

# **HONG KONG WOMEN PROFESSIONALS AND ENTREPRENEURS ASSOCIATION**

## **An Opinion for the Pre-Budget Consultation**

In this document are presented the views of the members of the Hong Kong Women Professionals and Entrepreneurs Association (HKWPEA) on the 2006-7 HKSAR budget. The HKWPEA is a non-profit organization with a mission to enhance professional standard, training, and business opportunities and provide mutual support for its members. Ranking high on the Association's agenda is to give opinions to the HKSAR Government on various policy consultations and budget issues.

After reviewing the Government's financial position for the recent past and having sought additional input from both HKWPEA members and others who are experts in the financial sector, we would like to offer our opinion on the upcoming budget. Based on the information that we have received, we believe that the Hong Kong Government will show a moderate surplus for the 2005-6 financial year thus leading to balanced operating and consolidated accounts. Although the future sustainability of a balanced budget is still in question, we are cautiously optimistic and recommend that the Government loosen its purse strings to provide continued or additional funding for worthwhile Government services.

Regarding future revenue sources, we endorse the current concept of a simple low tax regime. However, we believe that the Government must seek ways to broaden the tax base such that a wider percentage of the population shares the tax burden. Although the Government has raised the possibility of a GST as one way of broadening the revenue base, we feel that to do so at this time is premature. Hong Kong enjoys a reputation as a

“duty free port”, “shoppers’ paradise”, and low tax territory for businesses, and we believe the future health of the economy is contingent upon maintaining a tax regime that supports such perceptions. Irrespective of the true impact of a GST, the institution of such a tax in Hong Kong is likely to severely damage Hong Kong’s reputation. We therefore believe that the Government must explore other means for broadening the sources of revenue, and that the Government should not institute a GST without prolonged public consultation.

Due to the uncertainty about the sustainability of a balanced budget, we believe that the current terms of personal and corporate tax should be retained for at least one year. As a gesture of good will, the Government could consider some tax rebates, an extension of home loan interest relief, or other concessions that could be given on a one-off or limited time basis.

We are pleased that the Government has been able to reduce public expenditures to less than 20 percent of GDP and that operating expenditures have been reduced below \$200 billion. However, it imperative that important Government services be retained and that new projects and services funded as needed.

We appreciate this opportunity to give our opinion. As the members of the HKWPEA are professionals and entrepreneurs from a wide variety of backgrounds, including many from the financial sector, we hope the Government will feel free to call upon us in the future to offer our opinions or advice.

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