



31/07/2006 14:27

 Urgent Return Receipt

To: &lt;taxreform@fstb.gov.hk&gt;

cc:

Subject: Tax Reform Consultation Document

Dear Sirs,

The HKG has solicited the views of the general public on its proposed GST. After reading the consultation paper, I am responding to that solicitation.

My wife and I have been Permanent Residents of Hong Kong for a decade. Each year we pay the maximum percentage in Salaries Tax. So we are qualified to register our opinions on this proposal for a GST.

We object to and completely are opposed to the proposal to institute a Goods and Services Tax for Hong Kong. We have several reasons for our objection.

First, the consultation paper itself is an insult to any intelligent Hong Konger. The logic is faulty, and the arguments are specious to the point of mendacity. Much of the reasoning suggests Hong Kong shares much in common with sovereign governments elsewhere. But that is not so. Other governments need defense budgets, and do not have the kind of public revenue generated from land sales and gambling that Hong Kong does. Nowhere in the paper is the fact that the operational cost of the Hong Kong Government on a per capita basis is perhaps the highest in the world. Nor do the arguments about losing competitive advantage, whether in financial markets or property development, bear up under scrutiny. In fact, there really are few arguments presented. Instead, flat statements are made, and we are simply supposed to accept them. I would ask for a much more detailed presentation on these points about international comparisons and competitiveness. I simply do not believe many of the paper's remarks about these.

Second, the consultation paper is entitled "Tax Reform", but in fact, only the first few pages allude to the larger issues of tax reform, and to the options available. The bulk of the document is a poorly presented argument for a GST. In other words, this document is nothing more than a set-up for the Government's unimaginative and expectedly timid proposal for a GST. I ask for a real public consultation on tax reform, one that objectively and in detail considers the pros and cons of an income tax, profits tax and especially capital gains tax. Even a modest capital gains tax would give the government much more revenue and offer the general Hong Kong public a much wider range of sustainable services and choices for the future. I very seriously doubt that the imposition of a small capital gains tax schedule would do any harm to Hong Kong's competitiveness. Because such presentations are absent in this document, I seriously doubt the integrity of the claims made in this consultation paper.

Third, based on our own international comparative shopping and personal research, the pricing of goods and services in Hong Kong already has factored in the tax element. For example, the cost of an electronic appliance or an article of clothing without any tax in Hong Kong is just about the same as in New York with the sales tax included. So the GST will make Hong Kong less competitive on a retail level than many other locations. Trying to compensate for that lack of competitiveness through rebates and other complicated bureaucratic measures will not produce the intended results and only add to the already excessive cost of government.

Fourth, the GST is simply not fair or equitable. In the Hong Kong economy where the very rich get richer, the comfortable pay more salaries tax and the poor get poorer, the GST will only exaggerate those problems. To many, the HKG is a government of the rich for the rich. This ludicrously argued consultation paper only provides more evidence of that.

We request that the Government drop the GST proposal and consider producing a genuine tax reform consultation paper that addresses honestly the full range of options. However, given the influence of

the extremely wealthy on the Hong Kong Government, and the leverage that the property development industry obviously exerts over the public sector here, we are not optimistic.

Allen C. Choate