

Mr Bernard Chan
Chairman of Legco Panel on Financial Affairs
Legislative Council Building
8 Jackson Road
Central
Hong Kong

10 May 2005

Dear Mr Chan

Comprehensive Review of the Inland Revenue Ordinance

On behalf of ACCA (Association of Chartered Certified Accountants) Hong Kong, we would like to submit our views in respect of a motion for a comprehensive review of the Inland Revenue Ordinance, to be proposed by Hon Tam Hueng-man in a meeting of the Legislative Council.

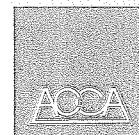
There may be grounds favouring for the review, like adaptability of our tax regime in view of the economic transformation, and the increasing integration of our economy with the Mainland. Despite the alleged merits in conducting a comprehensive review of the IRO, the downside is that a review without direction may create more harms than good by provoking controversial debates. The length of time required to complete a review may also create more uncertainties of taxation in the interim. This would counteract any efforts spent in developing an optimal business environment in Hong Kong and enhancing Hong Kong's competitiveness.

ACCA Hong Kong is in favour of refining our tax system in areas where disputes and uncertainties arise and introducing tax measures that would strengthen Hong Kong's competitiveness. We consider that the review of the Inland Revenue Ordinance ("IRO") conducted by the Government on a continuous basis through gathering views from various consultative channels helps serve the purposes of ensuring the IRO to be up-to-date. As such, the need for a comprehensive review is not of top priority as long as "issue specific" reviews are conducted as and when needs arise.

We note that the Joint Liaison Committee on Taxation ("JLCT") plays a key role in the ongoing review of the IRO. In order to ensure views from all relevant concerned parties are gathered, we recommend that composition of the JLCT members be expanded to accommodate more and different views.

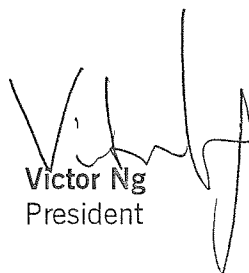
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The Association of Chartered Certified Accountants 特許公認會計師公會



Should you wish to further discuss the issue, please do not hesitate to contact myself or Mr Jimmy Chung, Deputy President of ACCA Hong Kong at 2524 4988.

Yours faithfully



Victor Ng
President