



Kent Wong

To: <taxreform@fstb.gov.hk>

cc:

Subject: Tax Reform

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☐ Urgent

☐ Return Receipt

I do not support the proposed scheme of the good and service tax (GST) as the Government will be creating

1. many jobs with the inefficiency;
2. Loopholes for tax evasion; and
3. Unfair treatment to the middle classes and the retired.

I will only support GST under the following conditions:

1. It will apply to every industry;
2. Administration must be simple; and
3. There is no subsidy to be given to any class of citizens except the visitors who spend over a threshold amount per purchase.

If some industries are given exemption not to pay GST, it will only create chaos and loophole for tax evasion. Administration is more difficult to define whether the industries are within or outside the net. For example, educational institutions should cover day school, kindergardens, nursery classes, evening schools, tuition classes but are they all exempted from paying GST? What about dancing school?

If subsidies are given to some classes, the administration is huge to validate whether the person is eligible for the subsidy or not. It will also induce more people to apply for social benefit is that is one of the ways to claim exemption to pay GST. Moreover, it is unfair for some people who have given the subsidy but they choose to spend outside Hong Kong.

According to the information from TV ad, many low income families will receive more subsidy when compared with paying GST. It is either a fallacy or someone will have to pick up the bill. The fallacy may imply either the subsidy can be withdrawn / reduced during economic downturn or only a special small group of low income families are eligible to such nice treatment. If it is true that all low income families will be benefitted under GST, then the benefit plus the extra administration costs will be picked up by some target groups such as middle class and the retired. The middle class have long been put under the burden of heavy tax without any benefits targetted to them. If more is added to the middle class, where is the rationale? To ask the retired to pay tax is again a path in the wrong direction.

There are many ways to broaden the tax base. The following suggestions are put forward for the Government to study:

1. The collection of revenue tax, ie tax based on the turnover or revenue generated irrespect of making a profit or not. Mainland China has implemented this tax and it is more simple than GST. It is simple to administer. The tax rate must be low (say 1 to 2%) as it should apply to all companies including food and the impact to even low income families will be small.
2. The flat rate for income tax for individuals with high income should be abolished and they should not mind to pay more income tax.
3. The threshold for paying individual income tax should be lowered to allow more

people to make a contribution.

- 4. Increase the tax rates for goods that lead to poor health. Tobacco, cigarettes and strong alcoholic contents (say greater than 20%) are definitely on the list.**