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cc:  
Subject: Tax Reform

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Urgent

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I have reservation on the proposal to introduce a GST in `<?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarttags" />`Hong Kong. GST will significantly affect the competitiveness of Hong Kong as a transportation centre.

`<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />`

Importers will have cashflow problem as they are required to pay GST upfront on importation of goods. Though it is mentioned in the consultation document that there will be facilitation measures such as deferred payment scheme, there is no details on how the scheme will work and who will eligible to join the scheme. Also, The Government should explain in more details how the Qualifying Exporters Scheme will help the logistics business mitigate their cashflow problem. In addition, the Government should also give more details on the licensing requirement of the temporary storage areas and bonded warehouse and whether these new systems would heighten the operating costs of businesses.

In addition, Hong Kong is now facing keen competition of our neighbouring ports such as Yantian, Shekou and Chiwan, and other ports at the Pearl River Delta. The Hong Kong Government should instead of imposing new regulatory system on trade, endeavour to create favourable environment to Hong Kong traders so as to maintain Hong Kong's position as a regional logistics hub.

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