

July 27, 2006

Tax Reform

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

Dear Sirs,

**Public Consultation –  
Broadening the Tax Base**

I write to object to the proposed introduction of a Goods and Services Tax ('GST') which, I would consider, is regressive and virtually, a blend of weak-minded and unconvincing.

No time is a good time to ponder any idea of raising tax. Except, of course it will receive overwhelming support from the accounting sector whom see mountains of business opportunities ahead, the proposed GST will undoubtedly vastly complicate the taxation system, sending Hong Kong's simple and low-tax regime to change qualitatively and quantitatively, for the worse.

A GST means we have to dig deeper into our pockets to meet everyday expenses, living standards would, ipso facto, be lowered.

With public finances, particularly increasing revenues from land sales and retails, returning to sound footing and the economy in good shape, the notion of putting in the relatively near future a new all-encompassing tax to eliminate deficits no longer holds water. There are, as widely agreed by scholars, no structural deficits in public finances, structural overspendings however, on the contrary, do exist. The sharp turnaround in SAR's fiscal situation last years and the positive outlook for the next few years, have certainly weakened the argument of calling for a remedy, like GST.

A GST may sound reasonable and fair in textbooks. In a cash environment like Hong Kong, one wonders how many of those commonplace stores will ever, honestly, pass to the

SAR Government whole of the sales tax they collect? Under the proposed GST everybody irrespective of income will be pinched, the middle class who are shut outside social benefits will feel the heat most, particularly when another tax-alike “medical fund contribution” looms. This is certainly unfair.

The Government vows that revenues so generated from the proposed GST would at least in the first five years be returned to the community, whilst it is hard to see why take all those fussies, with much ado, to recycle the money, I wonder what will happen in the second, third five years.

GST is nothing but a pretext that the Government simply wants more of our money. Instead of exercising fiscal responsibility, the Government thinks of borrowing profusely from the society way into the future. The Financial Secretary even contradicts his own remarks made few years ago that, let the wealth be contained in and by the people. For a government that spends nothing for defence, collecting more money than it is already collecting is much debatable. The Government boasts how wonderful and useful a GST would be in dealing with next economy downturn or recession, but it, has been proved in many other countries, is not an elixir.

People’s opinion is loud and clear that GST, will not be accepted. The current simple tax regime is the bedrock of our prosperity, it should not be unearthed or interfered.

Yours faithfully,

(Signed)

IVAN K. M. Cheng

**WE support the above objection, too**

(Editor’s note: Submission with 19 signatures from the public.)

**Objection to Proposed Introduction of Goods and Services Tax**

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