



To: taxreform@fstb.gov.hk
 cc:
 Subject: Feedback: Support for GST

01/08/2006 23:36

Urgent
 Return Receipt

Dear Sir/Madam,

Feedback on GST proposal

I am **supportive** of the proposal to introduce GST, provided that a majority of the additional revenue is used to **reduce salaries tax**.

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I agree to the argument that GST can broaden our tax base. Currently, there is a working population of about 3 million in <?xml:namespace prefix = st1 ns =

"urn:schemas-microsoft-com:office:smarttags" />Hong Kong. However, only about 1.2 million taxpayers on regular payrolls contribute to the salaries tax. That implies a number of **self-employed entrepreneurs have ways to avoid paying taxes**. By introducing the GST, these self-employed entrepreneurs have to pay a fair amount of taxes. GST is a fair taxation system as the more affluent people will spend more and hence contribute more to the tax.

It is important that the implementation of the GST should be revenue neutral. The additional GST revenue **should not encourage a rapid expansion of government expenditures**. As for the measures suggested for the utilization of GST revenues, I think the following 2 are the most important:

1. reduction in salaries tax.
2. assistance to low income families under CSSA

I am against using the additional GST revenue for reduction of profits tax. At 16%, Hong Kong's profits tax is already low by world-standards.

I noted that there are lots of arguments against the GST. The government can alleviate public dissatisfaction by reducing the GST rate from 5% to around 3-4%. The bottomline is: GST revenue should be used for reducing salaries tax.

Thank you.

Andy Pang