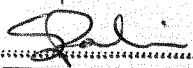


Submission No: 9
Date Received: 20/4/05
Secretary: 

John Kelly
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19-Apr-05

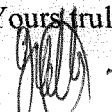
The Committee Secretary
JSC on the National Capital and external Territories
Dept. of House of Representatives
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

The attached document supersedes the hard copy I have posted earlier, which you should receive very shortly. The latest document has the header Final Document and I would be pleased if you could substitute the new for the old as it more truly represents my views.

This hard copy is following an e-mail sent earlier this week with the document attached.

Yours truly,


John Kelly

Submission No:.....	7
Date Received:.....	20/4/05
Secretary:.....	<i>[Signature]</i>

John Kelly
PO Box 373
Norfolk Island
NSW 2899

18-Apr-05

The Committee Secretary
Joint Standing Committee on the national capital and External Territories
Department of House of Representatives
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

I am the optometrist and owner of the optometry practice on Norfolk Island, having moved here with my wife and four children some 13 months ago. We hope to make this island our home for at least the next 10 years.

Firstly I read the report, *Taxation Options for Norfolk Island* with despair for the future of my practice. The authors went through taxation options rightly suggesting that they would or could have a negative impact upon tourism, until the option of income tax was raised. The authors suddenly concluded that an income tax would have little or no impact on tourism, as if extra money required to pay the tax would suddenly materialise from the mere introduction of it. They waxed lyrical about the benefits of equity. But there seems no logic in their conclusion.

As an employer, I can't see my staff being delighted to having suddenly to forgo wages to pay income tax, and see their standard of living instantly drop. So they may look to me for an increase in gross wages to cover their newfound expense. I can confirm that I am not cheering about this possibility, nor am I delighted to then also forgo my own wages to pay my income tax. This will have an instant, severe impact on the viability of my practice. I will have to raise my prices to recoup the extra expense. As I raise the prices, more patients (yes, tourists buy their spectacles here too) spurn my wares and sales drop. Similar scenarios in surrounding businesses cause locals to stop spending as well. The decreased cash flow causes me to look to cut my expenses. I eye off my wages bill, one of my largest expenses, which just recently got bigger due to income tax. Maybe I can do with one less employee, just till things get better? I sadly let one of my staff members go. Now things are slightly better for me, but my sacked staff member has just stepped into a nightmare. He/she knows that others have been starting to lose their jobs also so the chances of finding work become slim. This person, as do all the other sacked employees stop spending except for necessities. The downward spiral continues for me, and for them. Many go on this new thing called the dole, some find that it's not too shabby an income if you lead the simple life, and don't mind the stigma attached. The others end up taking what jobs they can or sadly, move off island in search of a better life.

In the tourism sector, the increased wages bill, mean that tour prices, accommodation and food have suddenly got more expensive. Increased price barriers see

Final Document

tourist numbers decline even further. More jobs are shed. But heck aren't these roads smooth!

Back to present day. I wish I could indelibly imprint on your minds how fragile our little economy is, and gently you must treat it if we are to maintain the uniqueness of this wonderful island paradise. Author and resident of Norfolk Island, Colleen McCollough, perhaps put it best when she equated Norfolk to a rare and beautiful butterfly who some people try to pull the wings off. That is the picture I got of the authors of the aforementioned report. I had a vision of some pale-faced, cold soul sitting under a flickering fluorescent tube in a cubicle in Canberra, indoctrinated with the mantra of income tax, jealous of our lifestyle, trying to pull the wings off the butterfly.

The 'income tax is best' conclusion seems erroneous in light of recent government moves toward user pays indirect taxation such as Australia's GST, and even murmurings out of America of a sales tax to replace income tax entirely. Furthermore, the report stated that there would be a 'welfare transfer' toward Norfolk Island because Australia would give us more than we would submit in taxes. Agreed, on a territory basis there would be a positive flow to the island, with infrastructure expenditure and the like, but the average resident would not see any welfare. With fulltime employment here so much higher than Australia I fail to see how this would be on an individual basis.

I am perhaps not the idealist you think I am either. I am aware that some revenue changes are required also. I suggest that a GST would require far more resources to collect, than at our disposal. It would also impact my business negatively as far as competing with mainland prices. I suggest that all retail businesses would be effected similarly. You should remember that GST in Australia *replaced* existing sales taxes and therefore made a lot of goods cheaper. A GST here would be an extra cost and would immediately make goods more expensive and my business less profitable. Therefore a GST here could by my reckoning be no more than 5%. Also, the burden placed upon businesses to keep books and submit BAS forms would be costly in both time and money. And considering that most businesses have never kept books, compliance would be a major obstacle.

The easiest tax would be some form of land tax. Very easy to collect and maintain, and very difficult evade. All that would be needed is a spreadsheet to monitor the population and law enforcement ability. That form of taxation would get my vote. In fact any viable form of reasonable indirect taxation would be better than income tax. I would prefer to see *no changes* to the system than an income tax.


The other concern I have from the perspective of my business is airfreight. I rely very heavily upon airfreight for my stock and lately the service has been declining in its timeliness. This has caused me some lost revenue and patient frustrations. I would like to see some improvements in that area, because it will have a positive affect on my business and other businesses here also. As for the other issues that you have raised, I have no comment, which you can equate to mean that I am happy with them from a personal perspective.

In finishing, please keep in the forefront of your minds, that our micro-economy is fragile- handle with care. And any form of income tax I reject outright. It will be the beginning of the end of life as we know and love on Norfolk Island. I hope you take the opportunity to allow Norfolk Island to have a more highly evolved form of taxation than

Final Document

the income tax, which I believe to be unfair, inadequate and unworkable for my business,
and the economy of Norfolk Island.

Yours truly,


John Kelly