

CHAPTER 10 WE SEEK YOUR VIEWS

Now is the right time to consider GST

228. There is a need to broaden our tax base to secure a steady and predictable source of revenue to meet our future expenditure needs and ensure the continued competitiveness of our tax system. The Government believes that tax reform with a GST would be the most viable option to achieve our goals.

229. As the present economic circumstances and those in the foreseeable future are positive, we have been provided with a respite. We have an opportunity to consider and think clearly about this important issue, and do not need to rush into a decision. We can take our time to consider, plan and develop the best approach to reform our tax base and manage our public finances to ensure our future prosperity.

230. Given that we are forecasting continuing fiscal surpluses, it is the Government's intention that the tax reform package would not need to generate additional revenue. It is our goal that, for the first five years after GST introduction, all revenue so generated, after deducting the administrative costs, would be returned to the community as tax relief, compensation and other measures. Moreover, we propose that all key elements of the tax reform, once finalised and introduced, would be unchanged for the first five years.

Government of the next term to make a decision

231. We are aware that GST introduction would have widespread implications for Hong Kong. It is therefore necessary for us to progress this issue cautiously and meticulously. Accordingly, we propose a consultation period of around nine months. We will listen to the views of the community widely and carefully and will prepare a report on the views received for the Government of the next term to consider whether a GST should be implemented in Hong Kong.

232. It should be noted that, even were a decision to be made by the Government of the next term to introduce a GST, it would take at least two to three years for this tax to be implemented in Hong Kong, having regard to the time required for legislative drafting and discussions in the Legislative Council,

business and community education and training, as well as corresponding changes that would have to be made to government systems and procedures.

233. We welcome your views on this consultation document, in particular on the proposed GST framework, household compensation package and other tax changes and relief measures. The proposals put forward in this document are not meant to be conclusive, but have been drawn up as the basis for stimulating rational and informed discussion on this subject.

We actively seek contribution and debate

234. Over the consultation period, which will run from mid July 2006 to 31 March 2007, government representatives will be participating in numerous public meetings and appearing on the radio and television. We encourage the community to join in and make their views known. Every part of this debate will be transparent, and questions and comments are actively sought.

Numerous ways to participate

235. To allow the community as wide an opportunity as possible to contribute, a dedicated website has been established. This will allow for views and comments to be forwarded. During the consultation period, we also welcome comments and views by e-mail, by post or by fax at the following addresses and fax number:

Website : www.taxreform.gov.hk

E-mail : taxreform@fstb.gov.hk

Post : Tax Reform
Financial Services and the Treasury Bureau
4/F, Main Wing, Central Government Offices
Lower Albert Road, Central, Hong Kong

Fax : 2868 5641
Attention: Tax Reform

236. An electronic copy of this document, other relevant reports and information leaflets relating to this consultation are available at the website www.taxreform.gov.hk. Further information will be posted on to this website throughout the consultation period.

237. As part of the consultation process, we may wish to reproduce and publish your views in whole or in part. Unless you specify a reservation, we shall assume you have given us permission to do so.

Make your opinion count

238. We will consider all community views carefully before making a recommendation as to whether, and if so, how Hong Kong should pursue tax reform and introduce GST. We will also take into account your preferences in terms of the mix and value of measures to distribute the balance of surplus funds as additional tax relief, compensation measures or to increase public expenditure to enhance public services for our community.

Please contribute to the debate