



Tax Regulation Harmonization Law (General Tax Provision Law / "KUP Law")

Law No. 7 year 2021 ("7/2021")

On 29 October 2021, the Indonesia Government has issued the Law No 7 year 2021 regarding the Tax Regulation Harmonization. This new tax law consist of 6 clusters as follows:

- 1) General Tax Provision (*Ketentuan Umum dan Tata Cara Perpajakan*)
- 2) Income Tax (*Pajak Penghasilan*)
- 3) VAT (*Pajak Pertambahan Nilai*)
- 4) Taxpayer Voluntary Disclosure Program (*Program Pengungkapan Sukarela Wajib Pajak*)
- 5) Carbon Tax (*Pajak Karbon*)
- 6) Excise (*Cukai*)

The **General Tax Provision Law** has the key features as follows:

No	Key Features	Description		
1	Integration of Tax ID and Resident ID Number (<i>Nomor Induk Kependudukan / NIK</i>)	The Indonesian Resident ID Number (NIK) will be used as the Tax ID Number (NPWP) for Individual Taxpayers. This will lead to the implementation of single identity number for Indonesian residents.		
2	Changes in the Administrative Penalty for un-reported tax return, non-compensated VAT, not maintaining bookkeeping	Type of Penalty	HPP Law	Previous KUP Law
		Income Tax is unpaid/underpaid	(Ministry of Finance Rate + 20%) / 12 months; for max 24 months	50% increment
		Income Tax is not/under withheld/collected	(Ministry of Finance Rate + 20%) / 12 months; for max 24 months	100% increment
		Non-compensated VAT	75% increment	100% increment
3	Changes in the Administrative Penalty if the Objection, Appeal application, or Judicial Review is rejected/partially granted	Income Tax withheld/collect but not paid/underpaid	75% increment	100% increment
		Objection is rejected/partially granted	30% of unpaid tax payable	50% of unpaid tax payable
		Appeal is rejected/partially granted	60% of unpaid tax payable	100% of unpaid tax payable
		Judicial Review is rejected/partially granted	60% of unpaid tax payable	N/A

No	Key Features	Description		
		Type of Penalty	HPP Law	Previous KUP Law
4	Changes in the Administrative Penalty for not issuing or late issuing VAT Invoice	Not issuing or late issuing VAT Invoice	1% of VAT Base	2% of VAT Base
5	Assistance for Global Tax Collection	The Indonesian Government can assist the country partner to collect the tax payable based on the claim from the country partner. This assistance has reciprocal effect.		
6	Mutual Agreement Procedure (MAP)	a) The MAP can be submitted together with the Objection, Appeal or reduction/cancellation of incorrect tax assessment letter. b) If MAP process has not reached agreement when the Tax Court Verdict of Supreme Court Verdict is announced, the DGT can: <ul style="list-style-type: none"> • Continue negotiations if the content of the Verdict is not related to the MAP case; OR • Use the Verdict for the MAP negotiations, in case the Verdict is related to the MAP case. 		

For additional information, please contact us:

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