



11/09/2006 18:31
 Urgent
 Return Receipt

To: taxreform@fstb.gov.hk
cc:
Subject: Comments on the tax reform

Dear Miss Chau,
Here's my homework. Thx.^^

Candy



GST.doc

Dear Mr. Tang,

Comments on the introduction of GST

The introduction of GST brings a widespread discussion to the community with many think that GST will be another burden for them. I am writing to give out my opinion on this issue.

I agree that GST will broaden the tax base and there is a need to reform the tax system. However, at the same time, the government should also pay attention to the impact on our society.

Income Gap

By introducing GST, the government can ensure it gets stable revenue from it rather than salary tax and revenue of land-selling. GST is an indirect tax; it will not be affected seriously when there is economic downturn. However, as it is a regressive tax, it will broaden the income gap between the rich and the poor. It is the reason for many people to object it. It will be a heavy burden to the middle and lower classes.

Therefore, the government should figure out some measures for those classes. It is not fair for them to pay more than the rich people. If the government decides to introduce this tax, it should also try to reduce the salary tax rate. When the salary tax rate decreases, the public will think that they do not really have to pay a lot of tax. It can also reduce the income gap between rich and poor.

Importance of GST

I still remember in the Asian financial crisis in 1997, the Hong Kong government had saved the Hong Kong financial market by injecting reserve. I think it is necessary for us to store up some capital for emergent uses. But I do not think that people understand the need of government's tax revenue.

The government should promote the importance of collecting taxes. In fact, more tax revenue can mean better social welfare provided to the public. Just like the USA, people living there have to pay a high tax rate, but they can enjoy lots of social welfare including medical welfare. The government has to tell us that the tax revenue will benefit the public. People will be more willing to pay the taxes.

Impact on tourists

GST is a tax imposed on goods and services. Everyone has to pay it, but does it

include the tourists? Some people worry that if the tax is imposed, the price of goods and services will be higher and then tourists will not spend too much in Hong Kong. I think it is really a problem as Hong Kong is named 'Shopping Paradise'. GST may affect Hong Kong's attractiveness.

I suggest tourists can be exempted from GST. The government can give refunds or simply offer a lower price to them. Tourists will be glad about this policy because they are well-treated.

I think GST is good for Hong Kong's future but the government has to solve the above problems of its introduction. I believe GST will bring Hong Kong with prosperity and look forward to seeing a better tax system.

Yours truly,
Mak Siu Kwan, Candy