



23/11/2006 09:29

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To: taxreform@fstb.gov.hk

cc:

Subject: Tax Reform Consultation

To whom it may concern,

Tax Reform

The existing narrow tax base is not a problem because there is significant revenue generated from indirect taxes. Before putting up any proposal for generating additional revenue, the Government should prove to the public that the public and government expenditure have been minimized and would continue to be control prudently.

I think, however, there is an imminent need for a tax reform as there is a loophole that people with high income (such as earnings from bonds/equity/illegal activities/estate) enjoying public services and facilities in HK but not paying income tax. The objective for a tax reform is not to generate additional resource but to fill such loophole to ensure a fair contribution by citizens base on the principle of affordability.

New Tax

Considering the difficulties to tax the money incurred from illegal activities and the need not to affect the competitive edge of HK as a financial centre, indirect tax will be a good way to tax on consumption items which are considered luxurious and not healthy. Existing indirect taxes on tobacco, wine, vehicle and property are good examples. We can extend the scope of such indirect tax to ensure its cost effectiveness to cover additional administration cost on one hand, reduce Salaries Tax rate on the other and generate significant revenue, if necessary.

Luxuries items and items contrary to healthy life and environmental protection are deemed for consideration. Suggestions are as follows -

- Local consumption of luxuries items and services, gold, jewels, luxurious brand, cosmetics, private vessels, private plane, or item with unit cost over HK\$40,000, etc.
- Limited resources, such as electricity, water, paper, diesel oil, land.
- Polluting items, such as plastics, municipal solid waste, construction waste, dyes, artificial favouring, hazardous items in the form of powder, smoke, liquid and solid
- Increase tax rate significantly on polluting items, including tobacco, diesel oil, vehicles, etc.

Regards
Nicole Lau