

**Press release**

**LCQ6: Illicit cigarettes**

Wednesday, June 3, 2009

Following is a question by the Hon Vincent Fang and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 3):

Question:

Earlier, an article written by a doctor entitled "Contraband cigarettes and counterfeit cigarettes do more harm to health" pointed out that 50 to 70 per cent of the contraband cigarettes seized by the Customs and Excise Department (C&ED) were counterfeit cigarettes, and it cited the laboratory results of a primary health services trust fund in London that the tar level in counterfeit cigarettes there was 75% higher than that in genuine cigarettes. In this connection, will the Government inform this Council:

(a) of the quantity of cigarettes in respect of which duty was paid, the revenue collected on tobacco duty and the quantity of contraband cigarettes seized by C&ED, since the increase of tobacco duty rate by 50% on February 25 this year; how such figures compare with those of the same period in each of the past three years;

(b) of the ratio of counterfeit cigarettes to genuine ones in the contraband cigarettes seized by C&ED in the past three years; how the Government currently distinguishes counterfeit ones from genuine ones among the contraband cigarettes; whether it has conducted laboratory tests on the counterfeit contraband cigarettes seized, so as to check whether they contain more harmful substances than genuine cigarettes; and

(c) given that the former Financial Secretary pointed out in his 1999-2000 Budget Speech that "increasing tobacco duty will only enhance the attractiveness of contraband cigarettes and provide further impetus to smuggling and illegal sale. It would be counter-productive in revenue terms and would contribute little to furthering our anti-smoking policy", whether the significant increase in tobacco duty in this financial year indicates a change of the Government's position on the effectiveness of increasing tobacco duty, and what specific measures are in place to prevent the Government's anti-smoking efforts from failing on the verge of success due to rampant contraband cigarette trading activities?

Reply:

President,

(a) For part (a) of the question, with the new tobacco duty rates taking effect on February 25, 2009, the quantity of duty-paid cigarettes for March and April was 61 million sticks and 151 million sticks respectively, generating a corresponding duty revenue of \$73 million and \$183 million. The quantity of duty paid cigarettes was similar to the average quantity of the same period in the past three years. Detailed information is set out at Annex 1.

In the first four months of this year, the Hong Kong Customs and Excise Department (C&ED) detected 955 cases of smuggling, storage, distribution or peddling of illicit cigarettes, involving 25 million sticks of cigarettes. Of these cases, 635 were detected after the increase of tobacco duty rates on February 25, 2009. While the number of cases has increased by 28% as compared with the same period in the past three years, there has not been a significant change in the quantity of illicit cigarettes involved.

(b) Regarding part (b) of the question, as the main purpose of C&ED's enforcement actions against illicit cigarette activities is to protect public revenue, the department will not conduct laboratory tests on the illicit cigarettes seized to determine the substances they contain. In case C&ED suspects that the seized illicit cigarettes are counterfeits, they will follow the current procedure for processing counterfeit goods by inviting the relevant trademark owners to examine such cigarettes so as to determine whether any offence under the Trade Descriptions Ordinance can be established. As illicit cigarettes comprise many brands and some of them may not be registered in Hong Kong, C&ED cannot have all of them examined for verification of brand authenticity. According to C&ED's experience, counterfeit cigarettes account for about one-third of illicit cigarettes seized. I wish to take this opportunity to remind the public that it is against the law to purchase illicit cigarettes and there is great risk in consuming such cigarettes.

(c) Regarding part (c) of the question, in view of the then more rampant illicit cigarette activities, the Financial Secretary pointed out in the 1999-2000 Budget that it was then not a right time to increase the tobacco duty. With C&ED's robust enforcement actions in recent years, illicit cigarette activities at different levels have obviously been under control. We consider that we are now in a better position to increase tobacco duty so as to strengthen our tobacco control efforts. C&ED will step up intelligence collection, continue to closely monitor illicit cigarette activities at the entry points and on the street level, and has already increased its manpower for combating such activities.

Thank you, President.

Ends