



東風



TUNG FENG

香港東區扶輪社週報 THE ROTARY CLUB OF HONG KONG ISLAND EAST

Last week's Proceedings -

11th October, 2006

The 14th Rotary meeting of the year was started promptly by President Paul at 1pm. The total number of members in attendance was 16. Two visiting Rotarians, namely PP Meggie Tseung of RC Peninsula Sunrise and Rotarian Benny Ratnani of HK Northeast (who probably has attended more RCHKIE meetings than some home club members) were welcomed by Rtn Jason. There were no visitors but did have a delayed birthday boys in PP Andrew and PP John IV was requested to lead the birthday song.

Pres. Paul made 9 announcements as follows:

1. 100th Anniversary Scouts Jamboree (December 27, 2006 - January 1, 2007) [DG Tony Wong]
2. Hepatitis B Anqing Immunization Day in early {1st } November 2006 [DG Tony Wong] IPDG meeting with EMB next week
3. Group Study Exchange (GSE) Program [PP Tenny Leung] Deadline for team leader/team members expired on 30/9/2006 (Deadline for team member extended to 15/11/2006) one month programme for self development for young professionals
4. District Bowling Tournament on November 12, 2006 [IPP KL Cheng]
5. District Horse Racing Day on December 16, 2006 [IPP KL Cheng] [organized by Rotary Club of Kwai Chung]
6. Our visiting to Home of Loving Faithfulness Fellowship will re-schedule to November 2006.

REMINDER

7. District Vocational Service Seminar on October 24, 2006 [President Wendy Mung] Marco Polo HK Hotel
8. Fundraising Project of RC of HK Harbour Charity Ball on 21st October 2006. RC of HK Harbour has obtained 50 free table from Regal Hotel for fundraising for Hepatitis B
9. Rotary Club of Kwun Tong will hold their 33rd Annual Dinner on 13th October 2006 from 19pm to 22 pm.

Acting SAA PP John IV reported the collections for the red box at \$1600.

The highlight of the meeting was a talk by PP Tim Lui. PP Tim had been a member of the investigation Committee set up by the SAR Government, under the chairmanship of PDG Moses Cheng, since 2000, and he knows the problem inside out. He suggested that members should try to read the consultative paper put out by the Government and make a response. For those of us who were not able to do so, he summarised the issue in a very clear and easy to understand way.

PP Tim told us that The HKSAR Government unveiled in July a consultation document entitled "Broadening the Tax Base, Ensuring our Future Prosperity - What's the best option for Hong Kong ? The consultation will last until 31 March 2007 after which Henry Tang will prepare a report on GST for consideration by the Third HKSAR Government. PP Tim said that although the public has been focusing on GST, the consultation goes well beyond that. It is about sustaining the well-being and prosperity of HK in the future. It is about the need for tax reform and we are in the fortunate position of able to do it in a tax neutral manner.

In brief, the proposition is to implement a GST regime at 5% on goods and services with no exemption. The threshold for mandatory GST registration has been set at HK\$ 5 million and as such would only involve about 65,000 companies in HK. The GST aims to yield \$ 30 billion in revenue and after various compensatory payments, the net yield is about \$ 20.4 billion. Given the tax neutral starting point for the proposal, the government is asking for suggestions as to how the money could be returned to the community. In essence, the entire amount could be applied to a 5% reduction in either profits tax or salaries tax. Alternatively, it could be a combination or used to make further investments in services.

PP Tim went on to discuss some of the commonly held comments and criticism towards GST. On the issue as to why we need GST, PP Tim said that it is widely acknowledged that HK has a narrow tax base and fairly unstable sources of revenue. The situation is compounded by the fact that birth rate in HK is 0.94 per female adult and we are faced with an acute aging population. The latter factor will have a significant impact on HK as more people will be outside the salaries tax net when they reached retirement age and the Government has to incur more expenditure on providing CSSA and benefits to our senior citizens. Another reason is GST will afford the opportunity to reduce our direct taxes in order to stay competitive when compared with our neighbours. Singapore being the prime example of being able to reduce profits tax from 26% to 20% and the gap with HK has been shortened to 2.5%.

On the question of whether there are other options that could be deployed. PP Tim said that the issues were thoroughly examined by the Advisory Committee on New Broad Based Taxes back in 2002 in which he participated as a member under the Chairmanship of PDG Moses Cheng. Amongst the 13 options examined (including capital gains tax, dividend tax, interest tax, worldwide basis of taxation etc.), the other viable option is to reduce or eliminate the personal allowances and deductions for salaries tax purposes. A complete withdrawal in personal allowances will result in revenue yield of \$40 billion but as personal allowances have traditionally been used to subsidise taxpayers taking care of children and dependent relatives, the Government is not keen to remove it completely.

The retail and tourism sectors are most vocal in terms of opposition but their fears and concerns are not backed up by international experiences. It is true to say that the retail industry generally suffered a reduction in volume following a GST implementation but let us not forget that in many countries, the consumption prior to implementation has experienced significant increases. In any case, the shopping paradise of HK will not suffer significant adverse impact as tourists can reclaim a tax refund. As for the tourism industry, the important point being how to make HK more attractive to the tourists and build on the favourable factors. To enhance our tourism industry, the need is more acute to build more scenic or tourists attractions as well as putting on interesting events. In any case, most of our tourists are coming from jurisdictions which have GST, so the idea of paying GST and claiming a refund is not foreign to them at all.

Many have suggested that the Government does not need more revenue if it is able to keep its expenditure down. This sort of comment is perhaps valid some years ago but through the ongoing efforts of controlling public expenditure, HK is down to its bare bone. The government operates an expenditure envelope system to contain the expenditure of the various bureaus and this has worked well so far. One has to remember that 70%+ of our public expenditure relates to payroll and related benefits for the civil servants and the remaining portion relates to cost of providing services. The number of civil servants has been reduced to about 160,000 and their pay pegged back to the 1997 level already ; there is not much room left to manoeuvre. Unless we are willing to reduce the level of service which is an unlikely scenario for HK, the prospect of further cutting public expenditure is indeed limited.

On a related issue of our ability to use some of the significant balance in the Exchange Fund which stands at \$1000 billion+ at the moment. In considering this point, one has to understand the component parts of the Fund. About \$350 billion is to ensure the HK\$-US\$ peg is maintained and therefore cannot be utilised. Another \$320 billion relates to the fiscal reserves and after taking out a reasonable reserve level equating to 12 months public expenditure, one is left with say \$80 billion only. The remaining portion relates to the accumulated reserves and theoretically can be utilised. However, one needs to bear in mind that HK has a civil service pension of \$300 billion+ and it has to be funded one way or another. In a nutshell, the available reserve might be a lot less than what some commentators make it out to be.

Lastly, PP Tim accepted that on a pure numerical basis, GST is regressive to the less well to do sector of our community. However, this point need to be balanced by the fact there are compensatory arrangements being put in place to cushion the GST effect in that sector and they might also receive a tax break on the direct tax front. Furthermore, they are likely to receive more and better services as a result. The flip side of this is that the well to do sector of the community who might not be paying any form of tax at the moment will contribute whenever they consume any goods or services. There is a little re-distribution of wealth behind this and allows the middle and sandwich class to be better off taxwise in the long run. GST could lead to more detection of the black economic activities in HK thus enabling the Inland Revenue Department to recover taxes that should have been paid in the first instance. With the additional revenue yield, the Government could plough it back to the community in many ways thus benefiting HK as a whole.

At the end of the talk, a show of hands amongst the members and guests present indicated there was a majority in support of GST - PP Tim managed to convert a few doubters after his talk !

It was a very informative and interesting talk and the audience responded with quite a few nods, and no one fell asleep. Unfortunately time was pressing and no opportunities were given for questions. Our speaker was thanked by President Paul himself. But Rtn John Yao suggested a show of hands as an indication of the Club members' stand on the issue. Nine were in favour and two were against with the rest silent.

After a toast to the Rotary Clubs of Peninsula Sunrise, HK Northeast and HKIE, the meeting was closed on 2:04pm.

Rotary Information

In view of quite a number of new members in our club, we would like to address the subject of Vocational Service which is usually observed during the month of October each year.

Vocational Service is put on the 2nd place in our four avenues of service in Rotary. It is so abstract that we cannot fully understand what it stands for. It is frequently demonstrated by offering young people career guidance, occupational information and assistance in making vocational choices. For example, our club conducted a tour with our members and families to visit the factory for printing bank notes of the Hong Kong Government, S.A.R. in Taipo, New Territories through the arrangement of club director Jason Chiu recently. The idea of ethical and laudable business philosophies are often promoted among young people entering the world of work. To give a better understanding of vocational service, we try to refresh our memory about the 4-Way Test and also the Declaration for Rotarians in Business and Professions as hereunder.

The Four-Way Test of the things we think, say or do

1. Is it the TRUTH ?
2. Is it FAIR to all concerned ?
3. Will it build GOODWILL and better friendships ?
4. Will it be BENEFICIAL to all concerned ?

Declaration for Rotarians in Business and Professions

As a Rotarian engaged in a business or profession, I am expected to

1. Consider my vocation to be another opportunity to serve;
2. Be faithful to the letter and to the spirit of the ethical codes of my vocation, to the laws of my country and to the moral

- standard of
my community;
3. Do all in my power to dignify my vocation and to promote the highest ethical standard in my chosen vocation;
 4. Be fair to my employer, employees, associates, competitors, customers, the public and all those with whom I have a business or professional relationship;
 5. Recognize the honour and respect due to all occupations which are useful to society;
 6. Offer my vocational talents to provide opportunities for young people, to work for the relief of the special needs of others, and to improve the quality of life in my community;
 7. Adhere to honesty in my advertising and in all representations to the public concerning my business or profession;
 8. Neither seek from nor grant to a fellow Rotarian a privilege or advantage not normally accorded others in a business or professional relationship.

Electronic Make-up Questions

You can submit an electronic makeup for this missed meeting by answering the following questions:

1. We had two visiting Rotarians who came to our meeting. Who were they?

Answer:

2. We had a delay birthday boy, who was he?

Answer:

3. Pres. Paul made 9 announcements, briefly name 6 of them.

Answer:

4. What was the SAA collection for today?

Answer:

5. Who was the guest speaker today and what was his topic?

Answer:

6. What was the Rotary Information on?

Answer:

Instruction:

Please copy these questions click the following URL [John Kwok](#) and paste it to the email and answer these questions and then click send

Jokes

Only In America

A Charlotte, North Carolina lawyer purchased a box of very rare and expensive cigars, then insured them against fire, among other things.

Within a month, having smoked his entire stockpile of these great cigars and without yet having made even his first premium payment on the policy the lawyer filed claim against the insurance company. In his claim, the lawyer stated the cigars were lost "in a series of small fires."

The insurance company refused to pay citing the obvious reason that the man had consumed the cigars in the normal fashion.

The lawyer sued.. and WON! (Stay with me.)

Delivering the ruling, the judge agreed with the insurance company that the claim was frivolous. The judge stated nevertheless, that the lawyer "held a policy from the company which it had warranted that the cigars were insurable and also guaranteed that it would insure them against fire, without defining what is considered to be unacceptable fire" and was obligated to pay the claim.

Rather than endure lengthy and costly appeal process, the insurance company accepted the ruling and paid \$15,000 to the

lawyer for his loss of the cigars lost in the "fires".

NOW FOR THE BEST PART...

After the lawyer cashed the check, the insurance company had him arrested on 24 counts of ARSON!!! With his own insurance claim and testimony from the previous case being used against him, the lawyer was convicted of intentionally burning his insured property and was sentenced to 24 months in jail and a \$24,000 fine.

This is a true story and was the First Place winner in the recent Criminal Lawyers Award Contest.

Photographs of our meeting

on

11th October, 2006



Our guest speaker today was PP Tim Lui who spoke on the subject of the proposed "Goods & Services Tax".



(L to R) PDG Uncle Peter, Guest speaker PP Tim Lui, and Pres. Paul.



(L to R) Hon. Sec Andy, Dir. Jason, and Dr. Tony (this month's Bulletin Editor).



Our birthday boy this week was PP Andrew Chen, here with song leader PP John IV and Pres. Paul.



(L to R) Rtn. Herman, PDG Y.K., Rtn. Kenny, PP's Andrew, John IV, and Rudy.



(L to R) PP Henry, visiting Rtn. Benny Ratnani, (HKNE), PP Hubert, PP Maggy Tseung (Pen Sunrise) and IPP Eddy.



Our group Photo with PDG Uncle Peter, Pres. Paul and guest speaker PP Tim and visiting Rotarian and our members on 11 October, 2006.

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