

Walter J. Wuest

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Mr. Henry Tang
Financial Secretary
12th Floor, West Wing
Central Government Offices
18, Lower Albert Road
Hong Kong

Dear Sir,

Like everybody else in Hong Kong I have been following with great interest the debate over the possibility of having a GST in Hong Kong.

I believe everybody understands that it would be desirable to have government revenues on a more steady and predictable basis. Whilst the GST would help to achieve this, the disadvantages connected with it may largely cancel out the advantages.

Below I give you some comments and recommendations regarding a GST and regarding a general policy for Hong Kong that will ensure on-going stability and prosperity.

Most people agree that the number of tax payers in Hong Kong represents too small a percentage of the total population, compared with any country in the world (obviously excluding oil producing countries). The government should or must expand the net of tax payers, and include people with incomes that are presently not taxed. Applicable rates obviously should reflect the economic reality. Furthermore the income tax rate could easily be increased by say 1-2% without affecting Hong Kong's reputation as a low taxation country. The same goes for corporate tax rates.

The administration of imposing and collecting a GST is enormous and definitely would have an extremely negative impact on smaller companies. The cost of administration is in my opinion under estimated and the nett financial benefit would be considerably less than being projected. Hong Kong retailers and consumers already pay an indirect tax by having to pay for very high rental cost and the result of all this is that Hong Kong is no longer a shoppers' paradise as it used to be many years ago. A GST would be an additional great negative.

As a resident of over 40 years, I have always been a great supporter of minimum government interference and I think the "laissez faire" policy of the past did serve Hong Kong very well. In the last 10-15 years, there has been a shift to adapt more and more the European model. Citizens and governments in Europe on the other hand have come to realize that the model which their governments put into place in the last 30-40 years can no longer be supported and needs to be changed. More easily said than done. The question I have asked myself many times is why would Hong Kong at this stage make efforts to put a model into place, of which we know that it cannot work in the long term.

My advice to the Government would be:

- Keep the government and government expenses lean.
- Do not copy now what is no longer working in Europe.
- Encourage citizens to go on helping themselves and just offer some help to those who are not able to do it themselves.
- Finally go on keeping the tax system as simple as possible. This is one of the greatest attractions that Hong Kong has to offer.

I hope that my comments will give you some input from a person who has been living in Hong Kong over the last 40 years and has been admiring and promoting Hong Kong to friends and business partners all over the world.

Yours sincerely,

(Signed)

Walter Wuest

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