

**GOVERNMENT RESPONSE TO THE JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL AND
EXTERNAL TERRITORIES' (JSC'S) REPORT *NORFOLK ISLAND FINANCIAL SUSTAINABILITY: THE CHALLENGE – SINK
OR SWIM***

JSC Recommendations	Government Response
Recommendation 1 The Committee recommends that a new taxation model be developed whereby Norfolk Island is gradually incorporated into the taxation regime of the Commonwealth of Australia.	Not agreed. The Australian Government considered alternative governance arrangements for Norfolk Island in 2006. The Australian Government accepted the assurances of the Norfolk Island Government and decided not to proceed with changes to the governance arrangements of Norfolk Island. The Norfolk Island Government introduced a Goods and Services Tax (GST) that is designed to broaden the revenue base. The GST commenced at a rate of 9 per cent on 2 April 2007. Other Norfolk Island taxes and levies will be reduced or eliminated.
Recommendation 2 The Committee recommends that, on acceptance of Recommendation 1, the Commonwealth make transitional financial arrangements to ensure the Norfolk Island Government is adequately funded prior to the implementation of the new taxation model. Particular emphasis should be on: ■ replacing and/or maintaining depreciating infrastructure, notably the hospital and the school; ■ key service provision, specifically health, aged care and social services; ■ structural adjustment programs first, to sustain and increase the Island's tourism industry, and second, to diversify the economy to the extent practicable; and ■ engaging in wide-ranging consultation and discussions with the Norfolk Island Government and with the Norfolk Island community.	Not agreed. The Australian Government considered alternative governance arrangements for Norfolk Island in 2006. The Australian Government accepted the assurances of the Norfolk Island Government and decided not to proceed with changes to the governance arrangements of Norfolk Island. The Norfolk Island Government has provided the Australian Government with assurances that it will continue its programme of financial and governance reforms to progress Norfolk Island to a state of financial sustainability. This programme includes measures to boost the number of tourist arrivals on Norfolk Island.



**----- ' GOVERNMENT RESPONSE TO THE JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL AND
EXTERNAL TERRITORIES' (JSC'S) REPORT *NORFOLK ISLAND FINANCIAL SUSTAINABILITY: THE CHALLENGE – SINK
OR SWIM***

June 2007