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Research Article

Understanding Digital Governance Practices: The Importance of the Coretax System in Advancing Digital Tax Reform in Indonesia

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Abstract. Coretax (Core Tax Administration System) is an information technology–based tax administration system developed by the Directorate General of Taxes (DGT) of Indonesia. This study examines the implementation of the coretax system as one of the government's efforts to reduce tax leakage by optimizing the existing tax database. This research employs a qualitative method with a literature-based approach. The findings reveal that the coretax system is indeed necessary to be implemented and developed as the foundation of digital tax reform. However, it is important to note that the success of digitalization depends not only on the quality of the platform, but also on the readiness of human resources, infrastructure, and a supportive environment. Therefore, the implementation of coretax needs to be adapted to the conditions of different regions across Indonesia. It should be introduced gradually and piloted in selected areas, accompanied by extensive dissemination and public education regarding the coretax system through both offline and online channels to ensure that the objectives of system reform can be achieved. Internally, the government must strengthen the digital competencies of state apparatuses, take an active role in auditing, integrating, and mitigating the coretax system, and promote system interoperability. In this way, coretax can become a significant testing ground for Indonesia's digital sovereignty.

Keywords: Coretax; Digital Governance; Digital Sovereignty; Digital Transformation; Tax Administration Reform.

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1. Introduction

Taxes constitute the largest source of state revenue in Indonesia and therefore must receive serious attention as a crucial component of public finance. In line with the evolution of the times and governmental transformation, the tax collection system has continuously adapted to political, technological, social, and economic developments within society. Indonesia is now approaching nearly three decades after the Reform Era. During this period, the government has pursued national development and modernization through strategic national projects. These strategic policies are expected to enhance Indonesia's competitiveness and support the realization of *Golden Indonesia 2045*, coinciding with the centennial of Indonesian independence (1945–2045).

With ambitious development projects and strategic policies, the government requires substantial fiscal resources, accompanied by continuous improvements to the state revenue system, including taxation, which has consistently been refined and expanded. In response to these significant budgetary demands, the government has established the following tax revenue growth targets for 2026:

Table 1. Target Growth and Tax Revenue Data for 2026 and Tax Realization in 2025.

Type of Tax	Growth Target	2025 Realization (in *Rupiah*)	2026 Target
Corporate Income Tax (*PPh Badan*)	35,16%	321,4 triliun	434,42 triliun
Article 21 Income Tax and Individual Income Tax (*PPh Pasal 21 dan PPh Orang Pribadi*)	10,12%	248,2 triliun	273,33 triliun
Final Income Tax Article 22 and Article 26 Income Tac (*PPh final Pasal 22 dan PPh Pasal 26*)	6,84%	345,7 triliun	369,35 triliun
Value Added Tax/VAT and Luxury Goods Sales Tax (PPN dan PPnBM)	25,95%	790,2 triliun	995,27 triliun

(Data sourced from Presidential Regulation of the Republic of Indonesia No. 118 of 2025 concerning the Details of the State Revenue and Expenditure Budget for Fiscal Year 2026)

Unfortunately, the Ministry of Finance recorded that tax revenue in 2025 experienced a shortfall and failed to meet the target set in the State Budget (APBN). Tax revenue collected amounted to IDR 1,917.6 trillion, compared to the APBN target of IDR 2,189.3 trillion. This achievement was lower than the 2024 realization, which reached IDR 1,931.6 trillion (Amila, 2026). Meanwhile, the government's Debt Service Ratio (DSR) had already reached 42.3% in 2024 (Widyatama, 2026). This means that nearly half of state revenue is used solely to pay debt principal and interest. In contrast, the IMF considers a DSR of 25–35% to be within the safe range. This situation is further compounded by the government's obligation to provide fiscal transfers to regional governments.

Although Indonesia has adopted a decentralization system, regional revenues across the country remain heavily dependent on central government transfers. With the high costs of strategic national projects and policies, the government has been forced to implement various budget efficiency measures. One indication of this is the reduction in regional transfer funds (*Transfer ke Daerah*/TKD) in the 2026 Draft State Budget (RAPBN), which declined by 29.34% compared to the 2025 APBN allocation (from IDR 919.9 trillion to IDR 650 trillion). This reduction in regional transfer funds has created further consequences, as regions that are not yet financially independent are now compelled to increase local revenue through their own capacities. As a result, layoffs of honorary employees within local governments have occurred, regional taxes have increased (including parking fees, land and building taxes, and restaurant taxes), and the quality of public services has deteriorated.

The government requires greater revenue, and one major source of untapped potential—still considered vulnerable to leakage—is taxation. Taxes play a strategic role in the State Budget and national development. However, Indonesia continues to face numerous longstanding taxation problems, including a low tax ratio, tax evasion and tax avoidance, as well as complex administrative procedures (Hanum, 2005). Under these conditions, the initial step that must be taken is at least to minimize tax leakage from already-registered taxpayers by improving the accuracy of taxpayer income data and calculations according to actual conditions. This can be achieved through the enhancement of taxpayer databases and the improvement of digital tax systems through Coretax.

Theoretically, the digitalization of tax administration through integrated systems such as Coretax holds significant potential for increasing taxpayer compliance and reducing tax avoidance practices. The system is designed to replace older tax systems that were considered inefficient and insufficiently integrated across platforms such as DJP Online, e-Faktur, e-

Billing, and e-SPT. As part of tax reform, Coretax is expected to become a game changer in optimizing tax revenue collection. Higher tax revenue is expected to finance various vital public programs, including infrastructure, education, and healthcare services, which in turn will support overall economic growth. Furthermore, Coretax is also expected to improve the investment climate by providing greater legal certainty and transparency for business actors through a more integrated and modern digital platform.

Existing studies on DGT Coretax still tend to focus on technical effectiveness, taxpayer compliance, or descriptive analyses of tax revenue (Komarudin & Hermawan, 2022; Aribowo et al., 2022; Wulandari & Dasman, 2023; Arianty, 2024; Dimetheo et al., 2024; Judijanto et al., 2025). There remains limited research positioning Coretax as an arena of digital governance that intersects issues of data integration, service design, state capacity, public trust, and digital sovereignty. In fact, as the core system of tax administration, Coretax concerns the state's strategic fiscal infrastructure, rather than merely functioning as a service application. This article analyzes the performance of the Coretax system from the perspective of digital government theory in order to provide an understanding of the impact of Coretax implementation on achieving tax revenue targets, as well as the challenges encountered in its implementation.

2. Literature Review

Digital Governance

Studies on digital governance have evolved from early discussions on e-government toward a more complex understanding of governance transformation based on technology, data, and institutional integration. In its initial phase, e-government was primarily understood as the use of information technology to digitalize public services. The success of e-government can be analyzed through three dimensions: support, capacity, and value (Indrajit, 2004).

However, recent developments demonstrate that government digitalization cannot merely be understood as the transfer of manual procedures into electronic systems. Digital governance emphasizes a more fundamental transformation—namely, how digital technology reshapes policy processes, institutional architecture, state–citizen relations, and the state's capacity to manage data and public services.

Digital governance emphasizes the reintegration of governmental functions, process simplification, and the utilization of digital technology to build more holistic and user-oriented services (Dunleavy et al., 2006). Thus, digital governance is not merely about technology, but about transforming the way the state organizes itself. The success of its implementation depends not only on technology, but also on the readiness of the digital ecosystem as a whole. Without equitable connectivity and inclusive access, digital governance risks creating new forms of inequality in public service delivery. As argued by Wyld (2010), the aspects supporting successful digital governance implementation include universal connectivity, open access, reliability, interoperability, security, privacy, economic value, and sustainability.

In the context of digital governance, tax administration has become increasingly important as tax authorities in many countries move toward more integrated, automated, and data-driven systems. Through its report *Tax Administration Digitalisation and Digital Transformation Initiatives*, the OECD explains that the digital transformation of tax administration now encompasses the use of digital identities, data exchange, automation, analytics, and service integration to improve compliance and the effectiveness of tax administration. In other words, modern tax administration no longer relies solely on manual reporting and conventional auditing, but on the state's ability to manage a real-time and interoperable fiscal data ecosystem (OECD, 2025).

Coretax has the potential to become a digital fiscal infrastructure that integrates various tax administration functions within a single ecosystem. The Directorate General of Taxes (DGT) states that Coretax integrates core business processes ranging from taxpayer registration, tax return filing, and tax payments to audits and collection procedures (Aji, 2024). However, theoretically, Coretax can only be considered a mature government platform if it is capable of operating interoperably with identity systems, banking systems, population administration systems, customs systems, local governments, and other third-party data sources.

Tax Reporting in Indonesia

Paying taxes is an obligation for all Indonesian citizens who are of legal age and employed. Tax reporting in Indonesia is fundamentally conducted through a self-assessment mechanism. This means that taxpayers independently calculate, pay, and report their tax obligations to the state. In simple terms, the tax reporting process carried out by taxpayers consists of: (1) calculating tax liabilities; (2) paying taxes; (3) submitting the Tax Return Report (*Surat Pemberitahuan Pajak*/SPT); and (4) monitoring and verification by the Directorate General of Taxes. This system has been in effect since 1983 following the enactment of Law No. 6 of 1983 concerning General Provisions and Tax Procedures.

Between 1983 and 2005, tax reporting in Indonesia was conducted manually through a physical document–based reporting system (Susanto & Iswara, 2023). The modernization of tax administration began in 2002 through the tax administration reform program, marked by the introduction of the Directorate General of Taxes Information System (*Sistem Informasi Direktorat Jenderal Pajak*/SIDJP). During this period, e-government initiatives such as e-registration, e-SPT, and e-payment were introduced, although the systems remained separated in silos.

Subsequently, between 2010 and 2015, the DGT intensified the digitalization of tax reporting through systems such as e-SPT, e-Filing, e-Billing, and e-Faktur (VAT). During this period, tax return reporting gradually shifted to internet-based platforms; however, the systems were still not fully integrated, and taxpayer databases remained fragmented. Between 2016 and 2020, the DGT further developed e-Filing, the national e-Faktur system, e-Bupot, DJP Online, and tax payment integration systems, although the overall system was still not fully integrated.

This situation weakened the state's fiscal capacity because inefficient tax administration increased opportunities for tax evasion—namely, the illegal avoidance of tax obligations—due to significant loopholes, difficulties in tracking transactions, and weak cross-tax supervision. Incomplete taxpayer profiles and the lack of system integration also made it difficult to maximize compliance monitoring, detect violations, and conduct effective tax audits.

In 2017, the Directorate General of Taxes collaborated with the Australia-Indonesia Partnership for Economic Governance (AIPEG) and issued documents related to the development of the Coretax system (Rahmi et al., 2023). Coretax, which had long been planned, was subsequently developed to address the shortcomings of previous tax digitalization systems.

Coretax

Coretax (Core Tax Administration System), developed by Indonesia's Directorate General of Taxes, is an implementation of Presidential Regulation No. 40 of 2018 concerning the Renewal of the Tax Administration System. The system was designed to replace the previous tax system, which was considered inefficient and fragmented. Thus, Coretax can be understood as part of fiscal e-government, created with the objective of improving tax efficiency and accountability.

The Coretax system constitutes an important component of information technology–based tax administration reform in Indonesia. Through Coretax, taxation processes ranging from taxpayer registration and family member data collection, tax reporting, tax payment, to tax audits can be conducted within a single centralized system. It is therefore expected to accelerate and simplify tax services while reducing tax evasion (Panjaitan & Yuna, 2024). In this sense, the Directorate General of Taxes seeks to establish a single integrated tax administration system while simultaneously strengthening the national tax database through Coretax.

One of Coretax's major strengths lies in its ability to integrate various taxation service functions into a centralized platform. The Coretax system has been under development since 2018, when the government launched the Tax Administration System Renewal Program (*Pembaruan Sistem Administrasi Perpajakan*/PSAP). Its development process consisted of several stages: the planning and design phase (2018–2019), the procurement and system development phase (2020–2022), the testing and implementation preparation phase (2023–2024), and finally the implementation phase (2025–2026).

In its initial development stage, the Coretax system utilized Commercial Off-The-Shelf (COTS) software. COTS was selected because it adopted international best practices and could be implemented rapidly. However, its weakness lies in the difficulty of adapting to Indonesia's specific needs, making it less capable of accommodating various critical functions within the Indonesian taxation system. Furthermore, the use of this software also created the potential for bugs, resulting in numerous early-stage problems such as server errors, disruptions to core features, and accounting systems that had not yet been fully integrated (Leony, 2025; Rahmawati & Nurcahyani, 2025). As a result, Coretax received substantial criticism from IT observers, tax consultants (Angelina & Sari, 2025), public figures, and taxpayers.

Criticism regarding the use of Coretax can be found on YouTube and various social media platforms. Among the criticisms raised were the many technical problems during the early implementation phase, including system slowdowns, login errors, document upload failures, and inconsistent feature performance. In addition, the application interface was considered insufficiently user-friendly, causing confusion among ordinary taxpayers and those unfamiliar with tax-related digital systems (Sastri et al., 2025).

3. Research Method

This study employs a qualitative method with a literature-based approach to analyze the implementation of Coretax from the perspective of digital governance. The data used are secondary data derived from news archives, reports, relevant policy documents, academic journals, as well as official reports issued by the Directorate General of Taxes and the Ministry of Finance of the Republic of Indonesia. Data collection techniques were conducted through literature review, documentation, and indirect observation as complementary methods to enrich contextual understanding. This approach enables source triangulation in order to enhance the validity of the research findings. The data were then analyzed using an interactive data analysis model (Miles et al., 2014). In addition, the Digital Era Governance (DEG) perspective was employed to understand technology-based public administration transformation, particularly emphasizing system reintegration and user orientation (Dunleavy et al., 2006). This approach allows the analysis to be not only descriptive, but also interpretative in examining the dynamics of Coretax implementation.

4. Results and Discussion

Coretax Implementation from the Perspective of Digital Governance

After being officially implemented nationwide on January 1, 2025, by the Directorate General of Taxes (DGT) under the Ministry of Finance, the Coretax system generated numerous complaints and criticisms from the public. These complaints and criticisms indicate that the stigma surrounding the complexity of paying taxes still persists, as people have long perceived tax reporting as requiring extensive administrative procedures and documentation each year. Many taxpayers expressed dissatisfaction due to the system's difficult usability, access problems, data mismatches, and unexpectedly high tax underpayment calculations within the Coretax system.

On the other hand, empirical data show that during the initial phase of Coretax implementation in 2025, Indonesia's tax revenue actually experienced a contraction. By the end of February 2025, realized tax revenue amounted to IDR 187.8 trillion, representing a year-on-year decline of approximately 30.19%. By the end of March 2025, revenue had increased to IDR 322.6 trillion, but still reflected a contraction of 18.1% compared to the same period in the previous year. This condition indicates the existence of a transitional phase in the implementation of the new system, which affected tax revenue performance.

As previously discussed, the early implementation of Coretax indeed encountered various problems that ultimately led to a decline in the amount of tax revenue that could have been collected. Nevertheless, from an annual perspective, the decline in tax revenue in 2025 remained relatively stable. Based on official data from the Ministry of Finance, net tax revenue realization in 2025 reached IDR 1,917.6 trillion, declining by only 0.7% compared to IDR 1,931.6 trillion in 2024. This decline suggests that the negative impact of Coretax implementation was not drastic, but rather reflected an adjustment process within the new tax administration system.

Interestingly, after the initial adaptation phase, tax revenue performance began to show a significant recovery trend. By February 2026, tax revenue had reached IDR 245.1 trillion, representing year-on-year growth of 30.4%. Furthermore, in the first quarter of 2026, realized tax revenue amounted to IDR 394.8 trillion, with growth of 20.7% compared to the same period in the previous year. These data indicate that after passing through the transitional phase, the implementation of Coretax began to demonstrate positive potential in supporting the optimization of tax revenue collection.

From the perspective of public administration, this phenomenon can be understood through the lens of digital governance adoption (Ma, 2020). In the public administration literature, digital governance is also viewed as a shift from traditional bureaucratic models and New Public Management toward a more digitally connected model of governance. The Coretax system constitutes part of the adoption of digital governance for the transformation of tax administration. In this context, the adoption of the Coretax system must be understood as a transformation in governance, rather than merely a change in application software. It is not simply about installing a system, but about transforming institutions, procedures, bureaucratic capacity, and user behavior. Furthermore, the initial phase of Coretax implementation should be understood both as a transitional period and as a stage of acceptance of new technology.

During the digital governance transition phase, there were data migrations, adjustments in reporting procedures, changes in the DGT workflow, taxpayer confusion, and payment obstacles. In the subsequent phase, institutional learning generally begins to emerge, where the system becomes more stable, taxpayers become more accepting, and risk-based supervision starts to operate effectively. From the perspective of digital governance adoption, this pattern can be explained as a transition curve in which administrative disruption occurs initially, followed by stabilization and eventually performance improvement. However, this

transition curve will proceed properly only if, as a form of digital tax reform, Coretax possesses universal connectivity, open access, reliability, interoperability, security, privacy, economic value, and sustainability (Wyld, 2010). The success of Coretax should not be measured solely from technical aspects such as whether the system is operational, but also from its level of maturity across digital governance dimensions.

In order to effectively support increased state revenue, the adoption of Coretax must achieve a sufficient level of digital governance maturity. Therefore, in the early stage, the adoption of the digital tax system itself must become the primary focus. The theoretical foundation commonly used to analyze technology acceptance in this context is the Technology Acceptance Model (TAM), developed by Davis (1989). TAM states that user acceptance of technology is primarily influenced by perceived usefulness and perceived ease of use. When a system is designed to be user-friendly and its benefits are perceived positively by users, efficiency, intention to use, and trust in the digital platform will increase.

During this phase of Coretax adoption, platform quality becomes one of the key determinants of user trust. Garvin (1984) emphasizes that quality is not merely a technical attribute, but also a determinant of user confidence. As mentioned earlier, Coretax initially utilized a Commercial Off-the-Shelf (COTS) system (pajak.go.id, 2025). The use of COTS indeed offers several advantages, such as accelerating implementation, providing tested modules, reducing the risks associated with developing systems from scratch, and enabling governments to adopt tax administration practices already implemented in other countries. However, from the perspective of digital sovereignty, dependence on COTS also raises issues of digital sovereignty. Digital sovereignty concerns not only the location of data storage, but also the state's ability to exercise meaningful control over digital assets, technology, operating systems, data, architecture, security, and the future direction of public system development.

When the core tax administration system is built using commercial off-the-shelf software, the state may gain initial efficiency, but it also risks losing a degree of architectural flexibility. In the context of tax administration, issues concerning platform quality become highly sensitive because Coretax manages fiscal data, taxpayer identities, economic transactions, compliance records, and information directly related to the state's fiscal capacity. If COTS is used merely as a technical solution without strengthening internal capacity, interoperability, and data governance, then Coretax risks remaining only an administrative digitalization project rather than becoming a sovereign digital governance transformation.

Another risk is vendor lock-in, namely long-term dependence on a particular technology provider. In critical public systems, vendor lock-in may create problems related to costs, limited modification capacity, dependency on system updates, and the weakening of the state's ability to independently develop innovation. In the taxation context, this risk is even more serious because disruptions to the system are not merely service-related issues, but can also affect state revenue, taxpayer compliance, and the fiscal legitimacy of the government.

Furthermore, it must also be recognized that Coretax represents a form of tax service delivery. Tax services refer to a series of activities provided by the government to fulfill taxation service needs in accordance with prevailing laws and regulations. Therefore, within the framework of governance systems, the purpose of Coretax is not solely to improve state revenue, but also to create convenience and security for citizens as taxpayers in fulfilling their tax obligations and exercising their tax rights.

Coretax users are not limited to tax officers, but also include individual taxpayers, corporations, tax consultants, micro, small, and medium enterprises (MSMEs), government treasurers, and third parties. Digital governance requires services to be designed based on user needs. Consequently, the success of implementation is determined not only by feature completeness, but also by ease of use, digital literacy, quality of technical assistance, and clear policy communication (Luthfia & Alkhajar, 2018; Luthfia, 2021; Luthfia, 2025). Thus, user-

friendliness becomes one of the most essential requirements (Nielsen, 1993) and significantly influences the system adoption phase.

From the discussion above, it can be concluded that if ease of application use, data security, and transparency in taxation can be improved, the required level of digital governance maturity will be achieved more rapidly. Nevertheless, there are still both internal and external challenges in the implementation of digital tax reform in Indonesia that must be resolved.

Internal and External Environmental Challenges

The greatest challenge facing digital technology–based innovation lies in the environment in which the technology itself is implemented. This is especially true in Indonesia, where high levels of regional inequality create several obstacles that must be addressed. The first challenge concerns universal connectivity and open access to digital services. Both are fundamental to the inclusiveness of digital public services, yet their implementation continues to face structural, geographical, and social barriers. Universal connectivity refers to the equitable availability of high-quality internet access for all citizens, while open access is not limited to the existence of digital systems, but also encompasses the public's ability to access, understand, and effectively utilize government digital services.

Significant obstacles arise from both infrastructure limitations and the level of technological proficiency among the public and government institutions. One major factor is the unequal distribution of digital infrastructure, which restricts access to the system in many regions, particularly in Eastern Indonesia. Data indicate that internet penetration and connectivity quality remain concentrated in urban areas and the western part of Indonesia. This condition creates a digital divide that directly affects the public's ability to access digital government services (World Bank, 2020; Rahmi et al., 2023).

The disparity in social conditions and technological infrastructure has resulted in unequal access to the system across Indonesian society. The digital gap between regions in Indonesia remains very high (Fuady, 2018). In 2016, the Information and Communication Technology Development Index (ICTDI) for the Special Capital Region of Jakarta reached 7.41, while Papua Province recorded only 2.41. By 2023, this disparity was still clearly visible, with Jakarta's ICTDI increasing to 7.73 and Papua's to only 3.44 (Badan Pusat Statistik, 2024). This indicates that, for more than five years, Indonesia has still been unable to overcome the problem of technological infrastructure inequality. To this day, many regions—especially underdeveloped, frontier, and outermost areas (3T regions)—continue to experience significant difficulties in accessing the internet. Although Indonesians generally possess relatively good digital literacy, substantial gaps remain in technical skills related to information technology. These disparities are further exacerbated by inequalities in education and technological infrastructure across regions, leading to varying levels of technology acceptance among Indonesian communities.

The second challenge relates to the quantity and quality of human resources required to manage digital systems. Managing digital systems demands personnel with strong competencies in information technology. The large number of unresolved problems within the Coretax system demonstrates that existing human resources are still unable to address and rectify system deficiencies rapidly. The implementation of digital governance is a relatively new field within the Indonesian government, making the recruitment of personnel with the necessary backgrounds and competencies particularly challenging. According to data from Badan Pusat Statistik (2024), in 2023 the ICT Skills Sub-Index contributed the smallest share among all components forming the ICT Development Index, accounting for only 20.49%. This confirms the challenges related to both the quality and quantity of human resources needed to manage e-government systems.

These limitations also affect issues of data security, where safeguarding data is essential for protecting taxpayers' personal information. Weak security systems may lead to identity theft, data breaches, or misuse of confidential financial information. Ultimately, inadequate data security erodes taxpayer trust and reduces their willingness to use government digital platforms. Limited technological expertise within government institutions has resulted in security and data storage projects being developed using third-party, and even foreign, devices and protocols. In the digital world, society is the most vulnerable party and often becomes merely the object of governance, while the government acts as the sole subject responsible for security. Without strong safeguards, public data may be viewed, stored, sold, or misused by irresponsible actors—or, more critically, may threaten the country's geopolitical security.

Third, there is the challenge of system interoperability, which taxpayers experienced directly during the initial implementation of Coretax. At the beginning of the Coretax account activation process, taxpayers were still required to correct their data through conventional procedures involving physical documents, such as photocopies of identity cards, family cards, and various official decrees related to employment verification. Although the system itself was already online, population data had not yet been fully integrated, thus continuing to require physical documentation.

Interoperability refers to the ability of different systems, applications, and organizations to exchange data and use that information effectively in operational processes and decision-making (Janssen & van Veenstra, 2005). It constitutes one of the key pillars of digital governance, particularly within data-driven and cross-institutional public administration systems (Puura et al., 2026). In the implementation of the DGT Coretax system, interoperability represents a structural challenge because the system is designed to integrate multiple taxation functions while simultaneously connecting data from various external sources, such as banking systems, population databases, customs authorities, local governments, and other third parties. Normatively, such integration enables the development of a comprehensive data-based taxation ecosystem. However, in practice, interoperability challenges emerge at multiple levels simultaneously—technical, semantic, and institutional. As explained by Puura et al. (2026), interoperability is not merely technical in nature, but also involves organizational, legal, and governance dimensions.

At the technical level, interoperability faces obstacles arising from differences in system architecture, data standards, and technological platforms used by different institutions. Legacy systems still employed across many government agencies were not originally designed for cross-system integration, thereby requiring complex data conversion processes and technological adjustments.

At the semantic level, challenges emerge from differences in definitions, formats, and interpretations of data among institutions. Within taxation systems, inconsistencies in data definitions—for example, concerning taxpayer identity, economic transactions, or business classifications—can result in information inconsistencies and reduce the quality of data-driven analysis. Janssen and van Veenstra (2005) argue that without semantic interoperability, data exchange cannot produce uniform understanding across systems.

At the institutional level, interoperability is frequently hindered by organizational and governance factors, such as limited inter-agency coordination, inadequate regulations governing data exchange, and concerns regarding information security and confidentiality. In the taxation context, the data involved are highly sensitive, requiring clear legal frameworks and strong data protection mechanisms. Recent studies indicate that successful interoperability in digital government depends heavily on governance arrangements, including leadership, cross-sector coordination, and regulatory clarity (Dunleavy et al., 2006). Therefore, these aspects must be strengthened to address interoperability challenges within the Coretax system.

Despite these challenges, Coretax clearly plays an important role in Indonesia's economy, particularly in improving the effectiveness of the taxation system. The system is expected to reduce administrative costs, facilitate taxpayers in fulfilling their obligations, and accelerate tax collection processes. The anticipated positive impact is an increase in state revenue, which is crucial for financing economic and social development. In the long term, if these challenges can be addressed successfully, Coretax has the potential to become a strategic instrument for enhancing transparency, reducing tax evasion, and strengthening state capacity in fiscal governance.

5. Conclusion

Coretax has significant potential to improve tax compliance and increase tax revenue; however, it currently faces various challenges in its implementation. Overall, the implementation of Coretax in Indonesia reflects the paradox of public administration digitalization. On the one hand, it offers efficiency and transparency, yet on the other hand, it presents complex structural challenges. These challenges include technological aspects, infrastructure, human resources, data integration, and user acceptance. Therefore, the success of Coretax depends not only on technological sophistication, but also on the readiness of the broader digital ecosystem, including supporting policies, institutional capacity, and public literacy.

Although Indonesia possesses substantial technological potential, without appropriate strategies and a proper understanding of Indonesia's own conditions, this tax digitalization system will merely result in digitizing bureaucracy rather than transforming governance. Consequently, continuous system improvement, support for digital literacy, and responsive service mechanisms are absolutely essential to ensure the long-term sustainability and effectiveness of the system and the broader digital tax transformation. A high-quality system will promote efficiency, effectiveness, accountability, and transparency within the Coretax system, which may ultimately enhance public trust.

Therefore, first, the government must ensure the transfer of knowledge to state officials and national technology talents. Second, technology contracts must guarantee the state's right to conduct audits, modifications, integrations, and system migration. Third, the Coretax architecture should be designed in a modular and interoperable manner to avoid dependency on a single vendor or a closed standard. Fourth, tax data must be managed within a framework of security, privacy, and national data sovereignty. Fifth, the government needs to strengthen internal capacity so that it does not merely become a user of technology, but also the controller of the system's development direction, thereby enabling Coretax to become an important testing ground for Indonesia's digital sovereignty.

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