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HKGC

Hong Kong General Chamber of Commerce
香港總商會 1861

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Helping Business since 1861

23 May 2008

Clerk to Bills Committee
Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Sir,

Revenue Bill 2008

The Hong Kong General Chamber of Commerce strongly supports the Financial Secretary's proposal to reduce the top Profits Tax rate from 17.5% to 16.5%. Indeed, in our submissions to government and comments in the media, we have repeatedly urged returning the rate to 15% as a matter of urgent competitive augmentation.

We rightly pride ourselves on being a business environment featuring low and simple taxation. However, our rivals have taken steps to undermine our competitiveness by broadening their tax bases and using the wider revenue base to reduce taxes on business. Many have also introduced group loss relief and loss carry back as means of further reducing their effective tax rates.

The World Bank study *Paying Taxes 2008 – The Global Picture* ranks Hong Kong 3rd out of 178 economies for the ease of paying taxes. However, the effective profits tax rate is calculated at 18.6%, compared to an Asia-Pacific regional average of 18.2% and an OECD average of 20.0%.

Our economy is attractive to business not because of vast markets or rare natural resources but because of the regulatory environment and fiscal regime. Our rivals recognize this, and are steadily chipping away at our advantage. We must not remain complacent in the face of this active and continual threat to our competitiveness.

Yours sincerely,

Andrew Brandler

Andrew Brandler
Chairman