's revenue raising capacity.⁸⁶

By January 1924 all the Commonwealth income tax branches in the eastern states had been transferred to the states, leaving the Commonwealth's ATO with complete responsibility for tax administration in Western Australia, an income tax Central Office in Melbourne for people and businesses who paid income tax in more than one state, and small offices in the other states to administer the Commonwealth's other taxes.

For administrative and legal convenience the Commissioners of Taxation in the states were also titled Deputy Commissioner of Taxation for the Commonwealth. These arrangements continued through the 1920s and 1930s in a series of five-year agreements that were renewed without significant change.⁸⁷

The only real difficulty in transferring income tax collection to the states was over the terms and conditions of transferred staff. A number of Commonwealth tax officers were transferred to the states where they became members of the state public services, but since the overall number of tax officers was reduced some surplus officers were absorbed into other Commonwealth departments and 147 were retired with compensation. When everything had settled down the staff of the Commonwealth ATO in the eastern states had been reduced from 1,493 to 284 while the Central and Western Australian branches remained stable at 144 and 250 respectively.⁸⁸

Commissioner Ewing later said he was personally opposed to the state collection of Commonwealth income tax because he believed that Commonwealth officers such as assessors and investigators were more capable in every way than those in almost all of the state offices, who were ‘mediocre men’. He had tried to ensure that his assessors and investigators were certified accountants or studying accountancy but training in the states was generally poor and in some of them the tax administration was a dumping ground for men other departments did not want. He was also opposed to the change because he had little control over how the state taxation commissioners, who were also his Deputy Commissioners, ran their organisations so there was little uniformity between the states, while one Sydney Deputy Commissioner had openly boasted that he ignored Ewing’s rulings and pleased himself about how assessments were made. He complained that therefore the systems of assessment and collection were not uniform in the states, as it had been when the Commonwealth collected its own income tax, and he could ‘not control State commissioners in their expenditure to more than a slight degree’. The only way he could keep some control over the quality of the tax technical work in the states was by having all cases that were to go before Boards of Review or courts sent to him for consideration and direction about the arguments to be used.⁸⁹

This loss of control was disappointing after the work Ewing had put into trying to bring uniformity to the branches. In late 1922 he began setting strict guidelines about how assessing would be done and set timetables to ensure all assessments notices were in the mail by 19 May 1923 so income tax was due to be paid by the end of the financial year. All available resources were to be diverted to the process, including the temporary transfer of staff from other sections; assessment staff were to be strictly supervised, although overtime was to be avoided because it reduced staff efficiency and added to costs. Most state branches had their own views about how to achieve

Ewing's goal and there was much debate about it but, by April 1923, all the branches were able to report that they would complete their assessments by the deadline, or 31 May 1923 at the latest, except for Western Australia that expected to have its assessments completed by 31 May 1924. An inspector who was rushed to Perth in May 1923 found that although there were many slight differences in how Perth assessments were conducted, the principal cause of the low output was that the Perth branch also had responsibility for collecting Western Australian tax and the difference between Commonwealth and state income tax legislation caused the delay.⁹⁰

As well as ending the uniformity of Commonwealth income tax administration the transfer of tax officers to the states also ended the growing camaraderie that had been developing between the branches. Over Christmas 1921 tax officers from Adelaide, Melbourne and Brisbane visited Sydney for an annual athletics carnival and the following year groups from Sydney and Adelaide visited Melbourne for competitions in cricket, athletics, tennis and swimming. After that, there was nothing for many years.⁹¹

The loss of income tax to the states solved one major problem because office accommodation became a state responsibility. In Sydney the state took over the lease of the building that housed income tax staff and most of them were not immediately affected by the change. The remaining Commonwealth tax organisation moved into a building that had previously been occupied by the state tax administration, an old stone building in George Street that dated back to early settlement. It was not an ideal building but serious concerns about it surfaced in December 1926 when a young woman there was reported with tuberculosis. Health authorities regarded this case seriously and quickly recommended several measures to prevent the spread of the disease that included spraying and swabbing the building with disinfectant, repainting the walls, regular sweeping and dusting after hours, damp washing the floors and fittings once a week with disinfectant and strictly forbidding spitting, a common form of transmission. Medical records showed that four people in the building had had tuberculosis and one assessor had died from it, while another three were possibly infected (one was the fiancée of the assessor who had died, he had broken off the engagement when he was diagnosed because he believed she had infected him). A report on conditions in the building following this outbreak found it far from satisfactory and recommended that an office in a better location should be found. When its windows were opened to let in fresh air large quantities of dust blew in from the street, which did not cause the disease but made the office uncomfortable, the lighting needed to be improved and the walls needed painting. A report later in the year found the building clean, bright and generally improved but there were still serious problems with draughts, that would be costly to fix. However, by the end of the 1920s the ATO was a very small government agency and not much was done.⁹²