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### **Editorial**

#### **The Role of The Lingnan Commentary**

The Lingnan Commentary first appeared in 2001 and was intended to be a Quarterly Publication. Since the first year in which indeed four issues were published, however, only two issues have been published each year. This is in part because of the lukewarm submission of articles that we have received from Lingnanians and friends, and in part because of resource constraint. When the Lingnan Commentary was first published, we stated that it is “an attempt to assert Lingnan's unflinching interest and commitment to serve Hong Kong and the world. It is a quarterly review of economic, business, and social issues by Lingnanians and Lingnan's close associates. We shall strive to provide the best analysis and commentary on the current issues of Hong Kong SAR and China”. Three years have passed. It is now for readers to decide if we have accomplished these noble goals, and if they think we should continue in this effort. We request our readers to fill and return the enclosed questionnaire, which will then give us a clue as to whether the resources committed in this undertaking are justified.

Readers will tell us if our analysis and policy recommendations make sense and if they help crystallize the policy issues at hand. But we do take pride in ourselves in having presented and anticipated many crucial issues facing Hong Kong. Just in the preceding issue, we had one article, written by a friend of Lingnan and a participant in our Conference on Growing Up in Hong Kong in the 21st Century, that dealt with violence in the home and urged attention by the authorities. Sadly, close to our very campus, in Tin Shui Wai, a recent episode of family violence ended up with the death of a mother and two young children, and the near death of the father.

In our inaugurating issue in 2001, Dr. Wei Xiang-dong of the Economics Department urged the introduction of an injury tax mechanism with steep and progressive tax rates. The injury tax is to be charged on a firm whenever an industrial accident occurs regardless of whether the firm has violated safety standards or not. The continuing high, though somewhat abated, rates of industrial accidents over the past few years may well have been much reduced had the government acted as suggested.

In the same issue, Lok Sang HO proposed taxing the Hunghom cross-harbour tunnel and subsidizing the Western Harbour Crossing to bring about better and more balanced utilization of our infrastructures. A recent study from the Transport Department shows that the time cost for commuters in Hong Kong probably ranges from \$0.48 to \$0.78 per minute. This suggests that even if the toll for the Hunghom tunnel rises by \$5, to the extent that it saves users 10 minutes most tunnel users will benefit, particularly when a vehicle carries passengers. The revenue raised can cross-subsidize the Western Harbour Crossing to achieve a diversion in traffic.

The second issue in 2001 carried a commentary urging the government to amend its housing policy and argued that correcting its earlier policy is a necessary condition for the economy to regain health. The government waited until November 2002 to act. The November 2002 editorial made the prediction: "With the right policies in place, Hong Kong's legendary resilience will gradually come back." Housing prices began to rebound in August 2003, following additional measures to reassure the market of government's policy to keep supply in check and the introduction of CEPA and individualized travel. The economy rebounded in the second half of 2003, resulting in a dramatic decline in the unemployment rate and a major decline in the number of negative equity cases among homeowners.

Among other pressing issues that the Lingnan Commentary addressed is education. Indeed, altogether no fewer than six articles on education were published. It was argued that education should be liberating, i.e., it should free an individual from the strictures in the mind that have been imposed over the years by jealousy and prejudice, and instead offer him an open mind that makes him into a much happier person. It was argued that the 3 category banding of students was the real source of pressures and stress, suggesting that this is the way to relieve students, parents, and teachers of much pressures from the fear of being stigmatized. Argument was presented for greater stability in the funding for education, given that it represents long term investment for the community and that it requires considerable planning.

Following the September 11 tragedy, Lingnan Commentary ran a special issue (November 2001) on how to bring peace back to the world. However elusive peace is, it has to be based on the respect for life. Without paying due respect to life, "followers" of any religion can only deviate from the ancient teachings of their prophets and spiritual teachers. It is both tragic and ironic that the Holy Land has become the seat of hatred and vengeance and the site of continuing warfare.

Following the SARS episode, an article in the Lingnan Commentary urged the government not to

worry about the fiscal deficit for the moment, and that it should act decisively both to contain the damage and to win back the hearts of Hong Kong people. For these and other timely commentaries, readers may download from <http://www.library.ln.edu.hk/etext/lnc/lnc.html>. We have a questionnaire enclosed with this issue, and we sincerely urge you to fill and send it back to us, so that we may know if you want the Lingnan Commentary to continue to run.

## **Widening Hong Kong's Tax Base - A Call for Consistency**

**Richard S. Simmons**

**Department of Accounting and Finance**

### 摘要

為擴闊稅基及減少財政收入水平的波動，在最近的財政預算中，政府越來越傾向於徵收銷售稅。但政府最近的一些舉動，如暫停削減基本免稅額等，卻放出相反訊號，從而阻礙了稅務政策的實施。

In his recent budget address, the Financial Secretary, Henry Tang, gave notice that widening the SAR's tax base remains an important policy objective of the government. In the address, he stated that "Hong Kong's tax base is too narrow. We need to broaden it to secure a steady source of revenue."

He is absolutely right. Hong Kong's tax base is extremely narrow in two respects. First, it is limited with respect to the number of persons caught within its ambit. Only around 37 percent of the territory's 3.5 million working population, or about 1.3 million people, are, in fact, taxpayers. Second, the tax base is narrow with respect to the range of taxes that are levied. Hong Kong has few taxes on goods and

services, and no tax on dividend income, income from overseas sources, and capital gains. Both aspects of tax base narrowness are today highly unusual in developed economies. Most have instituted a broad range of taxes with a high incidence amongst the population to shield themselves from the wide fluctuations in government revenues that can occur when reliance is placed on a slim tax base.

In light of this, the introduction of a sales tax in Hong Kong is well overdue. Certainly, the government has long taken an interest in it. The first concerted efforts to launch it were made in the late Eighties, when the then Financial Secretary, Piers Jacobs, commenced the drafting of plans for its introduction, scheduled for the 1991/2 Budget. At that time, the underlying justification for this proposed tax reform was the same as it is today. Hong Kong's existing tax base, consisting largely of a comparatively small number of individuals and companies that pay salaries tax and profits tax, was too narrow. The tax base was, in difficult economic times, not sufficiently productive of revenue to fund government expenditure. A sales tax was considered a means by which government could stabilise its revenue over the economic cycle. Revenues from direct taxes alone were seen as too volatile over time, since employment income and profits are subject to much greater variation over the cycle than personal expenditure, on which a sales tax is levied.

After much debate, the government backed down, Piers Jacobs left office, and the proposal was shelved. However, the proponents of the sales tax remained convinced of its appropriateness and

continued to make representations on its behalf. The government has continued to seek advice and opinions from the business community and the general public on the matter, setting up the Hong Kong Advisory Committee on New Broad Based Taxes that reported in 2002. The committee came down firmly in favour of a Goods and Services Tax (GST). The government has now stated that a further round of public consultation on the new tax will begin later this year.

The purpose of this article, however, is not to set out the advantages and disadvantages of the sales tax, as this has been done on numerous occasions before. It would seem that there is already something of a consensus in government circles in favour of the tax, and the die is now cast. The government is only waiting for the right time (a combination of low inflation and healthy economic outlook) to introduce the tax, while in the meantime preparing the machinery for its operation, a process that could still take several years. The point that I wish to make here is that if the government is determined to proceed with its objective of broadening the tax base, it should be more consistent in its tax measures. Unfortunately, there were two aspects of the recent budget address that were contrary to that objective.

First, the government failed to maintain the momentum it built up of bringing more of the population into the tax net through reductions in the level of personal allowances. A promising start was made in this direction last year, when it was announced that the basic allowance for individuals would be reduced in two yearly stages (from

\$108,000 in 2002/3 to \$104,000 in 2003/4 and then to \$100,000 in 2004/5) to bring the level back to where it was before 1998/9. However, this year, no further reductions have been outlined or suggested for the future. The basic allowance (as well as other additional allowances) in Hong Kong remains extremely high by international standards, as a glance at the table below shows:

Country	Belgium	UK	Singapore	Australia	Hong Kong
Basic Personal Allowance (HK\$ equivalent)	54,336	64,442	4,530	35,400	<b>100,000</b>

The other tax jurisdictions above are selected for comparison as they have levels of GDP per capita (measured on the purchasing power parity basis) that are very similar to Hong Kong's. The level of basic allowance in Hong Kong compared to other jurisdictions is striking; it is clearly much greater than is considered appropriate overseas. One wonders, therefore, how this situation developed in the SAR, the reason for this discrepancy between ourselves and elsewhere not being immediately apparent. It has been suggested that leaving the majority of the working population out of the tax net has been a way in which the government has been able to restrain costs of tax administration. If so, this would be a classic case, by no means unusual in Hong Kong, of the administration tail wagging the policy dog.

While a reduction in tax allowances could widen the tax base, it is not, on its own, an efficient or effective way of doing so. Consider the effect on

the tax base if the individual tax allowance was brought back to a figure that is more in line with international standards, say by reducing it by half. This would, according to KPMG, an accounting firm, increase the number of taxpayers from around 1.3 million to 2.2 million, and generate an extra \$14 billion in tax revenues. However, ninety percent of tax revenue would continue to be paid by existing taxpayers, hardly a huge increase in the tax base for such a major adjustment in allowances. Politically, it would also be extremely difficult. It would increase civil service administration costs, which would be problematic in the current political and economic climate. In spite of all this, extending the reduction in the basic allowance over time would have been an appropriate move, in that it would help relieve the budget deficit in future years while making its commitment to expand the tax base much clearer to the general public.

The second way in which the government has not been consistent in its objective to expand the tax base was the extension of tax allowances on mortgage interest payments, up to \$100,000 per year, from five to seven years. This move was one of the very few adjustments to the tax system in this year's budget speech and was something of a surprise, since the maximum amount of this tax break had been reduced two years previously.

The move is a step in the wrong direction. It essentially increases a government subsidy to investment in one particular type of asset, housing. In doing so, it extends a non-neutral tax policy that is inconsistent with the government's overall laissez-faire ideology. In the long run, it increases

the chance of a dangerous reliance of government revenues on the property market. Most egregiously of all, it can be seen as another example of the government extending favours to the big property developers.

But maybe one should no longer be surprised by government intervention in the housing market. What is surprising is the timing of the move. The property market has been showing more than a few signs of heating up, and speculators are coming back into the fray. In such times, this government measure simply expands speculators' chances of making quick one-off profits, as increased public subsidies in housing translate into artificial rises in capital values. One wonders how such rises square with the government's expressed intention of making Hong Kong internationally competitive again in terms of costs.

The government's now clear determination to introduce a sales tax in the near future needs to be better sold to the general public. In order to do so, the government must clearly explain the importance and fairness of broadening the SAR's tax base. It will not be able to do so effectively if it continues to maintain and promote other tax measures that are demonstrably inconsistent with that objective.

## 香港人的心結

*The Mental Block of Hong Kongers*

何灝生

嶺南大學公共政策研究中心主任

*Abstract*

*Hong Kong people generally love their country and love Hong Kong. This is clear from how they donated in aid of their countrymen during the flood over east China a few years ago and how they got excited over Yang Liwei's visit last year. However, Hong Kong people generally are distrustful of the Chinese Communist Party for historical reasons. This must change if the current tension over political reform is to ease. Hong Kong people should learn to "love" the CCP. They need to realize the dramatic evolution of the CCP over the years. It has now formally declared that it shall serve the interest of the people in general, and has given up the dictatorship of the proletariat against the capitalists. "Loving the CCP" does not mean saying "yes" each time the CCP does anything. Instead of demanding multi-party politics on the Mainland, we should be critical and should demand that the CCP open up and be held accountable. Similarly we hope Beijing will learn to trust Hong Kong people. With mutual trust established, Hong Kong can proceed to a more democratic political system.*

香港人講實際，這是大家都知道的。但香港人也不乏熱心公益、為善不甘後人之士；對於祖國，香港人更是關懷熱愛，這也是事實。相信大家仍記得數年前華東水災，港人如何積極賑災；而且多年以來，港人捐款援助失學兒童、濟貧辦

學、贈醫施藥，都相當踴躍。太空人楊利偉訪港，更是掀起旋風，偌大的香港大球場都擠得水洩不通，大家都興高采烈、情緒高漲。香港人愛港愛國，應是毫無疑問。

然而，香港人卻普遍都不信任共產黨。儘管他們多十分尊重、甚至擁護胡錦濤、溫家寶，他們就是說不出「愛國」、「愛黨」。但你不能說他們不愛國。他們雖然不會掛「愛國」於口邊，事實上從行為上他們都樂見中國強大、國富民足、太平安樂。至於「共產黨」，香港人就是不信任。有一些港人甚至說：我愛中國這個國家，但是我不愛這個政權、更不會愛共產黨。

由於這個心結，人大常委要釋法，香港人充滿疑慮，反釋法的人不在小數。

香港人不信任共產黨，固然有其歷史因由。共產黨的黨史一直都是一部權力鬥爭史，而且反覆無常，不但沒有開明太平的權力移交機制，即使指定了的接班人也可以一夕間變成反賊。文化大革命更造成人間慘劇，而六四事件亦深入人心。港人無法接受用軍隊鎮壓學生、更無法接受黨中央指六四事件為「動亂」的「定性」。

然而，講實際的香港人必須認識三個事實。第一，當今中國由共產黨領導，這個事實放眼可見將來，都不會改變。第二，今天的共產黨早已蛻變，不但在精神上離棄了反私有產權和堅持階級鬥爭的共產主義，亦在實際工作上交出了令人欣喜的成績表。第三，中國其實不需要多黨政治，只要共產黨逐步落實黨內民主，尊重不同意見不同聲音，「一黨獨大」甚至可以比歐美各國更民主更開放。

為什麼我說中國不用行多黨政治反而可以比歐美各國更為民主？原因是政黨政治乃歷史產物，在一個公平的、不講階級鬥爭的社會根本再沒有需要。在過去，不同的政黨代表不同的階級利益，入黨就要效忠黨綱：譬如入工黨，就須要接受偏重勞工界利益的黨綱；入保守黨則免不了偏重商界利益。在多黨制下，以全民福祉至上的政黨簡直不可思議。如果兩個黨都以服務全民為目的，它們之間又有什麼不同呢？為什麼還需要有兩個或更多的黨呢？

或者說：不同政黨在理念上仍可以有所不同，因此仍可以以不同的名稱和實體存在，互相競爭，互相制衡。然而，如果大家的目的一致，只是手法不同，根本用不著以黨對黨的形式互相競爭；如果黨內有完善開明的制度，也用不著以黨對黨的形式互相制衡。事實上，如果我們想鼓勵每個參政的人講自己真正相信的說話，我們就更不應以黨綱的框框去規限個人的言論。可見，我們只需要一個開明講道理的黨，而不需要多個各自堅持己見的黨。

現在，共產黨已把「三個代表」寫進了黨綱，更益闡明了它不是「無產階級對資產階級專政」的工具，而是「代表中國先進生產力的發展要求、代表中國先進文化的前進方向、代表中國最廣大人民的根本利益。」它開宗明義以服務廣大人民為目的。我們還要那麼多黨做什麼？

因此，香港人應解心結，愛國、愛港、愛黨都是天經地義的事情。只是，我們必須指出，愛黨並不意味著縱之任之，而反而是要向它有所要求。錯則責之問之，對則褒之揚之。愛黨不等如

唯命是從、仰其鼻息、更不是對它阿諛奉承。香港人不必介意它叫「共產黨」，反正早晚它還是會「正名」的。

香港人如能解除對共產黨不信任的心結，而北京亦同時解除對香港人不信任的心結，則政改爭拗可休矣。只要在基本法內加入「香港不走福利主義道路」的條文，便更可免除商界對政治壓力造成免費午餐亂派的憂慮，政改步伐便可加快。相反，如果雙方長期不互相信任，恐怕政改爭拗和釋法疑慮亦將難以平息。

### 香港青年的民族和國家意識

#### *The Nationalism of Hong Kong Youth*

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王耀宗

#### *Abstract*

*It is often pointed out by general public that Hong Kong youth lack any sense of nationalism or patriotism. One of the hot research topics among political scientists, after the Handover, has been to measure whether the nationalism of Hong Kong youth has increased. The conclusion is often disappointing. However, the methodology of measurement is seriously at fault. Usually, a questionnaire with categories like "Chinese", "Hong Konger" and "Chinese Hong Konger" were distributed to a sample of youth. If the response rate is more at the category of "Hong Konger", the youth is said to be more Hong Kong-centered and less nationalistic or patriotic and vice versa. In fact, the concepts of Chinese and Hong Kongers are not*

*comparable concepts and the Chinese is a big set and Hong Konger (or Shanghainese or Cantonese) are subsets within a big set. Logically, the concepts fail to distinguish "Chinese" or non-Chinese. Surveys based on such questionnaire design simply cannot demonstrate the degree of nationalism or patriotism.*

自從九七年香港回歸中國之後，社會科學家就有了一個時興的研究項目。這個研究的新題目就是衡量香港青年人的民族和國家意識究竟有沒有增加了。由於香港受到英國殖民統治達一百五十年之久，而殖民地宗主國當然是不會提倡被殖民者的民族意識的，因此，香港的年青人一般地被認為是沒有民族和國家意識的。本文的宗旨是指出一般採用的衡量這些意識的方法，以方法學觀之，極有問題。

衡量青年人的民族和國家意識最常用的方法，是首先設計一張問卷，內有「中國人」、「香港人」或「中國的香港人」之類的項目。然後抽出一些青年人的樣本，詢問他們屬於哪個項目。過往的訪問多顯示，香港的青年人往往選擇「香港人」或「中國的香港人」為自己認同的項目，而選擇認同「中國人」的較少。九七年以來，選擇「中國人」項目的人數雖然增加了，但是選擇「香港人」的項目的數目仍然不少。於是社會科學家們就下結論說：年青人的民族/國家意識雖然改善但仍然不足云云。

記得一年前左右，立法會議李家祥和其他幾位議員訪問北京，統戰部長劉延東女士宴請他們時，提及香港青年人的民族和國家意識的問題時，也是以這樣的調查作為基礎的。最後，劉延東女士要求這幾位議員回港之後，多向青年人進

行一些「愛國教育」，提高年青人的民族和國家意識等。

事實上，以這樣的問卷設計來衡量民族和國家意識，在方法學上頗有問題。最重要的誤導出現在概念上。首先，中國人是一個頗為複雜的觀念。孫中山認為漢、滿、蒙、回及藏等族人都是中國人。中國又包括多個省份，住在這些省份的人都是中國人，如廣州人、四川人及上海人等。概念上說，香港人以及中國的香港人都是中國人一個大概念之下的小概念，就如人類概念之下的黑人、白人及黃種人等。此外，將「香港人」和「中國人」列成對立項目，概念上就有混淆之處。一位年青人無論他選「香港人」、「中國的香港人」或「中國人」，邏輯上，其實都包含了「中國人」的概念，這樣並不能真正衡量到他們的民族和國家意識。

事實上，要量度年青人的民族和國家意識，要將問卷上的項目改為「中國人」、或「英國人」或「美國人」等，然後計算其中的比例，這樣才有意義。筆者可以肯定地說，如果問卷上有「中國人」、「英國人」或「美國人」概念相同的項目時，香港年青人肯定會選擇「中國人」的項目。其比例可能高達百分之九十五以上。

我們可以設想一個實驗，如果我們將一張問卷項目變成這樣：「中國人」、「上海人」或「中國的上海人」，抽取在上海的青年樣本去回答，會不會所有的青年都會選擇「中國人」，而不選「上海人」或「中國的上海人」，以上海人（或其他省籍人士也一樣）本位意識之重，我是懷疑的。近年來上海崛起，滬港的比較研究相當流行，我們希望社會科學家能夠在上海做同樣設計的民族和國家意識的調查研究，比較上海及香港

青年的民族和國家意識之程度。也許兩地相差並不遠呢！除非上海的青年很大部份都選了「中國人」，而不選「上海人」，否則，很難指責香港青年人缺乏民族和國家意識。

當劉延東部長要求香港立法會議員回港多做些「愛國教育」的工作時，她並沒有意識到「香港人」其實就是「中國人」的一部份，「香港人」並非與「中國人」對立的。將「香港人」當作外國人，實在是她自己本身意識上的偏見。我相信如果能夠在上海進行同樣設計的問卷訪問，也許可以證明香港青年的民族和國家意識並不以內地青年相差太遠。

筆者意識到兩地的觀念和價值的差別，當我說香港青年和內地青年同樣有民族和國家意識時，我並不認為香港式的民族和國家意識和內地的民族和國家意識沒有分別，它們有極重要的質的分別。不過這篇短文卻不夠篇幅討論這些分別了。

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