



The Betty Letters

My Dear Grandchild,

The Government of Hongkong has stated that there shall be a consultation period in order to consider the matter of the imposition of a Goods and Services Tax. As far as I am concerned, a consultation period means that the Government, is, sooner or later, going to impose a Goods and Services Tax, come what may. I would like to think that I could do something to stop it, but, as we, all, know, Beijing still pulls the strings on its 'puppets' in Hongkong. A Goods and Services Tax is known in Canada as, simply, the GST. This proposed five-percent GST for Hongkong will, over a period of five years, increase inflation by about four percent, the Government has admitted, but it will, also, fill the coffers of Hongkong by about thirty billion dollars per year, according to Hongkong Government statisticians. I have been talking to some people from Singapore and they seem to think that it is a good idea to introduce this new tax because one can never have too much money and, since Hongkong's economy is quite good, these days, there appears to be no reason that a GST should not be considered at this juncture in the history of the territory as part of the People's Republic of China, as opposed to being a Colony of the United Kingdom, which was the situation up to July 1, 1997. Singapore, I suppose you know, has had a GST for many years. You may recall that, recently, Mr Donald Tsang Yam Kuen, the Chief Executive of Hongkong, visited Singapore and had a personal interview with the father-and-son team of Lee Kuan Yew and Lee Hsien Loong, the Founder of modern Singapore and the present Prime Minister of Singapore, respectively. According to that which I have read about this little trip, the idea of the official visit was for Hongkong's Chief Executive to learn from the experience of Singapore's most-famous duo, which has held the reins of power since the founding of modern Singapore in 1965. Unlike Hongkong, there is rarely any sustained adverse criticism against members of the government of Singapore, or against any new proposals of that government, because it is not healthy to have dissent among the residents, it has been determined by 'Lee Kuan Yew Incorporated', as many people refer to the government of this little island republic. This is not to suggest that Singapore is a dictatorship because it prides itself on being an open democracy where its citizens, inter alia, are commanded by law to vote at national elections, except when the Lee Kuan Yew Camp is guaranteed a win because its candidate runs unopposed – which has been ordained since 1965. The good thing about Singapore, I have been told, is that things get done in a hurry as soon as the Lees determine that this or that should be executed, be it the construction of a new road or building or the hanging of a convicted criminal. This is unlike Hongkong where there is a lot of heated discussion in the Legislative Council before proposals are passed into law. Such niceties are not tolerated in Singapore, of course: It is such a waste of time! There is something to be said about the Singapore system of democracy because, after all, it is one of the most successful economies of Asia. I suppose our Chief Executive wants to go to school on the Singapore model in order to adopt the tried-and-true methods of Lee Kuan Yew Incorporated. Getting back to the GST idea for Hongkong, according to my Singapore friend, while the GST does work well in Singapore, it may not work as well in Hongkong because the residents here are much braver than the residents of Singapore. My friend made the remark: 'Hongkong people will, always, try to find a way round the payment of a GST. But, in Singapore, that is not a wise thing to do, la!'

As every coin has two sides, so the idea of the imposition of a GST for Hongkong, also, has two sides. What bothers me is that Hongkong has, always, had a low tax base and that has lured tourists and investors to our shores over the past four decades or so. There is precious little to do in Hongkong for the average tourist other than to taste our wonderful food and to visit our well-stocked shops where prices are considerably cheaper than those in many other parts of the world. But if tourists are forced to pay an extra five percent for their goods and services, will that tend to make Hongkong less attractive for them? There are, after all, many other places in Asia that the tourist may visit. Recently, I have been told, many foreigners are visiting Vietnam because many things are very cheap in that country, relative to Hongkong and, especially, Singapore. Perhaps, more important than just the matter of this proposal for the imposition of a GST is that it appears to be a 'foot-in-the-door' approach by the Hongkong Government. By that, I mean that it could usher in other little taxes in the fullness of time or, perhaps, an increase in existing taxes, using the excuse that Hongkong must widen its tax base. This would have the effect of chipping away at the competitiveness of Hongkong, compared with many other parts of Asia. I appreciate that an increase in taxes will mean an increase in the Civil Service Establishment in order for the Hongkong Government to police the new tax policy. That is good, of course, because it will reduce unemployment in the territory. But what about the cost of the increase in the number of people that would be required to administer the new (proposed) GST? I realise, also, that some solicitors in Hongkong will be able to earn a little more money from clients by specialising in Hongkong tax matters to an even higher degree, I suppose. But, at the end of the day, what will be the benefit for Hongkong? Will it, really, be worthwhile? Would it not be better to impose a tax on dividends rather than introduce a GST? What about the tax that should have been imposed, years ago, on salaried employees of Hongkong companies, who are given share options in publicly listed companies and who cash in on those options – tax-free? Taxing the richest members of Hongkong may make a little more sense than chopping away at the roots of the two strong legs that have been the very foundations of Hongkong's prosperity: Giving a leg up to the middle class; and, wooing the tourist to the territory. It seems to me that there are many ways that the Government of Hongkong could raise more money without penalising the middle class or the visitor, coming to our shores, that visitor, bringing with him, tens of billions of dollars, annually.

Talk to you, next week.

Chief Lady

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