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\$900m lost in cigarette smuggling

TAXPAYERS may have lost almost \$900 million in revenue in 1993-94 because of rampant cigarette smuggling.

Mr Jenney said that in the first six months of the 1993-94 financial year, \$14 million worth of smuggled cigarettes were seized — almost double the same period in 1990-91.

Meanwhile, the number of cigarettes on which duty was paid dropped by 48 per cent from 6.9 billion to 3.6 billion in 1993-94.

If the tobacco industry's claim that cigarette smuggling cut its revenue by about 30 per cent every year was true, he said the Government would have lost \$893 million in tobacco duties.

Mr Jenney said there were many

cases of smuggling in which cigarettes declared to be exported to China were re-packed as general cargo and shipped back to Hong Kong in small boats.

From July to mid-October last year, almost two million cigarettes smuggled into Hong Kong in this manner were seized by the Customs and Excise Department, representing 53 per cent of all cigarettes seized during the period.

The director said the department's controls on the movement of dutiable commodities were satisfactory, but it should take steps to prevent cigarettes intended for re-export being shipped back to Hong Kong or smuggled out from warehouses.

Mr Jenney was also unhappy with the department's failure to achieve staff savings after the computerisation of its control system.

When the department asked the legislature for money in 1987 for the computerised system, it claimed 24 posts could be deleted from its Dutiable Commodities Administration office.

But the office's number of staff was actually up from 140 as of January 1991 to 150 as of January 1993.

The Commissioner for Customs and Excise, Donald Watson, admitted there was a deviation from the expected staff savings, but this was inevitable as the original estimation was made as early as 1986.