

LCQ22: Combating sales activities of duty-not-paid cigarettes

Following is a question by Dr the Hon Ngan Man-yu and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (October 30):

Question:

It has been reported that the sales activities of duty-not-paid cigarettes (illicit cigarettes) have become increasingly rampant in recent years. Lawbreakers have employed adolescents with little life experience to distribute illicit cigarette leaflets, commonly known as "dim sum sheets", in public housing estates, and there are even "cheap whites promotion teams" wearing tops printed with the brand names of "cheap whites" (i.e. illicit cigarettes packaged in the same way as duty-paid cigarettes) to promote illicit cigarettes to smokers in busy areas. In this connection, will the Government inform this Council:

(1) of the following information on illicit cigarette cases intercepted at source by the Customs and Excise Department (C&ED) in the past three years: the number of such cases, the number of persons involved in such cases, and the market value of the illicit cigarettes involved; what measures the authorities have put in place to step up efforts to intercept at source the smuggling of illicit cigarettes into Hong Kong;

(2) of the following information on the law enforcement operations conducted by C&ED to combat illicit cigarette activities in the past three years: the number of such operations, the number of cases detected, the number and dutiable value of the illicit cigarettes seized, the number and age distribution of persons arrested (with a breakdown by seller and buyer), and the penalty imposed on the convicted persons;

(3) regarding the recruitment of young people by lawbreakers to promote illicit cigarettes, whether C&ED and the Tobacco and Alcohol Control Office (TACO) of the Department of Health have received the related reports, and of the relevant follow-up situations; what measures C&ED and TACO have put in place to prevent young people from participating in the promotional and trafficking activities of illicit cigarettes;

(4) as it has been reported that lawbreakers have set up websites to advertise illicit cigarettes on the Internet, and to advertise and sell illicit cigarettes through social media platforms and instant messaging applications (e.g. Facebook, Instagram and Telegram), what measures C&ED and TACO have put in place to intercept such advertising and sales activities, and whether it has assessed the effectiveness of such measures;

(5) of the total number of reports on suspected illicit cigarette activities

received by C&ED through its 24-hour hotline, dedicated crime-reporting email account or online form in the past three years, and the relevant follow-up situations; and

(6) whether C&ED and TACO have considered, by drawing reference from the policy on combating abuses of public housing, setting up a financial reward mechanism for reporting to encourage members of the public to report the sale of illicit cigarettes, so as to reduce the promotional and trafficking activities of illicit cigarettes in public housing estates?

Reply:

President,

Tobacco products are dutiable commodities. Tobacco duty is payable by importers or manufacturers according to the specified rates under the Dutiable Commodities Ordinance (Cap. 109). To protect Government revenue, the Hong Kong Customs and Excise Department (C&ED) has been combating smuggling and trading of illicit cigarettes on different fronts. As for matters relating to tobacco control, they are mainly enforced by the Tobacco and Alcohol Control Office (TACO) of the Department of Health according to the Smoking (Public Health) Ordinance (Cap. 371).

Upon consultation with the Health Bureau, the consolidated reply to the question is as follows:

(1) C&ED has been closely monitoring the control points and illicit cigarettes activities in the city closely, and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies with a view to intercepting illicit cigarettes at source. The relevant numbers on interception of illicit cigarettes at various control points by C&ED from January 2021 to September 2024 are set out below:

Year	Number of cases	Number of persons arrested	Number of illicit cigarettes seized (million)	Estimated market value (\$million)
2021	3 156	2 856	247	678
2022	2 575	2 246	634	1,753
2023 (Note 1)	10 452	10 276	554	1,896
2024 (Note 1) (Up to September)	14 198	13 783	191	841

Note 1: The significant increase in the number of cases and arrests as

compared with 2022 is mainly due to the large increase in the number of incoming passengers intercepted at control points for possessing tobacco products exceeding the duty-free quantity after the full resumption of normal travel between Hong Kong and the Mainland.

(2) From January 2021 to September 2024, C&ED has conducted 11 large-scale special operations to combat illicit cigarette activities at various control points, as well as telephone-ordering activities for or distribution of flyers of illicit cigarettes at public rental housing estates (PRH). In addition, C&ED has been closely monitoring the latest development in the market and strengthened intelligence gathering. If a retailer is found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions. The enforcement figures of C&ED in combating illicit cigarettes through various channels (including daily inspections, interception at various control points, large-scale special operations, etc.) from January 2021 to September 2024 are set out below:

Year	Number of cases	Number of persons arrested	Number of illicit cigarettes seized (million)	Estimated market value (\$million)	Duty payable (\$million)
2021	4 009	3 555	427	1,176	815
2022	3 438	2 813	732	2,017	1,395
2023Note	11 806	10 994	652	2,256	1,541
2024 (Note 2) (Up to September)	15 014	14 397	367	1,639	1,208

Note 2: The significant increase in the number of cases and arrests as compared with 2022 is mainly due to the large increase in the number of incoming passengers intercepted at control points for possessing tobacco products exceeding the duty-free quantity after the full resumption of normal travel between Hong Kong and the Mainland, and the seven large-scale special operations conducted by C&ED in 2023 and 2024.

The number of arrested persons involved in buying or selling illicit cigarettes from January 2021 to September 2024 are set out below:

Year	Arrested persons			Age distribution			
	Sellers	Buyers	Total	20 or below	21 to 40	41 to 60	61 or above
2021	259	206	465	13	99	172	181

2022	117	301	418	26	98	165	129
2023	185	401	586	28	145	222	191
2024 (Up to September)	244	262	506	15	86	207	198

During the above period, the penalties imposed by the court on illicit cigarette cases ranged from a minimum of \$200 (involving 200 illicit cigarettes) to a maximum of imprisonment of 18 months (involving about 12 million illicit cigarettes).

(3), (4) and (6) According to the Smoking (Public Health) Ordinance (the Ordinance), no person shall display or cause to be displayed any smoking product advertisement in any form. Any person who contravenes the prohibitions is liable on summary conviction to a maximum fine of \$50,000, and in the case of a continuing offence, to a further penalty of \$1,500 for each day during which the offence continues. The distribution of smoking product advertisements in PRH not only involves peddling of suspected duty-not-paid smoking products, but also affects the law and order and management of the estates. Hence, TACO has all along been co-operating with the relevant departments with a view to combating these illegal activities more effectively. A co-operation mechanism has been established among TACO, the Police and the Housing Department to conduct enforcement actions against illegal activities of distributing smoking products advertisements in PRH. Since January this year, the relevant departments have conducted over 220 joint operations in PRH in Hong Kong. During the operations, in addition to patrolling the estates, officers from TACO also provided information to the estate security workers and residents on how to deal with suspected violation. They were also reminded to observe the laws and not to purchase smoking products from unknown sources. TACO will refer any suspected cases of illicit cigarettes that involve violations of the Dutiable Commodities Ordinance to C&ED for further investigation.

Regarding the allegation that some people are distributing illicit cigarettes on the streets, under the Ordinance, no person may give smoking product to another person for promotion or advertisement. Any person who contravenes the prohibitions is liable on summary conviction to a maximum fine of \$25,000. TACO has conducted multiple proactive inspections at relevant locations. No illegal activity has been found so far. TACO will closely monitor activities contravening the Ordinance (including those promoting or advertising smoking products), which include arranging covert inspections and taking enforcement actions on an ongoing basis. In addition, TACO will also conduct online inspections. If online smoking product advertisements suspected of contravening the law are found, TACO will request the relevant internet service providers and social media platforms to remove the relevant content.

From January 2023 to August 2024, TACO issued 124 summonses and 43

warning letters regarding offences of displaying or distributing smoking product advertisements, and removed around 2 550 websites and social media accounts/posts involving advertisements of smoking products. Since 2021, 14 offenders have been convicted of the offence related to distributing smoking product advertisements, with a maximum penalty of \$8,000.

In addition, C&ED has also been conducting online inspections targeting suspected sale of illicit cigarettes. When suspected cases are found, C&ED will immediately express concerns to and follow up with the relevant websites or social media platforms, including blocking the accounts concerned and removing the relevant illicit cigarettes advertisements. From January to September 2024, a total of 429 relevant advertisements have been removed.

In order to combat illicit cigarettes in a more effective manner and protect non-smokers from tobacco hazards, the Government announced its plan in June this year to implement the next-phase tobacco control measures. They include the introduction of a duty stamp system in order to differentiate duty-paid cigarettes from duty-not-paid ones; to require proofs that tobacco products sold at a price lower than the tobacco duty are duty-paid; and to increase the maximum penalty for dealing with, possession of, selling or buying duty-not-paid cigarettes. The Government expects that the above measures will strengthen the deterrent effect and enhance the effectiveness of law enforcement agencies in combating illicit cigarettes. At present, the Government has no plan to introduce financial incentives for reporting illicit cigarette cases. However, C&ED will seriously follow up on reports of suspected illicit cigarette activities.

(5) The numbers of reports on suspected illicit cigarettes activities received by C&ED through different channels from January 2021 to September 2024 are set out below:

Year	Reports
2021	3 054
2022	3 526
2023	3 476
2024 (Up to September)	5 640

C&ED will follow up each report and refer it to frontline staff for investigation if necessary. Since the investigations are confidential, C&ED will not disclose their progress and details.