



To: taxreform@fstb.gov.hk
cc:
Subject: 7F Li Man Kit 26 Comments on GST

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Here is the comments on GST.



F7 BS GST.doc

Dear Mr Tong,

I am writing to express my view on general sales tax. Now the government is planning to introduce a single GST rate. The necessities such as food and clothes are included in the GST. This kind of sales tax is a very regressive one. I absolutely disagree with introducing GST in Hong Kong.

The low-income group will pay more and the high-income group will pay less under a more regressive system. So the income gap will be enlarged. Problems of poverty will be serious. Although the government will yield higher revenue, it will need to pay more for welfare's payment. As now Hong Kong is facing an aging problem, the revenue from GST may not be enough for the future situation. The government may raise the rate of GST to meet the target revenue. Then wealth gap widens and more welfare's expenditure is needed. It is a never-end cycle.

Besides that, simple and low tax rate system is the foundation of Hong Kong economy. If introduced GST in Hong Kong, the competitiveness of Hong Kong may be degraded. It will be difficult to compete with other Asian countries, such as Singapore. Simple and low tax rate system is one of the characteristics of Hong Kong economy. Everyone praise this system. So will imposing GST weaken the competitiveness of Hong Kong?

Tourism is one of the main industries in Hong Kong. Once there is GST, tourists may buy less than before. Although the government may refund the taxes to tourists, tourists may feel inconvenient. Can Hong Kong still be a paradise of shopping? Although tourists can get the refund from the government, it is not convenient for them. As Singapore and Shanghai is discussing the development of Disneyland, the competition will be more intense. Why do we introduce a policy which reduce our competitiveness?

Instead of imposing GST to widening the tax base, the government can introduce "green" taxes, such as taxes on municipal solid waste, construction waste and plastic. The amount of municipal solid waste and construction waste is increasing continuously; it is estimated that the remaining landfill space will last only for 6 to 10 years. It is difficult for Hong Kong finding new landfill space. The cost of dumping waste is very high. According to the "polluter pays" principle, people have to bear the cost of producing waste.

Tax system in Hong Kong is narrow. However, is it really a structural tax system problem? Every place has low tax revenue in recession. It is very common. Our reserves are rich enough for the future use. We can save up the money in boom and use them when we have deficit.

GST is a kind of regressive tax. It will widen the wealth gap. The government, however, should try best to minimize the large income gap in Hong Kong. Nowadays many families' incomes are lower than \$5000 a month, especially the new immigrants from Mainland China. Their children cannot have extra-curricular activities because of lack of money. They do not have computers to finish their homework. Their mobility is very low because their parents cannot afford such a high transportation cost. Teenagers living in Tin Shui Wai have not been Tsuen Wan. They only stay at their own district.

The proposed GST system may not be good for Hong Kong.

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