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Hong Kong

Market Development Reports

Hong Kong Increases Its Duties On Wine

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Report Highlights:
In the midst of a budget shortfall, the Hong Kong government has raised its duties on wine from 60% to 80% effective immediately. Duty-free tobacco allowance for local residents was cut by 40% to 60 cigarettes and duty-free wine allowance cut by 25% to 750 millilitres.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Hong Kong [HK1], HK

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Hong Kong is a free port which does not impose any import tariffs except on four dutiable products: liquor, cigarettes/cigars, hydrocarbon oils and methyl alcohol. Duties are applied on both imports and goods manufactured locally. Details of the revised duties are as follows:

US$1 = HK$7.78	Original Duty	Revised Duty
Cigarettes per 1000 sticks	HK$804	HK$804
cigars per kg	HK$1035	HK$1035
beer	40%	40%
liquor more than 30% alcohol content	100%	100%
wine	60%	80%

The increase in duties on wine may affect wine consumption adversely. Although the duties on wine were as high as 90% in 1996, it was the boom year of Hong Kong's economy when people enjoyed high consumption power. To date, when Hong Kong's economy is at its low ebb and duties on wine are increased, consumers may switch to other lower cost beverages such as beer. Parknshop, one of the biggest supermarket chains in Hong Kong, immediately announced that they are not going to increase the prices of their wine as long as stocks last. Their quick response is an indication that retailers are concerned that the duty increase may drive some consumers away.

The Hong Kong Financial Secretary announced the change during his presentation of the FY2002/03 budget on March 6. Until recently Hong Kong enjoyed a surplus due to revenues generated from land sales. With the continuing slump in the property market and the local economy, Hong Kong has entered into an era of financial deficit. The Financial Secretary has introduced several measures aiming to balance the book in five years, including a possible cut of civil service pay by 4.75 %. The increase in duties on wine is an attempt to raise government revenue with an expected increase of HK$70,000,000 annually.