# Indonesian Tobacco Excise Policy as TC Instrument

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# The Problem

**Increasing Adult (15+) Smoking Prevalence**

- 1995: 27%
- 2011: 36%
- Adult Male Smoking Prevalence :

1995: 53% (1 of 2 male smoke)

2010: 67% (2 of 3 male smoke)

- Adult Female Smoking Prevalence:

1995: 1.7%

2010: 4.5%

Increase more than 2X

**Increasing Youth (15-19) Smoking Prevalence**

- 1995: 7%
- 2007: 19%

Increased more than 2X

- Male :

1995: 14%

2007: 37%

Increased more than 2X

- Female :

1995: 0.3%

2007: 1.6%

Increased more than 5X

Source :
National Socio Economic Survey 1995, 2001, and 2004
Basic Health Reseaech 2007 and 2010. GATS 2011

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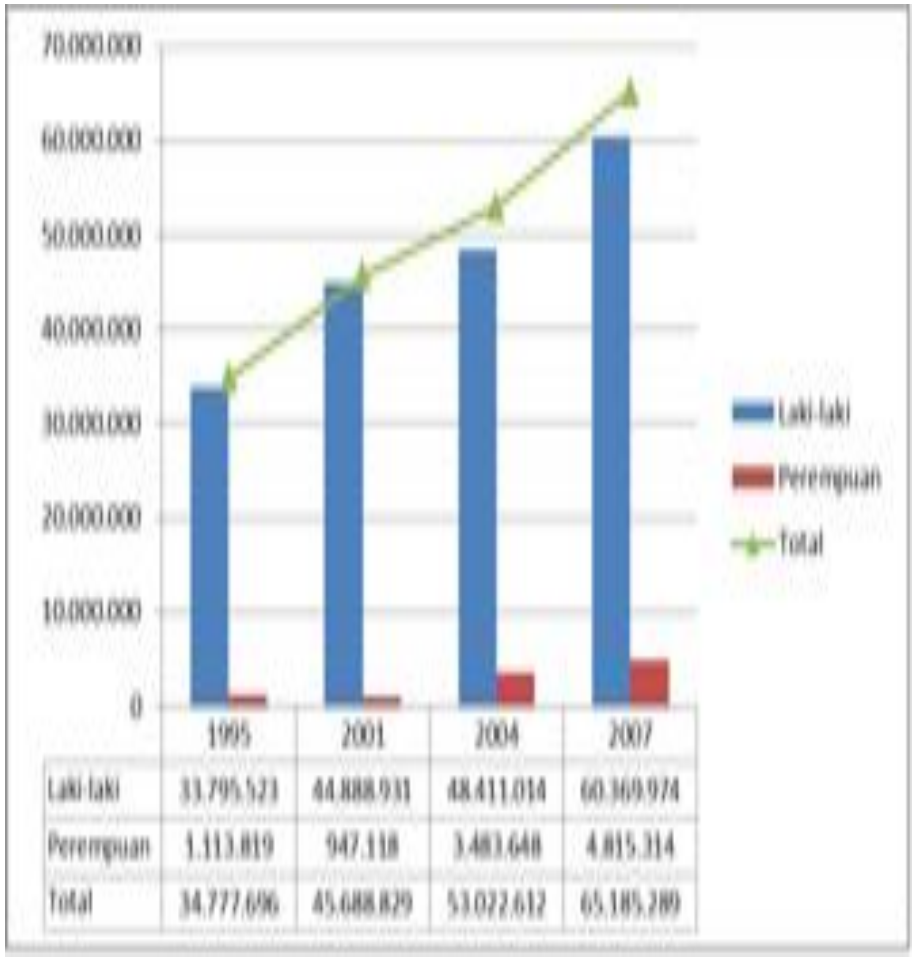
# Increasing Number of Smoker




| | 1995 | 2001 | 2004 | 2007 |
|---|---|---|---|---|
| Laki-laki | 33.795.523 | 44.888.931 | 48.411.014 | 60.369.974 |
| Perempuan | 1.313.819 | 947.118 | 3.483.648 | 4.815.314 |
| Total | 34.777.696 | 45.688.829 | 53.022.612 | 65.185.289 |

- 1995: 34.7 Million
- 2007: 65.2 Million

Increased 88%

- **Male**

1995: 33.8 Million

2007: 60.4 Million

Increased 79%

- **Female**

1995: 1.1 Million

2010: 4.8 Million

Increased more than 4 times

Source :

- Susenas 1995, 2001, dan 2004 dan Riskesdas 2007
- Proyeksi Penduduk Bappenas

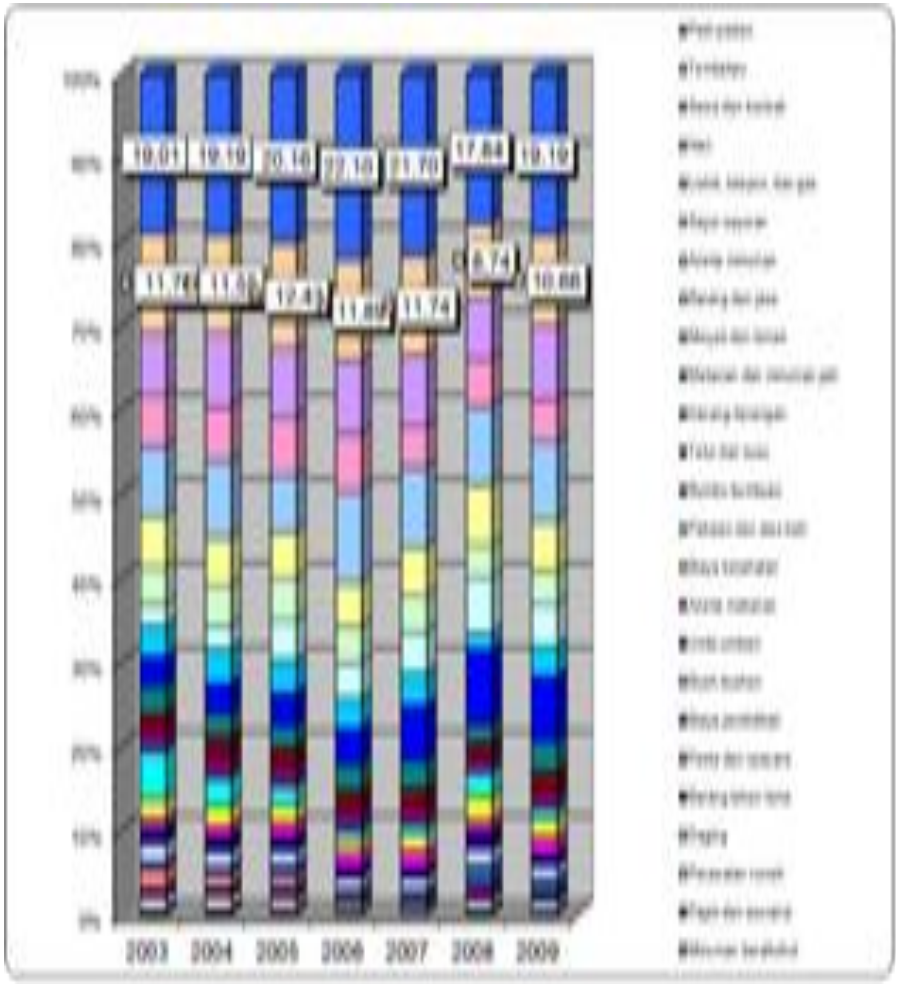
# Burden of Major Tobacco Attributed Diseases in Indonesia

2010

- 12.7% of mortality due to tobacco attributed diseases
- Male : 100,680
- Female : 89,580
- Total : 190,260

Source : Soewarta Kosen 2012

# Opportunity Lost of Cigarette Consumption Among The Poor




- 2009: Poorest HH expenditure for Cigarette rank is the 2nd highest. The highest expenditure is for Grains
- 11X > Meat Expenditure
- 6X > Education Expenditure
- 5X > Milk and Egg expenditure

# The System

## The Goals

- Based on Excise Law No. 39 Year 2007:

1. It's consumption needs to be controlled,
2. It's circulation need to be monitored,
3. It has negative impact on society or environment, and
4. It was charged for the sake of fairness and balance.

The tobacco excise policies is designed to control cigarette consumption.

The success of the cigarette tax policy is determined by its ability to control the consumption of cigarettes.

## The Goals

- Cheap cigarette price ➔ decrease consumer rationality ➔ they will treat cigarette as a normal product (usefull and has no health effect) ➔ cigarette consumption increase
- Tobacco excise ↑ → cigarette price ↑ → consumer rationality ↑ → Cigarette consumption DECREASE

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# The Tobacco Excise System in Indonesia

| | Type of Cigarette | Production Group | | 2010 | | | 2011 | | | 2012 | | | %increase tariff |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ret. Price Range (Rp) | Excise tariff (Rp) | % Ret Price | Ret. Price Range (Rp) | Excise tariff (Rp) | % Ret Price | Ret. Price Range (Rp) | Excise tariff (Rp) | % Ret Price | |
| 1 | Machine Made kretek (SKM) | I | > 2 Billion | > 660 | 310 | 47 | > 660 | 325 | 49 | > 660 | 355 | 54 | 9 |
| 2 | | | | 630 - 660 | 300 | 47 | 630 - 660 | 315 | 49 | 630 - 660 | 345 | 53 | 10 |
| 3 | | | | 600 - 630 | 280 | 46 | 600 - 630 | 295 | 48 | 600 - 630 | 325 | 53 | 10 |
| 4 | | II | ≤2 Billion | > 430 | 230 | 53 | > 430 | 245 | 57 | >430 | 270 | 63 | 10 |
| 5 | | | | 380 - 430 | 195 | 48 | 380 - 430 | 210 | 52 | 374 - 430 | 235 | 58 | 12 |
| 6 | | | | 374 - 380 | 155 | 41 | 374 - 380 | 170 | 45 | | | 0 | **38** |
| 7 | White Cigarette (SPM) | I | > 2 Billion | >600 | 310 | 52 | >600 | 325 | 54 | => 375 | 365 | 61 | 12 |
| 8 | | | | 450 - 600 | 275 | 52 | 450 - 600 | 295 | 56 | | | 0 | **24** |
| 9 | | | | 375 - 450 | 225 | 55 | 375 - 450 | 245 | 59 | | | 0 | **49** |
| 10 | | II | ≤2 Billion | >300 | 200 | 67 | >300 | 215 | 72 | >300 | 235 | **78** | 9 |
| 11 | | | | 254 - 300 | 165 | 60 | 254 - 300 | 175 | 63 | 254 - 300 | 190 | 69 | 9 |
| 12 | | | | 217 - 254 | 105 | 45 | 217 - 254 | 110 | 47 | 217 - 254 | 125 | 53 | 14 |
| 13 | Hand Made Kretek (SKT) / Hand Made White Cigarette (SPT) | I | > 2 Billion | >590 | 215 | 36 | >590 | 235 | 40 | >590 | 255 | 43 | 9 |
| 14 | | | | 550 - 590 | 165 | 29 | 550 - 590 | 180 | 32 | 520-590 | 195 | 34 | **8** |
| 15 | | | | 520 - 550 | 145 | 27 | 520 - 550 | 155 | 29 | | | 0 | **26** |
| 16 | | II | >300 Million - ≤2 | >379 | 105 | 28 | >379 | 110 | 29 | >379 | 125 | 33 | 14 |
| 17 | | | | 349 - 379 | 95 | 26 | 349 - 379 | 100 | 27 | 349 - 379 | 115 | 32 | **15** |
| 18 | | | | 336 - 349 | 90 | 26 | 336 - 349 | 90 | 26 | 336 - 349 | 105 | **31** | **17** |
| 19 | | III | ≤ 300 Million | =>234 | 65 | 28 | =>234 | 65 | 28 | =>234 | 75 | **32** | **15** |
| | Average Excise Rate | | | | | 43 | | | 45 | | | 51 | 16 |

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# The Gaps

## The Failure

- Failed to increase the cheapest cigarette price
- 2008 – 2012 → The cheapest cigarette price : IDR 234 per stick (IDR 2,808 [USD 30 cent] / per pack of 12 sticks)
- cheapest price of cigarette (IDR 1,000 = 4 sticks) < price of candy (IDR 1,000 = 3 candy)
- Failed to decrease cigarette affordability
- (Cig Price x 100) / GDP per kapita) 2003 : 6%, 2006 : 3%

## The Next Step

- The success of tobacco tax policies is indicated with decreasing cigarette consumption. It must be the main goal of tobacco tax policy.
- Tobacco tax must be so high that push the producer to increase the retail price → it will decrease cigarette affordability → decrease cigarette consumption
- Tobacco tax system must be simplified to shorten the price gap → minimize consumer substitution effect from expensive cigarette to cheaper cigarette

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10 MUSUH
PETANI TEMBAKAU
DAN BURUH KRETEK
HARIM
KARTONO
ENDANG K.S.
(MENKES)
ABDILLAH AHSAN
(PENELITI LD FE-UI)
YULUS ABADI
(YLKI)
FAUZI BOWO
(GUBERNUR DKI)
ARIST MERDEKA
SIRAIT
SETO
MULYADI
AZAS TIGOR
NAINGGOLAN
TODUNG
MULYA LUBIS
KOALISI NASIONAL PENYELAMATAN KRETEK