



04/10/2006 23:06

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To: <taxreform@fstb.gov.hk>

cc:

Subject: Comment on the GST reform

Dear Sir,

Thank you for inviting me to participate in the Kowloon City District forum held on 4th Oct 2006. As the representative of Royal Peninsula, I would like recap what I have expressed in today's forum.

The proposed GST is a good means to broaden the tax base. However, by implementing the proposed GST alone is not enough to rectify current situation which is heavily skewed to tax the middle class. Thus, it cannot achieve the principle of fairness which should be one of the major principle in our tax system.

Though certain exemption or rebate will be distributed to most of the residents, the fairness principle is not being rectified. To the contrary, it is further intensified. For instance, the low level income class's GST total contribution will be almost totally offset by the \$2000 rebate. Hvr, what happens to the middle class? The \$3500 rebate would not be proportional to the total expense of their household expense. This would mean that middle class is actually bearing more GST than the other classes.

By implementating the GST and achieving its stated objective, as well as upholding the fairness principle, I believe a thorough tax reform should be considered.

As a typical middle class, we are willing to contribute; we are willing to share the government's burden; we are willing to see our economic flourishing; we are indeed very much willing to see a harmonious HK society. Having said that, a commensurable measures should be considered in parallel with the GST.

1. Salary tax should be reduced in order to mitigate the grevinance of the most tax paying class, ie middle class; as well as to achieve of of the objectives which is to attract global intelligence.
2. Profit tax should be reduced in order to encounter surrounding cities' competition, like Macau, Singapore, Soeul.....
3. Dividend tax or other measures should be added in order to request to Upper income class to share the burden.

Meantime, government should announce what to use from the additional tax income. It is my strong request that resources should be re-allocated in below aspects,

A. Education

Our education takes the highest stake of our expense, but what we get actually in term of result? All my peers, including myself, are putting their kids to International Schools, spending more than \$10,000 per kid per month! Why? Why most of the reputable schools stream to private school? Our education reform is the worst reform in our system. Amongst all the teachers I known, they are neither not happy nor very demoralized! They are those highly recommending us not to put our kids to the local schools indeed.

If new income can create more "excellent" public schools, I do not mind to pay more. Unfortunately, we only see comparably good tertiary education in HK! What to do with our kids?

B. Public expense

We have over 3 million working class, and barely 200,000 civil servants, meaning a ratio of 1.5. This has not included many many standing organisations, like Productivity Council, HK Tourist Association, Employee Retraining Board, Consumer Council..... If Govt is seeking to turn HK be more competitive, attracting more intelligence to work in HK, Govt itself should demonstrate its strong will to streamline our civil servant

structure, to build a good model. We should be convinced that the new income should not be evaporated by intangible bureaucracy!

C. Health and Medication

Why we are continuously allowing Chinese residents giving birth in HK? Does the Govt calculate the further burden on those babies? On the one hand, Govt is asking us to consider future medical expense due to population pressure; while on the other hand, Govt is allowing unnecessary long term burden brought from non HK residents. Then where is the logic serving your GST objectives?

Where is our medical reform which we have been heard many years back?

4. Social Welfare

It is notorious that our social aids are very much abused. Have we done any thing to curb the problem? Why do we force all those residents to perform voluntary jobs or attain mandatory retraining courses? rather than stay at home enjoying the \$2500 monthly allowance.

5. Environment Issues

Our health as well as attracting global intelligence are very much pegged with our environmental condition.

We may need to spend more money in medication for air related diseases than what we levied. We only heard expatriates are not coming due to lousy air quality rather than high income tax. New income should be spent to enhance our air quality. Prevention is always better than curing!

In short, personally do not against any tax, or specifically GST. Hvr, we hope that our Govt makes me pay for the "value", allowing me to pay tax happily. I can share that most of the representatives sitting in the forum are sharing the same will. We pay but we do not enjoy is the problem! We pay but we feel further exploited. I do not mind paying more, if we have a more "better" public primary and secondary schools than private schools as the other developed countries, if we have a more efficient health and social security system, if we have a more skimmy and effective govt structures, as well as if we have a cleaner HK.

Lastly, wish you have a successful GST launching campaign.

Best regards
Zee Yan Man