



2006/07/24 07:23 PM  
Please respond to

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Subject: Tax reform

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

cc: The Parties

Dear sir,

### **Introduction of a Goods and Services Tax (GST)**

The argument between Henry Tang & Chris Patten in last couple of days initiates me to write this mail. On last weekend I listen a Commercial Radio 1 morning programme by chance. I find our Financial Secretary cogitates mistakenly and am thence doubtful of his motivation to introducing GST.

#### **1. Argument between Henry Tang & Chris Patten**

彭定康指他任內不考慮開徵銷售稅(相關新聞 - 網站)，唐英年認為正是因為沒有銷售稅，彭定康拍拍屁股走後，香港人就捱足7年。Our Financial Secretary means had Hong Kong been introduced of GST, we don't need to go through pain for 7 years. He means GST is the medicine to cure our pain. I say GST can be a medicine to cure the pain of government but a poison to the citizens. It is because GST diverts 30 billion dollars from the citizen to the government. With an extra 30 billion dollars revenue, our Financial Secretary can be relieved from pain of squeezing government expenditure. Therefore apparently his motivation to introducing GST is for the sake of his government.

Outbreak of financial turmoil in the end of 1997 destroys regional economy. If GST is introduced at that time, it must have weakened local consumption further. Moreover, after the introduction of controversial MPF in turn of 2001, disposal income of working class is reduced by 5% and enterprises bear the equivalence. Only a fool will introduce both policies MPF & GST within same period of time.

Being a Financial Secretary Mr Tang should not easily get irritated by a comment from former governor. Particular Mr. Chris Patten is excellent at speaking. One day after Mr. Patten's comment, Mr Tang has still lost his mind. Therefore I am sceptical to his capability.

#### **2. Announcement by Donald Tsang when posted as Financial Secretary**

After the outbreak of financial turmoil in the end of last century, all fund佬 says the economy retracts by 2%. But the then Financial Secretary Donald Tsang still says it is expanding by

5%. He does not know what is going on at that time and thus has not taken proactive measure to tackle the financial crisis in beginning stage. This is one of the reasons why Hong Kong has undertaken much longer painful period than other S.E. countries.

### **3. Diminishing household expenditure**

The statistics published by the government in last month states that household expenditure is decreased by 10% when compared to years ago. GST must shrink the spending further.

### **4. Average working age**

The release from government shows the present average working age is 40. Income and salary tax of a person at this age is high. As they are aging in next 2 decades, working capability and competitiveness will weaken. The result is decrease of salary and related tax. The toughest time of Hong Kong in expectation is 2020-2040. Thereafter the city will get young and energetic again. Undoubtedly GST is the easiest tax Hong Kong government can learn from other countries. But I hope our government can be more creative rather than keen to imitate. As some people say we may consider to tax on antiquity transaction and such extreme luxurious goods as diamond and fur. For an instance, an European Latin dance teacher earns \$120 millions from a female HSBC executive. 5% tax on \$120 million is 6 million. Foreign investment fund earns huge profit by buying and selling companies. Harbour Concert wastes \$200,000,000 and no one is required to undertaken responsibility. Sound isolation board is rigged up and down in Tolo Harbour Highway. 梁展文 saves Henderson Estate several dozen millions dollars. Many many more. Education Department approves primary school to set up 假大空 facility like experimental radio station and orchestra. Requisite of good food is good resource. You simply see how the students walk will know how many of them are good resource.

Our government is pouring out money like water everyday.

Best regards  
Kowa Chiu