



19/10/2006 14:21

To: <taxreform@fstb.gov.hk>
 cc:
 Subject: opinion on tax reform

- Urgent
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Dear Mr. Tang:

I am a professional working in the health care field for more than 20 years in U.S.A. and Hong Kong. I don't usually voice my opinion on government issues. But I felt this time I need to say something.

I totally support the idea of GST in order to generate more government revenue for social and other service needs of the colony, particularly education, health care, social welfare, the three major costly services for people of Hong Kong.

However I have some reservations on the types of goods and services proposed to be taxed.

Before I list out my reservations, there are a few points I need to reiterate, which I don't see or hear a lot of local politicians or government officials have mentioned or even paying much attention to.

It was yesterday's newspaper that announced that there are 3.5 Million people hold jobs in Hong Kong. Yet according to statistics, there are only slightly over 1.2 million people who actually pay income tax. The question is what happened to the remaining 2.3 million people?

Are they all in the low income bracket that they are exempted from taxation? How many of these 2.3 million are in the high income bracket or hold own business that are also exempted from personal income tax? Does the government have any statistics on this? Why is the middle class, like myself, has to be the major contributor of government taxes? I have friends who own factories in Hong Kong and Shenzhen and make millions of dollars annually, and yet pay no income tax. These people have the means of using tax loophole to claim deductions on personal expenses and draw no income from their own company, and then enjoy the benefit of no or low taxation. Similarly, taxi drivers who make over \$20000 monthly also pay no taxes. Why is this happening in Hong Kong? Taxi drivers in America also have to pay tax regardless of how much they make a month.

So why does the government or the elected officials turn a deaf ear or blind eye on this difference? If the government really wants to broaden the tax scope, don't you think you need to start looking into the personal income tax category first and try to broaden this scope first before targeting everyone especially the middle class again on GST?

It is ridiculous to tax people on food, education fee, medical fee, transportation fee. These are our daily lives' necessities. The government need to tax those people who manufacture food and make a profit of it, the high income educators, the high paid doctors and drug companies executives, the high pay executives working in the bus company or MTR etc. instead of little guys like us who need to pay for food, tuition, doctors fees, and MTR and bus fees. Luxury items like jewelry, perfume, wine, cigarettes, gasoline, clothing, shoes, restaurant dining, electronic devices, motor vehicles, and those non-essentials are legitimately to be taxed on. In another words, if the government does not want so much objection from the majority of Hong Kong people, it should eliminate taxing the most essential items that are broadly needed by the middle class.

I'd be glad to see the government divert the target of increasing revenue from GST to broadening the personal income tax scope first. Please consider this seriously, I'm sure a lot of Hong Kong people share my view.

Thank you for your time and attention. Wishing you success in this endeavor.

Regards,

Betty Kao