

## 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 regulation of money service operators (MSOs); 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, 2018, the department has an establishment of 6 316 posts, of which nine are directorate officers, 5 192 are members of the Customs and Excise Service, 475 are Trade Controls Officers and 640 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, and the Ports and Maritime Command.

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; taking forward the Hong Kong Authorized Economic Operator Programme and implementation of Mutual Recognition Arrangements with partner customs administrations; 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 Supply Chain Security Management, the Office of Customs Affairs and Co-operation, 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 Syndicate Crimes Investigation Bureau.

The *Trade Controls Branch* is responsible for trade controls and consumer protection matters under the schedule of the Commerce and Economic Development Bureau and supervision of money service operators (MSOs) under the schedule of the Financial Services and the Treasury Bureau. It comprises the CEPA and Trade Inspection Bureau, the Consumer Protection Bureau, Trade Descriptions Investigation Bureau, the Trade Declaration and Systems Bureau, the Trade Investigation Bureau and the Money Service Supervision Bureau.

Under the direct charge of the Deputy Commissioner are the Office of Service Quality and Management Audit and the Internal Audit Division. 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.

**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 smokeless tobacco). In 2017, the C&ED collected excise duty amounting to \$10,590 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 taxable value of motor vehicles, for the purpose of calculating the first registration tax payable under the Motor Vehicles (First Registration Tax) Ordinance.

The Illicit Cigarette Investigation Division 1 is specially tasked to detect syndicated smuggling, distribution and peddling of dutiable cigarettes. The

Illicit Fuel and General Investigation Division focuses its efforts on detecting the smuggling and misuse of illicit fuels, as well as revenue fraud offences of other dutiable goods.

**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 Syndicate Crimes Investigation Bureau is specially tasked to combat sophisticated international organised smuggling and other crime activities from a holistic perspective. This formation seeks to trace the command chain of syndicates, apprehend their masterminds and confiscate proceeds of crime by mounting proactive surveillance operations and financial investigation. Where appropriate, the Organized and Serious Crimes Ordinance will be invoked to achieve enhanced sentences and confiscate assets for greater deterrent effect. On the other hand, the Marine Joint Task Force coordinates efforts of C&ED and the Hong Kong Police Force (HKPF) to combat smuggling activities in the waters of Hong Kong.

*Airport:* The Hong Kong International Airport is one of the busiest airports in the world. Currently, the airport handles around 1 150 daily flight movements. In 2017, the throughput of air passengers was 72.87 million whereas the throughput of air cargoes was about 4.94 million tonnes.

*Harbour:* Hong Kong is one of the busiest container ports in the world. It handled 20.8 million TEUs (20-foot equivalent units) in 2017, of these, 16.2 million TEUs were handled at the Kwai Chung-Tsing Yi Container Terminals.

In 2017, 26 793 ocean-going vessels and 158 627 river-trade 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 2017, a total of 11.2 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, Tuen Mun Ferry Terminal in Tuen Mun and the Hong Kong-Macau Ferry Terminal in Central. In addition, a daily average of 33 helicopter flights between Hong Kong and Macau are operated at the Hong Kong-Macau Ferry Terminal. The Kai Tak Cruise Terminal, located at the site of Hong Kong's former airport, has the capacity for processing 3 000 passengers per hour and is designed to have two berths. Both berths are able to accommodate world-class cruise vessels.

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, 301 200 passengers arrive from the Mainland by land daily and they are processed at Man Kam To, Sha Tau Kok, Lok Ma Chau, Shenzhen Bay, Lok Ma Chau Spur Line and Lo Wu control

points. Additionally, 5 300 passengers on daily average in 2017 entered 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 2017, about 14.6 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 2017 included 35.4 kilograms of heroin, 164.3 kilograms of herbal cannabis, 45 kilograms of cannabis resin, 328.4 kilograms of cocaine, 203.7 kilograms of methamphetamine, 9 973 tablets of ecstasy-type tablets (MDMA, etc.), 131.1 kilograms of ketamine, and substantial quantities of various narcotics, analgesics and tranquilizers. A total of 4 726 persons were arrested for drug offences, of whom 2 405 were arrested for major offences, such as drug trafficking and manufacturing, and the remaining 2 321 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. The department also enforces a licensing system to control the import, export and dealing of 27 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. 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 and consignment checks. 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.

Since April 1, 2012, the department regulates the business of MSOs (i.e. remittance agents and money changers) through the issue of licences and conducting

compliance checks to ensure the licensed MSOs to comply with the requirements under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

The department enforces licensing control on rice and consumer protection legislations relating to weights and measures, the safety of toys, children's products and consumer goods and enforces the Trade Descriptions Ordinance to tackle illegal activities pertaining to goods and services with false trade descriptions and unfair trade practices. 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 2017, the department collected \$1,026 million in declaration related charges and) \$0.12 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, three 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 2017, the department seized pirated goods worth \$11.3 million and arrested 145 persons under the Copyright Ordinance. The C&ED also investigates laundering of crimes proceeds of the pirated optical discs and counterfeiting goods syndicates. A total of \$133 million worth of assets suspected to be derived from the infringing and counterfeiting activities had been restrained under the Organized and Serious Crimes Ordinance since 2004.

The department also takes enforcement action against commercial goods with forged trademark or false trade descriptions/unfair trade practices under the Trade Descriptions Ordinance. In 2017, goods worth about \$117 million were seized and 752 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.

**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 into 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 2017, the C&ED seized a total of \$1,290 million worth of goods. They included illicit drugs valued at \$336 million; infringing goods worth \$11.3 million; counterfeit goods worth \$107 million; smuggled merchandises worth \$637 million; and dutiable commodities worth \$185 million.

In 2017, the C&ED prosecuted 6 500 persons and firms under various laws enforced by the department. Fines amounted to \$37 million and 1 047 custodial sentences were imposed on convicted persons.

Among the prosecutions, 3 970 were cases relating to unlawful commercial malpractices such as violation of licensing controls of powdered formula, strategic commodities and reserved commodities, contravention of consumer protection legislations and unlicensed operation of money service.