



23/08/2006 21:14  
 Urgent  
 Return Receipt

To: <taxreform@fstb.gov.hk>  
 cc:  
 Subject: Against Tax Reform

Dear Sir,

I am here to submit my opinion **against** the tax reform of introducing GST to HK.

One key point I am not convinced by our Financial Secretary, Mr. Tong, is that his CASE FOR CHANGE focuses on an estimate of HKD 30bn - 40bn cost (I can't remember exact figure) to survive one economic downturn.

I am in strong doubt of the necessity to create a sizable fund which is scoped to safeguard "a few economic down cycles" as paraphrased from the paper. I wonder how many worse periods comparing with 1997-2003 is Hon. Secretary Tong postulating in his model? Are those "worse periods" estimated to happen consecutively without a break? What is the scenario planning premises supporting this framework and what kind of political-economic assumptions embedded behind and how is the respective associated likelihood ratings?

I don't see a convincing reason why our Government needs to extract a significant amount of money from every HK people's pocket to prepare for "many downturns" which, in my opinion, is largely an unscientific prediction, unless convinced otherwise as prompted by above questions laid upon.

Also, when the economy did not perform well, government shall actively manage its budget, fine tune its policy (to shake-up the competitiveness/attractiveness) and limit its fiscal spending and/or finance its capital requirement via other short-term methods e.g debentures. Creating GST, in my opinion, did not serve this purpose.

Finally, the re-distribution mechanism, namely the setting up an administrative organization to assist the poor and the deprived, is merry a platform to create jobs (for accounting firms and the government) instead of serving the purpose. The administrative cost is huge and is a non-starter! The poor and deprived shall not be penalized FIRST by GST and then be compensated via re-distribution / subsidy scheme. It is unfair and contradictory to the fundamental social welfare objective.

In all, I disagree with the reform which jeopardize the fundamental competitive edge of HK, which is simple tax system, in exchange for a short-term surge of administrative jobs, a short-term surge of "dispensable income" in Gov's pocket. The end-game is just creating more pay-rise for those tax consultants in accounting firms as there would be a huge amount of contracts to be available in the market to update their computer systems.

If we want to remain competitive, not to mention maintaining our competitive edge in a sustainable way when benchmarked with Shanghai or Singapore, Stop lobbying GST in HK !

Regards,  
 Kenneth Wong Ching Kan