

Fax : 2868 5641
(Attn : Tax Reform)

Dear Sirs,

My Views on Tax Policy

I am writing to approach the tax policy from different angles.

Since the Government held counsel on the future tax policy, it has only put forward controversial and "harsh" plans, such as imposing Goods & Services Tax (GST) or raising the salary tax rate. I wonder if the Government officials were too busy to think of other measures or, on the contrary, tried to lead the discussion to specific areas.

To improve the financial situation, increasing income and reducing expenditure are of equal importance. Talking about the reduction of expenditure, I think the Government should devote much efforts to cut down the expenditure on CSSA (綜援) and education.

According to relevant information, the expenditure on CSSA has increased by several times since 1997. In the meantime, there was almost no economic growth. To look back upon the 1960s and 1970s, our society had no such thing called CSSA. The then HK citizens worked hard in order to strive for living. It has boosted the economic growth and helped to create the "Hong Kong Miracle".

But what's situation now? With the financial support of CSSA, quite a number of people including some Mainland immigrants choose not to work. If the Government continue to wink at them

and doesn't cut down the CSSA drastically, I am afraid its financial and taxation conditions will only keeps deteriorating.

As regards education, its expenditure has also doubled during the aforesaid period. Nevertheless, most people are of the view that the abilities and quality of the students nowadays are inferior to their predecessors. I have no intention to analyze the cause of the problem but wonder if the Government has spent the money unnecessarily.

Likewise, increasing revenue is also important. In this respect, I propose to follow the example of Singapore, whose government invests its reserves in the securities market and makes an average profit of 9% annually. The HK Government currently possesses Foreign Exchange Reserves and Land Fund Reserves of \$1 trillion in total. If it invests the sum of money and makes a profit of 9%, an additional income of \$90 billion could be obtained. After deducting the inflation (say, 3%), the Government Revenue can be increased by \$60 billion per annum, which is, 3 times as much as the anticipated income from GST.

Those are some of my suggestions. For the well being of Hong Kong, I wish they could be considered thoroughly. Thank you.

Yours faithfully,
"Not Quite a Civil Servant"