

Developing an ‘Excise Working Tariff Schedule’ for South East Asia: a resource for regional excise policy

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1. Background

During the ninth annual meeting of the *Asia-Pacific Tax Forum* (APTF),¹ a ‘closed session’ was held for Ministry of Finance officials from the ASEAN² region to discuss issues relating to coordination and standardisation of certain excise taxation policy and administrative aspects ahead of the ASEAN Economic Community (AEC) 2015.³ The meeting agreed that there would be benefit in gaining an understanding of each country’s excise tax systems as part of any potential future excise tax policy reforms undertaken in the lead up to, and after the commencement of the AEC.

2. Scope: what is an excise tax?

To understand the nature and extent of excise taxation in the ASEAN region, such a project requires clarity about what is meant by the term ‘excise tax’ given the diverse range of indirect taxes that currently apply across South East Asia. For this project, it was decided to utilise the OECD definition as used for tax revenue collection statistics as follows:

5121 – Excises

60. Excises are taxes levied on particular products, or on a limited range of products, which are not classifiable under 5110 (general taxes), 5123 (import duties) and 5124 (export duties). They may be imposed at any stage of production or distribution and are usually assessed by reference to the weight or strength or quantity of the product, but sometimes by reference to value. Thus, special taxes on, for example, sugar, beetroot, matches, chocolates, and taxes at varying rates on a certain range of goods, as well as those levied in most countries on tobacco goods, alcoholic drinks and hydrocarbon oils and other energy sources.⁴

As such, excise taxes would be those narrowly based discriminatory consumption taxes targeting goods (and services) traditionally associated with certain externalities and/or of luxurious nature. Therefore, excise taxes would include taxes such as the ‘Special Consumption Tax’ of Vietnam, the ‘Specific Tax on Certain Merchandise & Services’ of Cambodia, the ‘Liquor Act and ‘Tobacco Act’ of Thailand, and the relevant Schedules of the ‘Commercial Tax’ of Myanmar and Laos PDR. After careful consideration, it was also determined to include the ‘Luxury Tax’ of Indonesia despite its relatively wider scope given that Indonesia also has a broad-based VAT as part of its domestic tax system.

3. The process of building a working excise tariff

3.1 Forming a study group (network)

Representatives from each of the 10 Ministries of Finance within the ASEAN region were invited to form a network to look at regional excise taxation, which became known as the APTF ‘Excise Study Group’. In essence, the study group comprised regular attendees of APTF events with an interest in

excise taxation or, where appropriate, Ministry of Finance attendees at APTF identified more suitable officials to participate in the process. Significantly, the participants in the process covered a range of agencies and expertise, and importantly included officials from both policy and operational work areas.

The involvement of all 10 regional Ministries of Finance is also significant. This level of participation has several benefits, including:

- ensuring a greater level of assurance as to the accuracy of any work performed
- increasing the knowledge of participants in relation to regional excise taxation
- forming a network of ‘excise taxation’ peers across the ASEAN region
- possibly establishing the first step in better coordinating and standardising certain aspects of excise taxation policy in the ASEAN region.

3.2 Excise tax survey

With an established network, the author was able to effectively survey all 10 Ministries of Finance within the ASEAN region in relation to excise taxation under the auspices of the APTF ‘Excise Study Group’. The survey requested the relevant excise tax legislation from each country, along with any supporting subsidiary legislation and extrinsic materials which assisted with classification or determination of the value and volume or whether exemptions or concessions applied. The surveys were returned to the author for ‘mapping’.

3.3 Excise tax mapping

The excise tax laws of the 10 countries were then ‘mapped’ by finding the more commonly taxed product (and services) categories and assigning the excise rate applicable for each country for the various goods (or services) which comprise that category; for example, alcohol comprises beer, wine, spirits and industrial use alcohol. In terms of categories used, these included:

- alcohol, tobacco, and automobiles which are subject to excise in all 10 countries
- fuel, non-alcohol beverages, and motorcycles which are subject to excise in most of the 10 countries
- goods which are subject to excise in some of the 10 countries on the basis of being luxury items
- goods which are subject to excise in some of the 10 countries on the basis of being harmful to the environment
- services which are subject to excise in some of the 10 countries which are associated with either entertainment, or with harm when consumed
- other services which are subject to excise in some of the 10 countries.

The mapping was circulated to the members of the study group for technical review and ‘sign-off’ from the perspective of their respective countries. After the correction of several areas of the mapping, the final document became known as an ‘Excise Working Tariff Schedule’ for the ASEAN region and later became the basis for further studies and discussions.

The author has attempted to keep the working tariff document up-to-date through contact with the representatives of the 10 ASEAN Ministries of Finance, and the document is believed to be accurate as at its last update on 13 January 2014. However, manufacturers, traders, and researchers should not rely on such accuracy if accessed after that date, and should use the working tariff document as a guide only.

4. Repository of regional excise laws

A by-product of the mapping process was the capture of a significant amount of regional excise law. This has enabled the author to catalogue a range of excise-related law for each of the 10 countries in terms of primary tax and administrative law, as well as subsidiary or supporting legal instruments. However, the repository of such regional excise laws is recognised as not being complete, and the fact that important pieces of tax legislation are not readily publicly available is a future challenge for all those working in the area. The ‘catalogue’ of regional excise laws is available from the author.

5. Acknowledgments

The ‘Excise Working Tariff Schedule’ for South East Asia has required input from all 10 ASEAN region countries in terms of either supply of excise tax laws, review of original mapping processes, sign-off of a final working tariff document, and advice in relation to excise rate changes since that sign-off. In this regard, the author wishes to publicly thank the following agencies for their contributions:

| Country | Agency represented | Ministry represented |
|-------------------|--|----------------------|
| Brunei Darussalam | Customs & Excise Department | Finance |
| Cambodia | General Department of Taxation | Economy & Finance |
| | General Department of Customs & Excise | Economy & Finance |
| Indonesia | Fiscal Policy Office | Finance |
| Laos PDR | Tax Department | Finance |
| Malaysia | Treasury | Finance |
| | Customs & Excise Department | Finance |
| Myanmar | Internal Revenue Department | Finance & Revenue |
| Philippines | Domestic Finance | Finance |
| Singapore | Inland Revenue Authority | Finance |
| Thailand | Fiscal Policy Office | Finance |
| | Excise Department | Finance |
| Vietnam | Tax Policy Department | Finance |

6. Further information

If you wish to view details of the survey, or have questions and comments for the author, please email editor@worldcustomsjournal.org.

Notes

- 1 Hosted by the Philippines Department of Finance in Manila, 3-5 October 2012.
- 2 Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
- 3 See www.asean.org/communities/asean-economic-community, viewed 22 January 2014.
- 4 Organisation for Economic Co-operation and Development (OECD) 2011, ‘OECD classification of taxes and interpretative guide’, in OECD, *Revenue Statistics 2011*, OECD Publishing, Paris.

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