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中華人民共和國香港特別行政區政府總部食物及衛生局
Food and Health Bureau, Government Secretariat
The Government of the Hong Kong Special Administrative Region
The People's Republic of China

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27 April 2009

Clerk to the Panel on Financial Affairs
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn: Mr Noel Sung)

Dear Mr Sung,

**Panel on Economic Development
Submission on the increase of tobacco duty**

Thank you for your letter of 2 April 2009 to the Financial Secretary. Our Bureau is authorized to reply on behalf of the Financial Secretary. Below is our response to your letter.

Increase the duty rates of tobacco by 100%

2. When determining the amount of increase on tobacco duty, the Administration has to balance the objectives of tobacco control through taxation with the burden on the public and the impact of any duty increase on the smuggling and peddling of cigarettes. We believe that the proposed increase of tobacco duty rates by 50% in this year's Budget will help reduce the demand for tobacco products and indirectly encourage early smoking cessation of smokers, particularly the youth, thereby reducing the number of smokers and second-hand smoke exposure. This will have a positive effect on public health and tobacco control. The Government will continue to review the need to adjust tobacco duty rates in the annual Budget exercise after taking into consideration factors such as public health and other relevant policies.

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3. In addition to taxation, the Government has adopted a multi-pronged approach to contain tobacco use through legislation, publicity, education, law enforcement and provision of smoking cessation services. Apart from enactment of legislation to expand the no smoking areas and the introduction of the fixed penalty system, the Department of Health will, in collaboration with the Hong Kong Council on Smoking and Health, continue to strengthen publicity and education on the harmful effects of smoking and on smoking cessation, particularly among young people. Steps are being taken to enhance smoking cessation services, including cooperation with non-government organisations and private healthcare professionals to promote smoking cessation in the community. We will continue to actively publicise the harmful effects of smoking and strengthen the publicity on smoking cessation in order to reinforce the effectiveness of increasing tobacco duty.

Establishment of a "Tobacco Control Fund"

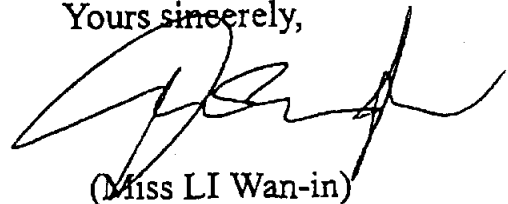
4. Under the Government's long-standing principles of public finance management, the revenues from tobacco duty, similar to other tax revenues, will be credited to the General Revenue. The Government will then make appropriate allocation of resources based on actual requirements for expenditure through the annual resource allocation exercise to ensure fair and reasonable allocation of resources among various policy areas. The Government has been increasing the resources devoted to tobacco control including smoking cessation over the years. The funding allocation for the Tobacco Control Office (TCO) under the Department of Health (DH) and the Hong Kong Council on Smoking and Health (COSH) has increased from \$18.5 million in 2003-04 to \$61.7 million in 2009-10. On the provision of smoking cessation services, both DH and the Hospital Authority have stepped up their efforts by setting up smoking cessation clinics, establishing the Smoking Cessation Hotline and enhancing their counseling and referral services. DH has also launched a new three-year pilot community-based smoking cessation programme in collaboration with the Tung Wah Group of Hospitals since February 2009, under which free medical treatment and counseling services are made available to smokers. We will continue to monitor the smoking pattern and smoking cessation rate and step up our efforts on

tobacco control including smoking cessation.

Establishment of a tobacco retailer licensing system

5. We understand that the Committee on Youth Smoking Prevention proposed setting up a tobacco retailer licensing system as a means against illicit cigarettes and the illegal sale of cigarettes to persons under the age of 18. In fact, a licensing system for cigarette retailers used to be implemented in Hong Kong, but was abolished in 1989 on the grounds of out-datedness. We will continue to deal with the above illegal activities through education and strict enforcement. On the enforcement front, Tobacco Control Inspectors conducted a total of 1,662 inspections on retail outlets in 2008 and conducted 76 investigations in response to complaints about illegal sale of tobacco products to persons aged under 18. Prosecutions to relevant tobacco retailers were made. The Customs and Excise Department has been strengthening its enforcement action at different levels, including import, storage, distribution and peddling of illicit cigarettes to keep the activities under control. The department has discovered a total of 639 cases on import, storage, distribution and peddling of illicit cigarettes within the first three months of this year, as well as reminded the public not to engage in illegal activities through the mass media. The Customs and Excise Department and the Tobacco Control Office will continue to step up their enforcement effort on these two fronts.

Yours sincerely,



(Miss LI Wan-in)

for Secretary for Food and Health

C.C.
FS Office
SFST
C for C&E

(Attn.: Mr Kenneth Cheng)
(Attn: Mr Albert Ho)