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To: taxreform@fstb.gov.hk

cc:

Subject: FW: Comments re GST

Dear Sir/Madam,

I believe you will have significant difficulties in gaining public support for the suggested GST, as things are at present, for the following reasons:

1. The timing for such consultation is wrong. Despite the government's often repeated claim that Hong Kong has recovered from the economic downturn, for most members of the public there is no evidence of this, and significant evidence to the contrary. Big business and top wage earners may have done very well in the last couple of years, but most others in society have not. Sure, spending in shops and restaurants has increased, but I believe this does not indicate that the majority of the population are happy again. Civil servants have had huge wage decreases and severe cut-backs in conditions of service - and the experience of such have generated deep and bitter feeling for them and their families. I expect the government has lost the support of many civil servants due to its treatment of them, including what is felt by many to have been the public campaign to discredit their efforts and sacrifices, or at least the government's tacit support for the process. It seems our civic leaders may have rather short and selective memories. Property prices have rebounded significantly but mostly at the top end of the range- not those at the lower end of the market. Wages for the majority of workers have not increased significantly, and what increases there have been have been soaked up by the higher costs of living. The increase in the prices in supermarkets over the last eighteen months is felt by many. It is most unfortunate that mean penny-pinching by the government has been accompanied by frequent extravagance and blunders, such as paying huge consultation fees for little visible benefit to the people, sales of land at far below its true value, and and the giving of free benefits to development companies, that result in their coffers swelling at the expense of the public purse.

2. The vast majority of the people have significant doubt about the honesty of the government in its public pronouncements. I do believe many people have lost trust in the government. Good times are back ? No, they are not. Budget deficit? No, there was not. Return of the money to those most subject to the harsh consequences of the austerity measures? No, the government keeps it, and still keeps the screws down hard. Beware the effects of the transparent tactics of the government, if public money is returned to the tax payers at a time seen to be intended to give most benefit for the CE's "re-election". It is unfortunate and ironic that the FS has put himself into a lose-lose situation. Of course, added to this is the very bad feeling against the government for its slow action against air pollution. Tangible results are simply unacceptable. Another issue is the government's defying of the public with regard to constitutional reform. The CE made a show of anger - but I sense many people feel anger that this government does not listen, and does not have the balanced interests of the public at heart. I get the feeling an air of revenge still permeates Hong Kong - revenge against the government for the woes it has bestowed upon the people. It is a fact of life that the government will be blamed for nearly all woes - fairly attributed or otherwise! Discussion about GST has become politicised. Politicians seem to sense they're onto a good thing, and can gain popular support through fighting against GST. I have been surprised at the speed of the polarised stance taken against GST.

3. The consultation document does not give a persuasive argument for the need for GST. Current big budget surplus, talk of twenty billion floating about after introduction of GST, and no particular plan by the government

what to do with it. The government will not win the hearts of the public by creating such a picture, particularly so when we do not have the feel-good factor present. Reduction of first registration tax and duty on liquor - why? What about air pollution? Why encourage alcohol consumption? Apart from some minor moans about the price of wine, duty on alcohol is not an issue for the public. Nothing impressive to announce regarding financing education, health or welfare.

4. I support the introduction of GST for all the reasons stated in the consultation paper. As things stand now, I believe middle classes and above will support, and all others will not. The vast majority of Hong Kong's population have had it so easy for so long on the backs of the tax payers. Ask them to pay - no way, they'll not agree unless you can show real and persuasive benefits, and I do not think the government is doing so. I do fear the timing of the consultation is bad, and the whole GST package has not been convincingly presented. I do fear hearts will win over minds. Politicians have a catchy little slogan "Oppose GST". People aren't being encouraged to think about the real issues, but to simply react against the government. That's a pity for the current taxpayers, and for Hong Kong. I get the disappointing feeling of a lack of a coordinated strategy by the government here, made worse by the very bad timing. What to do - get working immediately on a persuasive sales pitch that effectively counters the anticipated arguments against GST. Consider introduction in phases, perhaps covering luxury goods first. Think of ways to use the twenty billion that will gain support of the public - can it be used in ways to reduce pollution? Can it be used to enable education fees to be repaid over a long period? Can it be used to off-set costs of taking out private medical insurance, perhaps for a period of seven years. People need to be weaned off the almost free public health service. I do not think you will win over the general public if you state the money can be used to reduce Profits Tax, since this smacks of snuggling-up to big business. People will not be won over by offering to expand public expenditure on the infrastructure - it's too remote from their day-to-day experiences. Reconsider the proposed GST credits because they are for five years only. People immediately think that after that time they will be out of pocket by another three thousand five hundred, and will still have the burden of the GST! Consider water and sewage charges to be exempt, maybe even rates.

5. More imagination, and more strategic thinking is necessary. A better presentation is necessary. I do hope you are successful, introduction of GST is definitely the way to go.

Regards,
Ken Pemberton