

Capital Markets Tax Committee of Asia

12th December 2006

Mr. Alan Lai
 Permanent Secretary for Financial Services and the Treasury (Treasury)
 Financial Services and Treasury Bureau
 The Government of the Hong Kong Special Administrative Region
 4/F Main Wing, Central Government Offices
 Lower Albert Road
 Hong Kong

Dear Mr. Lai,

Response to Consultation Document on Reforming Hong Kong's Tax System

The Capital Markets Tax Committee of Asia ("CMTC") is a financial services industry body consisting of a number of banks, investment banks, securities firms and other diversified financial services institutions operating in Asia who are represented through their regional tax directors most of whom are Hong Kong based. CMTC's membership includes ABN Amro, Bank of China International, Barclays Capital, BNP Paribas, Calyon, Citigroup, Credit Suisse, DBS, Deutsche Bank, Goldman Sachs, Hang Seng Bank, HSBC, ING, JP Morgan Chase, Lehman Brothers, Macquarie Bank, Morgan Stanley, Merrill Lynch, Nomura, Rabobank, Royal Bank of Scotland, Standard Chartered Bank, Société Générale, and UBS.

CMTC notes the Government's announcement on 5th December not to proceed with the introduction of a Goods & Services Tax at this point in time. At the time of the announcement, CMTC was finalizing a letter with comments on the Consultation Document of 18 July 2006. Those comments have now been put aside. Nonetheless, it is felt still to be worthwhile making the following points.

CMTC commends the Government for producing the Consultation Document on Reforming Hong Kong's Tax System dated 18 July 2006 and encouraging robust, transparent debate on the matter. The proposed GST framework suggested in the Consultation Document adopted most IMF recommendations including a single low rate with minimum exemptions and zero-rating for financial services. CMTC concurs with this basic structural approach if the Government decides to introduce a GST regime at a later stage. In addition, CMTC would welcome the opportunity to work with the Government and other financial services industry bodies to help define the scope of financial services that should be zero-rated if a GST were to be introduced in the future.

Going forward, CMTC would be interested in participating in any discussion of tax reform in Hong Kong, with a view to ensuring that the tax system continues to support Hong Kong's attractiveness as an international financial centre.

Yours sincerely,

(Signed)

Danny Yiu
Chairman
Capital Markets Tax Committee of Asia