

POLICY INNOVATION OF CORETAX IN THE MODERNIZATION OF THE TAX ADMINISTRATION SYSTEM: A CASE STUDY AT KPP PRATAMA BANDUNG CICADAS

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Abstract

This research examines policy innovation in the implementation of the Coretax system as part of the modernization of the tax administration system in Indonesia, especially at KPP Pratama Bandung Cicadas. Coretax is an integrated information technology-based system, designed to unify all tax administration processes such as NPWP registration, Annual Tax Return reporting, payment, and tax invoice management in one efficient digital platform. This research approach uses qualitative methods with data collection techniques through in-depth interviews with tax officials, documentation, and field observations. The results showed that the Coretax system provides easy access, service efficiency, and transparency in the implementation of tax obligations, although it is still faced with technical challenges and user adaptation, especially among taxpayers who are not familiar with digital technology. The findings also show a decrease in the number of new taxpayer registrations at the beginning of the implementation in 2025, which is influenced by the transition period, lack of socialization, and the process of adapting to new technology. This study recommends increasing digital education, providing technical assistance, continuous monitoring, and inclusive policies to support the success of Coretax's overall implementation in the long term.

Keywords: Digital Administration , Coretax, Policy Innovation, Tax Modernization

A. INTRODUVTION

Indonesia is one of the developing countries that relies on two main sources of financing, namely foreign financing and domestic financing. Optimizing domestic funding sources is crucial so that Indonesia does not continue to rely on foreign financing which tends to be fluctuating and uncertain. In the structure of state revenue, the taxation sector plays the most significant role as the main component of domestic revenue. Taxes function as a strategic source of state revenue, where all revenues are allocated to finance state expenditures and support the implementation of the national development agenda. The contribution of taxes is very dominant and can be felt both directly and indirectly in various aspects of people's daily lives. Taxes act as a tool to implement various government policies in the economic and social fields.

Tax is the main instrument of state revenue that comes from taxpayer contributions. Given its crucial function in supporting the financing of state administration, tax collection has legal legitimacy and can be enforced imperatively in accordance with applicable laws and regulations. Tax has a strategic position as the main source of state revenue in supporting the financing of national development and governance. Amidst global dynamics and demands for bureaucratic reform, the Directorate General of Taxes (DGT) as a tax authority is required to

continue to innovate in its tax administration system in order to improve the effectiveness, efficiency, transparency and accountability of public services.

One of the strategic steps taken is the implementation of the Core Tax Administration System (CTAS), an information technology-based platform that aims to unite all core tax business processes in one integrated system. The use of the Core Tax Administration System (CTAS) provides various advantages and benefits that can be felt by four main groups, namely Taxpayers, stakeholders, employees of the Directorate General of Taxes, and the Directorate General of Taxes (DGT) institution itself. Before the implementation of CTAS, the DGT had first developed the DJP Online platform, which functions as a means to facilitate taxpayers in reporting and paying taxes electronically. The presence of DJP Online is one form of the implementation of the e-government concept in Indonesia, especially in the digital-based tax administration system. The development of Coretax is part of the Core Tax Administration System Update Project (PSIAP) which is regulated in Presidential Regulation Number 40 of 2018.

The implementation of the Coretax system by the Directorate General of Taxes (DGT) represents a strategic innovation in utilizing advances in information technology in the taxation sector. This system offers various advantages, including easy access to services for taxpayers through omni-channel and borderless features, which enable cross-platform interaction without geographical boundaries. With a universal and integrated system, the administration process becomes faster, more efficient, and more practical, thereby increasing the effectiveness of overall tax services.

Integration of tax data, both from taxpayers and third parties such as government agencies, institutions, associations, and other entities, strengthens the function of tax compliance supervision. Each taxpayer's information is systematically connected to transaction partner data, population data, and various other external data, which significantly increases the accuracy and reliability of supervision.

This transformation also marks a paradigm shift in tax services towards a more integrated digital, not only for the convenience of taxpayers, but also in supporting the supervision and law enforcement functions of the tax authorities. This innovation is expected to be able to suppress the practice of violating tax obligations, including tax evasion, through higher data transparency.

Thus, the implementation of Coretax contributes directly to reducing the tax gap, namely the difference between the potential tax revenue that should be obtained and the realization of existing revenue, thus supporting the improvement of the country's fiscal performance in a sustainable manner. Through the process of updating the tax administration system, it is hoped that a strong tax institution will be formed, have high credibility, and be able to account for each process transparently. This transformation will also produce a more effective and efficient business process. In addition, the update encourages the realization of more optimal synergy between related agencies. Overall, this effort is aimed at increasing the level of taxpayer compliance and encouraging sustainable growth in state revenue.

Although the implementation of Coretax promises various benefits, both in terms of increasing administrative efficiency and tax compliance, its implementation in the field is not free from various challenges. Some of the obstacles identified include the low level of technological literacy among certain communities, technical constraints in operating the application, and the urgent need for training and assistance for taxpayers so that they can utilize the system optimally. Therefore, this study focuses on analyzing the extent to which Coretax policy innovations are able to support the modernization of the tax administration system.

This study focuses on the implementation of the Coretax policy at the Pratama Bandung Cicadas Tax Service Office (KPP), which is one of the work units that has implemented this system. Through a qualitative approach, this study aims to identify the forms of policy innovation that are implemented, examine the adaptation process to the new system, and evaluate its impact on the effectiveness of tax administration at the operational level. Thus, the results of this study are expected to contribute to the development of academic studies in the field of public policy innovation and become an evaluative reference for policy makers in strengthening the tax reform agenda in Indonesia.

B. LITERATURE REVIEW

Modernization of Tax Administration System

According to Krisityaningsih (2018), modernization of tax administration will provide optimal results if accompanied by consistent and sustainable design and implementation of tax laws. Therefore, the government is required to design an optimal tax system by considering all supporting instruments that can strengthen the effectiveness of tax law, one of which is through the implementation of a modern tax administration system (Sinaga et al., 2025).

Modernization of tax administration itself is a process of improvement in the management and provision of services for tax rights and obligations, which are arranged based on the division of functions, not based on the type of tax (Hidayatullah, 2022). This process includes a systematic separation between various functions such as service, supervision, inspection, handling of objections, and guidance, each of which is carried out by different technical units according to their duties and authorities.

Modernization of the tax administration system through the implementation of Coretax is part of a digital transformation that not only focuses on technological aspects, but also includes changes in policies, operational procedures, and patterns of interaction between tax authorities and taxpayers (Noviriani, 2025). This innovation is expected to improve the quality of service, encourage tax compliance levels, and minimize the potential for maladministration. However, the implementation of this policy faces various challenges, including those related to the readiness of human resources, the availability of supporting infrastructure, and the response from stakeholders (Zein & Septiani, 2024).

Public Policy Innovation

According to the United Nations Department of Economic and Social Affairs in Zein (2023), innovation is an important element in the process of revitalizing public administration. The government, both at the central and regional levels, actively develops and implements various forms of innovation and experimentation, especially in the field of public services. This phenomenon occurs widely in various parts of the world as part of a strategy to strengthen the capacity and effectiveness of public administration. The process of exchanging and learning from innovative experiences between countries has the potential to produce new knowledge that can be utilized globally (Rachmad et al., 2024).

In the context of the public sector, innovation plays a strategic role in formulating new policies designed to respond to and address public policy challenges more effectively. As stated in the United Nations Department of Economic and Social Affairs (2006) as follows: *"Public sector management innovation may also be defined as the development of new policy designs and new standard operating procedures by public organizations to address public policy problems. Thus, an innovation in public administration is an effective, creative and unique answer to new problems or a new answer to old problems"*

Innovation in public policy is a necessity that, in principle and substantively, has a strategic role in strengthening the government's capacity to respond to and resolve various

complex social problems in society (Khaerunissa et al., 2023). Problems such as development inequality due to weak policy analysis, corrupt practices by public officials, issues of food security, poverty, unemployment, and low quality of education reflect the failure of public policy to provide effective solutions. In this context, innovation is an essential and relevant alternative in developing public policy, both for the present and the future (Diaz et al., 2025).

However, the effectiveness of governance is highly dependent on the quality of human resources, politicians, and bureaucracy who have the competence to implement governance based on the principles of good governance. Transformation of mindset of politicians, bureaucrats, and other stakeholders is a key factor in realizing transparent, accountable, and participatory governance. Without innovation in the formulation and implementation of public policies, efforts towards effective governance will face significant challenges.

Core Tax Administration System (CTAS)

Coretax is the latest technological innovation in the field of taxation designed to manage updates that include the restructuring of business processes, information technology, and tax administration databases, including regulations (Karo-Karo, 2022). The main objective of developing Coretax is to modernize the current tax administration system. Coretax is designed to integrate all core business processes of tax administration which include stages ranging from NPWP registration, Annual Tax Return reporting, tax payments, to tax audits and collection (Arifqi, 2025). By utilizing this technology, the entire tax administration process can run automatically, including services such as e-filing, e-billing, e-reg and real-time monitoring of tax obligations (Hardiyanti, 2024).

In general, the implementation of Coretax is intended to form a taxation system that is more effective, efficient, transparent, accountable, and able to encourage increased taxpayer compliance. As explained by the Directorate General of Taxes (DGT, 2024), this system is a form of technological transformation specifically designed by the government to strengthen the taxation sector in facing the challenges of state revenues in the future. Thus, Coretax is a strategic step in realizing a modern taxation system that is adaptive to the development of the times.

C. RESEARCH METHODOLOGY

This study uses a qualitative data collection method, which is carried out through primary data collection and is complemented by a literature review and in-depth interviews with three respondents. The qualitative research method is an approach based on a certain philosophy and is used to examine phenomena in a scientific context, where researchers act as the main instrument in collecting and analyzing qualitative data, with a focus on understanding deep meaning. This approach relies on direct observation and interviews, as well as literature studies from various sources such as articles, scientific journals, e-books, and previous research that is relevant to the research topic (Humaira et al., 2025; Jasmine et al., 2025; Kafiyan et al., 2025). This approach is used to analyze and review Coretax policy innovations in an effort to modernize the tax administration system at the Pratama Bandung Cicadas Tax Service Office (KPP).

In sampling, purposive sampling technique was used, which is a data selection method that is not done randomly, but based on certain considerations to achieve specific research objectives (Alfian et al., 2025; Poetry et al., 2025; Sugiono et al., 2025). The respondents selected were tax officers at KPP Pratama Bandung Cicadas, with three people involved in this study.

D. RESULT AND DISCUSSION

Based on the results of data and interviews with employee respondents at KPP Pratama Bandung Cicadas, one of the Coretax Policy Innovations in the Modernization of the Tax Administration System at KPP Pratama Bandung Cicadas is the Implementation of the Coretax system at KPP Pratama Bandung Cicadas is a form of policy innovation that aims to simplify and modernize tax administration services. Before this system existed, Taxpayers had to access various different sites to carry out tax activities, such as reporting Annual Tax Returns through the DJP Online page, registering for NPWP through e-Registration, and providing tax invoice services and tax payments through other platforms. This fragmentation of services caused confusion and inefficiency in the tax administration process. In response to these problems, the Coretax system was developed and implemented at KPP Pratama Bandung Cicadas since January 1, 2025. Coretax is present as an integrated system, allowing Taxpayers to carry out all tax activities - such as reporting, paying, registering for NPWP, to managing invoices - through one integrated portal. This innovation is expected to improve efficiency, ease of access, and the overall user experience.

To support the transition to this new system, KPP Pratama Bandung Cicadas has made various socialization efforts. Socialization is carried out through the agency's official social media, as well as by organizing educational activities such as "Coretax Class" which is intended for Taxpayers who do not yet understand the working mechanism of the Coretax system. The initial success indicator for Coretax implementation is measured by the increasing understanding of Taxpayers regarding this system, as well as the decreasing frequency of direct visits to the service office. This shows that most Taxpayers have been able to access and utilize Coretax services independently. However, the implementation of Coretax still faces several technical challenges. Several obstacles found in the field include system instability, disruption of access to the website, and potential security threats such as cyber attacks or hacking. This condition shows that the system still needs improvement, both in terms of technology infrastructure and data security.

The expectation of the employees of KPP Pratama Bandung Cicadas in the transition to the Coretax system is the creation of a tax administration system that is more effective, efficient, safe, and able to optimally accommodate the needs of Taxpayers. By continuing to evaluate and improve, the Coretax system is expected to become a strong foundation in building a modern, digital-based, and public service-oriented tax administration. Based on the data results, one of the innovations in the Coretax system is NPWP registration at KPP Pratama Bandung Cicadas, the number of new Taxpayers (WP) who registered from January to May in the 2021-2025 period at KPP Pratama Bandung Cicadas, there was a significant fluctuation. The details are as follows:

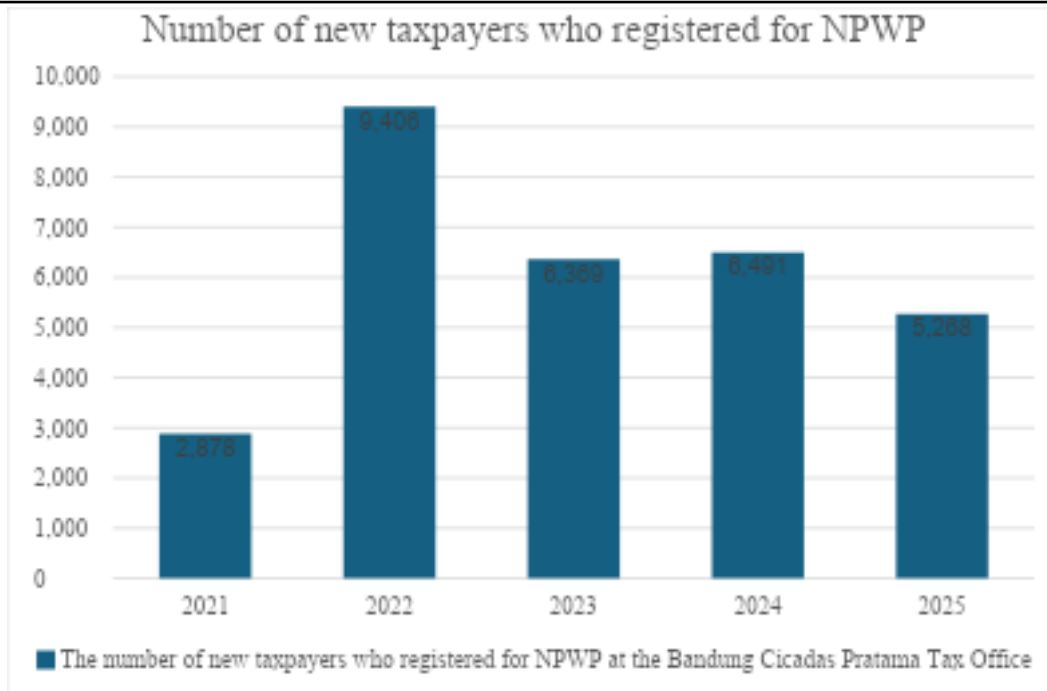


Figure 1. Number of new taxpayers who registered for NPWP at the Bandung Cicadas Pratama Tax Office

2022 recorded a significant spike in new taxpayer registrations, increasing more than threefold compared to 2021. However, this has decreased in the following years. Interestingly, in 2025 when the Coretax system began to be implemented nationally, the number of new taxpayers actually decreased to 5,268, lower than in 2023 and 2024. Coretax is a modern and integrated tax administration system, aimed at increasing efficiency, transparency, and service to taxpayers. Coretax was launched in early 2025 and is expected to be a game-changer in the digital transformation of tax administration in Indonesia. However, based on initial data (January–May 2025 period), the launch of Coretax has not directly reflected an increase in new taxpayer registrations. This can be explained through several researcher perspectives:

Technology Transition and Adaptation Phase

The implementation of a new system generally requires a transition period, both from the institutional side (tax officers) and the community (taxpayers). The low number of new taxpayer registrations in early 2025 is likely influenced by the ongoing adaptation process to the Coretax system, including education, socialization, and adjustments to technical registration procedures.

Short Term vs. Long Term Effects

Technological innovations like Coretax tend to show positive impacts in the medium to long term. In the short term, challenges such as user resistance, initial technical issues, and lack of understanding among new users can lead to stagnation or even decline in participation.

Service Expectations vs. Implementation Realities

If the public's expectations for faster and easier services through Coretax are not immediately met due to technical or operational obstacles, this can lead to a decrease in interest in immediately registering as a new taxpayer.

From the researcher's perspective, here are some recommendations that can be considered by the tax authorities:

- **Strengthening Digital Tax Education:** Intensive and inclusive educational socialization is needed regarding the benefits and procedures for using the Coretax system for prospective new taxpayers.
- **Continuous Monitoring and Evaluation:** The government must implement a data-based monitoring system for the implementation of Coretax so that initial problems can be identified and responded to quickly.
- **Facilitating Technology Inclusivity:** An approach is needed that takes into account the digital divide, especially in groups of people with low access or technological literacy.

E. CONCLUSION

The launch of the Coretax system as part of the tax administration modernization policy innovation at KPP Pratama Bandung Cicadas is a strategic step that has great potential in increasing the efficiency and quality of tax services. This system has succeeded in answering previous problems, namely the separation of tax services in various platforms that confuse Taxpayers. Through digital integration, Coretax allows all tax activities to be carried out in one integrated portal.

Based on the results of data and interviews, it was found that although there was an increase in Taxpayers' understanding of this system and a decrease in physical visits to the KPP, the initial launch had not directly increased the number of new Taxpayer registrations. This was due to various factors, such as the system transition period, the lack of digital literacy of some people, and technical and security constraints that still occur.

Thus, the success of Coretax implementation depends not only on the sophistication of its technology, but also on the support of adaptive policies, massive socialization, and increased human resource capacity from both employees and Taxpayers. The Coretax system is expected to continue to develop into a strong foundation in building a modern, transparent, and sustainable tax administration in Indonesia.

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