



Po Man Wong

To: taxreform@fstb.gov.hk

cc:

Subject: The General Sales Tax

28/09/2006 00:49

☐ Urgent

☐ Return Receipt

Dear sir/madam,

23<sup>rd</sup>, Sept, 2006.<?xml:namespace prefix = o ns =

"urn:schemas-microsoft-com:office:office" />

I am actually a secondary school student who is studying in F.6. I am writing to express some of my points of view towards the proposed imposition of the general sales tax in <?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarttags" />Hong Kong.

In actual fact, I agree with the tax reform and I think that there are quite a lot of advantages of implementing it. First of all, it can certainly provide the government with steady and certain revenue. Because the general sales tax will mainly depend on the consumption expenditure which does not fluctuate much. This may then help to solve the problem of budget deficit.

Secondly, it is fair to all the members of the society. The amounts of money paid vary according to their consumption pattern. That means you have to pay more as the general sales tax whenever you spend more purchasing the products in the market. The problem of widening the income gap between the rich and the poor can be avoided as well.

Thirdly, the tax base of our city can be broadened. The government's revenue chiefly comes from the salary and profit taxes now. However, the labour force has started to fall. Meanwhile, the ageing population has been growing continually in the recent years and it causes the public expenditure on medical service to increase. According to the surveys conducted by several organizations concerned, there are only 120,000 workers who are required to pay the salary tax among the working population of 340,000 people in total.

For the profit tax, 60% of it is paid by the 800 largest-scaled companies. But there are altogether 750,000 firms here in Hong Kong. It is not dependable enough and the competitiveness of our economy may be badly affected. Then the imposition of the general sales tax can enlarge the tax base and improve the situation.

Besides, it is likely for the rate of both salary and profit taxes to be lowered. If the general sales tax is really put into practice, the tax base will be extended. More people will be required to pay taxes and share the financial burden of the society together. Taxpayers will pay less as a whole.

Nevertheless, there are still some people who oppose to the plan for different reasons.

For the sellers in the market, they disagree with the proposal as they are afraid that the purchasing power of consumers may decrease. In case the general sales tax comes into effect, the selling prices of the products will probably rise. The reason is that the producers have to share the heavy load with the buyers. The sales may then be

reduced and the businesses may suffer from losses as a result.

Concerning the buyers, their objection against the tax reform is mainly due to the increase in prices of the goods. As I have mentioned above, the producers will shift the tax burden to their customers. Undoubtedly, this will lessen their desire to make purchases. Also, some complains that it is not reasonable for them to pay tax whenever and whatever they consume. As stated in the proposal, they will have to pay taxes even when they see the doctor, take the buses, etc. And the problem is serious especially among the low-income group.

Therefore, I think it is also important and necessary for the government to think about the solutions to the above-mentioned issues. It may set a relatively lower tax rate for the low-income-group to follow. This can help them to adapt to the new situation more easily. And a period of certain length in which the government tries to carry out the policy can be set. Then the officials can evaluate its success and decide whether to continue the policy.

What is more is that, there are a total of 135 countries around the globe which collect the general sales tax inside their own territories. The Hong Kong government may learn from their experiences in carrying out the policy and improve too.

So I hope my ideas can help the government to make the decision about the general sales tax. I am sure the reform will bring a lot of advantages to our economy if the problems mentioned can be solved. Then we can cooperate with each other to build a better and more prosperous society. Thank you for your time and attention finally!

Yours faithfully,  
A secondary school student in Hong Kong