

V2

(Goldsmith, 2010a)

Story: Taxes

Page 1 – Taxation – 1840 to the 1880s

First taxes

New Zealand has had taxes ever since formal government was established. When colonial governor William Hobson proclaimed British sovereignty over the North Island on 21 May 1840, the New South Wales customs tariff – a tax on imports – came into effect.

In 1841 Hobson declared New Zealand a Crown Colony separate from New South Wales. The Customs Regulation Ordinance, which established New Zealand's first tariff from 1 July 1841, was the third law passed in the new colony.

Customs duties

Customs duties (taxes on imports, including tariffs) were the major taxes until the 1870s.

Over 60% of tax revenue came from alcohol and tobacco. Sugar was next. Most tax was voluntary. If you didn't smoke, drink alcohol or tea, or use sugar, you paid very little tax.

By modern standards taxation levels were light. One estimate in 1860 put the yearly tax burden at 4% of the country's yearly production (known as gross domestic product, GDP). This averaged out at £1 8s a head (around \$140 in 2008). In 2005, the tax burden was 37.8% of GDP, around \$16,000 per person.

Stamp and death duties

The first permanent tax taken directly from the taxpayer – rather than indirectly, for example through customs duties (which are recouped through increased prices) – was forced on the population by the cost of the 1860s New Zealand wars. The wars were funded largely by borrowing. New taxes helped to repay these loans and interest costs.

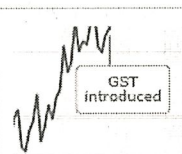
Stamp and death duties passed into law in October 1866. Stamp duties are taxes on documents such as mortgage deeds; death duties are taxes on inheritances. Death duties varied depending on the closeness of people's relationships, rather than on the size of the overall estate – widows were exempt, but someone who was not a relative paid 10%.

Local government taxes

In 1874 'rates' – taxes paid to local government – represented around 7% of total local and central government taxation, similar to the figure in the 2000s. Around 300 road boards levied landowners to raise funds for road construction and maintenance.



Revenue stamps, Otago, 1894



Tax take



Sales docket



Julius Vogel as a kangaroo



Harry Atkinson's property tax

Protection racket

At least one early settler, F. E. Maning, regarded the gifts and work he gave his Māori chiefs in return for their protection, prior to the Treaty of Waitangi, as a form of indirect taxation. Taxation in the usual sense of the term did not exist prior to 1840 simply because there was no form of central administration to collect it – or spend it.