

Attention : Tax Reform

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28685641

Dear Sirs,

Whether to implement GST is a very critical decision because of its nature of non-reversibility and significant economic impact.

There are many drawbacks of the proposed GST on the Hong Kong economic environment as listed below:

1. People will reduce their day-to-day consumption.
2. Significant pressure will be put on the middle class income group, as the government support is minimum. Most of the public concern is on the low-income group.
3. Hong Kong's reputation as a shopping paradise will be ruined.
4. There are significant administration costs in implementing the GST due to increase in staff recruitment, which is not worthwhile. The government should reduce its spending and head count instead.
5. It is a completely different government management methodology of "small government" and "little government interference".
6. Increase in the issue of income disparity.
7. It will decrease Hong Kong's competitiveness in terms of its simplicity in taxation system and will lead to decrease in foreign investment.
8. Increase unemployment due to decrease in foreign investment

Alternative measures to increase government revenue:

- a. Reduce government spending, for example, the government intends to use billions of dollars in building a new government headquarter, etc. These unnecessary expenditures should be saved.
- b. Reduce government head count.
- c. Increase in profit tax rate.
- d. Make use of progressive profit tax rate to reduce income disparity.
- e. Consider tax on environmental pollution-related matters.
- f. Increase duty on cigarettes and alcohol.
- g. Consider trans-border duty per head
- h. Achieve higher return on the foreign currency reserve assets.

Regards,

Chan Fung Ling

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(Signed)