

# Analysis of the Allocation and Management of Tobacco Excise Revenue-Sharing Funds

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**Abstract:** In the practice of decentralization, the Revenue Sharing Fund for Tobacco Excise (DBHCHT) is given to tobacco-producing regions from the State Budget (APBN) in return for their contribution to state revenue. The management of the Tobacco Excise Revenue Sharing Fund is allocated to fund five programs, namely improving the quality of raw materials, coaching industry, social environment development, socialization of provisions in the excise sector, and eradication of illegal excisable goods with priority in the health sector to support the national health insurance program, especially increasing the quantity and quality of health services and economic recovery in the regions. In addition to the health sector, The Minister of Finance Regulation also allocates Revenue Sharing Fund for Tobacco Excise (DBHCHT) in the areas of community welfare and law enforcement.

**Keywords:** Excise, DBHCHT, Tobacco

## 1. Introduction

The Indonesian state is a state of law, as stated in the constitution Article 1 Paragraph (3). The Indonesian state as a state of law has an obligation to maintain a decent life for every citizen without discrimination. The obligation to maintain a decent life can be done through the provision of public facilities and health facilities. This is in line with Article 34 Paragraph (3) of the 1945 Constitution of the Republic of Indonesia and the objectives of the state contained in paragraph IV of the Preamble of the 1945 Constitution of the Republic of Indonesia where the state has the aim of advancing the general welfare in order to realize a state life that guarantees independence, unity, justice, peace, welfare, and legal certainty for every citizen regardless of anything in one place, namely, the Unitary State of the Republic of Indonesia. The provision of public and health facilities is financed by the state through the State Budget (APBN).

The State Budget (APBN) is the annual financial plan of the Government of Indonesia approved by the House of Representatives. The State Budget is passed annually into law. In the APBN, state revenues and expenditures are recognized. State revenue can be obtained from tax revenue, non-tax revenue (PNBP), and grant revenue. In 2023, the state expenditure budget is planned at Rp2,463 quad trillion which is used for outputs and results oriented to the welfare of the people through goods expenditure, personnel expenditure, capital expenditure, debt expenditure, subsidy expenditure, social assistance expenditure, grant expenditure, and others (Usman & Wartoyo, 2024).

Excise is one of the state revenues obtained from levies on goods that have certain properties and characteristics. The characteristics of excisable goods can be seen through the consumption of goods that need to be controlled, the circulation of goods that need to be monitored, the use of goods that can have a negative impact on society and the environment, and the need for state levies for the sake of justice and balance. Article 4 Paragraph (1) of Law Number 39 Year 2007 concerning Excise has stated several items that can be referred to as Excisable Goods (BKC), including Ethyl Alcohol (Ethanol), alcoholic beverages, and tobacco products. Tobacco products can be divided into several types, including hand-rolled clove cigarettes, machine-made clove cigarettes, white cigarettes, e-cigarettes, leaf cigarettes, sliced tobacco, and other tobacco products (Welker, 2021).

Currently, about one-third of the world's population are smokers. In Indonesia itself, the position of cigarettes seems to be a double-edged sword (Laszlo, 1994). On the one hand, cigarettes have a positive impact on the sustainability of the workforce and state revenue which will have an impact on national development (Ekpu & Brown, 2015). The Food

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Agriculture Organization (FAO) 2021 shows that Indonesia is ranked 4<sup>th</sup> as the world's largest tobacco producing country with 0.23 million tons/year. In addition, Indonesia is also ranked 2<sup>nd</sup> as the country with the world's largest cigarette market which markets cigarettes as much as 316.1 billion cigarettes / year which will certainly affect state revenues. On the other hand, Indonesia is ranked 3<sup>rd</sup> as the world's smoking country with 65.7 million smokers (Mayasari et al., 2023). This certainly has many negative impacts, especially health problems. So that to overcome the negative externalities arising from tobacco products, it is necessary to levy excise tax accompanied by earmarking. In the drafting of Article 66 of Law No. 38/2007 on Excise, an idea emerged from council members whose electoral districts are excise-producing areas who initiated funds from the state budget given to excise-producing areas for the implementation of decentralization. Thus, the term Tobacco Excise Revenue Sharing Fund is used to bridge the negative externalities of tobacco products and tobacco-producing areas.

Real Work Lecture (KKN) is a community service activity carried out by students in intracurricular activities that integrate the activities of the Tri Dharma of Higher Education. The form of KKN activities is in the form of scientific, knowledge, and technological applications to train and equip students in applying the knowledge they have learned in lectures to be used in solving various problems that occur in society and developing the potential of the community in predetermined areas, one of which is in Jekulo District, Kudus Regency. In 2022, Kudus Regency has received a DBHCHT budget of 174.2 million rupiah from the total DBHCHT budget in 2022 of 218.62 T (Ministry of Finance, 2022). Thus, Kudus Regency is one of the largest tobacco producing regions in Indonesia. This is also indicated by the existence of the Tobacco Green Industrial Zone (KIHT) which has been established in Kudus Regency as one of the law enforcement efforts through the industrial development program.

Pladen Village is one of the villages located in Jekulo Sub-district, Kudus Regency. As one of the villages from tobacco-producing districts in Indonesia, all levels of society should know the meaning of Revenue Sharing Fund for Tobacco Excise (DBHCHT). Knowledge about DBHCHT can be obtained from socialization provided by the Local Government in collaboration with the customs. Not only for ordinary civilians, but the Village Government is also required to know DBHCHT. Knowledge of DBHCHT is very important so that the village government can control and evaluate the use of DBHCHT that should be used in assisting the implementation of decentralization through regional development. Thus, knowledge of DBHCHT for the Village Government is expected to increase the knowledge of village officials and be able to increase the sensitivity of village officials in monitoring and evaluating the allocation and management of the Tobacco Excise Revenue Sharing Fund.

## 2. Method

Knowledge about the analysis of the allocation and use of the Tobacco Excise Revenue Sharing Fund (DBHCHT) was conducted through socialization involving the Village Head, Village Apparatus, and the Pladen Village Consultative Body. The location of the DBHCHT socialization was at the Pladen Village Hall on Wednesday, 06 September 2023. Before the socialization event was held, the Village Head and his staff participated in providing input regarding the socialization event that would be held. In the planning stage, students explained the DBHCHT socialization program plan to the Village Head and his staff. After receiving input, students and officials then discussed determining the day for the socialization so that it would not conflict with other events. In the event preparation stage, students prepared various letters such as invitation letters, letters of request for remarks, letters of borrowing places, letters of borrowing infrastructure facilities, preparing consumption, and materials. When the letter arrived at the village hall, the village head and his staff followed up by taking part in preparing the venue and infrastructure such as chairs, tables, LCDs, projectors, speakers, and others. The research strategy used to achieve the expected goals is to prepare the event as well as possible and deliver the material, straightforwardly, and easily understood. This can be done by using good public speaking.

## 3. Results

Knowledge of the Revenue Sharing Fund for Tobacco Excise (DBHCHT) can be done through socialization. DBHCHT socialization is carried out by containing substances including the concept of DBHCHT itself. Basically, the Revenue Sharing Fund for Tobacco Excise contains two terminologies, namely revenue sharing funds which are interpreted as funds allocated in the APBN to the Regions based on a certain percentage of state revenue to fund regional needs in the context of implementing decentralization. Meanwhile, the second term is tobacco excise, which is defined as levies imposed on excisable goods in the form of tobacco products which include cigarettes, cigars, leaf cigarettes, sliced tobacco, and other tobacco processing products. Thus, DBHCHT is one of the regional revenues sourced from the APBN in addition to the Special Allocation Fund (DAK) and the General Allocation Fund (DAU) which are transferred to tobacco excise-producing regions based on a certain percentage as a form of reciprocity for regional contributions to the receipt of State revenue. The use of DBHCHT supplied to the revenue has been dedicated to this action in limiting, controlling, and reducing the adverse impacts generated by tobacco products.

Pladen Village is one of the villages in a tobacco-producing regency, namely Kudus Regency. As part of a tobacco-producing area, every element of society must know the concept of the Tobacco Excise Revenue Sharing Fund. Knowledge of the Tobacco Excise Revenue Sharing Fund is very important because the people of Pladen Village are expected to be able to participate in controlling and evaluating the use of the Tobacco Excise Revenue Sharing Fund of

Kudus Regency. Knowledge of the Tobacco Excise Revenue Sharing Fund can be obtained from socialization. The socialization of the Tobacco Excise Revenue Sharing Fund conducted by Muria Kudus University TA.2023 Real Work Lecture Students was carried out with the target of the Village Head and his staff as well as the Pladen Village Consultative Body. This socialization contains material about the concept of DBHCHT, the allocation and use of DBHCHT, as well as the role of village officials in the use and evaluation of the DBHCHT program which must be in accordance with what is mandated by the law and the regulations under it.

According to Regulation of the Minister of Finance Number 215/PMK.07/2021 on the Use, Monitoring, and Evaluation of Tobacco Excise Revenue Sharing Funds, the principle of using DBHCHT is to fund programs to improve the quality of raw materials, foster industry, foster social environment, socialize provisions in the excise sector, and/or eradicate illegal excisable goods. Among the five programs above, this regulation mandates that priority be placed on the health sector to support the national health insurance program, especially increasing the quantity and quality of health services and economic recovery in the regions. Then there are three major areas of DBHCHT use that still refer to the existing programs in the Excise Law, such as emphasis on health, public welfare, and law enforcement, where this PMK has regulated their respective portions. The following are the provisions for the use of DBHCHT:

- A. 50% (fifty percent) for public welfare with the following provisions:
  - a. 20% (twenty percent) for:
    1. Program for improving the quality of raw materials  
The program to improve the quality of raw materials to support the community welfare sector includes training activities to improve tobacco quality, harvest and post-harvest handling, application of technical innovations, and support for tobacco farming infrastructure.
    2. Industrial development program  
The industrial development program to support the field of community welfare includes activities:
      - Data collection and supervision of ownership or use of cigarette rolling machines and the granting of certificates/registration codes for cigarette rolling machines.
      - Provision/maintenance of testing facilities for tobacco raw materials and tobacco products for small and medium industries
      - Provision/maintenance of industrial waste treatment facilities and/or infrastructure for small and medium tobacco product industries
      - Development and capacity building of human resources in small and medium-sized tobacco products industry businesses
      - Establishment, management, and development of tobacco product industry centers
      - Provision/maintenance of connectivity infrastructure that supports the tobacco products industry.
    3. Social environment development program for work skills improvement activities  
The social environment development program to support the community welfare sector includes activities to provide assistance and improve work skills provided to tobacco farm laborers, cigarette factory laborers, cigarette factory laborers who have been laid off, and other community members as determined by the local government. Activities to improve work skills include work skills training, business capital assistance, and production infrastructure assistance to tobacco farmers in the context of crop diversification.
  - b. 30% (thirty percent) for the social environment development program on assistance activities  
Similar to the provision of work skills, assistance is provided to tobacco farm laborers, cigarette factory laborers, cigarette factory laborers who have been laid off, and other community members as determined by the local government. Assistance can be provided through the provision of direct cash assistance and payment assistance for tobacco production protection insurance contributions for tobacco farmers.
- B. 10% (ten percent) for law enforcement. Law enforcement covers three programs, namely, industrial development, socialization of provisions in the excise sector, and eradication of illegal excisable goods. Law enforcement is very important because it determines how much the government can collect tobacco excise.
  - 1) Industry Development  
The industrial development program to support the field of law enforcement includes the construction, management, and development of certain industrial areas of tobacco products. The implementation of activities for the construction, management, and development of certain industrial areas for tobacco products is guided by the provisions stipulated by the Ministry of Industry by taking into account output achievements, needs, and budget availability in the regions.
  - 2) Socialization of Provisions in the Excise Sector  
The socialization of provisions in the excise sector to support the law enforcement sector includes the following activities:
    - Dissemination of information on legislation in the community or provisions of excise regulations to stakeholders that can be implemented using face-to-face forums or billboards with communication media such as newspapers, magazines, communication media, television, and online media that must be delivered clearly, easily read, and dominant.
    - Monitoring and evaluation of the implementation of the provisions of laws and regulations in the field of excise.

### 3) Eradication of Illegal Excisable Goods

The program to eradicate illegal excisable goods to support the field of law enforcement includes activities:

- Collection of information on the circulation of illegal excisable goods including tobacco products characterized by being attached to fake excise tapes, not attached to excise tapes, attached to excise tapes that are not their rights or wrong personalization, attached to excise tapes that are misappropriated, and attached to used excise tapes in circulation or retail sales points.
- Joint operations to eradicate illegal excisable goods with the Customs Regional Office of the local Customs Supervision and Service Office initiated by the Regional Government
- Provision/maintenance of facilities and/or infrastructure supporting activities to eradicate illegal excisable goods

### C. 40% (forty percent) for the health sector

The social environment development program to support the health sector includes activities:

1. Health services both promotive/preventive, and curative/rehabilitative activities with the priority of supporting efforts to reduce the prevalence of stunting, handling the Corona Virus Disease 2019 (COVID-19) pandemic, increasing vaccinations and immunizations, improving the quality of health services for mothers and children under five years old, tackling and handling pulmonary and respiratory diseases, providing/improving health facility facilities/infrastructure, providing/improving sanitation facilities/infrastructure, waste management, and clean water, paying health insurance contributions for residents registered by the Regional Government including workers affected by layoffs.
2. Provision/improvement of health facility facilities/ infrastructure
3. Provision/improvement of facilities/infrastructure for sanitation, waste management, and clean water facilities
4. Payment of health insurance contributions for residents registered by the Local Government including workers affected by termination of employment.

Based on the socialization of the Tobacco Excise Revenue Sharing Fund, it is hoped that it will be able to increase knowledge for the Pladen Village Head and his staff and is expected to create new awareness for the community of the dangers of illegal cigarettes both for health, the environment, and national development.

## 4. Discussions

The socialization of Tobacco Excise Revenue Sharing Funds aims to provide knowledge to village heads and their staff. As a dynamic concept and always determined annually through various regulations such as laws and Minister of Finance Regulations, the changes are always a question. One of the questions that arose during the socialization of the Tobacco Excise Revenue Sharing Fund was whether the excise value/tariff always changes every year and what is the current excise value. The value or rate of excise, especially on excisable goods, tends to change every year, which is determined by the Minister of Finance through the Decree of the Minister of Finance as a legal basis. The government decided to increase the excise tax on tobacco products (CHT) for cigarettes by 10 percent in 2023 and 2024. This increase aims to control cigarette production and consumption. The following are the excise tax rates on domestically produced tobacco per cigarette/gram for 2023 as presented in Table 1.

**Table 1.** Excise rates for each type of tobacco product.

No.	Tobacco Product Factory Entrepreneur Group		Excise Tariff Per Stem/Gram
	Type	Group	
1.	SKM	I	Rp1.231
		II	Rp669
2.	SPM	I	Rp1.193
		II	Rp710
3.	SKT or SPT	I	Rp461/Rp361
		II	Rp214
		III	Rp118
4.	SKTF or SPTF	No Group	Rp1.101
5.	KLM	I	Rp461
		II	Rp25
6.	TIS	No Group	Rp30/Rp25/Rp10
7.	KLB	No Group	Rp30
8.	CRT	No Group	Rp110.000/Rp22.000/Rp11.000/Rp1.320/Rp275

## 5. Conclusion

The Tobacco Excise Revenue Sharing Fund is one of the regional revenues sourced from the APBN in addition to the Special Allocation Fund (DAK) and the General Allocation Fund (DAU) which is transferred to the tobacco excise-producing regions based on a certain percentage as a form of reciprocity for the regional contribution to the receipt of State revenue. Tobacco excise is the largest contributor to state revenue. During the first quarter of 2021, the realization of tobacco excise revenue was 48.22 trillion or 27.75 percent of the target. Knowledge about Revenue Sharing Funds is very important for every community, especially the community and local government located in tobacco-producing areas, such as Pladen Village, Jekulo Sub-district, and Kudus Regency. An understanding of the concept and allocation of DBHCHT can be obtained either through socialization or through other media. The socialization of DBHCHT conducted with the Pladen Village Head and his staff aims to increase the village government's knowledge of DBHCHT. It is hoped that the village government can participate in monitoring the use and allocation of DBHCHT in accordance with the percentage that has been determined in the decree of the minister of finance. In addition, the village government is expected to control the use of tobacco excise revenue sharing funds as an assistance fund in order to implement decentralization in Kudus District.

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## Conflict of Interest

The authors declare no conflicts of interest.

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