

9 April 2003

The Honourable Audrey Eu
Chairman
Subcommittee on Public Revenue Protection
c/o Clerk to Subcommittee (attn. Ms Christina Shui)
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Ms Eu

**Follow up to Subcommittee
on the Public Revenue Protection (Revenue) Order 2003 Meeting**

As the Subcommittee will meet again this Thursday, 10 April 2003, the members of the Hong Kong Motor Traders Association (MTA) believe it is important to reinforce our positions on the Order and the First Registration Tax.

To be clear, the MTA supports the Order. We believe the Order immediately provides the most timely means of enforcement of the proposed First Registration Tax. Any delay or "grace periods" in enforcing the proposed tax would subvert the intentions of the levy and could possibly distort the market for many months to come. This Order also provides the provision that tax would be refundable if the bill to implement the tax change is not passed or is amended by LEGCO.

It is immensely important to settle the FRT issue now. Further delay only hampers the automotive industry and the market from adjusting to the new rules. Hong Kong industry is trying to make the best of trying times, uncertainty over these issues further destabilises the marketplace. We believe the new tax system is fair and practical and should be put in place immediately. Our concern remains that a high tax rate could have a very negative impact to buying sentiment and further shrink the market size in this poor retail environment. We suggested reducing the tax rate from 150% to 105%, 105% to 85% and 75% to 60% while 35% remain unchanged. We believe our proposed tax rate will have less impact to the overall market size while generating additional revenue from the FRT.

MTA members sold Hong Kong people 90% of their cars last year, representing by far the largest group of auto retailers in the Territory. Our members include some of the most well known and trusted dealers in Hong Kong including Crown Motors, Dah Chong Hong Motor Group, Inchcape Motor Group, Jebesen Motor Group, Sime Darby Motor Group, Taikoo Motor Group and Zung Fu.

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We are keen to work in partnership with Government, the Legislative Council and this Subcommittee during this difficult economic period and understand that all parts of the community need to share in the burden of tax increases.

I hope this letter helps to clarify our views on this issue. Please let me know if you or any Members of the Subcommittee have any further enquiries regarding this issue. Do not hesitate to contact me.

Yours sincerely

Michael Lee
Chairman
The Motor Traders Association of Hong Kong

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