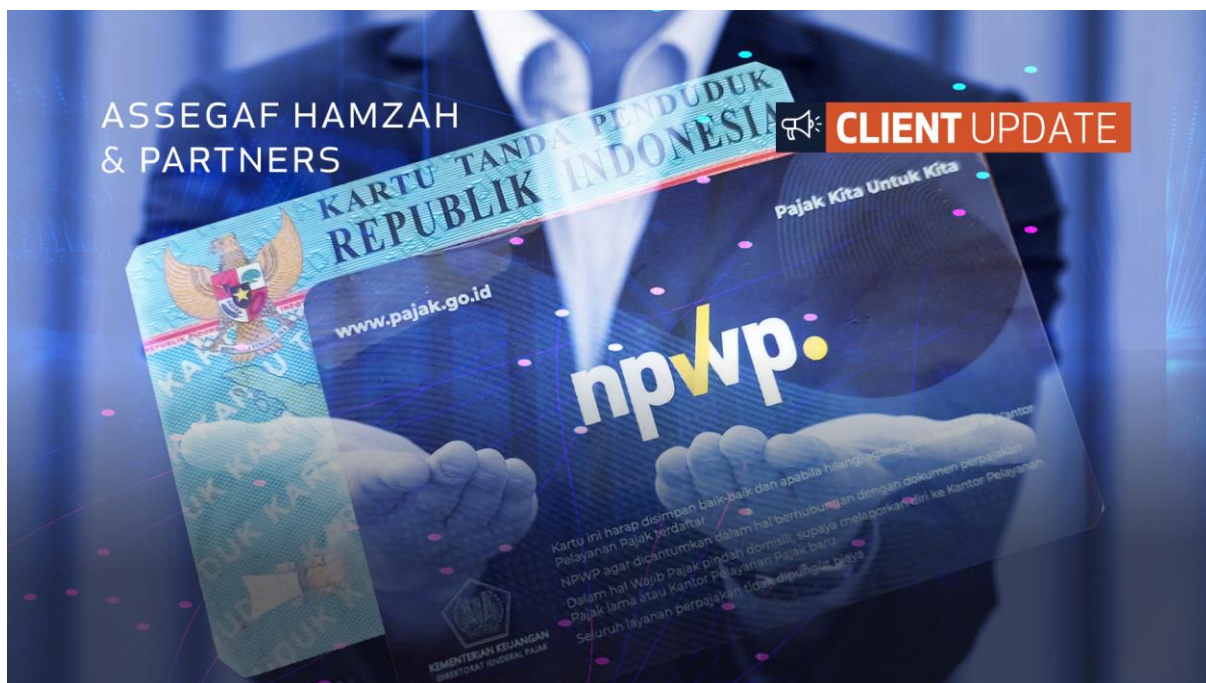


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National ID Number Replaces NPWP



In an attempt to simplify the tax framework in Indonesia, the Director General of Tax (“DGT”) has issued DGT Regulation No. PER-6/PJ/2024 (“**Regulation**”) to merge the individual tax ID numbers (*Nomor Pokok Wajib Pajak* or “**NPWP**”) with the national ID (*Kartu Tanda Penduduk* or KTP) number (called *Nomor Induk Kependudukan* or “**NIK**”). The Regulation is the implementing regulation of Minister of Finance Regulation No. 112/PMK.03/2022, as lastly amended by Minister of Finance Regulation No. 136 of 2023 (“**MOF Regulation**”).

By using NIK as the primary identifier for tax purposes, it is hoped that it will streamline tax administration, reduce bureaucratic hurdles, and enhance efficiency. This alert will explore the implications of the Regulation, how it will affect taxpayers, and what steps affected taxpayers need to take to adapt to this change.

Key Change

When the MOF Regulation was issued in 2023, it mandated that NIK will be used as NPWP for tax administration purposes. For individual taxpayers who do not have a NIK, their current 15-digit NPWP (“**Previous NPWP**”) will be updated to a 16-digit NPWP (“**New NPWP**”). Meanwhile, for branch offices, the DGT will issue a Business Location ID Number (*Nomor Identitas Tempat Kegiatan Usaha* or “**NITKU**”), which is a separate tax ID from the head offices’ NPWP.

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To ensure a smooth transition, the MOF Regulation has established a transition period until 1 July 2024. Echoing the MOF Regulation, the Regulation confirms the use of NIK to replace NPWP starting from 1 July 2024. It also specifies which services will start using NIK for tax administration purposes.

Tax Services using NIK, New NPWP, or NITKU

From 1 July 2024, the following tax services will use the taxpayer's NIK, New NPWP, or NITKU (as relevant) for administrative purposes:

1. Taxpayer registration (e-registration);
2. Management of the taxpayer's account at the DGT's online portal;
3. Confirmation and information of a taxpayer's status;
4. Both for private entities (including individuals) and government institutions, issuance of withholding tax slips and filing of periodical tax returns for income tax under Article 21 or Article 26 of the Income Tax Law (i.e. Law No. 7 of 1983 on Income Tax, as lastly amended by Law No. 6 of 2023 on the Enactment of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation), and unified income tax returns (i.e. tax returns showing all income taxes paid by the taxpayer); and
5. Submission of objections (e-objection).

The DGT may gradually introduce additional tax services that use NIK for administrative purposes. However, tax services not mentioned above will continue to use the Previous NPWP. Additionally, the Previous NPWP will remain in use within government institutions that are not yet ready to adopt the new tax identification system until 31 December 2024.

Adjustment and Issuance of New NPWP

Tax decisions, decrees, forms, and documents will gradually use NIK and the New NPWP. Nonetheless, clients should note that if the Previous NPWP is still used in documents issued after 1 July 2024, the documents will have the same binding power as if the NIK or New NPWP is used.

As mentioned earlier, some individual taxpayers will receive a new NPWP. For individual taxpayers holding Previous NPWP, the DGT should have adjusted their Previous NPWP with their NIK. However, errors do happen and if an individual taxpayer finds any errors that lead to invalid data, they must inform the DGT. On the other hand, the NPWP of corporate taxpayers will be adjusted to the New NPWP by adding a "0" in front of the Previous NPWP. Meanwhile, the DGT will issue a separate NITKU for branch taxpayers that already have an NPWP.

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A New NPWP can be issued if a taxpayer applies for a New NPWP. Alternatively, the DGT can also issue the New NPWP *ex-officio* or without requiring an application from the taxpayer if, for example, based on the DGT's audit, the taxpayer is qualified for an NPWP. In issuing a New NPWP, the DGT will:

1. For a taxpayer with NIK, activate the NIK as the taxpayer's NPWP and issue the Previous NPWP;
2. For a taxpayer without NIK, issue both the Previous NPWP and New NPWP; and
3. For a branch taxpayer, issue the Previous NPWP, New NPWP (which is the head office's NPWP), and NITKU.

Key Takeaways

The purpose of the New Regulation is to improve the efficiency and effectiveness of the tax administration system and to support the government's one data policy. By integrating the NPWP with NIK, in theory, it should make tax administration simpler for taxpayers. However, it is important for taxpayers to ensure that there is no issue in the transition of their Previous NPWP to NIK, New NPWP, or NITKU. We recommend that taxpayers check within the DGT's system to make sure that there is no issue in their transition. If there are errors, taxpayers may need to communicate with the tax office where they are registered to ensure that the issues can be resolved as soon as possible.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

Contacts



**Nazly Parlindungan
Siregar**
Partner

T +62 21 2555 9944
nazly.siregar@ahp.id

[Marvin Octavdio](#) also contributed to this alert.

Regional Contacts

RAJAH & TANN SOK & HENG | *Cambodia*
Rajah & Tann Sok & Heng Law Office
T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN 立杰上海
SHANGHAI REPRESENTATIVE OFFICE | *China*
**Rajah & Tann Singapore LLP
Shanghai Representative Office**
T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*
Assegaf Hamzah & Partners

Jakarta Office
T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office
T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Lao PDR*
Rajah & Tann (Laos) Co., Ltd.
T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*
Christopher & Lee Ong
T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

RAJAH & TANN | *Myanmar*
Rajah & Tann Myanmar Company Limited
T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

GATMAYTAN YAP PATACSIL
GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)
T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

RAJAH & TANN | *Singapore*
Rajah & Tann Singapore LLP
T +65 6535 3600
sg.rajahtannasia.com

RAJAH & TANN | *Thailand*
R&T Asia (Thailand) Limited
T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*
Rajah & Tann LCT Lawyers

Ho Chi Minh City Office
T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

Hanoi Office
T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

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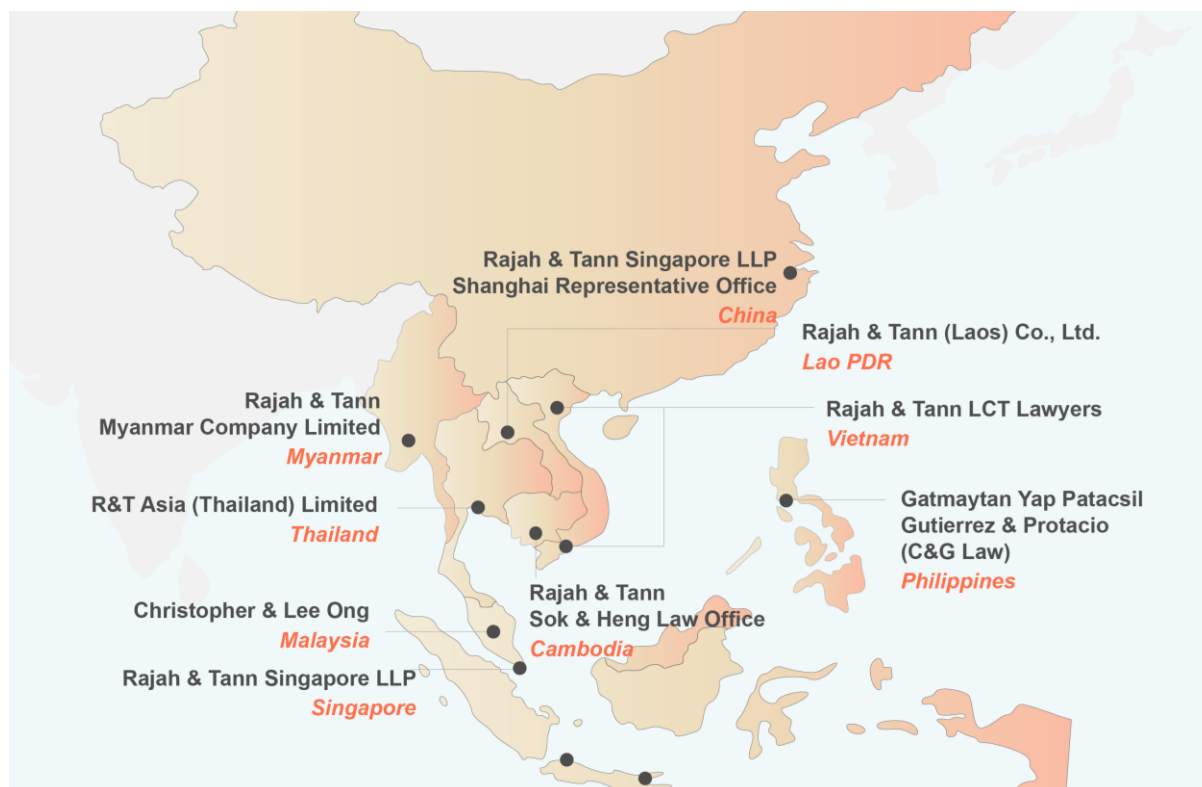
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