

**HKECIA**

香港展覽會議業協會

Hong Kong Exhibition & Convention
Industry Association

September 26, 2006

Tax Reform

Financial Services and the Treasury Bureau
4/F, Main Wing, Central Government Offices
Lower Albert Road, Central
Hong Kong

Dear Sir or Madam,

Hong Kong Exhibition Industry's Position on Introduction of a GST

We note that the Bureau is seeking input on the Hong Kong SAR Government's proposals for the introduction of a General Sales Tax. The exhibitions industry in Hong Kong is represented by the Hong Kong Exhibition and Convention Industry Association and our members views on this matter are expressed in the attached paper which we submit for your consideration.

Hong Kong's exhibitions industry is one of the strongest in the world and we are keen to work with the Hong Kong SAR Government to make it stronger still, offering jobs to Hong Kong people and serving our all-important trading industries. We do not believe that a GST will serve to strengthen this industry and oppose its introduction.

With thanks for your consideration.

Yours faithfully,

(Signed)

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A response from the Hong Kong exhibitions industry to the Hong Kong SAR Government on its proposal for a GST

The Hong Kong Convention & Exhibition Industry Association (HKECIA) would like to comment on the Hong Kong SAR Government's proposals for a broadening the tax base through the introduction of a GST.

In this paper, we will not address the broader economic and political arguments surrounding the GST. Many would agree that there is an argument for a broader tax base in Hong Kong. However, the exhibitions industry is opposed to the addressing this issue through a new tax such as a GST.

Why exhibitions industry is important

- The exhibition industry contributes HK\$19 billion to the Hong Kong economy according to a study completed in February this year by KPMG Corporate Finance Limited.
- The Hong Kong exhibition industry, the unquestioned leader of international sourcing fairs for merchandise produced in Asia, cements the SAR's position as a key trading hub for the Chinese export economy.
- The industry provides a powerful trading and marketing platform for the all-important SMEs to develop their business.

For more details see:

http://www.exhibitions.org.hk/english/industry_detail.php?id=181

Why a GST would damage the exhibitions industry

Increased prices

- The imposition of a GST will increase prices in Hong Kong.
- Hong Kong is already the high cost option in South China. While it's fairs offer the best value, they cannot afford to be put at a further cost disadvantage to their competitors.
- Exhibition services in Hong Kong are also relatively highly priced compared to its neighbours.
- Price increases will make promoting and selling Hong Kong events more difficult.

Increase complexity for organisers

- Most exhibition organisers based in Hong Kong are SMEs who will substantially be disadvantaged by the additional complexities of a sales tax.

Although many are relatively small companies, most would exceed the HK\$5 million revenue threshold proposed by the government.

- As many Hong Kong organisers hold most of their exhibitions outside the SAR, this increased complexity may encourage them to reduce their presence in Hong Kong and move operations to other cities.

Increase complexity for exhibitors

- In other jurisdictions where new GSTs have been imposed such as Australia and Singapore, the industry found significant resistance to this from exhibitors particularly those from over-seas. In the case of Singapore, an exemption has been granted on foreign exhibitors. In the interests of maintaining Hong Kong's simple tax system, however, we would prefer to see a system which did not have to rely on exemptions to be acceptable to a key sector such as the exhibitions industry.
- The capacity to conclude sales in a simple environment, free of tax is key to success of a number of Hong Kong's most important fairs including several in which it is among the top two or three in the world.
- The complexities of taxation and duties in the rest of China mean that there is nothing in the mainland to compare with a number of Hong Kong's key fairs.
- This advantage would be damaged by a GST.

Arguments to consider

Being the only developed economy without a sales tax is not a problem. It is one of Hong Kong's greatest competitive advantages. We sacrifice it at our peril.

HKECIA encourages the government to

- Keep Hong Kong's tax environment as simple as possible and refrain from introducing any new taxes.
- Be open-minded about alternative ways in which to broaden the tax base.

Approved by HKECIA Executive Committee
8th September 2006