



Brian Lau

To: taxreform@fstb.gov.hk
cc:
Subject: my experience & comment

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Urgent

Return Receipt

I am working in a Swedish medical equipment company asia regional office in HK as sales & marketing manager supporting the business in whole asia region.

PERSONAL EXPERIENCE

- I am now 35 living with my girlfriend (who is not working) in a rental apartment at 7,500 monthly rate....total monthly expense costs up to 30,000 including living expenses..

- PLUS i need to support my parents at monthly expenses of around 20,000 ...who are now living in the old-aged small 450 sq. ft. apartment of over 45 years with maintenance problemthis is the apartment I was born.

--> although I have been making around 1M (including unstable income source on sales commission).....savings achieved after spending and personal income taxes (no extra allowance on my parents due to standard taxation level nor my girl of course) every year has been minimal.....

--> this is also major reason why i cannot afford to upgrade my parents' living environment after all years.... and I didnt plan for buying apartment for my own in the short run.....

SO --> my family's standard of living is up to mostly expected for a million income family??? how about compare to lower income level family of married couple with kids?? or how about compare to lower total income level family but all family members are working and eligible to buy a government house at discounted market price??

I am now a government policy nor a public admin./ financing expert. Just based on my experience and my observation, I believe I am a net sufferer of combined factors in HK: biased taxation system which put heavier pressure on small no. of personal income tax payers (simple but biased) AND extraordinary high land/property pricing system (very fluctuating as well)...making me can't afford to buy my own property but to suffer high rental same time.

--> all such make me consider carefully that if I can be treated 'fairer' in other country or area in the region??

In fact, my Swedish headquarters management is actively evaluating whether to move the regional HK office (now with over 10 HK employees) to other countries in the region or not, eg. Singapore.---> leading to following section.

BUSINESS CONSIDERATION

- reasons for my company to consider such change recently are exactly those listed in your report - competitive advantages of neighbour countries in the region...

- Eg. Singapore - trend of downwards of both compnay profit tax as well as personal income tax rates/ tax vacation/break for foreign company setting up regional offices there (this is to compete directly with HK) , wages, office rental, etc.

--> although HK is having simple and lower profit/income taxes in general....but don't forget the average wages and office rental rate - both higher than Singapore.

--> And there are tax benefits for company to setup offices in Singapore.....the general trend for both income/profit tax rates are coming down as well....future planning for companies.
- amazed to learn from your report that 60% of both profit/personal income taxes are on only 800 companies/100K popu.....!!
--> for all top rated international companies to open offices in HK with their top-earning management staff placed locally --> will they think they come here to contribute to support our government spending??
--> as I know companies like HSBC/INTEL has already moved their components into China.

WEAKNESSES OF EXISTING TAXATION SYSTEM

- I think you have already done thorough investigation and presented the facts in your report.....of which I agree on most of the observations.
--> especially biased reliance on land/property income --> this is exactly hurting our competitiveness to other neighbour countries to attract companies to setup offices here due to jetup property prices and hence rental.
--> due to fluctuating character (thanks to our Hongkie character of short-term trading....even on properties!!!) of property market.....can we rely on this source of income in the long run?? we experienced the pain since 1997....
--> fully agree on your stated characteristics of our economy of too reliance on exporting as well as mainland china business activities....make us to liable to outside/inside economical fluctuations, eg. interest rates/oil prices/stock markets fluctuations, etc.
--> after China fully integrated into WTO system with mature legal/financial systems to comfort the hearts of all foreign investors/companies.....what will be the position of HK??...this will soon happen.....Why not to setup direct office in China to grasp the business opportunities inside mainland direct with much lower costs..!

In conclusion, i worry about HK future status and fate....I worry myself living in this relatively beautiful, stable and safe city.....this is the place i was born...my friends are living in....and my parents are retiring on....hopefully if time comes....my offspring is being raised on....

A few more words about balancing.....people enjoying benefits under existing taxation system shall be convinced to contribute some for the society running....on the other hand, people who is suffering eg., professional drivers suffering on high oil prices (gasoline is most expensive in the region and at top list in the world ---> result of biased taxation) shall be taken care of.....people who are living at poverty level shall be protected.

Transformation is will always induce certain extent of pain/uncertainty especially during transitional period. But without it...there will never be improvement. Gloomy future will be the only outcome if we insist to enjoy the tiny corner of CHEESE left behind by keeping status quo.

Sorry for taking your time on reading the lengthy message.

Good Luck to HK.