



From the Financial Secretary

This Consultation Document proposes important reforms to our tax system that the Government considers necessary to ensure our future prosperity. Any form of fiscal change will inevitably give rise to questions. My colleagues and I are well aware that this Consultation will prompt significant debate and possibly controversy. In Hong Kong, some may ask whether broadening the tax base signifies a departure from the low-tax system that has been at the heart of our economic success. I want to emphasise that this will not happen.

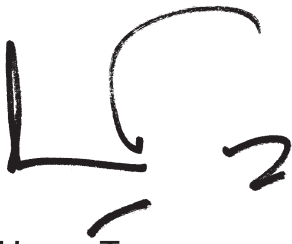
The Government has no intention of altering Hong Kong's envied position as a low-tax environment. But for many years we have been overly reliant on a limited number of widely-fluctuating, cyclical sources of revenue. It is therefore now essential for us to consider reforming our tax system. The Government is of the view that a Goods and Services Tax is a viable option for Hong Kong. This would secure the long-term sustainability of our revenue base and our capacity to meet public expenditure needs.

The Government is acutely conscious of the concerns of the community over the introduction of a Goods and Services Tax in Hong Kong, particularly its impact on the economy and on low-income households. In this Consultation Document, we have proposed a package of tax offset and relief measures to address these concerns. We are sharing our thoughts with you so that we can make the process of consultation as comprehensive and transparent as possible.

It is the Government's goal that everyone should have the opportunity to contribute to this Consultation. I wish to point out that the proposals set out in this Consultation Document are only our initial thoughts, which provide a basis to stimulate discussion. We have set aside a period of around nine months and will provide a broad range of options for all members of our

community to make their voices heard. Over this period, there will be ample opportunities for everyone to participate in the debate.

The issue at stake is of vital importance to Hong Kong. Please take the time to read this Consultation Document thoroughly, contribute to the discussion and join us in ensuring our future prosperity.

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a curved line and a small '2'.

Henry Tang
Financial Secretary
The Government of the Hong Kong Special Administrative Region