

Voluntary Report – Voluntary - Public Distribution

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Report Name: Hong Kong Lowers Liquor Tax in Boost to Distilled Spirits Trade

Country: Hong Kong

Post: Hong Kong

Report Category: Agricultural Situation, Agriculture in the Economy, Agriculture in the News, Beverages, Promotion Opportunities, Trade Policy Incident Report, Trade Policy Monitoring, Wine

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Report Highlights:

On October 16 the Hong Kong Government (HKG) announced a significant reduction in the duty on imported alcoholic beverages with an alcohol content above 30 percent by volume. The new policy reduces the duty from a flat 100 percent tax to a tiered duty in which the initial value up to HKD \$200 (\$25.64) per liter remains at 100 percent, while the duty on value above HKD \$200 (\$25.64) per liter is reduced to 10 percent. The reduction was included in the HKG's annual policy address, which focused on measures to spur economic activity in the region, particularly as it relates to investment and tourism. The lower duty is expected to support greater consumption of distilled spirits and is particularly beneficial to premium brands.

Summary

At an annual policy address on October 16, Hong Kong Chief Executive John Lee Ka-chiu announced an immediate reduction in the duty on imported alcoholic beverages with an alcohol content above 30 percent by volume. Prior to the announcement, Hong Kong had imposed a 100 percent duty on alcoholic beverages with an alcohol content above 30 percent by volume, one of the highest in Asia. The reduction places distilled spirits on a more equal footing with beer and wine imports, which are not subject to any duty. The tiered duty, as described below, is expected to mainly benefit premium distilled spirits, which stand to gain a substantial reduction in overall duty compared with more moderately priced brands. For more information on Hong Kong's duty rates, please refer to the [Hong Kong Customs and Excise Department's website](#).

New Duty Structure

From October 16, 2024, the HKG has reduced the duty on alcoholic beverages with an alcohol content above 30 percent by volume from a flat 100 percent tax to a tiered duty in which the initial value up to HKD \$200 (\$25.64) per liter remains at 100 percent, while the duty on value above HKD \$200 (\$25.64) per liter is reduced to 10 percent. To illustrate the change in policy and its effects on total landed costs, below are examples as applied to liquors with an alcohol content greater than 30 percent with volume not more than 1 liter:

Scenario A:

Landed Price: \$10.25 (HK\$80)

Old Liquor Tax System: \$10.25 (HK\$80)

Duty Paid Cost: \$20.50 (HK\$160)

New Liquor Tax System: \$10.25 (HK\$80)

Duty Paid Cost: \$20.50 (HK\$160)

Change: 0 Percent

Scenario B:

Landed Price: \$38.46 (HK\$300)

Old Liquor Tax System: \$38.46 (HK\$300)

Duty Paid Cost: \$76.92 (HK\$600)

New Liquor Tax System: \$26.92 (HK\$210)

Duty Paid Cost: \$65.38 (HK\$510)

Change: -15 Percent

Scenario C:

Landed Price: \$320.51 (HK\$ 2,500)

Old Liquor Tax System: \$320.51 (HK\$ 2,500)

Duty Paid Cost: \$641.02 (HK\$5,000)

New Liquor Tax System: HK\$430

Duty Paid Cost: \$375.64 (HK\$2,930)

Change: -41 Percent

Impact of Lower Duties

Local spirits industry contacts welcomed the new duty rates but were cautious about the immediate effect on retail prices. Retailers and wholesalers who currently hold large stocks of distilled spirits purchased at the higher duty rate will face tough decisions on how to sell inventory into a market that anticipates lower prices. However, about 85 percent of imported liquor in Hong Kong has a landed price below HKD \$200 (\$25.64) per liter, per the duty rate for most brands will remain unchanged. Accordingly, the impact on the beverage receipts for local foodservice (restaurants and bars) is expected

to be limited, since most cocktails are composed of non-premium spirits. Notably, the new policy is expected to support both local consumption and the internationalization of popular Chinese Liquors (e.g. Maotai, Wuliangye), which can retail at multiples well above the duty threshold.

Aside from importers, restaurants and hotels, and the tourism industry, the push to change the duty also came from the European Chamber of Commerce in Hong Kong, which timed the release a report titled “[The Economic Contribution of International Spirits in Hong Kong](#)” with the announcement. The report notes that “international spirits contributed HKD 1.4 billion to Hong Kong’s GDP in 2023, supporting around 5,200 jobs and generating HKD 1.3 billion in tax revenues. Reforming the tax structure could further enhance the spirits industry’s economic benefits, bolstering Hong Kong’s position as a leading spirits hub in Asia and aiding the city’s recovery from the pandemic.”

In 2023, the United States exported \$4.6 million of distilled spirits to Hong Kong, with bourbon accounting for more two-thirds of total sales. U.S. exporters interested in promoting their distilled spirits brands in Hong Kong are encouraged to contact the USDA Agricultural Trade Office at the U.S. Consulate General Hong Kong and Macau for additional market information and marketing opportunities:

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Attachments:

No Attachments.