

Attn: Tax Reform, Financial Services and the Treasury Bureau

Date: July 19, 2006

First and foremost, generous use of self-explanatory charts and diagram make this Consultation Document is a joy to read.

Missing from the paragraphs, absent from within, lack explicit features to showcase the convenient marriage of GST to enacted tax laws.

#### ASCERTAINMENT CONCEPT

No change to current enacted IRO principle

**Ascertainment of assessable value/income/trading receipts** (*CAP.112 Section 5B/11B/15*) where taxpayer need only to subtract GST net payable (output minus input), compulsory if annual turnover > HK\$5mil.

**Ascertainment of chargeable income/profits** (*CAP.112 Section 12B/16*) where if above assessable value/income/trading receipts GST deducted, then chargeable income/profits lessen correspondingly.

#### TAX IN ADVANCE

**Liability/Demands/Holding-over for provisional tax** (*CAP.112 Section 63*) can include anticipated GST for ease of collection purpose. No need to augment or reinvent a second collection system when tax liabilities due are based on expected earnings payable in two installments collected upfront in advance. Proposed Deferred GST Payment Scheme (DGPS) then

- becomes a redundant costly time-consuming exercise.
- exerts unnecessary workload onto IRD tax assessor.
- undermines tax planning flexibility.
- invites objections and appeals (*CAP.112 PART XI*).

Think GST a handy plug-in cure to our narrow base tax system. In fact GST registration on top of BR can be eliminated.

## PROMOTE SHOPPING WITH OCTOPUS CARD

To avoid double taxation, tourists tend to use cash and cash OD for shopping in the narrow streets of Hong Kong. An easy fix is to encourage use of OCTOPUS debit card, and installation of such reader machine if shops intend to charge GST. Processing tax refund is just as easy.

## THINK GST AS TAX PLANNING FOR THE POOR

- Full compensation according to *actual price change* for CSSA households
- Up to HK\$5,500 compensation for non-CSSA low-income households
- HK\$3,500 maximum rates and water reduction for remaining households

To Group A and B, the after effect would yield a net GAIN if expenditure is less. Plus more funds will be made possible for education, health, social welfare, law enforcement and infrastructure, benefiting the entire community..

Meanwhile the IRD should dig deep investigating tax loss and cessation cases whether the same group of bankrupt directors and shareholders keep coming back to business with ample to invest.

Best regards,

LEE Kwok-wai

c.c. Henry Tang, FS.