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cc:

Subject: Comments on the Tax Reform

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☐ Urgent☐ Return Receipt

Basically, it is the right direction to go in broadening HK's taxation basis. But we should create a HK style GST instead.

Other country has their own reason behind during development of their GST, the profile and format just suit for their own need, if HK just copy and paste, it will do no good for HK economics.

First, we should define clearly why we need this tax reform? The money raised is used to support what expenses?

If the reason is just to create a new tax and no direction on how to use it wisely, I surely will not support on this, think many others will have the same feeling.

My opinion is as follow:

- 1) Current tax system is effective and efficient, no need to revise or change on any of its rate or form;
- 2) The GST raised should use to support new program:
 - 甲、 Such as the medical insurance plan. Since HK has not developed the medical insurance plan yet, elderly and retired portion will not be able to support this anyway. Why not use this new tax to create the base for this, say 50% of this tax go into this pool in the first 5 years time, then reduce the injection when the pool become stable (after all people join the plan); this can create a stronger base for HK medical service, and ensure HK medical system's standard being maintained;
 - 乙、 Start to create fund to handle the highest population that approaching the retirement age in the next 5 – 10 years time (high born rate in early 1960s). We should not sit and wait for the problems come;
 - 丙、 Support the environmental protection concern in the way of cutting the land sales in the down town, use more area for planting; protecting historical buildings instead pulling them down become of \$\$;
- 3) GST implementation:
 - 甲、 Should take in consideration of the Duty Free Shop approach, tax whoever should be taxed in front of the cashier counter. This can reduce huge operating cost associated, like the addition workload for Customs, double handling of the GST in and rebate operation – should create new software to handle this instead of copying other country in using manual system;
 - 乙、 Should focus on the products need to be taxed, not to use the fuel duty system – apply to all then spend most of the effort to handle the exemption part;
 - 丙、 Can use the base public expense as reference, only tax on those “not must” use product, such as wine, soft drinks, cigarette, cosmetic, private cars, etc.;
- 4) Last not the least, if you use the approach in reducing other tax to implement this tax, I think is really a childhood thought. Say if you run a company by using this approach, will your board of directors support on this? Surely not, because you are creating huge operating expenses to offset the new income and without any added value to the company in any sense.

Hope to see a more effective and efficient government to run the HK economics and create a better future for our next generation.