



To: <taxreform@fstb.gov.hk>
 cc:
 Subject: GST

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- Urgent
 Return Receipt

I would just like to express some of my concerns regarding the proposed GST. As a small business owner I have some obvious concerns regarding the implementation of GST. I operate a small service and retail oriented business and I feel the introduction of such a tax could greatly affect our business as outlined below.

- 1) Increased rental. We have already sustained a 50% rental increase due to the pure greed of HK landlords and with the introduction of GST we would be expected to pay an additional % on top. Any increase in fixed costs is seriously detrimental to a small business as it is not possible for us to suddenly increase our service fees or retail prices to cover such increases. This is going to put serious strain on cash flow for small business.
- 2) Increased product and equipment costs. In addition to increased rent we would be expected to pay an additional tax on all products used and sold in our business which again creates higher running costs that can not be recovered. Similar to rental increase we can't exactly pass the additional costs onto the consumer so would be taking a further loss of potential revenue. HK is a very cost conscious society and where a service industry is concerned consumers choices are greatly influenced by costs.
- 3) General running costs. A small business would have to reconsider such things as advertising, promotions. POS items and such things as everything would suddenly become more expensive to produce and again these are non recoverable expenses.
- 4) Cost conscious consumers. Although I believe in time HK consumers would (as there would be no choice) get used to GST it will have a huge impact when it is first introduced as consumers would start to consider their spending options and choices with the additional costs. Even the most affluent of people don't like to waste money unnecessarily.
- 5) Additional cost, time and administration to implement and maintain the GST. Although I noticed there is a mention of some start up subsidy for equipment or such methods to help calculate the GST this does not solve the problem of ongoing time and costs incurred to deal with calculating and collecting GST. Small business may be forced to have to hire additional staff or services of Tax professionals (which we would probably have to pay GST on) to deal with the implementation. It is already inconvenient enough to spend time calculating the MPF (another poorly thought out government scheme) let alone the additional effort for GST. This is basically a way the government can get the business community to do its work for them by collecting taxes and not having to pay for the service of the collectors. I believe the government should be paying a fee to business owners for doing the job of the tax department.
- 6) With the implementation of MPF small businesses have had to sustain and additional 5% salaries cost to no benefit at all and now we are expected to be hit again with additional costs on everything we do or use.
- 7) I think one thing the government should consider is to lower the threshold on earnings to be taxable. For example, there are thousands of people earning below HK\$10,000 per month who are not taxed. I believe below this amount excludes them from paying tax (except for domestic helpers who earn less than everyone). Why not include every working person in the salaries tax bracket? This would surely provide a huge surplus in government revenues and create an even more fair tax system to all employees in HK. I believe an employee of any country where tax is demanded should pay regardless of their earning and yet the HK government allows a huge number of working people to be exempt from these taxes. These employees are usually living at home with no considerable living costs and have a high % of disposable income so I don't see why they would be exempt.

I still don't understand why governments like HK like to follow the failed attempts that have been introduced in other countries and think it will work better here. Look at the UK, Australia, EU and the USA and you can see how a GST has been more problematic than productive. It is the same with the

introduction of MPF another followed and failing proposal from the HK government. Maybe its time to think outside the box and bring some new ideas to the table instead of continuing to just follow other countries bad examples. There is a comment from Jeannette Chan from Jones Lang in today paper that reads, "GST is common around the world. HK people are familiar with the tax as they always travel abroad." I wonder if Ms Chan has ever seen the long queue of Chinese people at the tax claim counters when leaving these countries to collect their GST returns.

Although I understand the needs or apparent needs for the government to retain a high cash reserve I don't think then implementation of a GST is the answer. I also believe the HK government should be more selective on where it spends its money as it has been proven money has been spent and wasted on some very stupid and insignificant areas which add not value to the community or to HK.

Regards,

Darrin Usher
Concerned Business Owner.