EFFECTIVENESS OF IMPLEMENTING SINGLE IDENTITY NUMBER (SIN) THROUGH NIK BECOMES NPWP FOR TAX COMPLIANCE

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Abstract

The inadequate and ineffective tax administration system in Indonesia has a negative impact on taxpayer compliance in carrying out their tax obligations, such as the tax reporting process is often complicated and time-consuming, thus burdening taxpayers, especially those who run small or medium businesses. The implementation of the Single Identity Number (SIN) through the Population Identification Number (NIK) to the Taxpayer Identification Number (NPWP) in Indonesia starting on January 1, 2024, is a major step in efforts to improve tax compliance. This study was conducted to evaluate the impact of the implementation of SIN through NIK to NPWP on tax compliance as tax administration in Indonesia. This study uses a literature study approach which is a combination of previous research by collecting data from various sources such as scientific journals, news articles, and government regulations which will then find enormous potential in expanding the tax base in increasing taxpayer compliance to carry out tax obligations through the SIN system. The results obtained from this study indicate that the implementation of SIN through NIK to NPWP has a positive impact on increasing tax compliance in Indonesia, such as more effective and easier tax administration with the simplification of tax administration and increased tax revenue. However, despite having various positive impacts, there are several challenges that need to be considered to maximize the effectiveness of the integration, such as the need for socialization and education to the community throughout Indonesia, the need for readiness in terms of information technology infrastructure to support the integration in a sustainable manner, and the need for certainty of good protection of taxpayers' personal data. So, it can be concluded that implementing the integration of NIK and NPWP through the SIN system can have impressive results in improving tax compliance in Indonesia.

Keywords: Effectiveness, Tax Compliance, NIK, NPWP, Single Identity Number (SIN).

Introduction

The development of digital technology throughout the world has created many conveniences in various human lives today. More ideas are emerging that are intended to make work easier, even speed up or shorten a procedure that used to be exceedingly long and complicated so that it is more effective and efficient. This is inseparable from various fields of government in Indonesia. To create the right policies with accurate and valid data for that, the Indonesian government has planned to implement the one data program. The Indonesian government in this case is the Directorate General of Taxes, finally implementing this as a form of breakthrough in the development of digital technology in Indonesia. This application is called the *Single Identity Number* (SIN) system which integrates the Population Identification Number (NIK) with the Taxpayer Identification Number (NPWP). In addition to simplifying various processes in a matter for residents, the integration of this unique number is also expected to provide the government with the opportunity to create one *Big Data* related to its residents. By combining the various unique numbers that existed at that time into one number in the form of SIN, the administration system in society became simpler, easier, and more effective (Andry, 2023).

There are several countries that have implemented one *Big Data* in the field of taxation, namely Norway. Norway is considered several steps ahead of its neighbors when viewed in terms of administrative techniques. Norway created a system called RISK by containing special codes that are quite unique administratively when determining the amount of tax to its taxpayers by ensuring and managing whether the calculation has been done correctly and the tax has been paid according to the taxpayer database based on actual data (Tambunan, 2020).

In other countries such as the United States, the concept of implementing a single database system has been carried out since 1935. *Single Identity Number* (SIN) or known as *Social Security Number* (SSN) is a system like that in Indonesia. *Single Identity Number* (SIN) is a special characteristic for an individual that includes various information about personal data, family data, asset ownership rights and so on. Therefore, SIN provides information about financial and non-financial data related to an individual. Thus, all data can be obtained directly in one access as an advantage of using SIN (Andry, 2023).

Single Identity Number (SIN) has several characteristics, namely unique, complete, non-duplicate, standardized, national identity structure is the same as national data, permanent and integrated. If this system is used in taxation, control over taxpayers will be faster and easier. The implementation of SIN is aimed at increasing the effectiveness and efficiency of services to the community (Uswatun, 2024). Currently, the SIN program has been implemented in the taxation system in Indonesia. Therefore, every taxpayer who has been registered/recorded at the tax service office (KPP) according to their domicile will have a unique number that applies nationally.

It is motivated by various weaknesses such as the complicated and time-consuming tax reporting process, which burdens taxpayers, especially those who run small or medium businesses, which impacts decreasing tax compliance. Thus, this paper aims to evaluate the impact of the implementation of the Single *Identity Number* (SIN) through the Population Identification Number (NIK) to the Taxpayer Identification Number (NPWP) on tax compliance in Indonesia.

Framework of Thinking

To improve tax compliance, a sense of public awareness is fostered to calculate, report, and pay taxes as they have become their obligations. Awareness itself means where someone knows, understands, and feels so that they can carry out their rights and obligations properly. Awareness will arise when someone understands and understands the meaning of something and this also applies to the taxation system. For txhis reason, knowledge and understanding of tax regulations are factors that can increase the fulfillment of tax obligations (Novia et al., 2023).

Tax compliance can be interpreted as an individual having the awareness and willingness to fulfill their tax obligations in accordance with applicable regulations without any warnings, inspections, and threatening practices, either in the form of legal sanctions or administrative sanctions (Marcori, 2018).

When compared to ASEAN countries, Indonesia's tax compliance rate is still exceptionally low. This is one of the factors causing the deficit in the state budget (APBN) every year. According to the Indonesian Tax Consultant Association (IKPI), since 1983 the inability to receive tax revenues has occurred in when Indonesia started using the *self-assessment policy.* The policy was implemented in Indonesia because it saw the success of the United States in implementing it. However, the implementation did not go well enough in Indonesia due to limited tax authorities and the tax database in Indonesia which was still inadequate (Uswatun, 2024).

For this reason, this integration is expected to continue improving the tax database and simplify the process taxpayers will go through in fulfilling their rights and obligations (Arief, 2021). For this reason, integrating NIK into NPWP through SIN is the right solution and will be very effective in increasing taxpayer compliance with their tax obligations which will also have an impact on increasing tax revenues.

Tax modernization is a manifestation of developments in tax administration. However, significant developments in the fields of social economy and digital technology cannot be in line with a tax administration system that is still ineffective and inadequate because it can cause taxpayer compliance to continue to decline. As an impact of public compliance with their tax obligations, it must be in line with the implementation of tax modernization which can also increase tax revenues in Indonesia (Alamsyah & Saragih, 2023).

This study uses a literature study approach which is a combination of previous research by tracing and classifying data from various sources such as scientific journals, news articles, and government regulations, which then this writing will provide a contribution that can find advantages in developing a tax base in increasing taxpayer compliance in order to carry out tax obligations through the *Single Identity Number* (SIN) system.

For this reason, referring to (Minister of Finance Regulation Number112/PMK.03/2022, 2022) concerning Tax Identification Numbers for Individual Taxpayers, Corporate Taxpayers, and Government

Agency Taxpayers, in order to improve taxpayer compliance, the government has stipulated the implementation of regulations related to the Integration of NIK into NPWP with the *Single Identity Number* (SIN) system. The government is trying to improve the fulfillment of tax obligations by making changes to the taxation system by implementing *the Single Identity Number* (SIN) which is run by the Directorate General of Taxes (DGT) because it can fulfill the principles of simplicity and benefit (Tobing & Kusmono, 2022).

Murtiningtyas et al., (2024) explained that the criteria for assessing tax compliance is to be registered as a taxpayer which is indicated by having a NPWP, accuracy of tax payments/deposits, and timeliness in reporting SPT. Common problems regarding taxpayer compliance and indicating that there is a poor level of tax compliance are characterized by taxpayers who do not make and report their business activities periodically, either monthly or annual reports.

Siregar (2017) explained that taxpayers have the freedom to carry out their tax obligations by calculating, depositing, and reporting themselves. What often happens is that taxpayers report taxes not based on actual data so that the tax authorities must examine the tax potential of the taxpayer in more depth, whereas if using a *Single Identity Number* (SIN), the potential exploration and tax audit of the taxpayer can be automatically recorded in each transaction, which will make it easier for the tax authorities to track the SPT reported by the taxpayer by comparing the actual reality in the field.

For this reason, starting on January 1, 2024, Indonesian taxation has implemented *the Single Identity Number* (SIN) through NIK to become NPWP nationally, which is a significant step in efforts to improve tax compliance. This implementation has promising potential to improve tax compliance in Indonesia. Some benefits obtained from implementing the Single Identity Number (SIN) through NIK to become NPWP are the tax database increase. According to (Novia et al., 2023) the results of the research that has been conducted can contribute to measuring the effectiveness of the implementation of the *Single Identity Number* (SIN) in the field of taxation which integrates NIK into NPWP. Harmonization of tax regulations should not only look at the level of effectiveness of its implementation but is also expected to increase the fulfillment of tax obligations in Indonesia.

The Directorate General of Taxes (DGT) can identify taxpayers more accurately and reach potential new taxpayers who have not yet registered. Increasingly effective tax administration with the simplification of tax administration where taxpayers only need to use one identity for all tax matters, so that the process of reporting and paying taxes becomes easier and more efficient. In addition, the use of NIK as NPWP is expected to minimize misuse.

Results and Discussion
Matching NIK to NPWP with the Single Identity Number (SIN) System

Personal identification or identity of Taxpayers in carrying out their tax rights and obligations which contains a unique code in the form of several 15 (fifteen) digits given to Taxpayers as a tool used in tax administration, the definition of Taxpayer Identification Number (NPWP). While the Population Identity Number (NIK) is a population identity number with a unique code of 16 (sixteen) digits which is single and attached to a person who is registered as an Indonesian citizen as a basis for public services in Indonesia.

Due to the substantial number of special numbers used for public services in Indonesia, a system was proposed that could combine all previously existing numbers into one number in one database. This can be realized with the *Single Identity Number* (SIN) system which is currently being implemented in the Indonesian taxation sector. Matching NIK to NPWP is a breakthrough in Indonesian public services because it can provide many positive impacts. This matching realizes the use of a single identity number which aims to create more effective and efficient tax administration.

The results of the matching are classified into two large data, namely valid data and invalid data. Valid data is the taxpayer's identity data that has been matched or in accordance with population data in this case NIK. Meanwhile, invalid data is taxpayer identity data that does not match population data or NIK. If a taxpayer has not changed the identity data to valid data status, the NPWP can only be used in tax administration services until June 30, 2024. This is because starting July 1, 2024, in exercising tax rights and/or obligations, only NIK can be used (Kennard, 2024).

Individual taxpayers can only use tax administration services and third-party administration after the data is declared valid, which means that the taxpayer has been matched with population data or NIK (Panjaitan, 2022). This matching continues to be carried out by the Directorate General of Taxes throughout Indonesia to provide knowledge and understanding to the public about the importance of taxation. This is carried out as a form of realizing tax awareness for all residents in Indonesia.

Effectiveness of Integrating NIK into NPWP Increases Tax Compliance

One database or one database (*one big data*) for all public services in Indonesia is still a discourse, but the concept idea has slowly begun to materialize with the integration of NIK into NPWP using the *Single*

Identity Number (SIN) system. SIN has become a solution to strengthen the accuracy of the tax database to be more accurate as indicated by the reduction in input errors and duplication of the tax database. In addition, it can also facilitate data access in tracking, updating, integrating, updating data from data that has been recorded in the system (Uswatun, 2024).

The integration of NIK into NPWP aims to increase mandatory compliance tax and make it easier for taxpayers to access data in carrying out the tax administration process by using the *Single Identity Number* (SIN) system. Thus, ideally, taxpayers will only have one identity number that can be used nationally because the use of NIK has become something that is commonly used in various matters by the community or taxpayers (Ayuningtyas & Furqon, 2023).

With the integration of NIK into NPWP, the process will be simplified tax administration and save time for taxpayers. The increasing number of people who are aware of their tax rights and obligations supported by easy access to information needed to fulfill their obligations, the increasing need for taxation in society and the possibility of significantly increasing direct revenues, which can be used to finance development programs.

In supporting the tax collection process and monitoring taxpayer compliance, the application of SIN on NIK to NPWP can be an effective tool for the Directorate General of Taxes (DGT) because this system provides benefits such as maintaining the effectiveness and ease of tax services which can directly and indirectly increase tax compliance for taxpayers (Ayuningtyas & Furqon, 2023).

Conclusion

The integration of NIK into NPWP through the *Single Identity Number* (SIN) system is a strategic step implemented by the government. The Directorate General of Taxes as one of the government agencies that has succeeded in implementing one data in tax services in Indonesia. In accordance with the Regulation of the Minister of Finance Number 112/PMK.03/2022 which mandates the integration as a process of alignment, verification, and validation of taxpayer data. Based on data obtained from several literatures that have been read, it can be concluded that the impact of implementing NIK into NPWP is that it can fulfill the wishes of the community in terms of administrative simplicity. With the ease of this tax administration process, it will automatically impact the effectiveness of tax compliance, which will also increase.

NIK integration is expected to stop at NPWP and in many other identity number programs such as passport numbers, driving licenses, and so on. The benefits offered by using this one identity data assist the community in fulfilling their rights and obligations as citizens. In addition, the security of personal data must also remain an important concern for the government. Ensuring that the data will remain secure is something that must always be considered and will continue to be a challenge for the government to continue to improve this.

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