



**Business and Professionals
Federation of Hong Kong**
香港工商專業聯會

17 October 2006

The Hon Mrs Rita Fan, GBS, JP
President
The Legislative Council
Hong Kong Special Administrative Region

Dear *President*,

The Business and Professionals Federation ("BPF") expresses its concern on the proposed Motion "that this Council opposes the introduction of a Goods and Services Tax".

The BPF has advocated the need of a broad tax base since 1990's. A narrow tax base makes for a fragile revenue system which is less capable of coping with unforeseen shocks in particular during an economic downturn. Recent events only demonstrated these undesirable effects all too clearly. With the population ageing, a workforce likely to shrink, and our companies increasingly generate their income from abroad, there is a need to ensure adequate and secure Government revenue for the provision of education, health, welfare and all other essential services, not only at difficult times but in the years to come. This need is well established by many studies, including those of the Task Force on Review of Public Finance in 2002 and the International Monetary Fund.

It is hence a welcoming move that SAR Government launched the consultation on tax reform in July. The BPF firmly believes that the nine-month consultation period is appropriate given the immense importance as well as the complexity of the issue, that there must be thorough public discussion on whether tax base must be broadened and whether a GST, amongst others, is the right option. It is also the intention of the BPF to study and respond to the Government proposals in detail which will take time. In this regard, the BPF opposes to suggestions that would shorten or abort the consultation and views it premature for the Legislative Council to draw a conclusion when the public has yet to have the full opportunity to consider and make its views known on this important subject.

The BPF is opposed to the introduction of this Motion at the present time and is strongly of the opinion that the consultation period should be allowed to run its course without interruption. The BPF hopes the Council will take this view into consideration in the forthcoming Motion Debate and would be happy to present our views if required.

Yours sincerely,

(Signed)

David Akers-Jones

President