



## A Wine Revolution Established by Law

*The 0% wine tax proposed by the Hong Kong's government might well place the SAR in the map of the world wine centers. Simon Tam explains why Macau should follow its neighbor's example*

PHOTOS BY CARMO CORREIA

Normally fiscally conservative Hong Kong took a revolutionary move in February to become the only place in the world not to impose taxation on wine.

Financial Secretary John Tsang's budget proposal to levy neither import duty nor Value Added Tax is still pending the approval of the SAR's LegCo parliamentary body but civil servants in both Hong Kong's Trade Development Council and its Customs and Excise Department have lost no time in adopting new attitudes and practices.

The Trade Development Council has already announced a major wine exhibition for this coming August.

According to Boris de Vroomen, Managing Director of Moët Hennessy Diageo Hong Kong Ltd, Co-chairman of Hong Kong Wine & Spirits Industry Coalition and Chairman of Hong Kong Food, Drink & Grocery Association, the effects of the removal of tax will add HK\$5 billion (US\$640 million) to the territory's economy.

The move has certainly been causing ripples in the wine world. Gregory De'eb, General

◀ Left Wine Cellar at the MGM

▼ Top Donald Hall, La Chaîne de Rôtisseurs, Bailliage (Macau)

▼ Bottom Marc Brugger, F&B general manager of Crown Hotel, Macau



Manager of Crown Wine Cellars in Hong Kong believes it the most revolutionary decision affecting the international industry for wines in over 100 years and that Hong Kong will see the return of some one million cases of fine wines stored abroad. (Fine wines are generally considered to be bottles costing more than US\$25.)

"With this, the third largest and Asia's only (secondary) fine wine market will have been cast in stone," says Gregory De'eb.

The complete removal of wine tax has been a long time coming and not without its fair share of political struggle. Hong Kong's zero percent wine tax sends a clear signal to the rest of the world, one that will have an especial resonance for former colonies in the British Commonwealth, that a system of government revenue collection that has its motivation in a fear of public drunkenness during the reign of Elizabeth I has no place in a modern society. Contemporary Hong Kong with its quality-conscious consumers and their fast-paced lifestyle has no place for government-sponsored dampers on consumption.

Hong Kong announced its intention of becoming a wine hub some three years ago but it has taken a great deal more planning to gear the city towards becoming an international wine trade centre. In practice



▲ Left to right Claudio Salgado, Hyatt International F&B director; Filipe Santos, President of the Wine Society of Macau and Gregory De'eb - General Manager of Crown Wine Cellars, Hong Kong

being a wine hub means stimulating tourism and economic growth by encouraging the idea that Hong Kong is a fun place to come to enjoy great wine at affordable prices. Wine is an internationally priced commodity and savvy consumers will know they are getting a good deal when they visit the SAR.

A wine hub by definition is an integrated wine-trading centre. Hong Kong with its already well established docks as well as central Asian location, specially being at China's doorsteps are important physical factors. These qualities are matched by the markets' thirst for quality wines, further spearheaded by the health and life style conscious public as well as a new breed of prolific Chinese wine commentators.

Claudio Salgado, the highly respected regional food and beverage director for Hyatt International, has no doubts about the positive impact of Tsang's commitment to a wine hub. "[The] zero wine tax is a great achievement for Hong Kong. We sincerely hope this benefit is here to stay! Our ultimate goal is to see our clients not only drink more wine, but better quality wines," he tells me.

#### AND WHAT ABOUT MACAU?

So much for our neighbours across the river, but what does this mean for Macau? Should we follow suit? Can we afford not to follow suit? Macau may have the faster growing economy but without Hong Kong's service sector and its diminishing but still significant manufacturing base, Macau's government and businesses are heavily reliant on tourism and within that gaming.

According to an informal survey I made of my associates in wine and restaurant circles, opinion is unanimous. Macau needs to abolish its tax on wine and the sooner the better. Yes, these people have an obvious vested interest in increased wine sales. They also have an expertise that gives their arguments force.

Extra tourist numbers will bring extra business to the city. Abolition of tax will be a boost for both the wine and restaurant trades and their customers, who should be

able to drink a higher quality of wine at a lower price. It will also be a boost that diminishes the city's reliance on gambling as a source of income. Abolition will also remove a thorn in the government's side: having to collect a complicated tax that brings in a negligible amount.

Hong Kong Wine & Spirits Industry Coalition co-chairman de Vroomen spelled out the benefits to the Hong Kong economy for me. "We expect to see a major expansion in fine wine trading, storage, wine auctions and further spill over effects in wine education, gastronomy and so on. It will put Hong Kong in an excellent position to compete with today's major wine centers London and New York."

According to Donald Hall, Bailli Deleque, La Chaîne Des Rotisseurs, Bailliage De Macau – a long professional title that basically makes Hall a "qualified Gourmand" – the removal of duties will be good not just for the wine industry itself but for tourism and restaurants. Hall believes restaurants are most in need of immediate assistance.

"The local restaurant trade is hurting, give them a new lifeline, wines help their bottom line and keep them in business, it also gives their customers a wider choice of wines to improve their knowledge and enjoyment," Hall says, adding that customers will simply bring their own wine over with them from Hong Kong rather than pay Macau taxes. Macau needs to recognize that it must offer something beyond gaming tables and to keep the tourists coming it "needs to establish itself as a dining destination of quality and value unsurpassed in the region" says Marc Brugger, the General Manager for Food and Beverage at the Crown Casino/ Hotel Macau.

"There is a clear necessity to offer a price level and offering that is able to match, if not undercut, food and wine hubs in the vicinity." Offering visitors fine wine and gourmet cuisine may not of course be a priority for a government that has schools, roads and hospitals to build and maintain. And corrupted minister Au Man Long to clothe and feed for the next 30 years.

Yet the government's meager wine tax revenue compared with gambling tax won't stretch very far to meeting any of those needs. The government must have the imagination to put itself in the place of the visitor. The kind of amount that shows up as a mere blip in a government's annual revenue can be a painful drain on the individual diner's wallet.

In short, the tax has become a nuisance that hampers the entertainment industry.

It's not just the entertainment industry that will benefit. It is well-known that a vast proportion of Macau's visitors are only here for 24 hours. Those visitors could be thronging local shops on their way back to Hong Kong or Zhuhai.

With zero tax on wine, those shops and Macau's restaurant could move away from the currently limited range on offer. We all like Portuguese wine but wouldn't it be a happy improvement if a night out or a trip to the shops could be an opportunity to explore wines from around the world?

Even with Hong Kong as a wine hub there is no reason why Macau cannot build on its strengths. The possibilities for Macau as a wine mecca are limited only by our imaginations. The UNESCO listed colonial Portuguese buildings and 'Jeltons' like Vegas casinos provide a contrasting setting to Hong Kong and a different pace and place for wine enjoyment.

Hong Kong can be an example to us. Even it has only been less than two months since the zero tax announcements, Hong Kong is already metamorphosing into Asia's wine hub and I predict Hong Kong's growing significance will soon be on a par with London, New York or Geneva, some of the world's great wine cities. Nothing is stopping Hong Kong becoming the envy of the world. People in the wine industry recognize that the argument is as much about finance as it is about wine. In arguing for the abolition of tax in Macau, Filipe Santos, President of the Wine Society of Macau, tells me "It's good for the Macau economy that Hong Kong has scrapped the wine duty, but it should also reap the value-added economic benefits of [being] a regional 'Wine Heaven.'"