Bills Committee on Revenue Bill 2002 and Revenue (No.2) Bill 2002

Administration’s response to comments raised by the public

District Councils

District Council Member	Comments	Administration’s Response
Mr Lau Hing-kee, Sai Kung DB	(1) Support limiting the quantities of wine and tobacco which a Hong Kong resident may bring back (i.e. the Revenue (No.2) Bill 2002). (2) Object raising the duty rate for wine to 80% from 60%. The catering industry is having very difficult operating conditions. An increase in duty will make situation worse. The loss because of the effects on the catering industry and increased unemployment may outweigh the gain in additional revenue.	(1) Noted. (2) As duty is levied on the wine’s ex-factory price, rather than its far higher retail price, the actual effect of the proposed increase in duty will be minimal. It is unlikely that the mild increase, which would only translate into a marginal percentage increase in the retail price for most wines, would damage the catering industry. Please refer to the “Administration’s response to concerns raised by the Hong Kong Wine Industry Coalition” for details.
Mr Luk Wai-man, Sai Kung DB	(1) Support raising the duty rate for wine to 80% and reducing the quantity of wine that can be brought back to 750 ml.	(1) Noted. (2) We propose to reduce the quantity of duty-free tobacco that Hong Kong residents may bring back by 40%. For cigarettes, the quantity is proposed to be reduced from 100 sticks to 60

	(2) The quantity of tobacco that can be brought back should be reduced by half.	sticks. We do not propose a higher reduction as we believe 40% is most appropriate in achieving the policy objectives of the revenue measure. In any case, cigarettes commonly come in packs of 20 sticks. Reduction by half will result in a duty-free quantity of 50 sticks, which does not tie in with the standard size.

Trade practitioners

Trade practitioner	Comments (Summary)	Administration's Response
Lan Kwai Fong Holding Limited	(1) Increase in duty would raise the cost of dining, which already gives visitors a bad impression. (2) The existing duty is already high compared to other countries e.g. Thailand (55.8%), Japan (30%), Korea (52%), Philippines (5%) and Malaysia (0%).	(1) As duty is levied on the wine's ex-factory price, rather than its far higher retail price, the actual effect of the proposed increase in duty will be minimal. The mild increase in duty would only translate into a marginal percentage increase in the retail price for most wines. Please refer to the "Administration's response to concerns raised by the Hong Kong Wine Industry Coalition" for details. (2) It is difficult to compare on a like-for-like basis our duty rate on wine with those of other economies as different economies adopt tax regimes that vary to great extents. For example, the price basis for tax assessment is different. Besides, while Hong Kong has only one excise duty on wine, other economies commonly have a number of taxes on wine. As far as we understand, in Thailand, there are customs duty (55.8%), excise tax (60%), municipal tax (10% of excise

		tax), health tax (2% of excise tax) and VAT (7%). In Japan, there are liquor tax (HK$3,451.6 and above per kilolitre) and consumption tax (5%) in addition to duties (HK$5.7 - 12.3 per litre) In Philippines, there are import duty (5%), VAT (10%), sales tax (10%) and excise tax (HK$2.1 - 4.2 per litre). In Malaysia, there are customs duty (HK$240 - 850 per 10 litres), sales tax (20%)and VAT (5%).

Finance Bureau
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