



17/11/2006 17:22  
 Urgent  
 Return Receipt

To: taxreform@fstb.gov.hk  
 cc:  
 Subject: Critique of Proposed GST and Alternative Suggestions

Re: Critique of Proposed GST and Alternative Suggestions

Dear Madam/ Sir:

I have been told that a good tax should be easy to collect, have minimal distortion effect on the economy, and help shape society. In my opinion, the proposed Goods and Services Tax (GST) does not possess any of these characteristics. Accordingly, I do not support adoption of the GST.

As alternatives to the GST, I propose the following ways for the government to increase revenue:

- (1) The government should tax electricity and gas. A tax of 15 cents per unit of electricity and 1.5 dollars per unit of gas produced would increase government revenue by approximately HK\$8 billion each year. This tax would be easy to collect and partially compensate for the hidden costs of the pollution produced by these two commodities. In addition, this tax could help shape the behaviour of society. For example, it is likely that fewer people will reduce their bedrooms' temperature to 13 degrees centigrade in the summer if they know they will have to pay more tax as a consequence. Furthermore, the recent practice of using the cheaper natural gas to produce fuel and the coming reduction of electricity companies' profits provide the government a golden opportunity to start this tax.
- (2) The government should lease some of its land at relatively high recurring government rent. This would enable the government to derive relatively stable and recurring income from land, which is its most valuable asset.
- (3) The government should tax mobile phone time. The useful wireless bandwidth is limited and is a valuable public asset.
- (4) The government should introduce Electronic Road Pricing System. As early as the 1980's, Hong Kong studied the feasibility of implementing this system but still has not done so.

Yours sincerely,

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 China Insurance Group Investment Co Ltd  
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