

Accountant calls for fair hearing on sales tax issue

THE Government plan to introduce a sales tax should be viewed fairly, considering the inadequacies of the existing income tax system.

Eric Li, a partner at an accounting firm Li, Tang, Chen & Co, said yesterday that despite the many correct criticisms of a sales tax, the existing income tax system by itself had not worked well during the recent recession.

He told a Rotary Club meeting that it drove the rates of direct tax up to near-unacceptable levels, doubly penalising most of the productive Hongkong citizens at a time when their income was low.

He claimed that Government had been forced to cut back or delay worthy social programmes, depriving the chance of better welfare for the most needy group of society.

He said the quality of public services had also suffered because of zero growth in public spending.

"By rejecting the sales tax, these fundamental problems will not go away," he said. "In effect, we are allowing the chance for this unsatisfactory

scenario to repeat itself when the inevitable economic depression catches up with our economy again. We must look at the way ahead," he added.

The idea of introducing a sales tax has drawn criticisms from various sectors, which regarded it as harmful and unfair since it will affect all consumers, irrespective of income level.

Although the timetable has yet to be decided, it could be implemented as early as next year, and the tax could be as high as 5 per cent.

Mr Li, who is a member of the taxation committee of the Hongkong Society of Accountants, gave various recommendations for Government to consider.

He said Government should establish, firstly, that there was a real or anticipated need for raising revenue; that it had already exercised all reasonable constraints on expenditure; and that there were no alternative, more desirable, avenues of finance.

"Only after these arguments are put beyond reasonable doubt, will there be a case for introducing the sales tax," he said.