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# Tang must face up to realities of wine tax

**I**t is time that Hong Kong revamped the way in which it taxes wine, so alcoholic drinks cease to be ludicrously expensive.

Whereas a bottle of wine is a common sight on restaurant tables in the world's great cities, it is not seen as frequently in Hong Kong. The reason is the prohibitive cost. Part of that is down to the way the government taxes wine; the rest because of the mark-up from wholesalers or retailers. It is not unusual for the price at which the beverage lands in Hong Kong to increase by a factor of 10 by the time it is uncorked at the dinner table.

For the unwitting visitor enjoying a memorable meal before moving to the next tourist destination, the drinks bill can sometimes be a shock. Those from a wine-producing country such as Australia or the US will be left with the impression that Hong Kong is an expensive city. That is not an image the government has been portraying in its promotional material. Yet the simple bottle of wine, an everyday item for a large number of people in the world's affluent societies, can readily give that impression to tourists.

Given that a fraction of residents drink wine, it is treated by those who sell it as a luxury item and they pass that perception on to customers through price. The majority of the wines are not of a high quality so that they can be kept affordable to as many people as possible.

If the government chooses to tax goods which are considered luxury and wine is in that category, then so be it. What is clear, though, is that there are many more reasons for the government to rethink the way the tax is applied than to leave the present system in place.

Projecting a poor image for tourists is just one of a number of problems the tax system causes. Perhaps the biggest is that Hong Kong is missing out on the opportunity to add a significant string to its bow: being a regional wine trading centre.

There is nothing pie-in-the-sky about such an ambition as Hong Kong has four decades of buying experience, as many years of stocks accumulated overseas and

the necessary expertise to take on such a venture. With the mainland thirsty for fine wine, a multibillion-dollar industry is conceivable.

But as long as the tax on wine is 80 per cent, far greater than that imposed by our main competitors, Singapore and Japan, and considerably above what is paid on the mainland, there is no hope without a change. Macau, with a wine levy about one-fifth of ours, is even snatching away considerable business.

It is worse for wine traders bringing their products here through legitimate means, because smuggling to get around the duty is commonplace for upmarket varieties. With the system as it stands, landing expensive wines in Macau, paying the 15 per cent tax there, then bringing them to Hong Kong in a yacht is advantageous.

Financial Secretary Henry Tang Ying-yen can make amends when he presents his budget later this month. Whether he will is a matter of debate given that he has passed up the opportunity three times already despite lobbying from the local wine and catering industries. They have variously presented three suggestions: a substantial tax cut, elimination of the levy or a per bottle tax. Implementation of any would have little effect on the government's revenue.

Much of his difficulty would appear to be a perceived conflict of interest: that he has an extensive fine wine collection, half in Hong Kong, the rest in Britain. A conflict of interest led to the downfall of his predecessor, Antony Leung Kam-chung.

If this is the reason Mr Tang is allowing Hong Kong's wine industry to remain stunted, ensuring good wine is not affordable and permitting false perceptions of our image, he should leave decision-making on the issue to someone without such a conflict, such as Chief Executive Donald Tsang Yam-kuen.

Politics is about making decisions, not ignoring them because they are too difficult to make. Mr Tang must hand over his authority on the matter to someone more able to get the job done.