



To: taxreform@fstb.gov.hk  
cc:  
Subject: Tax reform

26/07/2006 17:35

☐ Urgent

☐ Return Receipt

Dear Sirs,

My opinions on the introduction of a GST is attached.

PAUL WONG



One of the arguments against a GST is that it is regressive in nature and most are chanting "robbing the poor to pay the rich" ~ 1

FSTB,

Dear Sirs,

26 July, 2006

### Tax Reform

One of the arguments against a GST is that it is regressive in nature and most are chanting 'robbing the poor to pay the rich' using a picture of "poor old" Canning FOK. To a certain extent, the argument is valid if one took an extreme view of the proposal to use the remaining GST balance for reduction in Salaries Tax where any taxpayer would save at least 31% in salaries tax. This won't happen because you would need to divert some of the balance to reducing Profits Tax.

To address the above, I would suggest that the standard tax rate to remain capped at 16% through the introduction of 4 Salaries Tax rates at 1%, 2%, 8% and 14% at bandwidths of \$75,000 each with the remainder at 19%. This would provide tax relief for all taxpayers with an income not exceeding \$1.9M and should also have some leftovers for profits tax reductions which I hope could creep into the region 1.5%-2.5%. The argument that the tax is regressive would be weakened considerably because those with the highest salaries would not benefit from a GST.

In my view, it is unlikely that there will be much opposition from the highest salary earners against a non-reduction in their salaries tax following the introduction of a GST. As for the beneficiaries, ie those with annual incomes ranging from 0.1M to 1.9M, I would suggest providing a calculator in the website to let them know approximately how much they will save in salaries tax together with the GST credits per household against rates and water and sewage charges. Each individual will then decide for himself whether to support the GST proposal.

One thing I hope you could consider is a relief package for pensioners. The middle class which you are counting on for support is just that ie middle-aged. Many of them will have retired in 10-15 years time and while they will benefit from the reduction in Salaries Tax, they will be envisaging that there are hard times ahead once they are pensioners where their monthly pensions, if any, will be diluted. Once this is taken care of, there should be positive feedback from them.

All the best of luck in the introduction of a GST. You have my support.

PAUL WONG