



Customs and Excise

The Customs and Excise Department (C&ED) is responsible for the protection of the Hong Kong Special Administrative Region against smuggling; the protection and collection of Government revenue on dutiable goods; the detection and deterrence of narcotics trafficking and abuse of controlled drugs; the protection of intellectual property rights; the protection of consumer interests; the protection and facilitation of legitimate trade and the upholding of Hong Kong's trading integrity.

Organisational Structure: The department is headed by the Commissioner of Customs and Excise. As at April 1, 2008, the department has an establishment of 5 617 posts, of which nine are directorate officers, 4 539 are members of the Customs and Excise Service, 456 are Trade Controls Officers and 613 are staff of the General and Common Grades. There are five branches:

The *Administration and Human Resource Development Branch* is responsible for matters concerning the overall staff management of the Customs and Excise Service; departmental administration; financial management; staff training; and the housekeeping of the Office of Service Administration, the Office of Departmental Administration, the Office of Financial Administration, the Office of Prosecution and Management Support, the Office of Training and Development and the Complaints Investigation Group.

The *Boundary and Ports Branch* is responsible for matters relating to import and export controls under the purview of the Security Bureau and the housekeeping of the Airport Command, the Land Boundary Command, the Rail and Ferry Command, the Ports and Maritime Command and the Special Duties Team.

The *Excise and Strategic Support Branch* is responsible for matters relating to dutiable commodities under the purview of the Financial Services and the Treasury Bureau; provision of think tank and executive support services to the directorate; international customs liaison and cooperation; project planning and equipment procurement; information technology development and the housekeeping of the Office of Dutiable Commodities Administration, the Office of Strategic Research, the Customs Liaison Bureau, the Office of Project Planning and Development, the Office of Information Technology and the Information Unit.

The *Intelligence and Investigation Branch* is responsible for matters relating to narcotic drugs and anti-smuggling enforcement under the schedule of the Security Bureau and issues relating to intellectual property under the purview of the Commerce and Economic Development Bureau; the formulation of policies and strategies regarding the application of intelligence and risk management in Customs operations; and the housekeeping of the Customs Drug Investigation Bureau, the Intellectual Property Investigation Bureau, the

Intelligence Bureau, the Revenue and General Investigation Bureau and the Special Task Force.

The *Trade Controls Branch* is responsible for trade controls and consumer protection matters under the schedule of the Commerce and Economic Development Bureau. It comprises the CEPA and Transshipment Controls Bureau, the Trade Inspection and Verification Bureau, the Trade Investigation Bureau, the General Investigation and Systems Bureau and the Consumer Protection Bureau.

Under the direct charge of the Deputy Commissioner are the Office of Service Quality and Management Audit, the Internal Audit Division and the Special Project Team. The Office of Service Quality and Management Audit and the Internal Audit Division are responsible for conducting management reviews and money-related examinations respectively, with a view to enhancing the system integrity, efficiency and effectiveness, service quality and performance standard of the Department. The Special Project Team is specially tasked to take forward the Authorized Economic Operator Programme in Hong Kong and the recommendations of the Customs Professionalization Study.

Protection of Revenue: There is no tariff on goods entering Hong Kong but excise duties are charged on four groups of commodities, whether they are imported or manufactured locally, for domestic consumption. These commodities are certain hydrocarbon oil (motor spirit, aircraft spirit and light diesel oil), liquor with alcoholic strength more than 30 per cent by volume, methyl alcohol and tobacco (other than smoking tobacco). In 2007, the C&ED collected excise duty amounting to \$7,031 million.

Under the Dutiable Commodities Ordinance, the C&ED controls distilleries, tobacco manufacturers, liquor manufacturers, oil depots, and industrial and commercial establishments dealing in dutiable commodities; and supervises licensed, general bonded and public bonded warehouses. The supply and storage of duty-free ships' stores and aircraft stores are also under the control of the C&ED. Licences are issued to those who import, export, manufacture or store dutiable commodities. The C&ED also assesses the first registration tax of vehicles under the Motor Vehicles (First Registration Tax) Ordinance.

The Anti-illicit Cigarette Investigation Division is specially tasked to detect syndicated smuggling, distribution and peddling of dutiable cigarettes. The Diesel Oil Enforcement Division focuses its efforts on detecting the smuggling and misuse of illicit fuels.

Prevention and Detection of Smuggling: The C&ED prevents and detects smuggling activities under the Import and Export Ordinance; enforces the licensing controls on prohibited articles by inspecting cargoes imported and exported by air, sea and land; processing passengers and

their baggage at entry/exit points, and searching aircraft, vessels and vehicles entering and leaving Hong Kong. The Marine Strike and Support Division conducts proactive investigations and targeting operations for suppressing smuggling activities by sea. The Joint Police/Customs Anti-Smuggling Task Force coordinates efforts of both departments to combat smuggling activities in the waters of Hong Kong. The Control Points Investigation Division is tasked to strengthen the intelligence collection capability at the land boundary and suppress the cross-boundary smuggling activities.

Airport: The Hong Kong International Airport is one of the busiest airports in the world with a daily arrival of about 405 scheduled flights, bringing into Hong Kong a daily average of 42 150 passengers and 3 600 tonnes of imported cargoes. In 2008, the throughput of air passengers was 30 million whereas the throughput of air cargoes was about 3.6 million tonnes.

Harbour: Hong Kong is one of the busiest container ports in the world. It handled 24.5 million TEUs (20-foot equivalent units) in 2008, of these, 17.7 million TEUs were handled at the Kwai Chung-Tsing Yi Container Terminals.

In 2007, 37 150 ocean vessels and 188 840 river vessels arrived in Hong Kong. All vessels entering or leaving the waters of Hong Kong are subject to customs inspection. Cargoes may either be examined on board or after off-loading.

In 2007, a total of 11.4 million passengers arrived in Hong Kong from the Mainland and Macau by sea and by helicopters. They were processed at the China Ferry Terminal in Tsim Sha Tsui, the Hong Kong-Macau Ferry Terminal in Central, and the Tuen Mun Pier. In addition, a daily average of 48 helicopter flights between Hong Kong and Macau are operated at the Hong Kong-Macau Ferry Terminal.

Five Customs Sector Patrol launches are deployed to conduct round-the-clock maritime patrol in the territorial waters whereas four high-speed pursuit crafts and two shallow water launches are tasked to carry out interception of smuggling activities at sea.

Land Boundary: On average, 217 380 passengers arrive from the Mainland by land daily and they are processed at Man Kam To, Sha Tau Kok, Lok Ma Chau Shenzhen Bay and Lo Wu control points. Additionally, 4 500 passengers in 2007 enter Hong Kong by through-trains and are processed at Hung Hom Railway Station. Goods imported by road are checked at Man Kam To, Sha Tau Kok, Lok Ma Chau and Shenzhen Bay. In 2008, over 18 million tonnes of cargoes were imported through the land boundary control points.

Anti-Narcotics Operations: The C&ED and the Hong Kong Police Force (HKPF) are responsible for anti-narcotics law enforcement. Both have achieved encouraging results in recent years. Seizures of illicit drugs by both departments in 2007 included 37.4 kilograms of heroin, 435.5 kilograms of herbal cannabis, 31.8 kilograms of cannabis resin, 192.3 kilograms of cocaine, 40.8 kilograms of methamphetamine, 65 540 tablets of ecstasy-type tablets (MDMA, etc.), 96.4 kilograms of ketamine, and substantial quantities of various narcotics, analgesics and tranquillizers. A total of 8 509 persons were arrested for drug offences, of whom 3 655 were arrested for major offences, such as drug trafficking and manufacturing, and the remaining 4 854 persons were arrested for minor offences, such as possession of illicit drugs.

Apart from intercepting the smuggling of drugs at the control points, the department launches proactive investigations and surveillance operations on syndicated drug trafficking activities throughout Hong Kong. The department also deploys drug detector dogs and makes use of advanced technology, such as Mobile X-ray Vehicle Scanning Systems and Vehicle X-ray Inspection Systems,

to enhance enforcement effectiveness. In addition, the department closely monitors the trend of drug abuse, in particular the growing popularity of psychotropic substances among youngsters, and cross-boundary drug crime.

Besides, the C&ED investigates laundering of drug proceeds and initiates applications for freezing and confiscating assets derived from drug trafficking. In 2007, suspected drug-related assets worth \$377,000 were confiscated. The department also enforces a licensing system to control the import, export and dealing of 25 specific precursor chemicals which can be used for the manufacture of dangerous drugs. It exchanges intelligence and co-operates closely with the HKPF and various drug enforcement agencies in the Mainland and overseas in the fight against drug traffickers both locally and at the international level.

Trade Controls and Consumer Protection: The C&ED safeguards the certification and licensing systems which are of vital importance to Hong Kong's trading integrity. The department deters and investigates offences of origin fraud and the circumvention of textiles licensing. It also investigates cases of import and export of strategic commodities and other prohibited articles, which are not in accordance with the licence requirement. The department carries out cargo examination at the control points, factory inspections, factory audit checks and consignment checks. It is also the department's enforcement strategy to administer a monetary reward scheme to encourage the report of suspected textile origin fraud cases to the department. The department is a member of the Hong Kong Compliance Office set up to assist the Central People's Government in implementing the Chemical Weapons Convention in Hong Kong.

The department enforces licensing control on rice and consumer protection legislations relating to weights and measures, markings on fineness of precious metals, and the safety of toys, children's products and consumer goods. Besides, the department also verifies import and export declarations to ensure accurate trade statistics; and assesses and collects declaration charges and clothing industry training levy. In 2007-08, the department collected \$1,431 million in declaration charges and \$12 million in clothing industry training levy.

Intellectual Property Rights Protection: The C&ED has the mission to protect the interests of intellectual property rights owners and legitimate traders through stringent enforcement of the Copyright Ordinance, the Trade Descriptions Ordinance and the Prevention of Copyright Piracy Ordinance. The department investigates and prosecutes copyright offences relating to literary, dramatic, musical or artistic works, sound recordings, films, broadcasts, cable programmes, and the typographical arrangement of published editions. Apart from clamping down on pirated optical discs activities at the manufacture, storage, retail and import/export levels, the C&ED strives to fight against corporate piracy, namely, the use of pirated software and copyright works for commercial purposes. Moreover, two Anti-Internet-Piracy Teams have been established to fight against piracy activities on the Internet. The Customs Computer Forensic Laboratory offers professional assistance in collecting, preserving, analyzing, and presenting digital evidence to law court in piracy cases. It has been awarded ISO 9001 on quality management and ISO 27001 on information security. In 2007, the department seized pirated goods worth \$117 million and arrested 1 217 persons under the Copyright Ordinance. The C&ED also investigates laundering of crimes proceeds of the pirated optical discs syndicates. A total of \$9.17 million worth of assets suspected to be derived from the infringing activities were restrained under the Organized and Serious Crimes Ordinance in 2007.

The department also takes enforcement action against commercial goods with forged trademark or false label under the Trade Descriptions Ordinance. In 2007, goods worth about \$173 million were seized and 770 persons were arrested under the Trade Descriptions Ordinance.

At the manufacture level, the Prevention of Copyright Piracy Ordinance requires local optical disc and stamper manufacturers to obtain licences from the department and mark on all their products specific identification codes. Besides, the Import and Export Ordinance imposes licensing controls on the import and export of optical disc mastering and replication equipment.

A 147-member Special Task Force has also been playing an important role in combating copyright piracy. The Force also serves as a mobile brigade to reinforce the suppression of other customs-related crimes.

Customs Cooperation: The C&ED is an active member of the World Customs Organization (WCO) and the Asia Pacific Economic Cooperation (APEC). It exchanges intelligence and works closely with overseas customs administrations and law enforcement agencies. The

department has also entered bilateral Cooperative Arrangements with other customs authorities on administrative assistance. At the working level, the department and the Mainland Customs have each established designated liaison officers to facilitate the exchange of intelligence through direct telephone hotlines.

Seizures and Prosecutions: In 2007, the C&ED seized a total of \$1,137 million worth of goods. They included illicit drugs valued at \$181 million; infringing goods worth \$117 million; counterfeit goods worth \$173 million; smuggled merchandises worth \$712 million; and dutiable commodities worth \$314 million.

In 2007, the C&ED prosecuted 5 762 persons and firms under various laws enforced by the department. Fines amounted to \$32 million and 2 010 custodial sentences were imposed on convicted persons.

Among the prosecutions, 740 were cases relating to unlawful commercial malpractices such as violation of licensing controls of strategic commodities, supplying false information in applications for certificate of origin, textile licensing frauds and contravention of consumer protection legislations.