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A CENTURY OF LEADERSHIP
IN LUNG HEALTH

WEBINAR SERIES

RAISING TAX TO FINANCE PUBLIC HEALTH SYSTEM IN RESPONDING TO COVID-19 AND PREVENTING FUTURE PANDEMICS

Speakers Materials

THURSDAY, 9TH OF JULY 2020

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Pande Putu Oka K. | Fiscal Policy Agency (BKF)

THURSDAY, 9TH OF JULY 2020

Ministry of Finance Republic of Indonesia

Raising Tax to Finance Public Health System in Responding to COVID-19 and Preventing Future Pandemics

Webinar, July 9th 2020

OUTLINE

COVID-19: Impact to the economy

Excise policy as public health instrument

The future of excise policy in Indonesia: challenges and opportunities

COVID-19: IMPACT TO THE ECONOMY

PANDEMIC COVID-19 GIVES DOMINO EFFECTS TO SOCIAL, ECONOMIC, AND FINANCIAL ASPECTS

HEALTH

The rapid spread of COVID-19 creates a **health crisis** with the absence of vaccines, drugs, and limited equipment and medical personnel.

SOCIAL

The effort to flattening the outbreak curve has consequences on: **the major reduction of economic activities** that push up unemployment in various sectors, including the informal sectors.

ECONOMY

Economic performance has been slowing down: consumption has been disrupted, investment has been hampered, exports and imports have contracted. Economic growth has slowed/ fallen sharply.

FINANCE

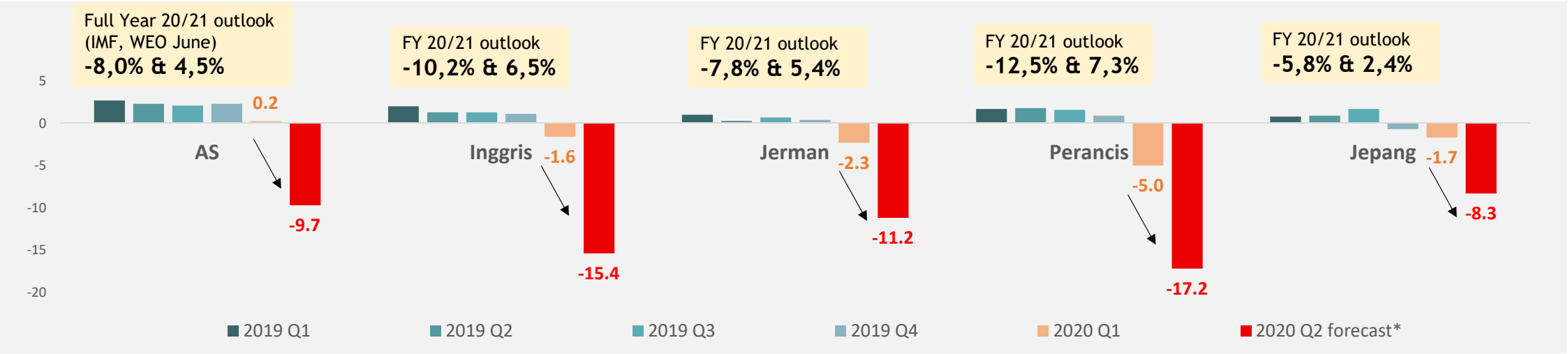
Volatility in the financial sector had occurred immediately since the outbreak emerged along with the **weakening investor confidence and "flight to quality"**

The financial sector is also affected through the decline in the performance of the real sector, where **NPL, profitability and solvency of companies are under pressure**.

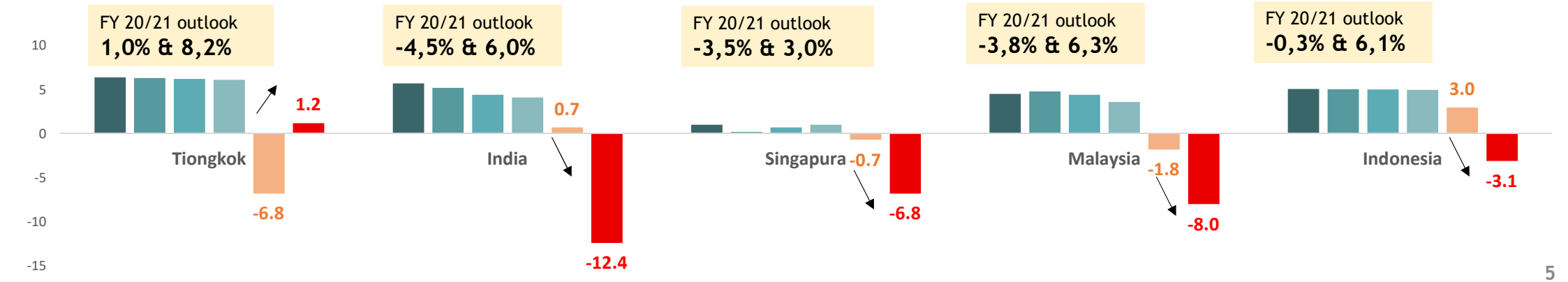
GLOBAL ECONOMIC GROWTH

(Q2-2020 Bloomberg Economic Growth Forecast)

Developed Country Economic Growth (%, yoy)



Developing Country & ASEAN Economic Growth (%, yoy)



GLOBAL ECONOMIC GROWTH OUTLOOK GET WORSE

%, yoy

	IMF		OECD		World Bank	
	2020	2021	2020	2021	2020	2021
Jan Outlook	3.3	3.4				
Apr Outlook	-3.0	5.8				
Mar Outlook			2.4	3.3		
Jan Outlook					2.5	2.6
Jun Outlook	-4.9	5.4	-7.6* s.d. -6.0	2.8* s.d 5.2	-5.2	4.2

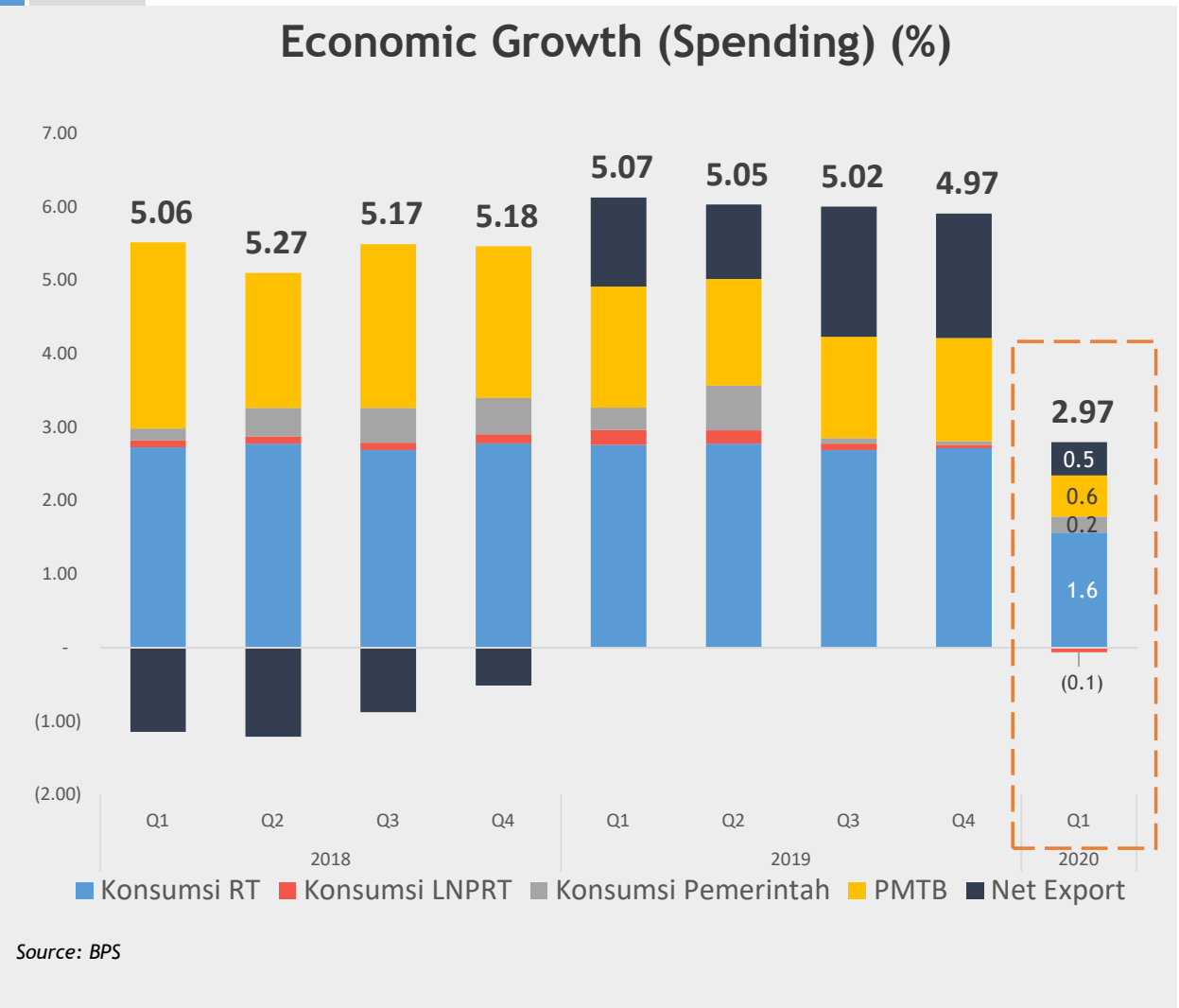
**) Double hit scenario OECD assumed there will be second wave at 2020*

Source: IMF, OECD, World Bank

Risks affecting forward *outlook*

- *Second Wave* COVID-19
- International geopolitic tension, USA-Tiongkok
- Domestic politic tension & social unrest in USA

COVID-19 AFFECTS Q1-2020 INDONESIA ECONOMIC GROWTH



Source: BPS

	GROWTH(yoy)	
	Q1 2019	Q1 2020
HH Cons	5,02%	2,84%
LNPRT Cons	16,96%	-4,91%
Gov Spending	5,22%	3,74%
GFCF	5,03%	1,07%
Net Export	1,21%	0,45%

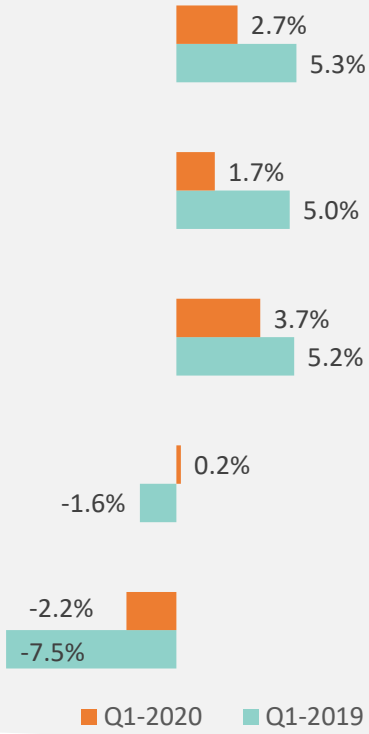
Economic slow down happened in almost sectors caused by PSBB since March 2020

COVID-19 CREATES SHOCKS TO INDONESIAN ECONOMY, BOTH ON DEMAND AND SUPPLY SIDES

Indonesia' GDP Growth Q1 2020	2,97%	OUTLOOK 2020	-0.4% to 0.1%

DEMAND

		Share to GDP	Growth
C	Consumption	59.4%	2.7% / 5.3%
I	GFCF	31.9%	1.7% / 5.0%
G	Government Expenditure	6.5%	3.7% / 5.2%
X	Exports	17.4%	0.2% / -1.6%
M	Imports	-17.6%	-2.2% / -7.5%



SUPPLY

	Share to GDP	Growth
Manufacturing	20.0%	2.1% / 3.9%
Trade	13.2%	1.6% / 5.2%
Transportation	5.2%	1.3% / 5.5%
Accommodation, Food & Beverages	2.8%	2.0% / 5.9%
Agriculture	12.8%	0.0% / 1.8%
Mining	6.8%	0.4% / 2.3%
Construction	10.7%	2.9% / 5.9%

Q1-2020 Q1-2019

Source: BPS, processed

SLOWER ECONOMIC GROWTH LEADS TO HIGHER UNEMPLOYMENT AND POVERTY

Economic Growth ↓ → Unemployment ↑ → Poverty ↑

Projection of Indonesia's economic growth in 2020

Pre COVID-19	**5.3%** (BUDGET 2020)	
Post COVID-19	**-0.4%** **(very severe)**	**0.1%** **(severe)**

Effect of Slowing Growth on Social Indicators

(million people)

Poverty	**+5.71**	**+3.02**
Unemployment	**+5.23** **(very severe)**	**+4.03** **(severe)**

- The elevated health crisis and economic slowdown **must be mitigated and anticipated** through extraordinary measures
- **Extraordinary measures** are taken by government so that the very-severe macroeconomic and socioeconomic impacts can be deliberately and gradually avoided

INDONESIA'S POLICY RESPONSES IN DEALING WITH COVID-19 CRISIS

Prioritizing 3 Aspects:

Protecting people's health and saving lives; maintaining purchasing power particularly the poor, and Preventing bankruptcy

Health Measures:

- Appoint dedicated hospital, emergency hospital, equipment support, and medical personnel support
- Testing and tracing
- *physical distancing, work and study from home, etc.*
- Large-scale Social Restriction (PSBB)

Social Safety Net:

- PKH improvement and expansion
- Basic food cards improvement and expansion
- Pre-Work Card expansion and flexibility
- Exemption from electricity bills
- Additional interest rate subsidy assistance

Business Support:

- Reducing of import restriction including manufacturing support, food and health/medical goods, acceleration of the export-import process, and improvement of services through the *National Logistics Ecosystem*
- Incentives and tax facility
- The National Economic Recovery Program (PEN)
- Various policies and relaxation in the financial sector: BI, OJK, LPS, and the Government

THE STIMULUS PACKAGES - EVOLVING

FISCAL POLICY

Line ministries and regional govt: budget priorities to tackle COVID-19

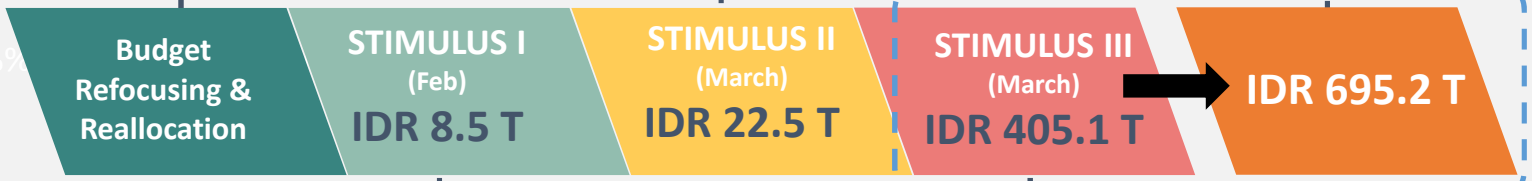
IDR 190 T Spending cut/saving

IDR 55 T Spending Reallocation

Maintaining people's purchasing power and ease of export and import:

- Fiscal stimulus
- Non-Fiscal Stimulus
- Policy in the Financial Sector

Addition for Health service IDR 87,55 T & National Economic Recovery IDR 607,65T



Strengthening the domestic economy through:

- Accelerating spending & encouraging labor-intensive policies
- Stimulus for specific sectors

Rescuing national health and economy, as well as maintaining the stability of the financial sector (through **Perppu No.1/2020**)

- State Financial Policy (health, social safety net, business support & economic recovery financing support)
- Policy in the Financial Sector

MONETARY AND FINANCIAL POLICY

MONETARY

- Reducing BI 7DRR interest rate
- Increasing *triple intervention* intensity
- Lowering Currency Statutory Reserves (GWM) in Rupiah & foreign currency
- Extend SBN tenure
- Expand the type of underlying transaction
- Providing hygienic money, etc

BANKING

- Relaxation of credit/financing/fund provision requirements for MSMEs
- MSMEs credit/financing restructuring

FUNDING FOR COVID-19 HANDLING

For health, social protection, SMEs, business, and regional government

FUNDING FOR COVID-19 HANDLING (IDR 695.20 T)

Health

IDR 87.55 T

1. Expenditure for Covid-19 Handling Rp65.80T;
2. Incentives for Paramedic Rp5.90T;
3. Death Compensation Rp0.30T;
4. National Health Insurance Fee Rp3.00T;
5. Covid-19 Task Force Rp3.50T; &
6. Tax Incentives in Health Rp9.05T

Social Protection

IDR 203.90T

1. Conditional Cash Transfer Program Rp37.40T;
2. Basic Foods Rp43.60T;
3. Social Assistance - Jabodetabek Rp6.80T;
4. Social Assistance – Non - Jabodetabek Rp32.40T;
5. Pre-Working Rp20.00T;
6. Electricity Discount Rp6.90T;
7. Logistical / Foods / Basic Foods Rp25.00T;
8. Village Fund - Cash Transfer Rp31.80T

Business Incentives

IDR 120.61T

1. Government-Borne Income Tax Rp39.66T;
2. Income Tax Exemption on Import Rp14.75T;
3. Tax Deduction Rp14.40T;
4. VAT Return Rp5.80T;
5. Corporate IT Rate Reduction Rp20.00T; &
6. Other Stimulus Rp26.00T

SMEs

IDR 123.46 T

1. Interests Subsidy Rp35.28T;
2. Fund Placement Rp78.78T;
3. Guarantee Return Rp5.00T;
4. Working Capital Guarantee (*Stop Loss*) Rp1.00T;
5. Government-Borne Final Income Tax Rp2.40T; &
6. Investment Financing to Cooperatives Rp1.00T

Corporate Financing

IDR 53.57 T

1. Labor Intensive-Fund Placement Rp3.42T;
2. Capital injection Rp20.50T (HK Rp7.5T; BPUI Rp6.0T; PNM Rp1.5T; ITDC Rp0.5T; PPA Rp5T)
3. Working Capital Bail-Out Rp29.65T (Garuda Rp8.5T; KAI Rp3.5T; PTPN Rp4T; KS Rp3T; Perumnas Rp0.65T; PPA Rp10T)

Sectoral and Regional Government

IDR 106.11 T

1. Line Ministries labor Intensive Program Rp18.44T;
2. Housing Incentives Rp1.30T;
3. Tourism Rp3.80T;
4. Regional Incentive Fund (DID) Rp5.00T;
5. Physical Special Allocation Fund Reserve Rp8.70;
6. Regional Loan Facility Rp10.00T; &
7. Expansion Reserve Rp58.87T

HEALTH BUDGET IN RESPONDING TO COVID-19 OUTBREAK

TOTAL
IDR87.55 T

Additional for Stimulus Expenditure

IDR 75 T

1. Incentive for medical workers IDR 1.9T (Ministry of Health)
2. COVID-19 prevention program IDR 6.4T;
3. Laboratory IDR 33.5B
4. COVID-19 treatment IDR 22T;
5. Medical equipment and medicine supply IDR 196B;
6. Medical waste management and information dissemination IDR 91.7B

IDR 3.7T of medical workers benefit has been included in Health Operation Budget (BOK)

Benefit for Medical Workers

- Specialists (max. 15mio/month)
- Physician (max. 10mio/month)
- Nurse (max 7,5 mio/month)
- Other supporting roles (max 5 mio/month)

Other Health Expenditures

Death benefit for medical workers, that treat COVID-19 patients
IDR 300 mio/person

Health Insurance (BPJS)

Premium subsidies for 30 million people incorporated as non salaried workers and self-employed

Tax Incentives

IDR 9.05 T

Exemption from Income Tax Article 23 to health sectors related with COVID-19 handling, including the benefit for medical workers (0.09 T)

Exemption from Import Duty for COVID-19 related imports

VAT borne by the government for taxable goods and services for COVID-19 related handling (5.20 T)

COVID-19 Task Force Team (BNPB)

IDR 3.5 T


Personal protective equipment for medical workers


Medical equipment


Materials for national laboratories in conducting PCR testing


Claim payment with respect to COVID-19 treatment


Distribution and logistic cost


Quarantine facilities for incoming Indonesians from abroad

NATIONAL ECONOMIC RECOVERY PROGRAM (PEMULIHAN EKONOMI NASIONAL/PEN)

Comprehensive programs to mitigate the impact of COVID-19 to the economy

PEN Funding
IDR 607.65 T*

Demand Side

IDR 205.20 T

Social Protection Conditional Cash Transfer Program , Basic Foods, Social Assistance - Jabodetabek, Social Assistance Non-Jabodetabek, Pre-Working, Electricity Discount, Logistic/Foods/Basic Foods, Village Fund - Cash Transfer	IDR 203.9T
Housing Incentives – Low Income Households	IDR 1.3T

Supply Side

IDR 402.45 T

Ultra Micro and MSMEs Interest Subsidy, Fund Placement, Guarantee, Tax Incentives, Investment for Financing Companies	**123,46T**
Corporation Fund Placement, Capital Injection and Bonds, Tax Incentives, Specific Allocation Funds for Regional Government, Labour-Intensive Projects by Line Ministries, Ticket Incentives for Tourist Destinations, Tourism Grant, Tax Compensation for Hotel and Restaurants	**169,97T**
SOEs** Capital Injection and Investment for Working Capital	**35,15T**
Regional Government Special Incentives Fund for Economic Recovery, Regional Financing	**15,00T**
Expansion Reserve	**58,87**

CHANGE IN 2020 BUDGET

Excise revenue target changed slightly despite economic downturn, increasing its importance

2020 BUDGET (Trilion Rupiah)	APBN	Perpres 54/2020	Perpres 72/2020
A. STATE REVENUE	**2.233,2**	**1.760,9**	**1.699,9**
1. Tax Revenue	1.865,7	1.462,6	1.404,5
Excise Tax	180,5	172,9	172,2
2. Non-tax revenue	367,0	297,8	294,1
3. Grants	0,5	0,5	1,3
B. STATE EXPENDITURE	**2.540,4**	**2.613,8**	**2.739,2**
I. CENTRAL GOVERNMENT EXPENDITURE	**1.683,5**	**1.851,1**	**1.975,2**
1. Ministry expenditure	909,6	836,5	836,4
2. Non-Ministry expenditure	773,9	1.014,6	1.138,9
II. INTERGOVERNMENTAL TRANSFERS	**856,9**	**762,7**	**763,9**
Revenue Sharing Funds – Tobacco Excise	**3,5**	**3,3**	**3,3**
C. SURPLUS/DEFICIT	**(307,2)**	**(852,9)**	**(1.039,2)**
% Surplus/(Deficit) to GDP	***(1,76)***	***(5,07)***	***(6,34)***
D. FINANCING	**307,2**	**852,9**	**1.039,2**

STRATEGIC ISSUES FOR FISCAL POLICY 2021

Policy breakthroughs are needed to accelerate socio-economic recovery

Preparing for the New Normal

1. **Optimizing information technology through digital public services** (education, health);
2. Support the **digital-based business ecosystem**;
3. **Bureaucratic efficiency** dengan mendorong berbasis ICT by encouraging ICT-based system *(Egovernment, E-budgeting, WFH, FWS);* and
4. **Healthy lifestyle.**

Accelerated Social and Health Recovery

1. **Support the strengthening of health recovery and health security preparedness**
2. **Continuing Social Safety Net** (*Kartu sembako,PKH dan Kartu Pra Kerja*) to accelerate recovery;
3. Preparing **adaptive Social Protection programs** for recession and disaster;

Accelerated Economic Recovery

1. **Continuing Economic Recovery Program (PEN) to support various economic sectors;**
2. **Sectoral focus: agriculture, energy, trade, construction, food and beverages;**
3. **Supporting creative industry, MSME, and tourism.**

Policy Innovation

1. ***Conditional fiscal incentive***, which requires no layoff, labor-intensive, and support safe and healthy living;
2. ***A tax system that is more compatible with digital economy*** by preparing a larger ***core tax system*** to expect a greater tax base and a stronger policy base
3. ***Budgeting reform - zero based budgeting*** **(more efficient and focus on certain priority)**;
4. ***Automatic stabilizer*** to reduce uncertainty.

FISCAL POLICY 2021

Transition to New Normal after Covid-19 Pandemic

FISCAL POLICY 2021

ACCELERATING ECONOMIC RECOVERY AND STRENGTHENING REFORM

1 Fiscal Suppor for Economic Recovery

Health Recovery

Economic Recovery and strengthening national economic resilience

Protecting affected communities

2 Reform on State Budget and Revenue (APBN)

Health Reform

Social Protection and Subsidy Reform

Education Reform

Regional Transfer Reform

Budget Reform

Tax Reform

3 Reform on Work Mechanism

New Normal Work Mechanism

Information Technology Optimization for Government Administration and Community Services

EXCISE POLICY AS PUBLIC HEALTH INSTRUMENT

THE STRATEGIC VALUES OF HEALTH

Health promotes productivity and economic growth

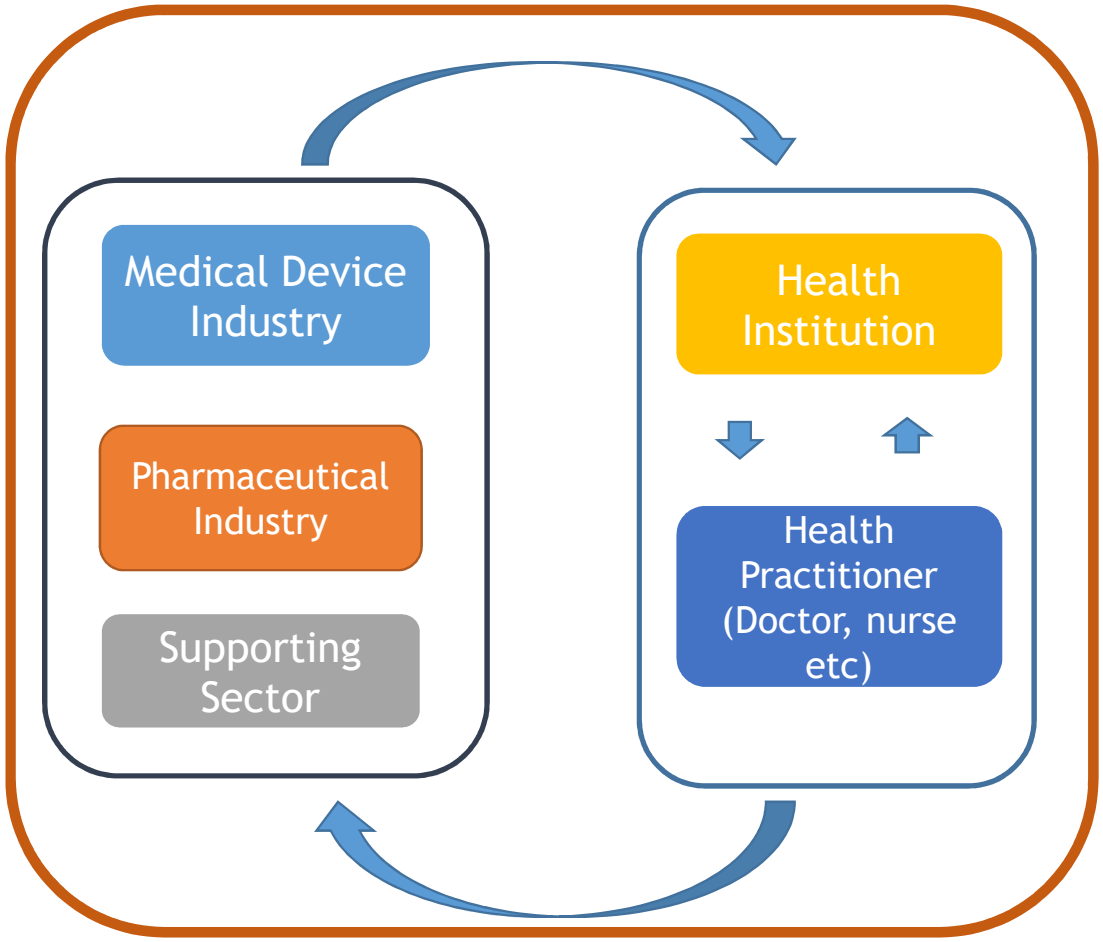
Sound fiscal → higher fiscal support for health sector

High quality health → boost productivity

Higher economic growth → sound fiscal and improved tax revenue

Better productivity → promote better economic growth

HEALTH SECTOR ECOSYSTEM AND GOVERNMENT SUPPORT



Government Support:

- ❑ Fiscal (Health Budget, Tax Incentives)
- ❑ Non-fiscal (Trade, Health, Food Regulations)

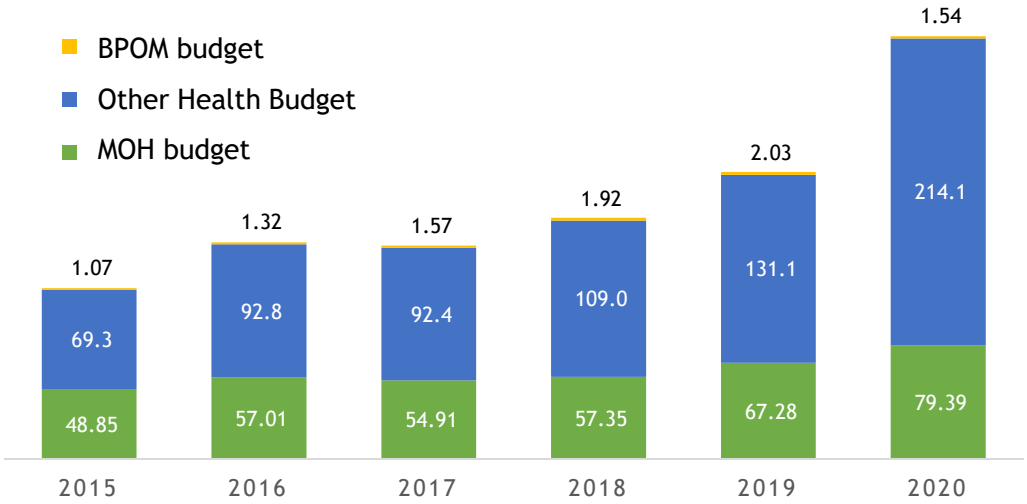
Tax Incentives

- Income Tax
- VAT
- Import Duty

BUDGET ALLOCATION FOR HEALTH

Health budget annually increase in the last five years

Total Health Budget (trillion rupiah)



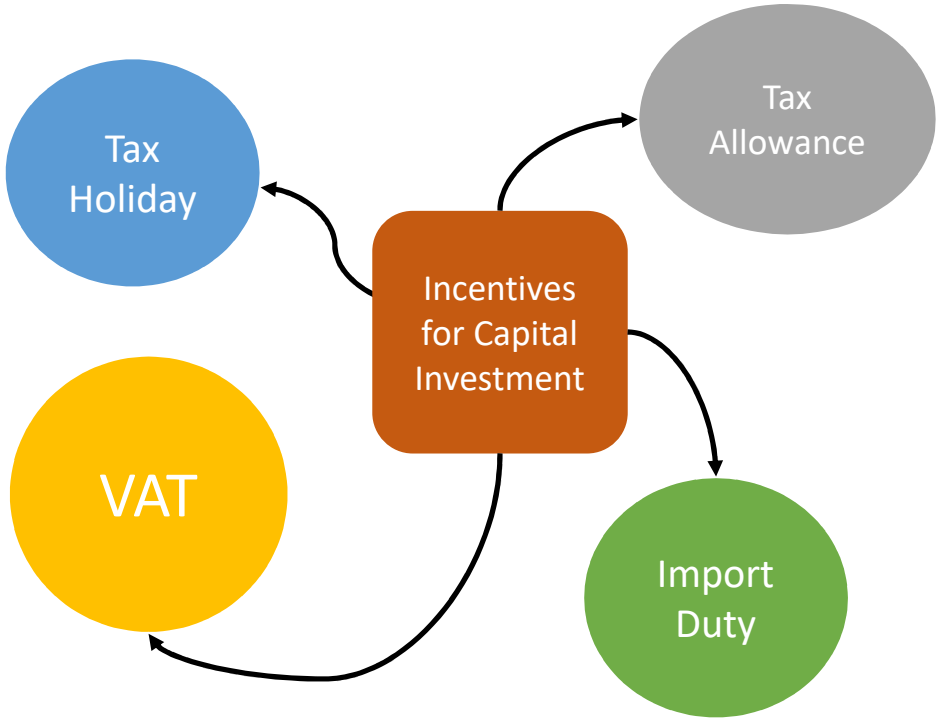
Ministry of Health & BPOM Budgets are part of Total Health Budget (minimum 5% of State Budget)

Achievements in the health sector during 2015 - 2019 include:

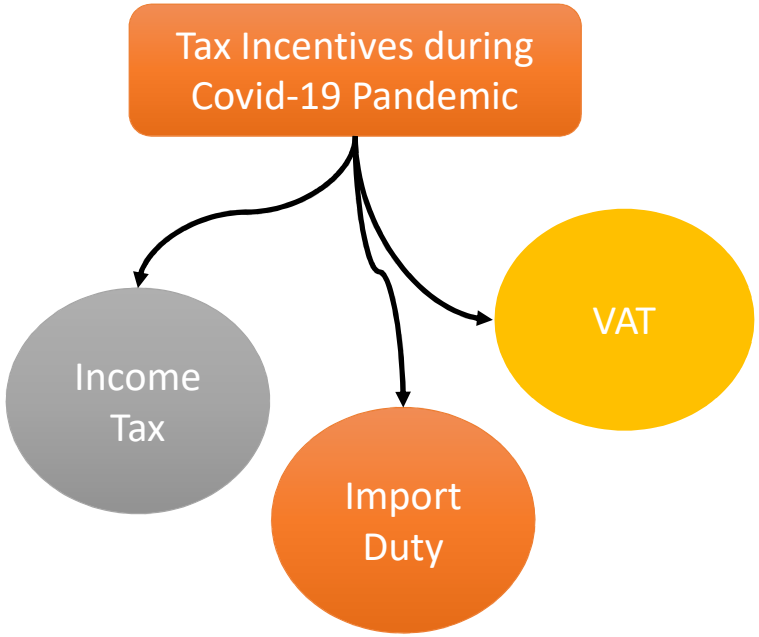
- Decreased stunting prevalence (children under five) from 37.2% in 2013 to 30.8% in 2018
- Care for malnourished children under five reaches 100% every year
- JKN coverage grows from 88 million in 2015 to 96.8 million in 2019
- Increase in drug and food certification from 41.300 in 2015 to 74.000 in 2019
- Medicine and vaccine use in health centers rise from 79.4 percent in 2015 to 95.0 percent in 2019

TAX INCENTIVES FOR HEALTH INDUSTRY

Incentives for capital investment and during pandemic



Incentives provided by Government to attract new investment in Indonesia



Tax incentives to respond to mitigate the impact of Covid-19 pandemic on business

OBJECTIVES OF EXCISE POLICY

The excise tax policy is aimed at consumption control and revenue optimization

CONSUMPTION CONTROL

The main objective of increasing excise tariff is to implement control consumption function (article 2 Excise Law)

REVENUE OPTIMIZATION

Excise policy is directed to achieving state revenue target

Excise policy put industry dynamics (labor, local content, etc) into considerations

MULTIDIMENSIONAL IMPACTS OF TOBACCO CONSUMPTION

Smoking behavior is one of the contributors to the deficit of the national health insurance (JKN)

1. Teenager smokers continue to increase

- Smoker prevalence (Teenager) increase from **7,2% (2013)** to **9,1% (2018),** (Riskesdas 2018)
- The user of e-cigarettes increase

2. Escalate *Stunting Risk*

Babies born in smokers' households have a 5.5% higher risk of stunting and wasting than non-smoker families (PKJS UI, 2018)

3. Cigarettes Become the 2nd Highest Household Expense Burdens

In urban and rural poor groups. (BPS 2019)

6. Sustainability Risk of JKN

- funds for handling diseases caused by smoking
- Smokers' families have lower compliance to pay JKN (Nurhasana, 2018)

5. A Big Economic Burden

21% of cases of chronic diseases in Indonesia are related to smoking and cause an economic burden **US$ 1.2 billion/year** (Goodchild et al., 2017; Barber et al, 2008).

4. Five main causes of death in Indonesia are related to tobacco

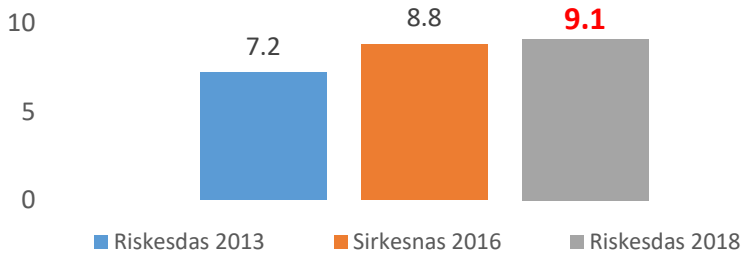
Heart disease, cerebrovaskular, tuberkulosis, diabetes, and chronic breathing (IHME, 2017)

CIGARETTE CONSUMPTION

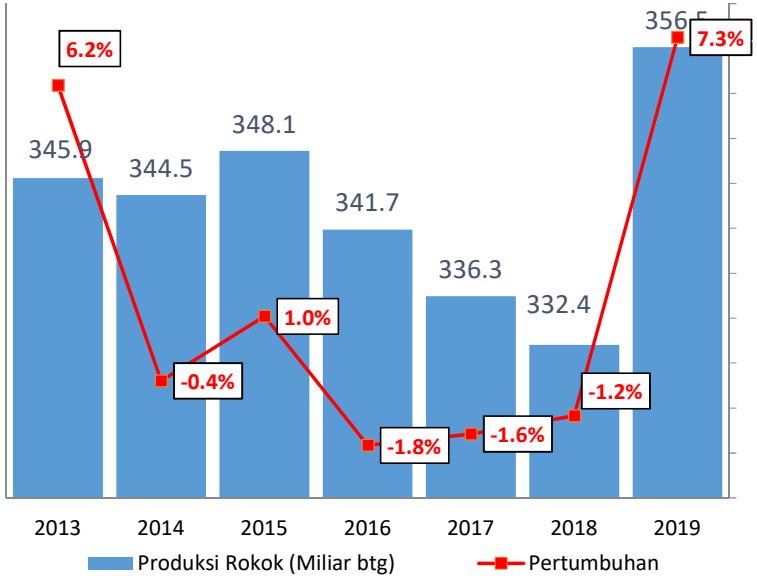
Smoking Prevalence remains high despite declining production

Tobacco consumption prevalence (adult)

Teenager Tobacco consumption prevalence



Source : Riskesdas, Sirkesnas, from various years



Source : DG Customs

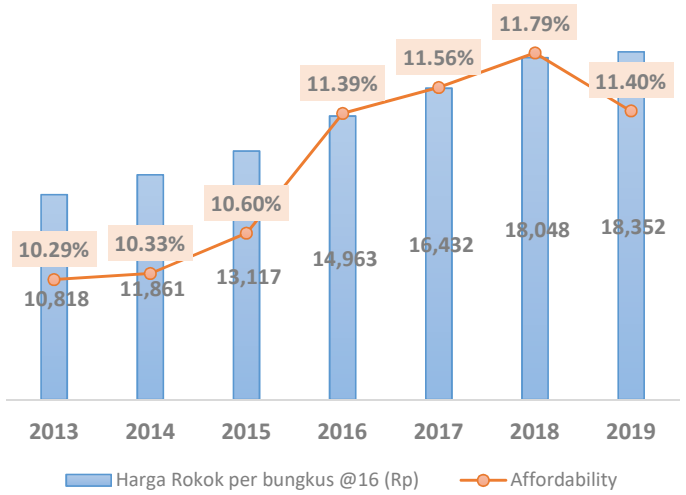
- Smoking prevalence for teenager increase, from 7,2% (2013) to 9,1% (2018)
- Cigarette production increased by 7,3% in 2019

CIGARETTE AFFORDABILITY

Cigarette prices are even more affordable in 2019

- During 2013-2018, the price of cigarettes became more expensive (affordability index increased), but in 2019, cigarette prices relatively cheaper (towards income) because there is no increase in excise rates

Cigarette price became more affordable in 2019



Affordability index = market price/daily GDP percapita
Market price is the average transaction price for a pack of cigarette (16 sticks)
Source : DG Customs and BPS

- In both urban and rural areas, smoking is a major component of expenditure for poor households
- Kretek cigarettes are the second highest expenditure after rice, even higher than expenditure on protein (eggs, meat, etc)

Top 10 Food Consumption of Poor Household (2019)

No	Commodity Type (food)	Urban (%)	Commodity Type (food)	Rural (%)
1	Rice	20,35	Rice	25,82
2	Kretek-filter Cigarette	11,17	Kretek-filter Cigarette	10,37
3	Egg	4,44	Egg	3,47
4	Meat	4,07	Sugar	2,78
5	Instant Noodle	2,32	Meat	2,48
6	Sugar	1,99	Instant Noodle	2,16
7	Cake	1,94	Cake	1,91
8	Coffee powder	1,87	Coffee Powder	1,88
9	Tempe	1,68	Cayenne Pepper	1,76
10	Bread	1,65	Shallot	1,73

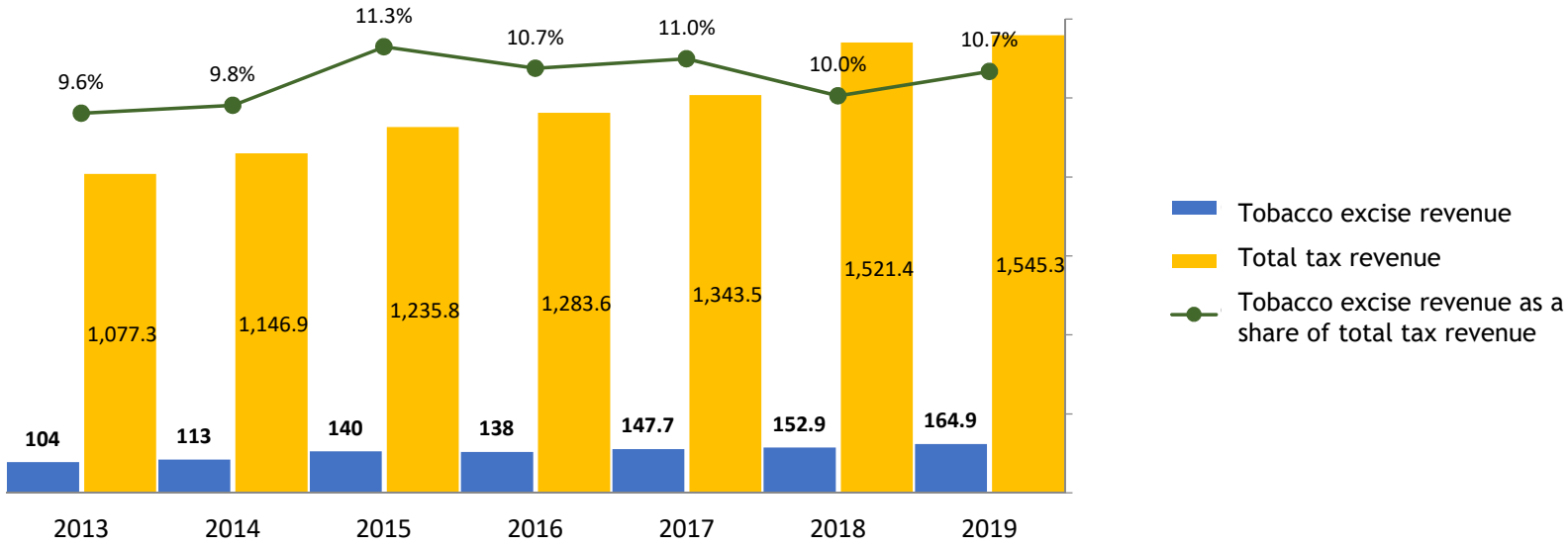
Source : BPS, September 2019

TOBACCO EXCISE AND STATE REVENUE

Cigarette excise contributes significantly to state revenue

- Currently, tobacco product is the main source of excise revenue
- Excise revenue from tobacco takes 9-11 percent share of total tax revenue
- Therefore, excise goods need to be extend to reduce revenue dependency on tobacco products.

Contribution of Cigarette Excise to Total Taxation Revenue (trillion Rupiah)



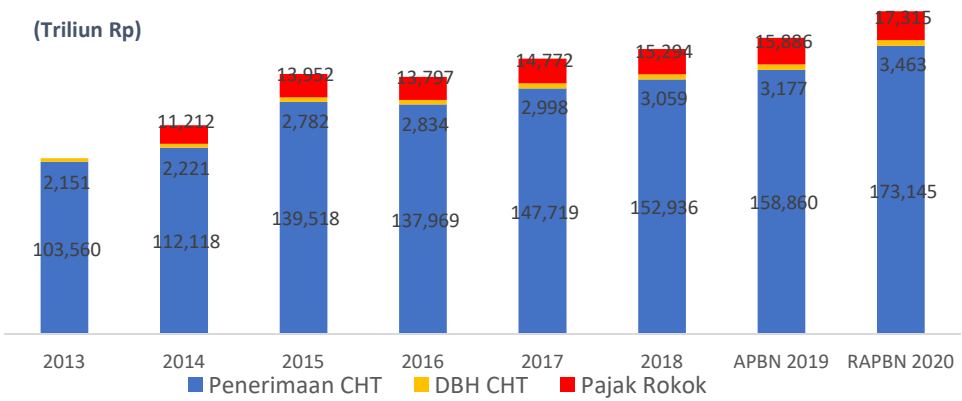
EARMARKING FOR HEALTH SECTOR

Dana Bagi Hasil Cukai Hasil Tembakau (DBHCHT) and Pajak Rokok (Cigarette Local Tax)

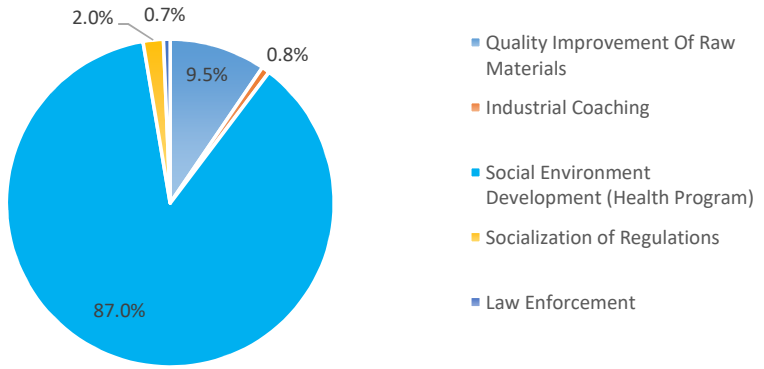
- **DBHCHT:**
  - ✓ 2% of Cigarette excise revenue
  - ✓ **Program:** Agriculture, Industrial coaching, social development, dissemination, and law enforcement.
  - ✓ 50% of DBHCHT allocated to support health program and JKN (PMK 7/2020)

- **Cigarette Local Tax (Pajak Rokok):**
  - ✓ 10% of current excise tax (addition to excise tax/piggyback tax)
  - ✓ **Program:** Health, Law Enforcement and other.
  - ✓ 37,5% of Pajak Rokok used for funding JKN deficit (Regulation of President on JKN)

Allocation of DBH CHT and Pajak Rokok, 2013-2019



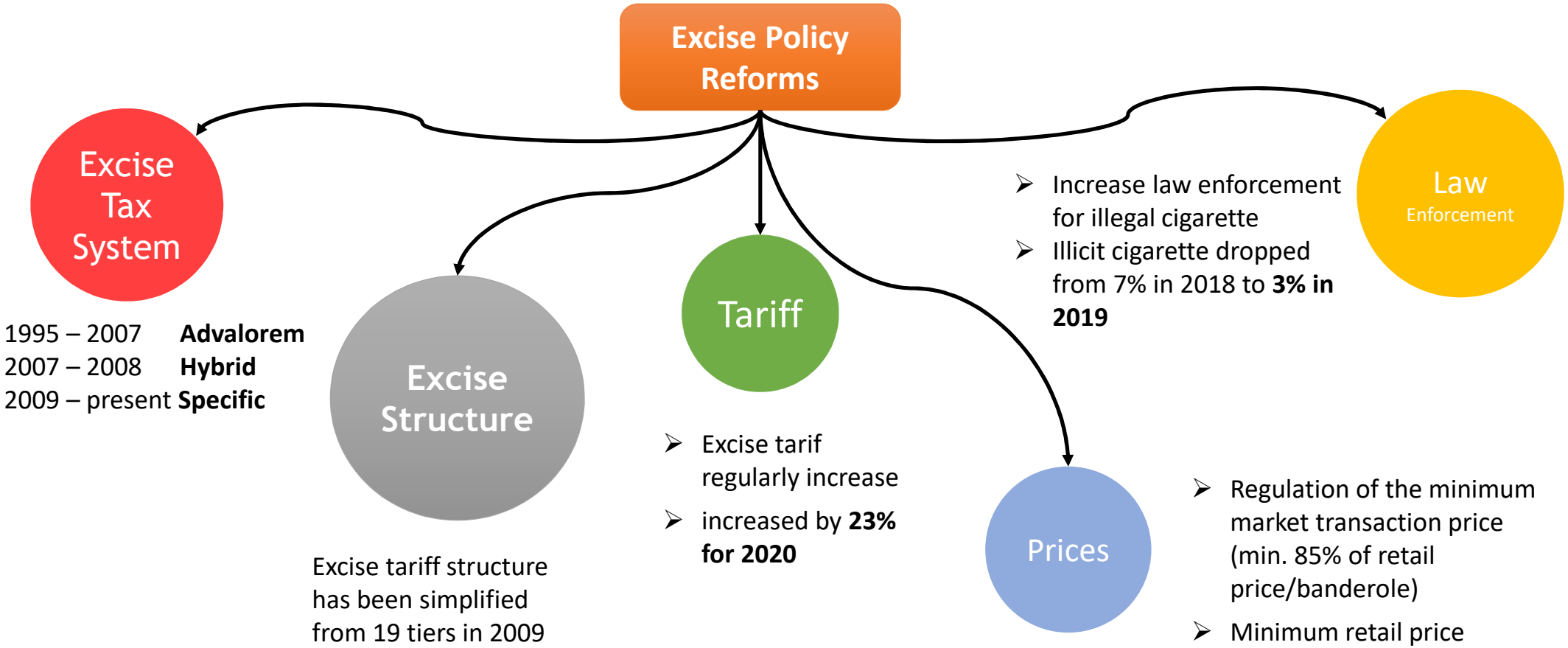
In 2018, 87% of DBHCHT was used for social environment development (including health program)



THE FUTURE OF EXCISE POLICY IN INDONESIA: CHALLENGES AND OPPORTUNITIES

DYNAMICS OF EXCISE POLICY REFORM

Excise tax policies have evolved in the last two decades



EXCISE POLICY IN THE FUTURE

Excise tax policies will be continuously framed into consumption control of goods that have negative externalities to achieve better health outcomes while at the same time optimizing state revenues

The tobacco excise tax policy is aimed to reduce smoking prevalence, particularly among children and is expected to improve the quality of human development and the sustainability of the National Health Insurance program

Public communication remains essential in the policymaking process. The public need to be educated about excise policy impact on public health as well as on the economy including tobacco industry and labor.

The excise policy must anticipate the development new products (ie. electric cigarette) considering their increasing use.

Excise tax policy is not a standalone policy to obtain health objective. Effective collaboration between Ministries as well as the Local Government becomes an important factors.

CHALLENGES OF EXCISE POLICY REFORM

1 COLLABORATION BETWEEN STAKEHOLDERS

The excise tax policy is only one of government instrument to achieve public goals. All stakeholders, including ministries in the government must share same objectives.

Roadmap for all stakeholders is required not only to respond to short-term issues but also to have a medium and long-term vision that accommodates all stakeholders as a guidance.

2 ECONOMIC DYNAMICS

Excise tax policies need to pay attention to diverse economic structures and players so that they must consider various factors, including sustainability, scale of business, employment.

Revenue collected must be channelled to public welfare.

EXCISE AND ITS CONTRIBUTION TO TAX REVENUE

The decline of tax performances, particularly during COVID-19 pandemic urges the Government to increase tax base and expand fiscal space to cover increasing budget deficit

Excise policy can play an important role by:

- ✓ Increasing excise rates
- ✓ Reducing excise tax tiers to prevent tax avoidance and tax evasion
- ✓ Introducing new excisable goods (plastic products, sugary drinks, and vehicles)

CONCLUSIONS

- Excise policies plays a significant role in achieving public health objectives by controlling consumption to have better health outcomes and allocating a share of excise revenue to support health program especially National Health Insurance program.
- Excise policy reforms continually improve over years despite facing many challenges, including collaboration between stakeholders and complex economic considerations
- Due to the impact of COVID-19 pandemic, excise revenue is increasingly important as a source of revenue

KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

THANK YOU

VAT on Medical Sector

Jakarta, Juli 2020

VAT on Medical Sector

VAT Law in Indonesia adopts negative list approach. It means there is list of goods and services which is exempted from VAT. All goods and services which are not in that list are categorised as taxable goods and taxable services and are imposed VAT 10%.

Medical Services

VAT Law No.42 Year 2009 Article 4A Section (3)

Medical health services are **Non-Taxable Services**.

The explanations of medical health services include :

1) The services of general practitioner, specialist doctor, and dentist;
2) veterinary services;
3) the services of health experts such as acupuncturists, dental experts, nutritionists, and physiotherapist;
4) midwife and traditional birth attendants services;
5) paramedic and nurse services;
6) The services of hospital, maternity hospitals, health clinics, health laboratories, and sanitariums;
7) psychologist and psychiatrist services; and
8) alternative medical services, including those performed by psychic.

Medicine Goods

- Medicine is not categorised as non-taxable goods (VAT Law No.42/2009).
- Circular Letter The Director General of Taxation Number SE-06/PJ.51/2000: **Medicine for inpatients is not imposed VAT but medicine for outpatients is imposed VAT**.
- Regulation of Ministry of Finance Number 198/PMK.010/2009: **medicine which is imported using the government budget intended for the public interest is not imposed VAT.**
- Government Regulation Number 38 Year 2008, **Polio Vaccine** in the framework of implementing the National Immunization Week Program **is not imposed VAT**.

VAT on Medical Sector
Beleid Condition (Covid 19 Case)

Regulation of Ministry of Finance Number 28/PMK.03/2020
(April – September 2020)

Goods for COVID-19

1. medicine;
2. vaccine;
3. laboratory equipment;
4. detection equipment;
5. personal protective equipment;
6. equipment for patient care; and/or
7. other supporting equipment approved for the purposes of Corona Virus Disease 2019 pandemic (COVID-19).

- **Import of those kinds of goods for handling COVID-19 pandemic is not imposed VAT.**
- **VAT of transfer those kinds of goods for handling COVID-19 pandemic is borne by the government.**

Services for COVID-19

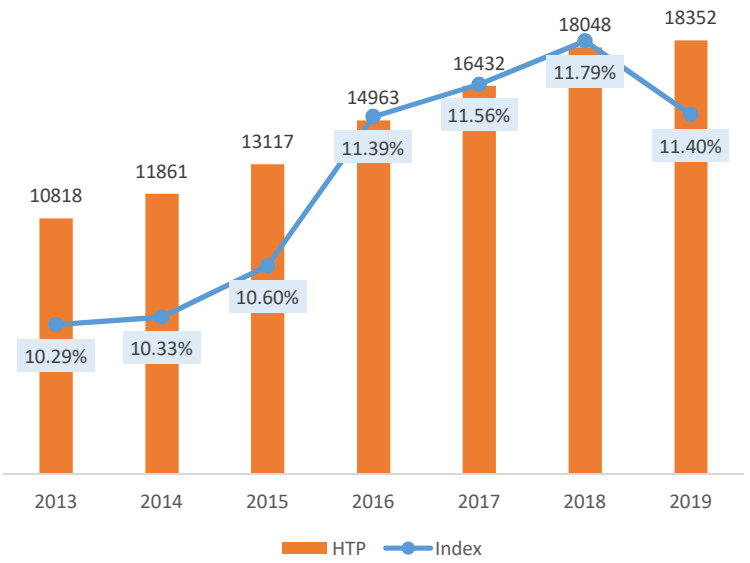
1. construction service;
2. consulting, engineering and management services;
3. rental services; and/or
4. other supporting services declared for the handling of the 2019 Corona Virus Disease pandemic (COVID-19)

VAT of import and transfer those kinds of services for handling COVID-19 pandemic is borne by the government.

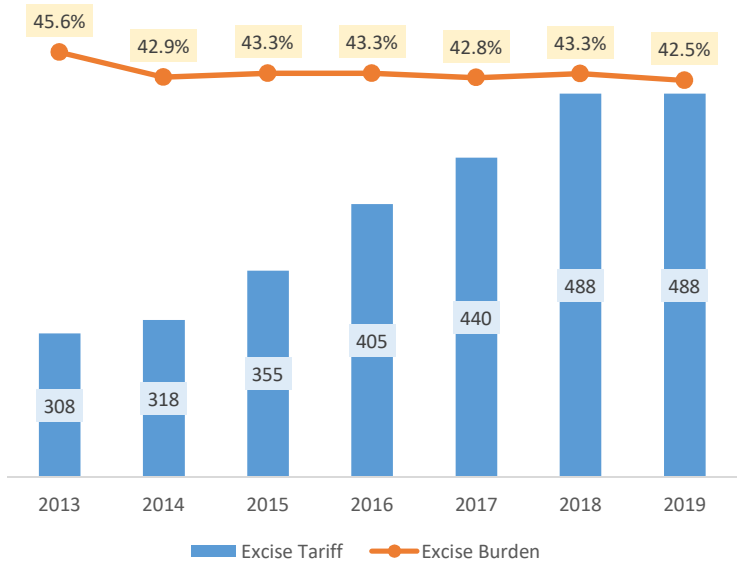
CIGARETTE AFFORDABILITY

Cigarette prices are even more affordable in 2019

Affordability Index



Excise tariff as a share of Market Price



Affordability index is measured based on relative income price
Index = Market price/daily GDP percapita
Market price is the average transaction price for a pack of cigarette (16 sticks)
Source : DG Customs and BPS

EXCISE TARIFFS AND MINIMUM RETAIL PRICES

(PMK 152/2019)

JENIS ROKOK	GOL Produksi	TARIF CUKAI 2018/2019	TARIF CUKAI 2020	Batasan HJE Min. 2018/2019	Batasan HJE Min. 2020	KENAIKAN TARIF % (Rerata Tertimbang)	% KENAIKAN HJE (Rerata Tertimbang)
		(Rp/Btg)					
SKM	1	590	740	1.120	1.700	25%	52%
	2	385	470	896	1.275	22%	42%
		370	455	715	1.020	23%	43%
SKT	1	365	425	1.261	1.460	16%	16%
		290	330	890	1.015	14%	14%
	2	180	200	470	535	11%	14%
	3	100	110	400	450	10%	13%
SPM	1	625	790	1.130	1.790	26%	58%
	2	370	485	936	1.485	31%	59%
		355	470	640	1.015	32%	59%
						23%	35%

PUSAT
EKONOMI & BISNIS
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The Union

A CENTURY OF LEADERSHIP
IN LUNG HEALTH

WEBINAR SERIES

NCDs as a COVID-19 Comorbidity and Smoking Risk Factors

Cut Putri Arianie | Ministry of Health

THURSDAY, 9TH OF JULY 2020

KEMENTERIAN KESEHATAN REPUBLIK INDONESIA

GERMAS
Gerakan Masyarakat Hidup Sehat

NCDs as a COVID-19 Co-morbidity and Smoking Risk Factors

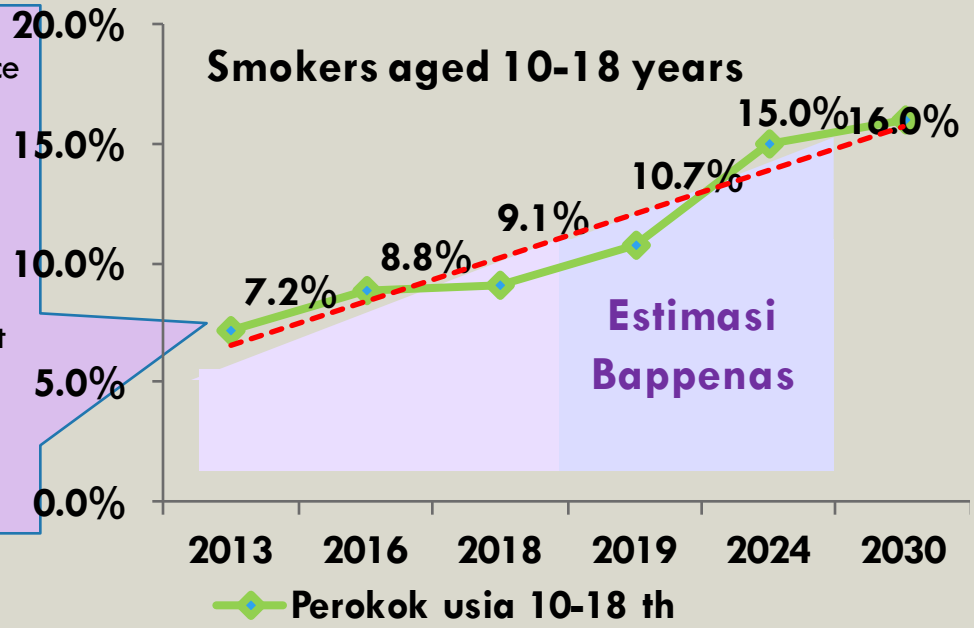
DIRECTOR GENERAL of DISEASE CONTROL AND PREVENTION
MINISTRY OF HEALTH

CURRENT SITUATION

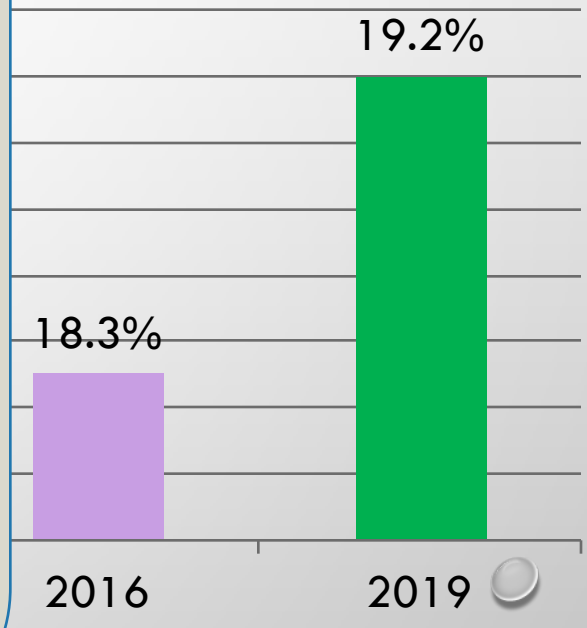
Trends and Estimation of Smoking Prevalence in 10-18 Years Age Group

RPJMN 2014-2019
2019 Target decreased to 5.4%

The prevalence of smokers aged 10-18 years in Indonesia is targeted to decrease, but in reality it is increasing consistently

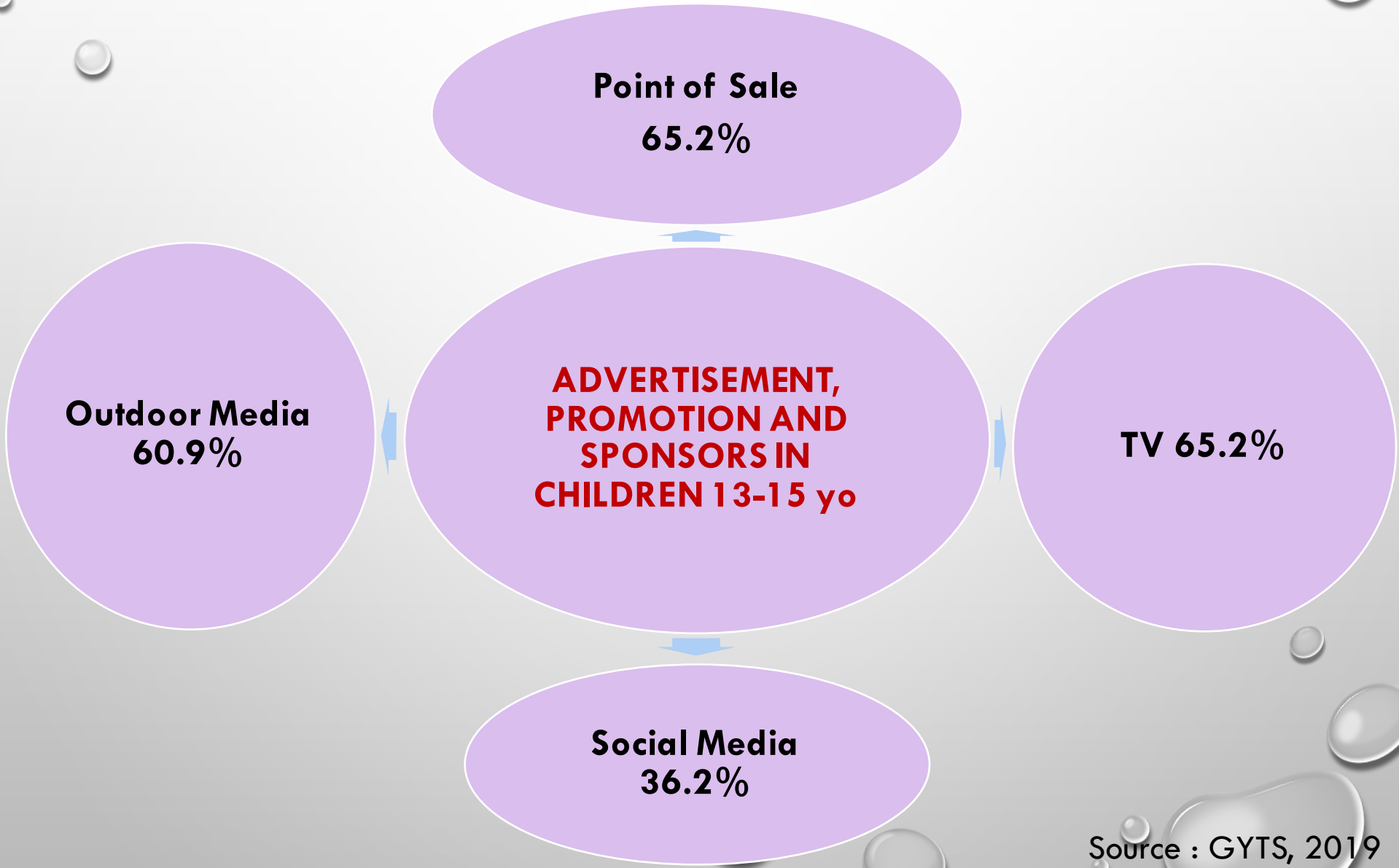


Teenage smokers aged 13-15 years (GYTS)



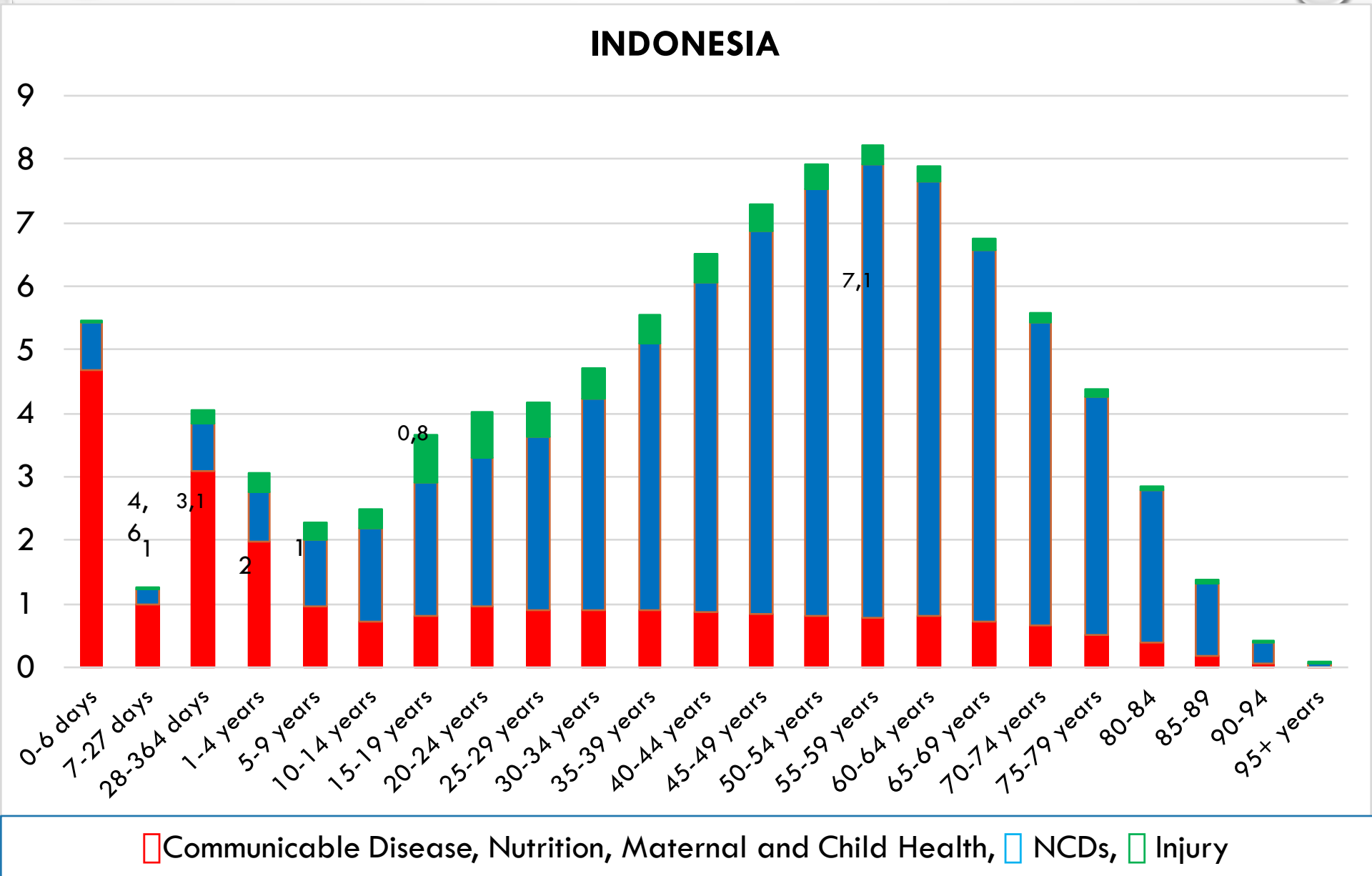
If it is not supported by all sectors,
the prevalence of smokers will increase to 15.95% by 2030

ADVERTISING, PROMOTION AND SPONSORSHIP IN MINOR



Source : GYTS, 2019

PERCENTAGE OF DISABILITY-ADJUSTED LIFE YEARS (DALYS) LOST ACCORDING TO AGE GROUPS IN 2017



NCDs CURRENT SITUATION

THE HIGHEST CAUSE OF DEATH

36.9 %	9.7%	9.3%	5.9%	2.9 %
Cardiovascular Disease	Cancer	Diabetes Mellitus	Tuberculosis	COPD

Source : IHME 2017

BIGGEST HEALTH FINANCING

10.3 T	3.5 T	2.5 T	2.3 T	509 M
CHD	Cancer	Stroke	Renal Failure	Thallasemia

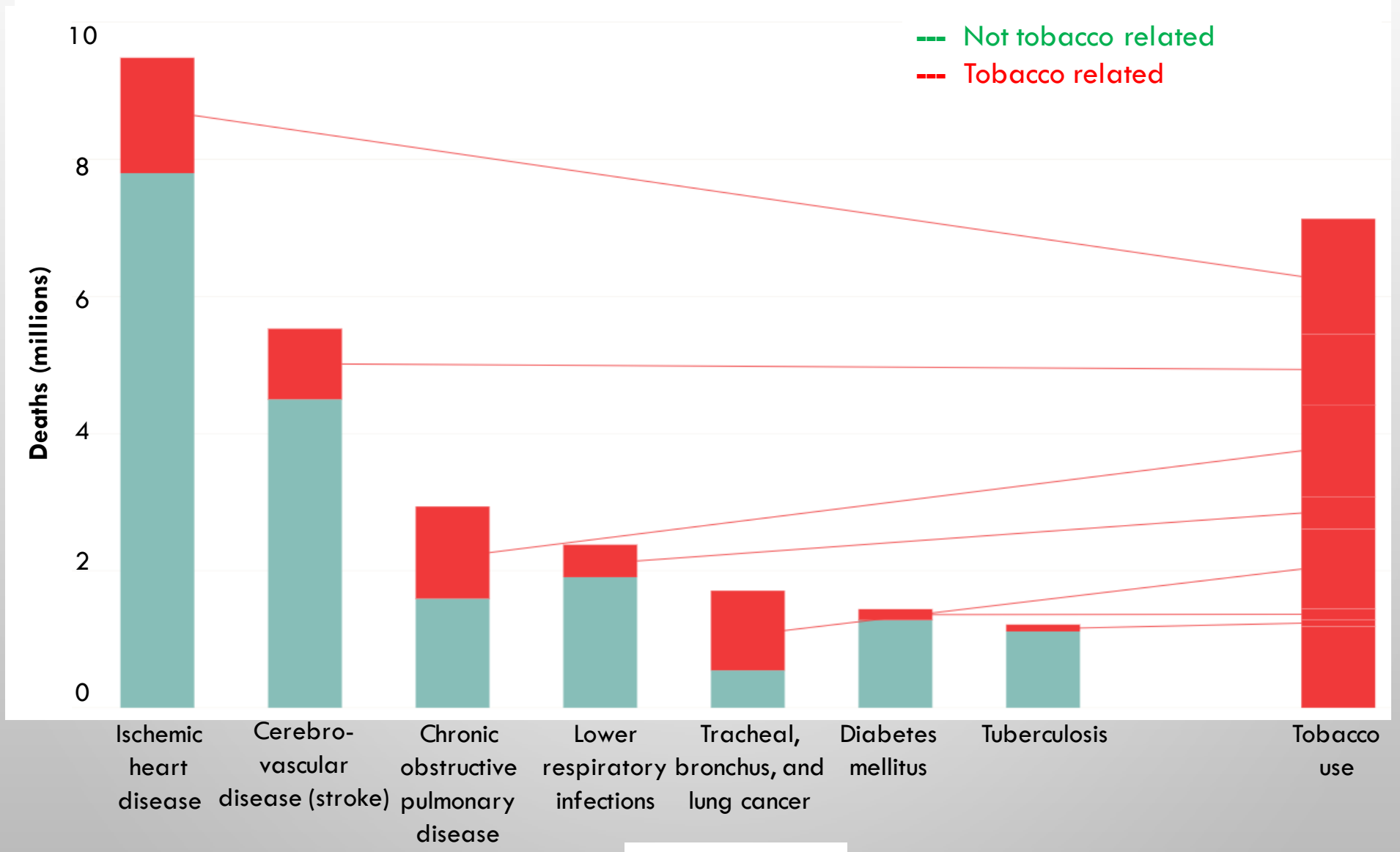
Source : BPJS 2019

Note: T= Trillion Rupiah, M= Billion Rupiah

KEMENTERIAN KESEHATAN REPUBLIK INDONESIA

TOBACCO-RELATED ILLNESS

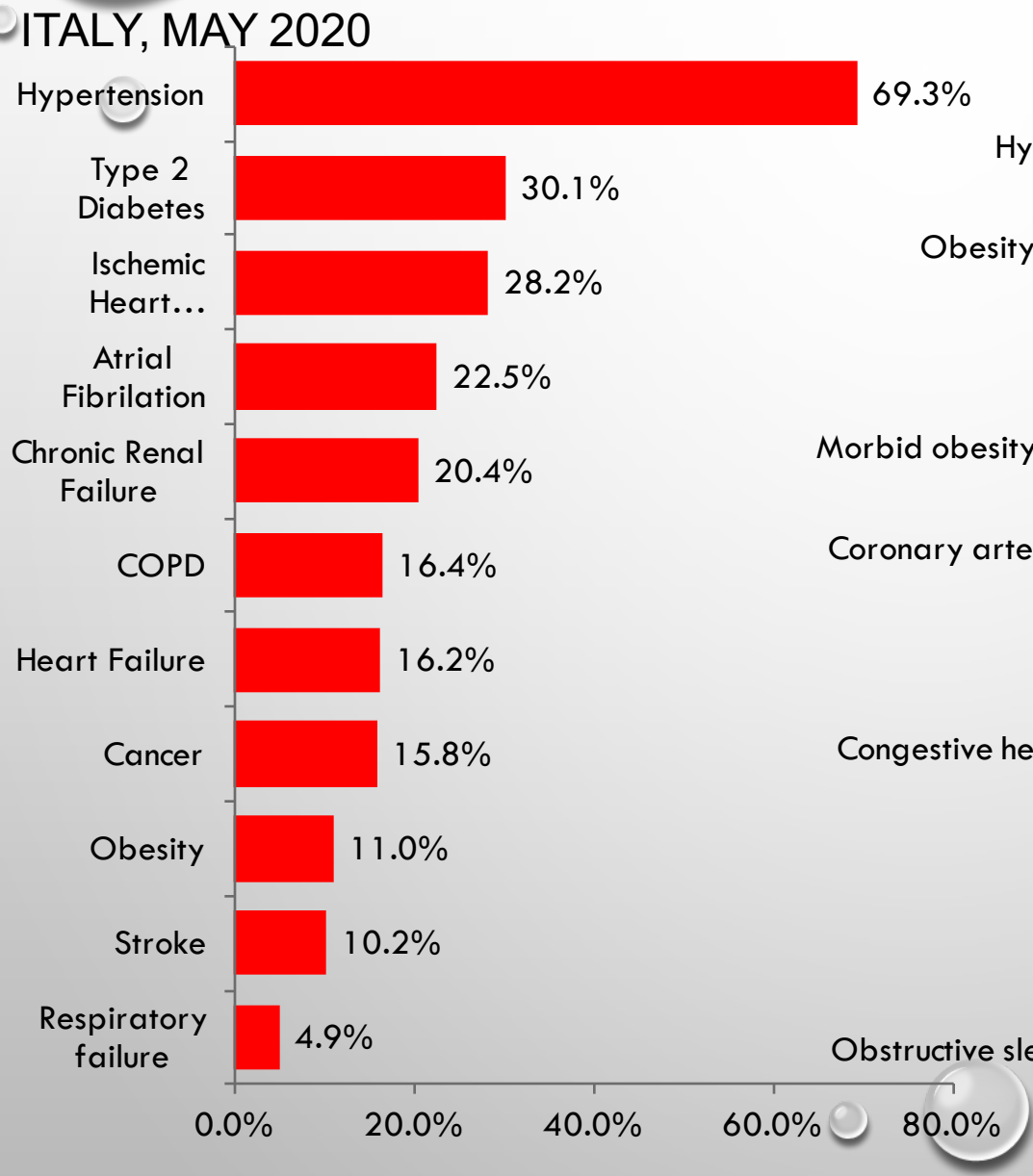
GERMAS Gerakan Masyarakat Hidup Sehat

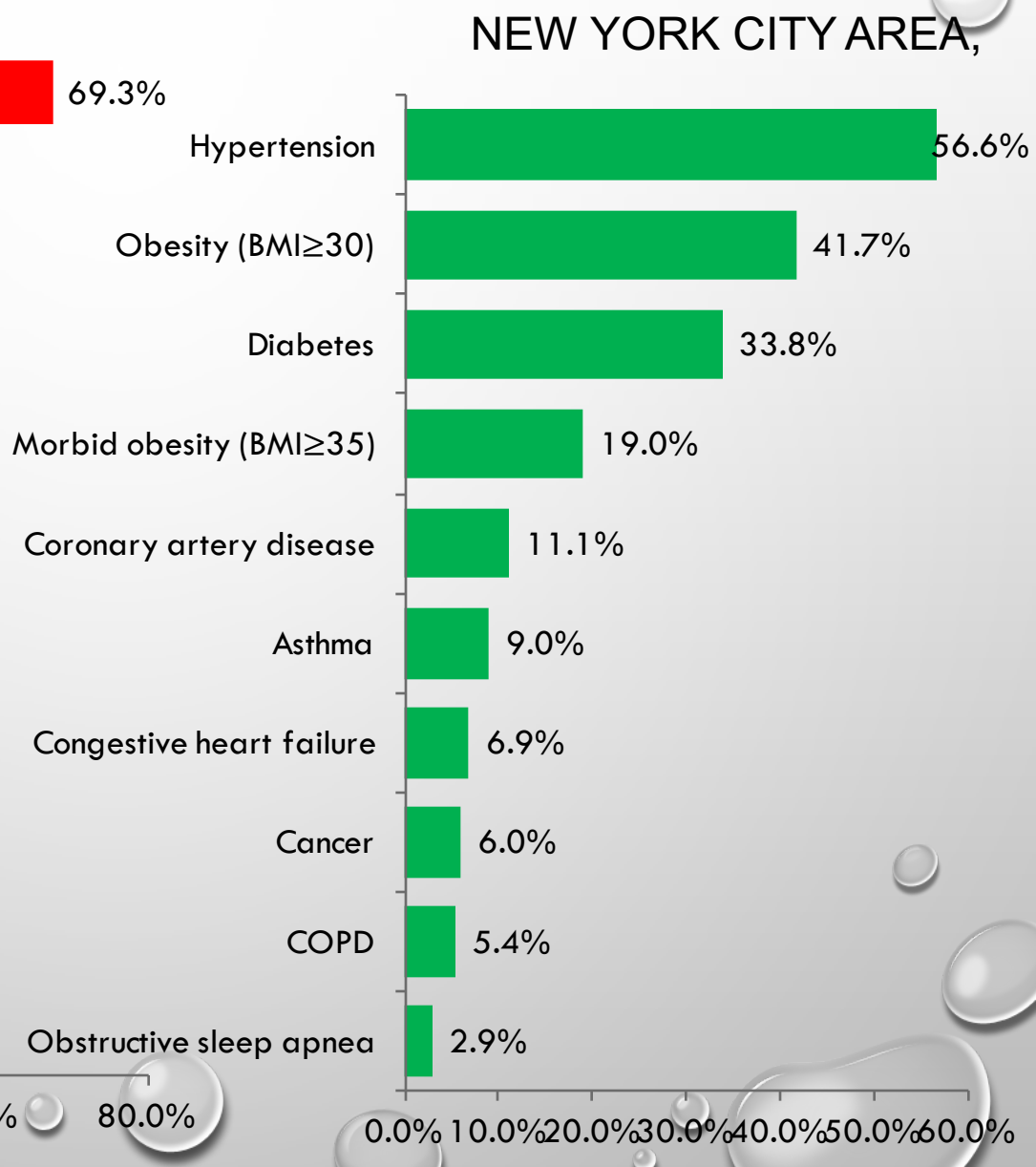


Source: Tobacco Atlas 2018

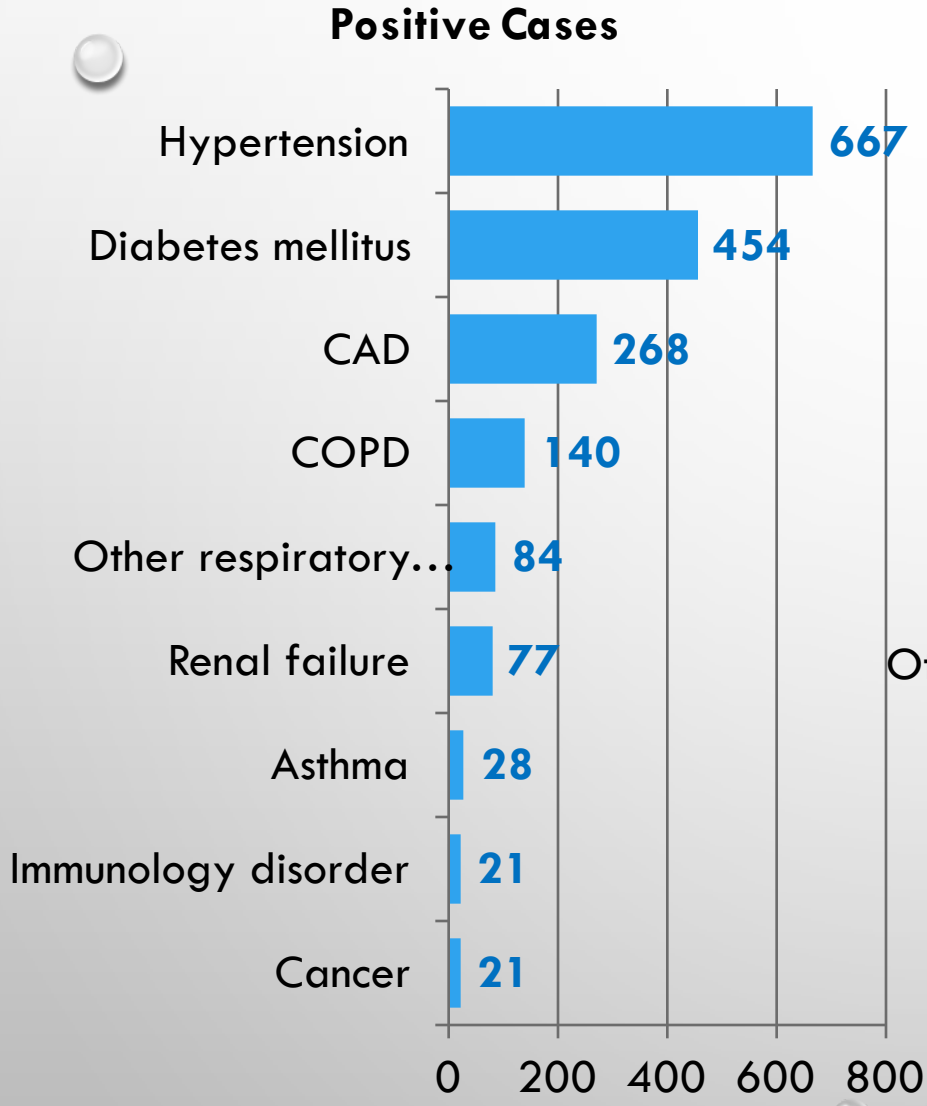
NCDS
AS CO-MORBID COVID-19

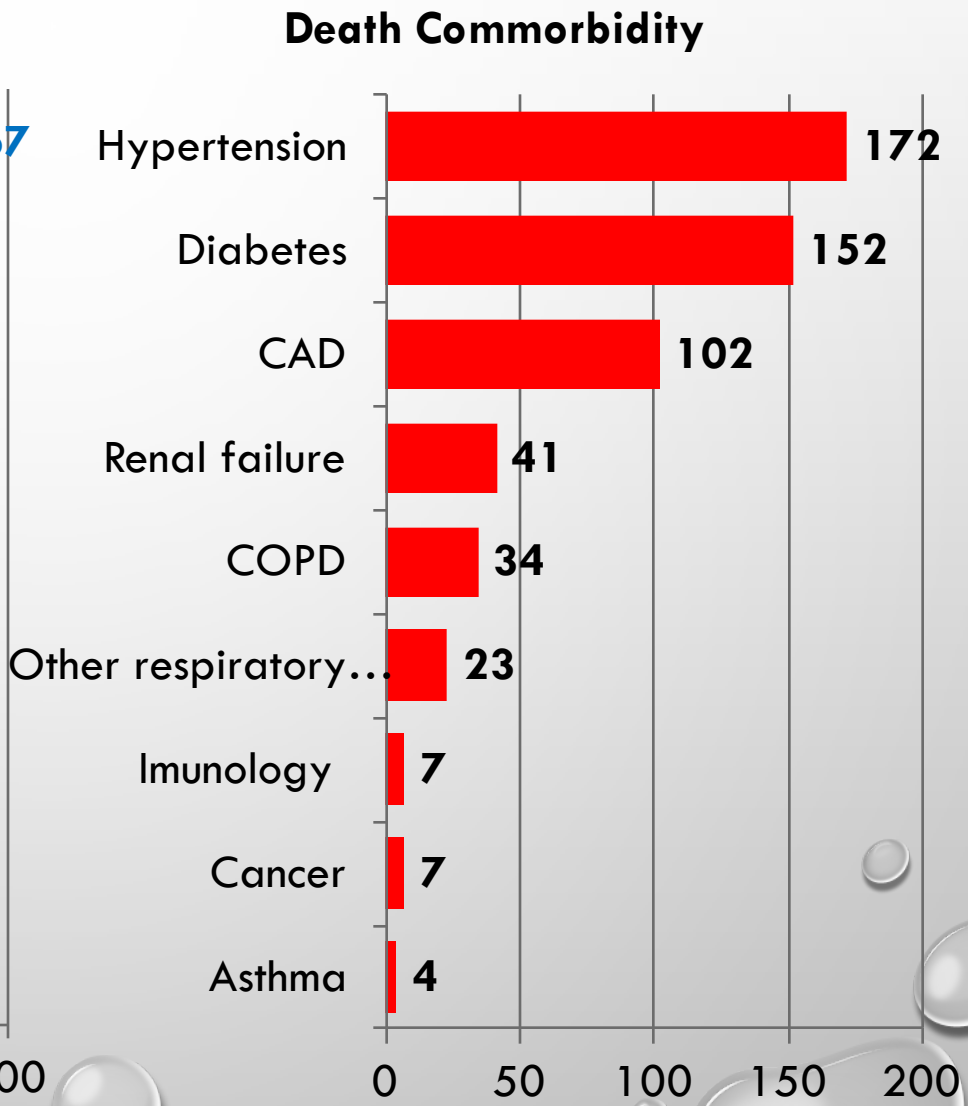
COVID-19 CO-MORBIDITIES OBSERVED





COVID-19 CO-MORBID IN INDONESIA





PHEOC data availability: 3.546 of 51.427

*Data from 26 June 2020

Data availability: 376 of 2.683

CLINICAL COURSE AND RISK FACTORS FOR MORTALITY OF ADULT INPATIENTS WITH COVID-19 IN WUHAN, CHINA: A RETROSPECTIVE COHORT STUDY

(ZHOU ET AL MARET 2020)

	Total (n=191)	Non-survivor (n=54)	Survivor (n=137)	p value
Demographics and clinical characteristics				
Age, years	56·0 (46·0–67·0)	69·0 (63·0–76·0)	52·0 (45·0–58·0)	<0·0001
Sex	..	..	..	0·15
Female	72 (38%)	16 (30%)	56 (41%)	..
Male	119 (62%)	38 (70%)	81 (59%)	..
Exposure history	73 (38%)	14 (26%)	59 (43%)	0·028
Current smoker	11 (6%)	5 (9%)	6 (4%)	0·21
Comorbidity	91 (48%)	36 (67%)	55 (40%)	0·0010
Hypertension	58 (30%)	26 (48%)	32 (23%)	0·0008
Diabetes	36 (19%)	17 (31%)	19 (14%)	0·0051
Coronary heart disease	15 (8%)	13 (24%)	2 (1%)	<0·0001
Chronic obstructive lung disease	6 (3%)	4 (7%)	2 (1%)	0·047
Carcinoma	2 (1%)	0	2 (1%)	0·37
Chronic kidney disease	2 (1%)	2 (4%)	0	0·024
Other	22 (12%)	11 (20%)	11 (8%)	0·016

Mortality risk Current smoker vs nonsmoker OR 2,23 (CI 0,65–7,63; p =0,21)

In this research also shows that smokers 14 times more likely to be infected with Covid-19 compared to nonsmokers

https://doi.org/10.1016/S0140-6736(20)30566-3

Tobacco control in Indonesia

1. RPJMN & PETA JALAN
2. ADVOKASI & KOLABORASI
3. REVISI PP 109/2012
4. PICTORIAL HEALTH WARNING
5. CUKAI & PAJAK
6. PERDA KTR
7. KONSELING UPAYA BERHENTI MEROKOK

CHALLENGES

- INDONESIA HAS NOT YET ACCESS THE FCTC
- OBIDIENCE AND ADHERENCE TO SMOKE FREE AREA
- FREE SALE OF CIGARETTES IN STICK FORM IN OPEN AREA AND TO CHILDREN
- NO ALLOCATING YET TOBACCO EXCISE AND TAX (DBHCHT) TO OPTIMIZE HEALTH PROMOTION AND PREVENTION
- CIGARETTE INDUSTRY PROPAGANDA THAT DESTROYS SCIENCE BY MANIPULATING THE MEDIA.
- USING PUBLIC IMAGE BY LABELING OR PACKAGING CIGARETTE ADVERTISEMENTS / SPONSORS
- LOBBYING PARLIAMENT TO HAMPER THE REGULATORY PROCESS

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TERIMA KASIH

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Pusat Ekonomi dan Bisnis Syariah (PEBS) merupakan institusi di bawah Fakultas Ekonomi dan Bisnis Universitas Indonesia (FEB UI). Sejak didirikan pada tahun 2006, PEBS FEB UI didedikasikan untuk menjadi center of excellence bagi penelitian, pelatihan, konsultasi, serta pengabdian masyarakat di bidang ekonomi dan keuangan syariah sesuai kebutuhan akademik, industri, dan masyarakat.

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