

香港海關

香港中環統一碼頭道38
號
海港政府大樓九樓



**HONG KONG
CUSTOMS AND EXCISE DEPARTMENT**
9/F., Harbour Building
38 Pier Road, Central
Hong Kong

本署檔案 Our Ref.: (17) in L/M to HDC/AD/36
來函檔號 Your Ref.: CB(3)/PAC/R39
本署電話 Our Tel.: 2852 3345
圖文傳真 Our Fax.: 2854 1959

15 January 2003

Public Accounts Committee
(Attn : Miss Sandy Chu)
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Miss Chu

**The Director of Audit's Report on the
results of value for money audits (Report No. 39)**

**Chapter 2: The Customs and Excise Department's efforts
to protect government revenue from dutiable commodities**

I refer to your letters of 10 & 21 December 2002 and 9 January 2003, and our previous reply of 19 December 2002.

The Customs & Excise Department (C&ED) has completed its review on the licence conditions for the Duty Free Shop (DFS) at the Lowu Terminal. In the review, we have carefully examined all measures to achieve a good balance between the need for revenue protection and the need for facilitating a smooth flow of the huge volume of incoming passengers at the Terminal. We have revised some licence conditions to ensure that they are both effective and practicable. (Please see Annex.)

Before implementing the revised licence conditions, we have consulted DFS and the Department of Justice to ensure that they can be followed in practice and that they are legally proper. A set of guidelines has also been provided to DFS to assist its sales staff in complying with the revised licence conditions. After implementation, our on-site inspections have confirmed that DFS

is complying with the revised licence conditions without difficulty. We will continue to closely monitor the sales activities of DFS to ensure its compliance with the revised licence conditions.

The Kowloon-Canton Railway Corporation (KCRC) has confirmed that the "Guidelines on Crowd Control System and Operating Arrangement" has no legal status in relation to the Licence Agreement between KCRC and DFS and is not legally binding on DFS. As such, there will not be any legal consequences faced by DFS for not complying with the Guidelines.

With the introduction of the revised licence conditions, a transaction for the sale of duty-free cigarettes over the sales counter at DFS at Lowu can now be completed within 5 seconds. Hence, it is considered no longer necessary to review the "5-seconds requirement". Nonetheless, we will continue to monitor the sales activities closely.

In a separate letter, I shall provide you with the information you requested in your letter of 9 January 2003 relating to the installation of computer terminals at the three control points.

Yours sincerely



(K Chow)

for Commissioner of Customs & Excise

c.c. Secretary for Financial Services and the Treasury
Director of Immigration
Director of Audit

**Extract of the licence conditions relating to the sales activities
of the Duty Free Shop at the Lowu Terminal**

The previous licence conditions (effective from 22.9.1999 to 31.12.2002)

- (i) All dutiable liquor and tobacco must only be sold or supplied to the arrival passengers at the Lo Wu Terminal. The Licensee is required to ascertain the status of passengers by inspecting their passports or travel documents.
- (ii) The Licensee is required to ensure that the quantities of dutiable goods sold to an arrival passenger shall not exceed his/her entitled duty free concession, which shall be reduced by the quantities of duty free goods the passenger brings into Hong Kong.
- (iii) The sales of dutiable goods will be covered by serially numbered invoices, which are to be kept for at least two years after their creation and ready for Customs verification. The invoice shall contain the following information:
 - (a) Customer's name;
 - (b) Arrival date of the customer; and
 - (c) Description and quantity of goods, including unit price and amount of sales.

The new licence conditions (effective from 1.1.2003)

- (i) All dutiable goods must only be sold or supplied to arrival passengers at the Lo Wu Terminal;
- (ii) If the dutiable goods sold by the licensee exceed the following quantities:
 - (a) To a passenger who does not hold a Hong Kong Identity Card —
 - (1) one litre of alcoholic liquor; and
 - (2) 200 cigarettes or 50 cigars or 250 grams of other manufactured tobacco; or

(b) To a passenger who holds a Hong Kong Identity Card —

- (1) 750 millilitres of still wine; and
- (2) 60 cigarettes or 15 cigars or 75 grams of other manufactured tobacco,

the Licensee is required to deliver and hand over the dutiable goods to the passenger in the presence of a Customs officer stationed at the Customs and Excise Duty Payment Office, Lo Wu Terminal.

(iii) Sales of dutiable goods shall be covered by serially numbered invoices, which are to be kept for two years after they are issued, for Customs verification. The invoice shall contain the following information for each transaction:-

- (a) Transaction date; and
- (b) Description and quantity of dutiable goods, including unit price and amount of sales.

Explanatory notes :

- Conditions (i) and (iii) have been trimmed down.
- Condition (ii) has been rewritten to ensure it is practicable for DFS to follow. DFS has confirmed that requests from customers to buy dutiable goods in excess of the duty-free concession quantity are very rare and there has not been a single transaction of such nature between 1.1.03 and 15.1.03.
- Normally, 2 DFS counter staff are involved in a transaction, one being responsible for receiving money, making changes if necessary and issuing invoice, and the other, for handing over the cigarettes to the customer. DFS staff are not required to verify the status of a customer buying 60 cigarettes (i.e. 3 small packets) or less. On-site inspections show that the whole process over the sales counter takes an average time of 4 seconds to complete.