

立法會
Legislative Council

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Panel on Financial Affairs

**Minutes of special meeting
held on Tuesday, 18 July 2006 at 8:30 am
in the Chamber of the Legislative Council Building**

Members present : Hon Bernard CHAN, GBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, JP
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon CHIM Pui-chung
Hon TAM Heung-man

Members attending : Hon Fred LI Wah-ming, JP
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon LEE Wing-tat
Hon WONG Kwok-hing, MH

Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung

Members absent : Dr Hon David LI Kwok-po, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Albert Jinghan CHENG

Public officers attending : Mr Henry TANG, GBS, JP
Financial Secretary

Mr Frederick MA, JP
Secretary for Financial Services and the Treasury

Mr Alan LAI, GBS, JP
Permanent Secretary for Financial Services and the Treasury
(Treasury)

Mr Martin GLASS, JP
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Mr KWOK Kwok-chuen, BBS, JP
Government Economist

Ms Vivian SUM
Administrative Assistant to Financial Secretary

Mr Vincent TANG
Principal Assistant Secretary for Financial Services and the
Treasury (Treasury)

Attendance by invitation : Mr David STEVENS
Technical Adviser

Ms Ayesha MACPHERSON
Technical Adviser

Clerk in attendance : Miss Salumi CHAN
Chief Council Secretary (1)5

Staff in attendance : Ms Rosalind MA
Senior Council Secretary (1)8

Mr Justin TAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)8

Action

I. Consultation on reform to broaden the tax base

(LC Paper No. CB(1)1994/05-06(01) — Powerpoint presentation material provided by the Administration)

Briefing by the Administration

At the invitation of the Chairman, the Financial Secretary (FS) gave a brief introduction on the public consultation on the reform to broaden the tax base. He pointed out that the need for a reform to broaden the tax base for the purpose of providing a more stable revenue base for the Government had been raised by his four predecessors in the past twenty years. While the Government appreciated that this was a very controversial subject, it considered that as a responsible Government, it should consult the public so that the community could engage in an informed and rational discussion of this important subject. Given the present robust economic growth, moderate inflation and relatively low unemployment rate, the Government believed that it was the right time to conduct the public consultation. FS called on Legislative Council (LegCo) Members and the public to study the Consultation Document on “Broadening the Tax Base, Ensuring our Future Prosperity: What’s the Best Option for Hong Kong?” (the Consultation Document) tabled at the meeting, and give their views on the proposals set out in the Consultation Document. He hoped that through open and objective discussion during the nine-month consultation period, a consensus could be reached. FS stressed that the Government maintained an open mind on the subject and welcomed views from LegCo Members and the public.

(Post-meeting note: The Consultation Document tabled at the meeting was issued to members vide LC Paper No. CB(1)2012/05-06 on 18 July 2006.)

2. At the invitation of the Chairman, the Permanent Secretary for Financial Services and the Treasury (PSFST(T)) gave a power-point presentation on the Consultation Document and the presentation material provided by the Administration. He pointed out that as set out in the Consultation Document, Hong Kong needed to reform its taxation system to establish a steady revenue source to

secure its growth and prosperity, and the proposals set out in the Consultation Document aimed at encouraging the public to discuss the subject. PSFST(T) stressed that the purpose of the reform was not for generating additional revenue, and the revenue generated would be returned to the community. Instead, the reform was proposed to address the weaknesses of the existing tax base which was very narrow and relied upon a very limited range of taxes and non-tax income to support public expenditure. Such weaknesses had greatly constrained the ability of Hong Kong to manage and plan public finances, particularly in times of economic downturn and adversity. Moreover, a narrow tax base would hamper the ability of Hong Kong in meeting the challenge of an ageing population. In identifying feasible options to address the problem, the Government noted that an increase in the Profits Tax rates was against the international trend and might erode the international competitive edge of Hong Kong. After studying the subject in detail, the Government considered that the introduction of a low and simple Goods and Services Tax (GST) would be a feasible option to broaden the tax base for the following reasons:

- (a) It could produce stable and growing revenue;
- (b) It could be levied at a low rate with a broad base to produce significant revenue;
- (c) It would be a fair system, as individual consumption determined the amount of tax paid;
- (d) It would be difficult to avoid GST due to its multi-stage taxing and crediting mechanism;
- (e) It was capable of growing in line with consumption in the economy, even with an ageing population; and
- (f) It would maintain Hong Kong's competitiveness and its low-tax environment for attracting foreign investment and talent.

3. PSFST(T) then highlighted the following proposals for implementing GST in Hong Kong:

- (a) Proposed GST framework
 - The GST rate proposed for Hong Kong would be very low by international standards so as to be consistent with the existing low and simple taxation system and minimize possible effect of price increase. For the purpose of illustration, a GST rate of 5% was used in the Consultation Document. The actual rate, once determined, would remain fixed for at least five years.
 - There would be a high turnover threshold for registration by businesses (\$5 million annual turnover was proposed, which would include only 65 000 businesses out of 750 000 registered

businesses), under which most small and medium-sized businesses would be excluded from GST collection, thereby reducing/eliminating their compliance costs. Voluntary registration would be available for businesses below the registration threshold.

- The proposed GST would be a broad base tax with very few exemptions (mainly exports, financial supplies and residential property). This could minimize complexity and compliance costs for businesses and administrative costs for the Government as well as allow the GST rate to be kept low.
- Other important features included: Tourist Refund Scheme to retain Hong Kong's appeal to tourists as a shopping paradise; generous deferred GST payment schemes to relieve the impact on the import/export trade; and registration for charity organizations so that they could reclaim input tax paid on their purchases.

(b) Proposed household compensation package

The community would be classified into the following three groups for the purpose of designating a GST household compensation package:

- For Comprehensive Social Security Assistance (CSSA) households, an upfront one-off supplement would be provided. These households would also be properly compensated in subsequent years through the existing mechanism for annual CSSA adjustments to ensure that their purchasing power would not be affected.
- For those low-income households not in receipt of CSSA (households with the lowest 20% income were referred to as "low-income households" in the Consultation Document), an annual cash GST allowance of \$2,000 per household would be provided on an on-going basis. These households would also be provided with other across-the-board measures, i.e. the provision of annual GST credits of \$500 and \$3,000 for each household to be used respectively against water and sewage charges and Rates for the initial five-year period and then the arrangement would be subject to review.
- For all other households, they would be entitled to the across-the-board measures mentioned above and other tax reductions to be further considered.

(c) Other proposed tax changes

- Profits Tax rates could be cut to boost Hong Kong's attractiveness to business.
- Capital Fee could be abolished to encourage more businesses to incorporate in Hong Kong.
- Reductions could be made in Motor Vehicle First Registration Tax and Duties on Liquor, Petrol, Diesel, Aircraft Fuel and Methyl Alcohol, so that, if GST were to be introduced, the total tax level would not increase for these particular items.
- Charges for import and export declarations could be cut to boost the competitiveness of the import and export trade.
- Hotel Accommodation Tax could be abolished to avoid double taxation together with GST.
- Tax deduction limit for charitable donations could be increased.
- One-off set-up assistance would be offered to voluntary registrants (including small and medium-sized businesses and not-for-profit organizations) for the purchase of GST-related information technology equipment and software.

(d) Options for the additional revenue

- Assuming that a 5% GST rate was levied, it would be capable of generating \$30 billion in gross revenue. After all administrative costs and the cost of providing the proposed relief measures had been met, it was estimated that there would be an additional revenue of about \$20 billion.
- A number of options were available for returning the remaining balance of funds to the community in the form of tax relief or other alternatives. The options included: reduction in Salaries Tax by lowering the tax rates and/or widening the bandwidths; reduction in Profits Tax; and increase in public expenditure in important areas such as education, health, social welfare, law and order and infrastructure.

4. On the timeframe for the public consultation, PSFST(T) advised that a long consultation period of about nine months had been arranged to facilitate detailed discussion and expression of views by the public. He stressed that the proposals put forward in the Consultation Document were intended to stimulate discussion of the important subject on tax reform but were not meant to be conclusive. LegCo Members and the public were welcomed to express their views during the consultation period which would end on 31 March 2007.

Discussion

Need for and propriety of implementing GST in Hong Kong

5. Dr KWOK Ka-ki expressed dissatisfaction towards the approach adopted by the Administration in releasing information in the Consultation Document to selected media organizations before its formal publication. He considered the arrangement inappropriate and not conducive to the smooth conduct of the consultation. Mr LEE Wing-tat and Ms Emily LAU expressed similar concerns. They urged the Administration not to adopt such an approach in future public consultations.

6. Miss CHAN Yuen-han said that the LegCo Members of the Hong Kong Federation of Trade Unions (HKFTU) opposed to the introduction of GST as it was a regressive tax drawing the whole population into the tax net. As they had previously suggested to FS, the tax base could be broadened by introducing progressive taxes, such as progressive rates for Profits Tax, but not by introducing GST.

7. Dr YEUNG Sum and Mr LEE Cheuk-yan also opposed to the introduction of GST on the grounds that it was a regressive tax drawing the whole population into the tax net. They were concerned that taxing the large number of low-income households which did not meet the threshold for Salaries Tax through the introduction of GST would widen the gap between the rich and the poor. Moreover, Dr YEUNG considered that the introduction of GST was fundamentally a move in the wrong direction, as GST would radically alter the renowned simple taxation system and the low tax rates of Hong Kong, which would erode its comparative advantage over other jurisdictions and in turn undermine its competitiveness. To address the problem of an ageing population, Dr YEUNG urged the Administration to explore other feasible options such as retirement protection instead of introducing GST.

8. Dr Fernando CHEUNG, Ms Emily LAU, Mr WONG Kwok-hing, Mr Ronny TONG and Mr LEUNG Yiu-chung also expressed concern that GST, which was a regressive tax making the low-income households to pay tax of a higher percentage of income compared with the high-income households, would further widen the gap between the rich and the poor. Mr TONG and Mr LEUNG pointed out that Hong Kong already ranked high in the Asian region and among the developed economies in the disparity between the rich and the poor. Dr CHEUNG and Mr LEE Cheuk-yan opined that the implementation of GST was in a way “robbing the poor to help the rich”. Ms LAU pointed out that the regressive tax was inconsistent with the taxation principles of affordability and “fair redistribution of income”. Pointing out that analyses on the impact of GST on the problem of disparity between the rich and the poor was not available in the Consultation Document, Ms LAU requested the Administration to provide information on the experience of overseas jurisdictions in this regard.

9. FS believed that the proposed GST would be in line with the principle of affordability, as people with higher income would spend more and their consumption would be subject to GST.

10. Ir Dr Raymond HO, Mr Andrew LEUNG, Dr Fernando CHEUNG, Mr CHAN Kam-lam and Miss TAM Heung-man also expressed concerns about the impact of the implementation of GST on the competitiveness of Hong Kong. Ir Dr HO and Mr LEUNG pointed out that while the proposed GST rate was low by international standards in the initial launch, the Government might increase the rate after its introduction, as in some other jurisdictions. Given the relatively high cost of living in Hong Kong, Ir Dr HO was concerned that the introduction of GST would undermine the competitiveness of Hong Kong with further increase in prices. He was also concerned that while the Administration sought to tackle the problem of a narrow tax base with an ageing population through introduction of GST, GST might affect the consumption ability and quality of life of the retired citizens, thus aggravating the problem of the ageing population.

11. Dr Fernando CHEUNG queried the need for tax reform at the present stage given the Administration's claim that it was not driven by the need to generate additional tax revenue and the additional funds available from GST would be returned to the community through various tax reduction measures or increases in public expenditure. He considered that GST was not suitable for Hong Kong given the special income structure in Hong Kong, i.e. a wide gap between the highest and lowest income groups (with the high-income households earning over ten times of the low-income households), which was different from other jurisdictions with more even distribution of income.

12. The Secretary for Financial Services and the Treasury (SFST) pointed out that the existing taxation system had provided a very narrow tax base, which was expected to become increasingly narrow in the coming decades as the ageing population would result in decreasing number of working population meeting the threshold for payment of Salaries Tax. It was therefore necessary for the Government to examine options for broadening the tax base to ensure sustainable economic growth and maintain the competitiveness of Hong Kong.

13. Whilst appreciating the need for the Administration to examine how the tax base could be broadened, Mr James TIEN doubted whether it was appropriate to introduce such a complex tax as GST to complicate the existing simple taxation system. Mr CHAN Kam-lam and Miss TAM Heung-man expressed similar views. Mr CHAN also pointed out that while GST was an option to broaden the tax base, the associated changes in other taxes, such as the abolition of Hotel Accommodation Tax, would in fact narrow the tax base.

14. Mr Jeffrey LAM said that while the business sector supported the idea of broadening the tax base, the Administration was expected to put forward more alternatives to achieve this goal instead of only proposing the implementation of GST.

15. Referring to the Final Report of the Advisory Committee on New Broad-based Taxes submitted to FS in February 2002, Ms Emily LAU urged the Administration to examine in detail the various options considered by the Advisory Committee, instead of only putting forward the proposals for implementing GST. Ms LAU also suggested the Administration to consider other options, such as introducing tax on dividends.

16. Mr SIN Chung-kai recalled that the results of a number of previous opinion polls had indicated general opposition to the introduction of GST in Hong Kong. Mr LEE Wing-tat and Mr Fred LI were of the view that the Administration's claim that the introduction of GST was "revenue neutral" and its proposed offsetting measures, such as tax reductions and GST credits, were just publicity gimmicks for soliciting public acceptance of GST. Mr LEE Wing-tat pointed out that apart from the income from Profits Tax or Salaries Tax, over 50% of public revenue came from other sources such as Stamp Duty, Betting Duty, and government fees and charges. As such, the community at large had already been contributing to the public finances under the existing system. Mr Fred LI opined that the Consultation Document did not give an objective analysis of the pros and cons of implementing GST but simply emphasized the benefits that GST would bring to Hong Kong.

17. Miss TAM Heung-man said that the LegCo Members of the Civic Party maintained an open mind on whether or not GST should be introduced in Hong Kong, and a working group had been set up to examine the proposals in this regard. Given the oppositions to the proposed implementation of GST, Miss TAM was concerned whether and what other alternative measures the Administration had explored for broadening the tax base so as to cater for the situation that the proposed GST failed to gain the support of LegCo and the public at the end of the consultation.

18. FS explained that the current public consultation focused on tax reform for broadening the tax base in Hong Kong, and it should not be taken as simply a consultation on the introduction of GST. The consultation aimed to stimulate public discussion on what a fair taxation system and their fair share of tax burden should be. Responding to Dr KWOK Ka-ki's enquiry, FS explained that the table in Chart 5 of the presentation material set out the international trend of reduction in Corporate Profits Tax rates, which demonstrated that a number of overseas jurisdictions were increasing revenue through broadening their tax bases to facilitate reduction in Profits Tax to increase their competitiveness. This international trend was an issue to be taken into consideration in the public discussion of broadening the tax base in Hong Kong. SFST added that experience in overseas jurisdictions, such as Ireland and Singapore, had shown that reduction in Corporate Profits Tax rates would enhance their competitiveness and capital inflows.

19. While the Corporate Profits Tax rates in some jurisdictions had been reduced, Mr James TIEN pointed out that the reduction from about 35% in 2000 to about 25% in 2005 in the European Union was achieved by a high GST rate of 17.5%. As regards

Ireland, the reduction from 24% in 2000 to 12.5% in 2005 was not a result of increased income from GST but a result of the improvement in economic and employment conditions as a whole due to its success in attracting investments. Mr TIEN was of the view that it was not appropriate to make direct comparisons between public finances planning in Hong Kong and those in other countries given that Hong Kong did not have to bear expenses in areas like national defence and disasters relief. He was also concerned that the Administration's proposed compensation package for different household groups, together with the options for utilizing the additional revenue from GST to increase public expenditure in areas like education, health and social welfare, might attract diverse views from different sectors of the community, thus having a divisive effect for the community as a whole.

Costs for implementing GST

20. Mr Vincent FANG and Mr Jeffrey LAM enquired about the administrative costs and the additional manpower resources required for implementing GST. In response, PSFST(T) referred members to paragraph 197 of the Consultation Document, which provided an overview of the budgetary implications of GST. He also advised that international experience indicated that the on-going administrative costs for the Government to collect GST would be approximately 1% to 2% of the net GST revenue, but would be expected to be closer to 2% in the initial years due to the need to set up and operate new systems. Regarding manpower requirements, additional manpower resources might be required for the Inland Revenue Department and the Customs and Excise Department. FS pointed out that the estimated annual administrative costs were about \$0.5 billion (assuming a GST rate of 5% and about \$30 billion revenue to be generated from GST annually). He also advised that about \$9.5 billion would be used for providing offsetting proposals and compensation measures to different groups of households, and about \$20 billion additional revenue would be available for tax reductions and/or increase in public expenditure.

21. Ir Dr Raymond HO queried whether the estimated amount of \$0.5 billion would be adequate for the administrative costs of GST. In his view, the amount of \$9.5 billion to be used for providing compensation and offsetting measures should be taken as the costs for implementing GST as well.

Households: impacts and offsets

22. Mr WONG Kwok-hing was concerned that GST, being a regressive tax, would cause hardship to CSSA households and non-CSSA low-income households. The adverse impact could hardly be alleviated through the proposed compensation measures, such as the provision of an annual cash allowance of \$2,000 per household for the non-CSSA low-income households.

23. Miss TAM Heung-man requested the Administration to provide further information on the proposed compensation measures for households, including information on the methods for computation of the one-off supplement to be provided

to CSSA households; definition of non-CSSA low-income households; and whether any other offsetting measures would be provided for households which did not have to pay Rates and therefore would not be able to use the \$3,000 annual GST credit for the payment of Rates.

24. Mr CHAN Kam-lam opined that the proposed compensation measures for the three household groups based on household income might not be fair as they failed to cater for differences in household size (e.g. the difference in consumption between households with two members and four members). Mr CHAN pointed out that as GST would tax on a wide range of goods and services, including daily necessities, it would have very significant impact on consumer spending. He urged the Administration to collect more public views on the subject during the nine-month consultation period for consideration of whether or not GST should be introduced.

25. Mr LEE Cheuk-yan pointed out that GST would inevitably have impact on prices (with the Administration's estimation for the Composite Consumer Price Index to rise by about 3%), increase the cost of living for different income groups and bring about considerable blow to the local economy. Referring to pages 60 and 61 of the Consultation Document, Mr LEE noted with concern that the estimated increase in cost of living of different income groups ranged from over \$200 to over \$1,000 per month.

26. Mr SIN Chung-kai noted that the Administration had provided, in Chapter 8 of the Consultation Document, illustrations on the options available for using the remaining funds from the revenue collected through GST after deducting the administrative costs and costs for compensation measures. To facilitate members' consideration of the proposed GST, Mr SIN requested the Administration to provide figures to illustrate in detail the impact of GST on different income groups, including information on the amount of additional expenses and/or savings for these groups taking into account the cost of GST and the savings from various proposed compensation measures.

27. Dr KWOK Ka-ki expressed grave concern about the impact of GST on the well-being of the middle class households, as only limited offsetting measures would apply to them and their burden of expenses on areas such as health and education might not be relieved without any commitment from the Administration to increase the expenditure on these areas upon the introduction of GST.

28. Mr Ronny TONG was of the view that the compensation and offsetting measures proposed in the Consultation Document, which were mainly in the form of cash assistance, could not effectively alleviate the burden of the community upon the introduction of GST. He called on the Government to take the opportunity of implementing tax reform to improve its medical and welfare services so as to ensure that adequate services would be provided to meet the needs of the community and relieve their burden of expenses in these areas. In this connection, Mr TONG

requested the Government to formulate and put forward concrete proposals for improving medical and welfare services.

29. Whilst appreciating Mr Ronny TONG's concern, FS pointed out that the Government would adhere strictly to the prudent principle of value-for-money in the planning of public finances and endeavour to provide services to meet public demands with the best utilization of resources. The Government aimed to stimulate rational public discussion of the controversial subject on tax reform through the current consultation exercise, with a view to facilitating public understanding and future development of the taxation system.

Various industries and sectors: impacts and offsets

30. Pointing out that the implementation of GST in Japan and Singapore had brought about strong blows to the economy of these two countries, Mr WONG Kwok-hing expressed concern about the impact of the implementation of GST on the economy of Hong Kong. He requested FS to provide the Administration's assessment in this regard.

31. FS stressed that the proposals in the Consultation Document were not conclusive and the Government had not made any decision on whether or not GST should be introduced. FS however pointed out that introducing GST at the right time was essential. In the case of Japan, the implementation of GST during unfavourable economic conditions had aggravated the situation. In the case of Singapore, the economy was sensitive to a number of external factors of which it had no control of.

32. Mr Andrew LEUNG opined that given the close economic ties between Hong Kong and the Pan Pearl River Delta Region, the import/export trade and logistics sector were important to the development of the local economy. He urged the Administration to examine in detail the impact of GST on the import/export trade and logistics sector and be mindful that the possible adverse impact might out-weight the benefits of broadening the tax base.

33. Mr Vincent FANG noted with concern that the proposed high registration threshold of \$5 million annual turnover, whilst excluding most small and medium-sized enterprises (SMEs) from GST registration, might be unfair to large-sized enterprises, such as the chained stores. This might be a disincentive for business to operate in the form of large-sized chained stores. He asked whether the Administration would put in place any measures to address the problem.

34. Mr Jeffrey LAM expressed concern about the compliance burden on SMEs and enquired whether the Administration had assessed the GST-related compliance costs for SMEs. He also sought information on the offsetting measures to assist SMEs in coping with the additional resources required for the collection of GST and in tiding over the difficulties of cost increase to maintain their competitiveness. In reply, PSFST(T) said that while SMEs with annual turnover below the registration threshold

of \$5 million would not be required to register, the Government intended to provide a one-off set-up assistance to SMEs that voluntarily registered for GST.

35. Mr LEUNG Yiu-chung was concerned that the price effect of GST would discourage tourists and local consumers from spending in Hong Kong and hamper the development of the retail and services industries. Employees of the retail and services industries might suffer or even lose their employment as a result. Mr Fred LI and Mr CHAN Kam-lam expressed similar concerns. Mr LI and Mr CHAN pointed out that with the introduction of GST in Hong Kong, the local residents might choose to purchase GST-free goods and services across the border. In this connection, Mr LI requested the Administration to assess the impact of GST on the consumption habit/pattern of Hong Kong residents across the border and the resulting impact on the local retail and services industries.

36. Dr YEUNG Sum was concerned that despite that tourists would be able to claim a GST refund under the proposed "Tourist Refund Scheme", the procedures involved for the claim might have adverse impacts on the city's reputation as a "duty-free shoppers' paradise" and the tourist industry.

Way forward

37. Mr Fred LI expressed concern about the means to be used by the Administration to gauge public views during the nine-month consultation period. He also asked whether the Administration would drop the proposals if there was clear public opposition to the proposals.

38. Mr Vincent FANG enquired whether the Administration had in mind a benchmark level of public acceptance/objection against which it would decide whether GST should be introduced in Hong Kong and if so, what the benchmark level was.

39. Ir Dr Raymond HO called on the Administration to allow sufficient time for detailed discussions and thorough consultation so that decision on the way forward could be made on the basis of a clear consensus of the society. He was concerned that a nine-month consultation period might not be sufficient for the purpose.

40. FS thanked Members for their views. He reiterated that being a responsible Government, the Government considered it the right time to put forward this important subject of tax reform for public consultation. He was aware that there was a general support from the community on the need to broaden the tax base but a consensus had yet to be reached on the appropriate option to achieve this end. The Administration maintained an open mind on the subject and welcomed any suggestions and options put forward by Members or the public. Regarding the decision on the tax reform, FS pointed out that as the public consultation period would expire in the end of March 2007 and the office of the current term of Government

would last until 30 June 2007, the current term of Government would prepare a report on the consultation for the next term of Government to consider the way forward.

41. Ms Emily LAU suggested that as the proposals in the Consultation Document would have significant impact on the taxation system of Hong Kong, the Panel should consider scheduling meetings in due course for Members to deliberate on the subject in detail. Mr Ronny TONG and Mr SIN Chung-kai expressed similar views. Mr SIN said that he would set out further questions on the proposals in writing for the Administration to provide its written response.

42. The Chairman concluded the discussion by inviting Members to forward their further questions in writing to the Clerk. He directed the Clerk to forward a summary of the views and concerns expressed by Members at this meeting and any further questions from Members on the subject to the Administration for its written response. The Chairman advised that if necessary, arrangements could be made for the Panel to further discuss the subject in the next session.

(Post-meeting note: The list of follow-up actions for the meeting and the Administration's written response to members' views and concerns set out in the list were issued to Members vide LC Paper Nos. CB(1)2319/05-06(01) and (02) respectively on 9 October 2006. The list of further questions put forward by Hon SIN Chung-kai on 23 August 2006 and the Administration's written response were issued to Members vide LC Paper Nos. CB(1)29/06-07(01) and (02) respectively on 11 October 2006.)

II. Any other business

43. There being no other business, the meeting ended at 10:05 am.