



29/08/2006 14:46

 Urgent Return Receipt

To: taxreform@fstb.gov.hk
 cc:
 Subject: Opinions on Tax Reform

Dear sir,

For my opinion, I'm not suggested to impose GST right now. Hong Kong citizens are still in their hard times.

Firstly, it raises up import duty and taxes towards FDI. It diminishes Hong Kong competitiveness. Hong Kong is the freest economy in the world. With GST, investment will flow into other countries, it will no longer the magnet for foreign direct investment and venture capital. Furthermore, Hong Kong citizens are just recovering from hard times. Most companies have not raised their salaries. GST will harm the economy.

Secondly, Hong Kong has only service industries. Under GST, service charges raises up. I could not find any reasons that tourists should stay and shopping in Hong Kong. Why PRC customers should save their money in Hong Kong banks? Moreover, local citizens are not willing to pay tax for meals. They will decrease the frequency of eating out and will not pay tips for dinner. It will affect low salary household group. Hong Kong citizens may prefer to spend their money in other countries than in Hong Kong.

Thirdly, the sample in "Chapter 6-Households: Impacts and Offsets" have underestimated the impacts.

- 1) Transport : ignoring sequential influences from increasing price in oil. From which, pressure of increased operation cost generates high transportation fee. GST will be a great burden;
- 2) Housing : excluding expensive management fee; buy and sell property charges
- 3) Electricity, gas and water expenses : raw materials costs will increase along with GST. Overall estimations are below the average.

Fourthly, we have to pay the MPF. Therefore, 5% of salary have been deducted. GST will make a harsh life for most of people.

Fifthly, most of Hong Kong citizens are in debt. No matter they are still paying their high property interests (especially purchased before Asian crisis) or high personal debts. Please do more research on this issue.

By the way, I support to increase tax revenue for government but it is not the right way. GST may not fit into Hong Kong situations. As we have no industries, please acknowledge that we are relying on foreign investment. Could Hong Kong pay more effort on expanding its local industries (especially high technology industries)?

best regards,

Mabel