

**2022 CTA Conference
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Draft opening keynote by
Dr Kelvin Wong, SBS, JP
Chairman of AFRC**

尊敬的王道樹副局長[國家稅務總局]、郭曉林局長[國家稅務總局深圳市稅務局]、楊緒春局長[國家稅務總局廣州市稅務局]、Mr Tam Tai-ping (Commissioner of Inland Revenue, HKSAR)、李旭鴻副部長[中聯辦行政財務部]、Carol (President of TIHK), distinguished guests, ladies and gentlemen,

Good morning. It is my honour and privilege to join you today for the 2022 Hong Kong Chartered Tax Adviser Conference – a platform for the convergence of wisdom and insights from different experts to inspire us on tax-related issues. This conference is as important as life. Why? Because Benjamin Franklin claimed ***Life has only two certainties: death and taxes.*** The first certainty may be quite distant to us, I hope. The second certainty, however, is inseparable from us.

In October 2022, we witnessed a dramatic political fiasco in the UK. The former Primer Ministry Liz Truss had to resign after she took the helm for only 44 days, all because of a failed tax-cutting budget. While we were in no position to comment on whether her proposal was good or bad, the incident did demonstrate to us the critical or ‘painful’ importance of taxation, both at a personal level and a country level.

Effective tax policies can produce Robin Hood effects through the redistribution of wealth. They can achieve the purposes of :

- reducing economic inequality and providing more opportunities for those who are less well-off in society;
- relieving the burdens of the less-privileged and making them gain more financial stability at the expense of the rich, such as a reduction in taxes paid by the poor and an increase in taxes paid by the wealthy; and
- supporting that provision of public services funded by the tax paid by the rich, such provisions benefit other members of the society.

Tax policies are also a useful instrument to facilitate and support the implementation of other policies including:

- economic development and employment policies (for example, low profit tax in Hong Kong promotes business and creates employment opportunities) ;
- talent attraction policies (for example, tax concession to attract talent from overseas);
- housing policies (for example, imposition of stamp duty to cool down the rocketing property price);
- ESG policies (Tax incentives play an important role in driving investment and the reallocation of capital towards ESG outcomes. Tax measures can be used to change the relative prices of sustainable and unsustainable activities and thereby induce market responses to achieve ESG objectives.)

Many more examples can be quoted. In brief, effective tax policies are the backbone of economic prosperity and social stability.

Taxation is also highly relevant to accounting and financial reporting, and thus to the work of the AFRC. Estimation and reporting of taxes are important aspects of financial reporting. When users of financial statements make business or investment decisions, the tax position is one of the key elements that they would consider. Since income taxes are calculated based on audited financial information, high quality audit and financial reporting can reduce the risk of tax evasion.

Auditors have the responsibility to perform quality audits to ensure that tax evasion, which is a form of corporate fraud, is detected if it ever exists. They are the gatekeeper of the truthfulness and fairness of the financial statements of public interest entities. If auditors do not perform professionally with due diligence when performing their audits, investor interest and public interest will be at stake.

Taxation, accounting, auditing and financial reporting are intertwined in the financial reporting ecosystem. The overlapping areas, which both the AFRC and TIHK, are concerned about, are strict compliance [to the relevant standards accounting and auditing], good corporate governance and protection of public interest. The AFRC works on these areas through effective regulation and public education.

Given these connecting dots, I see a lot of potential collaborative opportunities between the AFRC, being the independent regulator of the accounting profession, and the TIHK, being the promotion of taxation study. In the future,

we can certainly work together to leverage the power of Dialogue, Understanding and Collaboration to raise the standards of the accounting and tax professionals.

As a closing note, I would like to convey my heartiest congratulations to TIHK on its golden jubilee and wish you every success in today's conference. Thank you.