



**JLPH:**  
**Journal of Law, Politic  
and Humanities**

https://dinastires.org/JLPH    ✉ dinasti.info@gmail.com    ☎ +62 811 7404 455

DOI: <https://doi.org/10.38035/jlph.v6i2>  
<https://creativecommons.org/licenses/by/4.0/>

E-ISSN: 2962-2816  
P-ISSN: 2747-1985

## Legal Optimization of Digital Tax Administration in Indonesia: Case of Coretax

**Jonker Sihombing**

Universitas Pelita Harapan, Banten, Indonesia, [jonker.sihombing@uph.edu](mailto:jonker.sihombing@uph.edu)

Corresponding Author: [jonker.sihombing@uph.edu](mailto:jonker.sihombing@uph.edu)

**Abstract:** The core issue in Indonesia's tax system lies in the underperformance of the core tax administration functions managed by the Directorate General of Taxes, particularly registration, reporting, payment, and enforcement. These weaknesses have contributed to low voluntary compliance and inefficient revenue collection in tax authorities. The purpose of this research is to evaluate whether Indonesia's core tax system aligns with the Absolute Obligation Theory and the fundamental framework of tax administration law, which view taxation as a non-negotiable obligation of citizens in support of public services and national stability. Using a normative juridical method and a comparative approach with other tax administration models, the study identifies persistent shortcomings in Indonesia's policy design, administrative capacity, and enforcement strategies. The findings reveal that Indonesia has yet to fully implement tax administration principles in a coherent and effective manner. In conclusion, the study suggests that Indonesia should adopt key lessons in legal clarity, digital integration, and institutional governance to build a more efficient tax administration system.

**Keyword:** Tax administration law, core tax system, Absolute Obligation Theory.

### INTRODUCTION

Digital tax administration refers to the integration of digital technologies into tax collection and management processes, aiming to enhance efficiency, accuracy, and taxpayer compliance.<sup>1</sup> This transformation involves automating traditional tax functions, enabling real-time data processing, and providing user-friendly platforms for taxpayers. Globally, countries are adopting digital tax systems to streamline operations and improve revenue collection. Indonesia has embarked on a significant modernization of its tax administration through the implementation of the Core Tax Administration System (CoreTax).<sup>2</sup> Launched on January 1, 2025, CoreTax aims to automate and digitize tax services, allowing taxpayers to access services independently and enhancing transparency by providing a comprehensive view of their tax

<sup>1</sup> Sihombing, Jonker. *Pokok-Pokok Hukum Pajak*. Bandung: PT Alumni, 2013: 12.

<sup>2</sup> Arifin, Dharmawan, Aris Prio Agus Santoso, and Poniman Poniman. "Discourse on the Coretax System in Indonesia: A Study of Legal Certainty and Guarantees for Taxpayers." *The Easta Journal Law and Human Rights* 3, no. 02 (2025): 118-127.

information. This initiative is part of Indonesia's broader strategy to create a credible and efficient tax institution capable of increasing state revenue.<sup>3</sup>

The implementation of the Core Tax Administration System (CTAS) in Indonesia in early 2025 faced numerous significant issues, resulting in major disruptions in tax administration and business operations. Since its launch on January 1, 2025, the system has encountered a variety of technical problems, including frequent crashes, data mismatches, and difficulties in accessing and managing tax documents. The Indonesian Employers' Association (Apindo) reported that its members struggled to issue essential tax documents due to data discrepancies, directly affecting business processes such as tax reporting and calculating tax obligations accurately and on time. One of the main issues was the inconsistency of data within the new system, which prevented the issuance of crucial tax documents and disrupted business transactions. Furthermore, the system often crashed and experienced other malfunctions, making it difficult for users to effectively access tax services. This situation raised concerns among taxpayers and business actors about the reliability of Indonesia's tax infrastructure.<sup>4</sup>

In response to these problems, the Directorate General of Taxes (DJP) decided to reactivate the old system to run in parallel with CTAS, in an effort to minimize disruptions for taxpayers. Additionally, the DJP announced that penalties for late submissions caused by system errors would be waived. A parliamentary commission overseeing the financial system also asked the DJP to provide a roadmap for CTAS implementation, though specific details of the schedule have yet to be disclosed. CTAS was developed by a consortium of companies led by South Korea's LG CNS and Qualysoft Group, with a total cost of 1.2 trillion rupiah (approximately USD 73.44 million). The main goal of the system was to utilize data collected during Indonesia's 2016–2017 tax amnesty programs to improve taxpayer profiling and compliance monitoring. (Reuters) However, the problems that emerged during CTAS implementation have posed serious challenges to the government's efforts to boost tax revenue to fund its promised social programs. The DJP has issued an apology for the disruptions and pledged to enhance system capacity to accommodate more users and fix the technical problems. Although some improvements have been made—such as in the login process and tax document management.<sup>5</sup>

The research will explore the question in tax administration law whether Indonesia's core tax system aligns with the objectives of the Absolute Obligation Theory and the fundamental methods of tax administration law as the state's authority to impose taxes as an absolute obligation on citizens to support public services and economic stability. However, despite numerous reforms, Indonesia continues to face challenges in tax compliance, collection efficiency, and enforcement mechanisms. How well does the current Indonesian tax administration framework adhere to these theoretical principles? More importantly, when compared to Germany, a country known for its highly efficient and structured tax system, what lessons can be adopted to improve the tax administration system. Thus, this research analyzes core tax problems in policy design, administrative capacity, and enforcement strategies.

## METHOD

This research employs a normative juridical approach with a comparative perspective to examine the influence of technology on tax administration efficiency, focusing on Indonesia's Core Tax Administration System (CoreTax) and Germany's tax system. A normative juridical approach involves analyzing legal norms, principles, and regulations to understand their

---

<sup>3</sup> Jacobs, Bas. "Digitalization and taxation." *Digital revolutions in public finance* (2017): 25.

<sup>4</sup> Arianty, Fitria. "IMPLEMENTATION CHALLENGES AND OPPORTUNITIES CORETAX ADMINISTRATION SYSTEM ON THE EFFICIENCY OF TAX ADMINISTRATION." *Jurnal Vokasi Indonesia* 12, no. 2 (2024): 2.

<sup>5</sup> Sutedi, Adrian. *Hukum pajak*. Sinar Grafika, 2022: 15.

application and implications within a specific context.<sup>6</sup> By incorporating a comparative perspective, this study aims to identify best practices and lessons learned from different jurisdictions to inform improvements in Indonesia's tax administration.

The research relies on secondary data sources, including academic literature, books, government reports, and relevant journals.<sup>7</sup> These sources provide comprehensive insights into the design, implementation, and outcomes of digital tax systems in both Indonesia and Germany. The analytical approach centers on deductive reasoning to derive generalizations from specific observations of tax administration systems. This involves examining case-specific studies of Indonesia's CoreTax and Germany's tax system to identify patterns and draw broader conclusions about the effectiveness of technology in tax administration. By analyzing these specific cases, the research aims to formulate recommendations for optimizing Indonesia's CoreTax system, informed by Germany's experiences and best practices.

## RESULTS AND DISCUSSION

### Method and Framework of Tax Administration Law

Tax administration law is a crucial component of a nation's legal and economic system. It governs the processes, institutions, and enforcement mechanisms that facilitate the collection of taxes.<sup>8</sup> Unlike substantive tax law, which defines tax obligations and liabilities, tax administration law focuses on the procedural and operational aspects of taxation, ensuring that governments can efficiently collect revenues while maintaining legal fairness and taxpayer compliance. This paper examines the general theories underpinning tax administration law, its principles, and the legal mechanisms that ensure the effective functioning of a tax system.<sup>9</sup>

Tax administration law refers to the legal framework that regulates tax collection, taxpayer obligations, dispute resolution, enforcement, and the powers of tax authorities. It encompasses a wide range of legal provisions, including tax registration requirements, filing and reporting obligations, audit procedures, sanctions for non-compliance, and administrative appeals. The effectiveness of a tax system depends on the efficiency of its administration, which is why this area of law plays a fundamental role in public finance and governance. The main components of tax administration law include taxpayer registration and identification, which establishes mechanisms such as Taxpayer Identification Numbers (TIN) to track tax liabilities. Tax filing and payment determine the legal requirements for filing tax returns and remitting payments. Audit and compliance measures enable tax authorities to conduct investigations and ensure compliance. Legal remedies and dispute resolution provide taxpayers with avenues to challenge tax assessments and penalties. Enforcement mechanisms include administrative and criminal penalties for tax evasion and non-compliance.

Several legal and economic theories shape tax administration law, influencing how tax systems are designed and implemented. Legal positivism and the rule of law assert that laws derive their legitimacy from formal enactment by state authorities. The rule of law requires that tax laws be clear, predictable, and applied equally to all taxpayers. This ensures legal certainty and protects taxpayers from arbitrary actions by tax authorities. Public finance and the ability-to-pay principle state that individuals should contribute to taxation according to their financial capacity. Effective tax administration ensures that progressive tax policies are enforced and that tax burdens are distributed equitably. Efficiency and compliance theory suggest that simplifying tax procedures, reducing administrative burdens, and enhancing taxpayer education encourage voluntary compliance, reducing the need for costly enforcement

---

<sup>6</sup> Ali, Zainuddin. *Metode penelitian hukum*. Sinar Grafika, 2021, 130.

<sup>7</sup> Rahayu, Derita Prapti, M. SH, and Sesi Ke. "Metode Penelitian Hukum." *Yogyakarta: Thafa Media* (2020): 75.

<sup>8</sup> Alink, Matthijs, and Victor Van Kommer. *Handbook on tax administration*. IBFD, 2011.

<sup>9</sup> Shome, Parthasarathi. *Taxation history, theory, law and administration*. Cham: Springer, 2021: 24.

measures. Deterrence theory posits that strict penalties and high detection probabilities deter tax evasion. Tax authorities use audits, fines, and criminal sanctions as enforcement tools. However, excessive penalties may lead to taxpayer resistance and reduced compliance. Behavioral economics and tax morale highlight that tax morale—the intrinsic motivation to comply with tax laws—is influenced by perceptions of fairness, trust in government, and administrative transparency. A fair and transparent tax administration system enhances voluntary compliance, reducing enforcement costs.<sup>10</sup>

Several legal principles govern tax administration to ensure fairness, efficiency, and compliance. The principle of legality, expressed in the Latin *maxim nullum tributum sine lege*, dictates that no tax obligation can be imposed without a legal basis.<sup>11</sup> This principle protects taxpayers from arbitrary tax demands and ensures that all taxation is enacted through due legislative processes. The principle of neutrality and simplicity ensures that tax administration should not distort economic decision-making or impose unnecessary burdens. A simple, neutral tax system minimizes compliance costs and enhances economic efficiency. The principle of efficiency and effectiveness states that the tax system should be cost-effective and maximize revenue collection while minimizing administrative expenses and taxpayer burdens. Digitalization and automation play crucial roles in achieving efficiency. The principle of transparency and accountability requires that tax authorities operate transparently, ensuring taxpayers understand their rights and obligations. Transparency reduces corruption and fosters trust in the tax system. The principle of proportionality dictates that penalties and enforcement actions must be proportionate to the offense. Overly harsh penalties can undermine trust and voluntary compliance, while overly lenient measures may encourage evasion.

Over the past few decades, technological advancements have transformed tax administration law. Many countries have adopted e-filing systems, automated audits, and data analytics to improve efficiency. However, challenges remain. Tax evasion and avoidance remain significant concerns as sophisticated tax planning strategies by multinational corporations and high-net-worth individuals challenge enforcement efforts. Digital economy taxation presents new difficulties as e-commerce and digital services create gaps in traditional tax frameworks, requiring new administrative solutions. Cross-border tax cooperation faces difficulties in enforcing tax compliance across jurisdictions, leading to initiatives such as the OECD's Automatic Exchange of Information (AEOI). Corruption and governance issues further hinder effective tax collection, as weak institutions and lack of transparency can obstruct efficient tax administration.<sup>12</sup>

### Analysis Based on the Absolute Obligation Theory

The Absolute Obligation Theory is rooted in the concept of "*Organische Staatsleer*" or the organic theory of the state. This theory asserts that the state, as an organization composed of individuals, has an absolute right to collect taxes from its citizens. In this context, individuals do not stand alone but are an integral part of a collective entity that forms the state. Therefore, the state holds rights over these individuals, including the right to impose taxes as a form of their contribution to the administration of public interests. From the perspective of the Absolute Obligation Theory, the payment of taxes by citizens is seen as an expression of their devotion and obligation to the state. In return, the state is responsible for managing public interests and ensuring the welfare of its people. Thus, there is a reciprocal relationship between the state and

---

<sup>10</sup> Mikesell, John L. "Tax administration: The link between tax law and tax collections." *PUBLIC ADMINISTRATION AND PUBLIC POLICY* 67 (1998): 173-198.

<sup>11</sup> Grewal, Amandeep S. "Taking Administrative Law to Tax: Foreword." *Duke Law Journal* 63, no. 8 (2014): 1625-1633.

<sup>12</sup> Végh, Gyöngyi. "Tax administration good governance." *EC Tax Review* 27, no. 1 (2018).

its citizens, where the state carries out governmental functions and public services, while citizens provide financial support through tax payments.

However, the application of the Absolute Obligation Theory in taxation systems is not without criticism. One of the main weaknesses of this theory is the potential for authoritarianism, where the state may arbitrarily impose taxes without considering principles of justice and the well-being of its citizens. If the state excessively emphasizes its absolute right to collect taxes without proper oversight and balance mechanisms, this could lead to the neglect of individual rights and injustices in tax burden distribution. Additionally, the Absolute Obligation Theory tends to overlook other crucial aspects of modern taxation systems, such as the ability to pay principle and the benefit principle. In increasingly complex and diverse societies, an approach that solely focuses on the absolute obligation of citizens to pay taxes to the state without considering economic and social factors may be seen as less relevant.<sup>13</sup> Therefore, many contemporary tax systems adopt a more holistic approach, integrating various theories and principles to achieve a fair and effective taxation system. Historically, the Absolute Obligation Theory reflects the view that the state plays a central and dominant role in its relationship with its citizens. However, with the evolution of modern political and legal thought, there has been a shift toward a paradigm that emphasizes individual rights and democratic principles. In this context, taxation is no longer merely seen as an absolute right of the state but also as a social contract between the state and its citizens, in which both parties have rights and obligations that must be respected and maintained in balance.

The application of the Absolute Obligation Theory in Indonesia's taxation system can be observed in the government's efforts to modernize and strengthen tax administration through the implementation of the Core Tax Administration System (CTAS), which was officially launched on January 1, 2025. The introduction of this system represents a major transformation in Indonesia's tax governance, aiming to centralize and digitize various tax-related processes such as taxpayer registration, tax return filing, payment processing, audits, and collections. By leveraging advanced technology, the Indonesian Directorate General of Taxes (DJP) seeks to improve efficiency, transparency, and accuracy in tax administration, aligning with the Absolute Obligation Theory's emphasis on the absolute duty of citizens to contribute to the state through taxation. According to this theory, taxation is not merely a financial obligation but a fundamental aspect of a citizen's devotion to the state, which in turn has the responsibility to administer public welfare and national interests. This perspective reinforces the idea that taxation is not a voluntary civic duty but an inherent requirement that must be fulfilled by all members of society.<sup>14</sup>

However, despite its alignment with the Absolute Obligation Theory's foundational principles, the implementation of CTAS has faced significant operational challenges, highlighting the complexities of translating theoretical obligations into practical enforcement. Many taxpayers and businesses have reported technical issues, including system crashes, data discrepancies, and disruptions that have hindered their ability to comply with tax regulations. The Indonesian Employers Association (Apindo) has raised concerns about how these inconsistencies have prevented companies from issuing essential tax documents, thereby creating bottlenecks in their business operations. This scenario exposes a crucial flaw in the rigid application of the Absolute Obligation Theory—while the state possesses an absolute right to collect taxes, it must also ensure that the mechanisms facilitating compliance function effectively and do not impose undue burdens on taxpayers. The legitimacy of taxation, even when framed within an absolute obligation framework, depends on the state's ability to provide

---

<sup>13</sup> da Cunha Tavares, Henrique, and Adriano Sant'Ana Pedra. "Accessory tax obligations from the perspective of the fundamental duties theory." *Human Rights, Rule of Law and the Contemporary Social Challenges in Complex Societies* (2015): 2281.

<sup>14</sup> Thuronyi, Victor, and Kim Brooks. *Comparative tax law*. Kluwer Law International BV, 2016.



an efficient and accessible system that supports rather than obstructs taxpayer compliance. Recognizing these issues, the DJP temporarily reinstated the previous online tax system as an alternative while addressing the problems within CTAS.<sup>15</sup>

Beyond technical failures, another major concern surrounding the implementation of CTAS is its impact on tax revenue collection. While the system was introduced to enhance tax compliance and minimize the tax gap, Indonesia recorded a staggering 30% drop in tax revenue within the first two months of 2025. This decline raises serious questions about whether a digital transformation alone is sufficient to improve tax collection, especially when external economic factors, such as fluctuations in commodity prices and shifting tax collection methodologies, also play a significant role. The drop in revenue suggests that the assumption underlying the Absolute Obligation Theory—that citizens will consistently fulfill their tax obligations as a duty to the state—is not necessarily reflected in real economic behavior. While an effective administrative system can facilitate compliance, it does not automatically guarantee higher revenue collection, particularly if economic conditions are unfavorable or if taxpayers face technical and bureaucratic difficulties in meeting their obligations.

Furthermore, the rigid application of the Absolute Obligation Theory in Indonesia's tax system also raises concerns regarding fairness and taxpayer rights. While the theory grants the state an almost unquestionable authority to collect taxes, modern tax systems increasingly emphasize principles of equity, transparency, and taxpayer convenience. A taxation system based solely on the state's absolute right to tax, without incorporating considerations of ability to pay or the reciprocal benefits provided to taxpayers, risks being perceived as unjust or overly coercive. Indonesia, like many other developing economies, faces the challenge of ensuring that its tax system does not disproportionately burden lower-income taxpayers while allowing higher-income individuals and corporations to exploit loopholes. The transition to CTAS, while intended to strengthen compliance, must also address longstanding issues of tax avoidance, evasion, and the under-taxation of powerful entities. If the system is perceived as favoring state interests without adequately addressing fairness, it could erode public trust and willingness to comply with tax obligations.

The implementation of CTAS within the framework of the Absolute Obligation Theory also highlights broader governance challenges in Indonesia's tax administration. The country has historically struggled with low tax compliance rates, a narrow tax base, and high reliance on indirect taxation, such as value-added tax (VAT), which tends to place a disproportionate burden on consumers.<sup>16</sup> The shift towards a more digitized and centralized tax administration system is a strategic move to address these challenges, but it must be accompanied by broader institutional reforms. Strengthening enforcement mechanisms against tax evasion, enhancing taxpayer education, and ensuring a more transparent and responsive tax administration system are critical to making the tax system both efficient and equitable. A purely obligation-based approach, as espoused by the Absolute Obligation Theory, may not be sufficient to foster voluntary compliance and trust in the tax system. Instead, modern tax policies increasingly recognize the importance of a social contract between the state and its citizens, where tax compliance is encouraged not just through legal enforcement but also through trust in the government's ability to use tax revenues effectively for public benefit.

### **Structure and Regulation of Tax Administration in Indonesia**

Indonesia's tax administration operates under a strict top-down hierarchy, where the Directorate General of Taxation (DGT) under the Ministry of Finance dictates tax policies and

---

<sup>15</sup> Matabean, Redhy, and Vishnu Juwono. "Implementation of Data Collection Policy and Tax Information on Directorate General of Taxes." *Jurnal Borneo Administrator* 17, no. 3 (2021): 365-378.

<sup>16</sup> Cotton, Ms Margaret, and Gregory Dark. *Use of technology in tax administrations 2: Core information technology systems in tax administrations*. International Monetary Fund, 2017.

procedures for the entire country.<sup>17</sup> This centralized model ensures uniformity in tax regulations, providing businesses and individuals with a clear, standardized framework. However, the rigidity of centralization also means that any inefficiencies or errors in the system affect the entire country simultaneously. The recent failure of CoreTax exemplifies this issue. When the new system was launched, widespread technical problems, including system crashes and data mismatches, disrupted tax filings and forced the government to temporarily revert to the old system. Because the DGT has direct control over tax administration at all levels, regional offices had no flexibility to implement local solutions or adapt the system to their specific needs, worsening the disruption.

In contrast, Germany's tax administration follows a decentralized structure, where the 16 federal states (*Länder*) have considerable autonomy in tax collection and enforcement while following the overarching guidelines set by the Federal Ministry of Finance. This structure allows for greater adaptability, as each state can tailor tax administration processes to its specific economic conditions and technological readiness. If a tax system update or technological issue arises in one state, it does not necessarily disrupt tax administration nationwide. For example, when ELSTER (Elektronische Steuererklärung), Germany's digital tax filing system, underwent a major update in 2019, the transition was handled in phases across different states, allowing for troubleshooting and adjustments before full nationwide implementation.

Germany's decentralized approach to digital tax transformation provides a useful case study for Indonesia. ELSTER was introduced in the late 1990s and gradually improved over the years, integrating new features based on user feedback and technological advancements. Each federal state had the flexibility to adopt ELSTER at its own pace, ensuring a smooth transition and widespread taxpayer acceptance. This phased implementation minimized technical failures and provided room for troubleshooting, making ELSTER one of the most successful digital tax systems in Europe.

Indonesia's CoreTax, by contrast, was launched as a nationwide system upgrade without a gradual rollout, exposing the entire tax administration to potential failures. The system's immediate implementation meant that technical flaws—such as the inability to correctly match taxpayer data—became national issues rather than isolated problems that could be addressed regionally.<sup>18</sup> Furthermore, because tax officials at the local level have limited authority to deviate from central policies, they lacked the flexibility to make minor adjustments that could have mitigated the crisis. Germany's experience suggests that a more phased and regionally adaptable approach to digital tax reform might have prevented CoreTax's initial failure.

One of the biggest concerns in tax administration is how easily taxpayers can comply with regulations. In Germany, decentralization does not mean inconsistency. The federal government sets clear guidelines, but taxpayers interact mainly with their regional tax offices, which have the flexibility to offer localized support. ELSTER has further simplified the filing process, allowing individuals and businesses to submit tax documents digitally with real-time error detection, significantly reducing filing mistakes. Germany's approach acknowledges that taxpayers in different regions may have different needs, leading to a more user-friendly experience.

Indonesia's centralized system, on the other hand, struggles with accessibility issues. Because CoreTax was designed as a one-size-fits-all solution, it does not sufficiently accommodate taxpayers who may have difficulty navigating the system, particularly small

---

<sup>17</sup> Alm, James. *Can Indonesia reform its tax system?: problems and options*. No. 1906. Tulane University, Department of Economics, 2019: 52.

<sup>18</sup> Arifin, Dharmawan, Aris Prio Agus Santoso, and Poniman Poniman. "Discourse on the Coretax System in Indonesia: A Study of Legal Certainty and Guarantees for Taxpayers." *The Easta Journal Law and Human Rights* 3, no. 02 (2025): 118-127.

businesses and individuals in rural areas. Unlike Germany, where local tax offices can adjust their services based on regional needs, Indonesia's tax administration lacks this flexibility. The failure of CoreTax demonstrated how a centralized system can amplify problems rather than resolve them when it does not account for user diversity.

Germany's decentralized system is not without challenges. Ensuring national consistency while allowing regional flexibility requires strong coordination mechanisms, and disparities in digital readiness between states can sometimes slow down reforms. However, Germany's ability to integrate technology without causing nationwide disruptions provides a strong case for Indonesia to reconsider its fully centralized approach.

To improve CoreTax, Indonesia should consider adaptations from Germany's model. Indonesia should gradually introduce new digital tax features in select regions before full-scale implementation, allowing for troubleshooting and adjustments. Secondly, granting local tax offices more authority to manage certain administrative processes can enhance adaptability and responsiveness to local taxpayer needs. CoreTax should incorporate real-time taxpayer support, similar to ELSTER's assistance features, to ensure taxpayers can navigate the system effectively. While maintaining a centralized policy framework, Indonesia could adopt Germany's model of regional tax offices having greater control over implementation, ensuring that technological upgrades do not disrupt tax administration nationwide.

### **Comparison of Tax Ratios as a Basis for Policy**

The disparity in tax ratios between Germany and Indonesia is not merely a reflection of different economic conditions; it is an indicator of deep structural differences in tax administration efficiency, enforcement capabilities, and policy effectiveness. Tax ratio, commonly measured as tax revenue as a percentage of GDP, serves as a crucial benchmark for assessing a country's ability to mobilize domestic resources. Germany consistently maintains a high tax-to-GDP ratio of around 40.1%, while Indonesia lags significantly behind at approximately 12.1%. This stark contrast highlights the effectiveness of Germany's tax administration framework while exposing Indonesia's persistent challenges in revenue collection and compliance.<sup>19</sup>

One of the key factors contributing to Germany's higher tax ratio is the country's well-established tax administration infrastructure. The German tax system is characterized by strong institutional capacity, an advanced digital filing system (ELSTER), and high levels of voluntary compliance. In contrast, Indonesia's tax administration faces systemic inefficiencies, including bureaucratic delays, weak enforcement mechanisms, and a significant informal economy that escapes tax obligations.

The German government has successfully integrated technology into tax administration, allowing for seamless digital tax filing, automated cross-checking of financial transactions, and strict enforcement measures. These technological advancements reduce opportunities for tax evasion and improve overall compliance. In contrast, Indonesia's efforts to modernize its tax administration, such as the introduction of CoreTax, have faced setbacks due to technical failures and poor system integration. This failure underscores a fundamental issue: a high tax ratio is not simply achieved through higher tax rates but through efficient administration and enforcement, areas in which Germany excels and Indonesia struggles.

Beyond administrative differences, the structure of a country's economy significantly influences its tax ratio. Germany has a highly formalized economy with a strong industrial base, a large middle class, and a well-documented corporate sector. These factors contribute to a tax system where businesses and individuals are easily identifiable, and taxable income can

---

<sup>19</sup> Purnomolastu, Norbertus. "The analysis of tax ratio in Indonesia and the steps taken to increase it." *Eurasia: Economics & Business*, 6, no. 48 (2021): 117-127.



be accurately assessed. Furthermore, Germany enforces progressive taxation, ensuring that high-income earners contribute proportionally more to government revenues, which enhances fiscal stability.

Indonesia, on the other hand, faces a vastly different economic landscape. A large portion of the population works in the informal sector—street vendors, small traders, and cash-based businesses—that operates outside the formal tax net. According to the Indonesian Ministry of Finance, nearly 60% of the country's workforce is employed in the informal sector, making taxation difficult and leading to revenue losses. Additionally, weak enforcement mechanisms and widespread tax evasion further erode Indonesia's tax base.

A high tax ratio is not only a function of tax policy but also of taxpayer behavior and public trust in government institutions. In Germany, tax compliance is significantly higher due to strong public confidence in how tax revenues are utilized. Citizens generally perceive taxes as contributing to high-quality public services, including healthcare, education, and infrastructure. Germany's transparent tax administration, effective auditing, and strong legal frameworks further reinforce compliance, as taxpayers understand that evasion carries severe penalties.

Indonesia, in contrast, suffers from a tax compliance gap largely due to distrust in government institutions. Corruption, inefficiencies, and a perception that tax revenues are not effectively used discourage voluntary tax payment. A survey conducted by the Indonesian Tax Office found that nearly 40% of respondents believe tax evasion is justified due to dissatisfaction with government spending and public service delivery. Additionally, Indonesia's tax enforcement mechanisms are weaker than Germany's, leading to lower detection rates for evasion and a general culture of tax avoidance among individuals and corporations.<sup>20</sup>

Given the stark differences in tax ratios, Indonesia must adopt a multifaceted approach to improve its revenue collection capabilities. Simply increasing tax rates will not solve the problem; instead, systemic reforms are needed to enhance enforcement, compliance, and public trust. Indonesia's CoreTax failure demonstrates the risks of rushed implementation. Learning from Germany's phased ELSTER rollout, Indonesia should refine its digital tax systems by conducting pilot tests in select regions before nationwide implementation. To increase its tax base, Indonesia must focus on transitioning informal businesses into the formal sector. This can be achieved through financial incentives, simplified tax registration processes, and stricter enforcement of business licensing requirements. Germany's high compliance rates are partly due to citizens' trust in how tax revenues are used. Indonesia needs to increase transparency in government spending and improve public services to encourage voluntary compliance. Publishing detailed reports on tax revenue allocation and enhancing anti-corruption measures could help bridge the trust gap. Germany's strong tax enforcement ensures minimal evasion. Indonesia must strengthen its auditing capacity, impose stricter penalties for non-compliance, and leverage data analytics to track potential tax evasion more effectively. Indonesia's centralized tax administration limits flexibility in addressing regional challenges. Germany's decentralized approach allows regional tax authorities to tailor policies to local economic conditions. Indonesia should consider granting local tax offices more autonomy in enforcement and taxpayer services to improve efficiency.<sup>21</sup>

## Efficiency of Digitalization Based on the Administrative Feasibility Theory

---

<sup>20</sup> Zimmermann, Horst. "History of local taxation in Germany." *Journal of tax reform* 5, no. 1 (2019): 57-69.

<sup>21</sup> Purnomolastu, Norbertus. "The analysis of tax ratio in Indonesia and the steps taken to increase it." *Eurasia: Economics & Business*, 6, no. 48 (2021): 117-127.

Germany's tax digitalization efforts, despite the country's strong economic position, reveal a paradox in administrative feasibility. While Germany has implemented a non-filing system and real-time efficiency measures, its overall digitalization performance in tax administration lags behind other European countries. This is particularly striking given Germany's high GDP per capita, which theoretically should provide ample resources for investment in digital infrastructure. Analyzing Germany's digital tax administration through the lens of the Administrative Feasibility Theory highlights both the advantages and limitations of a decentralized system in adopting new technologies.

Germany's tax administration is heavily decentralized, with 16 federal states (Länder) responsible for collecting taxes and implementing tax policies. This structure inherently creates inefficiencies in digital transformation. The study by Schaebs (2020) using the Digital Economy and Society Index (DESI) found that Germany ranks among the lowest in digitalization compared to other EU countries, despite having significant financial capacity to modernize its tax administration (Schaebs, 2020). The research linked this lagging position to the decentralized tax structure, which results in inconsistent digital strategies across states and slower adoption of unified systems.

Unlike centralized tax administrations in countries like France or the UK, where digital policies can be swiftly implemented nationwide, Germany's fragmented structure requires coordination between multiple independent state tax authorities. This results in delayed implementation of digital solutions, as each state must individually adapt and integrate new technologies. The lack of a unified system means that Germany's transition to real-time taxation and automated processing is hindered by variations in digital readiness across states.

Despite structural challenges, Germany has successfully introduced a non-filing tax system, which simplifies tax compliance by eliminating the need for annual tax returns for many employees. Instead, tax authorities automatically calculate tax obligations based on employer-submitted payroll data and financial records. This model significantly reduces administrative burdens on taxpayers and enhances efficiency. However, while this approach aligns with Administrative Feasibility Theory—by prioritizing simplification and reducing bureaucratic complexity—it remains incomplete due to the underlying structural inefficiencies in Germany's tax administration.

For instance, while pre-filled tax declarations and real-time tax assessments have been implemented, they are not uniformly applied across all federal states due to variations in IT infrastructure and administrative policies. In contrast, countries like Estonia and Denmark, which have highly centralized tax systems, have fully integrated digital taxation that enables seamless real-time auditing and tax collection. Germany's progress in automation is thus limited by the lack of a nationally standardized approach, forcing taxpayers and businesses to navigate different processes depending on their state of residence.<sup>22</sup>

Germany's digital tax administration struggles stand in contrast to Indonesia's Core Tax Administration System (CoreTax), which, despite being centralized, has also faced major implementation failures. CoreTax suffered downtime, data mismatches, and user interface problems, leading to disruptions that forced businesses to revert to manual processes (Reuters, 2025). However, these issues were largely due to technical shortcomings rather than structural inefficiencies. Unlike Germany, Indonesia's central authority can rapidly implement changes and enforce uniform digital policies nationwide, meaning that once CoreTax is refined, its efficiency could surpass that of Germany's fragmented system.<sup>23</sup>

---

<sup>22</sup> Joselin, Vincent Alexis, Temy Setiawan, Ernie Riswandari, and J. J. S. B. Kav. "Indonesia Core Tax System: Road Map to Implementation 2024." *International Journal of Economics, Business and Management Research* 8, no. 06 (2024): 46-56.

<sup>23</sup> Huseynov, Akbar. "Evaluation of tax system in Germany." *Міжнародний науковий журнал Інтернаука* 13 (2017): 40.

Germany's experience demonstrates that decentralization, while allowing for regional flexibility, can slow down the adoption of digital tax innovations. If Germany had a more centralized tax administration, as seen in France or Estonia, the integration of digital solutions would be faster and more consistent across the country. Another major limitation identified in Germany's digital tax transformation is bureaucratic inertia. Despite advancements in automation, the legal and procedural frameworks governing tax administration in Germany remain complex and resistant to rapid change. Schaebs (2020) found that the country's legal framework, which requires coordination among 16 different tax offices, creates bottlenecks in decision-making and implementation. Unlike Estonia, where tax policies are updated centrally and applied uniformly, Germany's reforms require negotiations between state and federal authorities, leading to longer adoption cycles.

Additionally, Germany's tax law remains intricate, necessitating high levels of human intervention in tax administration despite digitalization efforts. This undermines the benefits of automation, as tax authorities still require significant manual oversight to handle discrepancies, appeals, and complex tax cases. Administrative Feasibility Theory suggests that digitalization should reduce administrative burdens, but in Germany's case, digital tools have been layered onto an already complex system rather than simplifying it.

Germany's relative underperformance in tax digitalization becomes even more apparent when compared to other EU nations. According to the adapted DESI (A-DESI) index, which measures digital progress in public services, Germany performs worse than expected given its GDP per capita. Schaebs (2020) demonstrates that countries with comparable economic strength, such as France and Belgium, have significantly more efficient digital tax systems, largely due to their centralized structures.

Moreover, Germany's digital public services, including tax administration, rank in the bottom third of all EU countries. While Germany has the financial resources to invest in cutting-edge tax technology, its fragmented administration prevents a cohesive national strategy, resulting in inefficiencies. Estonia, for example, has a GDP per capita far lower than Germany's, yet its fully digitalized tax system is among the most efficient in the world. This suggests that economic capacity alone is not enough to ensure successful digital transformation; structural efficiency and centralized decision-making play a crucial role.<sup>24</sup>

## CONCLUSION

The analysis of Indonesia's tax administration system through the lens of the Absolute Obligation Theory and fundamental principles of tax administration law reveals a complex interplay between theoretical ideals and practical realities. While Indonesia, as a sovereign state, possesses the legal authority to impose taxes as an absolute obligation on its citizens, the implementation of this authority remains far from optimal. The Absolute Obligation Theory not only demands that citizens fulfill their tax duties but also assumes a state apparatus capable of enforcing those duties efficiently, transparently, and fairly. In Indonesia's case, although reforms have been introduced such as the adoption of electronic tax systems, restructuring of the Directorate General of Taxes, and policy shifts aimed at improving compliance. These include low voluntary compliance rates, inefficiencies in tax collection, lack of coordination across administrative bodies, and the limited capacity of enforcement institutions to deter tax evasion or resolve disputes effectively.

Germany's tax administration exemplifies how clear legal structures, strong administrative institutions, and a high level of taxpayer trust contribute to compliance and collection efficiency. Germany's success lies not only in technical capacity but also in its legal certainty, procedural transparency, and public accountability. These are areas where Indonesia

---

<sup>24</sup> Fetzer, Thomas. "E-government in Germany." *DeSIGNING e. GOVERNMeNT* (2007): 85.

still faces significant challenges. The discrepancy underscores the importance of not only enacting tax laws but also ensuring their consistent and fair application through well-trained personnel, reliable systems, and robust enforcement mechanisms. It also points to the need for long-term institutional investment rather than fragmented or superficial reforms. The failure of Indonesia's core tax system to meet theoretical and functional expectations can be traced to three key problem areas: policy design, administrative capacity, and enforcement strategy. Policy design in Indonesia has often been reactive rather than systemic, leading to inconsistencies and loopholes that reduce the overall effectiveness of tax regulation. Administrative capacity remains limited, particularly in terms of human resources, digital infrastructure, and inter-agency coordination. Enforcement strategy, meanwhile, has frequently been weakened by political considerations, limited investigative tools, and a lack of autonomy among tax authorities. These interconnected weaknesses hinder the realization of a coherent, accountable, and effective tax system grounded in legal principles and public trust.

## REFERENCE

- Ali, Zainuddin. *Metode penelitian hukum*. Sinar Grafika, 2021.
- Alink, Matthijs, and Victor Van Kommer. *Handbook on tax administration*. IBFD, 2011.
- Alm, James. *Can Indonesia reform its tax system?: problems and options*. No. 1906. Tulane University, Department of Economics, 2019.
- Arianty, Fitria. "IMPLEMENTATION CHALLENGES AND OPPORTUNITIES CORETAX ADMINISTRATION SYSTEM ON THE EFFICIENCY OF TAX ADMINISTRATION." *Jurnal Vokasi Indonesia* 12, no. 2 (2024): 2.
- Arifin, Dharmawan, Aris Prio Agus Santoso, and Poniman Poniman. "Discourse on the Coretax System in Indonesia: A Study of Legal Certainty and Guarantees for Taxpayers." *The Easta Journal Law and Human Rights* 3, no. 02 (2025): 118-127.
- Cotton, Ms Margaret, and Gregory Dark. *Use of technology in tax administrations 2: Core information technology systems in tax administrations*. International Monetary Fund, 2017.
- da Cunha Tavares, Henrique, and Adriano Sant'Ana Pedra. "Accessory tax obligations from the perspective of the fundamental duties theory." *Human Rights, Rule of Law and the Contemporary Social Challenges in Complex Societies* (2015): 2281.
- Fetzer, Thomas. "E-government in Germany." *DeSIGNING e. GOVeRNMeNT* (2007): 85.
- Fetzer, Thomas. "E-government in Germany." *DeSIGNING e. GOVeRNMeNT* (2007): 85.
- Grewal, Amandeep S. "Taking Administrative Law to Tax: Foreword." *Duke Law Journal* 63, no. 8 (2014): 1625-1633.
- Huseynov, Akbar. "Evaluation of tax system in Germany." *Міжнародний науковий журнал Інтернаука* 13 (2017): 40.
- Jacobs, Bas. "Digitalization and taxation." *Digital revolutions in public finance* (2017): 25-55.
- Joselin, Vincent Alexis, Temy Setiawan, Ernie Riswandari, and J. J. S. B. Kav. "Indonesia Core Tax System: Road Map to Implementation 2024." *International Journal of Economics, Business and Management Research* 8, no. 06 (2024): 46-56.
- Law Number 7 of 2021 concerning Harmonization of Tax Regulations
- Matabean, Redhy, and Vishnu Juwono. "Implementation of Data Collection Policy and Tax Information on Directorate General of Taxes." *Jurnal Borneo Administrator* 17, no. 3 (2021): 365-378.
- Mikesell, John L. "Tax administration: The link between tax law and tax collections." *PUBLIC ADMINISTRATION AND PUBLIC POLICY* 67 (1998): 173-198.
- Purnomolastu, Norbertus. "The analysis of tax ratio in Indonesia and the steps taken to increase it." *Eurasia: Economics & Business*, 6, no. 48 (2021): 117-127.

- Rahayu, Derita Prapti, M. SH, and Sesi Ke. "Metode Penelitian Hukum." *Yogyakarta: Thafa Media* (2020).
- Regulation of the Minister of Finance Number 81 of 2024 concerning Tax Provisions in the Framework of Implementing the Core Tax Administration System
- Shome, Parthasarathi. *Taxation history, theory, law and administration*. Cham: Springer, 2021.
- Sihombing, Jonker. *Pokok-Pokok Hukum Pajak*. Bandung: PT Alumni, 2013.
- Sutedi, Adrian. *Hukum pajak*. Sinar Grafika, 2022.
- Thuronyi, Victor, and Kim Brooks. *Comparative tax law*. Kluwer Law International BV, 2016.
- Végh, Gyöngyi. "Tax administration good governance." *EC Tax Review* 27, no. 1 (2018).
- Zimmermann, Horst. "History of local taxation in Germany." *Journal of tax reform* 5, no. 1 (2019): 57-69.