

Translation of Letter to Mr. Donald Tsang, the Chief Executive, on 24<sup>th</sup> September, 2007

Dear Mr. Tsang,

### **Accountants' Expectations on the Policy Address 2007/08**

First of all, thank you very much for having a meeting on 31 August with myself and other legislators from the Civic Party regarding in your consultations on the Policy Address. On that occasion, due to the limitations of time, I had to restrict my remarks to economic policy only. I am now writing to you to set out my further views in issues of particular importance to the accounting profession as follows:

**Professional Liability Reform** I have been advocating reform of the Professional Liability System and proposed such a reform during the consultations on last year's Policy Address. However, the Administration's response was that it was difficult for them to initiate any research on this issue due to the limited residual term of the then-SAR Government and the differing in the society. Now that the new Government term has begun, I hope the issue could be followed up in a more active manner. The Government may consider implementing Limited Liability Partnership system, and also initiate study the Proportionate Liability System. I believe such a reform would reduce the unreasonably high risk of professional liability to which accountants, especially practicing accountants, are exposed.

**Review of the Inland Revenue Ordinance (IRO)** In May 2005, LegCo passed a motion urging the Government to review some specific issues in the IRO proposed by the accounting profession and the commercial sector. The Government then set up the Joint Liaison Committee on Taxation to follow up LegCo's decision. However, the committee has not been active since the latter half of 2006. In order to enhance the business environment and the attractiveness of Hong Kong to investors, I hope the Government could resume the review of IRO and reestablish regular communications with the accounting profession and the commercial sector regarding taxation policies.

**Providing Accounting Services in China** Since the first CEPA agreement between the Central Government and the SAR Government was signed in 2003 and followed by several supplementary agreements in recent years, conditions for Hong Kong accountants entering the Mainland China market to provide professional services have

somewhat improved. However, Hong Kong accountants still face a high entry barrier. I understand that some professional bodies are striving hard and having communications with related government departments in China to address this issue. I hope the SAR Government could actively give a helping hand. I hope that the Central Government can lower the minimum capital size for local accounting firms which open offices in China and allow Hong Kong accountants to form accounting firms in China with Mainland accountants in the form of partnership.

**Training of Accountants** According to a report issued by an Asian human resources consulting firm, the salary rise of accountants in Hong Kong is far higher than the average of the labour market due to the talent shortage in the industry. In order to relieve the pressure from the rapidly rising salaries, I hope that more resources could be allocated to the training of accountants and accounting technicians. More accounting talent is essential for a sustainable profession and high quality services for the commercial and industrial sector of Hong Kong.

**Rewrite of Companies Ordinance** I understand that the public consultation on the rewrite of the Companies Ordinance related to accounting and auditing issues has finished and I expect the government to analysis the opinions received as soon as possible and then draft the new law. The rewrite of Companies Ordinance has been pending for years – since 1994 – and many accountants share the view that the rewriting process should be expedited so that our Companies Ordinance can be comparable with those of developed overseas jurisdictions.

I hope very much that the above proposals above could be well considered and incorporated in the policy agenda this year.

Yours sincerely,  
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Legislative Councillor (Accountancy)