

**CHIAPHUA-SHINKO COPPER ALLOY CO., LTD.**

**OFFICE** : Rooms 215 & 216, 2nd Floor, Hankow Centre,  
5 - 15 Hankow Road, Tsimshatsui, Kowloon, Hong Kong.  
Tel: 2376 1125 (4 lines)

**FACTORY** : 3 Shek Kok Road, Junk Bay.  
Tel: 2719 6511 (6 lines)

**POSTAL ADD** : P.O. Box 71041, Kowloon Central, Hong Kong

**CABLE ADD** : "SHINKO" Hong Kong

**TELEFAX** : 2376 1362 (Office) 852 2358 1367 (Factory)

香港九龍尖沙咀  
漢口道五十五號  
漢口中心2字樓  
215至216室

製銅廠有限公司



YOUR REF

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19 July 2006

**Tax Reform**

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

Dear Sirs,

**Public Consultation --****Proposed Introduction of Goods and Services Tax ('GST')**

We write to object the proposed introduction of a GST, it is darn regressive and costs of compliance are high.

No time is a good time to ponder an idea of raising tax, imposing a new all-encompassing levy. No surprise that overwhelming negative responses have been drawn from all walks of life even before the ink on above paper became dry. Except, of course the accounting sector whom see mountains of business opportunities ahead, the proposed GST will inevitably vastly complicating the taxation system. Hong Kong's simple and low-tax regime would by all means undergo both qualitative and quantitative change, for the worse.

We are a brass items manufacturer wholly operating on Hong Kong soil, we buy raw materials and machinery parts from overseas and local vendors and devour huge amount of electricity and other fuels in our production processes. A GST means we have to dig deeper into our pockets to meet the operating costs and have to sell dearer, our competitiveness will be petered out and the already razor thin profit margin will be erased completely. GST would seem like a bell of dead toll, sending our business to the wall. We are, too vulnerable, in biting more bullets.

With public finances, particularly increasing revenues from land sales and retails, returning



to a healthy footing and the economy in apparently good shape, the notion of installing in relatively near future a new ferocious tax to eliminate deficits no longer holds water. The claim used to be that structural ills in public finances called for vigorous remedy, like GST, may be true, but the sharp turnaround in SAR's fiscal situation last couple of years and the encouraging positive outlook for the next few years, have certainly floored that argument.

A GST may sound reasonable and fair in textbooks, but is it true in reality. In a cash environment like Hong Kong, how many of those mom-and-pop stores will ever, honestly, pass to the SAR Government the sales tax they collect? Under the current proposal, everybody irrespective of income will be knived, yet only unless they are taxpayers or home owners they won't be getting any sweet in return, this is everything but fairness.

The Government pledges that revenues so generated from the proposed GST would at least in the first five years be returned to the community, it is hard to see why take all those fussies, with much ado, to recycle the money.

The fact is clear that the Government simply wants more of our money regardless of whether the economy is doing fine. For a government that spends nothing for defence, collecting more money than it is already collecting is very much debatable. The Government boasts how wonderful and useful a GST would be in dealing with next economy doldrum, but *'the proof of a pudding is in the eating'*, a little mishap or overestimation would send entire community into dire strait.

The *vox populi* is crystal clear that GST, proved not an antidote in many other countries, will not be accepted by the community and the current tax regime has been bedrock of our prosperity in the past 160 years, please do not unearth it.

Yours faithfully,

**渣打洋行有限公司**  
For and on behalf of  
**Chiaphua-Shinko Copper Alloy Co., Ltd.**

(Signed)

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**IVAN K.M.CHENG Director-General Manager**

**WE support the above objection, too**

**Obiection to Proposed Introduction of Goods and Services Tax**

(Editor's note: Submission with 25 signatures from the public)