

BY FAX AND BY POST
(2869 6794)

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26 June 2001

Mrs. Florence Lam,
Clerk to LegCo Panel on Financial Affairs,
Legislative Council Secretariat,
3rd Floor, Citibank Tower,
3 Garden Road,
Central, Hong Kong.

Dear Mrs. Lam,

Legislative Council Panel on Financial Affairs
Proper Use of Fiscal Reserves

Thank you for inviting the Chairman of the Society's Taxation Committee, Mr. Tim Lui, to attend the discussion on the proper use of the fiscal reserves to be held at the meeting of Panel on Financial Affairs on 3 July 2001.

We note that the issue of the level of the fiscal reserves has become an increasingly frequent topic of discussion in recent years and we note also that when announcing the benchmarks for the appropriate level of reserves in the 1998-99 Budget Speech, the Financial Secretary undertook that the Administration would review the guidelines once experience in following them had been built up.

We believe therefore that a review of the benchmarks, the way in which they have been operating and their suitability or otherwise as a yardstick for determining the right level for the reserves in the future, would be a useful exercise. The Society is not however in a position to express any more specific views on the subject, other than to suggest that the Administration, which devised the guidelines and which has the most up-to-date fiscal and monetary information at its disposal, would be best placed to take up any review.

Under the circumstances, the Society has decided respectfully to decline the invitation to attend.

Yours sincerely,

PETER TISMAN
DEPUTY DIRECTOR
(PROFESSIONAL PRACTICES)
HONG KONG SOCIETY OF ACCOUNTANTS

PMT/ay

c.c. Hon. Ambrose Lau Hon-chuen, JP (Chairman) (2523 8392)
Mr. Tim Lui (2915 6719)

