



17/10/2006 18:02

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To: taxreform@fstb.gov.hk

cc:

Subject: Re: Comment on GST

Dear Sir/Madam,

I have previously written in with my comments as to the introduction of GST.

My view at the time was that it was acceptable subject to there being exemptions such as for food and goods for children.

Since then, I have heard other views, notably the chairman of Centaline which made me think a bit more. These are my further comments.

Introducing GST for the sake of introducing GST is unacceptable. However, introducing it for broadening the tax base is acceptable. But to broaden the tax base, it need not immediately affect every single person in HK. It can start by only affecting those who are relatively wealthy, such as on luxury cars, spirits/red wines, etc. While cuts to salaries tax and profits tax will mean that it will be more acceptable to the wealthy.

To be acceptable, it should start off at a lower level such as say 3%. 5% is a bit high to start with. If it was 1% then there would not be much need for any exemptions as citizens will not feel much of an effect. But if the Government insists on 5%, this will affect society significantly. It will be desirable for government, but not necessary to have 5% tax.

In order to be a small government, government should restrict expenditure. A basic education such as from kindergarten to university should be in place, but there should be no luxuries.

The pressure to widen the tax base has also been caused by the Government decision to cut the estate duty, which benefits are intangible and difficult to measure. Thus, to give with one hand and to take away by way of GST would appear unfair to the poor and needy who didn't need to pay estate duty but yet will have to pay GST.

Nevertheless, as a citizen, I would prefer not to have GST as the disadvantages seem to outweigh the benefits. We should not compare with other countries as we should only act in accordance with our specific circumstances. Our future lies with the financial, tourism and services sector. If these are hit by the GST, then our future will be affected in order to provide Government with a regular income.

The Government can legislate to have a regular income but the poor and needy cannot do so. If they lose their job due to a bad economy, the Government must also take some of the blame. If the people are poor, how can the Government expect to have a reasonable revenue or income. At such times, everyone must tighten their belts, including the Government. Poor people have no savings, but the Government has several hundred billions of dollars which it is hoarding. It is saving up the money for a rainy day that may never occur. Meanwhile people who have paid tax over say 50 years and who die, will not benefit at all from the billions of dollars in the Government coffers.

Thus, unless the Government savings are very low, there is no need for an extra tax on people.

Thank you.

KH Chan