

CONTROLLING OFFICER'S REPLY

SB149

(Question Serial No. 2302)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

The value of seizures of the Customs and Excise Department (C&ED) amounts to billions of dollars every year. Will the Government please inform this Committee: How will C&ED handle the seizures in general to increase government revenue? After the disposal of seizures by C&ED, what purposes will the revenue be used for? Will C&ED consider selling high-value seizures to the public by retail as a way to further increase government revenue?

Asked by: Hon CHU Kwok-keung (LegCo internal reference no.: 30)

Reply:

Upon completion of all legal proceedings concerning the confiscated goods, C&ED will dispose the confiscated goods in accordance with the Stores and Procurement Regulations. The disposal means, which include destruction and public auction, will be decided depending on the types and nature of the confiscated goods. The income arising from the disposal of confiscated goods by the Government will go to the Treasury as revenue.

- End -

CONTROLLING OFFICER'S REPLY

SB150

(Question Serial No. 1152)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

The Customs & Excise Department (C&ED) is the primary agency responsible for the suppression of smuggling activities. Will the Government inform this Committee of:

- (1) the number of illegal cases relating to “parallel trade” detected by C&ED at boundary control points, and the number of successful prosecution cases in the past year;
- (2) the number of smuggling cases successfully detected by C&ED through co-operation with the law enforcement authorities of the Mainland and other administrations, and the number of successful prosecution cases in the past year; and
- (3) whether C&ED expects the smuggling situation to turn worse as the epidemic subsides and normal travel resumes.

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 36)

Reply:

- (1) Under the Import and Export Ordinance (Cap. 60), it is an offence to import or export any unmanifested cargo. In this regard, cargo does not include articles carried, and imported or exported by passengers on board a vessel, aircraft or vehicle. No person (whether he/she is a Hong Kong resident or a visitor) is allowed to carry prohibited or controlled items when arriving at or departing from Hong Kong (except those with licences, permits or certificates issued by the relevant government departments).

From early 2020 onwards, passenger clearance in various land boundary control points had been suspended due to the COVID-19 pandemic. The number of cross-boundary travellers dropped significantly as they were subject to compulsory quarantine. As the normal travel between Hong Kong and Mainland has been resumed in a progressive, orderly and comprehensive manner since early 2023, C&ED has been closely monitoring the situation and will continue to co-operate with the Mainland Customs in combating smuggling activities.

The relevant figures on joint operations between C&ED and the Mainland Customs in combating smuggling by passengers are as follows:

	2022	2023 (January to February)
Number of cases detected by the Mainland Customs	0	216
Number of persons involved in the cases (Outbound travellers)	0	216
Total value of seizures (\$ million) (RMB)	0	4.48
Number of cases detected by C&ED	0	3
Number of persons involved in the cases (Inbound travellers)	0	3
Total value of seizures (\$ million) (HKD)	0	0.012

Besides, C&ED detected a case of exporting unlicensed powdered formula by a passenger at a land boundary control point in 2022. One person was arrested and approximately 101 kilograms of powdered formula were seized. In addition, 4 cases of smuggling by outbound passengers (including 3 cases of exporting controlled drugs contravening the laws and 1 case of exporting radiocommunications transmitting apparatus without a licence or permit in contravention of the Telecommunications Ordinance) were detected at land boundary control points from January to February 2023. Four persons were arrested.

- (2) In 2022, C&ED and law enforcement agencies of the Mainland and other administrations mounted a total of 11 large-scale special joint enforcement operations. A total of 547 cases were detected, 661 persons were arrested, and the total value of seizures amounted to over \$2.3 billion. As these cases are still under investigation, C&ED is unable to provide the number of successful prosecution cases now.
- (3) C&ED is paying close attention to the situation of smuggling activities, and will continue to strengthen intelligence exchange and joint operations with law enforcement agencies of the Mainland and other administrations. C&ED will adjust its strategies in a timely manner in response to the evolving smuggling trend, in order to enhance the effectiveness of its work.

- End -

CONTROLLING OFFICER'S REPLY

SB151

(Question Serial No. 0639)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

In 2023-24, the Customs and Excise Department (C&ED) will implement a registration regime for dealers in precious metals and stones under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO). Please advise this Committee of:

1. the relevant details and timetables for the implementation; and
2. whether additional resources will be allocated for publicising the registration regime to the relevant trade and the public. If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 6)

Reply:

C&ED has established the Dealers in Precious Metals and Stones Supervision Bureau in December 2022. The Bureau is responsible for carrying out the relevant work on the implementation of the registration regime for dealers in precious metals and stones, including formulation of registration procedures and guidelines, development of a computer system for receiving and processing applications, arranging publicity to the relevant trade and the public, as well as staff training, etc. All preparatory work (including publicity work) is progressing smoothly to dovetail with the implementation of the registration regime on 1 April 2023. Resources involved in the relevant publicity work have been subsumed in C&ED's recurrent expenditure. C&ED does not keep breakdown on the figures.

- End -

CONTROLLING OFFICER'S REPLY

SB187

(Question Serial No. 3556)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme:

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

1. In the face of the current increasingly complex situation of law and order in Hong Kong, enhancement in staff training and equipment is expected. If yes, what is the relevant situation? If not, what are the reasons?
2. Regarding training and equipment, will the Department enhance its collaboration with relevant Mainland authorities, including arranging study visits to the Mainland and purchasing more security equipment from the Mainland? If yes, what are the details? If not, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 20)

Reply:

1. The Customs and Excise Department (C&ED) continuously improves staff training and equipment to cope with operational needs. For staff training, C&ED takes into account the implementation of new laws, the latest smuggling trend, as well as the latest development in investigation and prosecution in arranging training for staff. As for equipment, C&ED has procured computed tomography (CT) scanners with artificial intelligence and auto-detection devices for X-ray checkers since 2021, so as to strengthen the capability in detecting firearms, ammunitions and other smuggled items, and to further enhance the clearance efficiency.
2. C&ED has maintained close liaison with the relevant Mainland authorities regarding training and equipment. C&ED has gradually restored staff exchange training programmes between both places after all travel restrictions were removed. Furthermore, from March 2023 onwards, C&ED has been arranging study visits for newly recruited Inspectors at the Shanghai Customs College as a regular part of their induction training, so that they could have an early understanding of the operation and the latest development of the Mainland Customs, the topics of national security and national affairs, etc.. On equipment, C&ED currently sources various inspection equipment from all over the world and exchanges experiences on the use of these equipment with the relevant Mainland authorities. C&ED follows the established Government procedures to procure the equipment and ensure that the equipment procured fully meet C&ED's operational needs.

- End -

CONTROLLING OFFICER'S REPLY**CEDB138****(Question Serial No. 1150)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (-) -Programme: (5) Trade ControlsControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Commerce and Economic DevelopmentQuestion:

Will the Government advise this Committee of the enforcement effectiveness of the Customs and Excise Department (C&ED) regarding the control on the import and export of strategic commodities in the past 5 years, including:

1. the number of import and export cargo package examined;
2. the number of import and export licences verified;
3. the number of investigation conducted;
4. the number of persons/companies prosecuted in the cases;
5. the amount of fines involved; and
6. the major types of commodities involved in the prosecution cases.

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 8)Reply:

Statistics on strategic commodity-related enforcement actions taken by C&ED in the past 5 years (2018-2022) are tabulated below:

	2018	2019	2020	2021	2022
Number of import and export cargo package examined	101 544	114 429	101 082	113 983	115 728
Number of import and export licences verified	3 527	3 486	3 106	3 696	3 876
Number of investigation conducted	116	157	163	188	139

	2018	2019	2020	2021	2022
Number of persons/ companies prosecuted	59	59	21	41	17
Fine (\$ million)	0.94	0.66	0.29	0.56	0.27
Major types of commodities involved in the prosecution cases	Integrated circuits, information security systems/ equipment	Integrated circuits, information security systems/ equipment	Integrated circuits, information security systems/ equipment	Integrated circuits, information security systems/ equipment	Integrated circuits, information security systems/ equipment

- End -

CONTROLLING OFFICER'S REPLY

CEDB139

(Question Serial No. 0267)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) -

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

As regards continuous improvement to customs clearance services, please inform this Committee of:

1. the numbers of clearance points in Hong Kong and the Guangdong Province under the Single E-lock Scheme (SELS) respectively and list out the clearance points in the Guangdong Province by city;
2. the numbers of goods vehicles under the SELS being inspected by both the Customs and Excise Department (C&ED) and Guangdong Customs in the past 3 years;
3. the manpower, work arrangements and expenditure of C&ED involved in respect of the work to further improve customs clearance services to facilitate efficient passenger and cargo flows across the boundary.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 27)

Reply:

The Single E-lock Scheme (SELS) aims to facilitate inter-modal transshipment cargoes between Hong Kong and the Mainland. It helps reduce repeated inspections on the same consignment by both customs authorities in the Mainland and Hong Kong, with a view to speeding up the flow of cargo. Since the launch of SELS in 2012, more than 37 000 vehicle trips and 7.42 million consignments entering/leaving Hong Kong were processed under SELS. The Customs and Excise Department (C&ED) does not have statistics on the number of vehicles under SELS being inspected by both customs authorities in the Mainland and Hong Kong.

As at February 2023, there were 75 clearance points in total under SELS (13 in Hong Kong and 62 in Guangdong). The locations of the 62 clearance points in Guangdong are listed below (only Chinese names are available):

Guangzhou	
1.	廣州速遞快件監管場所
2.	廣州航空郵件處理中心
3.	南沙綜保區物流區
4.	白雲機場國際1號貨站
5.	廣州白雲機場國際航空貨運站
6.	廣州滘心碼頭
7.	從化區車檢場
8.	聯邦快遞亞太轉運中心
9.	番禺蓮花山港快件場
10.	南沙新港合業通快件海關監管作業場所
11.	華南生物材料出入境公共服務平台
12.	新塘口岸車檢場
13.	廣州開發區進出境貨運車輛檢查場
14.	花都區口岸車檢場
Shenzhen	
15.	中外運平湖倉庫
16.	深圳國際快件運營中心
17.	UPS亞太區深圳轉運中心
18.	深圳郵政國際運營中心
19.	深圳機場國際貨站
20.	前海綜合保稅區
21.	鹽田綜合保稅區
22.	龍崗跨境電商運營中心
23.	坪山綜合保稅區
24.	鹽田港跨境電商運營中心
Zhuhai	
25.	珠海斗門廣豐國際快件中心
26.	珠海洪灣港
27.	珠海西域碼頭
28.	珠海南屏快件監管中心
29.	珠海郵政快件監管中心
Foshan	
30.	佛山市禪城區中外運快件監管現場
31.	佛山市禪城區口岸發展快件監察現場
32.	佛山市三水區三水車檢場
33.	廣東國通物流城快件監管場所
34.	佛山市南海區三山港
35.	佛山市南海區桂江車檢場

Dongguan	
36.	東莞市寮步口岸車檢場
37.	東莞市長安口岸車檢場
38.	東莞市鳳崗口岸車檢場
39.	東莞國際快件監管中心
40.	東莞虎門港啓盈國際快件監管中心
41.	東莞跨境貿易電子商務中心園區
42.	東莞郵政跨境電商監管中心
43.	東莞市常平國際快件監管中心
Jiangmen	
44.	江門市跨境電商快件分揀清關中心
45.	鶴山市南方跨境電子商務快件分揀清關中心
46.	鶴山市萬年松跨境電子商務快件分揀清關中心
47.	開平市跨境電子商務分揀清關中心
Huizhou	
48.	惠州快件中心
49.	惠陽跨境電商分揀清關中心
Zhongshan	
50.	中山市保稅物流中心進出境貨運車輛檢查場
<u>Clearance Points outside the Guangdong-Hong Kong-Macao Greater Bay Area (12)</u>	
Heyuan	
51.	河源進出境貨運車輛檢查場
Qingyuan	
52.	清遠市清遠車檢場
Shaoguan	
53.	韶關市韶關車檢場
Luoding	
54.	羅定進出境貨運車輛檢查場
Meizhou	
55.	梅州市跨境電商清關中心
Shantou	
56.	汕頭郵政跨境快件清關中心
57.	汕頭寶奧城跨境電子商務分揀清關中心
Zhanjiang	
58.	湛江進出境快件監管中心
59.	湛江進出境快件監管中心遂溪分中心
60.	湛江市跨境電商公共產業中心
61.	湛江粵西跨境電商國際快件監管中心
Maoming	
62.	茂名市外星人跨境電商快件清關監管中心

In 2023-24, C&ED will keep up its efforts in improving customs clearance efficiency to facilitate passenger and cargo flows across the boundary. To further facilitate cross-boundary passenger and cargo flows, the Department will provide customs clearance service for passengers and private cars upon the commissioning of the new clearance facilities at the Automated Car Parks of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and plans to provide 24-hour customs clearance services for passengers at Shenzhen Bay Control Point. Moreover, C&ED will continue to promote the utilisation of SELS to enhance customs clearance efficiency for cross-boundary inter-modal cargoes; and continue to promote and develop the Hong Kong Authorized Economic Operator Programme, so that accredited local companies may enjoy customs clearance facilitation, such as reduced inspection and prioritised clearance.

In 2023-24, C&ED's estimated expenditure under the Programme "Control and Enforcement" is \$4,561 million, involving an estimated number of 6 223 posts. As improving customs clearance services to facilitate efficient passenger and cargo flows across the boundary constitutes part of the work of the Department, it is difficult to quantify such expenditure separately.

- End -

CONTROLLING OFFICER'S REPLY**CEDB140****(Question Serial No. 3208)**

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) -

Programme: (3) Intellectual Property Right and Consumer Protection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Regarding the enforcement of the Trade Descriptions Ordinance (TDO) by the Customs and Excise Department (C&ED), will the Government advise this Committee of:

- (a) the number of spot checks conducted by C&ED under the TDO in 2022; and
- (b) the figures in relation to C&ED's enforcement against the relevant offences under the TDO (including but not limited to the numbers of complaints, investigations and prosecutions) in 2022?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 70)

Reply:

Customs and Excise Department (C&ED) officers will conduct spot checks on traders to verify if they have complied with the Orders under the Trade Descriptions Ordinance (TDO) for provision of information on stones, precious metals and regulated electronic products, as well as the requirements on trade descriptions and trade practices. In 2022, the number of spot checks conducted by C&ED in relation to the enforcement of the TDO was 4 082.

The figures in relation to C&ED's enforcement of the TDO in 2022 are as follows:

Type of offence	Breakdown of figures		
	Number of complaints	Number of investigations	Number of prosecutions
False trade descriptions	4 667	71	47
Misleading omissions	177	12	10
Aggressive commercial practices	119	4	6
Bait advertising	5	0	0
Bait and switch	2	0	0

	Breakdown of figures		
Type of offence	Number of complaints	Number of investigations	Number of prosecutions
Wrongly accepting payment	1 103	20	1
Other offences under the TDO ^{Note}	2	0	2

Note: Such as the offences under sections 4 and 12 of the TDO.

- End -

CONTROLLING OFFICER'S REPLY

CEDB141

(Question Serial No. 2093)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) -

Programme: (3) Intellectual Property Rights and Consumer Protection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

As it is anticipated that a large number of visitors will come to Hong Kong again after cross-border restrictions are completely lifted, will the Government allocate additional resources and manpower to step up inspections and enforcement actions, and to follow up complaints related to visitors? If yes, what are the details?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 36)

Reply:

The Customs and Excise Department (C&ED) will continue to flexibly deploy resources and actively enforce the Trade Descriptions Ordinance (TDO) by adopting a three-pronged approach, including enforcement, compliance promotion as well as publicity and public education, in order to protect consumers through combatting common unfair trade practices at source.

On enforcement, C&ED has all along taken active steps to handle the complaints received by conducting in-depth investigations and collecting relevant evidence. In addition, to ensure traders' compliance with the law, C&ED conducts different forms of patrols, including test purchases, with high-risk products and shops under repeated complaints as targets.

In addition, C&ED has set up a "Quick Response Team" to expedite the handling of complaints on suspected contravention of the TDO filed by short-term visitors during their stay in Hong Kong. The "Quick Response Team" will handle and follow up promptly upon receiving complaints to combat unscrupulous shops.

During festive seasons, C&ED officers will conduct patrols and distribute pamphlets at various popular tourist shopping areas to enhance tourists' understanding of unfair trade practices, and to inform them of the ways and channels for seeking assistance from C&ED.

- End -

CONTROLLING OFFICER'S REPLY**CEDB142****(Question Serial No. 1508)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (-) -Programme: (3) Intellectual Property Rights and Consumer ProtectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Commerce and Economic DevelopmentQuestion:

With regard to combating unfair trade practices, will the Government inform this Committee of:

1. the figures on enforcement actions taken by the Customs and Excise Department (C&ED) in 2022 (set out in the table below):

	(i) Beauty	(ii) Fitness	(iii) Renovation	(iv) Catering and tourism
(a) Number of complaints received				
(b) Number of complaints that can be followed up				
(c) Number of persons prosecuted				
(d) Number of persons convicted				

2. referring to the above question, what were the (a) manpower, (b) expenditure on emoluments and (c) expenditure on equipment set aside by C&ED for such law enforcement work in 2022?

Asked by: Hon TANG Ka-piu (LegCo internal reference no.: 22)

Reply:

The figures on the enforcement actions taken by the Customs and Excise Department (C&ED) in relation to the Trade Descriptions Ordinance (TDO) in 2022 are as follows:

	Beauty	Fitness	Renovation	Catering and tourism
Number of complaints received	379	211	192	1 042
Number of complaints that can be followed up*	11	2	5	20
Number of persons prosecuted (companies/ persons)	8	3	12	17
Number of persons convicted (companies/persons)^	6	11	8	14

Note: * Number of cases opened for detailed investigation after consolidation (some cases involve more than one complaint).

^ Some of the companies/ persons convicted involve prosecution cases in earlier years.

In 2022-23, a total of 231 C&ED officers were responsible for the enforcement of the TDO in handling reporting, investigation and relevant enforcement work related to the TDO, which had incurred an expenditure of about \$134 million. It is difficult to quantify the manpower, as well as the expenditures on emoluments and equipment involved separately.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)002

(Question Serial No. 0332)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

26. The Smoking (Public Health) (Amendment) Bill 2019 prohibiting electronic cigarettes and heated tobacco products, which came into operation on 30 April 2022 after passing through three readings, stipulates that no person may import, promote, manufacture, sell, or possess for commercial purposes alternative smoking products, including electronic smoking products, heated tobacco products and herbal cigarettes.

In respect of the work done by the Customs and Excise Department (C&ED) to combat alternative smoking products since the legislation came into operation, what is the quantity and total value of seizures? Has the number of responsible law enforcement officers been increased? If yes, how many officers have been added to the establishment and what is the amount of expenditure?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 23)

Reply:

Since the Smoking (Public Health) (Amendment) Ordinance 2021 came into operation on 30 April 2022, C&ED has rendered full support to the Tobacco and Alcohol Control Office of the Department of Health in enforcing the prohibitions on the import of alternative smoking products, flexibly deployed existing resources, and stepped up inspections at various entry and exit points to prevent such products from entering Hong Kong through inbound visitors, imported cargoes and postal items.

As at 31 December 2022, C&ED detected a total of 621 cases involving alternative smoking products and seized approximately 4.78 million pieces of relevant articles with a total value of approximately \$50.23 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)003

(Question Serial No. 0335)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The quantities of duty-not-paid cigarettes seized in 2020 and 2021 were 202 793 (thousand sticks) and 390 499 (thousand sticks) respectively, representing nearly a one-fold increase.

What was the quantity of duty-not-paid cigarettes lastly seized by the Customs and Excise Department (C&ED) in 2022? It is proposed in the Budget that the duty on cigarettes be increased by 60 cents per stick. Does C&ED anticipate illicit cigarette activities to be more rampant? Will staff establishment and resources for combating smuggling be increased? Will co-operation with the Mainland regarding enforcement actions and intelligence be strengthened to enhance effectiveness?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 24)

Reply:

The quantity of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in 2022 was around 690 million sticks. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes. In 2023-24, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities. Furthermore, front-line Customs officers deployed at various entry and exit points are involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)004****(Question Serial No. 0634)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

As the Budget announced an increase in tobacco duty, there are comments pointing out that this may lead to more rampant sales activities of illicit cigarettes. In this connection, will the Government advise this Committee of:

1. the quantity of illicit cigarettes seized in each of the past 5 years;
2. the current manpower and expenditure involved in combating illicit cigarette activities; and
3. whether additional resources and manpower will be allocated to combat illicit cigarette activities. If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 1)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	2018	2019	2020	2021	2022
Quantity seized (million sticks)	53	54	193	371	688

2. In 2023-24, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
3. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)005

(Question Serial No. 0739)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2022, the Customs and Excise Department (C&ED) seized 692 149 000 sticks of illicit cigarettes during anti-illicit-cigarette enforcement operations, representing a sharp increase of nearly 80% (over 300 million sticks) when compared with 390 499 000 sticks in 2021. It is proposed in paragraph 170 of the Budget Speech that the duty on cigarettes be increased by 60 cents per stick, and the duties on other tobacco products also be increased by the same proportion. Many retailers marked up the selling price of each pack of cigarettes immediately. In this connection, will the Government advise this Committee of:

1. the quantities of illicit cigarettes seized by C&ED in 2022 by month and origin, and the total market values of the seizures;
2. whether the Department has looked into the reasons for the significant increase of illicit cigarettes? If yes, what are the details? If not, what are the reasons?
3. the quantities of illicit cigarettes seized by C&ED in January and February 2023 by month and origin, and the total market values of the seizures;
4. It is understood that C&ED has all along adopted intelligence-led enforcement strategies and taken comprehensive enforcement actions to combat illicit cigarette activities on different fronts. In the past year, what were the manpower and expenditure involved in combating illicit cigarette activities;
5. In 2022, there were only 698 persons prosecuted for offences relating to illicit cigarettes. Has C&ED reviewed if the current efforts on enforcement and prosecution were insufficient? If yes, what are the details? If not, what are the reasons?
6. In view of the increase of tobacco duty proposed in the Budget, some reckon that C&ED should step up efforts to combat illicit cigarette activities. It is mentioned in the Matters Requiring Special Attention in 2023-24 that C&ED will take "enforcement actions against illicit cigarettes activities, especially in respect of cross-boundary smuggling and telephone-order peddling". What are the specific details, manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 30)

Reply:

1. The quantities and market values of illicit cigarettes seized by the Customs and Excise Department (C&ED) during anti-illicit-cigarette enforcement operations in 2022 by month are tabulated as follows:

	Quantity (million sticks)	Market value (\$ million)
January	52.62	144.61
February	0	0
March	0.06	0.15
April	13.75	37.88
May	51.7	142.11
June	11.48	29.03
July	166.54	465.43
August	45.81	125.19
September	65.26	183.87
October	86.18	234.36
November	108.14	295.53
December	90.62	249.17
Total	692.15	1,907.35

Note 1: Figures may not add up to the total due to rounding.

Note 2: Some enforcement operations were affected by the 5th wave of the COVID-19 epidemic in February and March 2022.

C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.

2. C&ED has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
3. The quantities and market values of illicit cigarettes seized by C&ED during anti-illicit-cigarette enforcement operations in January and February 2023 are tabulated as follows:

	Quantity (million sticks)	Market value (\$ million)
January	74.24	204.25
February	45.57	126.31
Total	119.81	330.56

C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.

4. In 2022-23, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
5. Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.
6. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely, and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

Apart from intercepting illicit cigarettes at various entry and exit points, C&ED is also committed to combating the storage, distribution and peddling (including telephone ordering) of illicit cigarettes. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)006****(Question Serial No. 0875)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Government has raised tobacco duty this year. In connection with the rather rampant illicit cigarette activities these days, will the Government inform this Committee of:

1. the expenditure and estimated expenditure on combating illicit cigarettes in the past three years and the current financial year?
2. the total quantity of illicit cigarettes seized and the amount of the duty payable in the past three years?

Asked by: Hon KWOK Wai-keung (LegCo internal reference no.: 9)Reply:

1. In the past 3 financial years, the Customs and Excise Department (C&ED) deployed a total of 61 officers each year dedicated to combating illicit cigarette activities. The salary expenditure involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2020-21	26.27
2021-22	28.27
2022-23	28.98

In 2023-24, C&ED maintains an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

2. The quantities and duty payable of duty-not-paid cigarettes seized locally by C&ED in the past 3 years are tabulated below:

	2020	2021	2022
Quantity of seizure (million sticks)	193	371	688
Total amount of duty payable (\$ million)	368	707	1,311

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)007

(Question Serial No. 1428)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the indicators for anti-illicit-cigarette enforcement actions, the quantity of illicit cigarettes seized by the Customs and Excise Department (C&ED) increased significantly by 77% from 390 499 000 sticks reported in 2021 to 692 149 000 sticks reported in 2022.

However, the number of persons prosecuted dropped from 934 in 2021 to 698 in 2022. In this regard, will the Department inform this Committee of:

- a) the reasons for the significant increase in the quantity of illicit cigarettes seized;
- b) the reasons for the drop in the number of persons prosecuted for offences relating to illicit cigarettes in 2022 compared with the previous year despite a significant increase in the quantity of illicit cigarettes seized;
- c) the major means of conveyance used to transport illicit cigarettes in 2022 and list the relevant data in table form;
- d) the major origin of the illicit cigarettes seized in 2022 and list the relevant countries or regions in table form; and
- e) the specific measures to be taken by C&ED to combat the increasingly serious crimes relating to illicit cigarettes.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 3)

Reply:

- a) The Customs and Excise Department (C&ED) has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
- b) Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.

- c) The quantities of illicit cigarettes seized by C&ED at sea, land, air, and downtown during anti-illicit-cigarette enforcement operations in 2022 are tabulated below:

	By sea	By air	By land	In town	Total
Quantity (million sticks)	591.7	2	0.6	97.8	692.15

Note: Figures may not add up to the total due to rounding.

- d) C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.
- e) C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. Meanwhile, C&ED will deploy its internal resources flexibly to tackle illicit cigarette activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)008

(Question Serial No. 1717)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2022, the Customs and Excise Department (C&ED) seized a record-breaking quantity of 692 million sticks of illicit cigarettes, representing an increase of over 301 million sticks compared with 390 million sticks in 2021. Following a 31% increase in tobacco duty proposed in the 2023-24 Budget, the price of cigarettes will rise from \$1.9 to \$2.5 per stick. Has C&ED made any assessment on whether the illicit cigarette problem will deteriorate after increasing the tobacco duty? If the problem deteriorates, how will C&ED step up law enforcement actions against illicit cigarettes? What are the specific measures and the expenditure involved? If it is not expected that the problem will deteriorate, what are the reasons?

Asked by: Hon Edmund WONG Chun-sek (LegCo internal reference no.: 1)

Reply:

In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other

clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)009

(Question Serial No. 1745)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Customs and Excise Department (C&ED) is responsible for combating illicit cigarette smuggling and distribution activities. According to the relevant statistics, nearly 700 million sticks of cigarettes were seized in anti-illicit-cigarette enforcement operations in 2022, representing an increase of 300 million sticks than that of 2021. In this connection, will the Government inform this Committee of the following:

- a) Apart from cigarettes, whether C&ED had seized any smuggled e-cigarettes and tobacco in the past 3 years? If yes, what were the quantities of seizures, the total values involved, and the numbers of persons prosecuted?
- b) According to the figures provided by the Government, the number of persons prosecuted for offences related to illicit cigarettes has overall decreased by 236 from 934 in 2021 to 698 in 2022. Please advise the reason for such decrease.

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 1)

Reply:

- a) Before the Smoking (Public Health) (Amendment) Ordinance 2021 (the Ordinance) came into effect on 30 April 2022, e-cigarettes not containing nicotine were not controlled articles. Therefore, C&ED does not have relevant figures on the law enforcement actions.

For e-cigarette products containing over 0.1% of nicotine, they are categorised as Part 1 poisons and regarded as pharmaceutical products, which are governed by the Pharmacy and Poisons Ordinance (Cap. 138). The relevant figures on the law enforcement actions between 2020 and 29 April 2022 are as follows:

	2020	2021	2022 (up to 29 April)
Number of cases	51	61	15
Total value (\$ million) (Note)	4	2.14	7.66
Number of persons prosecuted #	23	79	26

Note: Since the e-cigarette products containing nicotine seized are of different types and in different units of measurement, only the total values instead of the quantities of seizures can be provided.

Cases prosecuted during the year

The figures on heat-not-burn (HNB) tobacco products seized by C&ED during law enforcement actions between 2020 and 29 April 2022 are as follows:

	2020	2021	2022 (up to 29 April)
Number of cases	687	338	86
Quantity (million sticks)	6.3	8.56	3.17
Total value (\$ million)	17.81	23.79	8.98
Number of persons prosecuted #	81	79	30

Cases prosecuted during the year

The Ordinance came into effect on 30 April 2022. From then on till 31 December 2022, C&ED detected a total of 621 cases that involved alternative smoking products, arrested 329 persons and seized approximately 4.78 million pieces of relevant articles (including e-cigarettes and HNB tobacco products) with a total value of approximately \$50.23 million.

The figures on tobacco seized by C&ED during law enforcement actions between 2020 and 2022 are as follows:

	2020	2021	2022
Number of cases	68	129	133
Quantity (kilogrammes)	187	1 005	177
Total value (\$ million)	0.88	3.35	0.9
Number of persons prosecuted #	3	4	3

Cases prosecuted during the year

- b) Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)010

(Question Serial No. 1746)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the document that the Customs and Excise Department (C&ED) will continue to strengthen enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling during 2023-24. In this regard, please advise this Committee of:

- a) whether C&ED will strengthen enforcement actions against the rampant distribution of leaflets promoting the sale of illicit cigarettes by lawbreakers in public housing estates. If yes, what are the details? If not, what are the reasons?
- b) whether C&ED has stepped up education and publicity efforts in addition to law enforcement and combating illicit cigarette activities. If yes, what are the details? Please provide the details of relevant campaigns organised in the past 3 years, including the number of participants and expenditure involved.

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 9)

Reply:

- a) According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any tobacco advertisement in any form. Enforcement actions pursuant to the Ordinance are mainly taken by the Tobacco and Alcohol Control Office of the Department of Health. Complaints received by the Customs and Excise Department (C&ED) regarding distribution of leaflets to promote the sale of illicit cigarettes will be referred to the Tobacco and Alcohol Control Office for follow-up.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. Currently, illicit cigarettes are mainly sold by lawbreakers through telephone ordering. C&ED has therefore set up a dedicated team to step up patrol at public housing estates in various districts to combat illicit cigarette activities.

- b) In order to further promote the message against illicit cigarettes across different levels of the community, C&ED collaborates with government agencies and relevant stakeholders from time to time, and enhances publicity by holding talks for schools and youth groups and displaying posters and banners, etc. The number of outreach and publicity campaigns organised by C&ED in the past 3 years are tabulated below:

Year	Number of campaigns
2020	239
2021	35
2022	69

The manpower and resources involved in the above work have been subsumed under the general operating expenditure. C&ED does not maintain a breakdown of the relevant figures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)011

(Question Serial No. 1945)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding anti-illicit-cigarette enforcement, will the Customs and Excise Department (C&ED) inform this Committee of the following:

1. According to the information provided by C&ED, the quantity of illicit cigarettes seized in 2022 has increased by over 77% compared with 2021. As the Budget announced a more than 30% increase of tobacco duty, will C&ED allocate additional resources and manpower to combat relevant activities in the new financial year? If yes, what are the details? If not, what are the reasons?
2. Although the quantity of illicit cigarettes seized in 2022 has increased compared with 2021, the number of persons prosecuted for offences related to illicit cigarettes has decreased. What does C&ED make of this situation? Does it represent a change in the modus operandi of illicit cigarette offences? Does C&ED have any corresponding strategies? If yes, what are the details? If not, what are the reasons?
3. As reported by the media, since the Budget announced an increase of tobacco duty, many promotions and advertisements for selling cheap cigarettes (commonly known as “cheap whites”) have appeared. Some even advertise an “online order with home delivery” service. For instance, before the increase of tobacco duty, various types of “cheap whites” were sold at \$32 to \$38 at newspaper stalls, which were even lower than the cost of tobacco duty (\$38.12). How will C&ED cope with this mode of selling? If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 25)

Reply:

1. In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
2. C&ED has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year. Meanwhile, crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.
3. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions. Furthermore, C&ED will enhance its promotional and publicity work for newspaper hawkers and small traders to prevent them from falling foul of the law inadvertently. C&ED will continue to urge the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origin or at unusual prices, in order to avoid breaching the law inadvertently. If members of the public have doubts regarding the cigarette brands available on the market, they should enquire with the brand owner or relevant merchant directly.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)012

(Question Serial No. 2483)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. In 2021 and 2022, the quantities of illicit cigarettes seized by the Customs and Excise Department (C&ED) in anti-illicit-cigarette enforcement actions were 390 million sticks and 690 million sticks respectively. What are the main reasons for the rather large difference between the two figures?
2. Regarding anti-illicit-cigarette enforcement actions by C&ED, please provide the number of operations, the quantity of illicit cigarettes seized and the number of persons prosecuted in each of the past 5 years.
3. Please provide the total expenditure of C&ED on enforcement actions against illicit cigarette activities in each of the past 5 years, and a breakdown of the relevant expenditure items, including the expenditure involved in regional co-operation with other Customs administrations.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 40)

Reply:

1. The Customs and Excise Department (C&ED) has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
2. The quantity of duty-not-paid cigarettes seized locally and the number of persons prosecuted by C&ED in the past 5 years are tabulated below:

	2018	2019	2020	2021	2022
Quantity of seizure (million sticks)	53	54	193	371	688
Number of persons prosecuted#	1 782	1 862	709	934	698

Cases with prosecution instituted during the year.

C&ED does not maintain statistics on the number of operations conducted each year.

3. In the past 5 financial years, C&ED deployed a total of 61 officers each year to specifically combat illicit cigarette activities. The salary expenditure involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2018-19	24.98
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98

Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)013

(Question Serial No. 2558)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The quantity of illicit cigarettes seized by the Customs and Excise Department (C&ED) rises continuously in recent years, where cigarettes are often smuggled by sea in large quantities. Smuggling activities through the passenger channel have also become more active as normal travel resumes. Moreover, in order to reduce the smoking prevalence rate, the duty on cigarettes has been increased by \$0.6 per stick and it is expected that the market for illicit cigarettes will be further expanded. How will C&ED strengthen its efforts, such as whether the resources allocated and staff establishment will be increased, in tracking down illicit cigarettes? If yes, what are the details?

Asked by: Hon LAM So-wai (LegCo internal reference no.: 14)

Reply:

The Customs and Excise Department (C&ED) will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)014****(Question Serial No. 2662)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please advise this Committee of:

1. the numbers of cases involving duty-not-paid cigarettes and the quantities and the dutiable values of illicit cigarettes detected by the Customs and Excise Department (C&ED) in the past 5 years;
2. the respective percentage of tobacco duty in the average retail price of each tobacco product upon increasing the tobacco duty by 60 cents per stick (set out in table form).

Asked by: Hon CHU Kwok-keung (LegCo internal reference no.: 12)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	2018	2019	2020	2021	2022
Number of cases	13 573	17 351	3 111	3 917	3 192
Quantity seized (million sticks)	53	54	193	371	688
Total amount of duty payable (\$ million)	101	103	368	707	1,311

2. It is announced in the 2023-24 Budget that the duty on cigarettes would be increased by 60 cents per stick, raising the original rates of \$1,906 to \$2,506 per 1 000 cigarettes. Cigarettes sold in Hong Kong commonly come in packs of 20 sticks with the current payable duty at \$50.12 per pack. C&ED has observed that the current average retail price of a pack of cigarettes on the market is about \$65 to \$80, of which about 62% to 77% is tobacco duty. Given the relatively wide range of categories and retail prices on the market for other tobacco related products, including cigars, the relevant percentages cannot be assessed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)015

(Question Serial No. 2695)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the estimated manpower and expenditure involved in conducting the assessment of provisional taxable values of vehicles in 2022-23?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 49)

Reply:

The valuation of the First Registration Tax is part of the duties carried out by the Motor Vehicles Valuation Group of the Customs and Excise Department. In 2022-23, its estimated number of staff was 32 and the expenditure involved was about \$19.59 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)016

(Question Serial No. 2871)

Head: (31) Customs and Excise Department

Subhead (No. & title): (000) Operational expenses

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To safeguard public health, the Government has proposed to increase the duty on cigarettes by 60 cents per stick with immediate effect. Duties on other tobacco products will also be increased by the same proportion. With the increase of tobacco duty, the public may turn to the illicit cigarette market. Has the Government devoted additional resources to combat smuggling and distribution of illicit cigarettes? If yes, what are the manpower establishment and the estimated operating expenditure involved?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 18)

Reply:

In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely. In response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly.

In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)017

(Question Serial No. 3037)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

An increase of over 30% in tobacco duty with immediate effect is announced in the new Budget. This policy indirectly provides an incentive and causes an increase in both the price and popularity of smuggled duty-not-paid cigarettes. It is believed that quite a number of citizens and offenders would take the risk to obtain or smuggle illicit cigarettes, a problem that would be difficult to stop. Yesterday (23 February 2023), the Customs and Excise Department (C&ED) conducted a special law enforcement operation in the vicinity of Yau Ma Tei Anchorage and detected a large-scale illicit cigarette smuggling case. About 26.5 million sticks of suspected illicit cigarettes with an estimated market value of about \$89 million and a duty potential of about \$66 million were seized. This caused a substantial amount of loss in tax revenue for the Hong Kong Government. For the sake of public health, will the Government advise this Committee of the following:

1. Have the relevant departments assessed the share of illicit cigarettes in the cigarette market of Hong Kong?
2. What specific measures will the relevant departments take to prevent the rampant illicit cigarette activities from undermining the Government's anti-smoking efforts?
3. Quite a large number of illicit cigarette syndicates are controlled by triads. From the perspective of crime fighting, taking stringent measures to combat illicit cigarette activities is the only effective way to cut off the source of funding for triads and to reduce crime rate in Hong Kong. Will the Government step up actions to combat illicit cigarette activities, such as increasing the imprisonment term and penalty, and recovering punitive duty on cigarettes so as to strengthen the deterrent effect of the legislation?

Asked by: Hon SHANG Hai-long (LegCo internal reference no.: 18)

Reply:

1. The Customs and Excise Department (C&ED) has all along been adopting a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling sales at the lower end. As the enforcement strategies of strengthening intelligence analysis and tackling at source have been effective, time and again, C&ED has intercepted smuggling activities by illicit cigarette syndicates when they replenished their supply. In 2022, the total quantity of duty-not-paid cigarettes seized by C&ED in local illegal activities and export or transshipment reached 732 million sticks. The number of illicit cigarettes involved in local illegal activities was approximately 688 million sticks, representing an increase of approximately 85% as compared with 2021.
2. Apart from taking stringent law enforcement actions, C&ED continues to step up publicity and public education, and strengthen co-operation with community partners, estate management companies, front-line staff, etc. with a view to combating illicit cigarette activities.
3. Illicit cigarette smuggling is a serious crime. Pursuant to the Import and Export Ordinance (Cap. 60), any person who imports any unmanifested cargo (including illicit cigarettes) shall be guilty of an offence and liable to a maximum penalty of a fine of \$2 million and imprisonment for 7 years. Besides, pursuant to the Dutiable Commodities Ordinance (Cap. 109), any person who has in his possession, sells, buys or in any way deals with dutiable commodities illegally shall be guilty of an offence and liable to a maximum penalty of a fine of \$1 million and imprisonment for 2 years. C&ED may also invoke the Organised and Serious Crimes Ordinance (Cap. 455) to take prosecution actions as appropriate, and to freeze or confiscate the proceeds of crime involving illicit cigarette activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)070

(Question Serial No. 3467)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. With the lifting of cross-border restrictions and the increase of tobacco duty, illicit tobacco trade may increase. Has the Government assessed the impact of the above two factors on illicit tobacco trade, such as quantifying the estimated growth of illicit tobacco trade in the coming year? If yes, what is the estimation? If not, what are the reasons?
2. In face of the possible upsurge in demand for illicit cigarettes, has the Government allocated more resources specifically for combating illicit tobacco trade to the Customs and Excise Department and/or other departments? If yes, what is the amount? If not, what are the reasons?

Asked by: Hon TIK Chi-yuen (LegCo internal reference no.: 320)

Reply:

1. The Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the relevant factors on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.
2. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

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