



The British
Chamber of Commerce
in Hong Kong
香港英商會

The Hon. Paul Chan Mo-po, GBM, GBS, MH, JP
Financial Secretary,
25/F, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

18 January 2019

Dear financial secretary

Reform of Taxation of Spirits

We are writing to add the full support of the British Chamber of Commerce in Hong Kong to the proposal by the Wines and Spirits Business Council of the European Chamber to reform Hong Kong's excise tax system for spirits.

The current rate of taxation of 100% of import value means a substantially higher taxation rate than that of other jurisdictions in the region, for example mainland China at 33%; Macau at 40%; Taiwan at 39%. In this area of business, this therefore puts Hong Kong at a severe competitive disadvantage.

This high level of ad valorem taxation disproportionately affects premium spirits. This has a negative impact on, first, Hong Kong's tourism, hotel and F&B offering; and second on Hong Kong's potential role as the region's leading premium spirits trading and auction centre.

We therefore strongly support the replacement of the current system with the introduction of a specific tax system based on alcohol content, of around HK\$75/L of pure alcohol. This would:

- a) remove the current competitive disadvantage Hong Kong faces in the sector;
- b) bring Hong Kong into line with practice in most comparable developed economies for example Japan, Singapore, Malaysia, Australia, the EU, the US, which have already adopted a pure specific tax system on spirits
- c) increase Hong Kong's competitiveness as a tourism destination by encouraging a vibrant and revitalised restaurant and bar offering
- d) support Hong Kong's economic development by creating a new role as the centre for the trading of premium spirits in the region, with the potential to capture rapidly growing investor and connoisseur demand for premium spirits from consumers in mainland China and the region more widely. The transformational impact of the removal of wine tax on Hong Kong's role as a wine trading and auction centre is the clearest possible example. And with every major international auction house basing their Asia operations here Hong Kong would naturally become Asia's leader for investment level spirits auctions.

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- e) Support public health objectives in countering binge and excessive alcohol consumption by putting a floor price on spirits. Such a system is also endorsed by the WHO's Global Strategy on Harmful Use of Alcohol

This proposed reform offers a significant opportunity to boost Hong Kong's tourism and economy and to develop an important and growing new business sector; while meeting public health objectives.

We would be pleased to follow up with you and your team in more detail.

Yours sincerely

Andrew Seaton

Andrew Seaton
Executive Director