



2006/07/19 06:15 PM

 Urgent Return Receipt

To: taxreform@fstb.gov.hk

cc:

Subject: Tax Reform

Attn: Financial Secretary

Objective of this letter:

I sincerely hope that the Financial Secretary would seriously consider the approach the government uses to "promote" the GST if it is "serious" about strengthening the tax base for the good of Hong Kong.

My position on the GST:

Allow me to first state my position on the introduction of a GST: I am FOR it. I am a taxpayer, and of course, like any other taxpayers, paying extra tax is not out of my own accord if I have a CHOICE. But supporting the tax reform, i think, is a citizen's OBLIGATION and not a CHOICE. And this obligation is rooted from my care for Hong Kong's competitiveness in the global market (mid to long term) and sustainable economic development (long term).

Negative media coverage:

Most of the media coverage on the proposed GST is negative. This is not hard to understand as GST's immediate impact on the general public (consumers) is "adverse" -- increasing their financial burden, not to mention making the life of the disadvantaged groups even harder. On a larger picture, discourage consumption, and thereby hurting the economy. But what appals me is the position of the government. As quoted from some of the Chinese newspaper (including Hong Kong Economic Times) on 19 July, the government is "open" regarding the introduction of GST. The government could say that no decision has been made yet on the GST issue, but it should firmly states its belief: GST is the best way to broaden the tax base. By being open, the government seems not so sure that GST is the best way, and that certainly further heightens the government's weakness in introducing new policy or reform.

Suggestion:

As a member of the PR industry, I think the government should be aware of the significance of PR when it comes to policy or reform promotion.

I believe the government has established some key points (reasons) for the GST proposal. However, i think it hasn't used/ presented them in an effective manner.

To the general public, the key issue is "why should I accept it??" If the government believes the imposition of GST is good, (at least i believe) convince the public. Be firm on what you believe.

In my opinion (forgive my ignorance; honestly i am no expert in tax system), Hong Kong's competitiveness and economic growth/sustainability in the future are the acute problems for a narrow-based tax system. So, amplify these two factors through various media to educate and convince the public

1) Raise public awareness of what the society will suffer if no GST is in place (ex. by XXX

(year), only [ ] people will be within the salaries tax net, a drop of [ ] from now. Also, show the decrease in competitiveness with a narrow-based tax system. Then, show that the GST is also in place in other developed countries, eg Japan and Canada; in fact, i noticed that Macau also imposes similar tax; Hong Kong is really late in introducing GST.]

Types of medium:

a) 1-2 minute TV commercial (depicting, for instance, the present society spending freely, zooming in the "no tax" item on the receipt, and the future--different levels suffer from either heavy tax or insufficient government financial support/spending. Put a counter, say at the top right hand corner of the screen, with the number dropping. This is to indicate the decline in the number of people within the salaries tax net due to an ageing population.)

- broadcast it on TV (increase public understanding, try to get their support)

- play it at press conference (increase media understanding, try to get their support)

b)

i) a 30-sec minute radio commercial (through role-play: explain the role of retailers in tax collection and its relevant administration; emphasise citizen's responsibility for building a better Hong Kong)

ii) a 30-sec minute radio commercial (through role-play: explain what items are tax-free or tax-exempted, and the benefits, in the form of tax relief and other compensation measures)

c) press conference (accompany with /without press release) with a Q&A session  
a slide show to

- explain the imperative of introducing a tax reform, and GST is, inter alia, the best option after prudent and extensive research.

- show statistics and case study in other countries

- highlight the reason for Hong Kong to have such a tax reform: significant drop in tax revenue against an increase in government spending by [XXX year], according to the current rate of population growth and tax rate

- explain the rate of GST (should have a more scientific way of calculating the GST rate for the public to know!!!)

- explain why some items are tax-free and tax-exempt

Last but not least, I would like to strongly recommend GST exemption for certain essentials such as certain types of food (staple food and groceries, such as rice, vegetables, fruits, milk, bread, etc), medical, health and dental services. I have lived in Canada for some years, and in some provinces, they have a two-tier GST system--provincial and federal. But they do not charge essential food, such as milk. However, they do charge chocolates, which are considered not essential. By exempting the essentials, i think the impact on the more disadvantaged groups will not be that severe, and i believe, the new tax reform would be more acceptable.

Thanks for reading this long letter, and forgive my ignorance about taxation and its impact on the entire society. As part of the society, I am willing to do what i can to make a better Hong Kong. So, don't back down on something you believe is good for the society as a whole, and do it in an effective manner.

best regards

Dona Loo