
**POLICY OF THE MINISTER OF FINANCE RELATED TO INCREASING THE
ANNUAL EXCISE PRICE TO REDUCE UNDERAGE SMOKERS**



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Abstract

Indonesia has again received an unfavorable nickname from the international community. The number of adolescent smokers in Indonesia increases every year. They are generally produced by smokers' parents/environment. This time, it is nicknamed the country of baby smokers because the highest number of smokers in Indonesia are teenagers and children. The National Commission for Child Protection (Komnas PA) Aris Merdeka Sirait when speaking in Advocacy for the Implementation of KTR Regional Regulations for journalists at the Santi Denpasar Hotel, Bali. According to Aris, up to now 69% of teenagers in Indonesia are active smokers. They live in a smoking environment and family. Besides that, There are 89 million children exposed to cigarette smoke and their health is at risk. Of these, there are 230 thousand children under the age of 10 who are already active smokers. Law Number 39 of 2007 concerning Amendments to Law Number 11 of 1995 concerning Excise, defines Excise as a state levy imposed on certain goods which have the properties or characteristics specified in this law. Qualitative research methods make more effort in investigating the problem. These existing problems will be the basis used by researchers in retrieving data. Then the researcher determines the variables and measures them with numbers for analysis according to the procedures of the applicable statistics. Based on the results of this study, with the enactment of this Ministerial Regulation, the Head of Office re-stipulates excise rates with the following conditions: the re-set excise rates cannot be lower than the applicable excise rates, and/or n. The Retail Selling Price may not be lower than the applicable Retail Selling Price Limit per Stick or Gram, as stated in the Appendix which is an integral part of this Ministerial Regulation

Keywords: Smokers, Underage, Excise, Minister of Finance

INTRODUCTION

According to the World Health Organization (WHO) tobacco products, which are tobacco products, are a type of goods that have a high level of danger for consumption. WHO states that there are nearly six million people die per year worldwide caused by tobacco. This figure is predicted to increase to more than eight million deaths per year by 2030 (World Health Organization, 2014).

The problem of smoking is one of the focuses contained in the 3rd goal of SDGs, namely reducing by one-third premature death caused by non-communicable diseases, one of which is by controlling tobacco consumption in each country. Indonesia faces a serious threat due to the large number of smokers. More than half of smokers aged 15 years and over in ASEAN countries in 2016 were Indonesian residents. This number is equivalent to 28.97 percent of the population aged 15 years and over in Indonesia which in 2017 has increased to 29.25 percent. The World Health Organization (2017) states that more than 7 million deaths per year are caused by smoking and this figure is expected to increase to more than 10 million deaths per year by 2030. The Health Research and Development Agency (Litbangkes) shows that Indonesia accounts for more than 230 thousand deaths from tobacco consumption each year (Ministry of Health, 2019). The addictive compounds contained in cigarettes make cigarettes a daily necessity for some people, even though the risk of developing diseases caused by smoking is higher for those who smoke every day. Someone who smokes one cigarette every day has a 50 percent higher risk of coronary heart disease and about 25 percent higher risk of stroke (Hackshaw, 2018). The 2018 Riskesdas results show that the proportion of the population aged 10 years and over who smokes is 28.9 percent, of which 84.1 percent are daily smokers. The government has issued regulations regarding smoking safety for health in the form of Government Regulation No. 109 of 2012 as one of the preventive efforts to reduce the number of smokers in Indonesia, including smokers among teenagers.

To control the negative impact of the consumption of tobacco products or other tobacco products, the government determines that tobacco products are one of the excisable goods (BKC), apart from ethyl alcohol and beverages containing ethyl alcohol. The definition of excisable goods according to the Excise Law is goods that have characteristics, namely, consumption needs to be controlled, circulation needs to be

monitored, their use can have a negative impact on society or the environment, and their use requires the imposition of state levies for the sake of justice and balance. The implementation of the budgetary and regulated functions is carried out by the government through the determination of excise rates and supervision of BKC. Specifically for tobacco excise, the government makes regular rate adjustments every year.

REVIEW OF LITERATURE

Teenagers Dominate Active Smokers in Indonesia

Today smoking is referred to as tobacco dependency or dependence on tobacco which is perceived as a pleasure that gives psychological satisfaction. Smoking behavior is something that is fun and shifts into an obsessive activity and is carried out every day by some people (Komasari, 2018). Smoking since adolescence is of particular concern because many studies have revealed that smoking during adolescence has a relatively strong tendency to be a daily smoker in adulthood. The younger a person is when they start smoking, the number of cigarettes consumed will increase in their old age (Colby, et al., 2018). The tendency of teenagers who want to try smoking causes health problems. Adolescence is the stage where they are still looking for their identity. they still want to try new things and are easily influenced by the environment they live in. Among today's youth, smoking can be regarded as a natural habit. Even in the eyes of smokers, smoking is often seen as a gentleman's behavior and assumes that a man who doesn't smoke is like a loser. Because of this wrong statement, many teenagers are affected and choose to smoke (Sartika, 2019). This condition is in line with Lutfiyya's research (2018) which shows that the area of residence is a significant factor affecting smoking behavior. Adolescents who live in rural areas have a higher tendency to smoke every day than adolescents who live in urban areas. Wang & Sung (2018) included marital status variables in their research related to daily smoking behavior and stated that someone who is married tends to smoke every day compared to those who are single or divorced. Lenk (2019) stated that adolescents with a junior high school education level and below have a higher tendency to smoke every day than adolescents with a high school education and above. In 2013, the average consumption of cigarettes per day was higher for individuals with working status than those who were not working (Ministry of Health, 2018). Lenk (2019) shows that those who

start smoking at a younger age tend to smoke every day compared to those who start smoking at an older age.

Government Intervention

In the Big Indonesian Dictionary (KBBI), intervention is defined as interference in disputes between two parties (whether in individuals, groups, or countries). Government intervention can be interpreted as actions that are deliberately carried out by the government with the aim of influencing the allocation of owned resources and market mechanisms. Intervention can be divided into various forms such as regulations, taxes, subsidies, to monetary and fiscal policies. Government intervention in the economic sector is divided into two, namely: a) Direct government intervention, which is carried out by setting a minimum price (floor price) and setting a maximum price (ceiling price). The purpose of setting a minimum price or floor price is to protect producers. Maximum price fixing or Highest Retail Price (HET) is intended to protect consumers. The HET policy is carried out by the government if the market price is considered too high or beyond the limits of people's purchasing power; b) Indirect government intervention, which is carried out by setting taxes and providing subsidies. The tax determination policy is carried out by the government by collecting different tax rates for each commodity. The government also provides subsidies.

Government Intervention in DBH CHT

Government intervention in DBH CHT is contained in the earmarking policy that has been implemented since 2008 through the tobacco product excise revenue sharing fund (DBH CHT) which was stipulated under Law Number 39 of 2007 concerning Amendments to Law Number 11 of 1995 concerning Excise. However, with this policy, the resulting impact on reducing the consumption of tobacco is very small. According to Sitepu, earmarking or earmarket itself means funds or capital set aside with the aim of funding a particular project or activity (Sitepu, 2018). Earmarking funds can be used for activities aimed at facilitating the turnover of tobacco farmers and workers who are affected by the lack of consumption of cigarettes in the tobacco industry. Government intervention in DBH CHT during the Covid-19 pandemic can be seen from the Ministry of Finance which issued PMK Number 206/PMK.07/2020. The purpose of this policy is to enlarge the portion of public welfare and to refocus budget allocations. CHT DBH which has increased every

year, its utilization must be accompanied by more transparency, accountability, and order. Another intervention is the plan to establish a tobacco products industrial area with the aim that the industrial area will cluster tobacco in a better industrial arrangement.

Customs in Islam

Customs in Arabic are called *Al-Usyur*, *Al-Maks*, or *Ad-Dharibah* which means collection from the people by tax collectors. Based on the discussion results of the Department of Science and Intellectual Studies SEF UGM, there are two types of taxes in Islam, namely *rustum* taxes and *mukus* taxes. *Rustum* taxes are taxes paid by citizens for facilities provided by the government such as airport taxes or road taxes. Meanwhile, the *mukus* tax is imposed on citizens because they live in the territory of the country (SEF, 2019). Umar RA determined the merchants who were taken by ‘*usyur*, where Ziyad bin Hudair narrated, “That Umar bin Al-Khattab sent him on the matter of ‘*usyur* to Iraq and Syam, and ordered him to take 2.5% from the Muslims, 5% from the *Zhimmis*, and 10 % of Harbi infidels” (Ibnu Ahmad al-Haris, 2016). From this history, it can be distinguished between three groups of traders, namely Muslim traders, traders from the *Ahlu Zhimmah*, and traders from the *Ahlu Harbi* group. Where the essence taken from each group can be explained as follows

لَا يَدْخُلُ الْجَنَّةَ صَاحِبُ مَكْسٍ

“Not going to heaven tax officer.”

Where scholars interpret this tax official as “People who take ‘*usyūr* from the property of the Muslims; where he takes forcibly from Muslim traders if he crosses his area on behalf of ‘*usyur*, and not the officer who collects *zakat*. As for ‘*usyūr* which is taken by agreement from the trade of people who have a trade agreement with the Islamic State, then that is not a form of coercion, and the officers are not entitled to receive such threats; unless he transgresses the limits and is unjust, then there is fear of sin and punishment for him”.

RESEARCH METHOD

This research is a type of qualitative research, namely according to McCusker, K., & Gunaydin, S. (2018), qualitative methods are used to answer questions about the ‘what’, ‘how’, or ‘why’ of a phenomenon, while the quantitative method answers the question ‘how many (how many, how much)’.

Qualitative research methods make more effort in investigating the problem. These existing problems will be the basis used by researchers in retrieving data. Then the researcher determines the variables and measures them with numbers for analysis according to the procedures of the applicable statistics. What was done in this study was to conduct a literature study by collecting references and data related to this research.

The object of this study is the policy of the minister of finance regarding the increase in annual excise prices (CHT). This research uses secondary data types, namely data that has been processed and obtained from outside researchers. The condition of the field of minors is also the object of research and the decisions of the Ministry of Finance on problems that the authors examine.

Data in solving issues and providing prescriptions regarding what is being studied, it is appropriate to need data sources. The author uses literature as concepts, theories, and expert ideas in studying legal rules related to the problems being analyzed. In this scientific work, the data studied is in the form of qualitative data in the form of narratives and numbers.

Data were obtained through literature studies by examining in depth the sources of information used in writing scientific papers. The literature used by the authors is very diverse in the form of laws (UU), Minister of Finance Regulations (PMK), books, journals, articles, news portals, the website of the Ministry of Finance of the Republic of Indonesia, as well as other reliable sources that provide information relevant to the purpose of writing this scientific paper. The data that the authors have previously obtained will be analyzed by reducing data, presenting data, and drawing conclusions.

RESULTS AND DISCUSSION

Underage Smokers

The number of adolescent smokers in Indonesia increases every year. They are generally produced by smokers' parents/environment. Indonesia has again received an unfavorable nickname from the international community. This time, it is nicknamed the country of baby smokers because the highest number of smokers in Indonesia are teenagers and children. The National Commission for Child Protection (Komnas PA) Aris Merdeka Sirait when speaking in Advocacy for the Implementation of KTR Regional Regulations

for journalists at the Santi Denpasar Hotel, Bali. According to Aris, up to now 69% of teenagers in Indonesia are active smokers. They live in a smoking environment and family. Besides that, There are 89 million children exposed to cigarette smoke and their health is at risk. Of these, there are 230 thousand children under the age of 10 who are already active smokers. "The latest data in Sukabumi, for example, is that a child aged 11 months has become an active smoker. He changes his behavior every 5 minutes or withdraws if he doesn't smoke. This is one of the reasons why Indonesia is nicknamed the country of baby smokers by other countries in the world because similar events are not found in other countries," he said. Aris gave China an example. Even though China is the country with the largest number of smokers in the world, no cases of this baby smoker have been found. That's because the government strictly controls the cigarette industry.

The Effect of CHT Tariffs on the Circulation of Illegal Tobacco Products

Excise Tariff (LNTC) has a t-count of -3.604529 with a probability of 0.0004. The probability value is below the significance level, namely $\alpha=5\%$ ($0.0000 < 0.05$) so that H_0 is rejected. Thus, it can be concluded that excise rates have a significant negative effect on the circulation of illegal tobacco products. This negative effect can be interpreted that a 1% increase in excise rates will reduce the circulation of illegal tobacco products by 0.007736%.

The negative relationship between excise rates and the circulation of illegal tobacco products found in this study is in line with the results of research conducted by Deacy and Azhari (2018) which stated that the government's policy in creating a policy of increasing tobacco excise rates was to suppress the distribution of illegal tobacco products.

Minister of Finance's policy regarding increasing the annual price of excise (CHT)

Various research and studies have proven various losses arising from the high consumption of cigarettes. Apart from being the second biggest risk factor for death in Indonesia according to the Institute of Health Metrics and Evaluation (IHME) in 2019, cigarette consumption also increases the risk of stunting and exacerbates the health impact of Covid-19.

Besides threatening health, smoking also worsens the socio-economic status of Indonesian families, especially poor families. Based on the results of the National Socioeconomic Survey (Susenas) conducted by the Central Bureau of Statistics (BPS) in

March 2021, the consumption of cigarettes is the second highest expenditure for the poor in urban and rural areas after the consumption of rice. Viewed from total expenditure, cigarette consumption reached 11.9% in urban areas and 11.24% in rural areas. This figure is only lower than the consumption of rice and even higher than spending on proteins such as meat, eggs, tempeh, and fish. According to the Center for Social Security Studies (PKJS) at the University of Indonesia, a 1% increase in spending on cigarettes also increases the likelihood of a household becoming poor by 6%.

Losses due to cigarette consumption also spread to the country's economy and finances. Besides causing long-term losses to the economy, smoking also has a direct impact on increasing health costs. According to a study by the Center for Indonesia's Strategic Development Initiatives (CISDI) in 2021, health costs due to smoking are recorded at IDR 17.9-27.7 trillion a year. Of this total cost, Rp. 10.5 – 15.6 trillion is the cost of treatment incurred by BPJS Kesehatan. This fee is equivalent to 20% -30% of the amount of the National Health Insurance Contribution Recipients (PBI) subsidies per year of IDR 48.8 trillion issued by the APBN.

The government is committed to continuing to suppress cigarette consumption, especially child smokers. In the 2020-2024 National Medium-Term Development Plan (RPJMN) document, the Government targets the smoking prevalence of Indonesian children aged 10-18 years to decrease to a minimum of 8.7% in 2024. The Tobacco Product Excise Policy (CHT) is part of efforts to achieve this target, in order to encourage an increase in the quality of public health as well as increase the productivity of human resources in the future. This is because cigarette consumption, especially among children, is strongly influenced by the price of cigarettes. The CHT policy has been effective in suppressing cigarette consumption, as reflected in the decrease in cigarette consumption in 2020 by 9.7% from the previous year along with an increase in the cigarette price index of 12.6%.

Nonetheless, the prevalence of smoking in Indonesia is still relatively high, including in the group under 18 years of age. CHT rate adjustments are expected to continue to reduce smoking prevalence in Indonesia. In addition to adjusting CHT rates, the government has also simplified excise rates, adjusted the Minimum Retail Selling Price (HJE) limits, and taken action against illegal cigarettes.

In addition, efforts to reduce cigarette price disparities across types of cigarettes are also important to increase the effectiveness of the CHT policy. While the consumption of machine-made kretek cigarettes (Machine Kretek Cigarettes/SKM) and white cigarettes (Machine White Cigarettes/SPM) continues to decline in line with price increases due to adjustments in CHT rates, consumption of cigarettes made by hand (Hand-Rolled Cigarettes/ SKT) actually increased in the last 2 years because the excise rate did not increase which made the price more affordable. The non-increase in the type of SKT in 2021 is related to a policy transition that pays attention to the sustainability of the workforce, especially tobacco farmers and workers in the tobacco industry in general.

To increase the effectiveness of CHT in supporting efforts to reduce cigarette consumption, the rate increase will also include SKT which will also be accompanied by a CHT Profit Sharing Fund (DBH) policy. Through DBH CHT, the government seeks to increase support for tobacco farmers/farmers and cigarette workers. In 2021, 25% of the CHT DBH allocation will be directed to the health sector, while 50% will be directed to improving people's welfare through improving the quality of raw materials and improving work skills (in the context of changing professions or diversifying tobacco plants for tobacco farmers) and providing assistance, while The remaining 25% is for law enforcement.

Thus, the main changes to the CHT policy for 2022 which will begin in January 2022 are (i) adjustments to excise tariffs and a minimum retail selling price (HJE) limit for all types of cigarettes by a weighted average of 12% with a maximum increase in tariffs for SKT of 4, 5%, (ii) simplification of the tariff structure into 8 layers (simplification of Groups IIA and IIB types of SKM and SPM), and (iii) optimizing the DBH CHT policy as a basis for CHT policy. Meanwhile, adjustments to excise rates and the minimum limit for HJE for Electric Cigarettes (RE) and Other Tobacco Processing Products (HPTL) are 17.5%, with specific excise rates. The CHT 2022 policy will reduce cigarette consumption by an average of 3.0% per year.

In this study, the authors refer to the Regulation of the Minister of Finance of the Republic of Indonesia number 152 /PMK.010/2019 concerning the second amendment to the Minister of Finance Regulation Number 146/PMK.010/2017 concerning excise tariffs for tobacco products to find out how the Minister of Finance's policy is related to

increasing annual prices excise tax in Article 1 Amending Appendix III and Appendix IV to Regulation of the Minister of Finance Number 146/PMK.010/2017 concerning Excise Tariffs on Tobacco Products (State Gazette of the Republic of Indonesia of 2017 Number 1485) as amended by Regulation of the Minister of Finance Number 156/PMK.010/2018 about Amendments to Regulation of the Minister of Finance Number 146/PMK.010/2017 concerning Excise Tariffs on Tobacco Products (State Gazette of the Republic of Indonesia of 2018 Number 1637), so that they become as listed in the Appendix which is an integral part of this Ministerial Regulation.

In Article II, with the entry into force of this Ministerial Regulation, the Head of Office re-stipulates excise rates with the following conditions: the re-set excise rates may not be lower than the applicable excise rates, and/or n. The Retail Selling Price may not be lower than the applicable Retail Selling Price Limit per Stick or Gram, as stated in the Appendix which is an integral part of this Ministerial Regulation.

CONCLUSION

The problem of smoking is one of the focuses contained in the 3rd goal of SDGs, namely reducing by one-third premature death caused by non-communicable diseases, one of which is by controlling tobacco consumption in each country. Indonesia faces a serious threat due to the large number of smokers. More than half of smokers aged 15 years and over in ASEAN countries in 2016 were Indonesian residents. This number is equivalent to 28.97 percent of the population aged 15 years and over in Indonesia which in 2017 has increased to 29.25 percent. With the enactment of this Ministerial Regulation, the Head of Office re-stipulates excise rates with the following conditions: the re-set excise rates may not be lower than the applicable excise rates, and/or n.

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