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## Hong Kong

### Market Development Reports

## Macau Follows Hong Kong Lead and Eliminates Wine and Beer Tax; Duty on Spirits Remains

### 2008

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**Report Highlights:** As of Monday August 25, Macau will terminate its 15% CIF duty and join Hong Kong as members of the extremely limited club of tax-free importers of wine and beer. Macau's move will greatly simplify the transshipments of wine and beer between the two vibrant Special Administrative Regions. While both Hong Kong and Macau are part of China, each is a separate customs territory distinct from Beijing. Traders are rejoicing nearly as much in the elimination of the paperwork requirements as they are in the elimination of the excise tax. For beverages exceeding 30% alcohol, Macau's "Consumption Tax" of 10% CIF value plus 20 Macau Pecas (about US\$2.58) per liter, will remain in force. U.S. exports of wine and beer to Hong Kong and Macau have exploded in the wake of Hong Kong's tax elimination and the booming casino industry in Macau. According to U.S. Customs statistics, U.S. wine and beer exports to Hong Kong exceeded \$8 million in the first half of 2008, 132% above 2007 levels. For Macau, January – June exports approached US\$3 million, an astonishing 1,576% increase. Post projects both Hong Kong and Macau wine imports will continue to soar through at least 2009. Post encourages interested U.S. exporters to contact the Agricultural Trade Office in Hong Kong for detailed information and advice on selling product to these markets.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Hong Kong [HK1]  
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Pressured by the relentless stream of glowing international publicity Hong Kong has enjoyed since it eliminated its excise taxes on wine and beer in February 2008, Macau authorities are following suit. As of Monday August 25, Macau will terminate its 15% CIF duty and join Hong Kong as members of the extremely limited club of tax-free importers of wine and beer. Macau's move will greatly simplify the transshipments of wine and beer between the two vibrant Special Administrative Regions. While both Hong Kong and Macau are part of China, each is a separate customs territory distinct from Mainland China. Traders are rejoicing nearly as much in the elimination of the paperwork requirements as they are in the elimination of the excise tax.

However, like Hong Kong, Macau is leaving in place its import tariff on spirits. For beverages exceeding 30% alcohol, Macau's "Consumption Tax" of 10% CIF value plus 20 Macau Pecasas (about US\$2.58) per liter, will remain in force. By contrast, Hong Kong assesses an excise tax on spirits of 100%. (Note: Traditionally called a "sin tax" as it is most commonly imposed on alcohol and tobacco, an excise tax is a levy on the value of a domestic or imported good at the factory door. Import tariffs apply only to imported items, and typically are charged on the value of the product + the cost of transportation.)

U.S. exports of wine and beer to Hong Kong and Macau have exploded in the wake of Hong Kong's tax elimination and the booming casino industry in Macau. According to U.S. Customs statistics, U.S. wine and beer exports to Hong Kong of over \$8 million in the first half of 2008 are running 132% above 2007 levels. For Macau, January – June exports approached US\$3 million, an astonishing 1,576% increase. At least some of the increase is likely due to the tens of millions of Chinese tourists who visit Hong Kong and Macau, and can legally carry two bottles back to the Mainland where import and value added tariffs on all alcoholic beverages remain high.

Despite this impressive growth, the U.S. is the fourth largest wine supplier to Macau, with just 3% of the market. France dominates the market with a 78% share, followed by Portugal with 9%, and Australia with 5%.

Post projects both Hong Kong and Macau wine imports will continue to soar through at least 2009. For U.S. wine and craft beers especially, the elimination of the tax, booming tourism, the weak dollar, and a sophisticated population with relatively high disposable income create an historic opportunity for growth. Post encourages interested U.S. exporters to contact the Agricultural Trade Office in Hong Kong for detailed information and advice on selling product to these markets.