



## UNVEILING THE “FIVE CATALYSTS” FOR THE SUCCESS OF THE CORE TAX PROJECT

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### Abstract

The objective of this investigation is to evaluate the determinants impacting the efficacy of the Volume III tax reform, specifically the *implementation of the* Core Tax Administration System, among employees as primary users of these system enhancements. Employing a qualitative case study methodology, this research scrutinizes the experiences of staff at the Small Tax Office of Muara Bungo. Utilizing both primary data, derived from questionnaires and interviews, and secondary data, sourced from an extensive literature review, this study employs thematic analysis to dissect the data. The findings identify five critical factors influencing the successful implementation of the Core Tax Administration System Update. These insights aim to inform the Directorate General of Taxes about critical considerations necessary for augmenting preparedness and optimizing the execution of tax reform initiatives.

**Keywords:** Core Tax, Effectiveness, Implementation, PSIAP, Reform

### INTRODUCTION

The Directorate General of Taxes (DGT) under Indonesia's Ministry of Finance has undergone a significant transformation in tax administration, aiming to establish a robust, credible, and accountable institution. This effort is purported to enhance the efficiency of business processes and maximize state revenue, as outlined by Ariefina and Aniek (2020) and corroborated by Ilzetzi (2018). The introduction of the third volume of Indonesia's tax reform, known as the Renewal of the Core Tax Administration System (PSIAP), focuses on critical areas including organizational structure, human resources, technology and data management, business processes, and regulatory framework (Ariefina & Aniek, 2020). This phase of reform is a testament to the DGT's ongoing commitment to improving the tax system, a journey that has persisted with determination (Mahendra, et al., 2018). Yet, this continuous reform process raises fundamental questions about the reform's overarching goals and its efficacy, prompting a reevaluation of the strategies employed to enhance the tax system.

The discourse surrounding the efficacy of tax reform in Indonesia presents a notable divergence in scholarly opinions. Ilzetzi (2018) levies criticism against the enacted tax reforms, asserting that neither implementation nor the achievement of its intended targets has been optimized. Concurrently, Mahendra et al., (2018) acknowledge advancements in reform execution, highlighting enhancements in employee performance as beneficial outcomes, yet they emphasize the necessity for ongoing assessments concerning tax revenue accomplishments. Conversely, Sari et al., (2020) posit that tax reform exerts a beneficial impact on both tax revenue and taxpayer consciousness. Further contributing to the discourse, Setiana et al., (2010) observes that the adoption of a contemporary tax administration system is positively associated with heightened taxpayer compliance. Despite the diversity in their conclusions, these studies collectively underscore the substantial influence of Directorate General of Taxes (DGT) policies on national fiscal health, a notion supported by public finance theory which posits government intervention in fiscal matters through public policy (Jaelani, 2015). This theoretical framework posits that tax reform ought to be executed optimally to foster favorable fiscal outcomes. Nonetheless, the assessment of tax reform's success is contingent upon a comprehensive understanding of the determinants affecting its efficacy (Ahmad et al., 2017) highlights the pivotal role of enhancing human resource competence within the bureaucratic apparatus as a strategic priority for optimizing reform success.



Sumardjito (2015) expands on this by identifying multiple factors critical to tax reform's effectiveness, including tax policy, human resources, organizational structure, tax information and administration systems, employee supervision mechanisms, and remuneration systems. This study advocates for a comprehensive approach towards evaluating and implementing tax reform, stressing the significance of these factors in augmenting the country's fiscal health.

The existing body of literature on tax reform demonstrates a notable thematic coherence, with several investigative works, such as those by Mahendra, et al., (2018), Gustiana et al., (2022), and Sumardjito (2015), concentrating on evaluating the efficacy of tax reform policies. These studies commonly underline the execution and effectiveness of tax reform initiatives. Furthermore, within the specific realm of identifying determinants that influence tax reform's effectiveness, the study by Santoso et al., (2016) stands out. This research delineates the obstacles encountered in the relevant survey and proposes viable strategies for the implementation of tax reform. Although this study significantly bridges the gap in existing knowledge, there remains a considerable scope for further research to dissect the inherent factors impacting the successful execution of tax reform measures. Given the pivotal role of tax reform in enhancing taxpayer compliance and maximizing state revenue, an in-depth exploration of its effectiveness is imperative. Georgia is a clear example of the success of tax reform. The reforms were carried out by revising various laws and regulations. The revised tax laws simplified the tax system, lowered rates, and eliminated a series of small local taxes that generated little revenue (e.g., from pollution and gambling). Based on data extracted from the Tax Foundation's website, only 7 of the 21 taxes remain, and many of them have had their rates reduced. The progressive personal income tax rates (12 to 20 percent) were replaced with a flat rate of 20 percent. The revenue lost due to lower tax rates was made up through a broader tax base, better compliance, and stricter enforcement. The government also made it easier to pay taxes by introducing measures such as an electronic tax filing system. In this way, Georgia's tax revenue to GDP ratio doubled to 25%.

The prevailing methodological approach in extant literature primarily utilizes quantitative analyses to empirically assess the impact of tax reform on state revenue and its overall effectiveness (Mahendra, et al., 2018). However, the current study attempts to investigate the phenomenon from a qualitative perspective, aiming to elucidate the factors that influence the efficacy of tax reform implementation. This research uniquely focuses on a case study of the Muara Bungo Small Tax Office (KPP), a subject not previously explored in the literature. It is anticipated that this inquiry will yield novel indicators that articulate the critical factors in the successful implementation of tax reform, thereby advancing and broadening the scope of earlier research.

Adopting an interpretative paradigm, this study seeks to delve into the internal dynamics at KPP Pratama Muara Bungo, as advocated by Rahardjo (2018). Employing in-depth interviews with employees across various hierarchical levels will ensure a rich, multi-faceted data collection, pivotal for an exhaustive understanding of the determinants affecting the Tax Administration Core System Update's effectiveness. Through structured interviews, this research intends to uncover variables critical to PSIAP's success, thereby furnishing vital insights for the Directorate General of Taxes and, specifically, KPP Pratama Muara Bungo. Consequently, this study aims not only to contribute to the theoretical discourse but also to formulate actionable recommendations to enhance tax administration efficacy. The findings are expected to enrich theoretical frameworks and offer pragmatic insights for policymakers, thereby facilitating a more efficacious preparation and execution of tax reform in anticipation of the deadline in May 2024.



## **THEORETICAL FRAMEWORK**

Change management theory has become essential in management literature, especially amid a constantly transforming organizational environment. This approach highlights that the effectiveness of reform depends on the change management strategy implemented by the organization. Lewin's model, a pillar in this theory, suggests the "unfreeze-change-refreeze" process as a critical mechanism. In this context, organizations are required to prepare their employees for change, implement the change, and subsequently sustain and consolidate the implemented change (Taj, 2016).

Particularly in the context of tax reform, there are often substantial changes to structures and procedures that require comprehensive adaptation from various parties, including tax authorities, taxpayers, and the general public (Ilzetzki, 2018). Change management theory emphasizes that the success of these reforms relies heavily on effective communication, human resource engagement, and the implementation of structured change management (O'Toole Jr & Meier, 2015). This change involves training and developing employees and modifying systems and technology to support new procedures. These interventions aim to reduce resistance, increase acceptance, and ensure smooth and effective implementation of the reforms (Taj, 2016). Furthermore, the theory also underscores the importance of evaluating and measuring the effectiveness of reforms through continuous monitoring and assessing the impact of the implemented changes (O'Toole Jr & Meier, 2015). Stakeholder feedback is a crucial aspect of this process, providing vital insights for adjustments to strategies that may be needed (O'Toole Jr & Meier, 2015). In the context of tax reform, these aspects may include increased tax revenue, taxpayer satisfaction, and administrative efficiency. Research by Ranius et al., (2023) explicitly shows that the effectiveness of change implementation is directly correlated with the change management approach adopted.

Bureaucratic reform, a critical issue in many countries, refers to systematic initiatives to improve government efficiency, accountability, and performance. These reforms aim to optimize government operations, including improvements in organizational structure, work processes, and human resource management (Diprose et al., 2019). Understanding in-depth reform theory is vital in analyzing and planning changes to improve corporate quality and existing systems (Nurdinah & Kurniawan, 2019). In the realm of taxation, bureaucratic reform plays a crucial role in increasing tax revenue and taxpayer compliance (Ilzetzki, 2018). Research Santoso et al., (2016) produced four significant propositions in tax reform, including an increased commitment of tax officers and taxpayer compliance to affect tax revenue; economic dynamics, tax reform adjustments, and integration of advanced management information systems contribute to strengthening reforms; professional management, effective marketing, and applicable strategies reinforce reform implementation; comprehensive socialization, fair law enforcement, and reduction of barriers, support strengthening implementation.

Tax reform, a critical initiative being undertaken by the Directorate General of Taxes, has been highlighted in the context of improving the efficiency and effectiveness of the national tax system. Known as the Renewal of the Core System of Tax Administration (PSIAP), this reform takes a strategic step by emphasizing three main pillars: administration, regulation, and supervision (Mayasari & Narsa, 2020). At the core of PSIAP is the digital transformation in information technology infrastructure and the enhancement of administrative capabilities. This is achieved by replacing old systems with new, more advanced technologies to improve how tax data is collected, processed, and analyzed. The immediate impact of this reform is expected to be an increase in efficiency in tax management and the quality of services to taxpayers, including ease of tax filling and filing, transparency of information, and more accurate verification and audit processes (Mahendra et al., 2018). In addition, PSIAP also has the



ambition to strengthen tax compliance and minimize tax avoidance practices (Ariefina & Aniek, 2020). The implementation of PSIAP is expected to create a fairer, more efficient, and reliable tax system, which contributes significantly to increasing state revenue and holistic economic growth. This goal was proven in a study by Setiana et al., (2010), highlighting the significant positive impact of implementing the Modern Tax Administration System on taxpayer compliance at the Tax Office. The focus of this study is the implementation of such a system within the framework of the mid-term tax administration reform by the Directorate General of Taxes since 2001 at the Bandung Bojonagara Primary Tax Service Office to measure its impact on taxpayer compliance as one of the main objectives of tax administration reform.

## METHODS

This study adopts an interpretative paradigm combined with qualitative research methodologies and a case study approach. Qadri, Dinarjito, et al. (2023) and Qadri et al. (2023) delineates the interpretive paradigm as perceiving social reality as an integrated, intricate, dynamic entity, rich in meaning, where phenomena interrelate reciprocally rather than causally. Rahardjo (2018) and Supatmi (2019) further elaborates that this paradigm aims to comprehend and elucidate the social world through the lens of individuals directly engaged in social processes, emphasizing the subjective interpretation of social interactions. The case study research strategy, as described by Ambarwati et al. (2021), entails an in-depth examination of one or more instances within their real-life context.

The primary goal of this research is to discern and detail the factors impacting the efficacy of the Core Tax Administration System Update (PSIAP) implementation at KPP Pratama Muara Bungo. This involves collating both primary and secondary data to shed light on the determinants of PSIAP's implementation success. An exhaustive literature review was conducted to cull insights from existing studies on bureaucratic reform, tax reform efficacy, organizational digitalization, and the determinants of reform success. This review establishes the study's theoretical and contextual scaffolding and highlights potential areas for further investigation (Hidayat & Qadri, 2020; Qadri & Jauhari, 2020). The insights gleaned from this literature review serve as secondary data, laying the groundwork for primary data gathering and subsequent analysis.

Primary data was collected via questionnaires administered to 32 KPP Pratama Muara Bungo employees, focusing on a preselected array of factors deemed to influence PSIAP's effective implementation. These factors, eight in total, were identified through the researcher's observations and extant literature. The questionnaire aimed to ascertain which of these factors were deemed most critical by the employees in terms of impacting PSIAP's implementation success. Following the questionnaire, in-depth interviews were conducted with a subset of employees directly involved in PSIAP's deployment. These interviews were selected as the principal method of primary data collection, offering comprehensive insights into the employees' personal experiences, perceptions, and interpretations regarding the PSIAP implementation process. Respondents in this study were selected to encompass a broad array of roles within KPP Pratama Muara Bungo, aiming to encapsulate a wide range of perspectives and experiences pertinent to the workplace. This selection strategy facilitated the accumulation of diverse, in-depth data, encapsulating the multifarious aspects and intricacies involved in the PSIAP implementation (Qadri & Fatmawati, 2021; Supatmi, 2019).

**Table 1. Interview Details**

Source	Profession	Topic 1	Topic 2	Topic 3	Topic 4	Topic 5
ZB	Head of section	√	√	√	√	√
AM	Account	√	√	√	√	√
	Representative					



FF	Account Representative	√	√	√	√	√
MS	Tax Counselor	√	√	√	√	√
JH	Tax Counselor	√	√	√	√	√
BS	Executive	√	√	√	√	√
FY	Executive	√	√	√	√	√

The insights garnered from the interviews were meticulously analyzed and synthesized as primary data, constituting the core basis for formulating the study's conclusions and recommendations. Interviews were conducted with seven key informants, including ZB, a department head at KPP Pratama Muara Bungo, two account representatives (ARs) named AM and FF, two functional extension officers (MS and JH), and two PSIAP implementers (BS and FY). The interviews spanned five thematic areas: the significance of consistency and sustainability in tax reform, the role of program implementation control in PSIAP, the effect of employee motivation on PSIAP's effectiveness, the contribution of human resource development to tax reform, and the criticality of information quality in PSIAP's execution. The five main topics of the interview become the reference in the interview. The five main topics are the consistency and sustainability of a tax reform program (Topic 1), the importance of a control system in the implementation of tax reform (Topic 2), things that encourage employees to achieve tax reform goals (Topic 3), the relationship between human resources and program success (Topic 4), and the importance of information quality in the success of tax reform (Topic 5). These topics will be the reference in the interview to extract information from the interviewees to reveal the five catalysts in the successful implementation of the core tax administration system reform.

The thematic analysis method was employed as the principal analytical technique to interpret the interview data (Kristanto & Padmi, 2020). This involved an exhaustive transcription of the interviews, subsequent segmentation into discrete data units, and the identification of emerging themes through a meticulous coding procedure (Qadri, 2019). This coding not only facilitated the distillation of crucial information but also organized it into thematic codes representing specific ideas or concepts (Qadri, 2020). Subsequently, an in-depth examination of each code was undertaken to discern the interrelations among codes and to construct an analytical narrative encapsulating the findings (Amila & Qadri, 2023). This phase allowed for a deeper exploration of the data's underlying meanings, shedding light on the inherent complexities (Silkapianis et al., 2023). Moreover, the synthesis phase integrated the interview findings with the extant body of literature, positioning the analysis within a broader scholarly discourse, thereby validating or contesting prior studies and forging comprehensive, insightful conclusions (Wardhani et al., 2022). Through this analytical journey, the study aspires to make a substantive contribution to the comprehension of the research subject and to augment the corpus of academic literature on the matter (Qadri & Firmansyah, 2020).

## **RESULT AND DISCUSSION**

KPP Pratama Muara Bungo has provided services since 1999 in Bungo Regency, located at Jalan Teuku Umar, Rimbo Tengah. This office is under the auspices of the Regional Office of the Directorate General of Taxes (DGT) of West Sumatra and Jambi, which provides support and supervision in implementing tax services. As a service center in a strategic area, KPP Pratama Muara Bungo is responsible for two regencies, namely Bungo Regency and Tebo Regency, which are cross-cities between West Sumatra Province and Jambi Province. With the support of the Rimbo Bujang Treasury and Tax Service Office (KP2KP) and Muara Tebo Treasury and Tax Service Office (KP2KP), KPP Pratama Muara Bungo has strengthened tax services in the area.





KPP Pratama Muara Bungo's working area covers 11,120 square kilometers with 45,794 active taxpayers. The office is run by 81 employees, consisting of 50 male and 31 female employees, who work together to provide the best service to the community. The primary mission of KPP Pratama Muara Bungo is to become a state revenue collection unit that prioritizes professionalism, integrity, and the best service to the community. KPP Pratama Muara Bungo is committed to collecting maximum state revenue with a vision to optimize all potential and resources available.

Although faced with challenges in large areas, limited network access, and rugged terrain, KPP Pratama Muara Bungo maintains the determination and spirit to continue improving. One of the genuine efforts to improve efficiency and effectiveness is through the Renewal of the Core Tax Administration System (PSIAP), which is an essential foundation in responding to the dynamics of change in the field of taxation. KPP Pratama Muara Bungo upholds high integrity as the primary foundation in welcoming continuous change.

**Table 2. Revenue Sector of KPP Pratama Muara Bungo**

Sector	Percentage of Revenue
Mining	35%
Palm	26%
Rubber	13%
Trade	12%
Industry	8%
More	6%

Source: Social Media of KPP Pratama Muara Bungo

**Figure 1. Questionnaire Results**

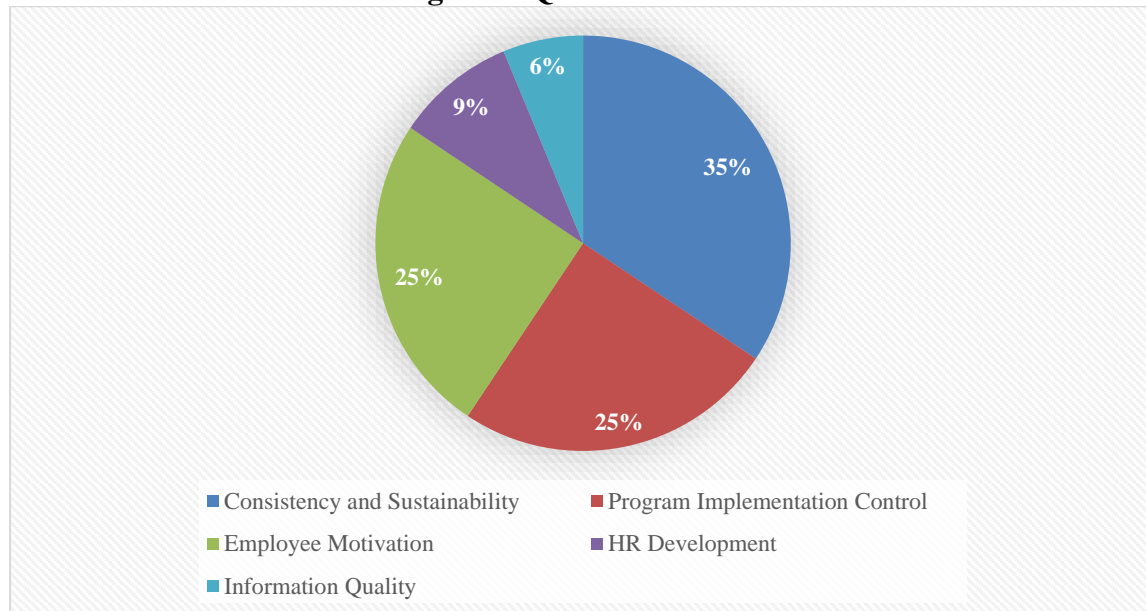
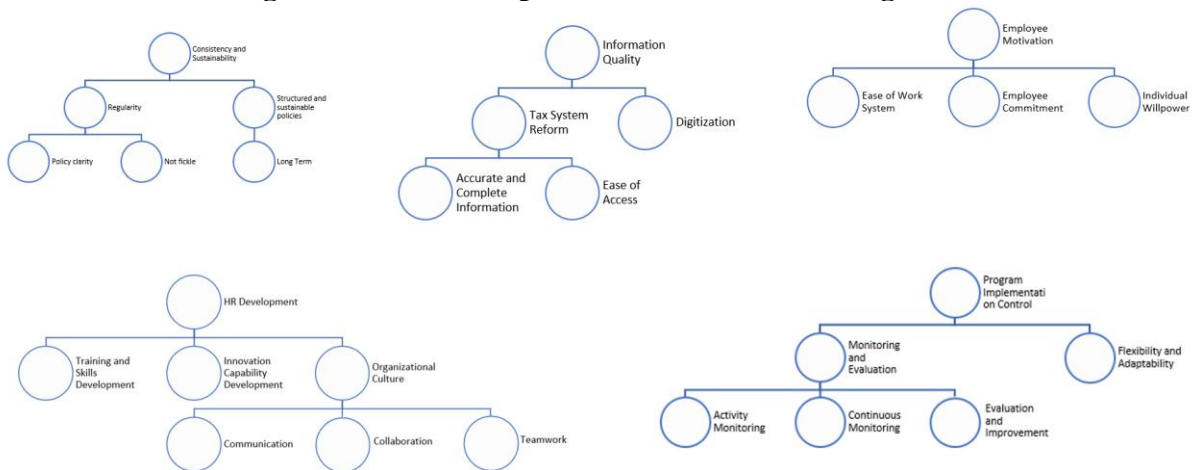




Figure 2. Relationship between Codes and Categories



With a commitment to providing the best service, maintaining professionalism, and improving efficiency in tax management, KPP Pratama Muara Bungo strives to be the central pillar in increasing state revenue and supporting economic growth in the region. The economic pulse of Bungo Regency and Tebo Regency is supported by several main sectors that deliver KPP Pratama Muara Bungo to achieve the revenue target. The Palm Oil Plantation sector, *Elaeis Guineensis* Jacq, is the raw material for producing cooking oil, industrial oil, and fuel, one of the main sectors in its contribution. In addition, the rubber plantation sector, coal mining, trade in goods and services, and industry also support the economy in the region. These five sectors are the primary sources of revenue for KPP Pratama Muara Bungo, which actively manages taxes and economic contributions from these sectors.

Based on the analysis of survey data through questionnaires and coding, this study delineates five primary categories that elucidate the determinants influencing the effectiveness of the Tax Administration Core System Update (PSIAP) implementation. These categories emerged from questionnaires administered to 32 employees of KPP Pratama Muara Bungo. An integration of prior research and the researcher's empirical observations identified eight significant factors impacting the efficacy of tax reform implementation. These encompass consistency and sustainability, program implementation control, employee motivation, human resource development, information quality, selection of program priorities, alignment of common perceptions and objectives, and the availability of facilities. Among these eight identified factors, the analysis reveals that only five categories significantly contribute to the PSIAP's implementation success. These five influential categories are illustrated in Figure 1.

In the course of this investigation, the researchers identified novel factors that augment the findings of previous studies. Specifically, among the five influential categories—consistency and sustainability, program implementation control, employee motivation, human resource development, and information quality—the study highlights the emergence of 'consistency and sustainability' and 'employee motivation' as newly observed factors. These insights were derived from the researcher's analytical observations, corroborated by data from questionnaires and interviews. The intricate relationship between the codes (child nodes) and the identified categories (parent nodes) pertaining to these **five catalysts** is systematically mapped in Figure 2, providing a nuanced understanding of their impact on the PSIAP implementation's effectiveness.

**The First Catalyst** is consistency and sustainability. Consistency and sustainability are new factors found in this study; based on interviews, employees of KPP Pratama Muara Bungo said that the most important factors to identify the effectiveness of tax reform or the successful implementation of a reform program are consistency and sustainability.



*"A tax reform can be effective in its implementation if the reform can last in the long run. If it's just an annual program, it's easy. Reform is aimed at overall and long-term changes but is often misunderstood as an ordinary annual program. Yes, so if it only works in the short term, it has been concluded that the tax reform has been effective. That's why the reforms are in volumes, not sustainable." (AM, 2024)*

*"DGT needs a reform that consistently and regularly maintains the same principles and objectives throughout the process. Not changing the policy, it is not clear what the goal is. We, as employees, are also confused about where to go. If it is consistent, the employees will also find it easy to adjust to changes during the reform process." (FF, 2024)*

Two interviewees, AM and FF, stated that the consistency and sustainability of the reform process characterize the effective implementation of tax reform. Consistency and sustainability are important factors that will affect the effectiveness of tax reform implementation. This is a new factor encountered in this study because previous studies have not found consistency and sustainability factors in the implementation of the effectiveness of a reform program. If it is related to the change management theory, management changes must be carried out consistently and in the long term (Widiastuti et al., 2022).

In tax reform, consistency plays a key role. Consistency here means implementing tax policy changes sustainably, systematically, and unvaryingly. This is very important to consider because, with consistency, DGT employees get a more precise picture of what is expected from tax reform. This clarity and certainty, in turn, improve employee performance and increase the tax system's efficiency.

In addition, the consistent approach to tax reform ensures that the changes made are not decisions taken suddenly or in response to a particular situation. Instead, the changes are part of a well-designed long-term strategic plan. This shows that every step in the reform has been well thought out to ensure the improvement of the quality of the tax system.

Consistency in tax reform also allows for a more effective evaluation of the impact of implemented policies. With a structured and sustainable approach, the DGT can monitor progress and make adjustments where necessary. This reform contributes to creating policies that are more responsive and adaptive to the needs of society, employees, and changing economic conditions. BS and MS also conveyed this: *"...the point is to be consistent, not the ones that change a little, change a little..." (BS, 2024)* *"... the important thing is to be consistent first, so that later for evaluation and improvement it will be easier if you are not consistent, you will be confused later..." (MS, 2024)*

On the other hand, sustainability in this context refers to the capacity to maintain continuity and support changes in tax reform on an ongoing basis. It is about maintaining existing initiatives and ensuring that they remain relevant and efficient in addressing environmental challenges and changes. By change management theory, tax reform designed with the principle of sustainability takes into account its long-term impact on society, the economy, and the environment, ensuring that the benefits generated are not only for short-term gains but also as a solid foundation for future progress (Kharisma, 2014).

In addition, sustainability is also closely related to the ability to be flexible and adaptive. This means that tax reforms should be able to be changed and adjusted according to the dynamics of changing conditions or emerging needs. This approach allows tax reforms to remain practical and relevant while ensuring that they can continue to provide benefits in the long term and support sustainable development. ZB also states this argument: *"Sustainability is also a form of flexibility that allows it to be adaptive to changes" (ZB, 2024).*





In this context, consistency and sustainability are two critical pillars of tax reform. Consistency ensures that tax reforms do not suffer from disruptions or frequent changes in direction, which can cause confusion for DGT employees and harm tax compliance. Meanwhile, sustainability ensures that the reforms are reliable in the long run, not only in terms of revenue generated but also in the social and environmental context (Abdoellah, 2016).

These two aspects, consistency, and sustainability, should be treated as interrelated components of effective tax reform implementation. Consistency provides a framework within which changes can be made systematically, while sustainability ensures that changes are appropriate to long-term needs and challenges. The relationship between consistency, sustainability, and implementation effectiveness is as follows.

**The Second Catalyst** is program implementation control. According to Maulidiah S's research, controlling the implementation of programs in the context of reforming a bureaucracy is a critical aspect that plays a vital role in determining the success of a change (Maulidiah, 2017). This implementation control is also an essential factor in the effectiveness of PSIAP implementation in the context of tax reform. Tax reform, carried out since 1983, requires program implementation control to ensure the program runs according to the predetermined plan.

*"DGT should not only make a tax reform program but also make a control system; it's useless if the program is good but the control system is not clear." (MS, 2024)*

*"Tax reform such as PSIAP has been a long time ago, but maybe for some people, there is not too significant a change felt in the DGT, maybe because there is no control of the implementation of the program, the DGT should also ensure that the program implemented is by the objectives and runs effectively, so this control system is a benchmark, so we know that the program we are running is effective and optimal" (JH, 2024).*

*"The DGT reform programs are okay, but I don't know if they will be effective because usually after the program's implementation, there is no monitoring or control system, even though it is important" (FY, 2024).*

The three employees of KPP Pratama Muara Bungo MS, JH, and FY stated that an equally important factor in realizing effectiveness in the implementation of PSIAP is the program implementation control system. Several interviewees said a reform program can be effective with a precise control system. A control system that monitors activities and ensures that the program runs according to the objectives set and runs effectively and efficiently. Furthermore, control over program implementation includes a continuous monitoring and evaluation process. Through this process, DGT can assess the progress achieved, evaluate the success of various policies that have been implemented, and make adjustments if necessary. It is essential for monitoring and evaluation to be conducted in an objective and open manner, utilizing pre-determined performance indicators. This approach is vital in ensuring that the reform program progresses as planned and contributes to learning from experience and improving strategies for the future.

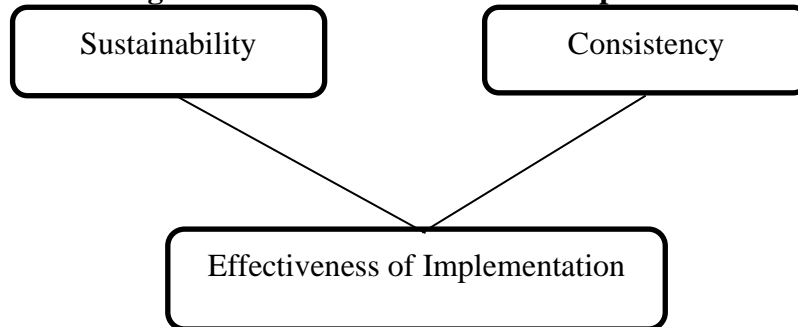
In controlling the implementation of the bureaucratic reform program, one of the significant challenges faced is the changes that will occur (Habibi, 2020). Changes in organizational structure or work procedures often cause uncertainty and concern among employees. This situation arises because changes can affect established work routines and comfort. This will undoubtedly affect the effectiveness of PSIAP implementation. *"Before creating a tax reform program like this PSIAP, the DGT should first create an effective control system..." (FY, 2024)*

FY stated that in facing challenges in tax reform, including the ongoing implementation of PSIAP, the Directorate General of Taxes (DGT) needs to build an effective control system.



This system should include monitoring and evaluation aspects to ensure the suitability of the program implementation with the expected objectives. With a robust control system, DGT can anticipate and manage future changes, enabling employees to adjust efficiently.

**Figure 3. Determinants Relationship**



This system aims to control and direct activities related to tax reform and facilitate adaptation to inevitable changes. In this dynamic and changing context, the DGT needs to ensure that the implementation control system focuses on achieving short-term objectives, flexibility, and the ability to adapt to new needs and challenges. This flexibility is crucial in preparing DGT employees to deal with the rapidly changing work environment, especially in adapting new technologies and working methods that may be required in the reform process. As such, the control system for implementing the tax reform program should be designed to monitor progress and evaluate the measures' effectiveness. This will enable the DGT to proactively make the necessary adjustments, both in strategy and operational practices, to ensure the success of tax reform (Arisaputra, 2013). This system will ensure that tax reform can be implemented effectively and that DGT employees thrive in a flexible and responsive work environment.

**The Third Catalyst** is employee motivation. Employee motivation in the tax reform process is a significant determining factor in determining the success or failure of the reform. DGT employees have an essential role in implementing policy and procedure changes and have direct interaction with taxpayers (Qadri & Darmawan, 2021; Teruni et al., 2022). Therefore, it is crucial to ensure they remain motivated to realize change through tax reform. Employee motivation refers to the set of factors that encourage, direct, and sustain employee work behavior and support agency goals (Adhan & Prayogi, 2021).

*"... it comes back to the tax employees themselves, whether they have a strong determination to realize the purpose of the reform jointly. If the employees are already reluctant, how will the reform be realized?"(MS, 2024)*

*"... employee motivation is also important. Motivation here means personal goals; for example, there is an employee who hopes that by participating in the success of this tax reform, in the future, he can work more easily and comfortably." (JH, 20224)*

MS revealed that the motivation of each employee in the form of intense determination and high commitment to achieve the reform objectives is a factor that also affects the implementation of tax reform. Employee motivation is influenced by external factors such as wages or promotion opportunities and internal elements such as a sense of responsibility in achieving common goals, commitment to the agency, strong determination, and a sense of satisfaction at work (Hairudin & Oktaria, 2022). In the scope of tax reform, a high level of motivation facilitates employees to be active in learning and implementing new regulations, adjusting to system changes, and communicating effectively with taxpayers. Meanwhile, JH stated that motivation here could also be in the form of personal goals, such as the ease of the work system after tax reform. Motivation like this will also indirectly affect the implementation of PSIAP.



Employee motivation in tax system reform goes beyond short-term benefits such as increased efficiency at work. It plays a vital role in creating a solid foundation for continuous innovation and development in taxation (Arisaputra, 2013). Highly motivated and dedicated employees are essential in realizing a successful tax reform. Their commitment is critical to generating meaningful and sustainable impact, not only for the DGT but also for society's general good. This motivation paves the way for productive and beneficial changes in the tax system, ensuring the reform's long-term success and improving society's overall welfare.

*"...It's like dating, yes, to get to the aisle, there must be a strong commitment between the partners. It is the same with this tax reform; if it is to be effective in its implementation, yes, there must also be a strong commitment from each employee to realize it jointly" (FF, 2024).*

*"...Each employee must first have the intention to realize this tax reform, to work together with a strong determination to change DGT for the better" (BS, 2024).*

FF expressed an exciting analogy, likening the tax reform process to a romantic relationship leading up to marriage. FF emphasized that, just like in a relationship heading down the aisle, a strong commitment from both parties is required. Similarly, in tax reform, the effectiveness of its implementation is highly dependent on each employee's strong commitment to realize the reform's objectives jointly. Furthermore, BS expressed that the motivation and strong determination to change the Directorate General of Taxes for the better must come from within each employee. These two views show that the primary key to the success of tax reform lies not only in the policy or system implemented but also in the strength of motivation of the employees working in it to bring positive changes to the tax system jointly.

**The Fourth Catalyst** is human resource development (HRD). Human resource development plays a crucial role in realizing the effectiveness of tax reform implementation. This factor affects most aspects of the tax reform process and is vital in achieving the reform objectives. PSIAP, proclaimed as the new face of DGT, certainly requires qualified human resources in its implementation. These skilled human resources are an inseparable part of DGT as an agency. DGT must support HR development as a means and facility provider to increase employee capacity and competence. HR development involves various aspects, such as training, education, experience, and skills improvement needed to carry out tasks (Suryani & Rindaningsih, 2023). Human resource development is essential in tax reform. Change management theory emphasizes that the success of this reform is highly dependent on effective communication, human resource involvement, and the implementation of structured change management (O'Toole Jr & Meier, 2015). This is due to the constant changes in the tax system. With changes in tax regulations and the ever-changing dynamics of the global economy, HR must always be up-to-date and have relevant skills to deal with the various changes that may occur. Without continuous improvement in HR quality, tax reform efforts may be constrained and fail to achieve the desired results.

*"PSIAP can be effective if all employees are qualified, conduct training beforehand so that all employees understand what to do and what their role is from this DGT reform" (BS, 2024).*

*"The most basic of tax reform is the competence of each employee. All effectiveness of implementation starts from the employees. HR development is significant in this tax reform." (ZB, 2024)*

BS and ZB also conveyed the same thing, that the effectiveness of tax implementation is strongly influenced by its human resources. The capacity and competence of DGT employees will affect the implementation of PSIAP. This includes training and continuing education to ensure all DGT employees are ready to run all PSIAP programs to realize tax reform. Training in this tax reform can consist of technical expertise, managerial, technology-based, and



continuous training (Gustiana et al., 2022). By having in-depth knowledge and relevant skills, tax employees can be more efficient and effective in carrying out their duties and encourage the realization of the effectiveness of PSIAP implementation.

In addition to improving individual capacity, HR development must also focus on developing innovation, teamwork, and collaboration capabilities. In implementing tax reform, it is often necessary to synergize all DGT employees. Therefore, working together in teams and collaborating across fields is essential. Training programs that focus on effective communication, conflict management, and teamwork can be effective in developing tax reform. This was conveyed by several resource persons as follows.

*"PSIAP is a DGT program involving all employees, so synergy must exist. All employees must be able to collaborate to achieve the set goals. This synergy and collaboration will not be realized if each individual does not have good capacity and competence, then the cooperation will not be balanced. To increase capacity and ability, we should have a clear HR development system" (BR, 2024).*

*"All employees must have competence first so that later the reform program can be carried out together in synergy" (FY, 2024).*

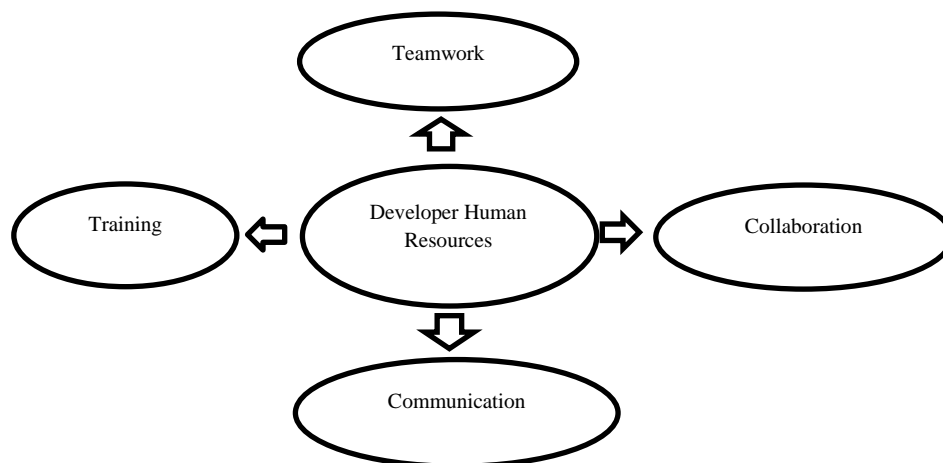
*"How can you have competence, the employees. If the DGT itself does not pay attention to HR development. Even though competent employees are vital." (FF, 2024)*

This HR development is also related to the digitalization program of PSIAP itself, where PSIAP proposes tax reform by building a tax database so that the tax system becomes easy, reliable, integrated, accurate, and confident. Therefore, training and capacity building in information technology is essential to ensure tax officials can operate it and effectively prepare themselves to implement the PSIAP tax reform.

Human Resources (HR) development plays a vital role in the effectiveness of tax reform implementation. Tax reform is a complex process that requires high commitment and competence from various parties. This is because tax reform involves changes to tax regulations and systems and changes to the way of working, culture, and organizational structure in tax institutions. HR development is critical in ensuring tax officials have the right skills, knowledge, and attitude to implement these reforms effectively. The relationship between HR development, training, communication, teamwork, and collaboration is depicted in Figure 4.

**The Fifth Catalyst** is information quality, the renewal of the Core Tax Administration System (PSIAP) is an initiative aimed at changing and improving tax administration business processes through the development of information systems that use COTS (Commercial Off The Shelf) technology and are supported by tax databases.

**Figure 4. Relationship between People Development, Teamwork, and Collaboration**





In tax reform with information system development like this, information quality is undoubtedly a very crucial factor. The quality of information determines the success of information system reform as a form of tax reform. ZB and AM accentuate these issues as follows.

*"The background of the PSIAP is because the technology used by the DGT is quite outdated. In addition, the tax administration system that has been running also does not cover all business processes run by the DGT, so reforms are needed to update the tax system. The quality of information used will be essential for this system update."* (ZB, 2024)

*"...digitalization is important in reform. Now that everything is digital and online, how can the DGT as an agency keep up with the times? DGT should also be able to facilitate its taxpayers with good data system and information quality."* (AM, 2024)

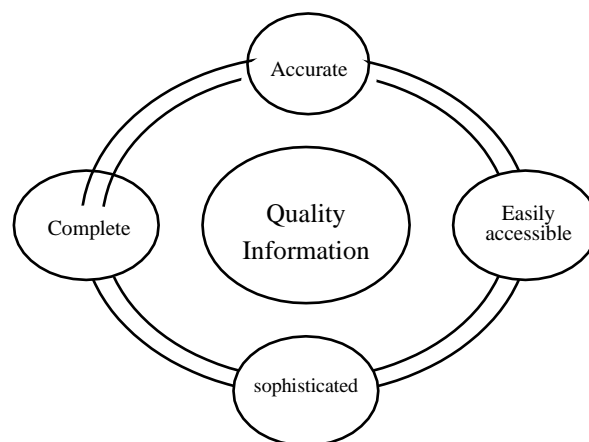
Two interviewees, ZB and AM, stated that the current tax reform must adapt to technological developments. This is also to the background of PSIAP, the outdated administrative system. The database encourages DGT to conduct tax reform based on the renewal of the core tax administration system so that in the future, it is expected that DGT can have a tax system that is easier to use, reliable, integrated, accurate, and reliable. In the context of tax reform, the importance of accurate, complete, and easily accessible information for relevant parties, including tax officials and taxpayers, cannot be underestimated. This need arises because many critical decisions in tax reform depend on the availability of valid and reliable data and information (Kharisma, 2014). In today's digital era, efficient and effective data and information management is vital in ensuring the success of tax reform efforts.

Advances in information technology have provided sophisticated tools that can facilitate the collection, processing, and analysis of tax data more efficiently (Abdoellah, 2016). This includes using advanced information technology systems, which allow DGT employees to access and manage information more efficiently and faster. Evidence-based decisions resulting from accurate data analysis are critical in steering the course of tax reform. This was also conveyed by interviewees JH and FF.

*"Currently, the most important thing for DGT is to have big data that is accurate, complete, and easily accessible..."* (JH, 2024)

*"Tax reform can run well if DGT has a sophisticated data system and technology, not inferior to the private sector out there..."* (FF, 2024)

**Figure 5. The Relationship between Accurate, Complete, and Information Quality**



In today's digital era, the importance of accurate, complete, and easily accessible data and information in the context of tax reform cannot be ignored. Information quality, efficient





data management, and utilization of advanced technology are key factors supporting tax reform's success, ultimately contributing to a fairer, more transparent, and efficient tax system. The relationship between accurate, complete, sophisticated, and easily accessible information and information quality is depicted in Figure 5.

## **CONCLUSIONS AND SUGGESTIONS**

The findings of this investigation elucidate that six pivotal factors underpin the effectiveness of the Tax Administration Core System implementation. These determinants include consistency and sustainability, program implementation control, employee motivation, human resource development, and information quality. Notably, the factor of consistency and sustainability emerges as a novel element not previously identified in existing literature. This factor, derived from the author's observational insights and integrated into the questionnaire, is substantiated by interviews with seven participants, highlighting its substantial impact on PSIAP's successful execution. The essence of consistency and sustainability in ensuring the long-term efficacy of PSIAP aligns with change management theories that advocate for enduring and coherent strategies to foster positive transformations. Program implementation control represents another critical factor, encompassing the monitoring and evaluation mechanisms within the tax reform initiative. This aspect is crucial for continuous assessment, ensuring alignment with ongoing developments and the capacity to adapt to forthcoming shifts. It embodies the principles of flexibility and adaptiveness, essential for the evaluative and enhancement processes. Employee motivation also plays a significant role, as indicated by the interviewees.

The realization of PSIAP's objectives necessitates a profound commitment and determination from each Directorate General of Taxes employee. This motivation encompasses the aspirations and objectives of the employees towards enhancing work system efficiency and creating a conducive work environment, thereby significantly impacting PSIAP's implementation success. Furthermore, the development of human resources is identified as a foundational pillar influencing other factors. As posited by Mahendra, et al., (2018), the augmentation of human capital through training, skill enhancement, innovation capacity building, and fostering organizational culture underpins the successful realization of other determinants. Effective teamwork and collaboration, predicated on efficient communication, are instrumental in achieving the goals of tax reform. Lastly, the quality of information is imperative for PSIAP, given its focus on overhauling the tax system. The necessity for accurate, comprehensive, and accessible information underscores the importance of this factor, which is supported by (Kharisma, 2014)'s assertion that digitalization plays a beneficial role in bureaucratic reform implementation. This study corroborates the significance of information quality in enhancing the effectiveness of PSIAP implementation.

This study furnishes insights for the government, specifically the Directorate General of Taxes, regarding critical factors influencing the effectiveness of the Tax Administration Core System implementation. It underscores the necessity of addressing specific determinants to ensure the tax reform's efficient and sustainable execution. Nevertheless, this research encounters limitations, notably in terms of time constraints affecting data analysis and the scope of information sources. The latter is restricted to the perspectives of a select number of KPP Pratama Muara Bungo employees, omitting the viewpoints of policymakers and academics. For subsequent research, it is advised to broaden the spectrum of informants to include DGT employees, policymakers, and scholars, and to extend the duration of the study to achieve a more thorough and nuanced understanding. Furthermore, undertaking quantitative analysis on the factors affecting PSIAP's implementation efficacy is recommended to assess their impacts,



both positive and negative, comprehensively. Such an approach may also uncover additional factors not identified in prior investigations.

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