

Legal Implications of Using National Identity Number (Nomor Induk Kependudukan - NIK) as Taxpayer ID (Nomor Pokok Wajib Pajak - NPWP) in the Indonesian Tax System

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Abstract: Starting from January 1, 2024, Indonesian residents must use their National Identity Number (Nomor Induk Kependudukan - NIK) for tax-related transactions instead of their Taxpayer Identification Number (Nomor Pokok Wajib Pajak - NPWP). This new regulation is due to the ongoing data integration process between NIK and NPWP. The Minister of Finance Regulation has outlined this rule for individual taxpayers, and the Director General of Taxes (DGT) has confirmed it. This paper aims to explore the legal implications of the implementation, focusing on the responsibilities of residents, and the government's objectives in implementing NIK as an NPWP.

1 INTRODUCTION

Every Indonesian resident is assigned a unique national identification number called NIK under the Population Administration Law, which is valid for their entire lifetime. Upon registration with the population administration, such as at birth, every Indonesian citizen will be provided with their own NIK.¹

As per the Law on General Provisions and Tax Procedures (UU KUP), it is mandatory for individuals and organizations, who meet the requirements set by the tax laws and regulations, to register as taxpayers at the Directorate General of Taxes office. The registration process includes providing information on the taxpayer's place of residence or domicile. Once the registration is complete, a Taxpayer Identification Number (NPWP) is issued. The NPWP serves as a personal identification number for taxpayers and is used to manage their tax rights and obligations.

According to the revised Law 7/2021, Article 2 number 1, Indonesian residents are now required to use their National Identity Number (Nomor Induk Kependudukan - NIK) as their Taxpayer Identification Number (Nomor Pokok Wajib Pajak - NPWP). The Ministry of Finance has confirmed that starting from January 1, 2024, NIK will be the

primary identifier for tax-related transactions. The Director General of Taxes (DGT) has explained that this decision was made as a part of the ongoing data integration process between NIK and NPWP. So far, 19 million NIK data have been consolidated out of the targeted 42 million. Individual taxpayers can find detailed information on this rule in the Minister of Finance Regulation Number 112/PMK.03/2022.

In Indonesia, using NIK as an individual taxpayer identity requires the integration of the population database with the taxation database. This integration is crucial for creating taxpayers' profiles, which enable them to exercise their rights and meet their tax obligations. This paper will also address the challenges faced by Indonesian residents regarding taxation, especially since most business transactions are monitored by the tax authorities. To conduct most business transactions, a copy of the national identity card (KTP) indicating the NIK is required.

In this paper, we will analyze the Government's objectives for implementing the National Identity Number (NIK) as a Taxpayer Identification Number (NPWP). The government believes that combining NIK and NPWP will help support Indonesia's one -data policy. By having a standardized single identity number that can be integrated into tax administration services, the government aims to optimize the

¹ Badan Pusat Statistik, Statistik Perdagangan Luar Negeri Indonesia: Ekspor 2021, diakses pada

integration of NIK and NPWP. This move is expected to reduce tax avoidance practices and increase tax revenues.

2 LITERATURE REVIEW

The literature review will start by examining the population administration law that regulates the use of tanggal 8 Agustus 2022 pada <https://www.bps.go.id/publication/download>, p.19.NIK. At present, two laws regulate the population administration, namely Law Number 24 of 2013 and Law Number 23 of 2006.

The second literature review will focus on the Law on General Provisions and Tax Procedures (UU KUP). UU KUP is a law that governs the registration of Taxpayer Identification Number (NPWP) and the use of National Identification Number (NIK) as an NPWP identifier. The latest amendments to the Law on General Provisions and Tax Procedures (UU KUP) are Law Number 7 of 2021 on the Harmonization of Tax Regulations and Law No. 6 of 2023. These laws were enacted on March 31, 2023.

As part of our evaluation, we will be examining the impact of using NIK as an NPWP for residents. This implementation will require additional administrative tasks, and the most important aspect of it is the need to fulfill tax obligations for every business transaction. We will be discussing the investigation of business transactions that required the use of NIK.

One of the objectives of implementing NIK as an NPWP is to prevent tax evasion. The government aims to expand the taxpayers' basic data and ultimately increase tax revenue.

The conclusions and recommendations will be determined in the last part of the paper after reviewing the four subjects mentioned above.

3 METHODS

Sociological or empirical legal research involves studying legal identification and evaluating legal effectiveness. The normative legal approach is typically used in this type of research. It involves analyzing secondary data sources such as laws, regulations, books, and articles that are relevant to the issues being studied.

The data used in primary legal materials is data on applicable laws and regulations and related literature that can help answer this research. The following is the primary legal material that the author uses, including:

- a. Law Number 23 of 2006 governing population administration,
- b. Law Number 24 of 2013 governing population administration,
- c. Law Number 7 of 2021 concerning the Harmonization of Tax Regulations,
- d. Law No. 6 of 2023 concerning Job Creation.
- e. Minister of Finance Regulation Number 112/PMK.03/2022 of 2022 concerning Taxpayer Identification Numbers for Individual Taxpayers, Corporate Taxpayers and Government Agency Taxpayers.

Secondary legal materials are materials that convey explanations of previous legal materials, namely primary legal materials. Some secondary legal materials can be sourced from literature, theses, journals, or lecture legal materials that are related to this research.

Tertiary legal materials are materials that can provide complementary information or information from the two previous legal materials, namely primary and secondary legal materials. Sources of tertiary legal materials can come from websites, Indonesian legal dictionaries, Indonesian legal encyclopedias, and others that can support this research.

The analysis is an explanation of all materials and data that have been collected and explained previously systematically. The explanation is described logically according to the author's thoughts. There are several types of data analysis techniques, but in this research, the author used qualitative data analysis techniques. Qualitative data analysis techniques, namely data analysis methods by grouping and selecting data obtained from field research according to their quality and truth, then arranged systematically, which is then studied using deductive thinking methods connected with theories from library studies (secondary data), Then a useful conclusion is made to answer the problem formulation in this research.

4 RESULTS AND DISCUSSION

The following topics will be covered in this paper:

1. NIK as a Single Identity Number for Population Administration

According to Law Number 23 of 2006, Article 1, Point 12, a National Identification Number (NIK) is a unique and singular number assigned to an Indonesian resident for identification. Articles 13.1 and 13.2 states that every resident must possess a NIK, which is issued by the government through the implementing agency after recording their biodata. The NIK is valid for the

resident's entire life.

NIK as a Single Identity Number for Population Administration must be possessed by every single Indonesian Citizen.

2. Taxpayer Identity Number/NPWP as an Obligation for Indonesian Residents

Taxpayer Identification Number is a number given to Taxpayers as a means in tax administration that is used as personal identification or the identity of the Taxpayer in carrying out his tax rights and obligations.

NPWP is a number given to taxpayers as a means of tax administration which is used as personal identification or identity of taxpayers in carrying out their tax rights and obligations.

Every Taxpayer who has fulfilled the subjective and objective requirements by the provisions of tax laws and regulations is obliged to register at the office of the Directorate General of Taxes whose working area includes the Taxpayer's place of residence or domicile and to whom a Taxpayer Identification Number ("NPWP") is issued.

3. Implementation of NIK as an NPWP

Indonesian law provides a legal basis for Indonesian residents who have a personal identification number (NIK) to obtain a tax identification number (NPWP). This is established in Article 2 number 1 of Law 7/2021, which introduces a new provision in Article 2 paragraph (1a) of Law 6/1983. The NPWP is specifically intended for individual taxpayers residing in Indonesia and using their NIK for tax purposes.

The Indonesian government has regulated the use of NIK (Nomor Induk Kependudukan) as an NPWP (Nomor Pokok Wajib Pajak) for individual taxpayers (WP) (OP) under the Law No. 7 of 2021 concerning Harmonization of Tax Regulations (HPP). This means that every OP taxpayer who satisfies the subjective and objective requirements specified in the tax laws and regulations is obligated to register at the office of the Directorate General of Taxes of the Ministry of Finance situated in the taxpayer's residence or domicile to obtain an NPWP. This initiative aims to streamline tax regulations and facilitate the process of taxation for individual taxpayers in Indonesia. MOF Regulation No. 112/2022's consideration letter c explains that NIK is used as an NPWP to support Indonesia's one-data policy. The policy aims to streamline tax administration services by mandating the use of a standardized and integrated single identity number.

As of July 14th, 2022, there are changes to the way individual taxpayers who are residents in Indonesia will be identified. Going forward, the NIK (Nomor Induk Kependudukan) will be used as the NPWP

(Nomor Pokok Wajib Pajak) for all individual taxpayers who are residents. This includes those who did not previously have an NPWP and those who had a 15-digit format NPWP before the enactment of this new provision. However, for those who previously had an NPWP, there will be a prior matching process to ensure that their NIK is used as their new NPWP.

It is important to note that starting January 1, 2024, NIK (Nomor Induk Kependudukan) will be converted into NPWP (Nomor Pokok Wajib Pajak) and will become the only identifier for taxpayers. This means that all tax administration services and other administrative services that currently require NPWP will accept NIK or NPWP in the new format. To put it simply, in 2024, NIK will completely replace NPWP, and taxpayers will need to use it for all related services.

4. Government's Objectives Regarding the Implementation of NIK.

After the issuance of Law Number 7 of 2021 concerning Harmonization of Tax Regulations, the NPWP of Indonesian residents now uses the NIK (Education Identification Number). The objectives of this policy are:

- a. To provide justice and legal certainty in the use of NPWP in connection with the provisions on the use of NIK as NPWP for individual taxpayers.
- b. To provide equality and realize effective and efficient tax administration for individual taxpayers who are Indonesian residents who use NIK as NPWP.
- c. To support Indonesia's one data policy by regulating the inclusion of a single, standardized, and integrated identity number in tax administration services.

Validation of NIK as NPWP, it was stated that NIK is now an NPWP to better integrate the two systems and prevent tax avoidance practices. This will help to optimize tax revenues and ensure fair taxation for all.

5. Legal Implications of Implementing NIK as NPWP

Under the HPP Law, when using NIK as an NPWP, the minister responsible for domestic government affairs will share population data and user feedback with the Minister of Finance for integration into the tax database. To use NIK as an individual taxpayer identity, there needs to be integration between the population database and the taxation database. This integration creates a taxpayer profile, which taxpayers can utilize to fulfill their tax obligations and exercise

their rights. The NIK to NPWP matching results are categorized into valid data, which represents taxpayer identity data matched with population data, and invalid data, which represents taxpayer identity data not matched with population data.

Because of the National Identification Number (NIK) becoming an NPWP, the number of Individual Taxpayers (WP OP) will increase, and so will the amount of data on property ownership. Property ownership data from third parties, such as ILAP (agencies, institutions, associations, and other parties), which was originally NPWP-based, has become NIK-based so that assets that previously did not exist become available because they have an NIK.

Under the mandate of Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP), the Ministry of Finance through the Directorate General of Taxes (DJP) has implemented the Taxpayer Voluntary Disclosure Program (PPS) from 1 January 2022 to 30 June 2022. This was marked by the stipulation of Minister of Finance Regulation Number 196/PMK.03/2021 concerning Procedures for Implementing the Voluntary Taxpayer Disclosure Program.

PPS is a program that provides an opportunity for Taxpayers (WP) to disclose tax obligations that have not been fulfilled voluntarily through the payment of Income Tax based on asset disclosure, so the aim is to increase voluntary taxpayer compliance. This program is organized based on the principles of simplicity, legal certainty, and expediency.

The Directorate General of Taxes (DJP) has changed their identification system, replacing the NIP with NPWP. This change has allowed for a comprehensive comparison of taxpayer asset data based on SPT and DJP internal data, as well as facilitating automatic exchange of information (AEOI), /or ILAP, and even the State Officials' Wealth Report (LHKPN). However, the legal implications of this change on both participants and non-participants of the Voluntary Disclosure Program (PPS), as well as for the DJP itself, are as follows:

- a. As per the Government Regulation (PP) Number 31 of 2012 and Minister of Finance Regulation (PMK) Number 228 of 2017, 69 ILAPs are responsible for submitting tax-related information to the Directorate General of Taxes (DJP). These ILAPs include agencies, institutions, associations, and other parties. For instance, Bank Indonesia (BI) provides information on debtors, such as their identity, collateral/guarantor, and financial reports.
- b. It should be noted that not all debtor data

includes NPWP information, but it has been confirmed that NIK data is available. Similarly, other data such as cash transactions for purchasing motor vehicles may not always include the NPWP, but the NIK is present. As a result, the property ownership data submitted to the DJP will likely increase as the NIK is used in place of the NPWP.

- c. Regarding the Directorate General of Taxes (DJP), if there is any property ownership information that has not been reported in the Asset Notification Letter (SPH) or the Annual Tax Report (SPT), it can be used as a basis for further research or examination. In the case of assets that have not been reported in the SPH while participating in the Annual Tax Report (PPS), a Tax Payment Letter (SKP) can be issued to collect a final income tax of 30%.

5 CONCLUSIONS

Based on the above discussion, we can draw several conclusions, as outlined below:

- a. Merely possessing a NIK does not automatically qualify an individual as a taxpayer. Specific criteria must be satisfied to be recognized as a taxpayer.
- b. The implementation of NIK as NPWP will increase the amount of property ownership data. This increase in data will affect PPS participants, non-PPS participants, and DGT. In the case of PPS participants, if any assets have not been reported, they will be subject to a Final Income Tax of 30% of the unreported assets.
- c. Non-disclosure of property ownership information in the SPT or SPH will result in an investigation or examination by the authorities. It should be noted that in these instances, a Tax Assessment Letter (SKP) will be issued promptly.
- d. If the source of a taxpayer's assets cannot be proven to have been taxed, and the DJP fails to carry out necessary research or audits, this could potentially result in a loss of income tax revenue.

It is imperative that both residents/taxpayers, as well as the DGT, adhere to the following recommendations to ensure optimal outcomes:

- a. Individual Indonesian taxpayers must register at the Tax Office to obtain a Taxpayer Identification Number (NPWP) upon meeting subjective and objective requirements.
- b. Taxpayers are required to submit their Annual SPT form to the Tax Office every year, in which they must report their income, assets, and

liabilities. If there is an underpayment of taxes, the taxpayer must settle the payment through a bank before the March 31st deadline.

c. To ensure fair treatment for all taxpayers, the Indonesian Tax Authority (DJP) may initiate an investigation or examination and issue a Tax Assessment Letter (SKP) if there is evidence of property ownership that has not been reported in the SPT or Asset Notification Letter (SPH).

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This paper solely pertains to property and wealth that is domestically stored and registered with NIK.

Researching assets without an identity card or NIK can prove to be challenging, especially when it comes to cash or tangible assets that are stored domestically. In addition, further efforts are necessary when researching assets that are stored outside of Indonesia by the DJP.

REFERENCES

- Law Number 23 of 2006 governing population administration
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