

5 October 2001

Advisory Committee on
New Broad-based Taxes
4th Floor, Main Wing
Central Government Offices
Lower Albert Road
Central
Hong Kong

Dear Sir,

The Advisory Committee on New Broad-based Taxes

The Hong Kong Women and Professional Entrepreneurs Association agrees to the conceptual idea of a more stable and broader-based tax structure for a long term vision of a sound economic base for Hong Kong. However, we find it difficult to endorse to the introduction of any tax increase nor new tax when Hong Kong experiences a major global economic downturn in the aftermath of the terrorist attack happened in the United States in September.

We believe it is important to take into consideration the elements of time, state of the economy and the social conditions when the new taxation measures will be examined and implemented.

We however have reservation about the introduction of a general consumption tax. The cost of implementation and ongoing administration will be high. Furthermore, Hong Kong's economy is going to be more reliant on tourism. This general consumption tax will nevertheless inconvenience the tourists. As more and more of our tourists are going to be from mainland China that usually have connections in Hong Kong, we are concerned about the easy abuse of the tax refund system. We have made the following recommendations based on the 13 tax options stipulated in the consultation paper.

Increasing Revenue Productivity of Existing Taxes

- I** I Increase Salaries Tax Rates YES, to increase the progressive rate on the higher salary tax brackets.
- II** Increase Profit Tax Rates YES

III	Increase Stamp Duties on Property	NO
IV	Reduction in Allowance and Deductions under Salaries Tax	YES
Introduce New Taxes		
V	Capital Gains Tax	NO
VI	Tax on Interest	NO
VII	Tax on Dividends	NO
VIII	Tax Worldwide Income of Businesses and Individuals	NO
IX	Land and Sea Departure Tax	YES, at the China borders. Children on daily pass shall be exempted as well as adults on daily pass shall have a reduced levy.
X	Payroll and Social Security Taxes	NO
XI	Poll Tax	NO
XII	General Consumption Tax	NO
XIII	Tax on Mobile Telephones and Signboards	NO

Other comments:

1. It may be worth to consider to impose a new tax on employers of overseas domestic helpers and overseas workers.
2. The recent tax concessions on use of environmentally friendly fuel has proven great achievements to improve the air quality of Hong Kong. Hong Kong may consider levying a Green Tax to help protect the environment and raise environmental awareness in the community, in particular if Hong Kong will develop its tourism industry.
3. With China's economic growth at such phenomenal pace, we believe Hong Kong should consider to provide some form of tax incentives to businesses. We wish to promote, such as financial services and technology and encourage new businesses and overseas companies to establish their regional headquarter into Hong Kong

An important factor for Hong Kong's success is its simple tax regime and that should remain if Hong Kong is to remain competitive and to offer its freest market in the world.

Yours sincerely,

Angela To

Chairman, Current Affairs Committee