JTUS, Vol. 03, No. 7 July 2024
E-ISSN: 2984-7435, P-ISSN: 2984-7427
DOI: https://doi.org/

Implementation of the Core Tax System: Impacts and Challenges on Tax Revenue in Indonesia

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Abstract
Tax revenue is the main source of state revenue which is very vital to finance national development in Indonesia. However, the tax administration system in Indonesia still faces various challenges, such as slow administrative processes, inaccurate data, and low levels of taxpayer compliance, which have an impact on the suboptimal state tax revenue. To overcome these problems, the Directorate General of Taxes (DGT) implements the Core Tax System (Coretax), an integrated information technology-based tax administration system. This study aims to evaluate the impact of the implementation of Coretax on tax revenues and identify the challenges faced in its implementation in Indonesia. The research method used is a qualitative approach with literature review and analysis of secondary data from various sources, including official government reports, scientific journals, and relevant articles. The results of the study show that the implementation of Coretax has a positive impact in the form of increasing administrative efficiency, transparency, and accuracy of tax management. Coretax also accelerates the tax reporting and payment process, improves data quality, and strengthens taxpayer supervision and compliance. However, in the early stages of implementation, this system faced a number of challenges, such as technical constraints, limited infrastructure, resistance from taxpayers and employees, and adaptation of business processes, especially in the informal sector and MSMEs. Nonetheless, Coretax is expected to be a major breakthrough in reforming Indonesia's tax administration, improving tax revenue, and strengthening public trust in tax authorities. This study recommends the need to increase socialization, training, and assistance for taxpayers as well as strengthen technology infrastructure to support the success of the overall implementation of Coretax.
Keywords: Core Tax System, tax administration, tax revenue, digitalization, challenges, efficiency.

INTRODUCTION

Tax revenues are the main source of state income used to finance development in *Indonesia* (Gnangnon, 2022; Sari & Qibthiyyah, 2022). However, although the *Indonesian* government has made various efforts to increase tax revenue, there are still many challenges in the tax administration system. Some of the recurring problems include slow administrative processes, inaccurate tax data, and low levels of taxpayer compliance. These issues result in the potential tax revenues not being achieved optimally.

Table 1. Realization of Tax Revenue 2020–2025

Year	Target (Trillion Rp)	Realization (Trillion Rp)	Achievement (%)	YoY Growth
2020	1,434.50	1,072.11	74.73	-25.23%
2021	1,546.20	1,278.63	82.70	+19.26%
2022	1,890.50	1,716.77	90.81	+34.27%
2023	2,023.10	1,867.87	92.33	+8.80%
2024	2,309.86	1,932.40	83.67	+3.46%
2025*	2,189.31	557.10 (as of April)	25.45	+7.6% (Q1)

Source: processed from data from the Ministry of Finance of the Republic of Indonesia

The 2020–2025 tax revenue realization table shows the fluctuations in *Indonesia*'s tax revenue over the past five years. In 2020, tax revenue dropped dramatically by 25.23% to Rp1,072.11 trillion due to the impact of the *COVID-19* pandemic, which paralyzed economic activities. However, since 2021, tax revenues have begun to recover with significant positive growth, reaching Rp1,278.63 trillion (+19.26%) and continuing to increase until 2023 with an achievement of 92.33% of the target of Rp2,023.10 trillion. In 2024, tax realization reached Rp1,932.40 trillion or 83.67% of the target, indicating a slowdown in growth to 3.46%. Early data from 2025 (until April) shows a realization of Rp557.10 trillion or 25.45% of the annual target of Rp2,189.31 trillion, with first-quarter growth at 7.6% (*Kontan Data Center*, 2025). Overall, this table reflects the challenges and dynamics of *Indonesia*'s tax revenues in response to global and domestic economic conditions, serving as an important foundation for the government to continue reforming tax administration.

The tax system is the backbone of state revenue and plays a crucial role in supporting national development (Siahaan, 2010). To achieve this objective, the government requires a tax system that is effective, efficient, transparent, and accountable. In practice, many countries, including *Indonesia*, face various challenges in realizing an ideal tax system (Dalimunthe et al., 2023). Uncertainty in tax management and limited access to accurate information often lead to distrust of tax authorities, which in turn contributes to low tax compliance and suboptimal state revenue.

To address these challenges, the Directorate General of Taxes (*DGT*) implemented the *Core Tax System*, a technology-based system designed to accelerate and simplify tax administration. The *Core Tax System* aims to improve the efficiency, transparency, and accuracy of tax management, with the expectation of increasing tax revenue. This system integrates various processes, such as taxpayer registration, tax reporting, and tax payments, and is intended to facilitate interactions between taxpayers and tax authorities (Joselin et al., 2024).

A review of the literature related to the implementation of technology in tax administration shows a positive impact on transparency and accountability. Several previous studies discussing applications such as *e-filing*, *e-tax*, and other digital-based systems have demonstrated that digitalization in tax systems can minimize human error, expedite administrative processes, and reduce the potential for fraud in tax payments (Sari, 2022). These studies suggest that with a technology-based tax system, tax authorities can more effectively track transactions, enabling increased accountability through more transparent and accurate law enforcement. However, research specifically on *Coretax* remains limited, with most prior studies focusing on general technological aspects of tax systems rather than examining the specific impacts and challenges of *Coretax* implementation (Joselin et al., 2024; Juwita & Qadri, 2024).

Despite the *Core Tax System*'s potential to enhance tax efficiency and revenue, its implementation faces several challenges, including issues related to technological infrastructure, human resource readiness, and resistance from taxpayers. The implementation of *Coretax* is expected to address various long-standing problems in tax administration, such as unclear procedures, slow administrative handling, and weak oversight and enforcement of tax compliance (Putri & Andi2, 2020). The adoption of *Coretax* aligns with the broader agenda of ongoing tax reform.

Previous studies have demonstrated that digital transformation in tax administration significantly improves transparency and efficiency. For instance, Sari (2022) found that the application of electronic tax services such as *e-filing* and *e-billing* significantly increased taxpayer compliance due to reduced processing time and enhanced accessibility. Similarly, Dalimunthe et al. (2023) highlighted that digital tax systems can reduce opportunities for tax evasion and corruption by minimizing human intervention. However, both studies focused on general digitalization efforts and did not specifically examine the *Core Tax System* as a distinct innovation with its own structural, operational, and institutional challenges. Furthermore, Joselin et al. (2024) emphasized the importance of system integration but did not provide a comprehensive evaluation of *Coretax*'s actual impact on tax revenue realization or the systemic barriers to its adoption.

This research aims to fill that gap by providing an in-depth analysis of the implementation of the *Core Tax System* in *Indonesia*, assessing its effectiveness in increasing tax revenue while identifying practical challenges in infrastructure, human resource capacity, and taxpayer adaptation. The objective of this study is to offer empirical insights that support policy refinement within *Indonesia*'s tax reform agenda. Ultimately, the findings are expected to contribute to the optimization of digital tax strategies and strengthen institutional readiness for future tax innovation initiatives.

METHOD

This study uses a qualitative approach with a case study method to evaluate the implementation of the *Core Tax System* in *Indonesia*. The research employs a literature survey technique, drawing from academic sources such as research journals, books, and data and/or documents relevant to the research topic (Creswell, 2016). In collecting data, the author gathers information from various sources, including printed and electronic media reports, as well as official government documents pertinent to the topic discussed.

Furthermore, the author analyzes the data through three activity processes: (i) reducing and selecting relevant data, (ii) presenting and displaying the data, and (iii) drawing conclusions (Gabrielian et al., 2008). These steps are conducted to identify (i) the schemes and practices of tax avoidance commonly carried out and (ii) the anti-tax avoidance policies implemented in *Indonesia*, along with the challenges they face.

All studies and discussions in this article are derived from related journals and various credible books, with the author reviewing and recording every piece of information relevant to the selected topic. The collected data is then analyzed using a qualitative descriptive method to identify the impacts and challenges encountered in the implementation of the *Core Tax System*.

RESULTS AND DISCUSSION

Current Conditions After the Implementation of the Core Tax System

The Core Tax System (Coretax) will be officially enforced by the Directorate General of Taxes (DGT) in January 2025 as part of the digital reform of national tax administration. The system integrates real-time tax data and automates tax reporting, payment, and oversight processes to improve the efficiency and transparency of tax administration (East2West Property News, 2025). Coretax aims to minimize tax avoidance gaps and ensure every transaction is properly recorded, particularly in the property sector that has been severely impacted by this change.

However, in the early stages of implementation, Coretax faced a number of significant technical obstacles. Many taxpayers, especially business actors and finance-accounting departments, have difficulty accessing the system due to bugs, slow servers, and integration problems with the e-Faktur and e-Bupot applications (Gadjian, 2025). The complex data migration process also poses a risk of tax reporting errors and delays. As a result, national tax revenue decreased by 30.1% in early 2025 compared to the previous period (CNBC Indonesia, 2025).

In response to this, the government and the House of Representatives agreed to run two systems in parallel throughout 2025, namely the old system (SIDJP) and Coretax, in order to maintain smooth administration and tax revenue (Kompas.id, 2025). Reporting of Annual Income Tax Return (SPT) for Individuals and Corporations for the 2024 tax year still uses the old system, while reporting for the next tax year will use Coretax.

The Impact of the Implementation of the Core Tax System

Based on the results of the literature survey, the implementation of the Core Tax System shows a significant positive impact on the efficiency of tax administration. One of the main impacts is the reduction in the time it takes to process tax data. By using technology-based systems, the DGT can process data more quickly and accurately, which has an impact on increasing transparency and reducing potential tax leakage.

Conceptually, Coretax is expected to increase tax revenue by improving data quality, accelerating administrative processes, and increasing taxpayer compliance through ease of access and transparency (Klikpajak, 2024). This system opens up opportunities to increase tax potential of up to Rp 1,500 trillion in the next five years and increase Indonesia's tax ratio by up to 2 percentage points (Unesa, 2025).

However, the short-term impact that occurred was a decrease in revenue due to technical glitches and the adaptation of complex new systems. This decrease has the potential to hamper the 2025 tax revenue target set at Rp 2,189.3 trillion (Tax101, 2024). In addition, Coretax brought major changes in the company's business processes, especially the finance and accounting departments that had to adjust internal procedures and deal with complex data migration. There has been an increase in taxpayer compliance, especially from the formal sector, as they have more easily accessed and used tax reporting and payment systems. A more integrated system allows the DGT to monitor tax liabilities more effectively, which ultimately helps to increase tax revenues (Gadjian, 2025).

Overall, although tax revenues have increased, the results have not been fully maximized. Tax revenues from the formal sector have increased significantly, while the informal sector and SMEs still face obstacles in using the Core Tax System. Therefore, more efforts are needed to increase the awareness and ability of taxpayers to use this system.

Challenges in the Implementation of the Core Tax System

The implementation of the Core Tax System (Coretax) in Indonesia presents various fundamental challenges that have the potential to hinder the smooth administration of taxation and national tax revenue. These challenges include system technical constraints, data migration and integration, adaptation of taxpayers and DGT human resources, and system dualism. The following are the conclusions and solutions that can be drawn based on literature review and best practices:

a. Solutions to System Technical Problems
   Login problems, access failures, authorization codes, and one-time password (OTP) mechanisms that often occur are indications that the technology infrastructure and system capacity have not been optimal (DPR, 2025; Kompasiana, 2025). The solutions that need to be taken are: 1) Improving IT Infrastructure and System Scalability: Investment in more powerful servers and cloud computing technology to handle the simultaneous surge in mass access (Rijadh, 2025). 2) More Comprehensive System Testing: Conduct quality assurance and user acceptance testing thoroughly before the full rollout so that bugs and errors can be minimized (Rijadh, 2025). 3) Continuous Technical Training and Support: Providing helpdesks and ongoing training for taxpayers and DGT employees to quickly overcome technical problems (Dwibaskoro, 2025).
b. Solutions for Data Migration and Integration
   Migrating big data from legacy systems to Coretax poses the risk of errors and reporting delays (Gadjian, 2025). To overcome this: 1) Phased Rollout. Carry out gradual data migration with intensive data validation and reconciliation at each stage to avoid systemic errors (Rijadh, 2025). 2) The Need for Adaptive Integration System Development: Adapting COTS software to the characteristics of Indonesian taxation through customization and development of flexible integration modules (Rijadh, 2025). 3) Collaboration with Stakeholders: Involve taxpayers, business associations, and technology vendors in the migration process to ensure readiness and smooth data integration (Theodora, 2025).
c. Solutions for Taxpayer Adaptation and DGT Human Resources
   The difficulty of adapting taxpayers, especially MSMEs, and DGT human resources who are still in the learning stage are social-organizational obstacles (DPR, 2025). Solutions that can be done such as: 1) Socialization and Intensive Education: Holding training, workshops, and special assistance for MSME taxpayers to understand the new Coretax procedures (Dwibaskoro, 2025). 3) DGT Human Resources Development: Increasing the capacity of DGT employees through technical training and change management to be able to operate and support Coretax optimally (DPR, 2025). 3) Extension of the Transition Period: Provide a longer transition time (6 months to 1 year) so that taxpayers and DGT can adapt gradually without excessive pressure (Theodora, 2025).

d. Solutions to System Dualism

The use of two systems in parallel (Coretax and SIDJP) creates complexity and potential data inconsistencies (Kompas.id, 2025). To address this: 1) Mature System Migration Planning: Develop a clear and structured transition roadmap for a full migration to Coretax by gradually reducing the use of legacy systems (Rijadh, 2025). 2) Data Synchronization and Procedures: Establish a data synchronization mechanism between systems during the transition period to avoid duplication and inconsistencies (Dwibaskoro, 2025). 3) Open Communication with Taxpayers: Provide clear and transparent information to taxpayers regarding the status of the system used so as not to cause confusion (Kompasiana, 2025).

Solutions to the challenges of Coretax implementation require a holistic approach that includes technology upgrades, careful migration planning, education and mentoring of taxpayers and DGT human resources, and effective change management. With these measures, Coretax can function optimally as a modern tax administration system that improves efficiency, transparency, and national tax revenue.

Successful Implementation of the Core Tax System

Despite facing various obstacles, Coretax has shown some notable successes. This system has succeeded in creating a more transparent and efficient tax ecosystem, especially in the property sector, where every transaction is now automatically recorded and monitored in real-time (East2West Property News, 2025). Coretax also expands its tax service channels by providing an online application tracking system, so taxpayers can monitor the status of their reporting and payments directly (Gadjian, 2025).

In addition, the government through PMK No. 81 of 2024 has regulated the governance of electronic tax reporting and payment that supports the implementation of Coretax. This regulation provides legal certainty and clear operational standards for taxpayers and the DGT (Klikpajak, 2024). This success opens up opportunities to increase the national tax ratio and close the tax gap which is currently still quite large

Despite facing major challenges in the early stages, Coretax remains an important foundation in the modernization of Indonesia's tax administration. With technical improvements, human resource training, and taxpayer assistance, this system has the potential to significantly increase tax revenue and close the tax gap which currently reaches 6.4% of GDP (Unesa, 2025).

The use of big data technology and process automation in Coretax allows the DGT to carry out more effective supervision and better risk management. Long-term success depends on the ability of the government and DGT to overcome technical obstacles, increase socialization, and ensure a smooth transition for all taxpayers.

CONCLUSION

The implementation of the *Core Tax System* (*Coretax*) in *Indonesia* is a strategic initiative to modernize tax administration, aimed at improving efficiency, transparency, and taxpayer compliance. This system is expected to integrate tax data in real time, minimize tax avoidance gaps, and provide legal certainty for taxpayers. However, the initial implementation of *Coretax* faced significant challenges, including technical constraints, data migration complexity, adaptation difficulties among taxpayers and *DGT* human resources, and system dualism that contributed to administrative complications. As a result, there was a decline in tax revenue during the early stages of implementation.

To address these challenges, several strategies can be adopted: (i) infrastructure and system improvement, (ii) taxpayer assistance and education, (iii) *DGT* human resource capacity building, (iv) effective migration management and data integration, (v) system dualism management through the development of a clear transition roadmap, (vi) continuous periodic evaluation and adaptation, and (vii) transparent communication and coordination among all stakeholders regarding the implementation of *Coretax*.

If these challenges are effectively addressed, the implementation of *Coretax* can proceed more smoothly and effectively, ultimately delivering optimal benefits for state revenue and tax governance in *Indonesia*.

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