

25<sup>th</sup> September, 2006

Dear Mr. Tong,

I am very much concerned about the application of GST in Hong Kong. Since GST is believed to affect Hong Kong negatively, though some positive effects are confirmed, I surely believe that the application of GST should be avoided.

GST will bring negative effects to Hong Kong is because of the following reasons.

In the first place, GST will widen the wealth gap. The rich and the poor are required to pay the same amount of tax during their consumptions, yet the poor people actually need to play more money because the tax payments cost a higher proportion of their incomes, while the tax payments cost little to those wealthy people. As a result, the poor and the rich will become poorer and richer respectively, and thus the wealth gap is widened. If there is a wider wealth gap, it will not favor the future development of Hong Kong because poor people may not want to cooperate with the government which neglected their needs and desires.

In the second place, the reputation of Hong Kong being the ideal shopping and investing place will be spoiled. Foreigners or even Hong Kong habitants love developing in Hong Kong is mostly because of Hong Kong's low tax rate. However, as the application of GST is going to increase the financial burden of people in different sectors, people will start to leave Hong Kong as to escape from the tax payment. The mainland of China is then turn out to be the most benefited because most of the potential or usual customers in Hong Kong will go to there for their less-costly future. Investment and consumption values of Hong Kong decline consequently. Hence names like "Shopping Heaven" no longer exist anymore. Is Hong Kong going to be as competitive as before? The answer is absolutely apparent.

According to the case in Canada, GST has been executed there for a long period of time, but the party who enforced the GST ended up from 230 seats in the national parliament to 3 seats. Besides, the party who imposed the GST is currently back in power and started to reduce the rate of the GST. This proves that Canadian government has realized that GST is a big mistake. Is Hong Kong going to make the same mistake like Canada? Is Hong Kong going to lower its competitiveness?

Imposing a new tax system is really a difficult challenge. Every step is going to be

important and crucial. Although many people, including me, disagree with the application of GST, the decision will still be made by the governor. Anyway, look before you leap. The destiny of Hong Kong, either good or bad, is controlled in the governor's hand.

Yours sincerely,

Frankie Au

A form 6 student