Responses of Small Business Communities to Core Tax Systems: The Future Implications for Taxpayer Compliance in Indonesia

Supriyati[1*] , Kadek Pranetha Prananjaya[2], Dewi Murdiawati[3], Erida Herlina[4]

[1,2,3,4] *University of the Indonesia Country Hayam Wuruk Perbanas, INDONESIA*

*Corresponding Author: supriyati@perbanas.ac.id

ABSTRACT

This paper aims to analyze the effect of the core tax system and tax penalties on taxpayer compliance. This study was conducted using experimental testing with participants being individual taxpayers who own businesses (MSMEs) in Surabaya. An experiment is a research design to investigate an event by engineering certain circumstances and conditions through a process and then observing the results of the engineering. The results of the analysis show that the core tax system has a positive effect on voluntary compliance, while tax penalties tend to increase forced compliance. Both variables have complementary roles in encouraging increased tax compliance. This study is limited to MSME taxpayers in Surabaya, so the findings may not be generalized to all taxpayer groups in Indonesia. Future research could expand the scope to other regions, different types of taxpayers, or compare across countries. The findings provide practical insights for the Directorate General of Taxes in Indonesia. Improving the ease of use of the core tax system and applying fair but firm penalties can enhance overall compliance and reduce administrative burden. Higher taxpayer compliance contributes to increased state revenue, which supports public services, reduces inequality, and strengthens sustainable development in Indonesia. The core tax system is a form of digital transformation by the Directorate General of Taxes that aims to improve the efficiency, transparency, and convenience of tax services. On the other hand, tax penalties are used as a law enforcement tool that provides a deterrent effect.

Keywords: Core Tax System, Tax Penalties, Tax Compliance, Digitalization

INTRODUCTION

Taxpayer compliance has become a significant focus in modern tax system management. Taxpayer compliance is an important aspect of Government attention. Taxpayer compliance triggers state revenue, and the higher the state revenue, the better the state can manage the country. The fact is that taxpayer compliance in Indonesia has not yet been optimally achieved, as shown by the fact that the tax revenue target has not been met (Ardika, M. I., Hardika, N. S., & Suardani, 2023). The Indonesian Minister of Finance has stated that taxpayer compliance is still around 65%, which is why tax revenue is not yet optimal (Meilandri, 2025). Taxpayer compliance in Indonesia remains a very complex phenomenon for the Government and society (Supriyati et al., 2024). The Government has sought to improve internal mechanisms for tax compliance through tax reforms that have been ongoing since 1998. Tax reform focuses on intensification, extensification, regulatory changes, administrative efficiency, improving the quality of tax officials, and digitizing tax information (Darmayasa, 2024; Joselin *et al*, 2024; Supriyati, & Prananjaya, 2018). In line with current digital technology demands, the Government is implementing the 2025 Core Tax System, which accommodates ease of recording, calculating, paying, and reporting taxes for taxpayers, especially MSME taxpayers. The majority of companies in Indonesia are classified as MSME taxpayers who face obstacles in business management, recording capabilities, and low tax compliance (Rincón et al., 2023). The Core

Tax System is expected to help MSME taxpayers fulfill their tax obligations and avoid tax penalties for late or non-fulfillment of their tax obligations. Taxpayers who fulfill their tax obligations demonstrate an improved level of tax compliance. This study focuses more on the Core Tax System and Tax Penalties on the compliance of MSME taxpayers.

REVIEW OF LITERATURE

The level of taxpayer compliance is still low, annual tax revenue targets are increasing, the number of human resources is not proportional to the number of taxpayers, the rapid development of the *digital* economy and technology, and regulations that anticipate developments in trade transactions are still unclear (Supriyati et al., 2018; Vladimir, V.D., & Stephen, 2023). This has an impact on the behavior of taxpayers who are negligent and reluctant to fulfill their tax obligations (Hamid et al, 2022; Perveen, N., & Ahmad, 2022). The suboptimal compliance of taxpayers is evident in Indonesia's *tax ratio* in 2022, which is 10.1%, relatively low compared to other countries in the Asia-Pacific region with an average *tax ratio* of 19%. (Afriani et al, 2023) . Another problem faced by the Government is the decline in Government budget, the expansion of development aspects, the decline in people's purchasing power, and the decline in taxpayer income, making it important to examine taxpayer compliance behavior. Voluntary taxpayer compliance encourages Government efforts to increase state revenue and accelerate the country's development process. For taxpayers themselves, it has the effect of reducing tax penalties, reducing the potential for tax audits, facilitating taxpayer business, and increasing a sense of security and fairness.

Attribution Theory was first developed by Fritz Heider (1958) and further developed by Harold Kelley (1967) and Bernard Weiner (1971, 1985), showing that when individuals observe something in their environment, it inevitably leads to the emergence of judgments and behavior (Heider, 1958). The factors that become the focus of observation can originate from internal factors (tax awareness, morals and ethics, tax knowledge, sense of responsibility as a citizen) or external factors (quality of tax services, level of supervision by tax authorities, severity of tax penalties, complexity of regulations, trust in the Government). Individuals exhibit compliant or non-compliant behavior regarding their tax obligations due to underlying internal or external factor (Fajriana et al , 2023). For the Government, attributing the causes of taxpayer behavior is a trigger for designing appropriate strategies. Attribution theory is able to explain the relationship between the digitization of tax information, tax penalties, and taxpayer compliance.

Tax reform is the solution, and *the Core Tax System* is the model for Government services. The *Core Tax System* was developed to improve Government services, provide digital administrative convenience, and increase *tax compliance* (Darmayasa, I. N., & Hardika, 2024; Supriyati et al., 2024; Suganda et al., 2025). Attribution theory is relevant in this study because circumstances determine taxpayer behavior in fulfilling their tax obligations, both internal factors (understanding of tax regulations) and external factors (tax authority services, tax penalties). These internal and external factors can influence taxpayers' decisions to comply or not in fulfilling their tax obligations (Supriyati., 2018; Hamid et al, 2022; Sulistyono, H., & Mappanyukki, 2023). The tax penalties stipulated in the Taxation Harmonization Law (HPP Law) are still relatively low, and the many loopholes or alternative actions available to taxpayers in the HPP Law are suspected to be the cause of taxpayers engaging in *tax planning* and behaving non-compliantly in fulfilling their tax obligations. Taxpayers do this because their ability to pay after the pandemic is still low. The implementation of *the Core Tax System* is a way for taxpayers to be compliant by not doing excessive *tax planning,* while still considering tax penalties.

The development of tax digitalization began in 2002 with the launch of e-SPT until the development of tax information technology (*Core Tax System*) in 2024, which focuses on the interests of taxpayers as users of the system (Rina Nurhaliza, 2023; Joselin et al, 2024; Hamid et al., 2022). *The Core Tax System* is a tax reform that includes planning, development, and Government support. The tax authorities have formulated a series of strategic policies, including *tax amnesty* policies and voluntary disclosure programs (Perveen, N., & Ahmad, 2022; Darmayasa, I. N., & Hardika, 2024). This strategy is still not optimal for improving taxpayer compliance in the long term (Samuel, 2021; Meiliyah et al., 2025). *The Core Tax System* is important to develop due to the limitations of the old system, simplification of processes, stricter supervision, and increased tax revenue (Sulistyono, H., & Mappanyukki, 2023; Mbise, K. S., & Baseka, 2023). *The Core Tax System* will be implemented in 2025 in line with the Government's current objectives (John A. Smith, 2022; Darmayasa, I. N., & Hardika, 2024; Suganda et al., 2025). However, one of the challenges facing the Government is the level of taxpayer compliance. This research is important considering the suboptimal level of taxpayer compliance and the launch of *the Core Tax System* as an integrated administrative tool for taxpayers, a risk-based tax system, and a tool to assist in the collection of taxpayer data (Afriani et al., 2023; Ardika et al., 2023; Mbise, K. S., & Baseka, 2023)
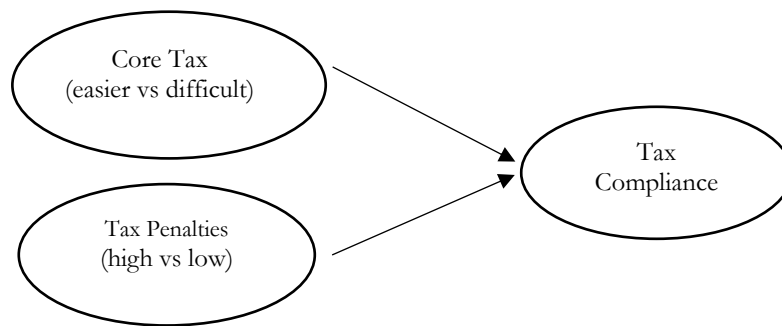
Figure 1. Study Framework

According to the DGT (2022), *the core tax system* is an integrated information technology system that handles all taxation business processes, from registration, reporting, and payment to auditing. This system aims to improve efficiency, transparency, and convenience for taxpayers. The implementation of the core tax system is capable of (1) improving efficiency through the digitization of taxation services, (2) increasing transparency and accountability so that it is easy to audit, (3) improve the quality of service to taxpayers, (4) support data integration with third parties such as banks, local governments, or the Directorate General of Customs and Excise. This digitization of taxation encourages increased voluntary compliance (Fitriani, D., & Haryanto, 2023; Wijaya et al., 2025; Supriyati et al., 2025). Tax digitization facilitates the taxpayer reporting process. Ease of tax reporting can increase taxpayer satisfaction. Satisfied taxpayers will voluntarily fulfill their tax obligations. For the Government, tax digitization improves supervision and reduces tax evasion, so that taxpayers will be more compliant in fulfilling their tax obligations.

A tax information system that integrates all tax administration processes into a single centralized digital platform. In Indonesia, the core tax system is part of the tax administration core system renewal program. The core tax system has the potential to increase compliance due to the ease of service, data integration, and real-time monitoring. The core tax system improves efficiency, transparency, data accuracy, speeds up reporting and payment, and strengthens supervision and compliance. If taxpayers find the core tax system easy to use, they will undoubtedly be willing to fulfill their tax obligations voluntarily. Similarly, tax penalties have a positive impact on taxpayer behavior because they serve as a deterrent and provide legal certainty. If taxpayers have sufficient knowledge about the impact of tax penalties, they will voluntarily fulfill their tax obligations (Vladimir, V.D., & Stephen, 2023; Rosyid et al., 2024; Prathama, 2025; Wijaya et al., 2025).

Tax penalties applicable in Indonesia include administrative penalties (fines and interest for late payment) and criminal penalties (Siregar, 2022). The fair and consistent application of penalties can increase formal compliance. However, if tax penalties are considered unfair, they can actually lead to distrust of the tax authorities. Tax penalties that can be applied in conjunction with tax education are more effective in encouraging increased taxpayer compliance. This study will focus on testing taxpayers' perceptions and behavior in fulfilling their tax obligations.

The purpose of this study is to examine the influence of *the core tax system* and tax penalties on taxpayer compliance. Furthermore, the hypothesis is that:

H1. The easier the core tax system is to use, the higher the level of tax compliance will be compared to when the system is considered difficult.

H2. The heavier the tax penalties imposed, the higher the level of tax compliance will be than when the penalties are lenient.

H3. There is an interaction between core tax and tax penalties on compliance, where tax compliance will be highest under conditions of easy core tax with heavy penalties and lowest when core tax is difficult with light penalties.

METHODOLOGY

This study was conducted using experimental testing with participants being individual taxpayers who own businesses (MSMEs) in Surabaya. The criteria for experimental participants were (1) owning a business classified as an MSME; (2) having a business license number (NIB); (3) having a taxpayer identification number. An experiment is a research design to investigate an event by engineering certain circumstances and conditions through a process and then observing the results of the engineering (Nahartyo, 2012). The type of experiment used is a laboratory experiment because, according to (Nahartyo, 2012), in conducting a laboratory experiment, researchers can manipulate independent variables and control other variables that are considered to influence dependent variables using insignificant variables for research purposes. The laboratory experiment design is a 2 x 2 factorial

design because with a factorial design, researchers can assess the effect of independent variables given simultaneously. The factors in this factorial design are the *tax fairness* factor *(*first level: high tax penalties; second level: low tax penalties) and the Core Tax System factor (first level: Core Tax is valuable and easy to use; second level: Core Tax is less applicable and complicated).

Table 1. 2x2 Factorial Design

Description	High tax penalties	Low tax penalties
Core tax is valuable and easy to use	Group 1	Group 2
Core tax is less valuable and complicated	Group 3	Group 4

(*Source:* Authors, 2025)

In this study, there are two independent variables, namely Tax Penaltiess (X_1) and Core Tax System (X_2), and there is one dependent variable, namely *tax compliance behavior* (Y). Four different types of case materials will be given randomly. The case materials will be divided into several parts, namely: (1) Instruction sheets containing procedures or steps in working on the case materials provided from the beginning to collection, (2) Case materials, (3) Main questions containing participants' decisions regarding tax compliance, using a scale from zero percent to one hundred percent, (4) A manipulation check sheet containing several questions to ensure that the case materials obtained have been filled out sincerely. The list of questions will be answered through multiple choice and (5) Participant identity, which contains the participant's age, gender, length of business, field of business, number of employees, average monthly turnover, and education. The following are the research instrument indicators in the case material section:

Table 2. Variables and Indicators

VARIABLE	INDICATOR
Tax Compliance Behavior (Y)	Using a ten-point percentage indicator. Options range from zero percent to one hundred percent (0%-100%). Zero percent is considered non-tax compliant, and one hundred percent is considered tax compliance
Tax Penalties (X_1)	<u>High Tax Penalties</u> Businesses with annual revenue of less than 4.8 billion. Referring to PP 55 of 2022, MSMEs will be subject to a final tax payment of 0.5% multiplied by the total monthly turnover. If an MSME has an annual turnover of 3 billion, the final income tax calculated and reported is 15 million. If the taxpayer is late in paying, a penalty of 100% of the unpaid tax amount will be imposed.
	<u>Lower Tax Penalties</u> New, lighter penaltiess are applied to businesses that are late in paying or reporting their taxes. If they are 2 months late, they will be subject to a 1% penalty per month, with no criminal charges or direct audits. This penalty relief is intended to allow businesses to operate calmly while still fulfilling their tax obligations.
Core Tax System (X_2)	<u>Beneficial and Easy to Use</u> The core tax system simplifies the process for taxpayers. Taxpayers no longer need to visit tax offices, they no longer need to calculate taxes themselves, and tax reporting is done through a single platform, making it easier for many SMEs to comply with greater simplicity and transparency.
	<u>Not Beneficial and Complex</u> The core tax system still has operational challenges, including frequent login failures at the beginning. When filing taxes, taxpayers do not receive quick responses, operational guidelines confuse taxpayers, and system obstacles prevent taxpayers from filing on time.

(*Source: Authors, 2025*)

In the manipulation check section, which is a multiple-choice question, participants will answer the following questions: (1) What business do you run in the case material?; (2) In the previous case material, did the core tax system make it easier for you to report and pay taxes? (3) In the case material, how severe are the tax penalties imposed for late reporting or payment of taxes? (4) In your opinion, is the case material easy to understand?

Tax compliance behavior is the behavior of taxpayers that describes their contribution to fulfilling their tax obligation (Zainudin et al., 2022; Kurniawan et al., 2024). Tax compliance decisions among students in this study will be influenced by the manipulation of the case material that will be distributed. Participants are expected to think critically before making good tax decisions by considering the aspects *of tax penalties* and the *core tax system* contained in the case material. Participants will decide on their compliance after reading the case material, which contains specific scenarios. The case material will be the reference for the participants' decisions. Tax compliance decisions will be assessed on a scale of 0% to 100%, which means that 0% to 90% of taxpayers are non-compliant, while 100% of taxpayers are compliance (Supriyati et al., 2024). *Tax penalties* in this study are described as having two levels in different groups, namely, level one is a situation with *high tax penalties,* and level two is a situation with *low tax penalties.* The tax penalties shown in this study are related to the amount of reported turnover and the consequences of late or incorrect calculations. In the case of high tax penalties, the condition described is that participants are late in paying or do not make the required payments, resulting in a 100% fine and/or criminal

taxation. Meanwhile, low tax penalties are described as a delay of only two months and refer to the application of tax penalties for business actors of 1% per month, with no threat of criminal charges and no direct investigation. *The core tax system* in this study is described as having two levels in different groups: level one is the benefits and ease of use of the core tax system, and level two is the lack of benefits of the core tax system and the complexity of its use. If the core tax system is beneficial, the conditions described are that taxpayers no longer need to come to the tax office, taxpayers are not confused about calculating their own taxes, tax reporting only uses one platform, so that many MSME actors can be helped, and it is more straightforward and more transparent. Meanwhile, if it is not beneficial and complicated, it is reported that the Core Tax System that is being implemented still has operational obstacles, including frequent login failures at the beginning. During tax reporting, taxpayers do not receive quick responses, operational guidelines confuse taxpayers, and system obstacles become a problem when taxpayers want to report on time.

The population consists of individual taxpayers who run active businesses or MSMEs in Surabaya. The sampling technique used in this study is *purposive sampling*. According, sampling is carried out using several criteria, namely: having a taxpayer identification number and a business license number. According to statistical data, there are a total of 4,961,753 MSMEs in Surabaya, and 56 business actors participated in this study. This study collected primary data through active observation of participants by manipulating the research objects and then observing and interpreting the results of the manipulation. Data collection in this study had to go through several stages, namely *a pilot test* to see the validity of the experimental procedure, the implementation of the experiment, *a manipulation checks* to ensure that the answers given by the participants were in accordance with the procedure, and *a demography test* to ensure the participants. This study hypothesis testing utilizes *Analysis of Variance* (ANOVA). ANOVA is a method for testing a relationship between one dependent variable and one or more independent variables. In testing social sciences, a significance level of 5% and 10% is usually used, so that it is considered significant if the significance value is lower than 5% or 10%. The *software* used in this study is *Statistical Package for Social Sciences* (SPSS) version 25 *for Windows*.

RESULTS

Descriptive analysis of respondents aims to provide an overview of the characteristics of the participants. The respondents in this study had diverse characteristics in terms of age, gender, length of business operation, business scale, and level of education. In terms of age, the majority of respondents were in the 46–55 age range, namely 29 people (51.8%). The 36–45 age group consisted of 17 people (30.4%), while the younger age group of 21–35 years old consisted of only six people (10.7%). Respondents in the oldest age group, namely 56–70 years old, numbered four people (7.1%). These results show that most respondents were middle-aged.

Table 3. Descriptive Analysis of Respondents (Source: Authors' calculation, 2025)

Desc		Freq	%	%Valid	% Cum
Age	21-35 years	6	10.7	10.7	10.7
	36-45 years old	17	30.4	30.4	41.1
	46-55 years old	29	51.8	51.8	92.9
	56-70 years old	4	7.1	7.1	100.0
	Total	56	100.0	100	
Gender	Male	10	17.9	17.9	17.9
	Women	46	82.1	82.1	100.0
	Total	56	100.0	100.0	
Length of Business Operation	1-6 Years	39	69.6	69.6	69.6
	7-12 years	9	16.1	16.1	85.7
	13-18 years old	7	12.5	12.5	98.2
	19-24 years old	1	1.8	1.8	100.0
	Total	56	100.0	100	
Business Scale	Micro	48	85.7	85.7	85.7
	Small	8	14.3	14.3	100.0
	Total	56	100.0	100.0	
Business Sector	Food and Beverage MSMEs	52	92.9	92.9	92.9
	Craft SMEs	3	5.4	5.4	98.2
	Baby Equipment Trade	1	1.8	1.8	100.0
	Total	56	100.0	100.0	
	Junior High School	2	3.6	3.6	3.6

Highest Level of Education	High School/Vocational School	29	51.8	51.8	55.4
	Bachelor's Degree	25	44.6	44.6	100
	Total	56	100.0	100.0	

In terms of gender, the respondents were predominantly female, with 46 respondents (82.1%), while only 10 respondents (17.9%) were male. This illustrates that most of the MSME actors in this study are women. In terms of the length of time they have been running their businesses, most respondents (39 people, or 69.6%) have been in business for 1–6 years. Nine respondents (16.1%) have been in business for 7–12 years, while seven respondents (12.5%) have been in business for 13–18 years. Only one respondent (1.8%) has been running a business for 19–24 years. This indicates that most respondents are still in the early to intermediate stages of their business experience. Based on business scale, the majority of respondents were in the micro business category, totaling 48 people (85.7%), while those running small businesses numbered eight people (14.3%). These findings are in line with the reality of MSMEs in Indonesia, which are indeed dominated by micro businesses. Based on the business field, the majority of respondents are engaged in food and beverage MSMEs (92.9%). Meanwhile, only a small number of respondents come from the handicraft MSME sector (5.4%) and the baby equipment trade (1.8%). These findings show that this study essentially represents MSMEs engaged in the food and beverage sector, which is indeed one of the dominant sectors in the MSME structure in Indonesia. In terms of the highest level of education, the majority of respondents were high school/vocational school graduates, totaling 29 people (51.8%), followed by university graduates, totaling 25 people (44.6%). Only two respondents (3.6%) had junior high school as their last education. This shows that the majority of respondents had upper secondary education, which is expected to support their ability to understand taxation policies.

Descriptive analysis was conducted to obtain an initial overview of tax compliance levels for various combinations of *core tax* conditions (easy vs. difficult) and *tax penalties* (high vs. low).

Table 4. Descriptive Analysis (Source: Authors' calculation, 2025)

Core tax	Tax Penalties		Total
	High	**Low**	
Easy	Group 1 (N=14) Mean=89.29 Std=10.716	Group 2 (N=14) Mean=42.14 Std=47.423	N=28 Mean=65.71 Std=41.404
Difficult	Group 3 (N=14) Mean=81.43 Std=15.619	Group 4 (N=14) Mean=25.00 Std=29.023	N=28 Mean=53.21 Std=36.723
Total	N=28 Mean=85.93 Std=13.661	N=28 Mean=33.57 Std= 39.554	N=28 Mean=59.46 Std=39.285

Based on descriptive analysis, it appears that tax compliance rates vary according to *core tax* conditions and the severity of tax penalties. In the group with easily accessible *core tax*, the average compliance rate was much higher when tax penalties were described as severe (Mean = 89.29; SD = 10.716) compared to the condition of light tax penalties (Mean = 42.14; SD = 47.423). Overall, the average compliance rate in this group reached 65.71 with a standard deviation of 41.404. The same pattern was also seen in the group with the difficult-to-use *core tax*. The participants' compliance rate was higher when tax penalties were strictly enforced (Mean = 81.43; SD = 15.619) and decreased sharply under light tax penalty conditions (Mean = 25.00; SD = 29.023). On average, this group showed a compliance rate of 53.21 with a standard deviation of 36.723. When viewed as a whole, severe tax penalty conditions resulted in an average compliance rate of 85.93 (SD = 13.661), while light tax penalties only reached 33.57 (SD = 39.554). The overall average compliance of all respondents was 59.46 with a standard deviation of 39.285. These results show a consistent pattern that tax compliance is higher under *easy core tax* conditions than under *difficult core tax* conditions, and higher under heavy tax penalty conditions than under light tax penalty conditions. The most effective combination in encouraging compliance is *easy core tax + heavy penalties,* with the highest average compliance (89.29), while the lowest combination is *difficult core tax + low penalties* (25.00). A factorial ANOVA test was used in this study to analyze how the level of core tax difficulty (easy vs. difficult) and the level of tax penalties (high vs. low) affect tax compliance.

Table 5. ANOVA Test (Source: Authors' calculation, 2025)

Tests of Between-Subjects Effects						
Dependent Variable: Decision Response						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	29852.903[a]	3	9950.968	13,219	,000	,433
Intercept	222,889.480	1	222,889.480	296,083	,000	,851
Core tax	6465.951	1	6,465.951	8,589	,005	,142
Tax Penalties	21,349,400	1	21,349.400	28,360	,000	,353
Core tax * Tax Penalty	982,137	1	982,137	1,305	,259	,024
Error	39,145.311	52	752,794			
Total	286,500,000	56				
Corrected Total	68,998.214	55				
R Squared = .433 (Adjusted R Squared = .400)						

The test results show that the *core tax* variable has a significant effect on tax compliance (F = 8.589; Sig. = 0.005). This finding indicates that the level of complexity of the core tax system affects participants' compliance decisions. Tax compliance tends to be higher when *core tax* is easy to use than when the system is complex and challenging to access. The *Partial Eta Squared* value of 0.142 indicates that differences in the level of difficulty *of core tax* explain approximately 14.2% of the variation in compliance. Another test result shows that the *Tax Penalty* variable has a significant effect on tax compliance (F = 28.360; Sig. lt 0.001). This finding indicates that the amount of tax penalties is an important factor in influencing participant compliance. Compliance levels are higher when the tax penalties imposed are severe compared to when the penalties imposed are relatively light. The *Partial Eta Squared* value of 0.353 indicates that differences in the level of tax penalties can explain approximately 35.3% of compliance variation. The results of the interaction test between *core tax* and *Tax Penalties* show that the results have no significant effect on tax compliance (F = 1.305; Sig. = 0.259). This means that the severity of *tax* penalties does not influence the effect of core tax complexity on tax compliance, and vice versa. In other words, the two factors work independently and do not form a significant combined effect on compliance.

The results of the experiment show that both the *core tax system* variable and *tax penalties* have a significant effect on *the voluntary compliance* of MSME taxpayers. First, the Core Tax System variable has been proven to have a positive effect on tax compliance. When the digital taxation system is perceived as easily accessible, its information is clear, and the process is reliable, participants tend to be more willing to fulfill their tax obligations voluntarily (Nasution et al., 2025). This condition shows that technical aspects and the quality of digital services play an important role in shaping the user experience, thereby reducing administrative barriers that have often been cited as reasons for low compliance. Conversely, suppose the system is perceived as complicated, full of technical obstacles such as errors or lost data, and requires more time to complete the reporting process. In that case, the level of participant compliance tends to decline. Taxpayers feel burdened by the complexity of procedures, which ultimately reduces their motivation to comply.

These findings are in line with the research by Darmayasa, I. N., & Hardika, 2024, which emphasizes that the implementation of *the Core Tax Administration System* plays an important role in increasing tax compliance, particularly through the dimensions of *trust* and *power* within the *slippery slope framework*. The study explains that the implementation of a digital tax system not only strengthens the authority of the tax authorities through data integration and the potential for more comprehensive audits, but also builds public trust because it is considered more professional, transparent, and reliable. In other words, *the core tax system* creates a combination of institutional strength and better relationships with taxpayers, which ultimately encourages increased compliance.

The *Partial Eta Squared* value of 0.142 in the results of this experiment supports this interpretation, as it shows that differences in *the Core Tax System* (easy vs. complicated) can explain around 14.2% of the variation in participant compliance. This figure confirms that although it is not the only factor, the quality of the digital system has a real contribution in shaping the compliance behavior of MSME taxpayers. Second, the Tax Penaltiess variable was also proven to have a significant effect on tax compliance. The experimental results showed that participants demonstrated higher levels of compliance when the penalties imposed were severe, such as hefty fines or criminal charges, compared to conditions where the penalties applied were relatively light. This shows that perceptions of the risks and consequences of non-compliance play an important role in shaping compliance behavior.

Theoretically, these findings are in line with the classical view in *deterrence theory* (BC Ayers., & JK Seidman., 2019), which asserts that individuals will tend to avoid unlawful behavior if the costs or consequences of such violations are greater than the benefits obtained. In the context of taxation, severe penalties create fear of legal consequences, thereby encouraging taxpayers to be more compliant. Conversely, when penalties are relatively light,

the risk of non-compliance is considered small, thereby reducing the incentive to comply. Previous empirical studies also support these findings. For example, Sulistyono, H., & Mappanyukki (2023) found that the implementation of effective penalties, accompanied by the use of digital systems, has been proven to increase taxpayer compliance in Indonesia. This confirms that law enforcement through penalties remains an effective policy instrument, even though digital-based tax administration reforms are also being implemented in parallel. The magnitude of the effect produced in this study further strengthens this conclusion. A *Partial Eta Squared* value of 0.353 indicates that variations in the level of tax penalties can explain approximately 35.3% of the differences in participant compliance. This figure is relatively prominent and more dominant than the influence of *the Core Tax System*. Thus, it can be concluded that although a reliable digital taxation system is important to support compliance, the existence of strict penalties remains the main driving factor for taxpayers not to neglect their obligations.

Third, the results of the interaction between *the Core Tax System* and tax penalties. The analysis shows that the interaction between *the core tax system* and *tax penalties* is not significant (F = 1.305; Sig. = 0.259). This means that the influence of the complexity of the digital taxation system on compliance does not depend on the size of the tax penalties, and vice versa. In other words, the two variables work independently in influencing tax compliance, without forming a combined effect that strengthens or weakens each other. Practically, this finding indicates that MSME taxpayers respond to technical factors (ease of digital systems) and regulatory factors (high or low penalties) separately. An accessible system encourages compliance even with light penalties, while heavy penalties are still able to suppress non-compliance even if the digital system is perceived as complicated. This is different from the research by (Mbise, K. S., & Baseka, 2023; Rina Nurhaliza, 2023; Supriyati et al., 2025), which found that there is complementarity between tax digitalization and law enforcement in the context of Tanzania. This difference may occur because in Indonesia, tax digitalization is still in a transitional phase and has not been fully integrated with enforcement mechanisms, leading respondents to perceive the two factors as separate.

CONCLUSIONS

This study investigates the effect of the core tax system and tax penalties on the level of voluntary taxpayer compliance. This study proves that the core tax system has a significant positive effect on voluntary taxpayer compliance. Tax penalties effectively increase forced compliance when applied fairly. The combination of the two creates a more efficient and responsive taxation system. This study proves that the core tax system and tax penalties have a significant effect on voluntary compliance. Technical aspects and the quality of digital services play an important role in shaping the user experience, thereby reducing administrative barriers that have often been cited as the reason for low compliance. *The core tax system* creates a combination of institutional strength and better relationships with taxpayers, which ultimately encourages increased compliance. Law enforcement, through penalties, remains one of the most effective policy instruments. This study provides support for the Government to continue promoting the core tax system and strengthening education on tax penalties. Continuous evaluation of the effectiveness of digitalization implementation and enforcement of penalties must be carried out periodically.

ACKNOWLEDGEMENTS

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

REFERENCES

Afriani, L., Permana, I., Muliasari, D., & Khasanah, U. (2023). The Role of the Use of Information Technology in Orderly Financial Administration and Tax Compliance in Digital Business. *Internasional Journal of Education and Social States, 4*(2), 105–113. https://doi.org/https://doi.org/DOI:10.56371/ijess.v4i2.184

Ardika, M. I., Hardika, N. S., & Suardani, A. A. P. (2023). The role of tax socialization in tax digitalization and taxpayer awareness on individual taxpayer compliance. *Journal of Applied Sciences in Accounting, Finance and Tax, 6*(2), 61–68. https://doi.org/https://doi.org/10.31940/jasafint.v6i2.61-68

BC Ayers., JK Seidman., E. T. (2019). Tax reporting behavior under audit certainty. *Contemporary Accounting Research*, *36*(1), 326–358.

Darmayasa, I. N., & Hardika, N. S. (2024). Core tax administration system: the power and trust dimensions of slippery slope framework tax compliance model. *Cogent Business and Management*, *11*(1). https://doi.org/https://doi.org/10.1080/23311975.2024.2337358

Darmayasa IN, H. N. (2024). Core tax administration system: the power and trust dimensions of slippery slope framework tax compliance model. *Cogent Business & Management.*, *11*(1).

Fajriana, N., Irianto, G., & Andayani, W. (2023). The Role of Tax Fairness and Taxpayer Trust in Building Voluntary Compliance in MSME Taxpayers. *International Journal of Business and Society*, *24*(1), 478–487. https://doi.org/https://doi.org/10.33736/ijbs.5629.2023

Fitriani, D., & Haryanto, S. (2023). The Impact of The Core Tax System on Tax Compliance of MSMEs in Indonesia. *Jurnal Pajak Digital*, *7*(1), 25–40.

Hamid, N. A., Ismail, I. S., Yunus, N., Jali, M. N., & Rosly, A. S. (2022). Taxpayer Perceptions of Tax Awareness, Tax Education, and Tax Complexity among Small and Medium Enterprises in Malaysia: A Quadrant Analysis Approach. *Universal Journal of Accounting and Finance*, *10*(1), 231–242. https://doi.org/https://doi.org/10.13189/ujaf.2022.100124

Heider, F. (1958). *The Psychology of Interpersonal Relations*.

John A. Smith, E. R. P. (2022). Tax Digitalization and Compliance Behavior: The Mediating Role of Tax Awareness. *Journal of Business Research*, *135*(1), 112–127. https://doi.org/10.1016/j.jbusres.2021.12.035

Joselin VA, Setiawan T, Riswandari E, K. J. (2024). Indonesia Core Tax System: Road Map to Implementation 2024. *International Journal of Economics, Business and Management Research*, *8*(6), 46–56.

Kurniawan, C. L., Septiawati, R., & Trisyanto, A. (2024). Pengaruh Pemahaman Perpajakan, Kesadaran Wajib Pajak Dan Kemauan Membayar Pajak Terhadap Kepatuhan Wajib Pajak Pelaku UMKM. *Journal of Economic, Bussines and Accounting (COSTING)*, *7*(5), 1147–1155. https://doi.org/10.31539/costing.v7i5.11722

Mbise, K. S., & Baseka, L. (2023). Impact of Digital Systems on Tax Compliance Among SMEs. *The Journal of Informatics*, *2*(1). https://doi.org/https://doi.org/10.59645/tji.v2i1.94

Meilandri, D. (2025). Transformation of Indonesia's Tax System through Coretax: A Qualitative Study in the Digital Era. *Sustainability Accounting Journal (SAJ*, *2*(1), 51–56.

Meiliyah, A., Abdullah., Watriningsih., Z. (2025). Digitalization and Tax Reform As a Strategy To Increase. *IJAMESC*, *3*(03), 948–963.

Nahartyo, E. (2012). *Desain dan implementasi riset eksperimen* (1st ed.). STIM YKPN.

Nasution, H., Muafi, M., El-Qadri, Z. M., & Suprihanto, J. (2025). Impact of digital business transformation on organizational ambidexterity and performance in Indonesian insurance firms. *Intangible Capital*, *21*(1), 1–20. https://doi.org/10.3926/IC.2930

Perveen, N., & Ahmad, A. (2022). Tax Technology, Fairness Perception, and Tax Compliance among Individual Taxpayers. *Audit and Accounting Review*, *2*(2). https://doi.org/https://doi.org/10.32350/aar.22.05

Prathama, A. . (2025). Legal Analysis of Taxpayer Compliance in The Era of Digitalization of The Taxation System in Indonesia. *JAPHTN-HAN*, *4*(1), 1–8.

Rina Nurhaliza, B. S. (2023). The Effect of Digital Tax Tools on Tax Compliance: Mediating Role of Tax Knowledge and Awareness. *Asian Journal of Accounting Research*, *159*(1), 56–72. https://doi.org/10.1108/AJAR-12-2022-0148

Rincón, V., Zorrilla, P., & Marin-Garcia, J. A. (2023). The impact of active learning on entrepreneurial capacity. *Intangible Capital*, *19*(4), 497–512. https://doi.org/10.3926/IC.2297

Rosyid, M.A., Pangesti, I., Hasanah, N.,& Mastutik, S. (2024). The Effect of Digitalization on Compliance and implementation of Tax laws in Indonesia. *Journal of Adminstrative Law*, *5*(3), 265–280.

Samuel O. Mensah, K. S. B. (2021). Impact of E-Government on Tax Compliance: The Mediation Role of Taxpayer Awareness. *International Journal of Public Administration*, *44*(1), 33–48. https://doi.org/10.1080/01900692.2021.1995728

Suganda, D., Irwansyah, & Fakhroni, Z. (2025). Core Tax Implementation: Ethical Considerations for MSME Tax Strategies. *American Journal of Humanities and Social Sciences Research*, *9*(2), 137–142. www.ajhssr.com

Sulistyono, H., & Mappanyukki, R. (2023). The Effect of Tax Morals and the Digitalized Tax System on Tax Compliance with Trust in the Government as a Moderating Variable. *Dinasti International Journal Of Digital Business Management*, *4*(2). https://doi.org/https://doi.org/10.31933/dijdbm.v4i2

Supriyati; Prananjaya, K. P. (2018). Voluntary Compliance Individual Taxpayer: Personality Intellectual Factor. *International Journal of Business Management and Economic Review*, *1*(05), 91–100.

Supriyati., P. K. P. (2018). Voluntary Compliance Individual Taxpayer: Personality Intellectual Factor. *International Journal of Business Management and Economic Review*, *1*(5), 91–101.

Supriyati, Hapsari, I., & Nahumury, J. (2024). The influence of trust in the government, perceived fairness, and tax morale on taxpayer compliance: Implications for budget formation. *Public and Municipal Finance*, *13*(2), 129–139. https://doi.org/10.21511/pmf.13(2).2024.11

Supriyati, Irwandi, S. A., Hardianto, A. M., & Rosyada, D. (2025). Reviews of Public Policies and Strategies To Promote the Adoption of Sustainable Development Goals (Sdgs): the Case of Financial Performance and Effective Tax Rate. *Journal of Lifestyle and SDG'S Review*, *5*(2), 1–22. https://doi.org/10.47172/2965-730X.SDGsReview.v5.n02.pe02876

Supriyati, S., Oktarina, D., Rokhmania, N., & Prananjaya, K. P. (2025). Tax Digitalization and Justice with Taxpayer Compliance and the Mediating Role of Tax Awareness. *Aptisi Transactions on Technopreneurship (ATT)*, *7*(2), 542–555. https://doi.org/10.34306/att.v7i2.512

Supriyati, Tjahjadi, B., Narsa, I. M., & Tjaraka, H. (2018). Tax Compliance Intention : Experimental Analysis Towards Belief, Feeling, and Attitude. *International Journal of Science and Research (IJSR)*, *7*(2), 335–341. https://doi.org/10.21275/ART20179913

Vladimir, V.D., & Stephen, J. . (2023). Tax systems and public borrowing limits in a fiscal union. *International Tax and Public Finance*, *30*(3), 351–395. https://doi.org/https://doi.org/10.1007/s10797-021-09708-8

Wijaya, H., Zuliyana, M., Putra, D.P., & Rani, S. (2025). The Influence of Tax Digitalization, Tax Knowledge and Tax Sanction on the Compliance of Individual Taxpayers at Ilir Timur Tax Office. *Journal of Economics*, *7*(1), 53–67.

Zainudin, F.M., Nugroho.R., M. H. . (2022). Pengaruh Kepercayaan Kepada Pemerintah Terhadap Kepatuhan Pajak Dengan Persepsi Keadilan Pajak Sebagai Variabel Intervening. *Jurnal Pajak Indoensia*, *6*(1), 107–121.