

Oral Presentation by Mr Anthony Wu, HKGCC Vice-Chairman, at a meeting of the LegCo Bills Committee on Revenue (Abolition of Estate Duty) Bill 2005 on Monday, 6 June 2005 at 3pm.

Madam Chairman,

The Chamber is grateful for the opportunity to share its views with the Bills Committee on the proposal to abolish the estate duty.

The Chamber advocates complete abolition of the tax for the fundamental reason that the benefits will far outweigh the costs of doing so. While we recognize there is a direct revenue cost to this action, we stand to reap far more than we lose by virtue of the multiplier effect. These range from the consolidation of Hong Kong's status as a leading international financial center to creation of new jobs to additional revenue for the public coffers.

Abolition is not a zero-sum exercise, with one segment of the community gaining at the expense of another, as has been inaccurately portrayed by some commentators. The most glaring misconception is that abolition would result in a transferal of some portion of the tax burden from the rich to the poor. Nothing could be further from the truth.

Data supplied by the Inland Revenue Department clearly shows that the largest share, an overwhelming majority of those subject to the Estate Duty are among the middle class, and particularly SMEs. They are the ones who suffer the most from this levy, not the rich.

As I mentioned a moment ago, the wider community stands to enjoy a range of benefits arising from the complete abolition of this tax. The recovery of funds invested abroad, to avoid the risk of taxation is clearly a benefit. Attracting and retaining new investment management accounts is another. At a time when the Mainland of China is preparing for eventual capital controls liberalization, to leave this tax in place would be foolish.

The Chamber believes the estate duty is an anomaly and against the basic principles of Hong Kong's open market and free economy. Removing this tax is therefore consistent with Hong Kong's longstanding objective of becoming the preferred center for private investment and wealth management.

Substantive gains aside, the abolition should be welcomed for the symbolism it holds. After all, who would not want taxes to be eliminated?

Thank you.