

Considerable evidence of **purchases made below the minimum price** indicated by the tax stamp.

Limited evidence in this sample of a tax stamp applied to the wrong product type.

Tax Stamps in Indonesia: Evidence of Illegal Activity

Background

Indonesia has a tax system with eight tiers where tax differs by per-unit price and manufacturer size for cigarettes (2 tiers), machined kreteks (2 tiers) and hand-rolled kreteks (4 tiers). Tiered tax systems create the opportunity for industry manipulation of the tax stamp system. This work examines if there is any illegal activity related to tax stamps on cigarette and kretek packs in Indonesia.

Methods

- The Tobacco Pack Surveillance System (TPackSS) collected cigarette and kretek packs across three cities in Indonesia (Jakarta, Medan, and Surabaya) in September 2022
- Purchase price, product type on packaging and tax stamp information (product type, tax tier, stick count) were evaluated by a single coder
- We evaluate if tax stamps were illegally applied for different tax tiers or stick counts and whether the purchase price was less than the minimum government sales price

Sample

- There were 314 unique packs collected and 302 packs had visible information on packaging and tax stamp for analysis. Cigarettes made up 17% of the sample, while hand-rolled kreteks and machined kreteks made up 23% and 60%, respectively

Results/Discussion

- Only one pack applied the wrong product tax stamp, paying a cheaper tax than required
- That pack was also one of the two cases where a tax stamp under-reported the number of sticks, which reduces the tax paid
- At least 8.2% of the unique pack sample were illegal vis-a-vis tax or price
- The most prevalent issue was a purchase price below the minimum price, which was observed for 23 packs (7.6%)
- One limitation of this study and an area for future research is the evaluation of within product type tax stamp switching (e.g., applying a 635 IDR tax stamp on cigarettes that should be taxed 1065 IDR)



Tax stamp shows product (SKM), tax tier (985 rupiah), and an implied minimum price of 19,444. Packaging shows SKM product. Actual price was 18,800.



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Tobacco industry	E-cigarette & nicotine product industry	Pharma industry
NO	NO	NO
NO	NO	NO

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Learn more about the Tobacco Pack Surveillance System (TPackSS)