

Dear Mr. Tong,

I am writing to express my feelings of the imposition of Goods and Services Tax.

Apparently, imposing GST seems to be a must. Hong Kong government believes imposing GST will widen our tax base, help stabilize the tax revenue. Personally, I highly doubt it.

The immediate effect of GST will cause a contraction in economy. The disadvantaged cannot bear any more burdens. Though the government announces that the families which the annual income is less than \$100,000 may get an extra subsidy, those people will still think the price of goods is expensive and prefer to save the money. They will consume less and their living standard will drop. We, grassroots, have to work very hard to earn a living. Income distribution will be more uneven and it will endanger the social order. Crimes may happen easily.

When economic activities begin to decline, employment will increase. Hong Kong still has not fully recovered from depression and every decision may cost a lot. I am suspicious if it is worth to do so. What we are going to do is trying to impose progressive profit tax but not regressive GST. The rich earn from the society and they ought to contribute relatively more to the society. It is fairer and is what the principle of taxation implies.

Research shows that over 70% of Hong Kong residents do not agree with this idea. Although government said that the income tax rate will decrease, it only benefits the rich group who pay standard tax rate. Most of the residents may suffer a lot due to the imposition of tax. As a responsible government, residents' opinion should be taken into consideration and respected. If the government ignores all our opinion and be a law unto itself, it will lose our trusts. Some economists predict that large scale demonstrations may occur and settling disputes will be a difficult task.

Besides, subsidizing the poor cannot solve the problem. The problem is that the traditional economic system will be completely changed and we may not adapt to it. Please be reminded the successful imposition of GST in other countries does not imply that Hong Kong can do so! For retailing, tourism and logistic, their revenue will be badly affected. Those industries are the pillar of Hong Kong economy. Once Hong Kong imposes GST, their competitiveness will be lower and their profit will decrease. Foreign investments may take place in other countries; Hong Kong is no longer attractive enough. It also causes a drop in profit tax.

It is high time for the government to have a thorough review in order to decide whether to continue such a policy. As a matter of fact, the government should take the reality as well as the will of residents into account.

Yours Sincerely

Wong Wai Ting