

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2189/06-07  
(These minutes have been seen  
by the Administration)

Ref : CB1/BC/5/06

**Bills Committee on Revenue Bill 2007**

**Minutes of the second meeting  
held on Friday, 25 May 2007, at 8:30 am  
in Conference Room A of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon LEE Cheuk-yan  
Hon CHAN Yuen-han, JP  
Hon SIN Chung-kai, JP  
Hon Abraham SHEK Lai-him, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Vincent FANG Kang, JP  
Hon Alan LEONG Kah-kit, SC  
Hon WONG Ting-kwong, BBS  
Hon TAM Heung-man
- Member absent** : Hon Howard YOUNG, SBS, JP
- Public officers attending** : Mr Clement LEUNG  
Deputy Secretary for Financial Services and the Treasury
- Mr Kenneth CHENG  
Principal Assistant Secretary for Financial Services and the Treasury
- Mr C S LIU  
Acting Assistant Commissioner of Customs and Excise  
(Excise and Operation Support)

Mr Albert HO  
Senior Staff Officer  
(Dutiable Commodities Administration)  
Customs and Excise Department

Mr W C SUEN  
Senior Assistant Law Draftsman  
(Professional Development)  
Department of Justice

**Attendance by :  
Invitation**

Consumer Council

Ms Rosa WONG  
Head, Research and Trade Practices Division

Ms Tracey HO  
Senior Research and Trade Practices Officer

The Federation of Hong Kong Hotel Owners

Mr Michael LI, BBS, JP  
Executive Director

Lan Kwai Fong Holdings Ltd

Mr Stanley LAW  
Managing Director

Mr Kavin CHAN  
Director of Operation

The Democratic Party

Mr CHAN Ka-wai  
Deputy Spokesperson on Economic Policy

Wellcome Company Ltd

Mr Sean Phillip ROBSON  
Group Category Manager

Hong Kong Wine and Spirits Industry Coalition

Mr Boris DE VROOMEN  
Co-chairman

Mr CHAN Fat-lung  
Co-chairman

The Hong Kong Food, Drink and Grocery Association –  
The Hong Kong Beer Coalition

Mr Steven CO  
Chairman

Ms Jennifer KHO  
Member

**Clerk in attendance :** Miss Polly YEUNG  
Chief Council Secretary (1)5

**Staff in attendance :** Mr Stephen LAM  
Assistant Legal Adviser 4

Ms Rosalind MA  
Senior Council Secretary (1)8

Mr Justin TAM  
Council Secretary (1)3

Ms Sharon CHAN  
Legislative Assistant (1)8

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Action

**I. Confirmation of minutes of meeting and matters arising**

(LC Paper No. CB(1)1698/06-07 — Minutes of meeting on 14 May 2007)

The minutes of the meeting held on 14 May 2007 were confirmed.

**II. Meeting with the Administration and deputations**

Meeting with the Administration

LC Paper No. CB(1)1697/06-07(01) — Paper provided by the Administration

LC Paper No. CB(1)1697/06-07(02) — Relevant extract of the amended Dutiable Commodities Ordinance (Cap. 109)

LC Paper No. CB(1)1697/06-07(03) — Relevant extract of the amended Stamp Duty Ordinance (Cap. 117)

LC Paper No. CB(3)502/06-07 — The Bill)

Meeting with deputations

(LC Paper No. CB(1)1718/06-07(01) — Submission from Consumer Council

LC Paper No. CB(1)1718/06-07(02) — Submission from Wellcome Company Limited

LC Paper No. CB(1)1718/06-07(03) — Submission from Hong Kong Wine & Spirits Industry Coalition

LC Paper No. CB(1)1718/06-07(04) — Submission from The Hong Kong Food, Drink and Grocery Association – The Hong Kong Beer Coalition)

2. The view and concerns of attending deputations were summarized in the ensuing paragraphs.

*Consumer Council*

3. Consumer Council (CC) provided its findings in a survey conducted between February and May 2007 on the prices of selected alcoholic beverages, covering 29 samples of beer and wine. The results of the survey showed that after the reduction in duty on alcoholic beverages, there had been no significant changes in prices of most of the samples covered in the survey. CC considered that consumers had a reasonable expectation for the reduction in duty on alcoholic beverages to be reflected in the retail prices of the products. If this was not the case, the public should be given a proper explanation.

*Hotel Industry*

4. The hotel industry welcomed the reduction in duty on alcoholic beverages and was committed to adjusting the retail prices of alcoholic beverages to reflect the reduction in duty. Nevertheless, the reduction in retail prices was a gradual process as hotels might need time to sell their pre-Budget stocks.

*Democratic Party*

5. The Democratic Party (DP) queried that as the reduction in duty had not been fully reflected in the retail prices of alcoholic beverages during the past few months, the wine and beer trades had failed to deliver their undertaking of passing on the benefit of tax savings to consumers. DP did not see sufficient grounds to

support the duty reduction as a permanent measure if the anticipated benefit could not be enjoyed by the community; and considered it more prudent to provide for a six-month or one-year validity period for the duty reduction, subject to review.

*Wine / beer trades / other retail outlets*

6. The Hong Kong Wine and Spirits Industry Coalition (HKWSIC) assured members of its commitment to passing on tax savings to consumers. Following the announcement of the reduction in duty in the 2007-08 Budget, HKWSIC distributed letters to the trade, highlighting the new price lists which fully reflected the tax reduction for wine products. HKWSIC had also undertaken to monitor and review the prices of wine in a consistent manner. The Hong Kong Beer Coalition (the Beer Coalition) advised that despite the complicated and multi-tiered nature of beer business, it had made efforts to ensure that consumers would benefit most from the duty reduction through a three-pronged approach, namely, reducing the prices of beer products by issuing a new price list to the trade effective from 1 April 2007; passing on the benefits to consumers through more favourable and frequent price discounts; and providing customers with more and bigger reward promotions and other means such as event sponsorships.

7. The supermarket chains and the catering trade supported the reduction in duty on alcoholic beverages and had taken prompt action to ensure that benefits from the tax reduction was passed onto customers through reduction in retail prices. Nevertheless, for some reasons, the duty savings on wine products might not have been fully translated into price reductions. These factors included retailers' need to clear the duty-paid stock acquired before the duty reduction announced in the 2007-2008 Budget, as well as the impact of other variable costs affecting retail prices of alcoholic beverages such as the appreciating value of the currencies of some wine-exporting countries like Australia and Europe.

Submissions from organizations not attending the meeting

(LC Paper No. CB(1)1697/06-07(04) — Submission from Hong Kong Hotels Association

LC Paper No. CB(1)1728/06-07(01) — Submission from PARKnSHOP Hong Kong  
(tabled at the meeting and issued to members on 25 May 2007)

LC Paper No. CB(1)1728/06-07(02) — Submission from Watson's Wine Cellar  
(tabled at the meeting and issued to members on 25 May 2007))

Background information

(LC Paper No. CB(1)1583/06-07(01) — Extract of the relevant paragraphs of the Budget Speech by the Financial Secretary (paragraphs 68 to 70)

LC Paper No. LS67/06-07 — The Legal Service Division Report on the Subsidiary Legislation

FIN CR 7/2201/06 — The Legislative Council Brief issued by the Financial Services and the Treasury Bureau)

8. The Bills Committee deliberated (Index of proceedings attached at **Appendix**).

Follow-up action to be taken by the Administration

9. To address members' concern about the unsatisfactory efforts made by the beer industry in passing on the benefits of the duty reduction on beer products (the average duty saving per bottle of beer being about \$0.29) to the consumers, the Administration had undertaken to liaise further with the beer trade and CC to ensure that the amount of duty saving on beer products would be suitably reflected in the retail prices for the direct benefit of consumers as soon as possible.

*(Post-meeting note: The Beer Coalition had given an undertaking in writing of its commitment to passing on duty savings to their customers by reflecting all duty savings directly on the new price lists of beer products with effect from 1 June 2007. The letter dated 26 May 2007 from the Beer Coalition was issued to member vide LC Paper No. CB(1)1754/06-07(01) on 28 May 2007.)*

**III. Any other business**

10. There being no other business, the meeting ended at 10:22 am.

**Proceedings of the  
Bills Committee on Revenue Bill 2007  
Second meeting on Friday, 25 May 2007, at 8:30 am  
in Conference Room A of the Legislative Council Building**

<b>Time Marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action Required</b>
000320 – 000459	Chairman	Confirmation of the minutes of the first meeting on 14 May 2007 (LC Paper No. CB(1)1698/06-07).	
000500 – 001152	Chairman Administration	The Administration's briefing on the Bill.	
001153 – 002943	1. Consumer Council (CC) 2. The Federation of Hong Kong Hotel Owners (FHKHO) 3. Lan Kwai Fong Holdings Limited 4. The Democratic Party 5. Wellcome Company Limited 6. Hong Kong Wine & Spirits Industry Coalition (HKWSIC) 7. The Hong Kong Food, Drink and Grocery Association – The Hong Kong Beer Coalition (Beer Coalition)	Presentation of views by deputations.	
002944 – 003031	Chairman Administration	The Administration's brief response to the views of deputations, highlighting that the policy consideration for the proposed duty reduction was to promote the development of Hong Kong's catering industry, tourism and wholesale and retail trades of alcoholic beverage, in addition to passing on benefits to consumers.	
003032 – 003953	Mr SIN Chung-kai FHKHO HKWSIC Beer Coalition	(a) Mr SIN Chung-kai's enquiry about the reasons for the failure of the beer and wine trades to deliver their undertakings through fully translating the tax savings	

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	Administration Mr Tommy CHEUNG	<p>into reduction of retail prices of alcoholic beverages.</p> <p>(b) HKWSIC's reiteration of its commitment to passing on tax savings to consumers and its advice that an average price reduction of 15% had been recorded from the prices in May 2007 and prices in March 2006.</p> <p>(c) FHKHO's explanation that the hotel industry was committed to adjusting the retail prices of alcoholic beverages to reflect the reduction in duty. Nevertheless, an immediate and full translation of the tax savings into reduction of retail prices might not be possible given the factors related to the business operation of the hotel industry.</p> <p>(d) The Beer Coalition's view that the findings of CC's survey included samples on sale at higher-end supermarkets which carried higher retail prices than those at more popular supermarket chains and retail outlets.</p> <p>(e) The Administration's information that according to an informal price comparison conducted by the Customs and Excise Department (C&amp;ED) on the 10 most popular (in terms of quantity of import) brands of wine products, the tax reduction had been reflected in the retail prices at major supermarkets or department stores.</p>	
003954 – 005449	Miss TAM Heung-man Beer Coalition Administration	<p>(a) In response to Miss TAM Heung-man's query of whether the tax concessions had been fully translated into reduction in retail prices of alcoholic beverages, the Beer Coalition's recapitulation of its three-pronged approach to pass on duty savings to consumers.</p> <p>(b) Miss TAM Heung-man's concern that the policy intention for reduction of duty on alcoholic beverages would be defeated if benefits to consumers took</p>	



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		<p>the form of promotional offers or free gifts instead of direct reduction in retail prices. Her view that the Administration should keep in view the reduction, if any, in retail prices of alcoholic beverages.</p> <p>(c) The Administration's explanation that apart from benefiting consumers through retail price reductions, the duty reduction also aimed to help promote the development of relevant trades in Hong Kong. Given the large number of wine products (over 20 000 brands) and the retail outlets, the Administration could only monitor the price reduction through liaison with major importers, wholesalers and retailer chains to ensure that duty savings were passed onto consumers.</p> <p>(d) HKWSIC's view that the passing on of tax savings to consumers of wine products was evident from the findings of the price comparison conducted by C&amp;ED.</p> <p>(e) Miss TAM Heung-man's strong view that duty savings should be fully translated into reduction in retail prices. Otherwise the Administration should consider members' view about annual or periodic review of the duty concession.</p> <p>(f) The Administration's advice that frequent changes in duty rates would affect the business planning and investment of the trades. Whilst it was the Administration's intention for tax concession to be a long-term measure, the Financial Secretary (FS) would take the opportunity to examine the effectiveness of various budgetary measures in the annual Budget exercise.</p>	

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005450 – 013356	<p>Mr Tommy CHEUNG Mr Abraham SHEK Beer Coalition Chairman Mr James TIEN Administration ALA4 Miss CHAN Yuen-han</p>	<p>(a) Mr Tommy CHEUNG declared interest as the Honorary Chairman of HKWSIC. Being one of the persons who initiated discussion on the duty reduction, Mr CHEUNG was keen to ensure that the undertaking by the wine and beer trades to pass on the benefits of tax savings to consumers should be delivered. Consumers could also play a role by exercising the right purchasing choice after comparing the price differentials between different alcoholic beverages available at different retail outlets.</p> <p>(b) Request of Mr Tommy CHEUNG and Mr Abraham SHEK for the beer industry to offer price reductions commensurate with the tax savings. Nevertheless, they did not support annual review of the duty reduction and considered that tax reduction should be a long-term measure for the purpose of providing certainty.</p> <p>(c) The Beer Coalition's advice that the results of an independent research showed that the average price for a 330ml bottle of beer had already come down by HK\$0.20 after 1 April 2007. Benefits of tax savings had been passed onto consumers through different means subject to the business and marketing decisions of individual distributors.</p> <p>(d) Concern shared by Mr Abraham SHEK, the Chairman, Mr James TIEN and Miss CHAN Yuen-han that duty savings should be passed onto consumers through retail price reductions and not promotional offers.</p> <p>(e) Miss CHAN Yuen-han's advice that being the Union Regulator of the Hong Kong Department Stores and Commercial Staff General Union, she was familiar with the operations of the retail industry. Miss CHAN</p>	

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		<p>considered that the Administration should take concrete measures to ensure that consumers would benefit directly from the tax reduction.</p> <p>(f) Mr James TIEN's reference to FS's statement in the Budget Speech that the idea of abolishing the duty on alcoholic beverages could be considered if it enjoyed broad community support.</p> <p>(g) Mr TIEN's enquiry as to the likelihood of abolishing the duty in the context of the current Bill. Mr TIEN's view that further reduction or abolition of duty, if implemented, could be subject to review in one year's time so that if the anticipated benefits were not passed onto consumers, the duty would be reverted to 80%.</p> <p>(h) The Administration's reiteration that the proposed duty reduction was intended to be a long-term measure, instead of subject to annual reviews. The Administration's advice that while FS had indicated willingness to consider the idea of abolition of the duty on alcoholic beverages further if it enjoyed broad community support, it was not a measure to be considered in the context of the Bill.</p> <p>(i) Noting members' concern about the unsatisfactory efforts made by the beer industry in passing on benefits of tax savings to consumers, the Administration would liaise further with the beer trade to reflect the duty savings in retail prices and would also seek the assistance of CC in monitoring the retail prices of beer products.</p> <p>(j) In response to Mr James TIEN's enquiry, ALA4's preliminary advice that a proposed Committee Stage amendment (CSA) to further reduce or</p>	<p>The Administration to take action as required in paragraph 9 of the minutes.</p>

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		abolish the duty on alcoholic beverages might have a charging effect on government revenue.	
013357 – 014526	Mr LEE Cheuk-yan Beer Coalition Mr WONG Ting-kwong	<p>(a) Given that duty savings had not been passed onto consumers in full, concern shared by Mr LEE Cheuk-yan and Mr WONG Ting-kwong that the beer companies had in effect broken the trust built up between the industry, the Government and the legislature.</p> <p>(b) Mr WONG's view that duty savings should be passed onto consumers through direct price reductions and not promotional offers. Nevertheless, Mr WONG did not agree with Mr James TIEN's suggestion of abolition of duty on alcoholic beverage altogether.</p> <p>(c) The Beer Coalition's response that beer products were subject to a very complicated and multi-tiered distribution structure before they reached the consumers and that the retail prices were ultimately set by individual outlets, over which the Beer Coalition had no control. It nevertheless stressed its commitment to passing on duty savings to consumers.</p>	
014527 – 014655	Mr SIN Chung-kai	Mr SIN Chung-kai's view that the Legislative Council should have the opportunity to monitor the retail price movements of beer products before deciding whether the duty reduction should be made permanent. His indication of the intention to move a CSA to subject the tax reduction to review after one year.	
014656 – 015219	Mr Tommy CHEUNG FHKHO	(a) Mr Tommy CHEUNG's concern about reduction in retail prices of alcoholic beverages in hotels. Mr CHEUNG's disapproval of the practice of beer companies to use marketing or promotional strategies as the means to pass on duty savings to consumers. He urged the Beer Coalition to reach out to the retail outlets to ensure that	

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		<p>duty savings were fully translated into reduction in retail prices.</p> <p>(b) FHKHO's advice that the hotel industry was in support of reflecting the duty savings in retail price reductions. Nevertheless, retail prices were subject to a host of external factors such as the depreciation of the Hong Kong Dollar against most foreign currencies, especially those of wine exporting countries.</p>	
015220 – 015409	Chairman Mr SIN Chung-kai Mr Tommy CHEUNG	<p>(a) Critical dates for the resumption of the Second Reading debate on the Bill.</p> <p>(b) Member would proceed with the clause-by-clause examination of the Bill at the next meeting scheduled on 28 May 2007.</p>	