CHAPTER I

INTRODUCTION

1.1 Background

Tax revenue is one of the primary origins of government income since it supplies the financial resources needed for public services, infrastructure, education, healthcare, social protection, and other national development initiatives. For developing countries, solid domestic revenue is especially important as it enables governments to fund development without relying too much on external financing. In Indonesia taxation forms a major part of government revenue. In 2024 total state revenue amounted to about IDR 2,842.5 trillion. Taxation revenue amounted to approximately IDR 2,232.7 trillion, this comprising IDR 1,932.4 trillion in tax revenue and IDR 300.2 trillion in customs and excise revenue. (Menkeu : Penerimaan Pajak Ditargetkan Tumbuh 9,3% pada RAPBN 2024,) These figures demonstrate the significant role that taxation plays in strengthening Indonesia's fiscal capacity and in supporting its public development programmes.

Table 1.1 State Revenue Composition (APBN 2024)

Component	Amount (IDR Trillion)	Percentage
Total State Revenue	2,842.5	100.0%
Taxation Revenue	2,232.7	78.5%
Non-Tax State Revenue	579.5	20.4%
Grants	30.3	1.1%

Source: Ministry of Finance of the Republic of Indonesia, 2024 State Budget Realization.

Since taxation is a major source of government income, enhancing compliance by taxpayers is still one of the Directorate General of Taxes' (DGT) key aims. Indonesia uses a self-assessment tax system under which taxpayers are required to calculate their tax liabilities, pay them, and report them. (OECD Economic Surveys: Indonesia 2024) With this system, effective tax administration relies not only on enforcement but also on taxpayers' willingness to meet their obligations; trust in tax authorities has therefore been seen as a crucial element in achieving voluntary compliance. The Slippery Slope Framework created by Kirchler, Hoelzl, and Wahl (2008) states that trust in tax authorities and the power of tax authorities are important dimensions when it comes to understanding both voluntary and enforced compliance.

The Slippery Slope Framework (SSF) is the principal theoretical basis of the present study. According to Kirchler et al. (2008), tax compliance can be explained in terms of two key dimensions: the level of trust that taxpayers have in the tax authorities and the extent of the power held by those authorities. Trust is linked to voluntary compliance, while the power of the tax authorities is more closely connected with compliance that is enforced by means such as audits, monitoring, and sanctions. The framework also stresses that trust and power can influence each other in determining taxpayers' compliance behaviour.

This study concentrates on the trust aspect rather than the power aspect since the primary research issue is how taxpayers come to have confidence in a digital tax platform. It does not look at tax audits, enforcement capabilities, sanctions, or any other measures of tax authority power; instead, it investigates the factors which can lead to trust in Coretax and the part that this trust plays in tax compliance behaviour. It therefore follows that omitting power from the empirical model does not mean that the SSF is being rejected, but simply reflects a focused use of the trust dimension of the framework in the context of a digital tax environment.

Moreover, the study makes a distinction between trust in institutions and trust in the digital tax platform. By 'institutional trust' is meant the confidence that taxpayers have in the Directorate General of Taxes as the body responsible for tax administration, and 'trust in the digital tax platform' refers to the confidence taxpayers have in the reliability, functionality, security, and correct operation of Coretax. It is important to make this distinction since it is possible for taxpayers to have confidence in the tax authority yet to still have concerns regarding the digital platform via which tax services are provided.

At the same time, digital technology has altered the way in which governments provide public services. In many countries tax authorities are now making greater use of digital systems in order to simplify procedures, improve data management, reduce administrative burdens and promote compliance. (OECD Economic Surveys: Indonesia 2024) The OECD considers that digital transformation is an essential element of the modernisation of tax administration and points out that technology is becoming more and more embedded in the processes of tax administration. (Tax Administration Digitalisation and Digital Transformation Initiative).

Indonesia has likewise carried out major digital reforms in the field of tax administration. Prior to the launch of Coretax, taxpayers had access to a number of electronic services such as e-Filing, e-Billing, e-Faktur, and DJP Online. Although these services facilitated key tax activities, they had been developed at various times and were designed for separate administrative purposes. There was a clear need to integrate the tax processes, information, and data, which was a major factor in the creation of a more comprehensive tax administration system. (Tax Administration 2024: Comparative Information on OECD and other Advanced and Emerging Economies).

In order to meet this requirement, Indonesia launched the Core Tax Administration System, which is generally referred to as Coretax DJP. Coretax is an integrated system for tax administration and provides support for key activities including taxpayer registration, tax reporting, tax payment, tax services, and tax administration. It was formally launched on 31 December 2024 and started to be implemented on 1 January 2025. (CoreTax Explained: What Foreign Investors Need to Know About Indonesia's New Tax System, 2024) The Directorate General of Taxes refers to Coretax as part of the modernization of Indonesia's tax administration and as a system meant to integrate the main tax administration processes.

The introduction of a large digital platform is not merely a matter of having the necessary technology. In order for digital government services to obtain the benefits for which they were intended, it is essential that users are able and willing to make use of them and have adequate confidence in the systems in question. Studies of information systems have demonstrated that the quality of a system can affect users' experiences and their perceptions of that system (DeLone & McLean, 2003).

Research into electronic government has likewise stressed the importance of trust and the level of perceived risk in determining users' willingness to interact with digital government services (Bélanger & Carter, 2008).

For this reason, trust becomes particularly important in digital tax administration. In traditional tax administration, trust is mainly discussed in relation to the tax authority. In a digital environment, however, taxpayers must also rely on the technology through which they perform their tax obligations. Trust in a digital tax platform can therefore be understood as taxpayers' confidence that the platform is reliable, works as expected, protects their information, and allows them to complete tax-related activities properly. This distinction is important because a taxpayer may trust the tax authority as an institution but still have concerns about the reliability, usability, or security of its digital platform.

A factor which can affect people's trust in a digital tax system is the way the system is perceived. According to DeLone and McLean (2003), system quality is one of the key aspects of the success of information systems. This kind of quality involves the performance and functionality features of an information system. With regard to Coretax, taxpayers rely on the system to carry out things like accessing their tax information, submitting their tax documents and carrying out other tax-related tasks. If the system is stable, easy to access, responsive and user-friendly it is likely to lead to more satisfactory user experiences and thus increase confidence in the platform.

Evidence obtained more recently in Indonesia also demonstrates the importance of system quality in the case of Coretax. Pawitri and Anggara (2025) looked at system quality amongst users of Coretax and discovered that system quality had a positive and significant impact on both perceived ease of use and perceived usefulness, these in turn affecting the users' intention to behave in a way that involves using Coretax. The study shows that system features are still important at the initial stage of Coretax's implementation.

A further significant factor is trust in institutions. By this is meant the confidence that taxpayers place in the competence, integrity, fairness, and reliability of the institution in charge of tax administration. Even though taxpayers usually deal mainly with Coretax and not directly with tax officers, the DGT is still responsible for the system, its rules, its services, and its management. The Slippery Slope Framework stresses the importance of trust in tax authorities when it comes to explaining voluntary compliance (Kirchler et al., 2008). Thus, trust in institutions continues to be relevant even though tax administration is becoming more and more digital.

Digital literacy is another factor that may influence taxpayers' experiences with digital tax services. Digital literacy refers broadly to the ability to understand and use digital technologies effectively. (Tamborg et al., 2018) Ng (2012), for example, examined digital literacy in relation to the ability of users to understand and adopt digital technologies. In the tax context, taxpayers with stronger digital skills may find it easier to navigate online procedures, understand digital instructions, solve basic technical problems, and complete tax-related activities. In contrast, taxpayers with limited digital skills may experience greater difficulty when using a The fourth aspect is that of perceived information security and privacy. Since digital tax administration involves taxpayers having to supply and access sensitive data such as identification details, income information, financial records, and tax transactions, it is essential that taxpayers have the confidence that their information is adequately protected. Bélanger and Carter (2008) stated that trust and the perception of risk are important when it comes to the adoption of electronic government services, particularly in regard to trust in both the government and the Internet. It follows that in the case of Coretax, concerns about information security and privacy may affect taxpayers' confidence in the digital platform. fluence taxpayers' confidence in the digital platform.

The introduction of Coretax. The Directorate General of Taxes (DGT) admitted that when Coretax was put into implementation on 1 January 2025, it caused difficulties regarding various service features and led to delays in the delivery of tax administration services. The DGT stated that it had taken a number of corrective measures, such as increasing network capacity, boosting bandwidth, improving the system's functions, and raising the capacity for processing tax invoices. (Keterangan

Tertulis Implementasi Coretax DJP, 2025) The fact that such developments took place shows that the implementation of Coretax was not merely a technological substitution, but rather a significant transition that demanded ongoing system improvements and adaptation by taxpayers.

The fact that this implementation has given rise to a significant research phenomenon lies in the fact that Coretax has altered the way taxpayers interact with the Indonesian tax administration by introducing a number of tax-related activities into a unified digital environment. Since taxpayers are now increasingly relying on the platform to obtain information, file their tax documents, and carry out various tax-related procedures, the level of confidence they have in the system has become a key behavioural factor. Moreover, because there were initial difficulties in implementing the system, it is important to examine whether taxpayers' perceptions of the quality of the system, the reliability of the institution, their digital capabilities, and the security and privacy of their information are linked to their trust in the platform. Thus, the research phenomenon concerned in this study is not simply the implementation of Coretax as a new digital tax system, but also the development of taxpayers' trust in the platform as Indonesia moves towards an integrated digital tax administration.

These implementation experiences constitute an important research phenomenon. By transferring a large number of tax-related activities into a single integrated digital environment, Coretax has altered the way in which taxpayers interact with the tax administration. Since taxpayers are now relying more and more on the platform to carry out their tax responsibilities, their views on the performance of the system, the reliability of the institution, the digital capabilities of the system, and the protection of their information have become increasingly significant. Even if a system is technically advanced, it will not reach the aims for which it was designed if taxpayers do not feel confident about using it. It is therefore essential to understand how taxpayers come to trust Coretax when assessing the behavioural aspect of Indonesia's digital tax transformation. The phenomenon is therefore not simply the introduction of new tax technology, but also the growth of taxpayers' confidence in using that technology to meet their tax obligations. This gives rise to a major research issue regarding the contribution of technological, institutional, individual, and security-related factors to trust in the digital tax platform.

The Coretax phenomenon is therefore more than just the introduction of a new information system; it signifies a wider shift in the way taxpayers, technology, and the tax authority relate to one another. Taxpayers nowadays have to place their confidence not only in the organisation responsible for tax administration but also in the digital system by means of which they carry out their tax activities. Issues concerning the reliability of the system, its ease of use, the digital capabilities it possesses, or information security can affect taxpayers' confidence in the platform and their readiness to rely on it. Trust in the digital tax platform is thus a key factor when it comes to understanding taxpayer behaviour in the new digital tax environment.

Recent studies in Indonesia have started to offer empirical evidence regarding the early introduction of Coretax, although these studies have looked at different aspects of the system. Pawitri and Anggara (2025), who analysed data from 97 Coretax users, looked at system quality and discovered that system quality had a positive impact on both perceived ease of use and perceived usefulness, which in turn affected the users' intention to use Coretax. On the other hand, Khusniah et al. (2025) carried out a literature review in order to investigate the role of digital Coretax technology in corporate income tax compliance and found that system readiness and users' digital literacy were important challenges. More recently, Sihotang et al. (2026) looked at system quality and perceived cybersecurity in relation to tax compliance, taking user satisfaction as a mediator, while Widjaja (2026) examined competence, information system quality, satisfaction, and tax compliance among 270 Coretax users. Sihotang et al. (2026) found that both system quality and perceived cybersecurity had a significant effect on user satisfaction and that system quality, perceived cybersecurity, and satisfaction were all related to tax compliance. Widjaja (2026), however, stated that information system quality did not have a significant influence on tax compliance, whereas taxpayer competence and satisfaction did show significant relationships with compliance.

The latest findings indicate that Coretax research is advancing, although the existing studies have so far been primarily concerned with system quality, adoption, satisfaction, cybersecurity, competence, or direct tax compliance. Since these studies have been the case, only limited empirical attention has been paid to the way in which technological, institutional, individual, and security-related factors together affect taxpayers' trust in the Coretax digital platform and how that trust in turn is linked to tax compliance behaviour. This therefore forms a solid foundation for the current study.

Although these studies provide useful evidence, they do not fully explain how technological, institutional, and individual factors jointly contribute to trust in the digital tax platform and how this trust may subsequently influence tax compliance behavior. This issue is important because system quality, institutional trust, digital literacy, and information security and privacy represent different dimensions of the taxpayer's experience. Examining them together may provide a clearer explanation of how confidence in a digital tax platform is formed.

Therefore, this study examines perceived system quality, institutional trust, digital literacy, and perceived information security and privacy as factors that may influence trust in the digital tax platform. Trust in the digital tax platform is then examined as a mechanism that may influence tax compliance behavior. By doing so, the study connects technological, institutional, and individual factors within one framework and examines their relationships in the context of Indonesia's Coretax system.

1.2 Research Gap

Even though digital tax administration has attracted increasing attention, there are still some gaps in the existing literature. This is especially relevant since Coretax marks a new phase of integrated tax administration in Indonesia. (Artavia et al., 2025).

There is first of all an integrated-model gap. Although earlier studies have looked at system quality, institutional trust, digital literacy, information security and privacy, technology adoption, and tax compliance from various points of view, these factors have generally been studied separately or in different research contexts. For instance, DeLone and McLean (2003) laid an important foundation for understanding system quality, and Bélanger and Carter (2008) showed the importance of trust and risk in relation to the adoption of electronic government services. The current study combines technological, institutional, and individual factors in order to explain trust in a digital tax platform.

Second, a contextual gap exists. Most of the previous literature on digital taxes has been concerned with electronic services such as e-Filing, e-Billing, e-Faktur, or other forms of electronic government services. Coretax is different since it is designed as an integrated system that covers a number of tax administration processes. (Kelana & Tin, 2026) More recent studies in Indonesia have started to look at Coretax from various angles, such as system quality and user adoption (Pawitri & Anggara, 2025) and the role of digital Coretax technology in ensuring corporate income tax compliance by means of a literature review (Khusniah et al., 2025). However, empirical evidence regarding the development of trust in the integrated Coretax platform is still in its early stages. (Kelana & Tin, 2026).

Thirdly, there is a gap between the concept of trust and its application. The Slippery Slope Framework mainly accounts for tax compliance by relying on trust in tax authorities and on the power of those authorities (Kirchler et al., 2008). Yet digital tax administration introduces another important area of trust: the digital platform itself. It is possible for taxpayers to place trust in the DGT as an institution while at the same time being unsure about whether the digital platform is reliable, easy to use, or adequately secure (deaa, 2025). For this reason, trust in the digital tax platform should be regarded as a separate construct and not be considered the same as institutional trust.

Fourth, there is a mediation gap. Recent studies have looked at the relationships between system quality, cybersecurity, satisfaction, competence, and tax compliance among users of Coretax. For instance, Sihotang et al. (2026) looked at user satisfaction as a mediator in the relationship between system-related factors and tax compliance. Yet, limited empirical attention has been paid to trust in the digital tax platform as the main mechanism by which technological, institutional, and individual factors might affect tax compliance (Komarudin & Hermawan, 2022).

Fifth, there is a theoretical-extension gap. Existing Coretax studies provide useful empirical evidence, but the role of digital platform trust has not yet been sufficiently connected to the Slippery Slope Framework. The original framework focuses on trust in tax authorities, whereas digital tax administration introduces a technology-mediated relationship between taxpayers and government. (Larissa et al., 2026) This study addresses this gap by extending the application of the framework to a digital setting in which trust in the platform becomes an important part of the taxpayer's experience.

Looking at the matter from an empirical point of view, the more recent literature on Coretax also reveals a clear difference in the focus of the research. Pawitri and Anggara (2025) looked at system quality and the users' behavioural intention to use Coretax among 97 users, whereas Sihotang et al. (2026) investigated system quality, perceived cybersecurity, user satisfaction, and tax compliance among 110 individual taxpayers. Widjaja (2026) examined competence, information system quality, satisfaction, and tax compliance among 270 users of Coretax. Even though these studies offer useful empirical evidence, they do not look at the combined effect of perceived system quality, institutional trust, digital literacy, and perceived information security and privacy in the formation of trust in the Coretax digital platform. Furthermore, they do not regard trust in the digital tax platform as the central mediating mechanism that links these factors to tax compliance behaviour. For this reason, the present study fills an empirical gap by looking at all these relationships together in a single research model.

In order to fill these gaps, the present study proposes an integrated research model that looks at perceived system quality, institutional trust, digital literacy, and perceived information security and privacy as factors influencing trust in the digital tax platform, while at the same time examining trust in the digital tax platform as a factor affecting tax compliance behaviour. The study thus links three aspects of the digital tax experience: the technological aspect, the institutional aspect, and the taxpayer's capability.

The main theoretical contribution of this study lies in the application of the Slippery Slope Framework (SSF) to the area of digital taxation. Kirchler et al. (2008) created the SSF in order to explain tax compliance by looking at the interaction between taxpayers' trust in tax authorities and the power of those authorities. In the case of traditional tax administration, trust is generally focused on the tax authority as the institution in charge of collecting and administering taxes.

The aspect relating to power is the ability of tax authorities to detect and enforce non-compliance, while the one relating to trust is concerned with taxpayers' willingness to comply voluntarily on the basis of their confidence in the tax authority.

The way in which taxpayers interact with tax authorities has been altered by digital tax administration, so that they now carry out their tax-related activities mainly via digital platforms rather than by dealing directly with tax officers. (Safitri et al., 2026). In this kind of situation, taxpayers may have to place their confidence not only in the organisation in charge of taxation but also in the digital platform by means of which their tax duties are carried out; for this reason the present study separates institutional trust from trust in the digital tax platform.

From this point of view, the study applies the trust dimension of the SSF by treating trust in the digital tax platform as a separate construct in the context of the digital tax environment. It does not replace the original SSF nor alter its basic logic, since the research issue is about the formation of trust in a digital tax platform and not concerning the enforcement ability of the tax authority. The power dimension is thus beyond the empirical scope of the present study.

This study also combines four factors which reflect the various dimensions of the experience of paying digital taxes: perceived system quality, institutional trust, digital literacy, and perceived information security and privacy. The factor of perceived system quality refers to the technological aspect, institutional trust relates to the institutional aspect, digital literacy relates to the taxpayer's capability aspect, and perceived information security and privacy refers to the security aspect of the digital tax environment.

The factors are looked at here as antecedents of trust in the digital tax platform, and trust in that digital tax platform is then considered as a mediating mechanism between those factors and tax compliance behaviour. This approach offers an integrated view of how taxpayers' confidence in a digital tax platform can be developed and how that confidence relates to their tax compliance behaviour.

The main contribution of this study is to integrate technological, institutional, individual, and security-related factors into one research model. This method offers a more comprehensive explanation of the way trust is developed in digital tax administration than would be the case if the factors were looked at individually. (Luthfia & Alkhajar, 2026) Moreover, it forms a foundation for understanding how the shift from traditional tax administration to integrated digital systems might affect the relationship between taxpayers, tax authorities, and tax compliance.

1.3 Research Questions

Based on the research background and identified research gaps, the research questions are:

1. Does perceived system quality influence trust in the Coretax digital tax platform?
2. Does institutional trust influence trust in the Coretax digital tax platform?
3. Does digital literacy influence trust in the Coretax digital tax platform?
4. Does perceived information security and privacy influence trust in the Coretax digital tax platform?
5. Does trust in the Coretax digital tax platform influence tax compliance behavior?

1.4 Research Objectives

Based on the research questions, the objectives of this study are:

1. To analyze the influence of perceived system quality on trust in the Coretax digital tax platform.
2. To examine the influence of institutional trust on trust in the Coretax digital tax platform.
3. To analyze the influence of digital literacy on trust in the Coretax digital tax platform.
4. To examine the influence of perceived information security and privacy on trust in the Coretax digital tax platform.
5. To analyze the influence of trust in the Coretax digital tax platform on tax compliance behavior.

1.5 Significance of the Study

The study is expected to make a contribution to the areas of taxation, information systems, and digital government by enhancing understanding of the factors which influence trust in digital tax platforms and of the relationship between that trust and tax compliance behaviour. (Riswandari, 2026) Furthermore, the findings are expected to offer practical information for improving digital tax administration in Indonesia. (Riswandari, 2026).

1.5.1 Theoretical Significance

From a theoretical point of view, this study makes a contribution to the existing body of work on taxation, information systems, and digital government by using the Slippery Slope Framework in the area of digital tax administration. It separates trust in the tax authority from trust in the digital tax platform and looks at the role of trust in the platform with regard to taxpayers' compliance behaviour.

The study also makes use of the system-quality viewpoint from the DeLone and McLean Information Systems Success Model (2003) in the context of an integrated digital tax administration system (Ardiana & Setyowati, 2026). By looking at perceived system quality along with institutional trust, digital literacy, and the perception of information security and privacy, the study offers an integrated view of how trust is developed in a digital tax platform. The results could serve as a useful basis for further research into digital tax administration, trust, and taxpayer behaviour in Indonesia and in other developing countries that are adopting integrated digital tax systems.

1.5.2 Practical Significance

In practical terms, the results of this study are likely to offer valuable insights to a number of the parties who are involved in Indonesia's digital tax administration.

The Directorate General of Taxes (DGT) will be able to use the findings to pinpoint the main factors which strengthen taxpayers' trust in Coretax. If these factors can be taken into account, this will aid in making future improvements in system quality, the delivery of digital services, taxpayer assistance, and information security. It is expected that such improvements will lead to higher levels of taxpayer satisfaction, promote ongoing use of digital tax services, and enhance voluntary tax compliance. (Riswandari, 2026).

This study offers empirical evidence which can be used by the Ministry of Finance of the Republic of Indonesia to support future policies concerning digital tax administration. It could help policymakers in assessing the implementation of Coretax, in identifying operational difficulties, and in deciding the priority areas for further investment, for organisational improvement, and for digital transformation.

The report offers practical insights into the technical features that taxpayers find important when they use digital tax systems. If people's expectations with regard to reliability, usability, accessibility, response speed, and information security are better understood, this could help in the creation of more effective and user-friendly digital tax systems. (Pawitri & Anggara, 2025).

For taxpayers the results could indirectly help to improve the quality of digital tax services since better system performance, stronger data protection, clearer digital procedures and greater institutional transparency are likely to increase their confidence in digital tax administration and make it easier for them to meet their tax obligations. (Suartika et al., 2026).

1.5.3 Policy Significance

This study also has significant implications for public policy, especially in connection with Indonesia's current digital tax reform. The introduction of Coretax is part of a long-term national strategy aimed at modernising tax administration, improving the quality of service, enhancing tax compliance, and increasing government revenue by means of digital innovation. (Wati, 2024) Yet in order to achieve these goals it is necessary to go beyond simply making technological investments; public trust, effective communication, digital capability, robust information security, and continuous evaluation of the system are also important. (Larissa et al., 2026).

This study's findings should help promote evidence-based policymaking by highlighting the technological, institutional, and individual factors which affect taxpayers' trust in digital tax platforms. The evidence obtained could help policymakers in formulating more effective strategies aimed at improving the quality of digital services, strengthening cybersecurity and privacy protection, enhancing taxpayer education, and boosting public confidence in digital tax administration.

Moreover, the results could offer valuable lessons for other developing countries which are modernising their tax administrations by means of integrated digital systems. Since digital transformation is still altering public administration all over the world, understanding the way in which trust affects taxpayer behaviour can assist governments in creating digital tax systems that are more efficient, transparent, secure and responsive to citizens' needs (Ma, 2026).

1.6 Structure of the Thesis:

The thesis is organized into five chapters.

Chapter I: Introduction

he chapter includes a discussion of the research background, the research phenomenon, the research gaps, the research questions, the research objectives, the theoretical and practical significance, the policy significance, and the structure of the thesis.

Chapter II: Literature Review

The chapter looks at the theoretical basis of the study, covering the Slippery Slope Framework and other information systems perspectives. It also examines earlier empirical studies that dealt with perceived system quality, institutional trust, digital literacy, perceived information security and privacy, trust in the digital tax platform, and tax compliance behaviour. Lastly, the chapter presents the conceptual framework together with the research hypotheses

Chapter III: Research Methodology

The chapter outlines the research design, the population and sample, the sampling method, the procedures used to collect the data, the definitions of the variables, the measurement tools, the methods of data analysis, and the procedures for hypothesis testing.

Chapter IV: Results and Discussion

The chapter includes the results of the data analysis and examines the findings with reference to the hypotheses proposed, the theoretical framework, and the relevant studies which have been carried out previously.

Chapter V: Conclusion

The chapter contains the study's conclusions, a discussion of its research limitations, the theoretical and practical implications, and suggestions for future research.