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cc:

Subject: Feedback on GST proposal

17/09/2006 14:41

☐ Urgent☐ Return Receipt

*I have a number of observations on your proposal to introduce a GST.*

*What is fiscally fair?*

A fair tax system put the burden of tax on those most able to pay.- "The food of the poor should be untaxed". - The introduction of a broad based GST will unfairly tax the poor.- Widening the tax base through the existing profits and salaries tax system is more likely to produce a fair result. If evasion and avoidance are problems, then solve these problems with better administration of the existing taxes. Invest in better collection procedures, better staff.

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*What is wrong with reducing allowances for Salaries tax earners?-*

The reduction in the-effective rate of salaries tax- through the abundance of allowances is a contributing factor to the need for a GST – please don't introduce a new tax to prop up poor administration and over relaxation of the rules on salaries tax.

*Why should rent paid by an employer continue to be excluded from assessable income?*

For years I have wondered why property rentals paid by employers are deductible.- Eliminating this obvious inconsistency would help the poor believe that the tax system in Hong Kong is fair.

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*What is a more cost effective solution?*

The introduction of a GST will have significant costs – not just costs of setting up the IRD's administration, but, much less easily measured administration and systems costs for companies involved in the collection process. Collection systems are already in place and working reasonably – for example, the MPF system; why not introduce a tax which can be collected through an existing collection mechanism?- Why not consider a broadening of the existing taxes on luxury items?

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*What are the positive and negative consequences of a GST?*

GSTs are territorial taxes.- HK is progressively moving towards an open border with the rest of China.- The introduction of a GST in HK will drive more people to shop in Shenzhen – The implication is that more, rather than less, border controls would be required to counter this ....surely a retrograde step.

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*How will HK compete/develop in the context of a more open border?*

If a GST is introduced, we need to consider what this will do to HK effectiveness and competitiveness in the context of an increasingly open border.- Many people are relocating to Shenzhen on the grounds of the lower cost of living.- As the border becomes more transparent so one of Hong Kong's main competitive advantages will erode.- Adding a GST will hasten this erosion.

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