To:

budget@fstb.gov.hk

cc:

14/11/2006 07:44

Subject: More on CGT

```
|------------|
| [ ] Urgent |
|------------|
|--------------------|
| [X] Return         |
|     Receipt        |
|--------------------|
```

Dear Sir,
The KPMG (Australia & HK) report in a new broader based tax has discussed all
options. The backbone of the HK tax system is the territorial concept where income derived in Hk is taxed. We do not have a world wide tax system and even
if we have, it is very difficult to enforce with taxpayewrs hiding their offshore assets.
In the KPMG report,unless world wide income is adopted,the imposition of CGT is
not meaningful because this will encoursge taxpayers to invest in overseas stock and properties which are not subject to the HK tax net.
Fluctuation in the property and stock market will produce capital losses to set
off any current or future capital gains and this will reduce the revenue from
this tax
Certainty and simplicity are features of the HK tax system. As I have said in my
last email, since the enactment of the Inland Revenue Ordinance in 1947, we do
not have CGT and we have wisely adopted the territorial concept of taxation
This results in HK being the centre of international investment. Whenever there
is chaos in the neigboring countries, the free flow of funds are invested in HK
assets.
we may perhaps modify a bit the proposed GST and make it more palatable
Tax on purchase of luxury goods will not affect the general public
GST on second goods can be at a lower rate.
HK rely on our fundamental tax framework to survive and please do not break this
backbone that has given us prosperity over the years

(Name Provided)

(I have previouly made submissions on the abolition of Estate duty which has
given relief to the middle classAny imposition of CGT will counteract the incentive of making HK a financial centre.)

(Editor's note: The sender requested anonymity.)