03/07/2005 (South China Morning Post)
Wine Tax ‘Strangling City's Potential’

City
LIFE
LISTINGS
SPORT
South China Morning Post

WEATHER FINE 13-17° • TALK TO US GOT A STORY? TELEPHONE 2565 2252 OR E-MAIL CITY@SCMP.COM • MARK SIX 2, 10, 16, 35, 37

Wine tax ‘strangling city’s potential’

Punitive 80pc duty stops us becoming Asia’s gastronomic hub, says wine trade

Simon Parry

Hong Kong is missing out on the chance to become Asia's gastronomic hub by maintaining punishingly high levels of tax on wine, traders have warned in the run-up to next week's budget.

Restaurants are losing out on business and the city is sacrificing the opportunity to promote itself more effectively as a centre for eating and drinking because of the 80 per cent rate of duty imposed two years ago.

Meanwhile, wine buffs are increasingly dodging the high price by setting up "wine clubs", which get their own import licences and ship in large quantities to cut costs by bypassing retailers.

Wine imports increased by 200,000 cases a year to 1.4 million last year compared to 2003 but retailers say consumption – equivalent to one bottle per person every five months – is minuscule compared to Europe, Australia and the United States.

Lowering the wine tax would allow the local market to expand and allow restaurants and hotels to offer more competitive prices to international visitors, they argue.

The tax on wine was increased from 60 per cent to 80 per cent in the 2002 budget and has stayed at that level despite industry calls for a review. It was cut from 90 per cent to 60 per cent in 1997.

TALKBACK

Should the import duty on wine be reduced?

Send your comments to talkback@scmp.com

Please include name, address and phone number

The tax pushes the retail price for a bottle of Moet & Chandon non-vintage Brut Imperial champagne to about $400, while the same bottle costs about $280 in the US and $295 in Britain and France.

Linda Tsui Heung-yu, brand manager of speciality wine shop Boutique Wines, said groups of drinkers were getting around the tax by setting up clubs or importing directly from wineries.

Although still liable for tax, they save money by cutting out the retailers' margin. "Wine prices are so high that this method makes economic sense if you drink enough wine," she said.

Wine imports may have increased but Ms Tsui said people were opting for low-cost wines because the prices were too high.

"People don't want to drink poor-quality wine or eat poor-quality food but if their budget limit is at a certain level, they have no choice," she said.

Paul Liversedge, general manager of Watson's Wine Cellars, which has 12 branches in Hong Kong, said: "If the price of wine went down and the price of wine in restaurants went down, Hong Kong could become a hub for food and wine. We have a wonderful range of restaurants. If wine was more competitively priced we might attract more tourists and gain a reputation as a food and wine mecca."

When Watson's Wine Cellars was launched in 1998, the customer mix was about 50 per cent expatriate and 50 per cent Chinese. It is now about 70 per cent Chinese.

Mr Liversedge said Hongkongers were keen to drink wine, but the development of a wine-drinking culture was being held back by tax.

He added: "We have to keep this in context. Compared to the rest of Asia, Hong Kong isn't great but it isn't the worst [for tax on wine]. Compared to Europe and Australia, though, we are an awful lot higher."