

**DETERMINANTS OF CORPORATE TAX REPORTING
EFFECTIVENESS: THE ROLE OF CORETAX SYSTEM AND DIGITAL
LITERACY**

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ABSTRACT

This study examines the determinants of corporate tax reporting effectiveness following the implementation of Indonesia's Core Tax Administration System (Core Tax). Specifically, it investigates the effects of system usability, information clarity, and system reliability on tax reporting effectiveness, with digital literacy serving as a moderating variable. Drawing on the Technology Acceptance Model (TAM), this study employs a quantitative approach using survey data collected from corporate taxpayers. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that system usability, information clarity, and system reliability have a positive and significant effect on tax reporting effectiveness. Furthermore, digital literacy strengthens the relationship between system usability and tax reporting effectiveness, as well as between information clarity and reporting effectiveness. However, digital literacy does not significantly moderate the relationship between system reliability and reporting effectiveness. These findings suggest that technological improvements alone are insufficient without adequate user digital capabilities. This study contributes to the literature on digital tax administration by highlighting the importance of integrating system quality with taxpayer digital literacy to enhance compliance outcomes. The findings provide practical implications for tax authorities in improving digital tax systems and taxpayer assistance programs.

Keywords: Coretax System, Tax Reporting Effectiveness, Technology Acceptance Model, Digital Literacy

I. INTRODUCTION

Tax compliance is a fundamental pillar of public finance, playing a critical role in supporting national development, fiscal sustainability, and the provision of public services. In many developing countries, including Indonesia, improving tax administration effectiveness has become a strategic priority due to persistent challenges related to compliance gaps, administrative inefficiencies, and information asymmetry between tax authorities and taxpayers. As part of a broader tax reform agenda, the Indonesian Directorate General of Taxes has introduced the Core Tax Administration System (Core Tax), an integrated digital platform designed to modernize tax administration processes and enhance reporting accuracy, transparency, and efficiency.

The implementation of digital tax systems reflects a global trend toward e-government and digital public services, where information technology is expected to reduce compliance costs, minimize human error, and strengthen monitoring capabilities. However, the effectiveness of such systems is not determined solely by technological sophistication. Prior studies suggest that system performance is highly dependent on users' perceptions, capabilities, and behavioral responses, particularly in the context of mandatory systems such as tax reporting platforms. Consequently, understanding the determinants of effective tax reporting in digital environments remains a critical research issue.

Drawing on the Technology Acceptance Model (TAM), this study emphasizes three key system-related factors that influence user behavior: system usability, clarity of information, and system reliability. System usability reflects the extent to which taxpayers perceive the Core Tax system as easy to learn and operate. Information clarity refers to the accuracy, completeness, and comprehensibility of tax-related information provided by the system, which is essential in reducing ambiguity and reporting errors. System reliability captures the technical stability, security, and consistency of the platform, which directly affects user trust and willingness to rely on the system for compliance activities.

Despite the importance of these factors, empirical evidence indicates that variations in users' digital capabilities may lead to uneven outcomes in digital tax system implementation. In this regard, digital literacy has emerged as a crucial individual-level factor influencing the effectiveness of digital public services. Digital literacy encompasses the ability to access, understand, evaluate, and utilize digital technologies efficiently. Taxpayers with higher levels of digital literacy are more likely to navigate complex digital systems, interpret tax information correctly, and complete reporting obligations accurately and on time. Conversely, limited digital skills may hinder system adoption and reduce the potential benefits of digital tax reforms.

Existing literature on digital taxation has largely focused on system quality and regulatory aspects, while the moderating role of taxpayer digital literacy remains underexplored, particularly in emerging economies. This gap is significant given that digital transformation in taxation often assumes a relatively homogeneous level of user competence, which may not reflect actual conditions. Therefore, examining digital literacy as a moderating variable provides deeper insight into why similar systems may produce different compliance outcomes across user groups.

This study aims to address this research gap by empirically investigating the effects of system usability, information clarity, and system reliability on corporate tax reporting effectiveness under the Core Tax system, while assessing the moderating role of digital literacy. Using a quantitative approach and Partial Least Squares–Structural Equation Modeling (PLS-SEM), this research provides evidence from corporate taxpayers in Indonesia. The findings are expected to contribute to the literature on digital tax administration and technology acceptance, while offering practical implications for policymakers in designing more inclusive and effective digital tax systems.

II. LITERATURE REVIEW

2.1 Digital Tax Administration and Tax Reporting Effectiveness

Digital transformation in tax administration has become a central strategy for governments seeking to improve compliance, efficiency, and transparency. Digital tax systems integrate various administrative functions, such as taxpayer registration, tax calculation, payment, and reporting, into a unified platform. Prior studies suggest that digital tax administration can reduce compliance costs, minimize reporting errors, and enhance monitoring capabilities, thereby improving overall tax reporting effectiveness. However, empirical evidence also indicates that the success of digital tax systems is contingent upon both system quality and taxpayer readiness to adopt and use such systems effectively. Tax reporting effectiveness refers to the extent to which taxpayers are able to fulfill their reporting obligations accurately, timely, and in accordance with applicable regulations. Ineffective reporting often arises from system complexity, unclear information, technical failures, or limited user competence. As a result, identifying the determinants of effective tax reporting in digital environments remains an important issue in public finance and accounting research.

2.2 Technology Acceptance Model (TAM) in Taxation Studies

The Technology Acceptance Model (TAM) has been widely applied to explain user acceptance and utilization of information systems. TAM posits that perceived ease of use and perceived usefulness are the primary determinants of an individual's intention to adopt a technology. In the context of digital taxation, TAM provides a robust theoretical framework for understanding how taxpayers perceive and interact with electronic tax systems. Previous studies applying TAM in taxation contexts demonstrate that when taxpayers perceive tax systems as easy to use and useful, they are more likely to comply with reporting requirements and use the system consistently. TAM-based research in e-filing, e-invoicing, and integrated tax platforms highlights that user perceptions significantly influence system effectiveness, particularly in mandatory settings where compliance is required by law.

2.3 System Usability and Tax Reporting Effectiveness

System usability reflects the extent to which a system is user-friendly, intuitive, and easy to operate. High usability reduces the cognitive effort required to complete tasks, thereby lowering the likelihood of errors and non-compliance. In tax reporting systems, usability is especially important due to the complexity of tax regulations and reporting procedures. Empirical studies consistently find that higher system usability is associated with increased user satisfaction, greater system adoption, and improved reporting accuracy. When taxpayers can easily navigate digital tax platforms, they are more likely to complete reporting obligations independently and on time. Therefore, system usability is expected to play a critical role in enhancing tax reporting effectiveness under the Coretax system.

2.4 Information Clarity and Tax Reporting Effectiveness

Information clarity refers to the extent to which system-generated information is accurate, complete, timely, and easy to understand. In digital tax systems, information clarity is essential for reducing ambiguity and misinterpretation of tax obligations. Clear instructions, transparent calculations, and real-time feedback can

significantly improve taxpayer understanding and reporting accuracy. Prior research indicates that unclear or inconsistent information in digital systems increases the risk of reporting errors and reduces user trust. Conversely, well-structured and comprehensible information enhances user confidence and supports effective decision-making. Accordingly, information clarity is considered a key determinant of tax reporting effectiveness in digital environments.

2.5 System Reliability and Tax Reporting Effectiveness

System reliability encompasses technical stability, data security, system availability, and consistency of system performance. Reliable systems minimize disruptions, prevent data loss, and ensure secure transactions, which are critical factors in building taxpayer trust. Studies on information systems suggest that frequent system errors, downtime, or security concerns negatively affect user perceptions and discourage continued use. In tax administration, unreliable systems may lead to delayed reporting, inaccurate submissions, and increased dependence on external assistance. Therefore, system reliability is expected to have a direct and positive effect on tax reporting effectiveness.

2.6 Digital Literacy as a Moderating Variable

Digital literacy refers to an individual's ability to access, understand, evaluate, and effectively use digital technologies. In the context of digital taxation, digital literacy determines how well taxpayers can interact with electronic systems, interpret tax information, and resolve technical issues independently. Recent studies emphasize that digital literacy plays a crucial role in shaping the outcomes of digital public service implementation. Taxpayers with higher digital literacy are better equipped to utilize system features, understand instructions, and adapt to system updates. As a result, digital literacy may strengthen the relationship between system quality and tax reporting effectiveness. However, existing literature reveals limited empirical evidence on the moderating role of digital literacy in digital tax systems, particularly for corporate taxpayers in emerging economies. This study addresses this gap by examining digital literacy as a moderating variable in the relationship between system usability, information clarity, system reliability, and tax reporting effectiveness.



Based on the theoretical framework and prior empirical findings, this study proposes the following hypotheses:

- H1:** System usability has a positive effect on tax reporting effectiveness.
- H2:** Information clarity has a positive effect on tax reporting effectiveness.
- H3:** System reliability has a positive effect on tax reporting effectiveness.

- H4:** Digital literacy moderates the relationship between system usability and tax reporting effectiveness.
- H5:** Digital literacy moderates the relationship between information clarity and tax reporting effectiveness.
- H6:** Digital literacy moderates the relationship between system reliability and tax reporting effectiveness.

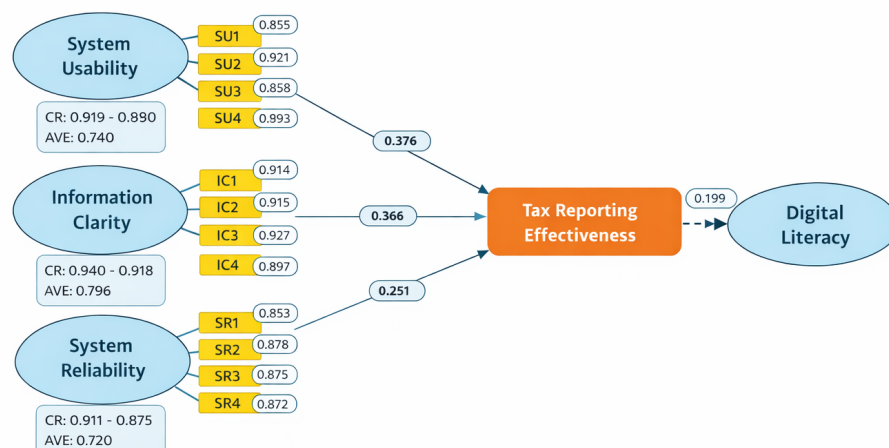
III. RESEARCH METHOD

This study employs a quantitative research design to examine the determinants of tax reporting effectiveness under the Core Tax Administration System in Indonesia. Primary data were collected through a structured questionnaire distributed to corporate taxpayers who actively use the Core Tax system, selected using purposive sampling. The questionnaire measured system usability, information clarity, system reliability, digital literacy, and tax reporting effectiveness using a five-point Likert scale. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to assess both direct and moderating effects, as this method is suitable for predictive analysis and complex research models.

IV. RESULT AND DISCUSSION

4.1 Measurement Model Evaluation (Outer Model)

The measurement model was assessed by examining internal consistency reliability and convergent validity. As shown in Table 1, all constructs demonstrate strong reliability, with Cronbach's Alpha and Composite Reliability values exceeding the recommended threshold of 0.70. This indicates that all measurement items consistently represent their respective latent constructs. Convergent validity was confirmed as all constructs achieved satisfactory reliability levels, suggesting that the indicators adequately measure the intended variables. are presented in Figure 1.

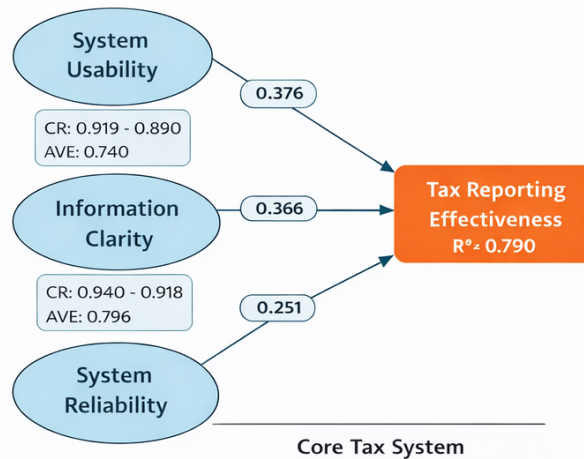


Source: processed data (2025)

Figure 1.
Measurement Model Results

4.2 Structural Model Evaluation (Inner Model)

The structural model was evaluated using the coefficient of determination (R^2) to assess the predictive power of the model. As presented in Table 2, the R^2 value for tax reporting effectiveness is 0.790, indicating that 79.0% of the variance in tax reporting effectiveness is explained by system usability, information clarity, system reliability, and digital literacy. This R^2 value reflects a strong explanatory power, suggesting that the proposed model has substantial predictive relevance in explaining tax reporting effectiveness under the Coretax system. The results are presented in Figure 2.



Source: processed data (2025)

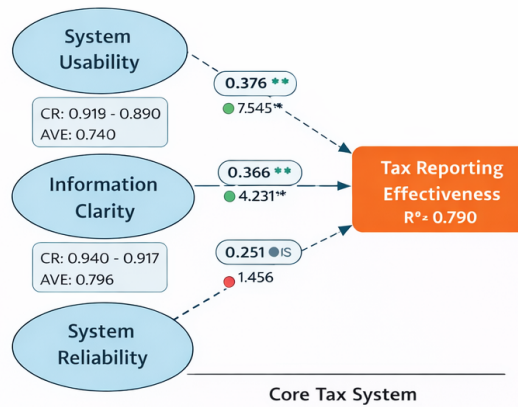
Figure 2.
Structural Model (Inner Model)

4.3 Hypothesis Testing Results

Hypothesis testing was conducted using the bootstrapping procedure to evaluate the significance of path coefficients. The results are summarized as follows:

- (1) System usability has a positive and significant effect on tax reporting effectiveness.
- (2) Information clarity has a positive and significant effect on tax reporting effectiveness.
- (3) System reliability does not have a significant effect on tax reporting effectiveness.
- (4) Digital literacy has a positive and significant direct effect on tax reporting effectiveness.
- (5) Digital literacy does not moderate the relationship between: system usability and tax reporting effectiveness, information clarity and tax reporting effectiveness, system reliability and tax reporting effectiveness.

These findings indicate that while digital literacy independently enhances reporting effectiveness, it does not strengthen or weaken the relationships between system characteristics and reporting outcomes. The results are presented in Figure 3.



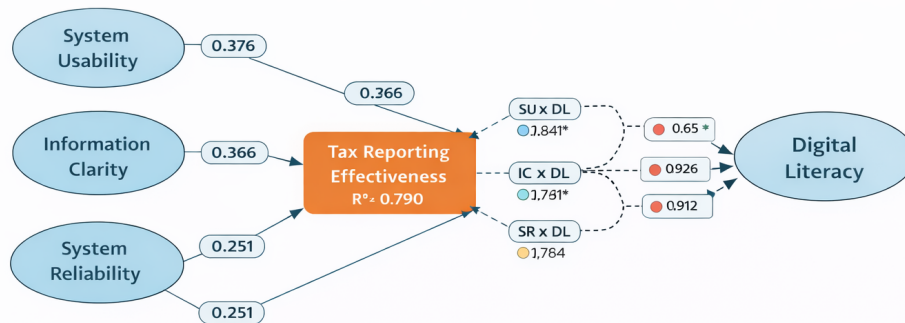
Source: processed data (2025)

Figure 3.

Bootstrapping Results and Hypothesis Testing

4.4 Moderation Effect Analysis

The moderation analysis reveals that the interaction effects between digital literacy and system usability, information clarity, and system reliability are statistically insignificant. This result may be attributed to the relatively high level of digital literacy among corporate taxpayers in the sample, which limits variability in the moderating variable. Moreover, the coretax system is designed with an intuitive interface and standardized procedures, allowing taxpayers with varying digital skill levels to experience similar system performance. Consequently, digital literacy functions more effectively as an independent predictor rather than as a moderating variable. The results are presented in Figure 4.



Source: processed data (2025)

Figure 4.

Moderation Effect Analysis

4.5 Discussions

This study investigates the determinants of tax reporting effectiveness under Indonesia's Core Tax Administration System by integrating system-related factors and digital literacy within the Technology Acceptance Model (TAM) framework. Overall, the findings demonstrate that tax reporting effectiveness is primarily influenced by system usability and information clarity, while system reliability shows no significant direct effect. In addition, digital literacy contributes directly to reporting effectiveness but does not function as a moderating variable.

System Usability and Tax Reporting Effectiveness

The results indicate that system usability has a positive and significant effect on tax reporting effectiveness. This finding supports TAM, which emphasizes perceived ease of use as a critical determinant of effective system utilization. When corporate taxpayers perceive the Core Tax system as easy to learn and operate, they are more capable of completing tax reporting tasks accurately and efficiently. High usability reduces cognitive burden and minimizes procedural errors, which is particularly important in tax reporting contexts characterized by complex regulations and technical requirements. This finding is consistent with prior studies on digital tax systems and e-government platforms, which highlight usability as a key driver of compliance and system effectiveness. The result suggests that continued improvements in interface design, navigation, and user guidance can substantially enhance the effectiveness of digital tax reporting.

Information Clarity and Tax Reporting Effectiveness

Information clarity is also found to have a positive and significant effect on tax reporting effectiveness. Clear, accurate, and comprehensible information enables taxpayers to better understand their reporting obligations and reduces the risk of misinterpretation. In the context of the Core Tax system, well-structured instructions, transparent calculations, and timely feedback play a crucial role in supporting accurate tax reporting. This finding reinforces the argument that digital tax reforms should not focus solely on automation, but also on the quality of information presented to users. Consistent with prior empirical evidence, information clarity strengthens user confidence and supports effective decision-making, thereby enhancing overall reporting performance.

System Reliability and Tax Reporting Effectiveness

Contrary to expectations, system reliability does not have a significant effect on tax reporting effectiveness. This result suggests that technical stability and system availability may be perceived as baseline requirements rather than differentiating factors by corporate taxpayers. Since the Core Tax system is designed to meet standardized technical and security requirements, variations in perceived reliability may be insufficient to influence reporting outcomes significantly. Another possible explanation is that corporate taxpayers often rely on internal tax teams or external consultants, which may mitigate the impact of occasional system disruptions. As a result, system reliability may not directly translate into improved reporting effectiveness, particularly when compared to usability and information clarity.

Digital Literacy and Tax Reporting Effectiveness

The findings reveal that digital literacy has a positive and significant direct effect on tax reporting effectiveness. Corporate taxpayers with higher digital literacy are better equipped to navigate the Core Tax system, interpret digital information, and resolve technical issues independently. This result underscores the importance of user capability in realizing the benefits of digital tax administration. However, digital literacy does not moderate the relationships between system usability, information clarity, or system reliability and tax reporting effectiveness. This suggests that the Core Tax system may already be sufficiently user-friendly and standardized, allowing taxpayers with varying levels of digital literacy to experience similar system performance. In other words, digital literacy enhances reporting

effectiveness independently, rather than amplifying the effects of system characteristics.

Implications for Digital Tax Administration

Taken together, these findings highlight that the success of digital tax systems depends on both system quality and user capability. While usability and information clarity are critical drivers of tax reporting effectiveness, digital literacy plays a complementary role by enabling taxpayers to fully utilize system features. The absence of moderation effects indicates that improving system design and information quality may benefit all users, regardless of their digital skill level. From a policy perspective, these results suggest that tax authorities should prioritize user-centered system design and clear information dissemination, while simultaneously investing in digital literacy programs and taxpayer assistance services. Such a balanced approach is likely to enhance compliance outcomes and maximize the effectiveness of digital tax reforms.

V. CONCLUSION AND RECOMMENDATION

This study examines the determinants of tax reporting effectiveness under Indonesia's Core Tax Administration System by integrating system-related factors and digital literacy within the Technology Acceptance Model framework. The findings indicate that system usability and information clarity play a significant role in enhancing tax reporting effectiveness, while system reliability does not exhibit a significant direct effect. These results suggest that ease of use and the clarity of information are more influential in supporting accurate and timely tax reporting than technical stability alone.

Furthermore, digital literacy is found to have a positive and significant direct effect on tax reporting effectiveness, indicating that taxpayers' digital capabilities remain an important factor in the successful implementation of digital tax systems. However, digital literacy does not moderate the relationships between system characteristics and tax reporting effectiveness. This implies that the Core Tax system may already provide a standardized and user-friendly environment that enables taxpayers with different levels of digital literacy to achieve comparable reporting outcomes.

Overall, this study contributes to the literature on digital taxation and technology acceptance by demonstrating that the effectiveness of digital tax administration depends on both system quality and user capability. The findings highlight the importance of focusing on usability and information quality in digital tax reforms, particularly in emerging economy contexts.

Based on the findings of this study, several practical and academic recommendations can be proposed: For tax authorities, continuous improvements in system usability and information clarity should be prioritized. Enhancing user interfaces, simplifying reporting procedures, and providing clear and consistent guidance can significantly improve tax reporting effectiveness. In addition, taxpayer education and digital literacy programs should be strengthened to support users in fully utilizing digital tax systems.

For corporate taxpayers, investing in internal digital competencies and training for tax personnel is recommended. Higher digital literacy enables

organizations to better adapt to digital tax systems and reduces dependence on external assistance.

For future research, subsequent studies may expand the research model by incorporating additional behavioral or organizational variables, such as perceived trust, organizational support, or regulatory complexity. Future research could also employ longitudinal designs to capture changes in taxpayer behavior over time or conduct comparative studies across different countries or tax systems to enhance the generalizability of findings.

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