

HOW HAVE THE STATE REVENUE AND INDUSTRY DEVELOPED AROUND THE EVOLUTION OF EXCISE TAX ON ALCOHOL IN INDONESIA?

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ABSTRACT:

The imposition of excise on alcohol is regarded as an effort made by the government in controlling the consumption of alcohol that may have a negative impact on society. Over time, the excise policy on alcohol in Indonesia has evolved, as lastly issued under Law Number 39 of 2007. This study aims to analyze the development of state revenue from alcohol excise and industrial production around the changes in excise policy on alcohol in Indonesia. The findings of this study reveal that the excise revenue on alcohol has increased significantly during the last 25 years. Notably, there is a systematic increase in excise revenue on alcohol post the implementation of Law Number 39 of 2007. Further, in terms of industry utilization and output value, the alcoholic beverage industry in Indonesia has been growing regardless of the restrictions and limitations put in place by central and regional government. While it is good for the economy to see the industry grow, an integrated policy on curbing the consumption of alcohol should be put in place in order to minimize the negative externalities that it may cause.

Keywords: *excise on alcohol, negative externalities, state revenue, liquor industry utilization*

ABSTRAK

Pengenaan cukai alkohol dianggap sebagai upaya yang dilakukan pemerintah dalam mengendalikan konsumsi alkohol yang mungkin berdampak negatif bagi masyarakat. Seiring waktu, kebijakan cukai tentang alkohol di Indonesia telah berkembang, seperti yang terakhir dikeluarkan berdasarkan Undang-Undang Nomor 39 Tahun 2007. Studi ini bertujuan untuk menganalisis perkembangan penerimaan negara dari cukai alkohol dan produksi industri seputar perubahan kebijakan cukai alkohol di Indonesia. Temuan penelitian ini mengungkapkan bahwa pendapatan cukai alkohol telah meningkat secara signifikan selama 25 tahun terakhir. Terutama ada peningkatan sistematis dalam penerimaan cukai pada alkohol pasca pelaksanaan Undang-Undang Nomor 39 Tahun 2007. Selanjutnya, dalam hal pemanfaatan industri dan nilai output, industri minuman beralkohol di Indonesia telah berkembang terlepas dari pembatasan dan batasan yang diberlakukan oleh pemerintah pusat dan daerah. Meskipun baik bagi ekonomi untuk melihat industri tumbuh, kebijakan terpadu untuk membatasi konsumsi alkohol harus diberlakukan untuk meminimalkan eksternalitas negatif yang mungkin ditimbulkannya.

Kata kunci: cukai alkohol, eksternalitas negatif, pendapatan negara, pemanfaatan industri minuman keras

INTRODUCTION

One of the efforts made by the government in controlling the consumption of certain goods that have a negative impact on society is through the imposition of excise. In theory, excise is a Pigovian tax, which is defined as a tax on any market activity that generates negative externalities (i.e., costs not included in market prices). This tax is intended to correct unwanted effects or market inefficiencies, by setting a tariff equivalent to the social costs of the negative externalities that occur (Sandmo, 2008). As a type of Pigovian tax, the imposition of a levy on alcohol in Indonesia is actually a small-scale policy. This is because alcohol consumption is an activity that is forbidden in Islam, the religion with the largest adherents in Indonesia. The number of people who consume alcohol in Indonesia is also very small, it is estimated that only around 500,000 people (Uddarojat, 2016) or only 0.18 percent of Indonesia's total population of 270.2 million people based on the 2020 Population Census (BPS, 2021). This figure is of course outside of foreign tourists who come to visit various tourist destinations in Indonesia. Nevertheless, of course the fact that also cannot be denied is that excessive alcohol consumption can have a negative impact on people's social life and health. Across all age groups, alcohol consumption often results in death from overdose, or injury from accidental or willful violence (Cook & Moore, 1993; Birckmayer & Hemenway, 1999; Hingson & Winter, 2003). Heavy alcohol drinking can also lead to death due to organ damage, including liver cirrhosis (Rehm et al., 2003). These serious negative externalities have become the main basis for implementing state levies on alcohol in Indonesia.

Today, the alcoholic beverage industry in Indonesia is very tightly regulated through various regulations by the central and local governments. Based on data summarized by Bisnis.com, it is reported that there are 36 regulations at the national level and 150 local regulations applied to the alcohol industry (Gosta, 2016). In addition, there are also regional regulations that comply with Sharia provisions and limit or even prohibit the distribution and consumption of alcohol. A study by Buehler (2016) documented as many as 377 regional regulations based on Islamic Sharia that were implemented between 1998 and 2013, some of which restricted alcohol. Regulations are applied at both national and local levels to control the distribution, sale, and consumption of alcohol. These regulations limit public access and availability of goods through the establishment of no-sale zones, licensing requirements, and prohibition of consumption for residents under a certain age.

Excise on the consumption of alcoholic beverages is an important market intervention by the central government. The Ministry of Finance determines the amount of excise that must be borne by industry players for every liter of alcoholic beverage produced. The excise duty, which is then charged to consumers, has doubled in less than a decade. In general, alcoholic beverages are grouped into 3 categories: A (containing up to 5 percent alcohol), B (5 percent to 20 percent), and C (20 percent to 55 percent). In 2010 there was an increase of 380 percent for category A, 500 percent for category B, and 188 percent for category C. The latest alcohol excise tariff regulation, namely Minister of Finance Regulation Number 158/PMK.010/2018 comes into force on January 1, 2019, where Excise rates on

alcoholic beverages for class A experienced an increase in the excise rate of 5 percent, while classes B and C did not increase.

Given the central role of excise duty as a levy aimed at overcoming negative externalities, this study aims to analyze the development of state revenue from alcohol excise and industrial production around the changes in excise policy on alcohol in Indonesia. Specifically, this research is divided into two parts. First, time-series data analysis is carried out on excise revenues, to examine the development of excise taxes on alcohol, in the last 25 years. Second, this study examines the development of the national alcoholic beverage industry and imports of alcoholic beverages around the changes in the national excise policy on alcohol. In short, this study finds that the alcohol excise policy in Indonesia especially under the regime of Law Number 39 of 2007 saw a systematic change in the excise tariff policy which brings a significant increase in excise revenue. Further, the alcoholic beverages industry development shows an uptick both in production and utilization. From the demand-side perspective, however, the consumption pattern of alcoholic beverages in Indonesia is limited in nature.

The next part of this paper consists of four parts, namely Literature Review, Research Methods, Results and Discussion, and Conclusions and Suggestions.

1. LITERATURE REVIEW

The evolution of excise tax on alcohol in Indonesia has lasted longer than its independence. The policy of imposing excise on alcohol has been in place since the Dutch East Indies era, starting with the enactment of the Distilled Alcohol Excise Ordinance (Ordonnantie Van 27 February 1898,

Stbl. 1898 No. 90 en 92) and the Beer Excise Ordinance (Bieraccijns Ordonnantie, Stbl. 1931 No. 488 en 489). In the course of its journey, since its independence until 1995, a law on excise duty has not been established in Indonesia in accordance with the development of national law as a substitute for the colonial legal products mentioned above. Prior to the enactment of Law Number 11 of 1995 concerning Excise, at least six laws and Government Regulations in Lieu of Law was issued which regulate the imposition of excise duty on alcohol products in which generally the tariff applied is a specific tariff based on volume. This policy has been in effect since the issuance of the Emergency Law of the Republic of Indonesia Number 1 of 1954 until before 1965. Furthermore, the excise tariff system on alcohol products changed to an ad valorem tariff based on price with the issuance of Government Regulation in Lieu of Law Number 2 of 1965 concerning the National Revenue Policy 1966.

Thus, Law Number 11 of 1995 concerning Excise became a new milestone in excise policy, especially for alcohol products, where for the first-time regulations related to excise were issued in one legal product and became the legal umbrella for the implementing regulations under it, among others, related to tariffs. Indeed, the Law does not only regulate the existing excisable goods, but also covers the possibility of new excisable good. Excise laws and regulations, as regulated in several of the above ordinances which are currently in force, are discriminatory in the imposition of excise, which is reflected in the imposition of excise duty on the import of excisable goods, namely sugar, tobacco products, and kerosene which are subject to excise duty on their imports, while imported beer and

distilled alcohol are not subject to excise duty.

In addition, the excise legislation has a limited object, even though national development requires sources of financing, especially those originating from domestic revenues. Therefore, the existing potential can still be explored by expanding the object of excise so that the contribution from the excise sector to state revenue can be increased. Thus, all efforts need to be made to explore, improve, and develop all state revenue resources while taking into account the aspirations and capabilities of the community.

Regarding alcohol products, Law Number 11 of 1995 stipulates that ethyl alcohol or ethanol, regardless of the materials used and the manufacturing process, as well as beverages containing ethyl alcohol in any level, including concentrates containing ethyl alcohol, are subject to excise duty. However, in another part, the Law also stipulates that beverage containing fermented or distilled ethyl alcohol made by the people in Indonesia are simply for livelihood purposes and are not packaged for retail sale, are not subject to excise duty. As a cultural heritage, the production of alcoholic beverages has been going on for centuries and is still ongoing today.

On the other hand, in the Elucidation of Article 5 Paragraphs (1) and (2) of the Law, it is regulated that the stipulation of tariffs is a maximum of two hundred and fifty percent of the Factory Selling Price or fifty-five percent of the Retail Selling Price. The determination of the tariff is based on the consideration that if certain Excisable Goods which due to their nature or characteristics have a negative impact on health, the environment, and social order, such as drinks containing high levels of ethyl alcohol (liquor) want to be strictly limited in production,

distribution, and its use, the way to limit it is through a tariff instrument so that the said Excisable Goods can be subject to the maximum excise rate. The role of the tariff instrument here is not oriented to the revenue aspect, but to the aspect of limiting production or imports and consumption.

Regarding ethyl alcohol used as raw material, the Elucidation of Article 8 paragraph (2) letter d of Law Number 11 of 1995 stipulates that Excisable Goods used as raw materials or auxiliary materials are not subject to excise duty because the excise will be imposed on the final product, which is also excisable goods, such as ethyl alcohol which is used as a raw material in the manufacture of beverages containing ethyl alcohol or as auxiliary material in the manufacture of tobacco products. Law Number 11 of 1995 also regulates the provision of excise exemption facilities. In the Elucidation of Article 9 paragraph (1) letter a, it is regulated that the excise exemption facility is intended to support the growth or development of industries that use excisable goods as raw materials or auxiliary materials in the manufacture of final products that are not excisable goods, both for export and for domestic marketing purposes, such as ethyl alcohol which is used as raw material or auxiliary material in the manufacture of ethyl acetate, acetic acid, drugs and so on.

In its development, Law Number 11 of 1995 has undergone changes with the issuance of Law Number 39 of 2007. There are no specific changes related to excise duty on alcohol products in the new Law. However, in the implementing regulations regulated in the Regulation of the Minister of Finance, there is a simplification of the classification of drinks containing ethyl alcohol, which was previously 5 into 3 groups. In addition to simplifying the classification

of beverages containing ethyl alcohol, the specific tariffs imposed under the regime of Law Number 39 of 2007 also experienced a significant increase, reaching 200 percent for ethyl alcohol and concentrates containing ethyl alcohol, and 300 percent for alcoholic beverages.

2. RESEARCH METHODS

This study uses a descriptive analysis method on time series data on excise including excise taxes on alcohol in the last 25 years. In addition, this study also conducted a descriptive analysis to examine the development of the national alcoholic beverage industry and the import of alcoholic beverages around the changes in the excise policy on alcohol. This study also provides an analysis of consumption pattern of alcoholic beverages in Indonesia.

The data in this study are secondary data obtained from various sources as follows: data on the production and import of alcoholic beverages are obtained from the Statistics Indonesia; data on the development of the alcoholic beverage industry obtained from the Ministry of Trade; and data on policy and realization of excise revenues obtained from the Ministry of Finance.

3. RESULTS AND DISCUSSION

Data on tax and excise revenues, in general, show an increasing trend from year to year as shown in Figure 1. In the period 1995-2020, it is seen that tax revenues have consistently increased by more than 30 times over a period of 25 years. Meanwhile, excise revenues also experienced an even more dramatic increase, reaching more than 60 times over the same period. This is inseparable from the reforms in taxation and customs and excise that have been intensively rolled out since the last three decades. In particular, as mentioned in the previous

section, reforms in the excise sector have been carried out since the issuance of Law Number 11 of 1995 concerning Excise which marked a new era of excise policy in Indonesia.

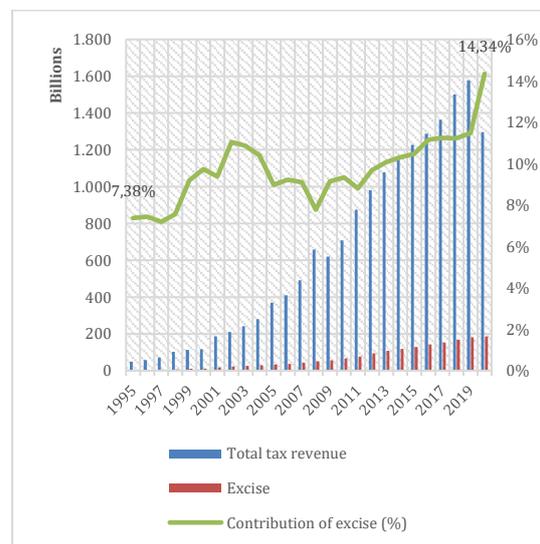


Figure 1. Proportion of excise to tax revenue 1995-2020 (in Rp. 000)

More specifically, the important role of excise duty can be seen from the contribution of excise revenue to total tax revenue as shown in Figure 1. Despite fluctuations in that period, in general, the contribution of excise revenue to total tax revenue has increased significantly, from 7.38 percent in 1995 to 14.34 percent in 2020. Of course, along with the increase in revenue, the capacity of the government, both central and local, to deal with negative externalities arising from the consumption of excisable goods, also continues to increase as expected.

In more detail, excise revenue can be divided based on the type of excisable goods. Until now, excisable goods in Indonesia consist of tobacco products, ethyl alcohol, and alcoholic beverages. In general, more than 95 percent of excise revenue comes from excise on tobacco products as shown in Figure 2. In the 2005-2020 period, there was a

systematic change in the proportion of excise revenues per type of excisable goods. In the 2005-2009 period, the proportion of excise on tobacco products was in the range of 97-98 percent. However, in the following period (2010-2020), the proportion of excise on tobacco products fell to 95-96 percent. In other words, the contribution of excise on ethyl alcohol and alcoholic beverages in the last 11 years has increased compared to the previous period.

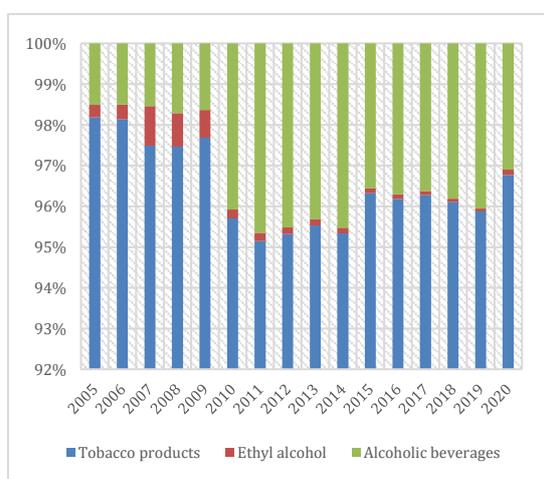


Figure 2. Proportion of excise revenue per types of excisable goods

The increase in the proportion of excise duty on ethyl alcohol and alcoholic beverages to total excise revenue can be related to the alcohol excise tariff policy issued in 2010. Minister of Finance Regulation No. 62 of 2010 concerning excise rates on ethyl alcohol, alcoholic beverages, and concentrates containing ethyl alcohol, which took effect on April 1, 2010 is the first regulation related to alcohol excise under the regime of Law Number 39 of 2007 concerning excise. Based on the tariff rate, excise duty on alcohol experienced a significant increase compared to the previous regulation. For example, for drinks containing ethyl alcohol with levels below 5 percent, the excise rate increases from Rp. 2,500 per

liter to Rp. 11,000 per liter, or more than four times increase. The contribution of alcohol excise duty which increases in line with the increase in excise rates indicates that the demand for these goods is inelastic. This finding reveals that the increase in excise tariffs, which has an impact on the price hike, does not have much effect on the level of consumption of ethyl alcohol products and alcoholic beverages.

Furthermore, the development of excise tax on ethyl alcohol and alcoholic beverages for the period 2005-2020 is shown in Figure 3. This figure reinforces the previous explanation that there was a systematic increase in alcohol excise revenues in the 2010-2020 period. In more detail, the significant increase was contributed by the excise duty on beverages containing ethyl alcohol. On the other hand, excise on ethyl alcohol did not change during the observed period. In fact, in the 2010-2020 period, excise on ethyl alcohol tends to be at a lower level than before. This is interesting considering that the ethyl alcohol tariff has doubled in 2010, from the previous Rp. 10,000 per liter to Rp. 20,000 per liter. Therefore, it is necessary to further explore the causes of the decline in ethyl alcohol excise revenue.

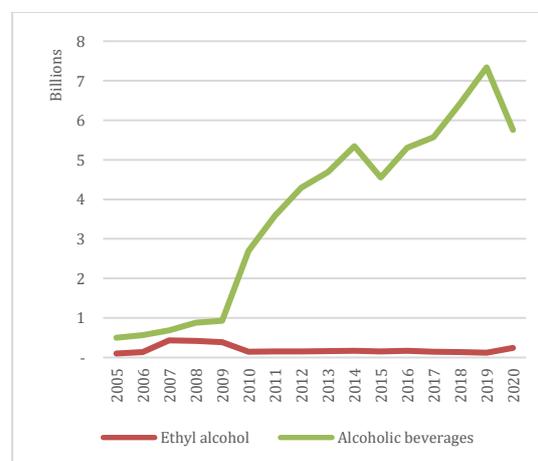


Figure 3. The excise tax on ethyl alcohol and alcoholic beverages (in Rp. 000)

Next, an analysis of the development of the national alcoholic beverage industry and imports of alcoholic beverages around the changes in the excise policy on alcohol will be described in the following section. The alcoholic beverage industry development can be observed from two viewpoints, namely supply-side and demand-side perspectives.

From the supply-side perspective, the data shows an increase in alcoholic beverages production despite its status as closed for investment industry. Based on a 2016 study by the Ministry of Trade's Center for Foreign Trade Studies entitled "Analysis Report on Imported Alcoholic Beverage Products Through Certain Ports" in 2016, the alcoholic beverage industry is one of the business fields that is absolutely closed for the investment in Indonesia as stated in Presidential Regulation Number 39 of 2014 concerning the List of Business Fields Closed and Business Fields Open with Requirements in the Investment Sector which came into effect from the date of promulgation on April 24, 2014. In Presidential Decree Number 39 of 2014 the alcoholic beverage industry which is a business field that is closed to investment and closed to foreign direct investment, includes the liquor industry (KBLI 11010), the wine industry and the like (KBLI 11020), and the malt-containing beverage industry (KBLI 11020). KBLI 11030). The policy regarding investment is not significantly different from Presidential Decree Number 36 of 2010.

With the investment closed policy, the number of companies in the alcoholic beverage industry in Indonesia remained constant during 2010-2013. Changes

that occur in the alcohol beverage industry in Indonesia are only changes in the composition of the number of business units. In 2013 the number of business units in the Indonesian Alcoholic Beverage industry was 19 business units consisting of 14 business units for the liquor industry and 5 business units for the wine industry and the like. Previously, the liquor industry had 15 business units while the wine industry and the like had 4 business units (Figure 4).

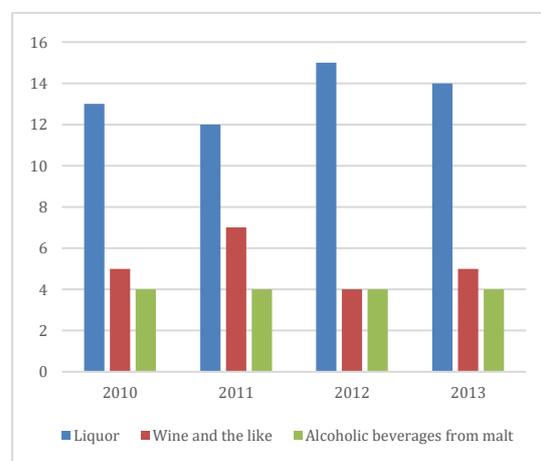


Figure 4. The development of alcoholic beverage companies in Indonesia

In terms of production utilization, the utilization of the liquor industry and the wine industry and the like is still below the industry's capacity. Production utilization of the Indonesian wine and related industries during 2010-2013 ranged from 70.5 percent to 84.5 percent, while the production utilization of the liquor industry was between 62.4 percent to 65.6 percent (Figure 5). The high production utilization in the wine industry and the like was triggered by the increase in productivity in the industry, while the increase in product utilization in the liquor industry was driven by the increase in the number of business units in the industry.

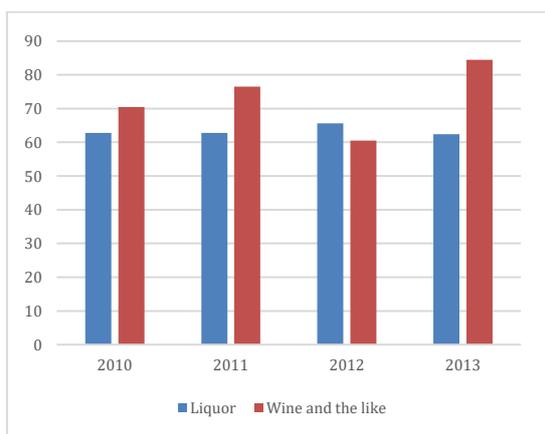


Figure 5. Utilization of Alcoholic Beverage Industry in Indonesia

In line with the increase in the number of business units and product utilization in the Indonesian alcoholic beverage industry, the output value of the alcoholic beverage industry also increased by an average of 65.2 percent as listed in Table 1. The output value of the Indonesian alcoholic beverage industry in 2010 reached Rp1.4 trillion, of which the liquor industry produces an output of Rp1.3 trillion and the wine industry and the like produce an output of Rp0.1 trillion. In 2013 the output value of the Indonesian alcoholic beverage industry experienced a significant jump from Rp2.0 trillion to Rp5.8 trillion. The significant increase in the value of output in the liquor industry, as well as the wine industry and the like, are the main cause of the increase in the output value of the alcoholic beverage industry in Indonesia. The output value of the liquor industry in 2012 was around Rp1.945 trillion, an increase of about 177 percent to Rp5.387 trillion in 2013. Meanwhile, the output value of the wine and similar industries in 2013 rose by 4.4 times from 2012 to Rp0.462 trillion.

Table 1
Output value of alcoholic beverage industry in Indonesia

Output Value	2010	2011	2012	2013	Δ (%)

(Billion Rp.)					
Liquor	1.281,7	784,5	1.945,2	5.387,5	68,5
Wine and the like	111,6	219,3	104,2	462,2	42,2

Source: Ministry of Industry (2016), tabulated by Puska Daglu

Based on data from Statistics Indonesia, during the 2010-2019 period, beverage production experienced an increasing trend of an average of 5.3 percent per year (see Figure 6). Based on the large and medium industrial production index according to a 2-digit industrial code with the base year of 2010, until the third quarter of 2019, production levels have consistently shown an increase every year, with the exception of 2012 and 2017. A significant upward trend is seen in the 2017-2019 period, where the average increase in production per year reaches almost 13 percent. Of course, these data do not fully show the condition of alcoholic beverage production considering that the available data are aggregates from the entire beverage industry. However, these data can be an indicator of an increase in the production of alcoholic beverages. Judging from its contribution, the liquor industry is the largest contributor to the formation of the production value of the alcoholic beverage industry in Indonesia. The production value of the Indonesian liquor industry in 2013 reached Rp. 2.5 trillion or about 84.8 percent of the production value of the alcoholic beverage industry in that year. Around 15.2 percent of the production value of the Indonesian alcoholic beverage industry in the same year was the production value of the wine industry and the like.

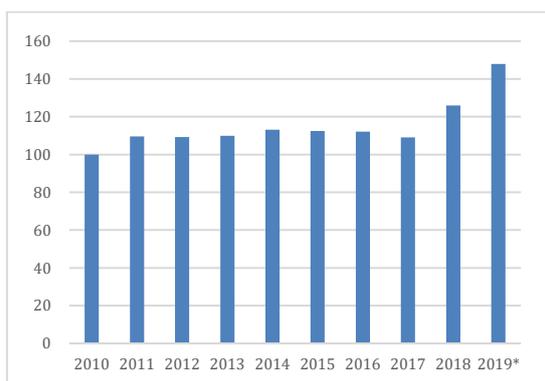


Figure 6. Alcoholic Beverages Production Index 2010-2019 (2010=100)

Along with the increase in the number of alcoholic beverage producers which have reached their maximum production capacity, existing alcoholic beverage industry companies in Indonesia are allowed to increase their production capacity as per Minister of Industry Regulation No. 63/M-IND/PER/7/2014. The Indonesian Malt Liquor Industry Association (GIMMI) is a forum for alcoholic beverage manufacturers in Indonesia. There are 4 companies that are members of GIMMI, namely:

- PT Multi Bintang Indonesia: producing Bintang, Heineken, Guinness; control more than 61 percent market share;
- PT Delta Djakarta: producing Anker Beer, Carlsberg, San Miguel;
- PT Bali Hai Brewery: producing Bali Hai;
- PT Gitaswara: producing Guinness.

The four alcoholic beverage producers constitute the entirety (100 percent) of the beer industry in Indonesia with a total annual production of 2 million hectoliters.

In addition to domestically produced goods, the supply of alcoholic beverages in Indonesia is partly fulfilled by imports. On the import side, the value and volume of Alcoholic Beverage

products supplied from abroad experienced positive movements in the last decade (2006-2015) as shown in Figure 7. In the first five years (2006-2010) demand for imports of Indonesian Alcoholic Beverages products increased sharply with an average annual growth in value and volume of imports of 122.84 percent and 57.92 percent, respectively. The import value of alcoholic beverage products, which was originally only US\$ 0.93 million in 2006, rose to US\$ 8.15 million in 2010. The volume of imports of alcoholic beverage products in 2006 was 0.29 thousand tons, increased to 1.31 thousand tons in 2010.

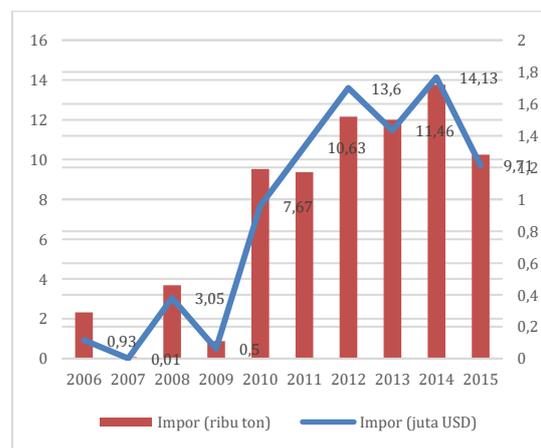


Figure 7. Volume of Alcoholic Beverages Import in Indonesia

For imported alcoholic beverages, in addition to being subject to excise duty, the alcoholic beverage industry is also subject to import duties, the rates of which have increased to 150 percent for categories B and C in 2015 based on the Minister of Finance Regulation Number 06 of 2017.

After looking at the development of the alcoholic beverage industry from the supply side, now we will look at the developments that occur from the demand side. Unlike the previous section, studies that examine the demand side of alcoholic beverages in Indonesia are very limited. One of the strictly and

recent limited studies which cover Indonesia in its sample is the study by Macedo et al. (2021). In their study which covers the period of 2010-2015, the average alcohol consumption per capita in Indonesia is by far the lowest in the 44 countries observed as well as in the Southeast Asian region. Indonesia's average alcohol consumption per capita during the period of 2010-2015 is 0.04 liters for wine, 0.96 liters for beer, and 0.02 liters for spirits.

Further, Macedo et al. (2021) also report that the real expenditure on alcoholic beverages in Indonesia increased within the period of 2010-2015 by 6 percent. Such an increase is in line with the increase the gross domestic product (GDP) per capita during the same period by 6.7 percent (from US\$ 3,122.363 in 2010 to US\$ 3,331.695 in 2015) (World Bank, 2021). In addition, the 6 percent increase in the real expenditure on alcoholic beverages is also in line with the population growth of 6.8 percent in the same period (from 241,834,226 in 2010 to 258,383,257 in 2015) (World Bank, 2021). Taking these figures into account, it can be concluded that the consumption of alcoholic beverages is not widespread but is still limited to certain people, considering that the increase in consumption that occurs does not exceed the increase in GDP per capita and the increase in population.

For people who consume alcoholic beverages, Macedo et al. (2021) also compute the expenditure elasticity and income elasticity for wine, beer, and spirits by country in the period of 2010-2015. In Indonesia, the expenditure elasticity for wine, beer, and spirits are 0.983, 0.963, and 1.466 respectively. These figures imply that, in every 1 percent increase in consumer expenditure, the demanded quantity of wine, beer, and spirits increase by 0.983,

0.963, and 1.466 percent respectively. Further, in regard to income elasticity, the figures for Indonesia's wine, beer, and spirits consumption are 0.431, 0.202, and 1.883 respectively. These numbers indicate that, for every 1 percent increase in consumer income, the demanded quantity of wine, beer, and spirits increase by 0.431, 0.202, 1.883 percent respectively. Such results further confirm that the consumption of alcoholic beverages in Indonesia is limited in nature and the substitution goods are available since the increase in income does not lead to a significant increase in alcoholic beverages consumption.

Although the consumption pattern is limited, the government has an interest in ensuring that the consumption of alcoholic beverages does not cause negative externalities for the community. In addition to efforts to limit the affordability of alcoholic beverages, the central government also restricts access to these products. In 2015, Minister of Trade Regulation No. 06/2015 prohibited minimarkets and supermarkets from selling beer and ready-to-drink packaged drinks mixed with high doses of alcohol. In Australia, this kind of drink is also called alcopops. The ban caused the sales of PT Multi Bintang and PT Delta Djakarta to decrease significantly. Both companies are the largest beer producers in Indonesia. PT Delta Djakarta reported a decline in revenue from sales of 25.5 percent compared to the previous year, while PT Multi Bintang reported a decline of 9.8 percent. Sales levels recovered in 2016 after the central government relaxed regulations and delegated the authority to regulate the sale of alcoholic beverages at minimarkets and supermarkets to local governments. Consumers also adjust to buying at hypermarkets or supermarkets,

which according to regulations are allowed to sell alcoholic beverages, or even some consumers use delivery services to get these products. In addition, industry players have begun to focus on selling to companies such as restaurants, bars, cafes, and specialty places to drink sake and wine. All of this is out of reach for low-income consumers.

Another policy to limit access to alcohol is a ban on sales to underage consumers. The Minister of Trade Regulation No. 20 of 2014 stipulates that the minimum legal limit for buying and consuming alcoholic beverages is 21 years. Chapter 15 stipulates that alcoholic beverage can only be sold to consumers who can show evidence that they are over 21 years of age. The regulation emphasizes the threat of sanctions imposed on businesses that sell alcoholic beverages to underage residents, which include cancellation of permits, fines, and lawsuits.

Finally, the central government based on the Minister of Trade Regulation No. 20 of 2014 also stipulates that official sales places should not be located near youth centers, street vendors, terminals, stations, small kiosks, youth inns, and campgrounds, places of worship, schools, and hospitals and other places designated by the local government. Many regions feel that the regulations are not clear enough to regulate so that local regulations are issued that prohibit the production and sale of alcohol altogether or create restriction zones where the sale of alcohol is still allowed.

4. CONCLUSIONS AND SUGGESTIONS

Alcohol excise policy is a central government policy to supervise and control the consumption of certain goods, which in its application is very

thick with elements of community protection. Excise policy on alcohol, therefore, has a central role in curbing negative externalities caused by alcohol consumption. Over time, the excise policy on alcohol in Indonesia has evolved, as lastly issued under Law Number 39 of 2007.

This study finds that the excise revenue on alcohol has increased significantly during the last 25 years. Notably, there is a systematic increase in excise revenue on alcohol post the implementation of Law Number 39 of 2007. Further, in terms of industry utilization and output value, the alcoholic beverage industry in Indonesia has been growing regardless of the restrictions and limitations put in place by the central and regional governments.

While it is good for the economy to see the industry grow, an integrated policy on curbing the consumption of alcohol should be put in place in order to minimize the negative externalities that it may cause. Various negative externalities that arise in society due to the consumption of alcohol products need to be handled by all stakeholders. Awareness among adolescents, in particular, is absolutely necessary in order to avoid consuming adulterated drinks which can result in death. Regulations that limit the circulation of alcohol products issued by the Central Government and Local Governments require evaluation in their implementation in the field to ensure their effectiveness. In addition, the active role of parents and the community in providing education to teenagers will fortify the younger generation from the negative behavior of consuming illegal alcoholic beverages.

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