



THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

HONG KONG BRANCH

Room 1002, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong
Tel: +852 2845 4982 Fax: +852 2845 7495 E-mail: aia@aiahkbranch.com Website: www.aia-greaterchina.com

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Dear Chairman and Legislative Council Panel on Home Affairs, I am Tommy Lok, Chief Executive Officer of The Association of International Accountants (AIA), Hong Kong Branch. I am please that the Council allows me to represent the Association to attend the Home Affairs Panel Meeting today to express our views on the betting duty reforms.

AIA Hong Kong Branch has made many suggestions to the Government on improving its economic conditions in the past several years and has voiced its concern regarding the narrow tax base in Hong Kong and the structural problems it is facing.

The 2005/2006 Budget contained few surprises with only a small number of new measures and initiative being announced. This demonstrated that the Government is placing an increased reliance on revenues from land sales and lease modifications, as well as a steady growth in operation revenues, to help it to achieve its budgetary targets.

In our letter to the Financial Secretary in May 2005, our recommendations relating to the Budget 2005/2006 include the support for adopting the betting duty reforms. In a previous letter to the Financial Secretary dated 8 February 2002, AIA Hong Kong Branch expressed its concern about the narrow tax base and structural problems. In that letter, suggestion was made for the Government to consider legalization of football betting, as this would be the most effective way to combat illegal gambling and protect the Government's betting tax revenue. Therefore, the proposed reforms to the betting system on horse racing betting conducted by the Hong Kong Jockey Club (HKJC), are also supported. High rates of betting duty on turnover have made illegal operators increasingly attractive. By converting the betting duty on turnover-based to a tax on net stake receipts (gross margins), HKJC would improve its competitiveness and the Government would receive a less variable betting duty revenue from HKJC. These are in line with AIA Hong Kong Branch's other proposals to further broaden direct tax income.

I hope you would consider our support on the proposed reforms to the betting duty system on horse race betting. Thank you.