



# PROCEEDINGS

SEMINAR OF ACADEMIC RESEARCH YEAR 2019  
CUSTOMS AND EXCISE EDUCATION AND TRAINING CENTER

## Customs and Excise



MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA  
FINANCIAL EDUCATION AND TRAINING AGENCY  
CUSTOMS AND EXCISE EDUCATION AND TRAINING CENTER



## PREFACE

Praise and thank to Allah SWT because of His grace and guidance, the activities of preparing the academic research proceedings in 2019 have been successfully finished. The preparation of this proceeding has gone through a long stage. Starting from the submission of proposals at the beginning of the year, the mentoring process until Academic Research Seminar on November 13, 2019.

The Customs and Excise Education and Training Center as an academic institution is encouraged to be able to produce trustworthy, professional, high integrity and responsible human resource. To support the implementation of Kementerian Keuangan Corporate University, we implement a competency-based training programs, knowledge capture, as well as research activities in the field of state finance specifically related to customs and excise.

Related with the above mentioned, the Customs and Excise Education and Training Center conducts Academic Research, as a mean of continuous learning process for the lecturers.

On this occasion we also express our appreciation to researchers who have successfully completed their academic research, councillors and examiners, and to the committee and all parties who have contributed along this process.

Hopefully this proceeding can make a huge contribution to the policy making process in Directorate General of Customs and Excise and to the world of science in the field of state finance, especially in the fields of customs and excise.

Director of Indonesian Customs and Excise  
Education and Training Center



A. Harry Mulya







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**THE EVALUATION OF CONFIRMATION POLICY AND  
GUARANTEE APPLICATION SYSTEM OF BANK  
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OF CUSTOMS ACTIVITY**

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## **ABSTRACT**

The main purpose of this academic research is to analyze the resolution of guarantee management in the framework of customs activity through the evaluation of public policy on the issues found in this research.

This academic research uses a qualitative analysis method with a content analysis approach. Data collection techniques carried out using questionnaires, in-depth interviews, on-site observations and literature studies. The questionnaire was developed by researcher and carried out a credibility test or a test of trust of research data through an extension of observation, increasing accuracy in research and triangulation.

This research produces important conclusions. Based on evaluation of public policy of William N Dunn, the management of Bank Guarantee and Customs Bond in the framework of customs activity has weaknesses in terms of effectiveness, efficiency, adequacy, Equity, responsiveness and appropriateness.

**Keywords:** Bank Guarantee, Customs Bond, Policy Evaluation

## PREFACE

### A. Background

Business processes in customs activities are very diverse. Starting from the activities of goods transportation, imports, exports, tariff and customs value determination, payment, debt collection, and guarantee, checking of bookkeeping, objection and appeals, as well as other activities that are closely related to the customs process itself. Each customs activity in the export and import sector in certain cases is inseparable from the submitting of guarantee activities. Among customs activities that require submitting of guarantee are activities in the context of temporary imports, suspension of import duties (*vooruitslag*), objections to officials' determination of tariffs and/or customs values, rush handling, exemption of Import Facilities for Export (KITE), release of goods from bonded zone with guarantee, and activities as Company Arranging Customs Service (PPJK) at the customs office.

There are various forms of guarantee that allowed in customs activities, include; 1) cash guarantees, 2) bank guarantees, 3) guarantees from insurance companies in the form of Customs Bonds, 4) guarantees of Indonesia Exim Bank (Guarantees of Indonesian Export Financing Institution), 5) guarantees of trust service company, 6) corporate guarantee, or 7) written guarantee.

Guarantee is an assurance of payment of state duty related to customs activities and/or fulfillment of the obligations required in customs regulations that submitted to the Customs Office.

In the process of administrating import documents, there will be direct transaction costs include costs and fees associated with setting up and financing customs bonds and guarantees, testing and use of laboratories, inspections, and stamping of documents. (Andrew Grainger, 2012). In addition, guarantees might be given by banks in customs processes that use a communication system that is connected to a customs office through a strict system (World Bank, 2005).

Customs Bond is customs binding documents used as a requirement for issuing goods in certain circumstances, which is a financial guarantee between underresearcher (insurance company), the importer (customer) and the Customs Border Protection (CBP). (Laura Isaacs, 2019).

Law of guarantee is a legal regulation that governing guarantee receivables from a creditor to the debtor (J. Satrio, 2007). The definition stated by Satrio only focuses on the rights of creditors, but it does not pay attention to the rights of the debtor.

Based on the observations of researchers at several Customs Office (Supervision and Service Middle Office of Customs and Excise and Main Service Office of Customs and Excise), in the series of guarantee

management on customs activities, the issue of guarantee confirmation is the most complained problem that reported by customs and excise officers. Guarantees submitted in the customs activities are not without risk. The risk of guarantee that has the potential to be uncollected can occur under certain conditions. To minimize risk, the Directorate General of Customs and Excise regulates the confirmation mechanism of guarantee that submitted to the Customs Office. The form of guarantee that is confirmed to the issuer, includes; 1) bank guarantee, 2) guarantee from insurance companies in the form of Customs Bonds, 3) guarantee of Indonesian Exim Bank (Guarantee of Indonesian Export Financing Institutions), 4) guarantee of trust service company

The confirmation process is carried out by customs and excise officials to the by:

1. Verbal
  - a. Guarantee in the form of bank guarantee submitted by applicant with a low-risk importers profiles and medium risk importers profiles, and the guarantor has made an agreement or verbal statement of confirmation of guarantee issuance with the Customs Office;
  - b. Guarantee in the form of a Customs Bond submitted by the principal with a low-risk importer profile, and the surety has made an agreement or verbal statement of confirmation of guarantee issuance with the Customs Office;
  - c. Guarantee submitted in the form of Indonesian Exim Bank Guarantee after an agreement or verbal statement of confirmation of guarantee issuance is made between the Director General or the Customs and Excise Official with the Indonesian Export Financing Agency; or
  - d. Guarantee of Trust Service Company submitted by applicant with a low-risk importer profile, and the guarantor has made an agreement or a verbal statement of confirmation of guarantee issuance with the Customs Office, and / or.

## 2. Written

In the event that the party issuing the guarantee is not included in item

### 1.

If the results of the confirmation of the guarantee issuance are appropriate, then a Proof of guarantee receipt issued for the guarantee which has received a provisional guarantee receipt.

## B. Formulation of The Problem

Formulation of the problem in this research are:

1. Is the mechanism of guarantee management by verbal confirmation method and written confirmation methods **still relevant to be maintained or not, in the current digital era?**

2. Can the application for guarantee management related to CEISA KITE be adjusted, so that it does not disrupt the guarantee management officer while a Customs Determination Letter (SPP) is issued?
3. Does the customs office that manages guarantee can impose sanctions to stakeholder who has not taken the original guarantee certificate at the office?
4. Does the value of the guarantee that does not match between the tax rate at the date of subcontract approval and the tax rate at BC 2.6.1 must be adjusted?

### C. Scope

1. Time period of observation.  
The research uses primary and secondary data. For primary data, the observation period is conducted from April to September 2019 and for secondary data the observation is conducted from January to December 2016 and in 2018.
2. The elements investigated.  
To achieve the objectives in this study, the elements investigated includes:
  - a. Confirmation of guarantee of Bank Guarantee and Customs Bond.
  - b. CEISA Application of guarantee management of Bank Guarantees and Customs Bond.
  - c. General administration of guarantee management of Bank Guarantee and Customs Bond.
3. The object of the research  
The research was conducted at the Main Service Office of Customs and Excise (KPU) Type A Tanjung Priok, Middle Service Office of Customs and Excise (KPPBC) Type A Bekasi, and KPPBC Type A Bogor.
4. Analysis and exploration units  
Analysis units that is used in this research are several Supervision and Service Middle Office of Customs and Excise (KPPBC) which have dominant activities in the field of general customs and facilities.

### D. Research Objectives

1. Analyzing how the mechanism of guarantee management through verbal and written confirmation methods **is still relevant to be maintained or not, in the current digital era.**
2. Analyzing how the guarantee management application related to CEISA KITE can be adjusted so that it does not disrupt the guarantee management officer while a Customs Determination Letter (SPP) is issued

3. Analyzing how the customs office that manages guarantee can impose sanctions on stakeholders who do not take the original guarantee documents at the service office.
4. Analyzing how the value of guarantee that does not match between the tax rate at the date of subcontract approval and the tax rate at BC 2.6.1 must be adjusted.

## **E. Research Benefits**

1. Theoretical Benefits:
  - a. As a means to train and develop the ability of scientific thinking, systematic, and beneficial to develop the ability and write scientific paper in the field, based on theoretical studies and applications.
  - b. For the Customs and Excise Education and Training Center, the results of this research can be used as supporting material for teaching and learning about Guarantee Management.
2. Managerial Benefits:
  - a. For the Ministry of Finance and the Directorate General of Customs and Excise (DGCE) especially, the results of this research can be used as feedback to formulate policy in the future related to the management of guarantees in the context of customs activities.
  - b. For society, the benefit of this research is to give information and understanding of guarantee management in the field of customs and its problems.
  - c. For stakeholders, the benefit of this research is to know and understand the aspects of guarantee management carried out by the Customs and Excise Officer.

## THEORETICAL BACKGROUND

### A. Literature Review

In this section, researchers will discuss literature reviews used in the research:

#### 1. Understanding Guarantee Law

The term "guarantee law" comes from the translation of *zekerheidsstelling* or security of law. In the seminar of National Legal Development Agency on mortgage institutions and other guarantees, which was held in Yogyakarta, on 20 to 30 July 1977, it was stated that guarantee law covers understanding, both materials guarantee and individual guarantee. The existence of guarantee institutions and such institutions must be accompanied by the existence of a large number of credit institutions, with long-term and relatively low interest rates (Sri Soedewi Masjhoen Sofwan, 1980). Actually, the definition that was stated by Sri Soedewi Masjhoen Sofwan is a juridical concept related to the drafting of legislation that governs guarantees in the future. Whereas currently has been drafted various laws and regulations related to guarantees.

Guarantee law is the whole of the legal norms governing the legal relationship between the guarantor and obligee regarding to the imposition of guarantee to obtain a credit facility (Salim H.S, 2012).

Guarantee law is a law that regulates the legal relationship between creditors and debtors regarding to the imposition of guarantee for credit. (Prof. M. Ali Mansyur, 2008). From the opinion above, it can be drawn that the guarantee law is a legal regulation governing the legal relationship between guarantor and obligee by guaranteeing the objects as guarantee.

#### 2. Guarantee in the field of customs

Some types of guarantees in the field of customs stated in the Finance Minister Regulation Number 259/PMK.04/2010 concerning Guarantees in Customs Framework, include the following:

##### a. Cash Guarantee

Cash guarantees are kept in a special guarantee account at the Customs Office. Cash guarantees can be in the form of cash or proof of transfer submitted to revenue treasurer at the Customs Office.

##### b. Bank Guarantee

Bank can issue bank guarantee for customs purposes. A Bank Guarantee is a form of a document explaining that the bank will pay the owed state levies if the guaranteed companies defaults on payment. Bank guarantees can only be issued by the Perception of Foreign Exchange Bank.

##### c. Guarantee from the Insurance Company (Customs Bond)

Guarantee from insurance companies that can be accepted is in the form of Customs Bond. Customs Bond must be issued by Surety or insurance companies that are included in the list of general insurance companies that

can issue Customs Bond products based on the Decree of the Minister of Finance.

Surety, principal and obligee are guarantors, companies, and recipients of guarantee as referred to in the legislation in the field of insurance.

d. Indonesia Exim Bank Guarantee (Guarantee of Indonesian Export Financing Institutions)

The Indonesia Exim Bank Guarantee is a guarantee in the form of a certificate issued by the Indonesian Export Financing Agency (LPEI) to the Customs Office. This certificate explains that LPEI will pay all state levies in the context of customs activities and/or obligations owed within a certain period when the company cannot fulfill its obligations.

e. Guarantee of Trust Service Company

Trust Service Company can be a guarantor for other companies. The guarantee must be issued by the Trust Service Company which is included in the list of trust service companies that can issue the corporate guarantee products.

f. Corporate Guarantee

A corporate guarantee can be used to guarantee all customs activities. This guarantee is a written statement from stakeholders that contains the ability to pay all state duties in the context of customs activities within the specified period by guaranteeing all company assets. Corporate Guarantee submitted by stakeholder centrally to the Director General of Customs and Excise c.q. Director who provides special facilities in the field of customs at the DGCE's Head Office. For customs activities, the company only needs to submit a photocopy of the Corporate Guarantee that has been signed to the Customs Office.

g. Written guarantee

Written guarantee is a written statement from the company that states the ability to pay all state duties in the context of customs activities and/or fulfillment of the obligation of guarantee delivery that required in customs regulations within the specified period of time and can be used once only.

Written guarantees can be given to:

- 1) Importers who are government agencies;
- 2) Importers who import goods for the purposes of government projects which financed by loans and / or grants from abroad;
- 3) Shipping companies or airlines in the case of temporary imports; or
- 4) Importers who are foreign tourists or foreign passengers who import temporary imported goods based on the regulations of temporary imports.

To get permission to use a written guarantee, the importer submits an application to the Minister of Finance c.q. Director General of DGCE. Approval or rejection is given within a maximum period of 10 working days from the date the application is received. In the case that the application is

approved, permission to use a written guarantee will be issued. On the other hand, in the case of a refusal, a letter of rejection of the application will be issued that stated the reasons for refusal.

### 3. Public policy

According to Taliziduhu Ndraha, the policy is defined as:

*"Policy is the best choice in the limits of competence or relevant institution and it is formally binding. While, wisdom is the best choice to solve problems, based on conscience, ethically and morally."* (Ndraha, 2003: 249)

The understanding and substance of public policy have been popular in society directly or indirectly, along with various phenomena and activities that occur in government. There are many opinions expressed by experts through various definitions. Public policy according to Dye is defined as "Whatever governments choose to do or not to do" (Thomas R. Dye, 1987: 3). The definition shows that the government has the authority to make choices of which policies will be carried out or not, depending on the problems that arise or the achievements to be addressed.

Evaluation is one of the activities of public policy processes, James P. Lester and Joseph Stewart explained, policy evaluation is intended to see the causes of failure of a policy or to find out whether public policy has been carried out to achieve the desired impact (James P. Lester & Joseph Stewart, in Budi Winarno 165: 23). So that, policy evaluation serves to determine the consequences that caused by a policy by describing the impact and assessing the success or failure of a policy based on standards or criteria that have been set previously. According to Briant & White (in Samodra Wibawa, 1994: 63) the policy evaluation must be able to explain to what extent public policy and its implementation approaches the goal. The definition of policy evaluation proposed by Briant & White directing the assessment of policy evaluation can be carried out at the implementation stage, and it can be assessed to what extent the impacts and consequences are generated. Meanwhile, Rossi & Freeman proposed an evaluation:

*"Evaluations are conducted to answer a variety of questions related to that we have listed as the three focus of evaluation research: program conceptualization and design, program implementation (Monitoring and accountability) and program utility (impact and efficiency assessments)."*

The definition of evaluation by Rossi & Freeman tells us that program evaluation must be able to answer several questions in evaluation research, namely: program design and conceptualization, program implementation (monitoring and accountability) and program usability (impact and efficiency). Furthermore, according to Rossi & Freeman (in Samodra Wibawa, 1994: 63) that the purpose of evaluating a program, a researcher must determine the value based on certain criteria. In other words, the most important thing in making a policy evaluation is the availability of goals and

criteria. Goal formulates the objective to be achieved by the policy, both expressed in global and numbers. While the criteria ensure that goals are set before it can be achieved and fulfilled satisfactorily. In the identifying of different evaluation objectives, it can be seen how a program is considered a failure by a set of criteria or instruments, while it is considered successful by other criteria (Suharyanto, in Deka Budianto, 2006: 15).

William N. Dunn mentions the term public policy in his book entitled *Public Policy Analysis*, which the definition as below:

*"Public Policy is a complex dependency pattern of interdependent collective choices, including decisions not to act, made by government agencies or institutions"* (Dunn, 2005: 132).

Public policy that stated by Dunn implies the existence of collective choices that are interdependent with each other, including decisions to take action. This public policy is made by a government agency or institution. If a policy has been made it must be implemented to be carried out by administrative units that mobilize financial and human resources. From a number of definitions that have been described above, it can be concluded that public policy is a series of activities or processes in overcoming public problems that contain concepts or values that are in line with the concepts and values adopted by society.

Based on William N. Dunn (2003: 608-610), the term evaluation is equated with appraisal, rating, and assessment. Evaluation is the production of information about the value or benefits of policy results. Evaluations provide valid and reliable information regarding policy performance. Evaluation contributes to the application of other policy analysis methods, including the formulation of problems and recommendations. Although it related to the entire policy process, policy evaluation is more concerned with the performance of the policy, especially in the implementation of public policies.

The types of policy evaluations according to Michael Howlett and Ramesh are: Evaluation is one of the vital aspects in supervising a policy, through evaluation all irregularities and progress or results of activities that have been carried out can be known. Whereas, criteria of evaluation according to Dunn (1999) are: Effectiveness, Efficiency, Coverage, Alignment, Responsiveness and Accuracy.

To be more clear, William N. Dunn provides criteria for evaluating public policy as follows:

1. Effectiveness, related to whether an alternative achieves results (consequences) that are expected or achieve goals with the holding of actions. Effectiveness is usually always measured by things related to the product unit or monetary value.
2. Efficiency, regarding the amount of effort needed to produce a certain level of effectiveness. Efficiency is the relationship between effectiveness

and the effort used. Efficiency is usually measured by this calculation of the resources used to achieve the highest effectiveness.

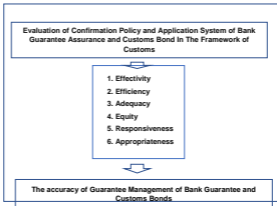
3. Adequacy (coverage), related to how far a level of effectiveness satisfies the value needs, or opportunities that grow the problem.
4. Equity (Justice), closely related to legal and social rationality and refers to the distribution of consequences and efforts between groups within a particular society.
5. Responsiveness, closely related to how far a policy can satisfy the needs, preferences or values of groups in a particular society.
6. Appropriateness, closely related to substantive rationality that refers to the value or self-esteem of the objectives of the program and to the strong assumptions that underlie the objectives of the policy.

## B. Framework of Thinking

In this chapter, the researcher provides a framework for analyzing policy-making issues related to guarantee management in the customs activities at DGCE.

The model of the framework of thinking of the description above is as follows:

Figure 6. The Model of Framework of Thinking



The framework of Thinking based on William Dunn's theory

The indicators of policy evaluation are as follows:

1. Effectiveness  
Effectiveness is an alternative policy to achieve the results expected or have (effect). Included in the effectiveness are:
  - a. Hope, which is the result desired by all parties in a policy.
  - b. Realization, it is real activities and it has resulted in accordance with what is expected in supporting policy.
2. Efficiency  
Efficiency is the amount of effort needed to produce a level of certain effectiveness. Included in efficiency are:
  - a. Resources, it is a potential of either human potential or equipment to support a policy.
  - b. Optimization, it is a process, method or action to make things the best and the highest.
3. Coverage  
Coverage is how far the level of effectiveness of policies made by government officials to satisfy value needs, or opportunities that cultivate problems. Which is includes performance. Performance is a mean for assessing how someone has worked compared to a predetermined target.
4. Equity  
Equity is closely related to legal and social rationality and refers to the distribution of consequences and efforts between groups in society. Included in justice is public accountability. Public accountability is a measure that shows whether a person's activities or institutions can be accounted for in accordance with prevailing norms and values.
5. Responsiveness  
Responsiveness is how far the policy can solve the problem of preference, or the values. Responsiveness includes:
  - a. Government responsiveness
  - b. Community responsiveness
6. Appropriateness  
Appropriateness is related to substantive rationality which refers to the value or self-esteem of policy objectives and to the strong assumptions underlying the objectives of the policy. Appropriateness includes:
  - a. Impact on government officials.
  - b. Impact on policies for the community

## ACADEMIC STUDY METHOD

### A. Type of The Research

According to Hasibuan (2007), research methodology is a framework and assumptions in conducting research elaborations, while research methods require techniques or procedures to analyze existing data. Therefore, based on the definition it can be concluded that the research methodology is the exists steps in the research while the research method is the way of each exists step. The research methodology contains knowledge that examines the methods used in the research. Meanwhile, according to Kothari (2004), research methodology is a systematic way to solve problems in research. It is defined as the science of how research is completed scientifically.

This research is a policy research that aims to identify the need for changes to the Regulation of the Minister of Finance of the Republic of Indonesia Number 259 / PMK.04 / 2010 concerning Guarantees in Customs Framework. The research method used is a qualitative method. According to Sugiyono (2012) qualitative research method is a research method based on post-positivism philosophy, used to examine natural object conditions (as opposed to experiments) where researchers are key instruments, data collection techniques are carried out in triangulation (combined), data analysis are inductive/qualitative and the results of qualitative research emphasize more meaning than generalization.

### B. Data Samples

The type of data used in this research are primary and secondary data. Primary data in the form of data from observations, interviews as well as the distribution of questionnaires. Secondary data obtained from literature data, regulations and written information obtained from the DGCE's Head Office and from several DGCE's Vertical Offices.

### C. Types and Data Resources

Data collection is done by integrating techniques between several methods of data collection, namely: Interviews, observations, questionnaires, and literature studies. The technique of distributing questionnaires was done manually or using online tools provided by Google application form. A letter of request for filling out the questionnaire was sent to the Head of the relevant Customs and Excise as the research sample.

The interview technique is carried out by taking information from competent speakers as key informants. The selection of key informants was carried out selectively by considering the capacity of competencies and the scope of the tasks performed, including gathering information from users or importers who have been experiencing obstacles related to the delivery of guarantee in the context of customs activities.

Participant observation is a method used to collect research data through observation and sensing in which the researcher is involved in the informants' daily work.

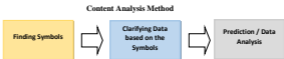
Literature study used to collect data, mainly related to the theory and concepts of the elements to be examined. In addition, this study was also conducted to obtain data about the problems that have been examined by other parties.

#### D. Data Analysis Method

Analysis of qualitative data according to Bognan & Biklen (1982) in Moleong (2007), is an effort carried out by working with data, organizing data, sorting it into manageable units, synthesizing it, searching and finding patterns, finding what is important and what is learned, and decide what can be told to others. Based on the definition, it can be concluded that the initial step of data analysis is to collect existing data, compile systematically, then present the results of the research based on the facts found.

Data analysis of the research using the **content analysis method**. According to Bungin (2007) the content analysis method is a research technique for making inferences that can be replicated and validated by taking into account to the context. Content analysis relates to communication or content of communication. To facilitate analysis, descriptive statistical programs are used in order to simplify data and classify data systematically.

The steps of content analysis in this study can be described in the following flow:



The data analysis begins with collecting all the data that has been codified to find the regular symbols. The primary data to be analysed is obtained from the results of the questionnaire and also the results of interviews with key informants. Furthermore, the researcher read carefully to do data reduction. Researcher make data reduction by making abstractions, which is taking and recording useful information in accordance with the context of the research or ignoring unnecessary words so that only the core sentence is obtained. Data that is processed and displayed is complemented by the percentage of answers to each item chosen by the respondent.

Abstractions that have been made in the form of units are then grouped according to regular symbols. The aim is to get a general and comprehensive description of the object of research. In deepening the results of the

questionnaire, an analysis of the interview results with key informants will be conducted.

The data analysis on the results of the study is done by looking for the causes of existing problems and ended by formulating constructive recommendations to fix the problems. The conclusion of the research is done by comparing the results of questionnaire processing and cross checking with key informants.

## **E. Validity of Data**

The validity of data in qualitative research is an integral element of qualitative research knowledge (Moleong, 2007: 320). The validity test of data in qualitative research includes tests of credibility, transferability, dependability, and confirmability (Sugiyono, 2007: 270).

At this stage the researchers took the data validity test technique as follows:

### **1. Credibility Test**

Credibility Test or a trust test of research data presented by the researcher, therefore the results of the research are not doubtful as a scientific work. At this stage the credibility test includes several processes, they are:

#### **a. The extension of observation**

The data obtained after being re-checked to the sitework whether it is correct or not, there is a change or still remains. After re-checked at the sitework, the data that has been obtained can be accounted for/true means credible, then the extension of observation needs to be ended.

#### **b. Increasing accuracy in research**

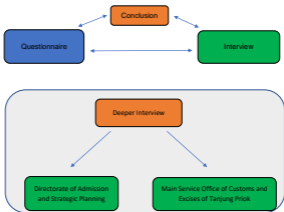
To improve research perseverance can be done by reading various references, books, results of previous research, and related documents by comparing the results of research that has been obtained. Hence, the researcher will be more careful to arrange a report, as a result, the report will be more qualified.

#### **c. Triangulation**

According to Susan Stainback in Sugiyono (2007: 330), triangulation is "the aim is not to determine the truth about same social phenomenon, rather than the purpose of triangulation is to increase one's understanding of whatever is being investigated." Thus triangulation is not aimed to seek the truth, but increases the understanding of researchers towards the data and facts they have.

According to William Wiersma in Sugiyono (2007: 372); "Triangulation is qualitative cross-validation". It assesses the sufficiency of the data according to the convergence of multiple data source or multiple data collection procedures". Triangulation in testing credibility is defined as checking data from various sources in various ways and at various times, so that triangulation can be grouped into three types, they are source triangulation, triangulation

of data collection techniques and time. For this study researchers took a triangulation of data collection techniques as well as triangulation of data sources. The process of triangulation is described in the following figure.



## 2. Dependability Test

Reliability or dependability test in qualitative research is used to find out how strong the research can be trusted. Dependability testing is done by conducting an audit of the entire research process. The researcher consults with the research supervisor / advisor to evaluate the overall research activities. For example, it can be started with determine the problem, go to sitework, choose the source of data, carry out data analysis, test the validity of the data, until making reports on observations, including compiling questions in order to distribute questionnaires as a method of data collection.

## 3. Making Conclusions

Concluding and verifying are parts of the data analysis. When data collection activities are carried out, a qualitative analyser starts searching for the meaning of objects, noting the regularities, patterns, explanations, possible configurations, causal pathways, and propositions. Initially unclear conclusions will increase to more detail. Final conclusions will

arise depending on the size of the collection of notes, coding, retention, and retrieval methods used, the researcher's skills, and the demands of the funders, but often those conclusions have been formulated before.

## ANALYSIS AND DISCUSSION

At this stage the researcher will convey a qualitative analysis of the research to the results of academic studies sequentially in two processes. The first stage is the presentation of the results analysis of the research based on data from the distribution of questionnaires using translation analysis with descriptive statistics according to each variable studied. The second stage is the presentation of the analysis of the results of interviews with key informants (relevant officials).

### A. Analysis of Result of Questionnaire Distribution

#### 1. Characteristics of Respondents

The description of the characteristics of the respondents that will be described includes 3 groups, namely:

- a. Non-Facilities Stakeholders Group
- b. Facility Stakeholders Group
- c. Customs and Excise Officers Group who Manage Guarantee

#### Organization Composition / Non-Facility Unit

From 36 respondents who filled out the questionnaire, it can be seen that the Importers were 26 respondents or 72.22%, PPJK were 4 respondents or 11.11%, Transporters were 6 respondents or 16.67%.

#### Organization Composition / Facility Unit

From 25 respondents who completed the questionnaire, all of them are companies in Bonded Zone (100%)

#### Organization Composition / Unit of Customs and Excise Officers who Manage Guarantee

From 15 respondents who filled out the questionnaire, it can be seen that all of them are the officer who manage guarantee or 100%.

#### 2. Data Analysis of Questionnaire Result for Non-Facility Stakeholders Group

##### a. Effectiveness

In this research, questionnaires were distributed with effectiveness variables consisting of several points, namely effectiveness 1 (EF1) concerning regulations for the management of bank guarantee and customs bond which is currently not in line with the expectations of stakeholder, especially related to the confirmation method to the issuer of the guarantee, both verbal and written, depicted in the following diagram:



Based on the diagram, it is obtained that for the level of effectiveness 1 (EF1) who answered strongly disagree at 0% or as many as 0 respondent, who answered disagreed at 0% or as much as 0 respondents, who answered agreed at 86.11% or as many as 31 respondents, and those who answered strongly agreed at 13.89% or as many as 5 respondents.



Based on the diagram, it shows that for effectiveness level 2 (EF2), those who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreed at 0% or as much as 0 respondents, who answered agreed at 69.44% or as many as 25 respondents, and those who answered strongly agreed at 30.56% or as many as 11 respondents.

#### b. Efficiency

In this research, questionnaires were distributed with efficiency variables consisting of several statements, namely efficiency 1 (EFIS1). Verbal and written confirmation of guarantee to the issuer needs to be changed with a faster mechanism so that guarantee acceptance services are also faster, the result illustrated in the following diagram:

Verbal and written confirmation of guarantee to the issuer party need to be changed through faster mechanism so that guarantee receipt service will be faster too



Based on the diagram, it can be seen that for efficiency level 1 (EFIS1), those who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 58.33% or as many as 21 respondents, and those who answered strongly agreed at 41.64% or as many as 15 respondents.

#### c. Equity

In this research, questionnaires were distributed with equity variables consisting of several statements, namely justice 1 (KEA1). The time limit to respond the guarantee confirmation within 9 working days from the date of the request for confirmation from the customs and excise office felt too long and did not provide a sense of equity for stakeholders, illustrated in the following diagram:

The time limit to respond the guarantee confirmation within 9 working days from the date of the confirmation request from the customs and excise office was assumed too long and does not provide a sense of equity for stakeholders



Based on the diagram, it can be seen that for the level of justice 1 (KEA1) who answered strongly disagree by 0% or as many as 0 respondents, those who answered disagreed by 0% or as many as 0 respondents, who answered agreed at 86.11% or as many as 31 respondents, and those who answered strongly agreed at 13.88% or as many as 5 respondents.

#### d. Coverage

In this research questionnaires were distributed with adequacy variable consisting of several statements, namely efficiency 1 (KEC1). Verbal and written confirmation systems that waiting for the respond of the guarantee issuer within a few days was assumed to be

unsatisfactory to the stakeholders, illustrated in the diagram as follows:



Based on the diagram, it can be clearly seen that for the coverage level (KEC1), those who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 77.78% or as many as 28 respondents, and those who answered strongly agreed at 22.22% or as many as 8 respondents.

e. Responsiveness

In this study a questionnaire with a responsiveness (*RES*) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed to be inadequate to the needs of the stakeholders, depicted in the following diagram:



Based on the diagram, it shows that for the level of accuracy (*RES1*) who answered strongly disagree at 0% or as many as 0 respondents, those who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 72.22% or as many as 26 respondents, and those who answered strongly agreed at 27.78% or as many as 10 respondents.

f. Accuracy

In this study a questionnaire with an accuracy (*KETI*) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed inappropriate related to the expectations of current stakeholders are illustrated in the following diagram:

Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed inappropriate related to the expectations of current service users



Based on the diagram, it can be seen that data for the level of responsiveness (KET1) who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 50% or as many as 18 respondents, and who answered strongly agree at 50% or as many as 18 respondents

### 3. Data Analysis of Questionnaire Results for Stakeholder of Facility Group a. Effectiveness

In this research, questionnaires were distributed with effectiveness variables consisting of several points, namely effectiveness 1 (EF1) concerning regulations for the management of bank guarantee and customs bond that are currently not in line with the expectations of stakeholder, especially related to the confirmation method to the issuer of the guarantee, both verbal and written, depicted in the following diagram:

the confirmation method to the guarantee issuer both verbal and written currently is assumed does not meet the expectations of stakeholder in terms of the aimed time



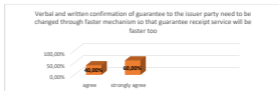
Based on the diagram, it is obtained that for the level of effectiveness 1 (EF1) who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 80% or as many as 20 respondents, and who answered strongly agree at 20% or as many as 5 respondents.



Based on the diagram, it can be seen that for effectiveness level 2 (EF2), those who answered strongly disagree at 0% or as many as 0 respondents, those who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 72% or as many as 18 respondents, and who answered strongly agree by 28% or as many as 7 respondents.

**b. Efficiency**

In this research, questionnaires were distributed with efficiency variables consisting of several statements, namely efficiency 1 (EFIS1). Verbal and written confirmation of guarantee to the issuer needs to be changed with a faster mechanism so that guarantee acceptance services are also faster, the result illustrated in the following diagram:



Based on the diagram, it is obtained data that for efficiency level 1 (EFIS1), those who answered strongly disagree at 0% or as many as 0 respondents, who answered disagree at 0% or as many as 0 respondents, who answered agreed at 40% or as many as 10 respondents, and who answered strongly agree by 60% or as many as 15 respondents.

**c. Equity**

In this research, questionnaires were distributed with equity variables consisting of several statements, namely justice 1 (KEA1). The time limit to respond the guarantee confirmation within 9 working days from the date of the request for confirmation from the customs and excise office felt too long and did not provide a sense of equity for stakeholders, illustrated in the following diagram:

The time limit to respond the guarantee confirmation within 9 working days from the date of the confirmation request from the customs and excise office was assumed too long and does not provide a sense of equity for stakeholders



Based on the diagram, it is obtained data that for the level of justice 1 (KEA1) who answered strongly disagree at 0% or as many as 0 respondents, those who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 84% or as many as 21 respondents, and who answered strongly agree at 16% or as many as 4 respondents.

#### d. Coverage

In this research questionnaires were distributed with adequacy variable consisting of several statements, namely efficiency 1 (KEC1). Verbal and written confirmation systems that waiting for the respond of the guarantee issuer within a few days was assumed to be unsatisfactory to the stakeholders, illustrated in the diagram as follows:

Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed to be unsatisfactory to stakeholders



Based on the diagram, it can be clearly seen that for the coverage level (KEC1), who answered strongly disagree at 0% or as many as 0 respondents, who answered disagreement at 0% or as much as 0 respondents, who answered agreed at 88% or as many as 22 respondents, and who answered strongly agree at 12% or as many as 3 respondents.

#### e. Responsiveness

In this study a questionnaire with a responsiveness (*RES*) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed to be inadequate to the needs of the stakeholders, depicted in the following diagram:



Based on the diagram, it shows that for the level of accuracy (RES1) who answered strongly disagree at 0% or as many as 0 respondent, those who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 92% or as many as 23 respondents, and who answered strongly agree at 8% or as many as 2 respondents.

f. Accuracy

In this study a questionnaire with an accuracy (KET1) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed inappropriate related to the expectations of current stakeholders are illustrated in the following diagram:



Based on the diagram, it can be seen that data for the level of responsiveness (KET1) who answered strongly disagreed at 0% or as many as 0 respondent, who answered disagreed at 0% or as many as 0 respondents, who answered agreed at 60% or as many as 15 respondents, and who answered strongly agreed by 40% or as many as 10 respondents

4. Analysis of Results of the Assurance Management Group Questionnaire Data

a. Effectiveness

In this research, questionnaires were distributed with effectiveness variables consisting of several points, namely effectiveness 1 (EP1) concerning regulations for the management of bank guarantees and custom bond that are currently not in line with the expectations of stakeholders, especially regarding the method of confirmation to the

issuer of the guarantee, both verbal and written, depicted in the following diagram:



Based on the diagram, it shows that for the effectiveness level 1 (EF1), those who answered strongly disagreed at 13.33% or as many as 2 respondents, who answered disagreed at 26.67% or as many as 4 respondents, who answered agreed at 60% or as much 9 respondents, and those who answered strongly agreed at 0% or as many as 0 respondent.



Based on the diagram, it can be seen that for the effectiveness level 2 (EF2), those who answered strongly disagreed at 13.33% or as many as 2 respondents, who answered disagreed at 13.33% or as much as 2 respondents, who answered agreed at 26.67% or as many as 4 respondents, and those who answered strongly agreed at 46.67% or as many as 7 respondents.

b. Efficiency

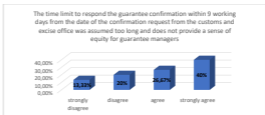
In this research, questionnaires were distributed with efficiency variables consisting of several statements, namely efficiency 1 (EFIS1). Verbal and written confirmation of guarantee to the issuer needs to be changed with a faster mechanism so that guarantee acceptance services are also faster, the result illustrated in the following diagram:



Based on the diagram, it shows that for efficiency level 1 (EFIS1), those who answered strongly disagreed at 0% or as many as 0 respondent, those who answered disagreed at 0% or as many as 0 respondent, who answered agreed at 66.67% or as many as 10 respondents, and those who answered strongly agreed at 33.33% or as many as 5 respondents.

#### c. Equity

In this research, questionnaires were distributed with equity variables consisting of several statements, namely justice 1 (KEA1). The time limit to respond the guarantee confirmation within 9 working days from the date of the request for confirmation from the customs and excise office felt too long and did not provide a sense of equity for managers guarantee are illustrated in the following diagram:

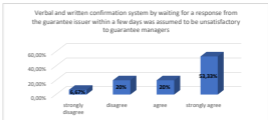


Based on the diagram, it shows that for the level of justice 1 (KEA1) who answered strongly disagreed at 13.33% or as many as 2 respondents, who answered disagreed at 20% or as many as 3 respondents, who answered agreed as much as 26.67% or as much 4 respondents, and those who answered strongly agreed at 40% or as many as 6 respondents.

#### d. Coverage

In this research questionnaires were distributed with adequacy variable consisting of several statements, namely efficiency 1

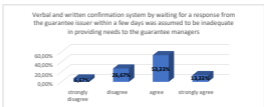
(KEC1). Verbal and written confirmation systems that waiting for the respond of the guarantee issuer within a few days was assumed to be unsatisfactory to the guarantee manager, illustrated in the diagram as follows:



Based on the diagram, it can be seen that data for coverage level (KEC1) who answered strongly disagreed at 6.67% or as many as 1 respondent, who answered disagreed by 20% or as many as 3 respondents, who answered agreed as much as 20% or as many as 3 respondents, and those who answered strongly agreed at 53.33% or as many as 8 respondents.

e. Responsiveness

f. In this study a questionnaire with a responsiveness (*RES*) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed to be inadequate to the needs of the guarantee managers, depicted in the following diagram:

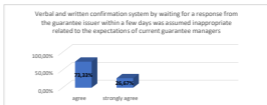


Based on the diagram, it shows that for the level of accuracy (*RES*1) who answered strongly disagreed at 6.67% or as many as 1 respondent, those who answered disagreed amounted to 26.67% or as many as 4 respondents, who answered agreed as much as 53.33% or

as many as 8 respondents, and those who answered strongly agreed at 13.33% or as many as 2 respondents.

g. Accuracy

In this study a questionnaire with an accuracy (*KET1*) variable was distributed. Verbal and written confirmation system by waiting for a response from the guarantee issuer within a few days was assumed inappropriate related to the expectations of current guarantee managers are illustrated in the following diagram:



Based on the diagram, it can be seen that for the level of responsiveness (*KET1*) who answered strongly disagree at 0% or as many as 0 respondent, who answered disagreed by 0% or as much as 0 respondent, who answered agreed by 73.33% or as many as 11 respondents, and those who answered strongly agreed at 26.67% or as many as 4 respondents

## B. Analysis of The Observations Result

Observations carried out by researcher included several Service Offices, both Main Service Office of Customs and Excises (KPU BC) Type A Tanjung Priok, Main Service Office of Customs and Excises Soekarno-Hatta, Supervision and Service Middle Office of Customs and Excises (KPPBC) Bogor, Supervision and Service Middle Office of Customs and Excises (KPBC) Bekasi and DGCE's Regional. Furthermore, based on observations and interviews with the Treasury Officials of KPU BC Tanjung Priok, officials at KPPBC Bekasi and KPPBC Bogor, it is obtained information and facts as follows:

### 1. KPU BC Tanjung Priok

- Management of Guarantees in the framework of customs includes guarantee in the framework of temporary imports, Vooruitslag (suspension of import duties), guarantee for PPJK activities, guarantees of Objection, and guarantees of KITE.
- The problems that have been faced are related to several things, namely:

- a) Confirmation of guarantee was assumed to require extra effort, that is, to carry out writing confirmation via e-mail for all bank guarantees and customs bonds in the context of filing an objection. Furthermore, make additional confirmation by telephone to the surety if the confirmation is not responded immediately.
  - b) Guarantee in the framework of KITE is carried out in risk management confirmation (if the value is large) at KPU BC Tanjung Priok since the number of guarantees in the framework of KITE are abundant. But according to KITE rules the risk management mechanism is not regulated.
  - c) Guarantees in the framework of Objection, Provisional Imports, Vooruitslag (suspension of import duties) at the KPU BC Tanjung Priok the confirmation is made absolutely by the consideration of stakeholders are not every time carrying out these activities, meanwhile for KITE guarantee are carried out randomly because the user is the permanent recipient of facilities and routinely carry out imports.
  - d) The CEISA KITE system has weaknesses in terms of there is no time limit on the issuance of the Customs Declaration (SPP) from the due date of the guarantee, causing outstanding waiting for the SPP until the guarantee is due for guarantee in the framework of KITE. KPU BC Tanjung Priok was only passive in waiting for a response from the Regional Office from which the KITE facility was issued. The following are examples of SPP set on September 2, 2019, and origin document of PIB on June 9, 2017:
2. KPPBC of Bekasi and KPPBC of Bogor
- a. Guarantees in the context of subcontracting BC 2.6.1 documents from bonded zones to other locations are confirmed randomly by taking into account the value of the guarantee. This is done in the context of time, manpower and bureaucracy efficiency as well as taking into account the risk management of the types of companies that are relatively easy to monitor as recipients of bonded zone facilities.
  - b. The absence of explicit rules regarding the duties of hangar officials requesting guarantee adjustments in the case of necessary adjustments to BC documents 2.6.1.

### C. Analysis Results of In-depth Interview

Interviews are part of the techniques used by researchers. After getting the information needed in the research, the researcher continues the observation technique, namely interviews or by asking the informants to produce information that is able to answer the problems in this research. At this stage, the researcher conducts interviews and discussions on points related to the research theme. The results of in-depth interviews with key informants are as follows:

- a. Interview with the Officials at the Directorate of Admission and Strategic Planning (Dit PPS).

- 1) For the process of confirming guarantees to the surety, which have been done verbally or written, which was assumed inefficient, therefore it needs to be improved. The alternatives are:
    - a) Each customs and excise service office approaches the surety to be willing to provide access to the customs and excise service office to obtain the guarantee data in the framework of customs. Hopefully, the manual confirmation is no longer needed.
    - b) The rules governing surety obligations to provide guarantee information in the framework of customs are made as follows:
      1. Mandatory Electronic Data Exchange System, customs guarantee, initiated by DGCE; or
      2. All surety must provide electronic access to the Customs and Excise Service Office to obtain the guarantee data in the framework of customs.
  - 2) For guarantees submitted in the context of KITE in the form of STTJ (Guarantee Receipt) at the Importing Services Office, if the issuer of the KITE Facility (DGCE's Regional Office) issues a Customs Declaration (SPP) then problems occur if the SPP is recorded in the CEISA KITE system after a few days from the date of SPP, then:
    - a) Check the regulations related to KITE, especially SPP recording system.
    - b) Related to guarantees that cannot be disbursed because they are due, it is necessary to make a rule regarding the authority of the service office where the goods are administered to be able to request an extension of the guarantee before due date or after due date in the event that the SPP is not issued.
  - 3) The guarantee documents submitted and completed which are not taken by the owner or who has been given power of attorney, then the matter needs to be regulated:
    - a) It is necessary to create time limit for taking the documents
    - b) If not taken, the guarantee document is returned to the surety; or
    - c) Destroyed based on regulation
  - 4) Number of guarantee that does not match between the tax rate at the date of subcontract approval and the tax rate at BC 2.6.1:
    - a) It should be emphasized in the regulations related to the duty of hangar officials in bonded zones to ask BC 2.6.1 applicants to adjust guarantee.
    - b) In the TPB application system it is necessary to give a special mark in the form of a response to the BC 2.6.1 applicant to submit guarantee adjustment.
- b. Interview with the Officials of KPU BC Type A Tanjung Priok
- 1) For the process of confirming guarantee to the surety, which has been carried out through verbal or written that assumed inefficient, the officials agreed to improve the process. The steps that have been taken by KPU BC are:
    - a) Approach the surety whose documents are used frequently in the framework of customs, to provide access to the examination of the

- truth of the guarantee documents. In this case, Mandiri Bank has responded to KPU BC Tanjung Priok's request.
- b) To minimize the recurring confirmation process, the officials agreed to establish a Guaranteed DPE system.
  - c) It needs to regulate the mechanism of random confirmation with specific criteria based on risk management when the electronic system cannot be implemented.
- 2) In the CEISA system at KPU BC Type A Tanjung Priok, for the guarantee submitted in the framework of objection, Proof of Receipt of Guarantee (BPJ) is issued before confirming to the issuer of the guarantee (surety), if the result of the guarantee confirmation respond is received beyond the 60th day since the SPTNP, then the system automatically issues an active billing as the first (1st) reprimand letter to the importer to pay the bill on the SPTNP, even though the importer has submitted an objection completely and correctly to the STPNP within 60 days, it does not need to occur if the confirmation system is electronic or online.
  - 3) For the guarantee submitted in the context of KITE in the form of STTJ (Guarantee Receipt) at the Importing Services Office, if the issuer of the Decree of KITE Facility (DJBC Regional Office) issues a Customs Declaration (SPP), there is a problem when the SPP is recorded after a few days from the date of the SPP, then:
    - a) Regarding guarantee that cannot be disbursed because it is due, then it is necessary to make a rule regarding the authority of the service office where the goods are administered that manage guarantee to be able to request an extension of the guarantee before maturity or after maturity in the event that the SPP is not issued.
    - b) SPP recording system that is not sorted based on the recording time needs to be reviewed since it is very difficult for officers.
  - 4) Regarding to guarantee documents that are not taken by the owner, a warning must be made by blocking customs access.
- c. Interview with the Official of KPPBC Bekasi.
    - 1) The resource person agreed that the confirmation mechanism, both verbal and written, needs to be improved by using an online system to accelerate the service process and guarantee administration.
    - 2) The Service Office has the authorization to confirm guarantees randomly by taking into account risk management.
    - 3) Regarding to BC 2.6.1, it is necessary to explicitly regulate related to hangar officials who are given the task to examine and to request the applicants of BC 2.6.1 to adjust the guarantee when there is difference in exchange rates.
  - d. Interview with the Officials of KPPBC Bogor

- 1) The resource person agreed that the confirmation mechanism, both verbal and written, needs to be improved by using an online system to accelerate the service process and guarantee administration. KPPBC Bogor has made an innovation by creating local applications that must be applied by surety in the KPPBC Bogor area.
- 2) The Service Office has the authorization to confirm guarantees randomly by taking into account risk management.
- 3) Regarding to BC 2.6.1, it is necessary to explicitly regulate related to hangar officials who are given the task to examine and to request the applicants of BC 2.6.1 to adjust the guarantee when there is difference in exchange rates.
- 4) Regarding to guarantee documents that are not taken by the owner, a reprimand is required by not providing the next service.

## CONCLUSION AND RECOMMENDATION

### A. Conclusions

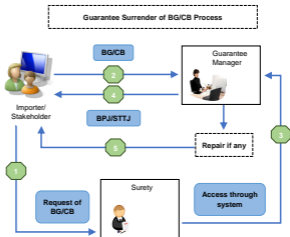
In this chapter, the researcher will present the results of the discussion presented in the previous chapter with regard to the evaluation of public policies in managing bank guarantee and customs bond in the framework of customs, based on William N. Dunn's policy evaluation theory with the following conclusions:

1. The system of guarantee confirmation to the surety through verbal and written methods needs to be changed by a faster and more efficient method in accordance with the technological advancement approach.
2. The guarantee administration application related to CEISA KITE needs to be adjusted to facilitate officers on monitoring the issuance of the Customs Determination Letter (SPP).
3. The Customs Office that manages guarantees can impose sanctions on stakeholders who have not taken the original guarantee certificate.
4. Adjustment of guarantee in the context of subcontracting must be adjusted immediately if there is a difference in the exchange rate.

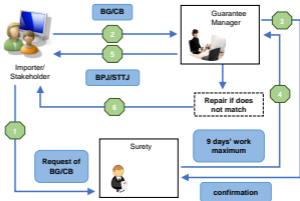
### B. Recommendations

Based on the conclusions that have been described above, the researcher provides a recommendation for Bank Guarantee and Customs Bond management in order to gain a positive impact on policymakers, policy implementers and also customs stakeholders. The recommendations include:

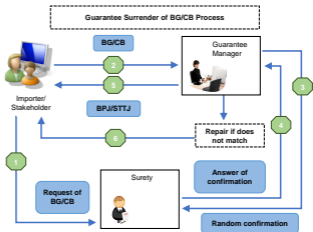
1. Regarding verbal and written confirmation of guarantees, it should be changed by using an electronic system because it will affect the speed, efficiency, and certainty of service time for customs stakeholders as follows:
  - The Guarantee management official examines the surrender of guarantees in the context of customs.
  - Officials match data obtained through an electronic system that available from the surety
  - If it meets the requirements, a BPJ / STTJ is issued
  - If it does not meet, the guarantee returned for improvement.
  - In the case of improvement, the surety improves guarantee data in the electronic system.



The following can be seen the settlement mechanism (old pattern) of verbal and written confirmation according to PMK 295 / PMK.04 / 2010:



2. Regarding random confirmation if the PDE system cannot be applied, risk management data is used as follows:
- The Guarantee management official examines the surrender of guarantees in the context of customs.
  - Officials match data obtained through an electronic system available from the surety
  - If it meets the requirements, a BPJ / STTJ is issued by applying risk management according to company profiling in conducting confirmation
  - If it does not meet, the guarantee returned for improvement



3. Related regulations that are technically directly related to Bonded Zone:
  - The Hangar Officer is given the task of notifying BC 2.6.1 applicants for adjusting guarantee in the event of a difference in the tax rate, it can be stated in the form of a confirmation letter from the head of the local customs office, taking into account Regulation of the Minister of Finance No. 188 / PMK.01. / 2016 concerning the Organization and Vertical Procedure of the Directorate General of Customs and Excise and PMK 259 / PMK.04 / 2010 concerning Guarantees in Customs Framework.
4. Guarantees in the framework of KITE that have been applied with CEISA KITE need to be given an additional menu for the extension period of SKEP KITE so that the manager of guarantee in the place of imported goods can conduct comprehensive monitoring from the surrender of guarantees, before maturity, SKEP KITE extension, extension of guarantee and return of Guarantee Documents. In addition to the CEISA KITE system there is the addition of a red mark as a sign that the guarantee is nearing maturity and needs to be adjusted or extended
5. Related to the original guarantee documents which are not taken back by the stakeholders:
  - a. Returned to surety
  - b. The next guarantee is no longer served.

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**ANALYSIS OF FACTORS THAT AFFECTING THE QUALITY  
OF DETERMINATION MADE BY EXPERT LEVEL  
DOCUMENT RESEARCHER (PDTA) IN CUSTOMS AND  
EXCISE MAIN SERVICE OFFICE TYPE A TANJUNG PRIOK**

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**MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA  
FINANCIAL EDUCATION AND TRAINING AGENCY  
CUSTOMS AND EXCISE EDUCATION AND TRAINING CENTER**

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## ABSTRACT

This study aims to analyze the factors that influence the quality of PDTA determination, including PDTA competence, media (tools), regulatory clarity, and external factors. This research is qualitative research aimed at exploring phenomena related to research and the stipulation of import customs declarations. This type of research is a policy evaluation where the results of this study are expected to be used by government agencies as a basis for decision making. In this study, data collection was carried out by distributing questionnaires, focus group discussions (FGD), and interviews. The data collected is then analyzed using the Triangulation method to get the right conclusions on the existing reality.

The results of this study are beneficial for the Ministry of Finance, in particular, the Directorate General of Customs and Excise (DJBC) as consideration in formulating policies related to the examination and determination by PDTA. For the community, the benefit of this study is to provide information and understanding of the importance of the accuracy of the results of the PDTA determination. Moreover, it will guarantee the country's financial rights while providing legal certainty to business actors in importing goods.

The results of the study showed that the competency of PDTA was sufficient to conduct examination and determination. Even so, PDTA knowledge and skills must always be improved. The legislation is adequate for carrying out the PDTA's tasks even though many things need to be improved. The media needs to get more serious attention to be improved because there are still quite a lot of deficiencies, both physical aspects and from the availability of application system. External aspects also need to get serious attention. It is because there are still quite a lot of external agencies whose support cannot be optimized for the examination and determination of PDTA.

**Keywords:** Quality, Determination, Expert Level Document Researchers (PDTA)

## PREFACE

### A. Background

The Customs Act No. 17, Year 2016, regulates the authority of customs examination related to importation goods. According to paragraph 16, article 1 of The Customs Act no.17 Year 2016, Customs officials may determine import tariff before customs declaration or within 30 days of the date of customs declaration. Moreover, in article 2 of the same paragraph, it is stated that Customs and Excise officials may determine the customs value of the importation goods for calculating the import duties before customs declaration or within 30 days of the date of customs declaration.

The authority of examination and determination is a form of Directorate General of Customs and Excise (DGCE) function as a government institution in optimizing revenue collection in terms of customs and excise. The official in charge of examining documents and issuing this determination is called the Expert Level Document Examiner (PDTA) or also known as the Document Examiner Functional Officer (PFPD).

In case of determination stated in article 1 and article 2 resulting in an underpayment of import duties, the importer is obliged to pay the import duty according to the determination. An importer who misrepresent customs value for calculating import duties, thus resulting in an underpayment of import duties, will be subject to an administrative penalty, minimum 100 % of the underpayment import duties, and a maximum of 1000 %. Any importers who do not agree with the determination may submit an objection to DGCE by submitting a guarantee.

The result of PDTA's examination, whether resulting in underpayment or overpayment of import duties, will be followed by the issuance of the Determination Letter of Tariff and/or Customs Value (SPTNP). In case of importer does not agree with the issuance of SPTNP, he/she could submit an objection to Director General of Customs and Excise. The SPTNP, which is not being objected will become an addition of state revenue.

Table 1

## DATA OF OBJECTIONS ON SPTNP DETERMINATION, YEAR 2016 - 2018

Year	Total Amount of Objections in Indonesia	Total Amount of Objections in Tanjung Priok Customs & Excise Main Service Office	Amount of Objections Granted in Indonesia	Amount of Objections Granted in Tanjung Priok Customs & Excise Main Service Office	Percentage of Objections Granted in Tanjung Priok Customs & Excise Main Service Office
2016	7.251	4.509	418	129	2,86%
2017	9.999	7.543	618	324	4,29%
2018	8.343	3.218	755	200	6,21%
Total	25.593	15.270	1.791	653	

Source: Directorate of Objection Appeal and Regulation

Based on the data above, the amount of objections in Tanjung Priok Customs & Excise Main Service Office has significantly affected the total amount of objections in Indonesia. In 2016, objections of the official's determination had reached 62,18 % of the total national amount, while in 2017 is 75,43 % and in 2018 is 38,57 %. Thus, in the last three years, the average total amount of objections in the Tanjung Priok Office is 58,72 % of the total national amount.

The quality of PDTA's determination is proof of their performances. According to A.A. Anwar Prabu Mangkunegara (2005:9), employee's performance is work results in quality and quantity, achieved by an employee in carrying out their duties following the responsibilities given to him. Three factors affected employee's performances, according to Payaman J Simanjuntak (2005); individual factor, organization support factor, and management support factor. Individual factors consist of competency and work ethic. Organization support factors in the form of organizing, providing of work facilities and infrastructures, comforting working environment and working conditions and requirements. Management support factors are the

ability to develop a working system, safe and harmonious industrial relations, as well as developing worker competencies and fostering motivation for all employees.

In general, a qualified determination will have an impact on the minimum number of objections granted by the Objection Unit. Objections submitted to Tanjung Priok Customs & Excise Main Service Office need to get attention due to the last three years, the percentage of objection granted by this office has increased. According to the table above, in the year 2016, total objections granted is 2,86 %. It is then increased to 4,29 % in 2017 and keep increasing to 6,21 % in the year after.

Based on the theory of services quality and performances theory above, as well as the result of discussions and observations in the Customs and Excise Division in Customs & Excise Main Service Office Type A Tanjung Priok, it is known that the quality of PDTA's determination is determined by four main factors, namely the officials' competency, tools, clarity of regulations and external factors.

## **B. Research Questions**

Based on the back ground explained before, the research questions are as follow:

1. Are officials' competencies sufficient to produce qualified determinations?
2. Are the media (tools) used in the determination process sufficient to support qualified determination made by the officials?
3. Have the existing regulations already given a sufficient basis to support qualified determination made by the officials?
4. Has the external environment supported the qualified determination made by the officials?

## **C. Scope of the Study**

Elements of this study include the following aspects; the officials' competency, tools, regulations, and external aspects. The object of this research, where we obtain primary and secondary data, is Customs & Excise Main Service Office Type A Tanjung Priok. The unit of analysis in this study is also Customs & Excise Main Service Office Type A Tanjung Priok. The respondents of this research are from the Customs and Excise Division and Objection Division.

## **D. Aim of the Study**

The aims of this study are as follow:

1. To analyze whether the PDTA's competencies are sufficient to produce a qualified determination.

2. To analyze whether the tools used in the process of determining are sufficient to support the quality of PDTA's determination.
3. To analyze whether the existing regulations have already given a sufficient basis to support the quality of PDTA's determination.
4. To analyze whether the external environment has supported the quality of PDTA's determination.

#### **E. The benefit of the Study**

This research will give amounts of benefit to stakeholders:

1. Theoretical Benefits:
  - 1) For the world of science, the researchers hope that this research will contribute to the treasury of knowledge in terms of quality of PDTA's determination.
  - 2) For Customs and Excise Education and Training Center, the results of this study could be utilized as learning material for Customs Technique and Customs Surveillance.
2. Practical Benefits:
  - 1) For the Ministry of Finance, the results of this study could be used as feedback to formulate policies in the future related to the examination and determination of import declaration.
  - 2) For society, the benefits of this study are to give information and comprehension about how important society's participation is to enhance the quality of PDTA's determination.

## **THEORETICAL BACKGROUND**

### **Theory of Performance**

According to Rival (2005:309) concept of performance is the real behavior displayed by each person as a work achievement produced by employees following their role in the company. Meanwhile, Ilyas (2005:55) states that performance means appearance, work result of personnel either quality or quantity of individual and also working group personnel. The appearance of this work result is not only limited to the functional or structural officer but also the entire staff in the organization. Nurlaila (2010:71) states that performance is the result or output of a process.

### **Theory of Service Quality**

Service is a series of activities or a process that happened regularly and continuously, covering all aspects of society. Moenir (2002:49) differ service into two; inward and outward service. Inward service supports all organization activities. Outward service is service to customers who are outside the organization.

### **PDTA's Competency**

PDTA's competency is the knowledge and skill that PDTA possessed, which is related to their duty in examination and determination. Before being appointed as PDTA, each employee must have participated in the Functional Training of Expert Level Document Researcher and graduated from the training.

### **Media (Tools)**

The definition of media is a means used by PDTA to conduct examination and determination. Media may consist of a database filled by data of previous determinations or a particular application, provided by DGCE, for researching and determining documents. There are two databases of customs valuation; Customs Values Database I (DBNP I) and Customs Values Database II (DBNP II). DBNP I is developed by DGCE's Headquarter and applied nationally. On the other hand, DBNP II is developed by regional offices or main service offices and applied for those offices.

DBNP is one of the most significant media for examining customs value. DBNP is used for assessing the risks of reasonability from values declared (risk assessment tools). If values declared by importer is not reasonable, PDTA will do in-depth research for that import declaration documents.

### **Regulations**

Functional officers in DGCE who are responsible for doing examination and determination of import declarations called PDTA. As stated

in the Customs Act, paragraph 16, articles 1 and 2, PDTA's duties are determining tariff and customs value towards importation goods before customs declaration or within 30 days of the date of customs declaration.

Apart from compelling determination procedures, regulations made by the government also regulate procedures of examining each determination's object. Related to customs value, Minister of Finance Regulation number 160/PMK.04/2010 on Customs Value for Calculating Import Duty published. It is then amended into Minister of Finance Regulation number 62/PMK.04/2018.

### **External Environment**

The private institution which highly related to determination activities by PDTA is the importer itself as well as those who get authority from the importer for completing the importation of the goods called Company Arranging Customs Service (PPJK). Banking is also a private institution related to determination activities by PDTA. They have information about the transaction values of imported goods due to importer in the majority, use banking services for payment purposes.

### **Import Business Process**

In summary, the examination flow of import declaration documents by PDTA started with Importer sends the documents electronically. In case the provisions of the import restrictions have been fulfilled and the validation of the documents automation accordingly as well as customs duties and import taxes have been settled, then PIB will be given registration number and given its service line.

PDTA's document research focuses on anything related to customs tariffs and values as well as import duties and taxes. In terms of research results resulted in the shortage of payment of customs duties, excise, and import taxes, PDTA will then publish a Letter of Tariff/Customs Value Determination (SPTNP).

Every SPTNP published based on Import Declaration (PIB) determinate in the red or yellow lane and not categorized in a low-risk importer, the official will publish SPPB after following conditions:

1. The importer pays off the lack of import duties, excise, and import taxes as well as fines
2. The importer gives collateral in the number of import duties, excise and import taxes, as well as fines in case there are any objections submitted.

## Previous Research

Research in PDTA's competency has been conducted by Customs and Excise Education and Training Center, in the form of post-training evaluation in 2018. This evaluation was aimed at the alumni of Functional Training of Expert Level Document Researcher, which had carried out its duties as PDTA in various customs offices. The evaluation was addressed not only to alumni but also to supervisors and co-workers of each alumnus. Based on this evaluation, it was concluded that education and training are able to improve students' competency who will serve as the Expert Level Document Researcher (PDTA).

## Research design

The research design aims to illustrate the flow and research phases, starting from research questions until the result obtained by conducting research and discussion. In accordance with the qualitative descriptive kind of study, the design of this study is compiled as the following figure.

Figure 2.2: Research Design



Research questions were obtained from the excavation of problems towards officials in Customs and Excise Main Service Office type A Tanjung Priok. Of the several problems that arise, it can be determined all research questions related to the things that affect the quality of the determination to be studied and further given recommendations for future improvement. The research question is an early stage in this research, which provides the direction and limitation of the scope of this research. Research objectives are aligned with research questions to get answers to these questions.

## RESEARCH METHODS

### Type of Study

This research is a qualitative study aimed at exploring the phenomena related to the quality of officials' determination. The determination of officials implicates not only the organization's performances but also on external parties, especially to the importer who is the object of the determination. The type of this research is the evaluation of policy. The results are expected to be used by government agencies as a basis for decision-making related to research activities and the determination of imported goods documents. The results of the research can also be used by the importer in order to improve the ordinance fulfillment of customs obligations.

### Type of Data and Source of Data

The type of data used is quantitative and qualitative primary data that is directly collected from its source. The primary data will be compiled in the form of questionnaire data, Focus Group discussion (FGD), and In-Depth Interview. The questionnaire was addressed to the PDTA in charge of Customs and Excise Main Service Office type A Tanjung Priok. FGD conducted jointly between PDTA and Objection Unit, while in-depth interviews conducted at the Objection Unit in Customs and Excise Main Service Office type A Tanjung Priok. The results of the questionnaire, interviews and subsequent observations will be analyzed within the triangulation method.

### Data Collection Technic (Research Method)

In this study, data collection was obtained from the questionnaire, Focus Group Discussion (FGD), and In-depth Interview.

#### 1) Questionnaire

The questionnaire is distributed using electronic media (Google form), targeted to PDTA in Customs and Excise Main Service Office type A Tanjung Priok which amounted to about 100 people. Of the 100 officers who served as PDTA, as many as 61 people fill and submit the questionnaire.

#### 2) Focus Group Discussion (FGD)

The FGD method is used to obtain comparative information on data obtained from the questionnaire that has been collected from the PDTA. FGD followed by participants from Customs and Excise Unit as well as Objection Unit in Customs and Excise Main Service Office type A Tanjung Priok. Customs and Excise Unit is a unit that performs technical coaching to the PDTA, while the Objection Unit is a unit that assesses PDTA's determination. The assessment is obtained to know whether PDTA's determination can be maintained or not if there are any objections from the importer.

### 3) In-depth Interview

The observation method is done by conducting direct observation on the site of PDTA's work in Customs and Excise Main Service Office type A Tanjung Priok. From said observation, it is expected to gather information related to the media (tools) used in the implementation of examination and determination tasks. The observation result is also utilized as a comparison to interviews and questionnaire results.

### Data Analysis Method

The collected data will be analyzed in the triangulation method. Bungin defines triangulation as a "mix method" or a blended method whereby quantitative and qualitative methods are used together in a study. Triangulation is utilized to reduce bias by reviewing interrelated phenomena from different angles and perspectives. Triangulation is conducted by comparing the primary data with secondary data, which then to be taken conclusions and results.

Figure 3.1 : Triangulation Method



## ANALYSIS AND DISCUSSION

### DATA ANALYSIS

The results of expert discussion, interviews, and questionnaire that have been compiled, further summarized in 4 (four) aspects that can affect the quality of PDTA's determination which includes aspects of officials' competency, media aspects (tools) used, regulatory aspects, and external aspects.

#### 1. Aspects of Officials' Competency

##### 1.1. Knowledge of Tariff and Customs Value

- 1) PDTA has adequate knowledge of how to identify and classify goods. Sufficient information and knowledge about tariffs are obtained from sharing and capacity building activities, both formally and informally. It is proposed that we should develop a knowledge management system that contains a variety of information including a FAQ (Frequently Asked Question) related to goods that are often imported

*"If there are any doubts about the identification of goods, we usually ask for opinions to the Technical Unit or co-workers who are more skilled about a particular item"* (Ning Setyawati)

*"We can get additional knowledge about something we know nothing about because among PFPD, there is a lot of educational or work background such as textile, KITE, or there are some officers who have ever been worked in investigation and enforcement unit or else. When we don't understand something, we can ask our friend who has more knowledge about that thing."* (Eri)

- 2) PDTA has adequate knowledge regarding tariff, including preference tariff, additional import duty (BMAD, BMTP, and BMI), as well as free of import duty such as BKPM, KITE, temporary import, and reimport.

*"The dynamics of regulation compels PFPD to always keep updated by doing sharing sessions."* (Eri Kurniawan)

- 3) PDTA has adequate knowledge related to excise tariffs such as MMEA and tobacco products excise rates. PDTA always seeks to do sharing between them to update new

matters related to tariffs and customs value. PDTA's knowledge of tariff and customs value is increasingly better.

*"Tariff and customs value determination is getting better. There is supposed to be simplicity by the system for those who have a big load of work that is potential to be missed."* (Nanik Susilawati Rizain)

- 4) PDTA has adequate knowledge of how to set customs value. Sufficient information and knowledge about the customs value obtained from sharing and capacity building activities, both formally and informally.

*"Tariff and customs value determination is getting better. There is supposed to be simplicity by the system for those who have a big load of work that is potential to be missed."* (Nanik Susilawati Rizain)

#### 1.2. Prohibited and Restricted Goods Knowledge

- 1) PDTA has well understood the provisions of prohibited and restricted goods. Obstacles sometimes occurred on the level of implementation, for example, there is a difference between the results of customs and excise laboratories and the results of the examination by Surveyors in terms of Surveyor Report (LS).

*"Problems occurred if there is a difference between the results of customs and excise laboratories and the result"* (Eri Kurniawan)

- 2) PDTA always seeks to improve the knowledge of prohibited and restricted goods. One of the way is participating in Capacity Building related to prohibited and restricted goods by inviting experts in their field and sharing among fellow PDTA. PDTA is also very assisted with the INSW portal which is relatively complete in terms of determination purposes.

*"It is still being discussed among PDTA related to prohibited and restricted goods for second-hand products. It is still need to be defined which one is the second-hand goods and which one is the new one."* (Imam Tri Wahyudi)

#### 1.3. Application Skills

- 1) PDTA understands the features available on Customs and Excise Information System and Automation (CEISA) well.

*"Basically, in my opinion, this application is easy to use. We don't need extra effort to use this application. Once you use it, you can do it." (Heri)*

- 2) PDTA is able to use the menu available on CEISA application for good examination and determination.

*"Basically, in my opinion, this application is easy to use. We don't need extra effort to use this application. Once you use it, you can do it." (Heri)*

- 3) PDTA is able to optimize the features available in CEISA well.

*"Actually, the knowledge is the same but the implementation can be different. It will be interesting if we choose some PFPD to see their work methods. Between PFPDA and B, the work method may be different, thus we can juxtapose those methods. In terms of CEISA menus, if we are willing to explore, we will know all CEISA Features. However, there are still some of PFPDs who don't know about particular menu. For example, HS recommendation menu from laboratory, not everyone knows about that menu because it is an additional menu. It will be better if the Headquarter always communicate if there's an update in CEISA application." (Heri)*

#### 1.4. Analytical skills

- 1) PDTA is able to analyze the importation of goods for tariff and customs value determination well.

*"Each PFPD has different capacity, thus knowledge sharing is needed. Analytical skill is also in different level, thus sharing session need to be encouraged." (Eri Kurniawan)*

- 2) PDTA is able to implement some disciplines to make good decisions.

*"Related to analytical skill, it is indeed must be learned by doing, learn from cases. Usually, there is a case and that case is recurring...and we have to communicate with our friends whether they have experienced that case before. Analysis can be developed from personal experiences and from our surroundings." (Heri)*

*"PFPD's competency must always be improved. It will be better if there is knowledge management or FAQ (Frequently Asked Question)."* (Imam)

- 3) PDTA is able to analyze potential violations in tariff and customs values declaration thoroughly.

*"Related to analytical skill, it is indeed must be learned by doing, learn from cases. Usually, there is a case and that case is recurring...and we have to communicate with our friends whether they have experienced that case before. Analysis can be developed from personal experiences and our surroundings. Besides, communication is not only with fellow PFPD but also with the goods investigator, so that in the end, the result of the investigation has good quality."* (Heri)

#### 1.5. Communication skills

- 1) PDTA is able to communicate well with fellow PDTA in order to make decisions.

*"Regarding to analysis, I think in my group, the communication is good. It is highly needed information and communication. In my place, everyone is easy to get discussed, no hard feeling."* (Ning)

*"Communication is not only with fellow PFPD but also with the goods investigator, so that in the end, the result of investigation has good quality."* (Heri)

- 2) PDTA is able to provide a reasonable explanation if there are questions on the determination.

*"Communication between Objections Unit and PFPD. During this time, the communication between the objection unit and PFPD has been relatively good. Especially when there is a possibility of different determination."* (Anwar)

- 3) PDTA is able to communicate well according to Service Level Agreement (SLA) standards.

*"The communication between objection unit and PFPD has been relatively good. Especially when there is a possibility of different determination."* (Anwar Hidayat)

## 2. Surveillance Media aspects

### 2.1. Computer devices

- 1) Computer devices are relatively new and adequate for examination and determination tasks.

*"Computer and its appliances relatively new. It is about 2 years old. The computer can run fast and no particular problem." (Eri)*

- 2) Computer Devices Run fast.

*"Computer and its appliances relatively new. It is about 2 years old. The computer can run fast and no particular problem." (Eri)*

- 3) Computer devices are not easily damaged.

*"Computer and its appliances relatively new. It is about 2 years old. The computer can run fast and no particular problem." (Eri)*

### 2.2. CEISA Application

- 1) CEISA is easy to use.

*"CEISA application is good. There was a discussion about what menus to be added and we give our opinion. Basically, this application can work properly." (Heri Setiawan)*

- 2) CEISA has been informative enough to provide the necessary data needed by the PDTA. However, the information available needs to be expanded in order to make PDTA's determination more effective. It is included the result of objections, audits and appeals that are not yet available in the CEISA application.

*"In my imagination, if we research particular goods in the application, there should have been a recommendation or past record about those goods. For example, in the past, this goods' harmonized system code was determined in 3923. When we do document research, and the HS code is different from the record, it shall become a warning. It will help the examiner of goods to determine which classification the goods belong to easily. The database's source can be from the past determination, the result of objections and appeals, or from audit results. It will become a big integrated database that can be accessed by PFPD. The database can also be divided into two categories, i.e.: the database of goods and the database of regulations. It will help PFPD to make a decision more easily." (Heri Setiawan)*

*"The past record of particular goods will be popped up in PFPD's CEISA dashboard, for then it will help the PFPD to make a decision easier." (Heri)*

- 3) CEISA application is not fast enough and often experience down

*"CEISA's connection often down. The last time I used, it is not stable, and it keeps going." (Imam Tri Wahyudi)*

*"CEISA, I experience lately is not only slow in connection but also an error, the system even shuts down. Therefore sometimes I do not work all day long. When it back to normal, I have to work late until night, my eyes hurt. So, please make the application more stable and fast. Sometimes, there is someone who can connect while others can not. Those problems happened lately, after the new system update." (Ning)*

### 2.3. Database of Customs values

- 1) The database of customs values, used as tools to test the fairness of customs value, is not complete.

*"Database is not complete so that we have to use market data or marketplace data. We need a thematic database." (Imam Tri Wahyudi)*

- 2) Database is easy to use.

*"Basically, in my opinion, this application is easy to use. We don't need extra effort to use this application. Once you use it, you can do it." (Heri)*

- 3) Database is not update.

*"Regarding the database, I beg you please updating the database, especially for branded goods like women bags, i.e: LV, Fendi, Hermes, etc. We haven't had any databases about those goods yet." (Ning)*

### 2.4. Internet Connection

- 1) Internet network is relatively fast.

*"The internet connection is fast enough, relatively no problem even though sometimes it is slow." (Eri)*

- 2) The Internet can be utilized to support work.

*"The internet connection is fast enough, relatively no problem even though sometimes it is slow." (Eri)*

### 3. Regulatory Aspects

#### 3.1 Tariff regulation

- 1) Procedures of research and tariff determination is simple and clear.

*"The tariff regulations are quite clear but need an explanation of station wagon because which station wagon taxed in Luxury Sales Tax (PPnBM) is not clear. It will then result in the potential bills could not be taken. The definition of the station wagon is not clear from Ministry of Industri's regulation, whereas the importation of it is in great amount, eg Mazda car 6". (Nanik)*

- 2) Procedures of research and tariff determination do not multi interpret.

*"The tariff regulation is quite clear. However, it needs more detail regarding the excise tariff of beverages contained ethyl alcohol (MMEA), between distilled and fermented products. In Indonesian Customs Tariff Book (BTKI), it is stated that tariff affected by the process of making, while in the regulation of domestic excise tariff, it is based by the group. We need a guide for PFPD Determination." (Anwar)*

- 3) Regulations can be applied in the field.

*"In our regulation, there hasn't been any definition about station wagon. We've called The Ministry of Industry on trial, but they haven't pointed anyone. Whereas, if we comb out, it is highly potential. The position has been in objection unit, but not yet granted. We have definition of wagon from WCO, but still need to make sure about the regulation. We try to invite the relevant unit to make sure about the regulation. The reason must be cleared, whether from the specification or else." (Eri)*

- 4) Regulations do not contradict higher regulations or other regulations.

*"The tariff regulation is quite clear, however, it needs to be managed more detail between distilled and fermented regarding excise tariff for beverages containing ethyl alcohol (MMEA). In BTKI, the tariff is affected by the production process, while in domestic excise tariff regulation, it is affected by group. Regarding this, PFPD needs guide for determination." (Anwar)*

### 3.2 Customs Value Regulation

- 1) The procedure of examination and determination of customs value is simple and clear.

*"Regarding the customs values, we have been told by Inspectorate General about the fairness test. That's why I've read about PMK 160. In our regime, it is said that transaction value is more important. So, after doing the transaction value test, we are doing the fairness test. Even though they can prove that it is the transaction value, it will still have to be corrected if we consider the value is not proper." (Anwar)*

- 2) The procedure of examination and determination of customs value is not multi interpretations.

*"For example, in customs value, there's an agreement regarding valuation in article 7 (GATT)" (Ning)*

- 3) Regulations can be applied in the field.

*"Regarding the customs values, we have been told by Inspectorate General about the fairness test. That's why I've read about PMK 160. In our regime, it is said that transaction value is more important. So, after doing the transaction value test, we are doing the fairness test. Even though they can prove that it is the transaction value, it will still have to be corrected if we consider the value is not proper." (Anwar)*

- 4) Regulations do not contradict to higher regulations or other regulations. It is needed to be harmonized with the transaction with the procedures of customs value.

*"Regarding the customs values, we have been told by Inspectorate General about the fairness test. That's why I've read about PMK 160. In our regime, it is said that transaction value is more important. So, after doing the transaction value test, we are doing the fairness test. Even though they can prove that it is the transaction value, it will still have to be corrected if we consider the value is not proper." (Anwar)*

### 3.3 Regulations of Prohibited and Restricted Goods

- 1) Simple and clear research and tariff determination procedures.

*"We are very assisted by the information published in INSW. One thing that needs to be noticed is the treatment for goods that are not declared as prohibited and restricted goods, but the good is already in post border." (Erik)*

- 2) Procedures of examination and determination of prohibited and restricted goods may still occur multi interpretations.

*"Sometimes there's subjectivity regarding the second-hand goods and new goods...what is a second-hand good? When I had an investigation with my friend from DGT, there was a lot of second-hand goods recognized as new goods. It will then make the value higher in order to make the profit lower. In the end, the prohibited and restricted good was safe, and the tax was low." (Ning)*

- 3) In general, regulations are easy to apply, but the rules of prohibited and restricted goods still need to be explained.

*If it is about post border, I agree that it needs confirmation. We need regulation at front, we also need control from behind or completely ignored." (Ning)*

- 4) In general, rules do not contradict higher regulations or other regulations. However, there are still contradictions in prohibited and restricted goods regulation.

*"Talking about prohibited and restricted goods, it sometimes makes me feel hot and cold. I've ever received some letters related to second-hand goods. In the Ministry of Trade Regulation number 48, it is clearly stated that "Imported goods must be in the new state." Then what's being imported is second-hand goods. In the regulation of international trading, it is stated that the goods being imported by PT. A is not included in the goods which importation system being regulated. However, in the below clause, it is stated that imported goods must be in the new state. So, the regulation is contradictory. It is stated that the goods imported by PT. A is not included in prohibited and restricted goods because it is second-hand, but it is also stated below that any imported goods must be new. In the end, they don't want to release the permit. But those rubber articles keep going from past till now. It makes the regulation floating." (erik)*

#### 4. External Aspects

##### 4.1. Importer

- 1) Importers have not informed the imported goods clearly.

*"Importers inform the imported goods clearly? The answer is no. What I'm highlighting here is the high-risk importer because there are many findings there. They usually make a general declaration. For example, a pump declared as a type x pump, it will then have to be matched. But the declaration is in general. The importer is not clearly*

*informing their goods, including in the branded bag cases. They declare those bags as a clutch, bag, handbag, etc. When we see it physically, it is indeed a branded bag.” (Ning)*

- 2) Importers have known their obligations as importers in the case of declaration unclear

*“ The obligation as an importer in case of declaration unclear, they usually do nothing like changing the data or something else, it’s nothing. Even if they make a mistake, they don’t change the data. For example, there’s a mistake in state of origin. It is supposed to be Japan, but they declare that it is from China, then they do not change the data. Whereas this is crucial when he/she uses FTA. Because in FTA, where the good comes from will become our reference.”(Ning)*

- 3) Importer responds to request for complementary data relatively on time.

*“And then, importer responds to request for complementary data on time. For this one, Sir, my answer is no.”(Ning)*

- 4) Importers submit complementary data that can be used for determination.

*“ For example in the Information of Customs Value (INP), during this time, they only answered INP without documents, sometimes they only give us the Purchase Order (PO)—rarely Sales Contract. I’d ever been handed a wet contract, it seems that the contract had just made in time because the stamp was still wet. And even worse, the value was wrong. The value between documents that he attached in INP and the value he submitted in PIB was different. The next is—importers submit complementary data that can be used in determination. This one is very rarely, Sir, even if it’s existed. If the importer is good, he/she will complete all the data. If he/she transferred, the transfer proof, LC or checking account shall be submitted.” (Ning)*

- 5) Importers responding to sample goods requests in a relatively timely manner.

*“Importers responding to requests for sample goods timely, this one is also a few, Sir. There are still not on time. If they think it has anything to do with their interest, they will respond fast, but if they think it will risk them (in case they send us sample goods and we can change the HS code, then the tariff will change), they will respond slowly.” (Ning)*

- 6) Importer responding to consultation request in a relatively timely manner.

*"Importers responding to consultation request on time, I don't think so. I'd ever experienced a case when I called the importer but he was abroad. Ok, then, no problem if he's abroad and there's no representative from the company. In the end, I released a correction note (Nond), then he came in one fine afternoon." (Ning)*

#### 4.2. PPJK

- 1) PPJK relatively understands the duties and functions as the importer representative.

*"PPJK in general is good, their customs competency is quite good." (Ning)*

- 2) PPJK has a relatively good customs competencies.

*"In general, PPJK is good. Their customs competency is quite good. For me, it is better to meet the importer directly than to meet PPJK. Because sometimes, what I said to PPJK is different from what the importers received. So, it is better to meet the importer directly." (Ning)*

- 3) PPJK is relatively understanding the problems and responding to the results of the PDTA research promptly.

*"Generally, PPJK understands the problems and responding on time." (Ning)*

#### 4.3. Banking

- 1) Officials do not have a strong authority base for banking confirmation.

*"We cannot access banking, DGT may have access because their regulations are stronger to compel banking in order to open their data. We cannot confirm anything to banking if we don't have any regulation basis." (Éri)*

- 2) Banking is not accessible for confirming transaction occurrence.

*"Banking, so far I've never done anything related to it. I've ever experienced confirming to banking once I was in Objection Unit. The duration was quite long, about 60 days. Our time is limited, it will take time to confirm to banking." (Ning)*

- 3) There is no MoU with banking and banking is not open in providing information of goods transaction value.

*"If banking is willing to open, it will be good. However, we worried whether they are willing to open or not. Because the data is about their client's privacy, how many transactions in one month or else, are they willing to open like that?" (Ning)*

#### 4.4. Foreign government agencies

- 1) SKA as the basis for tariff preference according to provisions.

*"About SKA tariff, It is appropriate if the average knowledge of preference tariff is good enough. Even though sometimes there is any interpretation matter." (Nanik)*

- 2) Confirm SKA to GA country of origin of received goods take a relatively long time (not timely).

*"In our institution, I see the weakness is lying between retro (SKA originality confirmation) and its far away position, therefore when it comes to trial, we will submit objection but sometimes when it's time to decide on the objection, the retro is not yet answered." (Nanik)*

- 3) Tracing the origin of goods from the product to be assigned a customs value is not easy.

*"Tracing the origin of goods, I found that it is still difficult, especially for branded goods made in China. We're having difficulties, Sir." (Ning)*

## DISCUSSION

In this section, we will discuss all data obtained from the questionnaire, FGD, and in-depth interviews that have been grouped into some aspects of the determination quality. The discussion uses the triangulation model based on secondary data obtained from DGCE compared to primary data obtained directly by researchers. As in the Analysis section, the discussion in this section is also delivered sequentially, starting from the competency aspect of the officials, media aspects, regulatory aspects, and aspects of external agencies. The questionnaire in this study was made in 5 scales, i.e., strongly disagree, disagree, neutral, agree and strongly agree. In order to simplify the discussion of this study, opinions that state strongly disagrees and disagree will be combined into one conclusion, which is not agreed. Meanwhile, the opinion that states agree and strongly agree will be combined into agree opinion.

### 1. Aspects of PDTA's Competency

- 1) Determination quality is influenced by the competency of PDTA. Before being placed to serve as an official of the import document researcher, the candidate for PDTA must first join and pass the functional training for researchers of expert document level in Customs and excise training center. In this training, PDTA's candidate equipped with knowledge and expertise in the field of tariffs, customs value, provisions prohibited and restricted goods and also about rules of origin (Certificate of Origin/SKA).
- 2) Determination quality is also influenced by PDTA's competency related to knowledge about the identification and classification of goods. Based on the questionnaire, it is known that as many as 95% of PDTA who fill the questionnaire agree that PDTA has adequate knowledge about the identification and classification of goods. The outcome of this is in accordance with the results of FGD and interviews, where it is known that PDTA has had such knowledge well. Knowledge about the identification of goods continuously improved regularly by sharing knowledge among fellow PDTA and holding capacity building about certain goods that need particular deepening.
- 3) Determination quality is influenced by the competence owned by PDTA related to knowledge on preference tariff according to Certificate of origin (SKA) of goods. Based on the questionnaires to PDTA is known as many as 97% of PDTA that fills the questionnaire agreeing that PDTA has adequate knowledge of preference rates. This questionnaire result is aligned with the results of FGD and interviews, where it is known that PDTA has had such knowledge well.
- 4) The quality of determination is also influenced by PDTA's competency related to the knowledge of additional import duties, including Anti-dumping Duty (BMAD), Reward Import Duty

(BMI), Security Action Import Duty (BMTP), and the duties of retaliation (BMP). Based on the questionnaire, it is known that 97% of PDTA who fill the questionnaire agree that PDTA has adequate knowledge of additional customs. This questionnaire result is aligned with the results of FGD and interviews, where it is known that PDTA has had such excellent knowledge.

- 5) The quality of determination is also influenced by PDTA's competency related to import facilities such as the Investment Coordinating Board (BKPM) facility, Import Facility for Export (KITE), Temporary Import, Reimport, and other facilities. Based on the questionnaire to the PDTA, it is known that 94% of PDTA who fill the questionnaire agreeing that PDTA has adequate knowledge of import facilities. This questionnaire result is aligned with the FGD results where and interviews are known that PDTA has had such good knowledge.
- 6) Determination quality is influenced by the competency owned by PDTA related to knowledge about tax in terms of import (PDRI). Based on the questionnaire, it is known that as many as 89% of PDTA that fill the questionnaire agree that PDTA has adequate knowledge about PDRI including VAT and Luxury Sales Tax for certain goods. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good knowledge.
- 7) The quality of determination is also influenced by the competency owned by PDTA related to knowledge about the excise tariff of both tobacco and beverage tax containing ethyl alcohol (MMEA). Based on the questionnaire, it is known that as many as 81% PDTA that fill the questionnaire agree that PDTA has adequate knowledge of excise tariff. The outcome of this is in accordance with the results of FGD and interviews where it is known that PDTA has had such good knowledge.
- 8) Determination quality is influenced by the competency owned by PDTA related to customs value. Based on the questionnaire, it is known that as many as 97% of PDTA who fill the questionnaire agree that PDTA has adequate knowledge of customs value. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good knowledge.
- 9) The quality of determination is also influenced by PDTA's competencies related to prohibited and restricted goods. Based on the questionnaire, it is known that as many as 92% of PDTA who fill the questionnaire, agree that PDTA has adequate knowledge related to the provisions of prohibited and restricted goods. From the questionnaire is also known that as many as 95% of PDTA agrees that PDTA can apply the rules of prohibited and restricted goods in making decisions. This questionnaire result is aligned with the

results of FGD and interviews where it is known that PDTA already has such knowledge and can apply it correctly.

- 10) The quality of the determination is also influenced by the skill owned by the PDTA for using the CEISA application. Based on the questionnaire, it is known that as many as 97% of PDTA agree that PDTA has been skilled in CEISA import application. It is also known that as many as 97% agree that PDTA has been skilled in using a document research menu on CEISA. As with the multitasking, it is known that as many as 94% agree that the skilled PDTA uses multiple features on applications in a multitasking way. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good skills.
- 11) The quality of determination is also influenced by the competence that PDTA has in analyzing the potential errors of import customs declaration. Based on the questionnaire, it is known that as many as 97% agreed that PDTA has the ability to analyze goods for tariff determination. It is also known that as many as 84% agreed that PDTA has the ability to analyze the fulfillment of transaction value requirements, costs added or reduced, including related party transactions (transfer pricing). The outcome of this is in accordance with the results of FGD and interviews where it is known that PDTA has had such a good ability. Ability to analyze the customs value lower than those to the tariff because the information and evidence related to the customs value tend to be more limited than the information about the tariff.
- 12) The quality of determination is also influenced by the competence that PDTA has in implementing some disciplines to make decisions. Based on the questionnaire, it is known that as many as 94% agree that the PDTA is able to apply the discipline to make decisions. It is also known that as many as 87% agree that PDTA has the ability to analyze potential fraud of import tariff and customs value declaration. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good skills.
- 13) The quality of determination is also influenced by the competence that PDTA has in cooperation with fellow PDTA to make decisions. Based on a questionnaire it is known that as many as 97% of people agree that the PDTA is able to cooperate with fellow PDTA. It is also known that 90% agree that PDTA has the ability to identify the less informed information. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good skills.
- 14) The quality of determination is also influenced by the competence of PDTA in explaining the question of the importer. Based on the questionnaire, it is known that as many as 95% agreed that the PDTA is able to provide an explanation for the questions received. It is also

known that as many as 95% agree that PDTA has good communication skills in accordance with the Service Level Agreement (SLA) standards. This questionnaire result is aligned with the results of FGD and interviews where it is known that PDTA has had such good skills.

## **2. Media Aspect**

- 1) The quality of the PDTA determination is also influenced by the tools available. Computer devices and its appliances, in the form of hardware and software installed, greatly determines the speed of PDTA's work. Based on the questionnaire, it is known that as many as 76% of PDTA agrees that computer devices are relatively new. According to the result of FGD and interviews, it is known that those devices are about 2 years old on average. In addition, it is also known that as many as 71% agree that computer devices are working smoothly. With regards to device durability, the questionnaire results suggest that as many as 85% of PDTA agrees computer devices are not easily damaged. Based on the results of the questionnaire, FGD, and interviews, it is known that the computer device used by the PDTA in conducted their tasks has been adequate.
- 2) The quality of the PDTA determination is also influenced by CEISA application. The CEISA application is provided by the DGCE headquarter. Based on the questionnaire, it is known that as many as 90% PDTA agrees that CEISA application is easy to use, as many as 87% expressed that CEISA is an informative application. There is also 79% stated agree that CEISA application has been completed and only 56% agree that the CEISA application can run quickly. The outcome of this is in harmony with the results of FGD and interviews where it is known that CEISA is easy to use, has been quite informative and relatively complete. However, there is a note in this application for there are a few times its system occurs down, thereby affecting the PDTA speed in giving decisions.
- 3) The quality of the PDTA determination is also influenced by the availability of a complete and updated database of goods and database of customs values. Based on the questionnaire, it is known that only as many as 47% of PDTA agrees that the database is complete. For the ease of use of the database as many as 76% of PDTA stated agree. With regards to databases that update only 47% of PDTA that stated concur. This questionnaire result is aligned with the FGD results and interviews stating the database is incomplete and not updated. It is also advisable to create a complete database and update for faster and qualified PDTA determination. It is also recommended that the database be created specifically for goods that are often imported and goods that have high prices (branded goods) so that the financial security of the country could be more optimal.

### 3. Regulations Aspect

- 1) The quality of determination of PDTA is also influenced by the clarity and simplicity of research procedures and tariff determination. Based on the questionnaire, it is known that as many as 94% of PDTA agrees that research and tariff determination procedures have been simple and clear. A total of 85% of PDTA agrees that research and tariff determination procedures do not multi-interpreted. Furthermore, there are 87% PDTA that agree that tariff regulations can be applied in the field. A total of 89% of PDTA agrees that regulations are not contradictory to higher regulations or other regulations. This questionnaire result is aligned with the results of the FGD and the interview that states. That research and tariff determination procedures have been simple and clear. Information is also obtained that the research and tariff determination procedures are not multitasking and can be applied in the field. It is also obtained information that regulations on tariffs do not contradict with higher regulations or other regulations.
- 2) The quality of PDTA's determination is also influenced by clarity and simple procedures of examination and determination of customs value. Based on the questionnaire, it is found that as many as 85% of PDTA agrees that the research procedure and determination of customs value have been simple and clear. A total of 85% of PDTA agrees that the procedure of examination and determination of customs value is not multi interpreted. Furthermore, there are 81% PDTA that agree that customs value regulation can be applied in the field. A total of 87% of PDTA agrees that regulations are not contradictory to higher regulations or other regulations. The outcome of this is in accordance with the results of FGD and interviews, stating that the procedure of examination and determination of customs value has been simple and clear. It is also obtained that the procedure of examination and determination of customs value is not multi interpretations and can be applied in the field. In addition, the regulation on the customs value is not a contradiction with higher regulations or other regulations.
- 3) The quality of the PDTA determination is also influenced by the clarity and simplicity of research procedures and the determination of prohibited and restricted goods. Based on the questionnaire, it is known that as many as 87% of PDTA agrees that the research procedure and determination of customs value have been simple and clear. A total of 82% of PDTA agrees that the procedure of examination and determination of prohibited and restricted goods is not multi interpreted. Furthermore, there are 92% of PDTA agrees that prohibited and restricted goods regulations can be applied in the field. A total of 90% of PDTA agrees that regulations are not contradictory to higher regulations or other regulations. At the time FGD and the interview conducted, it is known that there are still some provisions of prohibited and restricted goods that can be potentially multi-

interpretation e.g. provisions related to the post border of prohibited and restricted goods, whether the permit is completely no longer needed to be examined by the PDTA at the time of PIB submission.

#### 4. External institutions

- 1) The quality of the PDTA determination is influenced by the clarity of importers in notifying imported goods in the Import Declaration (PIB). Based on the questionnaire, it is known that only as many as 52% of PDTA agrees that importers have clearly informed the imported goods in PIB. as many as 65% PDTA agreed that the importer knows the obligation as an importer if the import declaration is not clear. In connection with the importer's response to the supplementary data request, as many as 66% PDTA agreed importers have responded on time. Furthermore, there are 61% of PDTA agrees that importers submit complementary data that can be used for the determination. In connection with the importer's response to the request for sample goods, as many as 65% of PDTA agrees that importers have delivered them on time. In addition, there is a 73% PDTA agrees that importers respond to the consultation request for customs value on time. This questionnaire result is aligned with the FGD results and interviews stating that there are still quite a few PIBs that have not yet clearly outlined what goods are being imported. Limited information on the goods in PIB implicates the lack of rapid PDTA to provide a decision because data and additional information are required one of them through the issuance of Request Document Notes (NPD) to the importer.
- 2) The quality of the PDTA determination is influenced by the competency of PPJK representing importers in the management of imported goods to the Customs and Excise office. Based on the questionnaire, it is known that only as many as 73% of PDTA agrees that PPJK has understood the task and function as the representative of the importer. A total of 63% of PDTA agrees that PPJK has customs competency. In connection with the understanding of the issue of imported goods, as many as 61% PDTA agreed that PPJK has understood the problems arising. Furthermore, 73% of PDTA agrees that PPJK has responded to the research results promptly. Results of this questionnaire in accordance with the results of FGD and interviews said that PPJK relatively understands its duties and functions as the representative of the importer. PPJK also has enough competence and understand the problems that occur in the Import activities, as well as in the case of the PDTA requesting a response from PPJK for the research conducted, the response of PPJK is relatively timely.
- 3) The quality of the PDTA determination is influenced by the authority to confirm banking regarding the price of imported goods. It is also influenced by the ease of access to confirm the value of goods

transacted, or in other words, the banking openness to provide information. Based on the questionnaire, it is known that only as many as 44% of PDTA agrees that officials have the authority to confirm to the banking. In addition, only as many as 37% of PDTA agrees that banking is easily accessible for confirmation of transactions. Concerning banking openness, only 31% of PDTA agrees that banking openly provides transaction value information. Furthermore, only 23% of PDTA agrees that there has been an MoU between DGCE and banking to support the research of customs value. Results of this questionnaire in accordance with the results of FGD and interviews that said DGCE officials do not have a legal basis on these matters. There are no regulations that support DGCE officials to push banking to open the real transaction value of goods imported. It is also obtained from the FGD and interviews that banking is difficult to access in order to search price information transacted goods. In addition, the MoU between the Ministry of Finance (DGCE) with banking to overcome these constraints also does not exist.

- 4) The quality of the PDTA determination is influenced by the response of foreign government agencies, especially for the search of the origin of goods for preference tariff determination. Based on the questionnaire, we know that only as many as 81% of PDTA agrees that SKA as the basis of tariff preference is in accordance with provisions. In connection with the SKA confirmation for preference tariff determination, only 50% of PDTA agrees that SKA confirmation to the state institution of the goods is received on time. Meanwhile, for the search of goods' origin, only 47% of PDTA agrees that searching for goods origin of the product to be assigned a customs value, is easy to do. The results of this questionnaire are aligned with the results of FGD and interviews stating that the validity confirmation of the certificate of origin (SKA) is not timely and the search for goods' origin is not easy. Delay confirmation of the State agency of goods' origin very influential on the accuracy of PDTA's determination related to preference tariff, let alone the research time available to PDTA is very limited. This delay implies that there is a difference in determination between the PDTA and the Objection Unit because the confirmation letter is received at the time of objection.

## **5. The Quality of Determination and The Decision of Objection**

- 1) Based on FGD and in-depth interviews on the Objection Unit, it is found that there is an increase in the percentage of objections granted because the business actors have been better in meeting the requirements and providing the evidence required in order to give decision for objections submitted. In addition, the objection unit also has supporting instruments to make decisions by using the taxpayer compliance data provided by the Directorate General of Taxation (DGT).

- 2) Practically, it is often found that at the process of PDTA's research, complementary documents submitted by the importer has not been adequate, but when the objection process has been completely submitted. It then results in different decisions made by officials in objection units and the determination of PDTA (objections accepted). This is a note for the construction of business actors to submit documents entirely and accurately during the research process by PDTA, without having to wait until the objection process. If this can be conducted by importers, then customs and excise officials may provide more precise and accurate decisions where the opportunities for import declaration received are more likely to happen (without SPTNP imposed).
- 3) In the development of synergy between DGCE and DGT, there is considerable progress and decisive in the decision making of the officials either by the PDTA or the officials of the objection unit. Currently, DGCE officials have obtained tax compliance level information on DGT. This level of compliance can be used as one of the considerations that determine whether a declaration of customs value is received or not. The Objection Unit may also use this information to decide whether the objection is acceptable or not.

## **CONCLUSION, LIMITATION AND RECOMMENDATION**

### **Conclusion**

- a) The competency of PDTA has been adequate for the implementation of examination and determination of tariff and customs value.
- b) The media used for the execution of tasks is quite good, computer devices are relatively new, the Internet network is quite powerful and smooth. However, some problems often occurred within CEISA applications.
- c) The regulation has arranged the ordinance of tariff and customs value determination, not contradiction with higher regulations and easily applied. Need firmness in the provisions of prohibited and restricted goods at border and post border.
- d) External agencies, especially banking is difficult to access by customs and excise officials, while the importers and PPJK are quite well in responding to requests of officials.

### **Limitation**

- a) This research area is focused only on the Main Service Office of Customs and Excise type A Tanjung Priok.
- b) From the examination activity object, this research is limited to the determination made by PDTA.
- c) From the subject of determination, this research is limited to officials in charge of examination and determination of the tariff and customs value (PDTA).
- d) Limitations of researchers also associated with no direct observation of the implementation of work in the field.

### **Recommendation**

- a) **Theoretical Recommendation:**
  - 1) Problems and constraints faced by PDTA in order to produce a qualified determination, need to become discussion materials and study materials in training and workshops held by both Customs and Excise Education and Training Center and Directorate General of Customs and Excise.
  - 2) Further research on the quality improvement efforts of the PDTA determination should be carried out more deeply so that the research can be further improved.

**b) Practical Recommendation:**

- 1) The quality of human resources of PDTA needs to be improved, especially in terms of competency about certain imported goods in order to not left behind by the development of a very dynamic and fast business.
- 2) CEISA needs to be perfected to avoid frequent problems. CEISA menu also needs to be completed with the database of branded items that are often imported as well as the availability of menus to view determinations record.
- 3) Regulations related to tariffs for certain goods such as vehicles as well as Prohibited and Restricted Goods need to be made clear. Especially those related to the prohibited and restricted good at the border and also the post border.
- 4) We also recommend that the regulations related to DGCE's officials authority for confirming to the banking data shall exist.
- 5) Synergy and exchange of data and information with the Directorate General of Taxation, especially related to the compliance of stakeholders also need to be increased.

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Goods for Use

**RESEARCH QUESTIONNAIRE  
ON QUALITY OF PDTA'S DETERMINATION IN KPU BC TANJUNG PRIOK**

1) Description :

- Score 1 : strongly disagree
- Score 2 : disagree
- Score 3 : neutral
- Score 4 : agree
- Score 5 : strongly agree

No	Variabel	Dimension	Indicator	Questionnaire	Score				
					1	2	3	4	5
1	COMPETENCY	a. Knowledge of Tariff and Customs Value	1. Identification and Classification of Goods 2. Preference Tariff (SKA) 3. BMT 4. Release of BM pasal 25 dan 26 UU 5. PDRU 6. Excise Tariff 7. Customs Value	a. PDTA has adequate knowledge of how to identify and classify goods b. PDTA has adequate knowledge on preference tariff c. PDTA has adequate knowledge related to additional import duty (BMAD, BMTIP, dan BM) d. PDTA has adequate knowledge related to the release of import duty such as BKPM facility, KITE, temporary import, reimport, etc e. PDTA has adequate knowledge related to PDRU, such as PPnBM (LST) tariff on a motorized vehicle, PPN (VAT) of raw materials on livestock food, etc. f. PDTA has adequate knowledge related to excise tariffs such as excise tariff for MMIEA, and tobacco products. g. PDTA has adequate knowledge of how to set customs value					

No	Variabel	Dimension	Indicator	Questionnaire	Score				
					1	2	3	4	5
		b. Knowledge of Prohibited and Restricted Goods	1. Prohibited and Restricted Goods	a. PDTA has adequate knowledge related to regulations of prohibited and restricted goods b. PDTA is able to implement the regulations of prohibited and restricted goods in making decision					
		a. Application Skill	1. CEISA 2. Document Research Menu 3. Multi tasking Application	a. PDTA skillfully utilize the CEISA Import Application according to its competence b. PDTA skillfully utilize the Document Research Menu according to its competence c. PDTA skillfully utilize some features on application (multitasking)					
		a. Analytical Skill	1. Tariff 2. Customs Value 3. Implementation of Knowledge 4. Potential Fraud on Tariff and Customs Values Declaration	a. PDTA is able to analyze goods using KUMHS and note for tariff determination b. PDTA is able to analyze the fulfillment of transaction value requirements, costs added/deductible, including related party/transfer pricing c. PDTA is able to apply some disciplines for making decision d. PDTA is able to analyze potential fraud on tariff and customs value declaration					
		a. Communication Skill	1. Teamwork 2. Consultation on Customs Value 3. Confirmation 4. SLA	a. PDTA is able to cooperate with fellow PDTA for making a decision. b. PDTA is able to identify the information less informed c. PDTA is able to give adequate information on the question of importer/representative d. PDTA has good communication skills (friendly, polite and authoritative) according to SLA standard.					
2	MEDIA (TOOLS)	2.1 Computer Devices	1. New 2. Fast 3. Not Easily Broken	a. Computer devices are relatively new b. Computer devices are fast c. Computer devices are not easily broken					

No	Variabel	Dimension	Indicator	Questionnaire	Score					
					1	2	3	4	5	
		2.2 CEESA Application	1. Easy to Use 2. Informative 3. Complete 4. Fast	a. CEESA is easy to use b. CEESA is informative c. CEESA is complete d. CEESA is fast						
		2.3 Customs Value Database	1. Complete 2. Easy 3. New (update)	a. The database is complete b. The database is easy to use c. The database is updated						
		2.4 Internet Connection	1. Available 2. Connection is stable and fast	a. The office provides internet access b. The Internet can be utilized to support work						
3	Regulations Clarity	a. Tariff	1. Procedure Clarity 2. Procedure Certainty 3. Application of Regulations 4. Compliance with other Regulations	a. The procedure of Examination and determination of tariff is simple and clear b. The procedure of Examination and determination of tariff does not multi interpret c. Regulations can be applied in the field d. Regulation is not contradictory with higher regulations or other regulations						
		b. Customs Value	2. Procedure Clarity 3. Procedure Certainty 4. Application of Regulations 5. Compliance with other Regulations	a. The procedure of Examination and determination of customs value is simple and clear b. The procedure of Examination and determination of customs value does not multi interpret c. Regulations can be applied in the field d. Regulation is not contradictory with higher regulations or other regulations						
		c. Prohibited and Restricted Goods	2. Procedure Clarity 3. Procedure Certainty 4. Application of Regulations 5. Compliance with other Regulations	a. The procedure of Examination and determination of prohibited and restricted goods is simple and clear b. The procedure of Examination and determination of prohibited and restricted goods do not multi interpret c. Regulations can be applied in the field						

No	Variabel	Dimension	Indicator	Questionnaire	Score				
					1	2	3	4	5
4	External Institutions	4.1 Importer	<ol style="list-style-type: none"> <li>1. Import Declaration</li> <li>2. Obligation as Importer</li> <li>3. Respons for Data Request</li> <li>4. Quality of Complementary Data</li> <li>5. Respons for Sample Goods Request</li> <li>6. Respons for Consultation</li> </ol>	<p>d. Regulation is not contradictory with higher regulations or other regulations</p> <ol style="list-style-type: none"> <li>a. Importer declare imported goods clearly</li> <li>b. Importer knows their obligation in case of import declaration is not clear.</li> <li>c. Importer responded to requests for complementary data on time</li> <li>d. Importer submitted complementary data that can be used for determination</li> <li>e. Importer responded to a request for sample items timely.</li> <li>f. Importer responded timely on consultation requests</li> </ol>					
		4.2 PPJK	<ol style="list-style-type: none"> <li>1. Duties and Functions</li> <li>2. Customs Competency</li> <li>3. Understanding the problem</li> <li>4. Respons for Follow-up Research</li> </ol>	<ol style="list-style-type: none"> <li>a. PPJK understands their duties and functions as the representative of importer</li> <li>b. PPJK has customs competency</li> <li>c. PPJK understands the problem</li> <li>d. PPJK responding to the results of PDTA research promptly</li> </ol>					
		4.3 Banking	<ol style="list-style-type: none"> <li>1. Confirmation Authority</li> <li>2. Easy of Access</li> <li>3. Disclosure of Information</li> <li>4. MoU between Institutions</li> </ol>	<ol style="list-style-type: none"> <li>a. Officials have the authority to confirm to the banking</li> <li>b. Banking is easily accessible to confirm the occurrence of the transaction</li> <li>c. Banking is open to provide information on the transaction value of goods</li> <li>d. There is MoU with banking for supporting the research of customs value</li> </ol>					
		4.4 Other Institutions	<ol style="list-style-type: none"> <li>1. Preference Tariff</li> <li>2. SKA Confirmation (retroactive check)</li> <li>3. INSW</li> </ol>	<ol style="list-style-type: none"> <li>a. SKA as the basis of preference tariff is in accordance with the provisions</li> <li>b. Confirmation on SKA to GA of origin of goods received on time</li> <li>c. Tracing the origin of goods which customs value is being determined, is easy to do</li> <li>d. Lintas Provision is always updated</li> </ol>					

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**ANALYSIS OF THE EFFECTIVENESS OF MAXIMUM  
AD VALOREM TARIFF POLICY ON OTHER TOBACCO  
PRODUCTS (HPTL)  
(PERCEPTUAL STUDY ON POLICY MAKERS, POLICY  
IMPLEMENTERS AND STAKHOLDERS IMPACTED)**

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CUSTOMS AND EXCISE EDUCATION AND TRAINING CENTER  
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## ABSTRACT

The main objective of this research is to analyze the effectiveness of maximum advalorem tariff policies on Other Tobacco Products products (HPTL) in three dimensions of study, namely: (1) stabilization of excise revenue, (2) minimizing illegal HPTL, and (3) controlling HPTL consumption. The question in this study is whether the maximum advalorem excise policy on HPTL is effective to be implemented when viewed from the three dimensions of the study.

This academic study uses a qualitative analysis method with a content analysis approach. Data collection techniques were carried out using survey methods, in-depth interviews, and literature studies.

This research produces three important conclusions. First, that the maximum advalorem excise policy system is effective to increasing HPTL excise revenue rate. However, it requires an increase in the quality of services carried out. Second, that the maximum advalorem excise system applied is still relatively ineffective in minimizing legal HPTL. This is based on the fact that the impact of this policy results in a relatively high disparity condition between Retail Official Price (HJE) and Market Transaction Price (HTP). While from the aspect of socialization and law enforcement that has been carried out, the policy implementation unit has carried out its functions properly. The third conclusion is that the maximum advalorem excise system policy is not effective to controls HPTL consumption. There are two main causes that can explain this phenomenon. The first cause, the HPTL industrial market has not been fully formed, is still growing. The HPTL excise policy makes the formal legal status of the HPTL industry clear and ultimately drives the market to continue to grow. The second reason is that the amount of the excise on the structure of HPTL selling prices can still be tolerated by producers and consumers, so that the level of consumption is relatively unrestrained.

**Keywords:** *excise, Other Tobacco Products products (HPTL), HJE disparity*

## INTRODUCTION

### A. Background of the problem

In line with the increasing needs of the APBN's revenue, while on the other hand extensibility efforts are still constrained by bureaucracy and resistance both internally and externally, the intensification of excise object deemed to be one solution. One of the intensification efforts that have been done is to redefine the object of tobacco excise, especially in the other tobacco products group (HPTL). Based on regulation of the Minister of Finance No. 146/PMK. 010/2017 on tariff of tobacco excise as amended by regulation of the Minister of Finance No. 156/PMK. 010/2018, the government conducts intensification policy by expanding the BKC product coverage of other tobacco products (HPTL).

Based on the regulation of the Minister of Finance, as part of the efforts to intensify tobacco products, the government detailed the scope of HPTL into four groups, namely:

- 1) extracts and essences of tobacco;
- 2) tobacco molasses;
- 3) inhaled tobacco (SNUFFTOBACCO);
- 4) chewable tobacco (chewing tobacco).

The Regulation of the Minister of Finance also set excise tariff charge for HPTL in amount of 57%.

In the Ad valorem excise rate system, the amount of excise is taken by multiplying the excise rate with the selling price. Based on Article 5 of Excise Law, the maximum amount of excise rate for tobacco is 57% from the retail sale price. It contains the notion that the tax rate charged towards HPTL is currently the maximum tariff. This also means that the government no longer has the space of flexibility to implement the policy of rising excise on HPTL.

With the application of the maximum tariff load against HPTL then the government's fiscal policy space to control HPTL can only be done by policy towards retail selling price. This has the potential to encourage the disparity of selling prices on HPTL. Historically, DJBC has had a bad experience with the impact of the disparity in the sale price of tobacco products in the era of price-based tobacco excise rates. In the period of 2000-2007, the HTP turned out to be much lower than the government HJE determination. Even for small manufacturing group of SKT, price disparity can reach 50% of HJE. From government determined HJE of Rp. 3,000.00, the consumer can get the goods with the price of Rp. 1,500.00. The condition triggers the increasing sales of BKC tobacco illegally. This of course will have an impact on DJBC's surveillance burden which should be further improved.

Based on the background description of the problem, the author is interested to conduct an assessment of the effectiveness of implementation of the maximum Ad valorem rates on HPTL. The scope of the effectiveness of

the study includes three main dimensions in accordance with the general purpose and function of excise, namely: stability of tax Revenue, the minimization of illegal tax objects, and controlling the consumption of HPTL. Therefore, this academic study was titled "**Analysis of the Effectiveness of Maximum Ad Valorem Tariff Policy on Other Tobacco Products (HPTL)**".

## **B. Research questions**

Whether the maximum Ad valorem tariff policy for HPTL is effective to be implemented, if it is reviewed from the dimensions:

- 1) Stabilization of Excise Revenue (SPC).
- 2) Minimization of the illegal HPTL (MHI).
- 3) Controlling the consumption of HPTL (MKH).

## **C. Limitation**

- 1) Observation time period.  
This research uses primary and secondary data. For primary data, it is the perception data of policy makers, policy implementer and impacted stakeholder. For secondary data, the observation object is data related to tax Revenue, tax violations against HPTL during the period of October year 2018 till July of 2019.
- 2) Elements examined  
Perceptions of policy makers, policy implementer and impacted stakeholder on the effectiveness of implementation of the maximum ad valorem excise rate for HPTL which covers three dimensions: stability of tax Revenue, minimizing the object of illegal HPTL, and Controlling the consumption of HPTL.
- 3) Research Object Environment  
The research was conducted in the Central Office environment of the Directorate General of Customs and Excise (DJBC) and the Fiscal Policy Agency (BKF) involving policy-maker officials. Customs and Excise Office (KPPBC) that run the policy, as well as the affected stakeholders, namely the HPTL producers.
- 4) Analysis and exploration Unit  
The Unit of analysis to be used in this study is the Directorate of Excise Technique and Facility of DGCE, the Division of Customs and Excise of Fiscal Policy Agency, 27 KPPBC that handles HPTL excise, and 132 manufacturers of HPTL.

## **D. Research Purpose**

Analyzing the effectiveness of implementation of maximum ad valorem rate policy on HPTL which cover three dimensions of objective and function of excise instruments:

- 1) Stabilization of Excise Revenue (SPC).

- 2) Minimize the illegal HPTL (MHI).
- 3) Controlling the consumption of HPTL (MKH).

#### **E. Research Advantages**

This research will provide benefits to the related institutions, namely:

- 1) For the Ministry of Finance, especially the Directorate General of Customs and Excise, the results of this research can be used as input for the formulation of tobacco excise tariff policy, especially HPTL.
- 2) For the Customs and Excise training center, the results of this research can be used as a supporting material for teaching and learning activities, especially materials in the field of excise.
- 3) For the community, the benefit of this study is to provide information and understanding of the legal aspects of the collection of excise on HPTL.

## LITERATURE REVIEW

The literature review will be elaborated on the concept of excise, Excisable goods object of HPTL, excise tariff system, BKC basic price concept and excise surveillance system.

### 1. Excise Concept

Viewed from the reason or motive of levy, in general the practice of tax duties in various countries can be distinguished into 3 large groups. **First**, taxes are imposed as **Sin Tax**, that means tax levy which compensates for the consumptive action of an object deemed to violate applicable social norms. **Second**, tax as **Pigouvian Tax**, that means the levy of taxes charged on a consumptive act resulting in negative externalities for other economic activities. **Third**, tax as **The Consumption Tax**, which is more on the basic purpose of State Revenue. For this third type, excise can be goods and services tax, directed to certain goods and services which are considered as luxury goods but not basic needs.

Some of the practices of tax duties in various countries apply tax as sin tax, i.e. instruments that compensate for consumptive actions on certain goods and certain activities that are deemed to violate social norms that apply. For example, products such as: high alcoholic beverages and cigarettes are products that have always been the main target of tax imposition in various countries. In addition, entertainment activities such as: *entertainment, gambling, massages*, and even *prostitute*, are tax levied in some countries in the world.

Excise theory as a Pigouvian tax was discovered by Arthur Cecil Pigou (1877-1959). Pigou proposes solutions to externality issues that have been a standard approach. The simple idea is to impose tax per unit on an item, resulting in negative externalities equal to marginal externalities at an efficient social quantity. This theory is known as Pigouvian tax. For example: if at an efficient social quantity, a marginal external cost is \$1, then a per-unit tax of \$1 will produce proper results to maintain balance.

The modern tax levy theory, which sees tax as the consumption tax, first appears in the well-known Adam Smith book, *The Wealth of Nations*. According to Adam Smith, taxes are viewed as the most neutral tax on the market, which guarantees government revenues without increasing the wage rate of labor naturally. The premise of this statement is that if items such as tobacco, rum, or sugar become too expensive, then consumers will precisely cut it from their budget, because this is not as their staple requirement.

Furthermore, Cnossen (2005) suggests that in general the hallmark of a tax levy is a certain scope (*selectivity in coverage*), the undifferentiated motivation (*discrimination in Inten*), and a quantitative measurement (quantitative measurement). Some motives can be identified as the reason for collecting excise, among others:

- To improve revenue
- To reflect negative externality costs

- As a burden to road users (especially for government-provided roads)
- and various other purposes

Based on formal legal aspect, the existence of excise in Indonesia is stipulated specifically in Law No. 11 of 1995 on Excise, as amended by law Number 39 year 2007. The tax definition under the law can be found in clause 1 of the Excise Law. Excise is a levy of the state imposed on certain goods that has the nature or characteristics stipulated in the excise law.

According to the Excise law, excise is associated with the nature or characteristics set forth in the excise law. The nature or basic characteristics of excise are governed in article 2 of Excise Law, as follows:

- 1) The consumption needs to be controlled;
- 2) The circulation needs to be supervised;
- 3) The use of it can cause a negative impact on society or the environment; or
- 4) The use will need the imposition of duties for justice and balance.

## 2. The Purpose of Excise Collection

Excise is one of the tax that has different characteristics with other tax. The main characteristic difference is the existence of discriminatory nature or selective selection of objects imposed by excise. In general, there are two main contributions of excise on development. The first contribution relates to excise functions as a government-budgeter tool. The second contribution relates to excise function as a *regulerend* tool.

### a. Excise function as a Budgeter tool

In connection with the fiscal management by DGCE, Excise is one of the three types of state duties imposed by DJBC. All three types of duties imposed and administered by DJBC are import duties, export duties and Excise. Excise contributions have a very strategic role in particular from the Revenue of DJBC. The Revenue compiled by DJBC is largely obtained from the excise sector and the nominal value is always greater than the Revenue of import duty or export duty from time to time. While the contribution of excise revenue to total revenue from tax also has a significant portion. The strategic role of excise on taxation revenue reaches an average number of 11.3% over a period of 2014 to 2018.

### b. Excise function as a *Regulerend* tool

In addition to the function as a state revenue generating tool, excise also serves as the government control instrument against the pattern of consumption behavior of the BKC. The Government's strategic policy on excise duties is not solely aimed at the country's revenue interests, but the Government also takes into account other objectives such as public health, social impact control, and so on.

### 3. Concept of Other Tobacco Products (HPTL)

The concept of HPTL based on Article 4 of Law No. 11 on Excise is the tobacco products made from tobacco leaves other than cigarette, cigars, cigarette leaves, and sliced tobacco. This concept is further detailed for its use under regulation of the Minister of Finance No. 156/PMK. 010/2018. As part of the efforts to intensify tobacco products, the government detailed the scope of HPTL into four groups, namely:

- 1) Extracts and essences of tobacco;
- 2) Tobacco molasses;
- 3) Inhaled tobacco (snuff tobacco);
- 4) Chewable tobacco (chewing tobacco).

HPTL Group is the first to extract and tobacco essences, physically consumed by consumers as e-cigarette. Extracts and tobacco essences are used as a mixture to fill liquids, as well as other forms in e-cigarette. The object of taxable goods on e-cigarette is not the device or the tools used, but also filler materials or mixed materials derived from extracts or tobacco essences.

Nowadays, the structure of e-cigarette device continues to experience modification and modernization following technological developments. Globally it can be grouped into three main forms, namely: Cig-a-like (including disposable, rechargeable), a vaporizer and Vape mod (Prescient & Strategic Intelligent, 2018). The cig-a-like category is an e-cigarette product that looks like a cigarette in general. The size is small, lightweight and mimics all the original cigarette features, such as the filter display and the visualized LED edge such as ash that lights up red when activated. This product is the first generation of e-cigarette product. Vaporizer is the next generation of e-cigarette products. It is no longer physically followed the shape of a cigarette in general, but is larger in size and uses a rechargeable module combined with an e-liquid that can be reproduced. The latter category, Vape MoD is present later and is the latest modification of the vaporizer. The differences from each of these e-cigarette forms can be seen in the following image examples

Image 1: Variation of E-Cigarette





In addition to e-cigarette, HPTL products that are distributed in the Indonesian market is tobacco molasses. Tobacco molasses is a mixture of tobacco leaves that provide a special flavor with additional ingredients in the form of molasses extracted from sugarcane crops and also other additives. This product is used for Middle East smoking style, namely Shisa (Narmad, Argila, Boury and Gouza). Other products that are also classified as HPTL are inhaled tobacco (snuff tobacco) and chewable tobacco (chewing tobacco). But for the last two products of HPTL are still not widely distributed in Indonesia.

#### **4. Model of Excise Tariff Policy**

The Model of tax rate policy applied in various countries varies considerably. Globally, the implemented tax policy approach can be seen from the tax variable level structure and the tax base applied. Based on the level structure, Laffer (2014) divide it into two groups, which are single tier and multi-tier. A country is considered to implement a single tier excise system when a similar rate or network rate is applied to all products in a particular category sold on the market. Meanwhile, the "multi-tier system" category applies tax rate levels based on a variety of factors. Laffer (2014) modeled the implementation of multi-tier cigarette excise system in Indonesia, which distinguishes tax rates into 13 tiers based on production methods, production volumes and retail sales prices.

On the other hand, based on the tax base, can be distinguished by the imposition of tax based on unit weight (gram), number (bar) or value (per specific currency unit). Based on this tax base, the application model of excise tariff can be specific, ad valorem or mixture. The following figure provides an example of applying tobacco tax models in various countries.

Image 2: Overview of Cigarette Tax Structure



The model of tax rate policy applied in Indonesia is actually not very much different from the model applied in various countries. Pursuant to article 5 paragraph (3) of Excise Law, excise tariff model that can be imposed on BKC are differentiated into three types, namely:

- 1) Tariff of tax advalorem (percentage), i.e. excise rate imposed in the form of percentage of BKC base price. Never applied to BKC tobacco products before 2007.
- 2) Tariff of tax admatorem (specific), which is the tax rate imposed in the form of amount in rupiah for each BKC unit. At this time, the specific excise tariff type is enforced on all types of BKC.
- 3) The combined Tariff (hybrid), is a combined imposition of two different tariff types which are tariff advalorem and specific to the BKC.

## 5. Theoretical Thinking Frameworks

Based on the previous review of the literature, this study can be described in the following theoretical thinking framework.

Image 3: Theoretical Thoughts Framework



- 1) Implementation of the maximum ad valorem tax rate policy on HPTL.

The tobacco tax intensification policy on HPTL is applied by the applicability of the maximum ad valorem tax rate system of 57%. This contains the notion that the instrument of fiscal policy that the government can apply for control of HPTL can only be done against HJE.

- 2) Tax Revenue Stability of HPTL (SPC)

One of the objectives of implementing tax on HPTL is to increase state revenue. Based on Laffer's explanation, one of the benefit of ad valorem tariff system is justice in the distribution of excise burden especially between low HJE and high HJE. This research will analyze whether the maximum ad valorem rates applied affect the stability of tax Revenue of HPTL.

- 3) Controlling the consumption of HPTL (MKH)

Another very important purpose of imposing the excise on HPTL is to control the consumption level of HPTL. It can be a measure of the effectiveness of tax policies applied to HPTL. This research will examine whether the HPTL's tax rate policy is capable of maintaining/limiting the level of consumption of HPTL to be not excessive.

- 4) Minimizing illegal BKC

The historical experience in the era of the implementation of Ad valorem excise tariff (period before year 2007) caused a high disparity phenomenon between HJE and HTP. One of the impacts of the disparity of retail selling prices resulted in a high surveillance burden due to the increasing circulation of illegal tobacco products. This study will examine whether in the case of the application of HPTL's excise tariff policy, the impact of disparity between the HJE against HTP is also occurred and how its potential against the BKC illegal circulation.

## RESEARCH METHODS

### A. Types of Research

This research is a research survey aimed at analyzing the perception of policy makers, implementing policy and stake holders to the effectiveness of the implementation of maximum ad valorem tax rates on HPTL. This research is an analysis of the implementation of the policy of the maximum ad valorem tax rates on HPTL that has been implemented by the Government effectively since October 2018. Its primary purpose is to evaluate whether the policy has been effective according to the objectives desired by the government. The size of the effectiveness analyzed using the three main dimensions of the objective of the poll HPTL, namely the stability of excise revenue from HPTL, controlling the consumption level of HPTL and minimizing the circulation of illegal HPTL.

### B. Data Types and Sources

The type of data used in this study is a combination between primary data and secondary data. Primary data is the data of respondents that fill in a questionnaire and also information and opinions from key informant through interviews. Secondary data is in the form of tax revenue data, law enforcement progress data on the tax violations of HPTL and others.

### C. Data Collection Techniques

Data collection is done by integration technique with several methods of data collection, namely: interviews, questionnaires, and literature studies. The first step of data collection is done by conducting literature studies and interviews to key informant. Based on the preliminary information, a questionnaire instrument was compiled to obtain more extensive data and information. The final stage of data collection is implemented by FGD method.

Literary studies are used to gather data and information primarily related to the theory and concepts of elements to be researched. In addition, this study is also conducted to obtain data on issues that have been examined by others. The interview technique is carried out by retrieving information from a competent informant as a key informant. The selection of key informant is performed selectively by considering the competency, capacity, and scope of the task being executed. For the deepening of this information, we have selected the following key informant:

- 1) Officials of policy makers on the unit of Fiscal Policy Agency and the Directorate of Excise Technique and Facility of DGCE.
- 2) Officials of operational policy makers in excise field at Directorate of Excise Technique and Facility of DGCE.
- 3) Implementing Officers of Operational Policy in the field of excise supervision on the Directorate of Enforcement and Investigation of DGCE
- 4) Implementing Officers of Operational Policy in the field of service and supervision of tax HPTL in some units of Customs and Excise Service Office

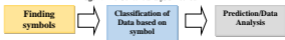
5) Related stakeholders from the manufacturers of HPTL.

The questionnaire method is used to get input from policy executor and impacted stakeholders. The Target respondent is divided into two groups, namely respondents from the stakeholder group and from the policy Executive group. Each group of respondents was created a questionnaire separately adjusting to its responsiveness characteristics. From a group of stakeholders, target questionnaires are entrepreneurs of HPTL nationally. Distribution of questionnaires is done using online tools provided by the Google forms application. Letter request for questionnaire filling is sent to the head of the relevant customs and excise Office which is the research sample. The expected Target respondent could fill a questionnaire of 100 respondents.

#### D. Data Analysis Methods

The data analysis method of this research is using the content analysis method. According to the Chamin (2007) The method of content analysis is a research technique to make inferences which can be imitated and *saheeh* data with regard to its context. Content analysis relates to communication or content of communication. For easy analysis, it is used in the framework of descriptive statistic programs in order to simplify the data and classify the data systematically.

Image 4: The Content analysis method



Data analysis starts by collecting all the codified data to find the regularity symbols. The main Data to be analyzed are derived from the survey results and also the results of interviews with key informant. Further researchers read carefully for later data reduction. Researchers make data reduction by creating abstraction, i.e. taking and recording useful information in accordance with the context of the research or ignoring unnecessary words so that the essence of the sentence is obtained. The data that is processed and displayed comes with the percentage of answers in each question item that the respondent selected.

Abstraction is already created in the form of units that are then grouped with based on the irregular symbols. The goal is to obtain a general and thorough picture of the research object. For a deepening of the results of the questionnaire, analysis on the results of the interviews with the key informant.

Analysis of data on the results of the study was done by finding the cause of the existing problem and ended by formulate a constructive recommendation to improve the situation above. Research conclusion is carried out by comparing the results of questionnaire processing and cross-checks with key informant.

## ANALYSIS AND DISCUSSION

### A. Background, Objectives and Policy Reasons

Based on regulation of the Minister of Finance No. 146/PMK. 010/2017 on tariff of tobacco excise as amended by regulation of the Minister of Finance No. 156/PMK. 010/2018, the government conducts tax intensification policy by expanding the BKC product coverage of other tobacco production (HPTL). In the regulation of the Minister of Finance, the Government has detailed the scope of HPTL into four groups, namely:

- 1) Extracts and essences of tobacco;
- 2) Tobacco molasses;
- 3) Inhalation tobacco (*Snuff Tobacco*);
- 4) Chewable tobacco (*Chewing Tobacco*).

In regulation of the Minister of Finance also set excise tariff burden for HPTL of 57%.

Table 1: Tariff and HJE HPTL.

No.	HPTL Products	Minimum Retail Price	Unit	Excise Tariff
1.	Extracts and essences, in the form:			57 %
	a. Stick	Rp. 1.350,-	Per stick	
	b. Cartridge	Rp. 30.000	Per cartridge	
	c. Capsule	Rp. 1.350,-	Per capsule	
d. Liquid	Rp. 666,-	Per milliliter		
2.	Molasses Tobacco	Rp. 175,-	Per gram	
3.	Snuff Tobacco	Rp. 175,-	Per gram	
4.	Chew Tobacco	Rp. 175,-	Per gram	

Source: PMK 156/PMK.010/2018

In the tax tariff system *ad valorem*, the amount of tax is imposed by multiplying the tax rate with the selling price. Under the provisions of article 5 of Excise Law, the maximum tax rate for tobacco type of taxable goods is 57% of the retail sale price. This contains the notion that the tax rate charged against HPTL is currently the maximum tariff. This also means that the government no longer has the space of flexibility to implement the policy of rising tax rates on HPTL.

Based on the description of the interview data of the informant group of the Directorate of Technical and Facility of Excise and Fiscal Policy Agency (BKF), there are identical opinions and arguments to the objectives, the background of the tax tariff policy *ad valorem* and the reason for the maximum rate of load charging. That the imposition of tax on HPTL is for two main objectives, namely legal certainty and product control. The existence of the HPTL industry in the homeland has been greatly expanded and became a new typical smoking-style phenomenon of young millennial.

The imposition of excise instruments on HPTL's products provides legal legitimacy for the HPTL industry. On the other hand, tax imposition is in accordance with the mandate of excise law aimed at controlling interest, both from the aspect of consumption control and the circulation.

The background of the imposition of the tax system ad valorem is based on consideration of unavailability of a comprehensive database of the structure of the selling price or variant of this product in the market. In such conditions, the most relevant tariff system to be worn at the initial stage is the ad valorem system. The advantage of implementing this system, the government can collect information on pricing structures and product variants. But the fact in the field found that there is relatively high price inequality between HJE determination of government with real selling price that consumers received. Going forward, after the database can be compiled ideally this system needs to be evaluated again especially against the impact of the disparity of the price inflicted.

The reason for imposition load of maximum ad valorem rates in the early stages of tax imposition is based on certain considerations. Firstly, comparing with the highest average tariff amount imposed on conventional cigarettes that have reached 54% and even exceeding 57% when the component of VAT HT is taken into account. Secondly, considering the condition of banning products globally, it is very reasonable if the tariff load is charged at a maximum of 57%. For the first stage, the high tariff conditions can still be adapted by all entities related to excise (*reksan cukai*) because the government is still wearing HJE with an affordable minimum pricing system. This is one of the government's strategies in order for *reksan cukai* to be able to follow in advance the applicable tax administration system. Third, the reason for the choice of the maximum ad valorem rates one of which is to convince the public, especially to the pro-health group that the imposition of tax on HPTL is its main purpose as control.

## **B. Policy Effectiveness Based on Dimensional Stabilization of Tax Revenue**

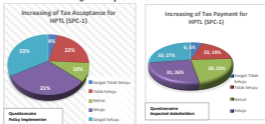
Based on the results of the data processing questionnaire and interviews, the effectiveness of the maximum tax rate ad valorem tariff policy on HPTL in the stabilization dimension of excise Revenue is shown in the following data spread. This result Data compares perceptions from the point of view of the policy executor and impacted stakeholders.

### **1. Data Analysis of Questionnaire Results**

Results of data processing based on **policy implementation questionnaire** with question code SPC-1: The results of the data processing questionnaire concluded that 64% of respondents argued that there was an increase in tax Revenue of HPTL from October 2018 until July 2019. A total of 26% of respondents argued that it did not occur increased tax Revenue of HPTL. The complete data compilation of SPC-1 data is shown in the following table.

For a questionnaire against the affected stakeholders code question SPC-1 The results of the data processing questionnaire concluded that 64.53% of respondents argued that there was an increase in the tax payment HPTL since the period of October 2018 to July 2019. A total of 29.69% of respondents argued that it did not occur increased tax Revenue of HPTL. The complete data compilation of SPC-1 data is shown in the following table.

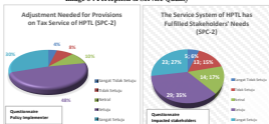
Image 5: Perception of Tax Revenue



For questionnaires against policy executor with question code SPC-2: The results of the data processing questionnaire concluded that 78% of respondents argued there needs to be adjustments to HPTL's tax service provisions due to different business processes with the common tobacco tax. Meanwhile, the respondents were not at a opinion of 13% and who think is neutral by 10%.

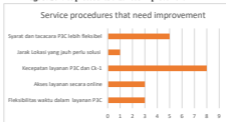
For questionnaires on affected stakeholders with question code SPC-2: The results of the data processing questionnaire concluded that 52.62% of respondents argued that the service system of the tax tape HPTL has fulfilled the needs of stakeholders. While 27.32% of the other respondents did not agree and 5.6% were neutral.

**Image 6 : Perception of Service Quality**



Follow-up questions are made against stakeholders who are not as opinion and neutral in order to provide information on service procedures that need to be adjusted. Compilation of data obtained as follows: There are 20 respondents who give input. A total of 8 people (40%) Respondents still complained about the speed of service P3C and CK-1. A total of 5 people (25%) Flexibility to the terms and procedures of P3C. A total of 3 respondents (15%) Advise the need to access P3C and CK-1 HPTL services online as well as 3 other respondents (15%) The need for time flexibility for P3C services. Lastly, 1 respondent (5%) The factory location with the Customs and excise offices far enough.

**Image 3: Service procedures that need improvement**



## 2. Analysis of Interviews Results Data

For the stabilization dimension of tax Revenue, the resume of interviews from various groups of respondent policy implementation of HPTL, we can convey as follows.

#### **Informant Group 4 (Stakeholders in Bandung)**

- Barriers in Excise tape Service: The process of ordering the tax tape is constrained by market demand that tends to be dynamic. Business Vape It is a business moment. Manufacturers should quickly take opportunities in the moment the market demand is high. During this time supply of products from the manufacturer is highly dependent on the availability of excise tape. Illustrations: Successful liquid producers usually have an assortment of product lineup, both from the flavor and size of the selling package. In the ordering of excise tape, limited with HJE according to retail sales packaging. For example, for example the manufacturer has ordered a tax band for packaging that is 100 ml because the initial planning of the excise tape is intended for packaging that is 100 ml. But at the time of marketing, it turns out that the product with packaging sell 30ml precisely that boom. The process of obtaining tax bands according to market needs is not briefly. It took a month to 1.5 more months.
- Advice for going forward: the provision of the tax tape is ideally not provided based on the number of product milliliter. If possible, provided per brand only. Alternatively, the tax tape can be provided in other forms, such as hologram sticker or QR Code. Our products have been installed hologram and QR Code to prevent counterfeiting. Consumers can easily detect the authenticity of the product by using a freely available application in the Android Play store. By scanning the QR Code, the consumer can obtain information, not just the authenticity of the product but also the brand, the contents of packaging and others. So, if combined with the tax repayment system, it can be done. Technical repayment can be done simply, because the hologram sticker can be provided by the entrepreneur. While when needed, entrepreneurs can bring to customs and excise to be programmed a receipt for the repayment.

#### **Informant Group 5 (Stakeholders in Tangerang)**

- Service barriers are generally not our natural. Only, our constraints are natural on technical printing the tax tape, especially type of sticker. First, the print is not in frame. The mold remains neat, but the *die card* with frame is not precisely sticking which make it aesthetically not good. In addition, the separator part on the excise tape, was not interrupted, so that when we pull there are some that torn. Secondly, there are some tax bands whose low power is weak. After the forging process, five minutes later the tax band began to release itself due to its weak lifting power.
- For the complete implementation of the online tax service system should be done gradually. On the other, most of the business has incomplete paperwork. For those who are not ready, can still execute manually until the condition is completely ready.

**Informant Group 7 (KPPBC Jakarta):**

- Based on the realization of tax Revenue data HPTL in KPBC Jakarta during October up to December 2018 the trend looks increasing. Meanwhile, from January up to July 2019, the trend tends to increase drastically.
- The most prominent current administration barrier is because the service is still manual. In addition to the services users of HPTL are new stakeholders understand the provisions in the field of customs and excise, so that in practice still have difficulty in submitting its obligations. For example, in the P3C submission, there are still some errors founded.

**Informant Group 8 (KPPBC Tangerang):**

- Tax Revenue in the KPBC type A Jakarta environment shows the trend of improvement. The Target of Revenue in the year 2018 of 6.7 billion was successfully passed until reaching the number of Rp 15.3 billion. For the year 2019 the target of admission is charged for tobacco yield of Rp 15.1 billion. Until July 2019 the realization of Revenue of Vape has reached 22.7 billion.
- In general, the barriers that still exist in the voting HPTL is in the Service administration special CK-1. This is because the system still using the manual has not been linked to the system Excise. In this manual system, the procedure is still level, the submission of tax tape is considered stakeholders long enough, because the signatory officials still got another office assignment (meeting, etc.). However, based on KPBC Tangerang's policy, for the service of excise tape HPTL has been coordinated with the head office to be given expedited delivery priority.
- In relation to the prospect of tax Revenue of HPTL in the future, it needs to be concerned about the issue of HJE. The current HJE has not reflected the actual HJE, so that forward should be held again by collecting all employers to obtain the actual production price so that the HJE is close to the real can be set.

**Informant Group 9 (KPPBC Bandung):**

- Tax Revenue contributions of HPTL at KPBC Bandung in 2018 can be achieved well. While in the year 2019 until the month of June 2019 target tax Revenue of HPTL is still quite good, until the end of July 2019 the tax receipt HPTL has reached Rp 53 billion. Almost 100% of the target, which is around 54 billion rupiah.
- In general, the implementation of the voting policy of HPTL there are no barriers, but the obstacles still exist only related to the administration, because it still uses manual process. Not yet accommodated in excise application System (SAC).
- The need of P3C service policy is more adaptive and faster over HPTL, considering the characteristics of the needs are somewhat different from the other BKC HT. The characteristic requirement of the tax ribbon HPTL depends heavily on the market needs which at

the time of boom require very much excise tape and if it cannot be fulfilled then the boom moment can be missed or lost and no longer sell in the market. Also in respect of the repayment of whether it is possible not to use repayment with the excise tape, but using a more rapid and flexible tax repayment mechanism (TPCL), such as using barcodes.

- In relation to excise tariff determination service, for BKC HPTL customs tariffs should not be confused with other common tobacco results, which is only valid 6 months, considering the different characteristics see often changing tastes and seasons of each brand in the market.

#### **Informant Group 10 (KPPBC Malang):**

- There is no specific target for HPTL's tax Revenue, only combined with the general tobacco tax target. In the year 2018 the tax receipt HPTL reached a figure of about 4.6 billion. For the year 2019, tax admission per month is still not stable. Until the new June reached 4.9 billion. Tends to decline more when compared to early deployments.
- From the side of service, so far there are no meaningful obstacles nor complaints from stakeholders. What needs to be improved is HPTL's tax system accommodation into an online tax application system.

### **3. Discussion**

To answer research questions at the beginning, whether the maximum tax tariff system *ad valorem* is effective to apply based on the stabilization dimension of excise Revenue. It needs to be seen from two aspects. The first is the aspect of increasing excise Revenue. The second is the aspect of service quality provided by the policy executor to the affected stakeholders.

For discussion of the first aspect, based on the opinion of the two different groups of respondents, it can be concluded that in the period of October 2018 to July 2019, individually, most stakeholder respondents experienced the condition Increased tax payment HPTL. Similarly, from the respondent side of the policy executor, most of the Customs office and Excise Manager HPTL feel the increase in tax Revenue of HPTL. Office of Customs and Excise that the tax Revenue of HPTL is likely to be flat, is the Office of Customs and Excise Malang.

When compared with the real data on the tax receipt of HPTL nationally managed by the Directorate of Technical and Excise facilities, the data is in line with the state of the excise Revenue. In the period from August 2018 to December 2018, HPTL's tax Revenue rate nationally demonstrates the trend of improvement.

Image 8: Excise Revenue of HPTL 2018



In terms of quality service tax of HPTL to the stake holder, most of the service offices provide input on the service system that is still manual. If can be realized immediately the service system online is likely to be able to improve the quality of this tax service HPTL. Then, on the side of the stakeholders feel there is still constraints on the system supply of excise tapes. It can be seen from the survey to the stakeholders who still feel the need for better service. The respondents' highest answer is 40% still complaining about the speed of P3c and CK-1 services.

Interestingly, the improvement of the quality of service, is the proposal of one of the stakeholders in Bandung on alternative provision of tax tape using programmable barcode stickers. Personally they have applied them in their products for the sake of security. Sticker printing is single, the same for all of their products. But these barcode stickers can be programmed electronically so it can contain the information needed according to the pasted product. Each customer can later check the authenticity of the product they bought using a simple Android app that the manufacturer provided in the Android Play Store. From the logic of the technology and the speed of service, this proposal seems worth considering.

According to the analysis of the tax Revenue aspects of HPTL and also aspects of service quality, can be taken a similarity of perception. That according to the opinion of the Executive Group Policy and also the stakeholder group affected, **the maximum ad valorem tariff policy can effectively increases the tax Revenue rate of HPTL.** In the graphic, the real data of the tax Revenue of HPTL in the first year period of enforcement (July to December 2018) shows a significant trend in increasing.

On the other hand, when referring to the aspect of quality of service and also supported by stakeholder perception data impacted by maximum ad valorem tariff policy, it seems that there is still something to be corrected to the quality of service over tax HPTL. The quality of tax service has an indirect correlation to increased tax Revenue. For example, the ease and speed in obtaining the excise tape will increase the application of the CK-1 entrepreneurs HPTL. That will eventually

give an increase to the tax Revenue HPTL. Therefore, the proposal to use tax repayment instruments in the form of data-programmable barcode stickers, worth considering.

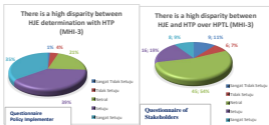
### C. Effectiveness of Policy Based on Dimensions Minimizing the Illegal HPTL

Based on the results of data processing questionnaires and interviews, the effectiveness of the maximum tax rate ad valorem rates on HPTL in MHI dimensions is displayed in the following data distribution. This result Data compares perceptions from the point of view of the policy executor and impacted stakeholders.

#### 1. Data Analysis of Questionnaire Results

The results of the analysis of questionnaire data for dimensions minimizing the illegal HPL based on the indicator of the condition of the disparity occurring, shown in the chart as follows.

**Image 9: Perception of disparity**

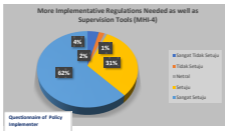


For a **Questionnaire towards Policy Implementer** with the MHI-3 question code: the results of the data processing questionnaire concluded that 74% of respondents argued that since the application of the maximum excise rate policy of HPTL in accordance with regulation of the Minister of Finance No. 146/PMK. 04/2017 There has been high disparity between HJE determination of government with price at consumer level While 5% of respondents do not agree and other 21% are neutral.

While from the side of the **Stakeholder Affected**, to the question code MHI-3 The results of the data processing questionnaire concluded that 25.09% of respondents argued that there was a high disparity between HJE and HTP. While 15.81% of the other respondents did not agree and 45.54% were neutral.

Next is the MHI indicator of operational regulatory needs and supervision tools for Customs and excise officers in the field. Analysis of questionnaire results data is shown in the following chart.

**Image 10: Perception on Regulations and Supervision Tools**

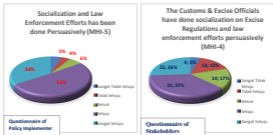


This question only appears to the respondents to policy executor to strengthen the perception of law enforcement efforts in the next question (MHI-4). This question is backed from interviews to several supervisory unit officials at the policy execution office level. One of the constraints in the field is the absence of strict instructions, whether regulation governing tobacco tax in general can be directly implemented against HPTL. On the other hand, the officers in the field are somewhat difficult to anticipate quickly, the findings of HPTL whose products are free nicotine.

For a question code **MHI-4 Questionnaire Implementation Policy**, the results of the data processing questionnaire concluded that 93% of respondents agreed the need for more implementing regulatory devices and surveillance tools (such as: Nicotine test) to support better supervision. While 6% did not agree and 1% was neutral.

Next is the MHI indicator of the socialization aspect of policy and law enforcement that has been done by customs. Analysis of questionnaire data from each of our analytic unit is the following.

**Image 11: Perception on Socialization and Law Enforcement Efforts**



For a question code **MHI-5 Questionnaire Implementation Policy**, the results of the data processing questionnaire concluded that 85% of respondents argued that since the application of the maximum excise rate policy of HPTL in accordance with regulation of the Minister of Finance number 146/PMK. 04/2017, the Customs and Excise Office has been conducting intensive socialization efforts as well as persuasive law enforcement. So far, the legal effort is still done in the soft treatment stage that emphasizes the socialization effort and has not been upgraded until the investigation phase. While 9% of the other respondents did not agree and the other 6% were neutral.

For a question code **MHI-4 Questionnaire of Affected Stakeholders**, the results of the data processing questionnaire concluded that 63% of respondents argued that the local customs and excise offices have been conducting socialization of HPTL's tax regulations and have also performed a persuasive breach. While the other 20% of respondents do not agree and 17% are neutral.

## 2. Analysis of Interviews Results Data

For the dimension of minimizing the illegal HPTL, resume interviews from various groups of respondents' policy implementation of HPTL, we can convey the following.

### Informant Group 3 (Stakeholders in Malang)

- For the Entrepreneurs of excise on HPTL greatly help the legality of circulation in Indonesia. The Association greatly appreciates the efforts of DJBC who have been wearing taxes on HPTL. The still lively violation found is the sale of HPTL illegal online. Hopefully, DGCE can cooperate with the manager of market places to set the sale in order.

#### **Informant Group 5 (Stakeholders in Tangerang)**

- Key issues that need to be immediately addressed are personalized tax bands. I had no evidence, but I heard the issue that the trading tape was a lot going on. That's the first one. Secondly, personalization will secure it from the manufacturer's side. For example, my office got robbed and the tax tapes that I had ordered from DGCE were stolen. If the tax bands have personalization, then the minimum tax ribbon cannot be used by others. In addition, with the trading of tax tapes, government filters against manufacturers who are unable to keep up with the rules, start off the gang. Manufacturers are not licensed, may produce products and tape buy from other manufacturers. Our advice, personalization is treated only to "company code" only, does not get to the "brand code". The flexibility of exchanging tax bands between brands in one manufacturer is still indispensable.

#### **Informant Group 6 (Directorate of P2, DGCE):**

- From the policy side, the initial stage of HPTL tax enforcement needs to be a tolerance to provide socialization. The Soft approach emphasizes the oppressed on violations of HPTL which doesn't have tax tape on it. For other types of violations, especially for the initial stage is still given looseness. This aims to give the industry opportunity of HPTL to adapt.
- A powerful solution to overcome the online sales of HPTL illegal does not exist, because the entity is not known exactly and its existence is also not easily detected. Some actions enforcement already done, either by P2 Central and P2 services. This post-enforcement has a fairly positive impact. Several marketplaces began adapting by providing provisions and restrictions for cigarette sales and HPTL.
- Discourse to have an audience with the market places admin already exists, but not yet implemented. But it should also be realized that we cannot fully intervene on the mechanism of trading at market level. Vertical Instance which authority is to regulate the trade of taxable goods such as cigarette and drink, is not only DGCE. That's why we need to coordinate with others. The possibility for market places that local sales are still possible to do restrictions, but for foreign market places, it is somewhat difficult. In addition, the DJBC party is also working on a regulatory proposal regarding the sale of taxable goods via online to the Ministry of Trade.
- Based on the data enforcement against the violation of HPTL products, the dominance is still around HPTL without excise tape. Since October 2018
- The anticipation of HPTL's forward monitoring, which needs to be improved is the growing type, variant and shape of the product HPTL. Secondly, for short-term there needs to be adjustments to the HJE in order to approach the real selling price at market level.
- If we compare which is the most favorable tariff system from the supervision side, based on the surveillance experience for classic tobacco results, the specific tariff system is more profitable. But on

the other hand, the tariff system ad valorem gives more sense of justice for the producers. Large producers pay bigger than small producers, as their retail selling price is certainly higher. Considering the interests of the tax system HPTL is not only a matter of supervision, then there must be a win-won solution in the most suitable tariff system pilot.

- Anticipation of the entry trend of HPTL, new type illegally imported origin, basically using the same surveillance ways with other imported goods. There are also ways of intelligence that can be developed to anticipate the inclusion of illegal HPTL to Indonesia. For example: profiling targets can be observed through social media behavior, or the development of cases that have been dealt with.
- In the supervision of things that need to be anticipated, one of them is the sale of HPTL without nicotine content and the possibility of sale of nicotine concentrate separately. For example, in the UK there is already factual pattern selling E-Juice with free nicotine. While, nicotine extractions are sold separately. It needs to be anticipated not only for fiscal sake but also for control of health problems. For fiscal purposes, procurement plan tools like Nico test already exist, likely next year is realized. Hopefully in the future, field supervision officers can utilize the tool for the sake of an instant nicotine test.

#### **Informant Group 7 (KPPBC Jakarta):**

- Since the implementation of HPTL's policy in 2018, there has been a price difference between the HJE proposed at the real market price. At the time of establishment of entrepreneurs usually ask the most minimal price, for example HJE for the size of 60 ml submitted 40 thousand whereas in selling on the market varied around 80 thousand, 100 thousand even those who reached 200 thousand.
- In connection with the risk mitigation of the conditions of disparity, so far there has been no provisions governing as well as provisions of the other BKC MMEA or HT. Especially for BKC current imports according to data and existing documents there is still no gap between the excise tape ordered with CK-1 with the imported BKC HPTL. In addition, there are several Brewer, Distributor and Outlet (TPE) entities that become one so that the end consumer can directly buy HPTL in the place. This condition is not found provisions in other BKC HT (cigarette) and MMEA.
- The mitigation measures that have been done are soft treatment to the stakeholders because the nature is still new and need an educational approach to the stakeholders, and gradually perform the action against HPTL that does not comply with Conditions.
- Violations that have been found within the scope of KPBC Jakarta supervision, the existence of HPTL import that is not attached excise tape, but after the search domicile importer is in the location under the supervision of other KPPBC. From the results of mediation from the Head office and Regional office, this happened because this policy is still new so that still given the adhesory tolerance of excise tape is not

carried out in the TPS but is done at the site of importer. Nevertheless, this becomes a study to be fulfilled the provisions of the percentage by importer HPTL forward.

**Group Informant 8 (KPPBC Tangerang):**

- In some cases, there is a difference or disparity between HJE and the selling price. Example that has been found at the retail price level reaches RP 85 thousand for HPTL which contents 60 ml with HJE a RP 40 thousand.
- Mitigation is done so that the condition of the disparity of price is not potentially raises the circulation of HPTL illegal, in the early stages of implementing more education and coaching to the entrepreneurs HPTL. Furthermore, the year 2019 has been conducted by the issuance of Letter of Action (SBP) for the distribution of HPTL that does not comply with the provisions. Related to the circulation of HPTL that is indicated illegally through Online media that has been found from the incoming reports, sales outside the area of KPPBC Tangerang so that it needs to coordinate with the authorized KPPBC.
- As a suggestion form in the future, if the HT has done supervision policy with the *Operation Gempur* against HT violations, then it is necessary also in HPTL incorporated also in the target of *Operation Gempur*.
- Other mitigation conducted, created a discussion forum and also a WA group with entrepreneurs HPTL for all BKC entrepreneurs under the supervision of KPPBC Tangerang. This Forum is intended to provide education related to the new things or provisions about HPTL and also used for communication media or laporan2 against the violation of HPTL.
- In the period of 2019 it has been performed twice as a violation of HPTL without a tax tape. For cases that have been reported regarding the breach of HPTL the sale of HPTL is forged which price is far cheaper or below the original HPTL price.

**Informant Group 9 (KPPBC Bandung):**

- In general, in the environment KPPBC Bandung filing Tariff fixing of HPTL is pretty much the current average of 5-10 brands submitted per day. All the determination of the proposed HJE all have been in accordance with the provisions of the minimum limit of HJE Rp. 666 per milliliter, while in general based on information from the Entrepreneurs and field control still occurs price disparity between HJE with existing market transaction price. Some facts in the field of HPTL for example 60 milliliters that should HJE about 40 thousand sold in the range 50 – 100 thousand, even some have reached 150 thousand. Based on the observation of the disparity between HJE and the price of this market transaction occurs because of a long enough distribution chain.
- With regard to mitigation efforts so that the condition of price disparity is not potentially raises the circulation of HPTL illegal, at

present there is no specific instructions and orders against market operations against the transaction price of HPTL products. Supervision that has been done by the supervision unit, among others, doing soft enforcement on the distribution of HPTL that does not comply with the provisions, such as HPTL that is not attached excise tape. It is highly appreciated by the entrepreneurs of HPTL because it can indirectly support HPTL products according to provisions in the market.

- Violations that are still found are HPTL that is not kept in the excise tape (plain), with the SBP done for the breach and is not directed to the criminal provisions because this policy is still considered new and need to be done coaching. However, some information is still available in the sale of HPTL through online media in violation of no-ribbon provisions that are not reachable from the supervision side.

#### **Group Informant (Kawwil DJBC Jatim II)**

- The initial application of the voting policy of HPTL, from the surveillance results to the circulation HPTL occurred a gap significant disparity between HPTL that has been attached excise tape with HPTL which still violate provisions not to be attached excise tape. Gradually began to dwindle. While seen in accordance with the provisions of HJE existing, the establishment of HJE above HPTL that exists today still occur quite high disparity in the market. This means that retail sales prices at the end consumer are still quite high compared to government-defined HJE.
- With regards to mitigation efforts, distribution of HPTL for the region of Jatim II by considering the Revenue and volume that has not been so much compared with other HT, it has not been a priority in the oversight intensively. Nevertheless, since the application of the tax imposition of HPTL around October 2018, has been conducted socialization and also several offices under Jatim 2 perform law enforcement simultaneously by issuing SBP over HPTL which Not meet the provisions. This acts as an educational part of the relevant parties.
- Related, violations that are still found in the supervision framework of HPTL most are plain or without the attached of the excise tape. In addition, the entrepreneurs still complained of HPTL that adherence to the provisions, still found several circulations of HPTL through online media that is indicated not meet the provisions IE without the excise tape.

### **3. Discussion**

To answer the research question at the beginning, whether the maximum tax tariff system *ad valorem* is effective to apply based on the dimensions of the illegal HPTL (MHI). It needs to be seen from two main aspects. First is the aspect of the incidence of disparity. Second of the aspects of socialization and law enforcement.

Based on the perception of the Executive Group Policy argues indeed since the beginning has occurred relatively high in the implementation of HJE determination with the price of market transactions. A more complete explanation based on the interview can be noted that most of the stakeholders submit the sale price for self-assessment in the minimum price range. By the way, this is not unlawful, but the real fact of the sales price of the stakeholder is much higher than the establishment HJE.

While on the side of the stakeholder, there is an interesting response answer. The results of the data processing questionnaire concluded that only 28% of respondents argued that there was a high disparity between HJE and HTP. While the other 18% of respondents did not agree and 54% were neutral. Interestingly, the data of the stakeholder questionnaire is the phenomenon of data respondents who chose neutral option is very dominant. The results of the research analysis predict that a neutral answer is a form of doubt to answer the actual fact. That indeed in the current condition, there is a fairly high disparity range between the HJE fixing with the selling price at the consumer level (HTP).

The phenomenon of high disparity between HJE determination with the selling price at the consumer level of impact will cause losses to the particular parties. In the case of disparity where the HJE is lower than HTP, the impact of the disparity would harm the consumer, which is to pay larger (HTP) than should be paid (HJE). In terms of the government's fiscal interests, HTP is much larger than the HJE will eliminate the potential Revenue that it should. While for producers, this condition of disparity is not necessarily a direct benefit to them. May be, disparity occurs only in the distribution system so that the real profits are only enjoyed by the level of distributors or retailers only.

When referring to the background of the policy, it has been explained that the tax tariff system ad valorem was chosen because the product specification HPTL too broad spectrums, besides that the government does not have a database of selling prices on the market, so it is somewhat difficult implement a specific system in the early stages. Instrument limitations. While the highest tariff load of 57% is chosen considering that there has not been a comprehensive study on what tariff rates are most appropriate to set. As a win-win solution, for the early stages of the government gives the minimum HJE tolerances filed by the entrepreneurs.

The current condition of tariff system in the opinion of researchers creates a situation to be dilemma for both parties, both for the Government and affected stakeholders. For the government, the maximum tariff load of 57% at a glance is providing credit points for basic purposes of tax as a *regulerend* tool in the eyes of health care. However, with the minimum HJE policy which is relatively low and far from the actual market price, it certainly becomes a question material for supervision apparatus as well as a pro-health community group.

On the other hand, the current conditions of the tariff system for affected stakeholders are like fire in the bush. Nowadays it is possible that stakeholders are able to adapt to maximum tariff but HJE is slightly friendly. However, it can be ensured that when this maximum ad valorem tariff system

is retained, in the future the government will definitely adjust the HJE close to the actual HTP. With market conditions that have not been fully recovered after HPTL tax policy in July of 2018, HJE Rise policy will be a very heavy blow for the industry HPTL.

Another aspect that needs to be discussed is about socialization and law enforcement conducted by the policy implementing unit. The application of excise system should also take into account the illegal aspects of market. The ideal tax rate system should be able to minimize the event of illegal products.

Based on the analysis of survey data and also interviews can be concluded that the policy executing apparatus has carried out actions towards the goal of minimizing the illegal HPTL. In the early stages of the policy, the action is soft treatment and has not been directed to a tax criminal offence. The statistical Data on the action issued by the Directorate of P2 DJBC provides the following illustrative portrayal.

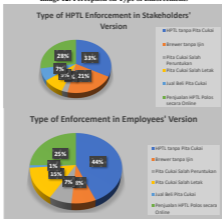
**Table 1: Data of Enforcement by DGCE Supervision Unit towards HPTL.**

Type of Enforcement	Year 2018	Year 2019
Amount of Enforcement	227.00	254.00
Iqos (in amount of bars)	37,000.00	10,200.00
Molasses (in amount of gram)	11,000.00	118,610.00
Vape (in amount of milliliter)	10,796.53	1,930.00
Snuff (in amount of gram)	-	1,080.00
Snus (in amount of gram)	-	4,542.40

*Source: Direktorat P2, DJBC*

Meanwhile, the compilation of survey results data related to the types of violations of HPTL which is still found in the field, presented in the following image. Data presentation is separated for each group of respondents. Based on the graph is seen that according to the respondents group of stakeholders and group of employees, the most types of violations still found in the field is the **case of HPTL without a tax band**.

**Image 12: Perception on Type of Enforcements**

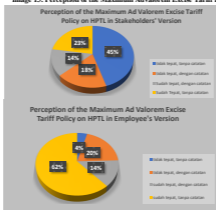


Based on the results of the data analysis questionnaire and interviews, we can conclude that a relatively high disparity condition between HJE and HTP as a result of a real maximum tax rate ad valorem policy occurred. This proves that **the system of applied tax ad valorem rates is relatively still not effective based on the minimizing of HPTL's legal dimensions.**

While the aspects of socialization and law enforcement have been conducted, the policy implementation unit has been functioning properly. Various enforcement carried out by Customs and excise offices are aimed to borrow the illegal HPTL.

When referring to the perception of respondents from two different groups to the maximum ad valorem tax rate policy over HPTL, there are different conclusions. A compilation of the data of the respondent's version of the stakeholder concluded that 45% of respondents argued that the maximum ad valorem tax rate policy against HPTL **was deemed inappropriate, without any record whatsoever.** While the conclusion of the employee's version data concluded that 62% of respondents argued the maximum tax rate policy ad valorem towards HPTL **is correct and without any record.**

**Image 13: Perception of the Maximum Advalorem Excise Tariff Policy**



#### **D. Effectiveness of policy on controlling the consumption dimensions of HPTL**

Based on the results of the data processing questionnaire and interviews, the effectiveness of the maximum tax tariff ad valorem rate policy on HPTL in the MKH dimension, displayed in the following data spread. This result Data compares perceptions from the point of view of the policy executor and impacted stakeholders.

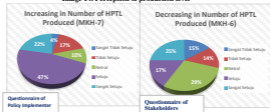
##### **1. Data Analysis of Questionnaire results**

The results of the analysis of the questionnaire data for the MKH dimension based on the indicator of increased production conditions or decreases, shown in the graphs and the following description.

For questions code MKH-7 Questionnaire implementation policy, the results of the data processing questionnaire concluded that 69% of respondents argued that since the enforcement of the maximum excise tariff policy of HPTL occurs increase in production figures of HPTL. While 21% of the other respondents did not agree and the other 10% were neutral.

For a question code MKH-6 stakeholder questionnaire, the results of the data processing questionnaire concluded that 42% of respondents argued that since its effective maximum tax policy ad valorem occurred on 1 October 2018 and until July of year 2019, there is a decrease in production figures HPTL. While 29% of the other respondents did not agree and 29% were neutral.

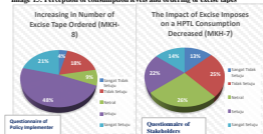
**Image 14: Perception of production level**



Next the MKH indicator is based on consumption level. In the policy respondents, the rate of consumption is measured using the dummy data in the form of tax tape ordering with question code MKH-8. The assumption is, that CK-1 data has a strong relation to the sales data of the Booking. Results of data analysis for question code MKH-8 Questionnaire implementing policy, the results of the data processing questionnaire concluded that 69% of respondents argued that since the enforcement of the maximum excise rates of HPTL, there has been an increase in Order of Excise Tape HPTL (CK-1). While 22% of the other respondents did not agree and 9% were neutral.

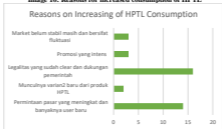
From the stakeholders affected, the consumption level indicator uses the MKH-7 question code. Data analysis results for questions code MKH-7 stakeholder questionnaires, the results of the data processing concluded that 36% of respondents argued that since its effective maximum tax policy ad valorem occurred on 1 October 2018 and until the month July 2019, there was a decrease in consumption of HPTL. While 38% of the other respondents did not agree and 26% were neutral.

**Image 15: Perception of consumption levels and ordering of excise tapes**



Advanced questions on answers to questions MKH-7 stakeholder questionnaires were addressed to respondents who did not agree (38%) and also neutral (26%). They argued that there was an increase in the consumption figure HPTL. The compilation of data on the reason of increasing consumption is as follows. A total of 38 respondents gave his opinion on this further open-ended question. Of these, a total of 16 respondents (42.11%) argued that the reason for increasing consumption of HPTL due to the legality status of HPTL is clear and due to government support. As much market demand increases and many new users. A total of 14 respondents (36.85%) The reason for increasing consumption due to new market and user growth factors. More can be seen in the following image.

**Image 16: Reasons for increased consumption of HPTL.**



## 2. Analysis of Interviews Results Data

For the dimension limiting the consumption of HPTL, the resume of interviews from various groups of respondents policy implementation of HPTL, we can convey as follows.

### Informant Group 3 (Stakeholders in Malang)

- The serious impact of the HPTL tax occurs only at the beginning of its application. Initially industry HPTL quite surprised with excise tariff burden 57%, but over time the market can already receive. From the manufacturer's side, the 57% rate can still be adapted because HJE is still possible to use the minimum price but the sale can be above the HJE.
- The latest Update, with the emergence of pod device type as the latest innovations with more mini size and easier to use, then the liquid sales trend of 15 ml – 30 ml is increasing. The demand for the tax tape that is 15 ml-30 ml becomes larger. It's also likely to be a new attraction that boosts new consumers.

#### **Informant Group 4 (Stakeholders in Bandung)**

- In connection with the impact of tax imposition on HPTL, we are basically a very understanding entrepreneur, because the vape industry requires government regulation in order to become clear status. There is no resistance at all from the HPTL industry against tax imposition. Even we find it very helpful, because the status of this industry becomes clear and legal.
- Current regulations are indeed the most fitting is through HPTL and the tariff charges imposed against the maximum of HPTL is 57%. However, honestly if the maximum tariff load of 57% is actually applied to the market selling price, surely the vape industry will collapse. The price of vape will increase can reach 3.5 times the current market price. This is due to the relatively large production cost structure of vape. The vape sales Margin is relatively smaller when compared to classic tobacco results. As an overview, the raw material of manufacturing vape about 25%-30% was imported from the USA, especially its "flavor". Somewhat difficult to find a class flavor from both local and nearby countries. In Singapore and Malaysia there is a flavor factory for vape But the quality is still far from the artificial flavor of USA.
- Current tax rate conditions are not yet ideal, because as if the set HJE is still far from the actual market price. However, it should also be realized that the HPP manufacturing vape is really high. We are ready to open-openings to provide real price input of vape making, so the ideal excise rate conditions can be applied.
- Our hope in the future:  
Ideally the tariff system HPTL does not follow the price, more visible using a specific tariff system. However, if indeed the tariff system Advalorem is retained, ideally not 57%. If as now applied then there is no openness. The government does not know the cost structure of the actual production of HPTL, the disparity will always occur.
- With the tax regulation HPTL, the production development of HPTL is precisely increased. My estimate, market demand increased by about 500% and my future predictions can still be increased again. From the start of entering the Vape business, the chart of demand for the market tends to increase even though there is some time down. Indeed, the business player does not all survive.

#### **Informant Group 5 (stakeholders in Tangerang)**

- The initial stage after tax is imposed, the vape business is influential especially on purchasing power. Nevertheless, personally, the condition of our company's turnover remains growing. Although there is still a subsiscross, among brands are issued.
- After the implementation of the excise provisions of HPTL, the reconstruction process of vape business people. Many business people fall. On the other hand, I personally respond positively to the tax enforcement of this HPTL. What it means, the number of

business people who shut vapo, I think because they are not serious in the business of this vapo. With the tax imposition policy, this can be a filter to restrict business people. The vapo business people who have been filtered by themselves must be ready to be accountable to the country with all liabilities in the field of excise, such as licensing, administration and tax payments.

- In connection with the application of the maximum tariff of advalorem, for producers, we do not see from the side of the tariff system Advaloremnya. What we see is the tax burden that we will then input in the selling price component. In a calculation, HJE stipulation with the current system, if the price is offered to the market, certainly will not enter. The determination of the tax burden of Maximum 57% that I capture is because the government does not have enough data regarding the price structure in the market. Minimum HJE and maximum tariff at the time of the tax enforcement HPTL it is a win-win solution for current market conditions. If the government wants to actually implement the HJE as the market price, there should really be an assessment first. In my opinion, the current reply can be, retail price should not be negotiated first. New market conditions will recover and have not recovered from the previous condition. We recommend that new adjustments are made after the industry is properly recovered.

#### **Informant Group 8 (KPPBC Tangerang):**

- Since the beginning of the implementation of the voting policy against HPTL entrepreneurs is quite cooperative with the provisions of the new HPTL and almost no resistance from both manufacturers and consumers. However, inputs from the manufacturer so that the customs and excise side can set up HPTL products that do not comply with the provisions.
- Related to the growth rate of the manufacturer of HPTL, in the early stages of enactment of HPTL tax provisions, there are only 3 entrepreneurs who obtain NPPBKC license. Subsequently in the year 2019 after the efforts of socialization and coaching, the number of manufacturers of HPTL in Tangerang increased to about 14 NPPBKC holders.
- In connection with the level of production development of HPTL in Tangerang region, tends to increase. Of some entrepreneurs HPTL, based on monitoring the development of its production tends to rise even some who have not been able to meet market demand due to limited production capacity of the company. When viewed from the data CK-4C also increase the number of increases, although in the recording is still using the manual and need mentoring from KPPBC.

#### **Informant Group 9 (KPPBC Bandung)**

- Since the beginning of application of the voting policy HPTL there is no resistance from the entrepreneur side HPTL or consumer. Instead, they are thankful and appreciated for experiencing the legalization of

the government. Previously, they felt uncertainty and often sanctioned by law enforcement, such as related to the reasons for consumer health protection.

- In connection with the level of production development of HPTL, when viewed from the new CK-4C document which was introduced in April 2019, it can not be seen. However, if seen from the CK-1 document from the trend there is an increase up to the month of July 2019.

#### **Informant Group 10 (KPPBC Malang)**

- If the resistance of the stake holder does not exist. They are precisely supportive. It is only, the imposition nature of advalorem rates still using the filing price in self assessment.
- In relation to the direct effect of tax imposition on the consumption of HPTL, from the seller's response, HPTL's tax policy only makes the initial consumption decline. Furthermore, after December 2018 consumption HPTL has begun to return to normal.
- When viewing the phenomenon in the market, the circulation of HPTL in Malang is not only supplied from Malang but comes from other cities, Seperti: Bandung, Jakarta, Bali and so on. The development of Vape store in Malang is relatively increasing, especially in Café-café that sells coffee products. Problem arising with the tax policy HPTL at the beginning of the start in October-December 2018 is a lot of vape store that still has a product stock that is not derived from the city of Malang. The nature of their purchase from the supplier is a break-off *Penjualan* so that for non-taxable products it does not allow it to be returned to suppliers. A discrete solution provided at that time was provided by a local brand in Malang to be reserved for the tape.

### **3. Discussion**

To answer the research question, whether the system of *Advalorem* maximum tax rates is effective for applying based on the dimensions of controlling the consumption of HPTL (MKH), this study uses a measure based on two major indicators. First is the aspect of production level and the second seen from the aspect of consumption level HPTL. We recognize that the measure of control success cannot be measured only by the perception of these two aspects. Moreover, the measured time period is relatively short. But to remember the limited resources, this study only reviewed the two aspects.

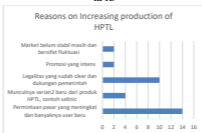
Discussions for aspects of production levels can refer to the perception of policy implementing groups. Data analysis results mention that 69% of respondents have argued that since the maximum tax rate policy of *advalorem* has occurred increasing the production number of HPTL. At a glance it is quite contradictory. Explanations for this phenomenon can be traced based on the results of interviews

and also further questions to the respondents of the affected stakeholders.

Since HPTL's tax policy has been established, the industry status of HPTL type vape becomes clearer. Although previously formally there is no single rule in Indonesia that states under the industry of HPTL in particular vape, is illegal. This condition triggers the owners of capital to enter into the vape industry. Indeed, there are some producers of HPTL that fall but most producers actually experience relatively high growth.

Further inquiries on answers to MKH-6 **Questionnaire of Stakeholders**, addressed to respondents who did not agree (29%) and also neutral (29%). The production conditions of HPTL in their company did not decline. The factors that led to the increased production number of HPTL, in their opinion as follows. Total respondents who answered the follow-up question as much as 32 respondents. Of these, a total of 14 respondents (43.75%) Because of increasing market demand and also many new users. A total of 10 respondents (31.25%) argue.

**Image 17: Perception of reasons for increased production of HPTL.**



The discussion for aspects of consumption can refer to data analysis results of respondents. That based on the perception of stakeholders only about 36% of the respondents agreed that there has been a decline in consumption of HPTL since the excise policy has been applied. This means that in general, the tax rate policy of HPTL in the period of October 2018 to July 2019 has not caused the occurrence of consumption reduction HPTL. This perception is strengthened by the data of interviews with one of the stakeholders from Bandung, which mentions that since the existence of the tax policy of HPTL estimation in question occurs increase in demand up to 500% from before. Even the predictions are concerned, the market will rise again in the future.

Advanced questions on answers to questions MKH-7 stakeholder questionnaires were addressed to respondents who did not agree (38%) and also neutral (26%). They argued that there was an increase in the consumption figure HPTL. There were 38 respondents giving his opinion on this advanced open question. Of these, a total of 16 respondents (42.11%) argued that the reason for increased consumption of HPTL due to the clear legality of HPTL. A total of 14 respondents (36.85%) The reason for increasing consumption due to new market and user growth factors.

Based on the description of the discussion can be concluded that maximum tax rate system policy ad valorem is not yet effective in controlling the consumption of HPTL. There are several reasons that can explain this phenomenon. Firstly, most likely the industrial market HPTL hasn't fully formed perfectly, is still growing. Secondly, with the application of excise policy, the formal legal status of HPTL industry becomes clearer. However, it should be emphasized that the tax policy on HPTL is not an instrument that legalize the existence of vape industry. There is no one set that states that HPTL industry, especially vape is an illegal industry. This encourages new investments into the HPTL industry and enlarges the HPTL product market. Third, the tax burden on the structure of the sale price of HPTL can still be tolerated by producers and consumers so that the level of consumption is relatively not restrained.

## CONCLUSION

### A. Conclusion

In accordance with the discussion on the research questions that have been described in previous part IV, can be concluded as follows:

- 1) **That the maximum Advalorem tax rates policy is effective to increase the tax revenue from HPTL.** Based on the perception of policy executor and also affected stakeholders, it is agreed that the Revenue of tax and/or tax payments is likely to increase. In chart, the real data on the tax Revenue of HPTL in the first year period of enforcement (July to December 2018) shows a significant trend in improvement. But on the other hand, when referring to the aspect of quality of service and also supported by stakeholder perception data impacted by maximum advalorem tariff policy, it seems that there is still to be corrected to the quality of service over the HPTL tax. The quality of tax service has an indirect correlation to increased tax Revenue.
- 2) **That the maximum Advalorem tax rates policy applied is relatively not effective in minimizing illegal HPTL.** This is based on the results of a data analysis questionnaire and interviews, which concluded that a relatively high disparity condition between HJE and real HTP occurred. While the aspects of socialization and law enforcement have been conducted, the policy executing unit has been functioning properly. Various opsuppresses carried out by Customs and excise offices are aimed to borrow the illegal HPTL.
- 3) **That the maximum Advalorem tax rates policy is not effective in controlling the consumption of HPTL.** There are several reasons that can explain this phenomenon. Firstly, most likely the industrial market HPTL hasn't fully formed perfectly, is still growing. Factors of the relatively short period of observation time (October 2018 to July 2019) are also likely to be the reasons for supporters that cause this condition. Secondly, with the application of excise policy, the formal legal status of HPTL industry becomes clearer. This encourages new investments into the industry of HPTL which will eventually enlarge the production level of HPTL. Third, the tax burden on the structure of the sale price of HPTL can still be tolerated by producers and consumers so that the level of consumption is relatively not restrained.

### B. Limitations

The research has several limitations:

- 1) From the aspect of the object, the research is focused on the perception of respondents as well as key informant, although it is supported by some real data in the field.
- 2) From the time aspect, the time allocation of research conducted relatively narrow, so it has not comprehensively covers aspects in the field of HPTL excise.

### C. Recommendations

Based on the research results, there are a few things that researchers recommend to improve the policy of excise tariff system on HPTL:

#### **Theoretical recommendation:**

- 1) To expand the policy insight, especially in the field of HPTL excise, it is expected that the results of this assessment can be used as learning material in related training organized by BPPK.
- 2) A more comprehensive quantitative study of the ideal excise rate system for HPTL is required.

#### **Practical recommendations:**

- 1) To support the effectiveness of the excise tariff system on HPTL that can create the stabilization of excise revenue, it is necessary to improve the quality of service in the administrative system of HPTL excise. The concrete proposals that we propose are:
  - a. Consider the use of Barcode or QRCode sticker as proof of excise settlement. The use of these stickers can extremely cut the time of supply of excise instruments, so that the quality of service will increase.
  - b. Integrate HPTL excise Administration service system into online duties application system.
- 2) To support the effectiveness of HPTL excise rate system which can minimize the circulation of the illegal HPTL, a more comprehensive assessment to establish a tax rate system that is more ideal to be applied needs to be done. Such assessment should also consider the ease in enforcing the law. The concrete proposals that we propose are:
  - a. Consider the possibility of switching the excise system on HPTL from Advalorem system to specific excise tariff system by accommodating differences of manufacturer structure of HPTL. Fact in the field, the manufacturer's structure of HPTL varied from multinational companies, big national enterprises and small-medium enterprises.
  - b. Reconsider the rate of advalorem excise rates with a combination of retail sale price close to the market transaction price. The combination of the ideal excise rate and HJE that resemble the market price transaction is expected to reduce price disparity.
  - c. Carry out law enforcement operations against the illegal HPTL with a more assertive approach. Law enforcement efforts are becoming a solution to reduce market distortion and provide reassurance to the tax subjects of HPTL that has fulfilled the excise regulation.
- 3) To support the effectiveness of the excise rate system on HPTL which is expected to be more effective in controlling the consumption of HPTL, a more comprehensive assessment to determine the rate of excise tariff which is more ideal to be applied, needs to be done. The proposed concrete proposals are:

- a. Reconsider the rate of advalorem excise rates with a combination of retail sale price that is resemble the market transaction price. The combination of the ideal excise tariff and HJE which is resemble the price of the actual market transaction is expected to be able to control the consumption of HPTL. However, it is necessary to first examined the market readiness of the customization policy.
- b. Encourage technical institutions related to the oversight of the HPTL. distribution tasks to issue a regulation that can guarantee the public health interests broadly.

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