



Ref: 049/24/CT
15 April 2024

Mr. Michael WONG Wai Lun, GBS, JP
Deputy Financial Secretary
26/F, West Wing, Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong

Dear Mr. Wong,

Concerns and Objection to the Re-imposition of Hotel Accommodation Tax

I am writing on behalf of The Federation of Hong Kong Hotel Owners (the Federation), representing the interests of hotel owners in the tourism and hospitality industry in Hong Kong. We would like to express our deep concerns and strong objection to the proposed Hotel Accommodation Tax (HAT), as mentioned in the recent budget announcement.

Firstly, we acknowledge the government's commitment to the economic development and fiscal stability of Hong Kong. However, the tourism sector has been significantly impacted by the global pandemic and has only recently begun to show signs of recovery. We believe at present in particular the re-imposition of the Hotel Accommodation Tax would have detrimental effects on the tourism industry, which is a vital contributor to the overall economy of our city.

In addition to the HAT, rising energy costs, manpower shortages and recent announcement related to the amendments on "418" continuous contract requirement, substantial increase in air travel costs, escalating expenses related to waste management, and the implementation of the Eco Bill aimed at reducing plastic usage and proposed amendments on Buildings Energy Efficiency Ordinance. These factors collectively affect the competitiveness and add additional financial burdens to our trade.



Our concerns regarding the proposed hotel accommodation tax are as follows:

- a) **Negative Impact on Competitiveness:** Hong Kong competes with other global destinations to attract tourists and business travellers. Introducing an additional tax burden on hotel accommodations would make our city less competitive and deter potential visitors. The tax will also cause potential cancellations of corporate and MICE travel or a decrease in group sizes due to budget constraints. It could lead to a decline in tourism demand and a subsequent decrease in revenue for business in tourism industry.
- b) **Strain on Small and Medium Enterprises (SMEs):** Many SMEs of the hospitality sector are already facing numerous challenges, including rising operating costs, high interest costs due to sizable assets investment as well as renovation cost to keep up with quality, and fierce competition with neighbouring region. The imposition of a hotel accommodation tax would place an undue financial burden on these businesses, potentially leading to layoffs, closures, and a loss of livelihood for many individuals.
- c) **Lack of Manpower and High Costs:** The tourism industry in Hong Kong is still facing a significant challenge in terms of manpower shortages, further compounded by the high costs associated with addressing this issue. Additional manpower and resources on upgrades will be required to prepare for the implementation of HAT, and it directly impacts the quality of services provided by the tourism industry.
- d) **Negative impact on property valuation and under-performance of assets:** This will deter future investments of hotel development and decrease supply of hotel accommodation.
- e) **Perception of Being an Expensive Destination:** Hong Kong is known for its vibrant culture, diverse attractions, and renowned hospitality. However, the introduction of an additional tax on hotel accommodations could create a perception that our city is becoming an expensive destination. This perception may deter potential visitors who seek affordable travel options and negatively impact Hong Kong's tourism brand.



- f) Impact on Tourism Recovery: The tourism industry in Hong Kong has shown resilience and has been on a path to recovery after the challenging times we faced. Implementing a hotel accommodation tax at this critical juncture could impede the progress made and hinder the industry's ability to fully bounce back. It is essential to nurture and support the recovery efforts rather than imposing new taxes that could hamper this process.

In light of these concerns, we kindly urge the government to reconsider the proposed HAT and explore alternative measures to achieve the desired fiscal objectives. We believe that collaboration and dialogue between the government and industry stakeholders can lead to effective solutions that balance the economic needs of our city with the sustainability and growth of the tourism sector.

Given tourism's importance to Hong Kong's socioeconomic recovery, rushing this tax revival could backfire by damaging the very industry charged with leading growth. A premature or poorly designed plan helps no one.

Thank you for considering our earnest appeals. The Federation remains willing to discuss reasonable solutions that balance fiscal and business needs sustainably.

Yours sincerely,

Caspar Tsui
Executive Director
The Federation of Hong Kong Hotel Owners

c.c. The Honourable Perry YIU Pak-leung, MH, JP
Hong Kong Hotels Association
Hotel Controllers & Accountants Association of Hong Kong