

Press release

LCQ5: Measures to tackle sales of illicit cigarettes

Wednesday, November 20, 2013

Following is a question by the Hon Wong Ting-kwong and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 20):

Question:

A survey report has pointed out that as the prices of duty-paid cigarettes in Hong Kong are much higher than those in other Southeast Asian regions, activities of crime syndicates selling duty-not-paid cigarettes (illicit cigarettes) are thus very rampant in the territory. The report has projected that one out of every three packs of cigarettes consumed in Hong Kong is illicit, and estimated that the Government hence suffers a loss in revenue from tobacco duty as much as \$3.3 billion annually. In this connection, will the Government inform this Council:

(a) of the number of operations mounted by the Customs and Excise Department to combat illicit cigarettes in the past three years, as well as the quantity and total dutiable value of the illicit cigarettes seized in such operations;

(b) of the number of persons arrested in the past three years for selling or buying illicit cigarettes and, among them, the respective numbers of those prosecuted and convicted; the penalty generally imposed on the convicted persons; and

(c) given that some members of the public have pointed out that smokers, particularly young students with lower spending power who are vulnerable to peer influence, buy illicit cigarettes to save money, yet such purchases not only constitute a breach of law, but also encourage triad elements engaged in smuggling and trafficking illicit cigarettes to conduct other illegal activities, whether the authorities have launched targeted publicity in this connection to caution members of the public against the perils of buying illicit cigarettes; if they have, of the details; if not, the reasons for that?

Reply:

President,

The Customs and Excise Department (C&ED) has been making vigorous efforts in combating the smuggling and sale of illicit cigarette activities. C&ED has enhanced its efforts against illicit cigarettes at different levels, including the importation, storage, distribution and peddling, so as to protect the Government revenue.

As regards the importation, C&ED has been working closely with the Mainland in order to strengthen intelligence collection. In recent years, C&ED has particularly strengthened the strategy of combating illicit cigarettes at source, which has effectively reduced the inflow of illicit cigarettes into the local markets. In addition, as C&ED continues to combat the storage, distribution and transaction of illicit cigarettes, black spots of illicit cigarette sale have been largely suppressed. In order to step efforts to combat telephone ordering of illicit cigarettes, C&ED has established a 26-officer specialised unit to conduct in particular intelligence analysis and law enforcement against peddling via telephone orders and online sale of illicit cigarettes. Meanwhile, C&ED has conducted random checks on incoming persons at control points.

In fact, since C&ED has stepped up efforts to combat illicit cigarette activities through various levels, the number of complaints against illicit cigarettes has reduced by 34% when compared with last year. On the whole, there is no sign of obvious deterioration for the illicit cigarette situation and the activities concerned have become less rampant.

I now respond to the three parts of the question as follows:

(a) In the past three years, C&ED has strived to combat illicit cigarette activities. The number of illicit cigarette cases detected, the quantity and total dutiable value of the illicit cigarettes seized are as follows:

	2010 -----	2011 -----	2012 -----
No. of cases (cases)	6 203	9 075	10 902
No. of cigarettes seized (million sticks)	47	71	67
Duty potential (\$ million)	57	120	110

(b) The number of persons arrested in 2010, 2011 and 2012 was 840, 773 and 606 respectively, among which 820, 724 and 571 were prosecuted and convicted.

As for the penalties imposed on the convicted persons, the fine level was between \$100 and \$80,000 and the imprisonment period was between one day and 18 months.

(c) In order to enhance the public awareness that it is an offence to buy and sell illicit cigarettes, C&ED will continue to conduct various publicity programmes, including broadcasting anti-illicit cigarette APIs on major radio and TV channels, putting up anti-illicit cigarette posters in public housing estates and tertiary institutions, encouraging the public report illicit cigarette activities and enhancing the public understanding on the offence and penalty on illicit cigarette activities. According to the Dutiable Commodities Ordinance, anyone who deals with, possesses, sells or buys illicit cigarettes commits an offence. The maximum penalty on conviction is a fine of \$1 million and imprisonment for two years. Furthermore, a person who enters the territory at an entry point and fails to declare or makes a false or incomplete declaration to a Customs officer on the quantity of cigarettes in his/her possession which are in excess of the duty free concession commits an offence. C&ED may, in accordance with the Dutiable Commodities Ordinance, "compound the offence" by imposing a fine on instead of taking proceedings against the offender.

Meanwhile, as regards tobacco control, the Government will continue to adopt the multi-pronged approach comprising legislation, publicity, education, enforcement, smoking cessation and taxation to safeguard public health.

Ends