



To: <taxreform@fstb.gov.hk>

cc:

Subject: Objection to the Introduction of Goods and Services Tax

23/09/2006 09:05

☐ Urgent

☐ Return Receipt

Dear Sir/Madam,

I attach my comments on the proposed GST.

Regards,



Steven Objections to the introduction of sales tax.pdf

31 August 2006

Tax Reform  
Financial Services and the Treasury Bureau  
4/F, Main Wing, Central Government Offices  
Lower Albert Road, Central, Hong Kong

Dear Sir/Madam,

RE: Objection to the Introduction of Goods and Services Tax

In response to the GST Consultation Paper, I would like to voice my objection the introduction of the GST for the following reasons.

- Increase of the prices on food and other essential items will hit the poor the hardest. The low income earners will pay more overall tax than what they currently pay.
- Retirees who sat aside sufficient savings may not have enough due to the introduction of GST causing increase of living expense.
- The new tax is adding complication to the current tax system. The administration cost of the tax will be high for both public and private sections. The resources spent on the administering the tax is non-productive in nature. The GST allowance will also increase the administration cost, taking money from the public and giving it back to the public.
- On one hand the paper states the tax is revenue neutral, and on the other hand it provides a stable revenue basis for the government, those statements are contradictory. If it is neutral, then why bother introducing the tax at all.
- If the GST is to have revenue neutral effect, then GST allowance should be provided for the duration of the tax, not just for the first five years of implementation of the tax.
- There is no guarantee on keeping the GST at 5% for the duration of the new tax.

- Many overseas countries, which have introduced the new tax system, have increase the rate over time.
- I expected the new tax will reduce tourism revenue because it will be more expensive for them to visit Hong Kong. Even though they can claim the GST amount back but not all GST paid by the tourists is claimable or will be claimed due to the amount spent is below a threshold, item without receipt, or the items are non-claimable depending the new tax rules. Secondly, due to the price increase of goods and services, Hong Kong might no longer be the preferred shopping destination for many tourists.

If there is a series of future deficits predicted, the government still has lots of means to control its spending, so that a balance budget can be achieved. Perhaps the alternative to the introduction of a GST would be to look at cost cutting within the government departments. This will reduce the need for tax increase and place pressure on the general public to pay more tax.

For all of the above reasons, I do not support the introduction of the new tax.

Regards,

(Signed)

Steven Lee