

LCQ22: Liquor duty

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (May 21):

Question:

The 2024 Policy Address announced the reduction of the duty rate for liquor. There are views pointing out that reduction of liquor duty will help promote liquor trading, and at the same time benefit industries such as catering, hotel, logistics, warehousing, auctioning, financial and professional services, arousing public concern about whether the Government will further reduce liquor duty. In this connection, will the Government inform this Council:

- (1) whether it has compiled statistics on the respective numbers of additional companies engaging in the liquor-related businesses and new jobs in the liquor-related industries after the reduction of liquor duty;
- (2) as it has been reported that the Government will review in a timely manner whether liquor duty will be further reduced, of the details of the relevant work (including the estimated time required for the work and the staff establishment involved); and
- (3) whether it will make reference to the successful experience of abolishing the duty on wine and study the complete abolition of liquor duty as early as possible; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Census and Statistics Department (C&SD), the consolidated reply to the question raised by the Hon Jimmy Ng is as follows:

According to the results of the Quarterly Survey of Employment and Vacancies conducted by the C&SD, as of the end of 2024, the number of establishments in alcoholic beverage-related industries (Note), covering liquor, wine, beer, etc., was around 2 130 with approximately 6 720 persons engaged, representing an increase of 110 establishments and a decrease of 270 persons respectively compared to the end of 2023. Nonetheless, the C&SD does not compile statistics broken down by type of alcoholic beverage. In fact, most companies selling alcoholic beverages also sell liquor and other alcoholic beverages at the same time, making it difficult to distinguish businesses specifically related to liquor.

Since the reduction of duty rate on high-end liquor until late April this year (i.e. a 6.5 month period), we note that the volume of duty-paid liquor imported (in litre) rose by more than 15 per cent as compared with the 6.5-month period before the reduction of duty rate, while its value went up

significantly by nearly 60 per cent, reflecting that the two-tier system introduced by the Government is effective in boosting high-end liquor trading. Moreover, the trade grasped the opportunity brought about by the reduction of liquor duty and organised various kinds of wine and spirits fairs, in which the proportion of liquor on sale has evidently risen. Some liquor traders have also lowered the prices of liquors. The response of the market has been positive.

We understand that the trade welcomes the measure and considers it conducive to increasing business opportunities. Regarding the suggestion from some members of the trade that the Government should further reduce or even abolish the duty for liquor, we would like to reiterate that the purpose of lowering liquor duty is to encourage the trade and auctions of high-end liquor in Hong Kong, thereby giving impetus to the development of other high value-added sectors such as logistics and storage, tourism as well as high-end food and beverage consumption. At the same time, we are also mindful of the need to avoid increasing liquor consumption among the public as a result of reducing liquor duty, thereby leading to other problems.

When introducing the relevant measures, the Government has fully balanced different policy considerations such as promoting economic development, maintaining stable public finances and protecting public health. We will closely monitor the development of the liquor trade and review the effectiveness of the measures in a timely manner. Any further adjustments will require careful consideration of the impact on different aspects with prudent planning.

Note: Alcoholic beverage-related industries refer to manufacture of beer, manufacture of alcoholic beverage other than beer, export trading of alcoholic drinks, import for wholesale of alcoholic drinks, wholesale of alcoholic drinks, and retail sale of alcoholic beverages in specialised stores.