



To: taxreform@fstb.gov.hk
cc:
Subject: opinion over GST

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Dear Sir,

<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

The HKSAR government proposes to impose the Goods and Services Tax (GST) in Hong Kong and I am writing to express my opinion on the issue.

The government claims that the GST is a fair tax system in which the tax payable depends on the amount of consumption. Yet, the tax payment is not a fixed proportion of the taxpayers' income and wealth. The rich and the poor will be paying the same absolute amount of sales tax. In fact, the tax is regressive in nature and it will be a heavy burden for the low-income group. The wealth gap between the rich and the poor will become bigger. This may harm our social harmony.

Moreover, sales tax is an indirect tax, which means sellers can shift part or whole of it to the buyers. Prices of goods and services will increase. Thus, residents will change their consumption pattern and flow to shop in other near-by cities of the Mainland China like Shenzhen. Local consumption and industries will be adversely affected. All these hinder Hong Kong's economy from recovering.

The government hopes to impose a sales tax so as to widen the tax base and to stabilize tax revenue. However, this also causes worries of the general public. The economy of Hong Kong is on recovery and the government enjoyed a fiscal surplus last year. I think it is not the time to impose a sales tax.

Besides, GST is difficult to enforce and costly to administer. The government needs to hire an additional workforce so as to deal with the calculation and collection of the tax. These costs would certainly consume a large part of the income generated from GST. Together with the decrease in consumption, it is rather doubly that GST would bring the government a considerable amount of revenue.

Apart from adding burden on the government, it affects the well being of the retailers. They need to employ more staff to deal with the additional workload. Expensive accounting costs are required to pay. All these greatly increase the expenses of the retailers. So, their revenue would decrease and the government would receive less profit revenue.

Furthermore, the imposition of GST would damage the image of Hong Kong. GST would negatively affect tourist expenditure. Although there is tax refund, it only apply to those who spend at least \$1 500 at the same retailer or operator. Actually, it is difficult for tourists to qualify to reclaim the tax. It is especially true for the Southeast Asia tourists who came to Hong Kong frequently. It seems that the requirement is too high that the problem could not be solved.

GST would certainly reduce the competitiveness of Hong Kong. Countries near Hong Kong are increasing competitive for lower price and higher quality goods. Besides, there are more

tourist spots in other near-by countries. So, it is already quite difficult for Hong Kong to attract tourist to come. With the tax, we could no longer compete with other countries, as the already very high prices are further increase.

I think the government could consider imposing other kind of taxes, such as a departure tax. So, Hong Kong people will stay here and go less for shopping in the Mainland. Interests of local industries will be protected. And its impact to the general public will be much smaller than imposing a GST. Hong Kong's image as a shopping paradise would not be adversely affected.

Thank you for your time.

Liu Kam Chau, Wendy

Yours truly,