Submission from Hong Kong Hotels Association
Revenue Bill 2002 and Revenue (No. 2) Bill 2002
Proposed Increase of Wine Duty from 60% to 80%

1. Hong Kong Hotels Association is an industry body representing 79 member hotels in Hong Kong. Its membership covers over 90% of hotels in Hong Kong and over 95% of hotel rooms in Hong Kong.

2. Wine consumption is an integral part of the F&B business of the hotel industry, especially in fine dining, and a considerable quantity of wine is directly imported for the hotel industry for F&B consumption. As the hotel industry enjoys lower net margins than normal retail wine sales, especially for high grade wine which has not been surveyed by the Administration, an increase in wine duty from 60% to 80% on ex-factory prices will have a greater effect on high grade wine prices in hotels.

3. The high price sensitivity of wine consumption will result in a reduction in the demand for high-grade wine, if there was an increase in wine duty from 60% to 80%. With lower demand, imports of high-grade wine into Hong Kong will reduce, thus offering fewer choices to visitors. This can have a dampening effect on the promotion of Hong Kong's international lifestyle as a major business destination.

4. Wine prices in hotels have been a source of complaint by visitors because they compare our prices with their own prices at home, which are free from duty. Instead of lowering our wine duty to meet their expectations, increasing wine duty is against world trend.

5. The hotel industry has called for the total abolishment of wine duty for some years. The hotel industry continues to maintain this position. With international wine duty either totally abolished or on a reducing scale, increasing wine duty is contrary to the obligations of China's accession to WTO.

6. Raising additional revenue for the Government by increasing wine duty is contrary to Government's established policy of promoting high-end tourism and business travelers to Hong Kong. At a time when Hong Kong is faced with increasing competition from around the region, due to the pegging of its currency to the US Dollar, Hong Kong can ill afford to have higher wine duty to further depress Hong Kong's competitiveness as a tourism destination.

7. If the society accepts wine consumption as part of personal lifestyle and respects visitors' rights and privileges to such lifestyle, without having to pay excessive wine duty to enjoy them, then there should be greater consideration on the part of Government to seek alternative revenue to meet their budgets.

8. Duty on goods is against the spirit of free trade. The world has agreed that under WTO, duty should continue to be reduced. Increasing wine duty at this time is therefore against free trade principles. The cost to the society, in the end, can far outweigh temporary benefits and even that is debatable.

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