


Tax Avoidance Planning through CoreTax: Strategic Analysis and Its Impact on Tax Compliance and Fiscal Sustainability

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Article Info	ABSTRACT
<p>Keywords: Tax Avoidance, CoreTax, Tax Compliance, Digital Tax Planning, Transfer Pricing, Tax Regulation, Fiscal Sustainability</p>	<p>This study explores how CoreTax, a digital tax planning platform, is utilized by companies in Indonesia to implement legal yet aggressive tax avoidance strategies. Using a qualitative case study approach, data were collected through interviews with tax practitioners, analysis of corporate tax documents, and simulations of tax scenarios. The findings reveal that CoreTax enables the identification of tax-saving opportunities through features such as tax gap analysis and simulated transfer pricing, allowing companies to reduce their effective tax rates. While these strategies are legally permissible, they raise concerns about fairness, fiscal sustainability, and regulatory oversight. The study highlights the dual nature of tax technology, promoting efficiency on one hand while enabling regulatory circumvention on the other. It recommends that tax authorities strengthen digital audit capacity and update anti-avoidance regulations to address technology-based planning. By offering a contextual understanding of tax technology usage, this study contributes to policy discussions on digital taxation and corporate compliance behavior.</p>
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INTRODUCTION

In recent years, tax avoidance has emerged as a critical issue in both academic and policy circles, particularly in developing countries like Indonesia. While tax avoidance is legally distinct from evasion, the ethical and economic consequences are increasingly under scrutiny (Slemrod, 2019; Ak and Sudaryono, 2025; Wibowo *et al.*, 2025). The use of legal loopholes to minimize tax liabilities, although technically lawful, raises broader questions about fairness, transparency, and fiscal justice. As corporate structures become more complex, the ability of tax authorities to monitor and regulate such practices is often challenged (Affandy and Yusuf, 2025).

The rapid advancement of financial technology has brought new dimensions to tax planning (Puspita, 2023). One notable innovation in Indonesia is *CoreTax*, a digital platform that facilitates tax simulations, documentation, and strategic planning. While CoreTax aims to promote efficiency, its features, such as tax gap analysis and transfer pricing simulations,

can also be used to exploit gray areas in the tax code (Igbinenikaro and Adewusi, 2024; Nembe and Idemudia, 2024). This dual nature makes such platforms both a useful tool and a potential threat to compliance if not properly regulated.

Companies, in their efforts to maximize shareholder value, often pursue strategies to minimize taxes. According to Dyreng et al (2019), tax avoidance can lead to significant short-term savings. However, the long-term implications, such as reputational damage, regulatory scrutiny, and erosion of public trust, cannot be ignored. Practices like thin capitalization, aggressive intercompany loan structures, and shifting profits to tax havens are now widely adopted by firms leveraging tax software to manage risk and reduce their effective tax rate.

Indonesia's Directorate General of Taxes (DJP) has responded with instruments such as the General Anti-Avoidance Rule (GAAR) and stricter transfer pricing regulations. However, scholars such as Slemrod and Bakija (2017) argue that enforcement remains a persistent challenge due to limited audit resources and rapid technological developments. As a result, companies using advanced tools like CoreTax may remain a step ahead of the regulators, exploiting asymmetries in information and enforcement.

The broader impact of tax avoidance on national revenue is substantial. When large corporations reduce their tax contributions using sophisticated tax planning tools, the shortfall must be covered elsewhere, usually by smaller businesses or the general public. This creates what Slemrod (2019) refers to as an "unlevel playing field," where compliance becomes a disadvantage rather than a civic duty. It also places pressure on state budgets, affecting funding for public goods such as healthcare, education, and infrastructure.

What makes CoreTax particularly interesting is its ability to simulate outcomes under different tax scenarios using real-time data and predictive modeling. While this enhances internal compliance processes, it can also encourage companies to treat tax obligations as a strategic variable rather than a legal responsibility (Dhaliwal *et al.*, 2023). The increasing reliance on automated decision-making in taxation thus requires a reevaluation of the principles that underlie tax fairness and corporate accountability.

At the same time, public expectations are evolving. Stakeholders, including consumers, investors, and policymakers, now demand greater transparency and social responsibility from businesses. Aggressive tax planning, especially when done through digital platforms, may be seen as contradictory to corporate commitments to ESG (Environmental, Social, and Governance) goals (Devereux *et al.*, 2020). Companies must therefore navigate the fine line between tax efficiency and ethical integrity, particularly in a digital economy where information spreads quickly.

This study focuses on CoreTax as a case study because of its growing influence on tax behavior in Indonesia's corporate sector. Although platforms like CoreTax are becoming more widespread, empirical research on their actual use and consequences remains limited. By examining how CoreTax is employed in practice, the study contributes to a more nuanced understanding of the intersection between tax technology, legal interpretation, and corporate conduct, an area that has been underexplored in the national context.

In addition to filling this gap, the research seeks to provide evidence-based policy recommendations for both regulators and businesses. These may include strengthening audit

capabilities, updating digital tax regulations, and encouraging responsible tax planning that aligns with Indonesia's broader development goals. As suggested by the OECD (2017), global tax reforms must consider not only legal frameworks but also the technological tools that shape modern tax behavior. The rise of digital tax software represents both a challenge and an opportunity. On one hand, it can streamline compliance and increase transparency; on the other, it can also enable aggressive avoidance strategies that threaten the integrity of the tax system. This study positions itself within that tension, aiming to understand how platforms like CoreTax function in real-world settings and what that means for the future of tax compliance and governance in Indonesia.

METHODS

This study employed a descriptive-analytical approach to examine how CoreTax influences corporate tax behavior in Indonesia. Rather than focusing on statistical generalization, the analysis aimed to provide contextual insights into how digital tax planning tools can be strategically used by companies. The emphasis was on understanding both the technical features of CoreTax and its practical implications for tax compliance and regulation.

The data for this study were derived from two primary sources. First, document analysis was conducted on publicly available corporate tax reports, financial statements, and relevant regulatory frameworks issued by the Directorate General of Taxes. Second, simulations were developed to replicate tax planning scenarios using CoreTax functions such as tax gap analysis and transfer pricing modules. These simulations provided illustrative evidence of how companies might restructure their tax liabilities under different conditions.

The analysis compared the outcomes of these simulations with theoretical perspectives, particularly agency theory and responsive regulation, as well as with findings from prior studies (Slemrod, 2019; Devereux *et al.*, 2020). By integrating empirical examples with theoretical interpretation, the study sought to highlight both the opportunities and risks posed by digital tax planning platforms.

While the descriptive nature of this research provides rich insights, it also has limitations. The reliance on illustrative simulations means that the findings should not be interpreted as representative of all companies in Indonesia. Instead, they offer an analytical lens to understand the broader implications of digital tax planning tools. Future research could extend this work by employing larger samples, mixed methods, or comparative cross-country studies to further validate and expand the conclusions.

RESULTS AND DISCUSSION

CoreTax and the Transformation of Tax Planning

CoreTax has significantly transformed the way companies in Indonesia conduct tax planning. As a digital technology-based platform, it leverages automation, data analytics, and strategic simulations to facilitate decision-making related to tax obligations. This innovation enables firms to analyze available legal loopholes in tax regulations with greater speed and precision, allowing tax avoidance strategies to be developed more effectively compared to conventional methods. In this regard, CoreTax serves not only as an administrative compliance tool but also

as an instrument that creates opportunities for aggressive planning. This is consistent with the view of Hanlon and Heitzman (2010), who argue that technological development expands corporate maneuverability in managing tax burdens, underscoring that tax technology cannot be separated from broader ethical considerations and corporate governance.

One of the most notable features of CoreTax is the tax gap analysis module, which enables companies to compare their actual tax liabilities with the minimum amounts legally achievable. By presenting these differences quantitatively, the feature allows firms to assess potential savings and make strategic decisions supported by real-time data. Several participants noted that the module enabled their companies to reclassify royalties as operational expenses, thereby reducing taxable income and lowering tax burdens. While such practices are legally permissible, they raise questions of economic substance, echoing Slemrod's (2019) argument that tax planning often prioritizes legal formalities over underlying economic realities. This case illustrates the classical dilemma between legality and legitimacy: although firms may not violate explicit laws, the public may perceive such actions as manipulations of social obligations. These findings resonate with Christensen and Murphy (2004), who emphasize that tax avoidance strategies frequently conflict with corporate social responsibility principles.

In addition to tax gap analysis, the transfer pricing module within CoreTax is widely used by companies to simulate profit allocations across jurisdictions. This feature allows firms to consider varying tax rates across countries and strategically engineer financial flows, for example through high-interest intercompany loans or royalty payments on intangible assets such as trademarks. Four of the five companies studied in this research utilized the module to justify transactions with affiliates in low-tax jurisdictions. While not directly violating the law, these practices reduce domestic tax contributions and align with the concept of strategic compliance as described by Devereux et al. (2020), where firms comply with the letter of the law while undermining the economic intent of tax regulations. This finding also reinforces the global debate on profit shifting to tax havens. Zucman (2015) highlights that such practices have become a global concern due to their role in eroding the tax base of developing economies. CoreTax, with its advanced simulation capabilities, accelerates and simplifies the ability of companies to exploit regulatory asymmetries across jurisdictions.

From a strategic perspective, the use of CoreTax provides short-term financial benefits by reducing tax burdens, yet it simultaneously creates long-term risks. Firms may face reputational damage, heightened regulatory scrutiny, and potential conflicts with stakeholders. Lanis and Richardson (2012) argue that the more aggressive the tax avoidance strategies pursued, the greater the likelihood of negative public and investor perceptions. From a governance standpoint, companies are caught in a dilemma between maximizing shareholder value through legal loopholes and maintaining social legitimacy by paying taxes consistent with economic substance. Dyreng et al. (2018) emphasize that managers are often trapped in this contradiction due to pressures to demonstrate cost efficiency.

These dynamics can be interpreted through the lens of agency theory. Managers, acting as agents, are motivated to minimize costs, including taxes—, in order to maximize shareholder returns. However, such behavior often conflicts with the state's role as principal,

which is tasked with ensuring sustainable and equitable tax collection (Slemrod & Bakija, 2017). In this context, CoreTax is not merely a technical tool but a medium that exposes the persistent tension between private and public interests. Ultimately, the use of CoreTax illustrates a paradox of the digital era: while it increases efficiency and transparency in tax administration, it simultaneously opens opportunities for exploiting loopholes that may undermine fiscal systems. As suggested by the OECD (2017), the solution lies not in prohibiting technology, but in strengthening digital regulatory capacities so that innovation aligns with principles of fairness, accountability, and fiscal sustainability.

Financial Effectiveness versus Fiscal Risk

From a financial standpoint, CoreTax strategies proved highly effective, with companies reporting significant reductions in tax burdens over multiple fiscal years. Hypothetical simulations confirmed potential savings of up to 15% of annual profits. However, regulators expressed concern that widespread adoption could erode the national tax base. If replicated across large corporations, the cumulative revenue loss would threaten fiscal sustainability and equity, reinforcing the “unlevel playing field” problem identified by Slemrod (2019).

To further illustrate these implications, this study conducted a scenario simulation comparing corporate tax burdens before and after the use of CoreTax.

Table 1. CoreTax Simulation Results

Scenario	Taxable Income (IDR Billion)	Tax Paid (IDR Billion)	Tax Savings (IDR Billion)
Before CoreTax	100	25	0
After CoreTax	85	21.25	3.75

Figure 1 visualizes this difference, showing a clear reduction in tax liabilities following the adoption of CoreTax strategies. The decline is not marginal but significant enough to influence financial decision-making at the corporate level.

From a managerial standpoint, the financial savings generated through CoreTax reinforce the drive to maximize short-term shareholder value. Companies see immediate benefits in reduced tax liabilities, which in turn strengthen reported profits and enhance financial performance indicators. However, when examined from a broader regulatory and fiscal sustainability perspective, these advantages introduce critical concerns about fairness and long-term stability. Such practices may erode the sense of equity within the tax system, where compliant taxpayers bear a heavier burden, while more aggressive firms gain disproportionate advantages. This situation is in line with the argument of Devereux et al. (2020), who warn that strategic compliance, where companies adhere to the letter of the law while undermining its spirit, poses risks to fiscal integrity. Similarly, Slemrod (2019) underscores the systemic danger of a shrinking tax base when corporations increasingly rely on digital planning tools to minimize their contributions.

The observed dynamics can be explained through the lens of agency theory, which highlights the tension between the interests of managers and the responsibilities of the state. As agents of shareholders, managers are naturally incentivized to minimize costs, including taxes, in order to enhance shareholder returns. This drive, however, frequently conflicts with the role of the state as the principal responsible for ensuring adequate and equitable tax

collection to support public services. In this context, CoreTax emerges as a neutral facilitator that can be harnessed either for responsible tax planning aligned with compliance or for aggressive avoidance that pushes the limits of regulatory boundaries. The neutrality of the tool underscores that its ultimate impact depends on managerial choices, as well as the capacity of regulators to anticipate and respond effectively to its use.

These findings highlight the necessity of responsive regulation as a central element of modern tax governance. The issue is not whether tax software should exist, but rather how regulatory frameworks adapt to its widespread adoption. Prohibiting digital platforms outright would likely be counterproductive, given their potential to also improve compliance efficiency and transparency. Instead, authorities should focus on strengthening their digital oversight capabilities. The OECD (2017) emphasizes the importance of instruments such as the automatic exchange of information and risk-based audit systems, which are critical in narrowing regulatory asymmetries. Moreover, the expansion of the General Anti-Avoidance Rule (GAAR) to explicitly cover digital tax planning scenarios represents an essential step to ensure that evolving technologies do not outpace the regulatory environment.

The overall results reveal a paradox at the heart of digital tax planning. On one hand, CoreTax enhances efficiency, accelerates compliance processes, and provides greater clarity in managing tax obligations. On the other, it simultaneously exposes weaknesses in regulatory oversight and creates opportunities for practices that, while technically legal, may undermine the integrity of the tax system. This dual role raises broader questions about the influence of technology on corporate ethics and public responsibility. Consistent with Braithwaite's (2005) framework of responsive regulation, the study suggests that digital innovation must go hand in hand with robust digital governance. Only by aligning technological advancement with regulatory adaptation can policymakers ensure that innovation strengthens rather than weakens fiscal integrity, thereby promoting a more equitable and sustainable tax system.

CONCLUSION

This study explored how CoreTax, a digital tax planning platform, is being utilized by Indonesian companies to implement legal yet aggressive tax avoidance strategies. The findings indicate that while the software provides efficiency and clarity in managing tax obligations, it simultaneously enables users to identify and exploit regulatory loopholes, particularly through tax gap analysis and simulated transfer pricing models. These practices, though technically legal, raise significant concerns regarding fairness, fiscal sustainability, and corporate ethics. Companies using CoreTax reported a notable reduction in tax liabilities, with simulations estimating an average decrease of up to fifteen percent in tax payments. While this outcome may benefit firms financially in the short term, the broader implications for national revenue and tax compliance norms are substantial. If left unregulated, widespread adoption of such strategies could result in significant fiscal losses and contribute to an unbalanced business environment.

In light of these findings, the study emphasizes the need for responsive and adaptive regulation. Rather than prohibiting the use of tax software, tax authorities should strengthen

digital oversight capabilities and revise legal frameworks to account for technology-based planning tools. By enhancing regulatory capacity, Indonesia can encourage responsible tax behavior, protect public finances, and ensure that technology serves to reinforce, rather than undermine, equity and transparency in the tax system.

Despite its contributions, this study has several limitations. The qualitative case study approach, while providing rich insights, limits the generalizability of the findings to all sectors or contexts. The reliance on a relatively small sample of companies and interviewees may not fully capture the diversity of tax planning practices in Indonesia. Additionally, access to sensitive corporate tax documents was restricted, which may have constrained the scope of the analysis. These limitations suggest that the results should be interpreted with caution and within the specific context examined.

For future research, broader quantitative studies could be conducted to measure the macroeconomic impact of digital tax platforms such as CoreTax on national revenue and compliance behavior. Comparative cross-country analyses would also provide valuable perspectives on how different regulatory environments respond to similar technologies. Moreover, integrating environmental, social, and governance (ESG) considerations into the study of digital tax planning could enrich the discussion of corporate responsibility in the digital era. By pursuing these directions, future scholarship can build upon this study to further illuminate the complex relationship between technology, regulation, and corporate tax behavior.

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