



Madura's Cigarette Excise Contribution Amid Illegal Cigarette Pressure

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ABSTRACT

The objectives of this study are, 1). Explaining cigarette excise and tariffs, 2). Knowing the number of cigarette companies in Madura, 3). Knowing the circulation of illegal cigarettes in Madura, 4). Knowing the contribution of cigarette excise to the state, 5). Knowing the state losses from illegal cigarettes in Madura. Descriptive qualitative research method. Result 1). Excise tariffs on tobacco products have increased from year to year, 2). The growth of cigarette factories on the island of Madura is very high, 3). The circulation of illegal cigarettes in Madura is very concerning, 4). Madura cigarette excise contribution always exceeds the annual target, and 5). State losses from the circulation of illegal cigarettes in 2021 reached Rp. 3,977,436,785. The limitations of this research are the relatively short research process, the methods used and the limited number of research informants. Future researchers should use other methods with a more significant number of informants. The theoretical implication of this research is that it can add references in the field of excise, and the practical implication is that it can be used as reference material in monitoring the distribution of illegal cigarettes, which is detrimental to the state.

Keywords: Excise, Cigarettes, Illegal Cigarettes, Tobacco, State Revenue

JEL Classification Code: E620; H270; E010

INTRODUCTION

Madura, is an island in East Java Province, and consists of 4 (four) regencies (Sumenep, Pamekasan, Sampang, and Bangkalan). Madura Island is a fertile area and rich in potential natural resources, one of which is tobacco plants. Tobacco plants thrive and have very good quality. So that with the existence of tobacco plants have been established and thrived cigarette factories that process tobacco plant products into cigarettes that are able to provide multiple positive effects for the economy, state and society.

However, on the other hand, cigarettes, which are processed products from tobacco plants, are goods whose distribution must be restricted and controlled because these products have a terrible impact on health (Sriyanto & Pangestu, 2022). So, the government has controlled cigarette consumption by issuing Law 39/2007 regarding excise regulations (Ashar & Firmansyah, 2017). Therefore, in producing cigarettes, producers are obliged to comply with state regulations by paying taxes in the form of excise taxes on tobacco products.

The primary function of the CHT is to regulate, control or limit the circulation of excisable goods and to contribute to the state. Cigarettes are one of the things included. Excise tax on cigarettes has existed since ancient times and is a contributor to state revenue for the welfare of society. Cigarette excise is an obligation that cigarette producers must fulfil as an implementation of the laws and regulations set by the State because cigarette excise has a very strategic role as a source of income and a powerful tool to provide a source of government income (Lav, 2002) in development, even global experience in tobacco taxation and tax administration has been used by WHO to develop a series of 'best practices' to maximize the effectiveness of tobacco taxation (Chaloupka et al., 2012) to help state revenues.

Excise on tobacco products (CHT) is a state levy imposed on certain goods with specific properties/characteristics (Republik Indonesia, 2007). State income is a right of the central government which is recognized as adding to the value of net assets (Republik Indonesia, 2003). State revenue consists of tax revenues, non-tax state revenues and grant revenues (Republik Indonesia, 2014). In Indonesia, state revenues from the tobacco and cigarette excise sector continue to increase. Revenue in 2020 reached IDR 103.53 trillion, and the target for 2021 is IDR 173.78 trillion or an increase of 5.3% from the 2020 target of IDR 16.9 trillion (www.finance.detik.com, 2021).

Gambia, in 2013–2014, the government increased excise rates, thereby generating more government revenue from tobacco products (Nargis et al., 2016), this even happened in Vietnam where excise laws have generated tax revenues (Goodchild et al., 2021). In India, increasing cigarette taxes can provide significant health and economic benefits and is a pro-poor policy (Wu et al., 2020). The timing and size of cigarette tax increases have been successfully managed in Japan. To maintain the stability of tax revenues according to income targets (Oshio & Nakamura, 2022). However, in France, 77.2% of parliamentarians opposed the planned increase because it could impact many sectors (Topart et al., 2024), So producers often try to keep tobacco taxes low by using misleading tactics and arguments (Smith et al., 2013) without considering the interests of state revenue.

Empirically, the increase in state revenues from tobacco excise is shown to be due to the existence of tobacco tax revenue policies in the form of excise rates, cigarette taxes and selling prices, which have a positive impact on excise revenues (Nugrahini, 2019; Santosa et al., 2021; Saputra et al., 2021), the existence of the nominal increase in excise rates is higher

compared to the previous year (Nor et al., 2013), and the level of effectiveness of cigarette excise revenue has increased every year (Muharamani et al., 2021; Sari, 2017), as well as increases in excise taxes have a significant impact on reducing smoking prevalence and the number of preventable smoking-related deaths (Ho et al., 2018), and tobacco taxes have a positive impact on health outcomes (Fuchs & Paz, 2019). This means the policy of imposing an excise tax on cigarettes has had positive and significant implications for state revenues. It has also become a resource for state development and improving people's welfare.

However, tax policies, including increases in tariffs on cigarettes, have not only positive implications for state revenues but also have adverse effects, such as increases in cigarette excise, which have reduced cigarette consumption and, in turn, reduced output and income for household sectors and other sectors that are closely related to the industry. Cigarettes, such as the agricultural and tobacco sectors (Ashar & Firmansyah, 2017). On the other hand, the aim of implementing tariffs as a strategy to reduce the number of smokers, apparently in Vietnam, is not practical enough because the current excise law is estimated only to have a negligible impact on the number of smokers in Vietnam (Goodchild et al., 2021). In contrast, the transition from conventional cigarettes to e-cigarettes has yet to be proven to be significant for excise revenue (Sriyanto & Pangestu, 2022). The fan tariff policy of increasing tariffs has also given rise to illegal cigarette producers who do not want to pay taxes, so the circulation of illegal cigarettes has harmed the state. The facts in 2020 show that the circulation of illegal cigarettes in Indonesia has caused state losses of IDR. 134,8 trillion (www.suarantb.com, 2021), and in various countries, the total revenue lost from the circulation of cigarettes on the black market is around \$40.5 billion per year (Joosens et al., 2010).

The circulation of illegal cigarettes is carried out by rogue cigarette manufacturers who do not want to pay the excise tax on cigarettes with various justification arguments and what is very sad is only to enrich themselves. The phenomenon of illegal cigarette circulation in Indonesia, especially in Madura, is no longer an open secret as said by the Head of the Madura KBPPC through the head of public services (PENMAS) that the circulation of illegal cigarettes has been categorized as very concerning and dangerous (Fatmariyah, 2021), because it has undermined and harmed the State and harmed the community. The public is disadvantaged in terms of the domino effect, namely the price of farmers' tobacco becomes very cheap, while the State experiences losses in terms of revenue from the tax element, namely tobacco product excise or cigarette excise.

Therefore, based on the phenomena already described. The main objectives of the research to be carried out are: 1). Explain the problem of cigarette excise and tariffs, 2). Know the number of cigarette companies in Madura, 3). Know the circulation of illegal cigarettes in Madura, 4). Know the potential and contribution of cigarette excise in Madura to the State, and 5). Know the State's losses from the circulation of illegal cigarettes in Madura.

METHODOLOGY

The research approach used is descriptive qualitative. A qualitative approach is research used in studying natural objects with researchers directly involved as the main instrument.

The technique of collecting and combining data, as well as data analysis is carried out inductively.

The results of this qualitative research focus more on giving meaning than generalizing (Moleong, 2013). The descriptive approach itself will produce a systematic picture, according to facts and

have accuracy about reality, dimensions and relationships between parts of the phenomenon related to the subject under study.

The place of this research is on Madura Island and the Madura Customs and Excise Supervision and Service Office Type C Madura Customs (KPPBC Madura) in Pamekasan, the subject was chosen because on Madura Island there is only 1 office that serves and supervises customs in 4 districts consisting of Sumenep, Pamekasan, Sampang and Bangkalan regencies.

The research was conducted from October to December 2021. Research informants were 1 person from KPPBC Madura, 1 cigarette entrepreneur and 3 community members. Informants are determined through purposive sampling techniques by selecting informants who match the criteria and needs in the implementation of this research.

Data collection was carried out through observation, 1 interview, and documentation methods. 1) Observation by non-participant observation of the development of the cigarette industry and cigarette circulation on Madura Island. 2) Interviews were conducted with KPPBC Madura and the community to obtain accurate data from appropriate data sources, 3) Documentation studies through reading various documents and various literature.

Data analysis techniques are carried out through collecting various types of data, reducing data, presenting, and the last step is to compile results in the form of conclusions.

RESULTS AND DISCUSSION

Informant Description

Informant 1. KPPBC Madura (TP). He is a man who served as the first expert BC examiner of KP-PBC Madura.

Informant 2. Cigarette Factory Owner (HA).

She is a 27-year-old woman from Sumenep.

Informant 3. Shop Owner (AN). She is a 45-year-old woman from Pamekasan.

Informant 4. Farmer (IM). He is a 56-year-old man from Sumenep.

Informant 5. Smoker (non-farmer) (JJ). He is a 50-year-old man from Sumenep.

Description of Informant Answers

The following is a brief summary of the description of the results of interviews with informants of this research contained in the following table 1:

Problems of Cigarette Excise Rates

Cigarettes, like the "simalakama" fruit, on the one hand, can damage people's health, but on the other hand, the tax increases state revenue. From the negative side of cigarettes, previous research shows that cigarettes can harm human health (Republik Indonesia, 2007), even increasing tariffs on cigarettes has a positive impact on health outcomes (Fuchs & Paz, 2019; Wu et al., 2020), reducing cigarette consumption (Ashar & Firmansyah, 2017), and reducing the prevalence of smoking and the number of deaths due to smoking (Ho et al., 2018). Although globally, it has not been able to have a significant impact (Goodchild et al., 2021), on the other hand, it is a policy that is pro-poor (Wu et al., 2020). It can reduce cigarette consumption per capita by 6.4% in the short term and 11.6% in the long term (Nor et al., 2013), although it will impact state revenues.

On the state revenue side, this cigarette tax is called excise on tobacco products, which has so far been the most significant contributor to state revenue because tobacco excise tax is a powerful tool for providing a reliable source of government revenue (Joossens et al., 2010). Several studies show that cigarette tax payments increase every year (Muharamani et al., 2021; Santosa et al., 2021; Sari, 2017). Even increased excise rates are still able

Table 1.
Description of Informant Answers

Question	Informant	Answer of Informant
Cigarette Excise Rates	TP	In accordance with government regulations
	HA	Good for the country and society
	AN	I don't know
	IM	Yes, just follow what the government says
	JJ	Make cigarette prices expensive
Number of cigarette companies in Madura	TP	86 active plants, 6 suspect
	HA	I don't know for sure
	AN	I don't know
	IM	I don't know
	JJ	Lots
Circulation of illegal cigarettes in Madura	TP	In 2020, 7.5 million stems were successfully prevented, but in 2021 there will be no official release yet
	HA	Hopefully a lot can be controlled
	AN	Many people offer them to my shop, but sometimes I don't take them because I'm afraid
	IM	Many are sold in shops and are cheap
	JJ	That's a lot, and it's detrimental to many parties
Potential and contribution of cigarette excise in Madura to the country	TP	Very large
	HA	Great because Madura is a good tobacco place
	AN	I don't know
	IM	I don't know
	JJ	It must be big because there are many cigarette factories
State losses from the distribution of illegal cigarettes in Madura	TP	It is huge if you look at the results of prevention and eradication
	HA	Very disadvantaged
	AN	I don't know
	IM	I don't know
	JJ	Big, empty they don't pay anything to the state

Source: Interviews

to generate more government revenue (Nargis et al., 2016; Nugrahini, 2019; Os-hio & Nakamura, 2022) and regional income (Saputra et al., 2021).

The provisions for excise as a state levy imposed on certain goods that have specific properties/characteristics have been stipulated in Law No. 39 of 2007 concerning Excise (Republik Indonesia, 2007). The primary function of the CHT is to regulate, control, or limit the circulation of excisable goods and to contribute to the state. Cigarettes are one of the things included. So, cigarette producers have an obligation to the State to pay a certain amount of tax, namely cigarette excise; this is stated in Article 5, paragraph 1, which states that excisable goods in the form of tobacco products are subject to excise based on

the highest rate. This is done because the distribution of these products must be monitored, their use can hurt society or the environment, and their use requires the application of fair and balanced public levies (Republik Indonesia, 2007).

The CHT (cigarette excise) tariff every year continues to increase, the aim is to protect and improve the welfare of the community. Along the way, cigarette excise rates increased by 62.04% starting in 2015, while the details in 2015 were 8.72% and then in 2016, 2017, 2018 and 2020 continuously 11, 19%, 10, 54%, 10, 04%, and 21.55%. Meanwhile, in 2019 it remained or did not change (www.finance.detik.com, 2021), the amount of excise rates for cigarettes for domestic products is summarized as follows table 2.

Table 2.
Cigarette Excise Rates (In Rupiah)

Types and Groups	2020	2019	2018
Machine-made Clove Cigarettes (SKM)			
G 1	865,00	740,00	
G 2A	535,00	470,00	
G 2B	525,00	455,00	
Machine White Cigarettes (SPM)			
G 1	935,00	790,00	
G 2A	565,00	485,00	
G 2B	555,00	470,00	
Hand-rolled Clove Cigarettes (SKT) or Handheld White Cigarettes (SPT)			57% of retail price/bar
G 1A	425,00	425,00	
G 1B	330,00	330,00	
G 2	200,00	200,00	
G 3	110,00	110,00	
Filter Hand-rolled Clove Cigarettes (SKTF) or Hand Filtered White Cigarettes (SPTF)	865,00	740,00	

Source: Indonesian Ministry of Finance 2017-2019

Based on the table above, cigarette excise rates vary, according to the amount of production, the type of cigarettes produced and other considerations based on the provisions of the applicable law.

Cigarette excise tariffs are divided into several groups, such as hand clove cigarettes, there are 3 groups, there are group 1, group 2 and group 3 and the rates are also different, such as machine kretek cigarettes, if in Madura it is dominated by SKT and SKM, there are 2 SKM groups and no group 3, and tariffs are valid until the end of the year until before there is a new regulation (TP)

In 2022, the government plans to increase cigarette excise rates, this increase will have a negative impact on production and consumption. Based on simulations of Fatoni Ashar and Firmansyah (2015) show that the overall output of the economy and sectoral output will decrease with a reduction in cigarette consumption caused by an increase in cigarette excise. Meanwhile, total and sectoral household income will also decrease as a result of the decline in cigarette consumption.

But in addition, a higher increase in cigarette excise rates can provide several benefits, namely: 1). Higher excise rates and a simpler excise system will reduce smoking prevalence and premature death especially among adolescents, 2). Higher cigarette excise rates will increase state revenues to fund economic recovery, 3). High cigarette excise rates will increase state revenue to fund the national health insurance program (JKN), and 4). Higher cigarette excise rates will increase state revenue to fund mitigation programs for tobacco farmers and tobacco industry workers (Direktorat Pencegahan dan Pengendalian Penyakit Tidak Menular, 2021).

The urgency of excise itself as a controlling tool, means that the increase in excise rates on tobacco products is a controlling tool from the government against the negative effects caused by cigarette circulation and cigarette consumption which must provide reciprocity.

Taxes imposed on goods that have certain properties and characteristics (in the Law) such as in their consumption must be controlled, their circulation needs supervision (the participation of the government and society),

can have a negative impact on health, it is necessary to hold state levies for the principle of balance and justice. Ar-timya there are things that are indeed obtained from smokers who can return to the community, and regions in the form of DBHCT, the amount is 2% of the domestically produced CHT levy. The program can be to public welfare, health, law enforcement (TP).

Apart from that, as stated by Desliyani Tri Wandita (2020) dan Nargis et al., (2016) that one of the reasons for the government to increase excise rates on tobacco products is to encourage people to reduce tobacco consumption, achieve tobacco control targets (Goodchild et al., 2021), reduce prevalence smoking and death rates (Ho et al., 2018), encouraging tobacco users to stop using tobacco, preventing potential users from returning to tobacco use, and reducing consumption among those who continue to use tobacco, with the most significant impact on young people and the poor (Chaloupka et al., 2012), as well as an increase in cigarette excise reduces cigarette consumption (Ashar & Firmansyah, 2017).

The principle of excise is an instrument to control the pattern of people's consumption behavior. This means that with the excise levy, it is hoped that people who consume cigarettes can be reduced (TP).

However, even so, this is an effort by the government; although the policy of increasing excise tax does not necessarily reduce household tobacco consumption (Wandita, 2020), it is estimated that it will only have a small impact on the number of smokers (Goodchild et al., 2021). It needs to be seen as a whole that other factors influence consumption levels outside of excise policy. However, it is estimated that there will be a decline in per capita

cigarette consumption by 6.4% in the short term and 11.6% in the long term (Nor et al., 2013).

Cigarette Industry in Madura

A cigarette company is a certain place used to produce excisable goods and / or a place for packaging excisable goods to be sold as stipulated in Law 39/2007 (Republik Indonesia, 2007). The cigarette industry plays an important role in stimulating economic growth, because it has a major impact such as the growth of related business units, the availability of business opportunities, and the absorption of labor force in related production centers. So, the existence of the cigarette industry still needs to be developed and fostered through various controlling instruments so as not to have a negative impact.

The growth of cigarette factories on the island of Madura which has a very large potential and quality tobacco plants including very high and very fast growth.

Currently, as of December 9, there are 86 active cigarette factories and 6 cigarette factories whose status is frozen. The freeze is due to various factors such as not producing or not meeting certain conditions and can still be reactivated (TP).

The number of cigarette factories has increased significantly compared to 2018 which only had around 50. The increase and growth of this cigarette factory is a positive energy for people such as tobacco farmers, because it will provide hope that the results of tobacco panin will be purchased by the cigarette factory, in addition, it will provide income for the state (TP).

In addition, there are also several illegal cigarette factories, the existence of these illegal cigarette factories is very difficult to find directly because they produce clandestinely. So, it is very difficult to deter-

mine the number and take action.

If the cigarette company is illegal, if we know for sure, we will immediately take action (TP)

So that with the existence of illegal factories that are difficult to detect, the state provides solutions by establishing Tobacco Product Industrial Areas (KIHT/TPIA) in several districts as a foundation for fostering the illegal cigarette industry, so that illegal cigarettes can be fostered and reduce the circulation of illegal cigarettes that have harmed various parties, namely farmers, legal cigarette entrepreneurs and the State.

Illegal Cigarette Circulation in Madura

Cigarettes are categorized as illegal cigarettes because they do not obey the principles or violate state rules and regulations, for example cigarettes without excise tape or plain cigarettes, using fake tax bands or using used excise tapes. In addition, cigarette production is considered illegal because the excise tape is not in accordance with the type and class of cigarettes or the manufacturer, or the excise tape is installed but not the right and fake cigarettes with completely fake excise tape (Kurniati, 2019).

Many factors cause illegal cigarettes to be increasingly rapidly circulating, namely due to very high levels of consumption, even the results of research by the Indodata Survey Institute (LSI) recorded that 28.12% of 4.2% of cigarette consumers admitted that they had and were consuming cigarettes that were circulating illegally (www.tribunnews.com, 2021).

In addition, from the point of view of the community from the consumer side because the price of legal cigarettes is considered increasingly expensive, while from the business side is because excise rates continue to increase every year, so that the price of cigarettes becomes expensive and difficult to sell, even though actually illegal

cigarettes have developed before there is an increase in excise taxes, as the results of research that presents excise policy, pre and post increase are accused as the main factors causing the growth of illegal cigarettes.

In 2020, illegal cigarettes circulating in Indonesia increased by 4.9%, while the government set a target of being below 3% (www.indonesiabaik.id, 2021). The enforcement carried out by the BC office reached 9,014, with evidence of confiscated goods totaling 448.18 million illegal cigarettes of various types, both white and plain cigarettes that did not have bands, using fake excise tapes, used and unsuitable tax tapes, and the confiscated proceeds were equivalent to Rp. 270.79 billion (www.antaraneews.com, 2021; ekonomi.bisnis.com, 2020). Illegal cigarettes in circulation are quite varied in type, some are in the form of SKT, SPM and SKM. But in general, the types of illegal cigarettes that are circulated are mostly plain forms that are deliberately non-ribboned (www.kontan.co.id, 2020).

In Madura, the level of distribution and circulation of illegal cigarettes that have been detected in numbers is very concerning, this circulation is also quite rapid in the market, this can be seen from the various results of the operation of the authorities and freely displayed in several seller shops.

Many offer to my shop, but I sometimes don't take it because of fear (AN), Many are sold in stores and cheap prices (IM), Very much that, and it harms many parties (JM).

If in 2020 the data is at 7.5 million illegal cigarettes that have been successfully prevented, if the 2021 has not been released, but the 2021 is actually above 7.5 million cigarettes because in 2021 there is differentiation from the previous year, so each district currently

has an illegal cigarette eradication task force (TP)

Data from KPPBC Madura, in 2021 there have been several destruction of illegal cigarettes as a result of the crackdown. This is a real commitment in eradicating illegal cigarettes in the Madura region. The destruction of the results of the enforcement period from October 2020 to June 2021 which was carried out on Friday, October 29, 2021, amounted to 5,329,166 illegal cigarettes worth Rp. 5,441,330,680,- (KPPBC Madura, 2021a), and on December 8, 2021, KPPBC Madura destroyed state property (BMN) from the crackdown in the form of 3,078,983 illegal cigarettes worth Rp. 3,113,577,720,- (KPPBC Madura, 2021b).

Madura's Cigarette Excise Tax Contribution to State Revenue

In essence, government revenue or state financial income consists of taxes, levies, dividends, fines, grants, and so on (Syamsi, 1994). State revenue comes from taxes and PNBP. Revenue derived from taxes is a contribution from the people to the government based on the law. This tax is imposed without a careful reciprocal request that is disclosed and used to pay government expenditures (Mardiasmo, 2011). Meanwhile, according to Law 17 of 2003, state revenue is a government right that is recognized as an enhancer of net worth consisting of tax revenue, non-tax revenue, and grants according to Law 17/2003 (Republik Indonesia, 2003). If it is related to the state budget, there are 3 sources of state revenue, namely tax revenue, non-tax state revenue (PNBP), and grants. Excise tax on tobacco products (cigarette excise) is part of state revenue in the tax element.

These various government levies are used as the cost of government expenditures and expenditures. Taxes are the main element of state revenue, these taxes are used to finance the administration of

government, public services and development in all fields. In addition, for employee salaries, education, infrastructure and so on that aim to improve the economy of the people and the country (Sukirno, 2012).

As one of the state revenues, cigarette tax acts as a support for state revenue from the real sector. The cigarette tax itself is levied by the state as part of the contribution to state revenue. In some records and reports, it shows that the potential and contribution of excise taxes to the state is very large, even said to be an opponent for state income. Of the various excise tax revenues, the largest contribution was in cigarette excise at 96%.

State revenue from the customs and excise sector in 2013 was recorded at Rp 108.5 trillion. Of this amount, cigarette excise still dominates at Rp 103.5 trillion. Cigarette excise collected in 2018 alone reached IDR 159.6 trillion, excise revenue in 2019 amounted to IDR 172, trillion, an increase of 8.0% compared to 2018 and in the 2021 State Budget, the government set excise revenue at IDR 180 trillion. More specifically, the tobacco excise tax target in 2021 is IDR 173.78 trillion, up 5.3% from the 2020 target of IDR 16.9 trillion. The tobacco industry is also a source of income for 6.1 million people working in the tobacco industry. Direct and indirect industries, including 1.8 million tobacco and clove producers (www.finance.detik.com, 2021).

In Madura, the potential for excise taxes is very large, including cigarette excise, this is because many legal cigarette factories are growing and will automatically contribute to the country in the form of excise taxes.

Big because Madura is a good tobacco place (HA), It must be big because there are many cigarette factories (JM).

The potential for excise in Madura is very large because here mainly in Sampang, Pamekasan and Sumenep grow

tobacco plants that are very fertile and good, where finally many cigarette factories that grow there are also official or legal which will eventually also contribute in the form of excise levies to the state, indeed indirectly the excise tax is borne by consumers who consume these cigarettes. (TP)

Cigarette excise or tobacco excise tax on Madura Island is quite large, even always exceeding the annual target set by the State. Specifically, the target setting and realization determination of CHT in Madura appear in the following table:

Table 3.
Madura CHT Income

Period	Target	Realization
2019	Rp273,167,531,000	Rp290,595,728,200
2020	Rp361,296,583,000	Rp378,635,273,050
s.d. 30 November 2021	Rp354,285,337,000	Rp403,337,735,050

Source: Indonesian Ministry of Finance 2017-2019

In the table, it also appears that cigarette excise in 2021 as of November has reached Rp. 403,337,735,050,- and has exceeded the annual target of Rp. 354,285,337,000,- even though it has not closed the year-end book.

In the last 3 years, revenue has always been above the target, revenue at KP-PBC Madura has always been above the target. (TP)

In 2021, tobacco excise tax revenue in Madura is already at Rp. 400 M, and that amount exceeds far above the annual target of around 300 M even though it has not reached the end of the year. (TP)

If you look at the data, indeed every year there is a very positive movement related to the potential growth of cigarette excise on the island of Madura. This growth

is certainly caused by various factors and the development of the cigarette industry on the island of Madura.

This is a positive trend because the realization far exceeds the initial target, meaning that there entrepreneurs grow positively with new entrepreneurs who start to take care of excise taxes at KP-PBC Madura and it could also be from a positive trend of production from one or several companies whose cigarettes are accepted by the market. (TP)

This shows that the contribution of Madura's cigarette excise to state revenue is very large, which is around Rp. 400 billion more in 2021. This value shows that Madura's cigarette excise contribution is very significant in helping to increase state revenue.

The potential for cigarette excise will certainly increase every year when the local government has decided and operated KIHT (Tobacco Products Industrial Estate) in each district on the island of Madura, because the existence of KIHT will also function in minimizing the operation of illegal tobacco products companies that have a negative impact on state revenue and harm the Indonesian people.

State Losses from Illegal Cigarette Circulation in Madura

In addition to the large amount of state revenue from tobacco excise taxes, there are several negative contributions that have harmed the state due to the cir-

ulation of illegal cigarettes. Nationally the country's losses from the circulation of illegal cigarettes (durno cigarettes) are huge and fantastic.

The study results show that the losses experienced by the state due to the distribution of illegal cigarettes on the market reached around Rp. Three trillion to Rp. 6 trillion per year. The research results of 2009 revealed that state losses from the loss of excise taxes that were not deposited into the state treasury had reached around Rp. 5.25 trillion per year (Kurniati, 2019). The Indonesian Minister of Finance noted significant losses, reaching 13.48 trillion (www.suarantb.com, 2021). One research result shows that the total income lost from this illicit trade is around \$40.5 billion annually. If this illicit trade were eliminated, the government would profit at least \$31.3 billion annually (Joossens et al., 2010).

The facts shown by LSI show that if converted into state revenue, the potential tax loss reaches Rp. 53.18 trillion (www.merdeka.com, 2021). In addition, in 2020, the number of crackdowns reached 9.018 enforcement with 448.07 million goods with a BHP value of Rp. 370.67 billion. Meanwhile, in 2021 as of August, there were 5.433 actions and obtained 213.15 million BHP worth Rp. 207.94 billion (www.beritasatu.com, 2021).

In Madura, the circulation of illegal cigarettes is very massive targeting the lower class who do not understand the consequences or multiple-effect of consuming illegal cigarettes that can harm themselves.

Of course, if illegal cigarettes circulate then the circulation of tobacco that is a danger to health cannot be controlled. Likewise, the competitiveness of factory cigarettes has also declined, because illegal cigarettes are cheaper (HA).

Data from KPPBC Madura in 2021 shows that in the October 2021 period, 5,330,680 illegal cigarettes have been destroyed. The potential state loss from the results of the action is Rp. 2,382,410,330,- (KPPBC Madura, 2021a). Furthermore, in the December 2021 period, 3,078,983 illegal cigarettes worth Rp. 3,113,577,720 were destroyed again with a potential state loss of Rp. 1,595,026,455 (KPPBC Madura, 2021b). If added together, the state losses in 2021 from the destruction have reached Rp. 3,977,436,785. The amount is very large and very fantastic in contributing to the losses suffered by the State.

It is very disadvantaged, if the circulation of illegal cigarettes can be withheld, surely excise taxes can increase state revenue and benefit the people (HA), big, vacant they do not pay anything to the state (JM).

So that in the future, it is very necessary to have a more accurate and strict supervision and regulation system in order to increase and maintain state revenue. One of them is by accelerating the operation of KIHT in each region that has tobacco potential and the cigarette industry.

CONCLUSIONS

Based on the results of the study, the conclusions that can be drawn from the phenomena are: 1). CHT (cigarette excise) rates are always increasing, the aim is to protect and improve public welfare.

The increase in cigarette excise rates provides positive and negative benefits to various parties. 2). The growth of cigarette factories on the island of Madura which has a very large potential and quality tobacco plants including very high and very fast growth. Currently, there are 86 active cigarette factories and 6 cigarette factories whose status is frozen. 3). The circulation of illegal cigarettes in Madura which has been detected in very poor numbers, this

circulation is also quite rapid in the market, this can be seen from the various results of police operations and freely displayed in several seller shops.

In 2020, there were 7.5 million illegal cigarettes that were successfully prevented. 4). Madura's cigarette excise tax contribution in 2019-2021 always exceeds the annual target, and 5). State losses from the circulation of illegal cigarettes in 2021 reached Rp. 3,977,436,785,-.

This research has several limitations, including the relatively short research process, the methods used and the number of research informants. So the advice for the next researcher is to be able to use other methods with a larger number of informants or samples.

The implication of this research in theory is that it can add reading references in the field of excise, and the practical implication is that it can be used as reference material in supervising the circulation of illegal cigarettes that harm the state.

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