

Broadening the Tax Base  
Ensuring our Future Prosperity

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# Tourism and Hospitality



Consultation Document Leaflet

July 2006

Financial Services and the Treasury Bureau  
The Government of the Hong Kong Special Administrative Region

This leaflet is specifically provided for reference by the tourism and hospitality sector and is designed to supplement the information outlined in the Consultation Document.

## General

### **1 How would the proposed Goods and Services Tax (GST) apply to the tourism and hospitality sector?**

GST is a tax on local consumption. Visitors who consumed goods and services such as hotel accommodation, restaurant meals, and shopping locally would have to pay GST if they were provided by businesses that were registered for GST.

However, goods purchased by tourists who then took them out of Hong Kong would be eligible for a refund of GST under the proposed Tourist Refund Scheme (TRS).

### **2 What impact would GST have on the tourism and hospitality sector?**

The price of consumer goods would increase marginally following the introduction of a low-rate GST. However, the impact would only be on a one-off basis.

Furthermore, the proposed abolition of Hotel Accommodation Tax and the proposed reductions in excise duties on liquor, petrol, diesel and aircraft fuel could partially offset the GST charged and benefit the sector.

Moreover, tourists could take advantage of the TRS to claim a refund of GST for goods purchased in Hong Kong and subsequently taken out. It is therefore expected that the impact of GST on these industries would not be significant.

## For businesses

### 3 Would retailers need to register for the TRS?

Yes. Retailers would need to be registered for GST and meet certain accreditation requirements that would be drawn up after consultation with the relevant industries and trade associations.

### 4 What would be the features of the TRS?

The proposed TRS would be implemented at all exit points, including the airport, ferry terminals and land boundary control points.

To enable inspection and checking to be carried out in an efficient manner, a “sealed bag” system is proposed. Under this system, GST-paid goods would be placed in transparent bags. The checking process would be conducted at exit points and any refund would be collected either by post or at the exit points where appropriate facilities would be available.

We will work with the trade closely on the detailed arrangements of the “sealed bag” system to ensure that it could be as simple and user-friendly for tourists as possible.

## For tourists

### 5 What would be the procedure for tourists to claim a GST refund under the TRS?

Under our proposed sealed bag system, goods purchased by tourists at accredited shops would be sealed, together with the invoices, in transparent bags of varying sizes. Tourists who wished to apply for a refund would be required

to present the sealed bags for checking after immigration clearance at the departure point. This mechanism would enable an efficient inspection to be conducted without hindering the transit of travellers at the control points. At the same time, it would ensure that the purchased goods left Hong Kong without diversion back into the domestic market.

## **6 Would all goods purchased in Hong Kong by tourists be GST refundable?**

GST on goods purchased and consumed in Hong Kong would not be refundable.

Under the proposed TRS, tourists would be entitled to a GST refund if they purchased goods from accredited shops to take out of Hong Kong. To be eligible for the GST refund, the aggregate value of the goods purchased in a shop would have to meet the proposed threshold for a tourist refund, which would be no less than HK\$1,500. Multiple purchases from the same shop (including different outlets of the same retailer) could be aggregated, but purchases made at different shops or retailers could not be aggregated to meet the threshold level.

## **7 Would services used in Hong Kong by tourists be GST refundable?**

No. Only goods taken out of Hong Kong, and therefore not consumed here, would be covered by the TRS. Services that were used in Hong Kong, such as hotel accommodation, would be local consumption and therefore should not be refundable.

## **8 Can visitors still enjoy duty-free shopping at the restricted area of Hong Kong International Airport after the implementation of the GST?**

Yes. Goods purchased in the duty-free shops within the airport's restricted area would not be subject to GST.

### **Additional Information Available**

An electronic copy of this leaflet, the Consultation Document, as well as other relevant reports and leaflets are available at the website

**[www.taxreform.gov.hk](http://www.taxreform.gov.hk)**.

Further information will be posted on to this website when appropriate.

### **Additional Leaflets**

- Tax Reform and Households
- Small Business
- Wholesale and Retail Sector
- Import/Export Trade and Logistics Sector
- Financial Services Sector
- Property Sector