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To: taxreform@fstb.gov.hk
cc:
Subject: about GST

Dear Mr Tang,

As the Hong Kong government is seeking the views from the public about the introduction of GST, I would like to give some opinions on it.

In my opinion, it is necessary to broaden our tax base since it is too narrow. However, I wonder if it is the best solution to introduce GST in Hong Kong.

First of all, GST is a regressive tax, which means the proportion of tax payment to the income of those low income group will increase sharply. Surely, it will widen the wealth gap. The poor would have to afford much more compared with the rich. I doubt the consultation letter said this tax would be a fair tax, which is quite unreasonable and violates the principles of economics.

The consultation document mentioned that the government would provide sufficient assistance for those who are accepting CSSA and low income group, but I wonder if every family would receive enough assistance. Moreover, it would be very complex to have the cash assistance and refunding system, which would increase the workload and cost of the other government departments. It is contradicting to introduce a new tax while having other tax reduction at the same time.

Secondly, the tax system will be totally changed. Nearly all of the residents would have to pay for the GST. Besides, the tourists and investors would be affected directly. Tourists have to pay when they consume. Investors have to pay for every purchase. They will consume less since they can buy those product in their country with about the same price. So, the tax system would not be simple anymore. One of the factors which makes Hong Kong very successful is simple tax system. The GST does violate it. Investors may leave and tourists may not come again as selling price increases.

To conclude, it is necessary to broaden the tax base in order to stabilize the government income, but it is inappropriate to introduce a regressive tax which is unfair to the poor and makes the tax system more complex. If the government can solve these concerns mentioned above, I believe that the GST would get much more support from every circumstance of the society.

Yours faithfully,
Mr Huang