



To: <taxreform@fstb.gov.hk>
 cc:
 Subject: [48725] Proposed GST

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Urgent
 Return Receipt

Thank you for the opportunity to put my views forward on GST proposed fro Hong Kong.

I am an Australian who migrated to Hong Kong in 2004. I have lived in a high-taxing economy with GST.

I am opposed to GST for several reasons and urge the HK government not to introduce it.

1. As an economist, I have come to appreciate that no tax is a 'good tax'.
2. GSTs and VAT's are expensive to administer and will require many thousands of exemptions and thousands of additional public servants to be employed by the Inland Revenue to administer it. While this may good for Hong Kong's employment statistics, it is adding to the size of the government sector unnecessarily.
3. There is a very high instance of non-compliance. Since GST was introduced into Australia, most tradespeople (plumbers, electricians, carpenters, builders etc) will quote prospective clients two prices - a GST quote and non-GST quote for payment in cash.
4. There is high administrative burden placed on business to complete monthly, quarterly etc, Business Activity Statements, or similar, that report on GST. In a typical small business in Australia, this takes a day or more to complete every 3 months. The potential for making an (honest) mistake is high. Penalties for getting it wrong are also very high.
5. Once introduced, the government has the mechanism in place to raise GST levels to raise extra revenue whenever needed. There are many instances of GST rates being increased by governments over time to address short term deficit problems. There are far more examples of GST rates increasing, rather than decreasing. For example:
 Austria - GST was introduced in 1973 at a rate 18%. Raised to 20% in 1984.
 Denmark - GST introduced in 1967 at 15%. Increased to 20% in 1980. Further increased to 25% in 1992.
 Germany - GST rate of 11% when introduced in 1968. It was subsequently increased on three separate occasions and is currently at 16%.
 Iceland - GST introduced in 1990 at 22%. It was increased to 24.5% in 1994.
 Italy - GST introduced in 1973 at 12%. It is now at 20%.
 Japan - GST introduced 1989 at 3% and increased to 5% in 1998.
 Luxembourg - GST introduced in 1970 at 10% rate. Today it is at 15% rate.
 Mexico - introduced at 10% rate in 1980, it is now at 15% rate.
 Norway - introduced at 20%. It is now at 25%.
 UK - introduced at 8% in 1973. It is now at 17.5%.
6. The only sector of the business community that benefits are the accountants. They of course will be strongly advocating its introduction. For everyone else it will prove to be a huge administrative burden.

Please leave Hong Kong free of this terrible imposition on business and consumers.

Best regards

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 Deacons