

Our Ref: IS0702053

19 February 2007

Tax Reform
Financial Services and the Treasury Bureau
4/F, Main Wing, Central Government Offices,
Lower Albert Road,
Central,
Hong Kong

Dear Sirs,

Response on HK Government Proposal to broaden the tax base by introducing a GST in Hong Kong

The Hong Kong Confederation of Insurance Brokers ("CIB") is a professional association and self-regulatory body of insurance brokers authorized by the Insurance Authority. Incorporated in 1993, CIB currently represents 245 corporate member firms of insurance brokers.

CIB welcomes the HK Government's appreciation of the desirability of broadening the base of its revenue in HK, with a view to ensuring HK's future prosperity. We also appreciate the opportunity to join the debate and contribute the response of our members to the government's view that this broadening would be best achieved through introducing a goods and services tax to HK. Although we appreciate that the proposal has now been shelved for the time being, we would still like to take the opportunity to respond, as originally invited.

In October 2006 we canvassed the views of our members as to whether they supported the introduction of the proposed GST, whether they opposed the introduction of such a tax, or whether they had no view on the subject. Out of the 245 members in the CIB, we had a 60% response rate to the poll. Out of the 60% who responded 75% opposed the introduction of GST as proposed by the HK government in the consultation document. 15% of the responding members supported the introduction of the tax as proposed, and 10% of respondents expressed no view on the subject.

The main concerns expressed by our members were that they felt the introduction of GST as proposed would damage HK's economy, would increase the administrative burden on businesses, particularly small and medium size firms, that it would be regressive and hit the poorest members of society hardest, even with welfare offsets, while wealthier citizens would be better placed to avoid the tax. In addition to the above, there were concerns that the introduction of GST as applicable to insurance and reinsurance broking could make HK uncompetitive relative to other regional centres, such as Singapore.

If Hong Kong does introduce a goods and services tax at some point in the future we would argue that insurance and reinsurance broking should be zero rated for GST in line with insurance, so that HK is no less competitive than comparable regional and international centres. We hope that the HK government supports the development of HK as an international insurance and reinsurance centre, and if GST were to be imposed on international business placed into and out of Hong Kong we would be less competitive than Singapore where such business is zero rated.

註冊有限公司
Incorporated with Limited Liability

香港中環雪廠街2號聖佐治大廈3樓308室

Room 308, 3rd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

電話 Tel: (852) 2882 9943 傳真 Fax: (852) 2890 2137 電郵 E-mail: info@hkсіб.org 網址 Website: www.hkcсіб.org

CIB 香港保險顧問聯會
**THE HONG KONG CONFEDERATION
OF INSURANCE BROKERS**

We would very much hope that if the HK government was willing to grant the banking sector zero rated status in respect of implicit fees, then it would extend this principle to insurance and reinsurance broking. This would be consistent with the intention outlined in paragraph 114 of the consultation document in which it states that this approach would make HK a pioneer in proposing full zero rating of financial supplies. It would be our view that insurance and reinsurance broking would fall within the scope of financial supplies, in that the products which our members design and supply are all ultimately tied to the concept of financial efficiency. We fully support the HK government's pioneering approach in this regard if they do ultimately seek to introduce a goods and services tax in the future, so long as insurance and reinsurance broking is zero rated.

We are most willing to share our views on the subject with you, if so required. In the meanwhile, should there be any other information required, please feel free to let us know.

Yours faithfully,

(Signed)

Eric Lee
Secretary-General & Registrar

註冊有限公司
Incorporated with Limited Liability

香港中環雪廠街2號聖佐治大廈3樓308室

Room 308, 3rd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

電話 Tel: (852) 2882 9943 傳真 Fax: (852) 2890 2137 電郵 E-mail: info@hkсіб.org 網址 Website: www.hkсіб.org