



26/03/2007 16:07

 Urgent Return Receipt

To: taxreform@fstb.gov.hk
cc:
Subject: Broadening of tax base

Dear Sir/Madam,

I clearly understand the need to broaden the existing tax base hence I fully support it, but NOT in the form of GST (which, thanks to the 'listening' Government, has been suspended for the time being).

I would like to suggest the adding of tax on 'luxurious' products like watch and jewellery, high-end apparel, mobile phone, and even fine-dining (per bill), which priced over, say, HKD1500 each, for reasons as follows:

1. It is self-explanatory that 'luxurious' products are not 'necessities'. They are quite 'out-of-bound' for most of the middle class, not to mention the grass-root. Thus, it should not elicit the 'uproar' of most citizen. The Government should be able to spare the risk of being called 'robbing the poor'.
2. For those lucky ones who are the usual patrons of these 'luxurious' products, my humble self included, should not mind paying say, 10-15% on top of the usual price. Because the increase on the already 'large' base is just comparatively negligible (e.g. HKD150 on top of HKD1500, or HKD2000 on top of HKD20000).
3. Even if they don't find the 10-15% increase comparatively negligible, as the pursuer of 'luxurious products', most of them must possess enough vanity not only to drive them buying those products, but also suppressing them to openly tell people that they care about that 'negligible' increase. Afterall, they just can't find the legitimate reason to rebut. How can they tell others that they can't afford another HKD150 on top of HKD1500 or another HKD2000 on top of HKD20000? The other patrons remaining, I believe, will be those bearing enough social conscience to recognise that those who are more able should contribute more. In short, this new tax should not be affecting the daily life of the general public.
4. These selective goods to be charged with higher tax can be viewed as just an extension to the existing list of cosmetics, tobacco and alcohol. As such, this can avoid messing up with our simple tax system which is one of the competitive edge of Hong Kong and one which HK people has long been proud of. The need to build up a complex administrative network (which cost a lot more) for tax collection, refund or rebate to the public, and issuing allowances and subsidies to the poor, etc. which is induced by the GST system is thus avoided.
5. For the internationally renowned brand names like Cartier, Tiffany, Gucci, etc., the price of their products are similar across different countries after adjusting for the foreign currency exchange difference ('Hamburger theory' in Economics). While most of the other countries are already levying a GST on the jewellery, which is included in the selling price of the goods, the same price displayed in HK just means that the seller are having a deeper margin selling their goods here. Like cosmetics seller, I don't think they have much ground to

protest. And in fact, adding taxes on these items may not even affect the patrons of these items (HK people). And the bearer of these new taxes (international brand owner) may not even bother to voice a rebuttal.

6. The rationale of broadening the tax base is to prepare for the bad economic times of HK, when the salary tax, profit tax, stamp duties, etc...shrink so much that may affect the fiscal robustness of the government. However, we may have well observed in the past experience that in these bad times, the patrons of 'luxurious product' are least affected.

Thank you for your kind attention.

Yours sincerely,

Alice Lau