



2006/07/19 03:48 PM

 Urgent Return Receipt

To: <taxreform@fstb.gov.hk>

cc:

Subject: Comment on the Tax Reform Issue

Dear Sir / Madam,

I would like to voice out my comment for the captioned issue. Details please look at the attachment.

Thank you for your attention.

Best Regards,

Chan Lai Kuen



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Comment on the collection of GST

To : Tax Reform Committee

Date : July 19, 2006

Narrow tax base

The flaws of too narrow tax base come from the fact that the wealth is controlled by a small group of upper class in HK. Broadening the tax base seems to be a solution but indeed, it just solves the problem of having a stable income to the government but not for the well-being of the livelihood of local and major groups of citizen.

As the wealth is extremely unevenly distributed in HK, for those who earn more should pay more in tax rather than paying tax by every single citizen in HK.

As a responsible citizen, I think those who earn more should pay more tax. I think the basic tax rate should be increase for those who pay tax over basic tax rate (i.e.17 %) of their income.

Attraction of mobile talents

The current taxation system is not a factor that deters the international mobile talents to come to HK. Indeed HK has been well-known for its low tax rate. It is the point high living standard and pressure that deter the talents from coming to HK and the low local birth rate which leads to the problem of our sustainable growth in the society.

The principles of taxation

Hence, the government should think of other means to collect sufficient tax to keep its normal operation. However, it should bear in mind that the tax should levy from those who earn more in the society.

Further, the rule of the game has been changed for those who can earn in HK should pay tax to those who survive in HK need to pay tax. There may be a fact that I can earn big money from HK but spend the money elsewhere, hence, the money earned is not spent in HK. Thus further deters the people to spend the money outside HK boundary.

Drawback of the GST

Besides, the collection system will be very complicated which may reduce the flexibility in doing business in HK. It requires too much administrative overhead to collect the tax.

Inflation

The levy of GST (Good and Services Tax) will immediately lead to an inflation of 3 %.

Affect the basic living standard of all citizen

The purpose of GST is to provide a stable source of income despite economy turndown. After the introduction of GST, the spending behavior of citizen will be adjusted. If the spending behavior of the citizen after the introduction of GST cannot meet the budget of government, it is very easy to increase the tax by adjusting the GST percentage. However, this would affect the basic living standard of the citizen.

Conclusion

The role of government is to maintain a stable environment for the society for steady development and growth rather than the society to provide a steady source of income for it to operate. So in period of economy prosperity during the economic cycle, the government should collect more tax in prevention of hard time and insufficient income during economic downturn. That is the real key to address the problem.

In case of economic downturn, the public citizens have already suffered from poor economy. The government is not going to have relief measures in reducing the burden of the citizen, instead she just thinks of her own income. The government should by that time to use reserve saved and collected in economic good time to supplement the expenditure.

Yours sincerely,
Chan Lai Kuen