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**Speech by the Hon Mrs Selina Chow Liang Shuk-ye,
GBS, JP
Motion Debate on The 2003-04 Budget, 19 February
2003**



Selina Chow:

Madam President, when it comes to taxation, many people will not forgive me if I do not say a few words on sales tax. Although the Government has stated that there will be no introduction of new taxes, I still wish to say a few words because I am a bit scared. Now that the fiscal deficit has become a heated topic, sales tax will easily come into the mind of the Government if it keeps on thinking about the deficit problem. Therefore, I have to make it clear in the first place that this is definitely not an option because not only will the people's livelihood thus be jeopardized, the operation of businesses will be damaged as well. I must state this position of mine from the outset.

Today, I have heard many colleagues express their expectations for the Budget, particularly from the angle of taxation. I see that there is a strong consensus in many areas, no matter how Members disagree among themselves. I am also pleased to hear that Members seem to have agreed that economic revival should at least be the prime task of the Government. We in the Liberal Party have always held the view that it is useless to say anything if we do not focus our attention on helping the people of Hong Kong create wealth. We must first create wealth before people can have money to spend. When the people spend, the Government's revenue from tax will rise, without the need to do anything special. Of course, everyone will object to any proposal of taxation. This is because we can spend more generously if we have more money in our pockets. Conversely, a vicious circle will be formed if the economy performs badly. In that case, nothing can be done even if the Government has lots of plans.

When it comes to economic revival, I believe it is most important for the Government to give incentive to the business environment. There is a sure-win formula and that is to reduce the operating costs of businesses. It has been pointed out by many that Hong Kong is becoming less and less competitive. The business environment will definitely suffer if the Government insists on adhering to the "user pays" principle or resorts to fare increases indiscriminately, whether by way of taxation, licence fees or other charges. Business operators will become worried if the operating costs keep on rising. We must emphasize this point in the amendment because regard must be paid to the business environment.

There is one thing the Government must handle carefully. To reduce business costs is originally a very good idea. In order to liven up the local community economy, the Government has allowed people who used not to be business operators to operate businesses, thereby resulting in more local competition. Insofar as those who have been experiencing severe hardship in operating their businesses are concerned, the Government has made them face even tougher competition. For instance, many existing business operators have complained about the operation of private kitchens and flea markets operated in the form of night bazaars. Apart from paying all sorts of charges, they have to pay tax in accordance with the rules of the game if their businesses are profitable. But suddenly, some of these rules are changed by the Government into competitive practices considered by them to be far from fair. This explains why the matter must be handled with care.

It is inadvisable for the Government to reduce its overall investments just because everyone is now complaining about the "fiscal deficits". On the contrary, in order to create wealth, more should be done to attract investments. For instance, greater efforts should be made to induce more people to come to Hong Kong for spending or travel, so that business operators will have more business. But this must be done by the Government for it is very difficult for the business sector to make such efforts. The Government should also provide investors with investment opportunities. At the same time, the Government should delegate some of the work that must not necessarily be done by it to private organizations as far as possible.

The Liberal Party has expressed a lot of opinions on the extra efforts that the Government must make in order to reduce expenditure. In recognition of the principle of "shared responsibility", we share the view that the middle class should not be made the target. When every one of us agrees that the grass roots and the middle class should not be targeted, there must be someone who should eventually be targeted! Members might have been told that certain tax items will prove to be detrimental to the middle class. We certainly agree with this. However, the so-called principle of "shared responsibility" will be violated if the target eventually falls on certain people, despite our assertion that the grass roots and the middle class must not be targeted.

We certainly hope the Government can reduce expenditure and so do Honourable Members. While views on this subject might differ among Members, I believe there is a strong consensus in certain matters. While tuned in to radio phone-in programmes, I often heard callers say that they could not bear watching the Government spending money like throwing water out of a bucket. For instance, we will see huge spending between February and March or before 1 April every year because every government department is required to exhaust its annual budget. Insofar as this practice is concerned, the Government should really consider what can be done to reduce expenditure. Furthermore, it is really

needless for the Government to have spent so much money on certain activities. For instance, more money can be saved if more cultural and recreational activities can be handed over to private organizations.

When it comes to taxation, many tax items which will not impact on the people's livelihood or jeopardize business operation can be considered. We did talk about a levy on foreign domestic helpers, betting duty, boundary facilities improvement tax, or the discretionary levy of other taxes in an even manner. The Liberal Party will not necessarily raise objection. However, insofar as the levy on foreign domestic helpers is concerned, Ms Audrey EU opined that the employers should not be treated in this way. Actually, many other employers are currently required to pay a levy for imported workers. Therefore, the levy on foreign domestic helpers should not be considered unfair at all.

Thank you, Madam President.