



03/08/2006 17:33

☐ Urgent☐ Return Receipt

To: taxreform@fstb.gov.hk

cc:

Subject: Strong Objection to GST

Dear Sir,

I strongly object to the introduction of GST. Reasons are as follows:

1. It is an easy way for Government to raise income. There will not be strong desire for Government to cut expenditures.

This has happened around the world over and over again. In all countries with GST, they all started at a low rate but gradually increased to double digit. Many of the countries now has a rate over 15%. Even Singapore, GST started at 3% and within a period of few years has now increased to 5%.

2. The proposed tax relief may be temporary. Eventually depending on the future situation and in particular if the Government does not control expenditures, both the GST and other tax rates may increase at the same time in the future.

3. Contrary to the Government's view, I believe GST is a very complex tax regime which require a lot of administrative costs to implement and monitor, particularly where there are exemptions for certain goods and services. The net benefit is not justified. The extra costs is not productive.

4. I believe GST will entice HK people to spend more across the border which I think is not desirable.

Overall, I believe it is more important for the Government to control expenditures, particularly social security and welfare, rather than try to expand its income base from the GST.

If I am a Government Official, I would agree to the GST because it will make my life a lot easier in the future if the economy performs poorly.

Best regards,
KW Chau