

LEGISLATIVE COUNCIL BRIEF

Hotel Accommodation Tax Ordinance (Chapter 348)

PROPOSED REVISION OF RATE OF THE TAX ON HOTEL ACCOMMODATION CHARGES

PURPOSE

The Secretary for Financial Services and the Treasury (“SFST”) has given notice to move a resolution under section 3(2) of the Hotel Accommodation Tax Ordinance (Cap. 348) (Annex) (“the Resolution”) at the Legislative Council (“LegCo”) to vary the rate of the tax on hotel accommodation charges (“HAT”).

JUSTIFICATIONS

2. Under the Hotel Accommodation Tax Ordinance (Cap. 348) (“the Ordinance”), HAT is imposed on hotel and guesthouse accommodation, and is levied on the accommodation charges payable by guests to hotel or guesthouse proprietors at a rate specified in the Schedule to the Ordinance¹. Since 1 July 2008, the HAT tax rate has been reduced from 3% to 0%.

3. In the 2024-25 Budget, the Financial Secretary (“FS”) proposed to resume the collection of HAT at a rate of 3% with effect from 1 January 2025 as part of the comprehensive fiscal consolidation programme to restore fiscal balance in a few years’ time. The resumption of collection of HAT will bring an estimated additional revenue of \$1.1 billion per annum and provide a stable source of Government revenue while not affecting members of the general public.

¹ HAT is not applicable when the accommodation charge is less than \$15 per day; the accommodation is provided by a society not established or conducted for profit; or the hotel contains less than 10 rooms normally available for lodging guests.

4. Since the HAT to be collected is estimated to only account for less than 1% of the total spending of overnight visitors in Hong Kong², the proposal is not expected to affect visitors' overall spending sentiment in Hong Kong or pose a deterring factor for tourists in choosing Hong Kong as a travel destination. Indeed, various economies or cities where tourism is an important pillar of the local economy are also charging hotel accommodation tax, tourist tax, value-added tax or a combination of these on hotel accommodation.

5. It is estimated that accommodation of around 320 hotels and 180 guesthouses (involving around 92 000 rooms) in Hong Kong will be subject to HAT. Based on the average room rate for hotels (\$1,392) and guesthouses (\$375) in 2023³, the HAT will be around \$42 and \$11 per night respectively. To allow the hotel and tourism industries more time for preparation, FS announced in the 2024-25 Budget that the collection of the HAT shall be resumed with effect from 1 January 2025.

LEGISLATIVE TIMETABLE

6. The legislative timetable will be as follows –

Moving of the Resolution	23 October 2024
Publication of the Resolution in the Gazette (if passed by LegCo at the meeting on 23 October 2024)	25 October 2024
Commencement	1 January 2025

² According to the statistics announced by the Hong Kong Tourism Board, the average spending of an overnight visitor in Hong Kong in 2023 is around \$6,900 per person. According to the spending pattern of overnight visitors, hotel accommodation accounts for 24.5% of their total spending in Hong Kong, i.e. around \$1,700. The HAT will amount to \$51 (\$1,700 x 3%), which is less than 1% of their total spending in Hong Kong.

³ The average room rates of hotels and guesthouses are based on the statistics compiled by the Hong Kong Tourism Board.

IMPLICATIONS OF THE PROPOSAL

7. It is estimated that the proposal will increase government revenue by about \$1.1 billion per annum.

8. In terms of economic implication, the HAT to be collected is estimated to account for less than 1% of the total spending of overnight visitors in Hong Kong, and therefore the proposal is unlikely to have a significant adverse impact on the local tourism sector.

9. As regards financial and civil service implications, the Inland Revenue Department (“IRD”) will endeavour to absorb the additional workload arising from the implementation of the proposal from within its existing resources, and may seek additional manpower resources where necessary in accordance with the established mechanism.

10. The Resolution does not have environmental, productivity, family or gender implications, and no sustainability implications other than those set out in the economic implications paragraph above. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The Resolution will not affect the current binding effect of the Ordinance.

PUBLIC CONSULTATION

11. IRD informed the relevant associations and operators of the hotel and guesthouse trade of the Government's proposal to resume the collection of HAT by letter and email on the day of the 2024-25 Budget announcement (i.e. 28 February 2024). Since the announcement of the proposal, IRD has engaged the trade on the operational arrangements with regard to the collection of HAT. This included conducting two briefings on 3 May 2024 and 13 May 2024 which were attended by 280 industry practitioners. In addition, the Financial Services and the Treasury Bureau and IRD have also met with representatives of the relevant trade associations and stakeholders to brief them on the proposal.

12. To assist the industry in understanding the requirements of the Ordinance, IRD has also provided information related to HAT on its website⁴ and set up a telephone enquiry hotline and a dedicated helpdesk at the Inland Revenue Centre to answer enquiries in relation to the collection of HAT and completion of hotel accommodation tax returns.

PUBLICITY

13. We will issue a press release on 3 July 2024. A spokesperson will be available to answer media and public enquiries.

BACKGROUND

14. HAT was first introduced in 1966. It had been charged at a rate from 2% to 5% before it was reduced to 0% with effect from 1 July 2008. It contributed fiscal revenue ranging from \$156 million in 2002-2003 to \$223 million in 2008-09.

ENQUIRIES

15. Enquiries on this brief can be directed to Mr Stephen LO, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2317.

Financial Services and the Treasury Bureau
July 2024

⁴ Information on hotel accommodation tax is available at the following website:
<https://www.ird.gov.hk/eng/tax/hat.htm>

Hotel Accommodation Tax Ordinance

Resolution of the Legislative Council

Resolution made and passed by the Legislative Council under section 3(2) of the Hotel Accommodation Tax Ordinance (Cap. 348) on 2024.

Resolved that, with effect from 1 January 2025, the Hotel Accommodation Tax Ordinance (Cap. 348) be amended as set out in the Schedule.

Schedule

Amendment to Hotel Accommodation Tax Ordinance

1. Schedule amended (rate specified for purposes of section 3(1))

The Schedule—

Repeal

“0%”

Substitute

“3%”.

Clerk to the Legislative Council

2024

Explanatory Note

The purpose of this Resolution is to amend the Schedule to the Hotel Accommodation Tax Ordinance (Cap. 348) to give effect to a proposal in the Budget introduced by the Government for the 2024–2025 financial year to resume, with effect from 1 January 2025, the collection of the hotel accommodation charges tax at a rate of 3%.