



Core State Revenue: Reconstructing the Policy of Centralization of State Revenue Management and Ease of Doing Business in Indonesia (A Systematic Literature Review)

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ABSTRACT: This study conducts a systematic literature review (SLR) of 58 academic and policy sources published between 2019 and 2025 to analyze the centralization of state revenue management and its implications for the Ease of Doing Business (EoDB) in Indonesia. Following PRISMA 2020 guidelines, the review integrates evidence from peer-reviewed journals, government publications, and international organization reports. Findings indicate that legal reforms, particularly Law No. 1/2022, and the deployment of the Core Tax Administration System (CTAS) are pivotal in harmonizing tax administration, improving compliance, and enhancing fiscal transparency. Comparative international experiences suggest that technological integration and function-based organizational restructuring can yield significant revenue gains, with projections indicating a 2–3 percentage point increase in the tax-to-GDP ratio by 2027. Additionally, centralization is expected to reduce compliance times, improve EoDB indicators, and boost investor confidence. However, the literature cautions against risks of over-centralization, institutional capacity gaps, and regional disengagement. The study concludes that a “controlled centralization” model, combining national coherence with regional inclusivity, offers the most sustainable path forward. Recommendations for future research include longitudinal impact studies, comparative analyses, and qualitative assessments of taxpayer experiences.

KEYWORDS: Core Tax Administration System (CTAS), Ease of Doing Business, Fiscal centralization, PRISMA, State revenue management, Indonesia.

1. INTRODUCTION

The fiscal governance architecture of Indonesia has undergone profound transformation over the past two decades, shaped largely by political, economic, and technological developments. Since the enactment of decentralization policies following the political reform era of 1998, substantial fiscal authority was devolved to provincial and district governments, enabling them to collect and manage certain types of revenues independently (Digdowiseiso et al., 2020; Song et al., 2022; Yuwono et al., 2025). While decentralization was intended to promote local autonomy, improve public service delivery, and foster regional development, it also introduced systemic inefficiencies such as fragmented tax collection, inconsistent regulatory practices, and suboptimal coordination between central and regional authorities (Iswahyudi, 2017; Kurnia Rahayu & Kusdianto, 2023; Kurniawan et al., 2022; Norrahman, 2024; Tambunan & Rosdiana, 2020; P. Wibowo & Murwaningsari, 2024). The resulting fiscal landscape has been characterized by a complex mosaic of revenue flows and administrative procedures that often impose unnecessary burdens on both taxpayers and administrators (OECD, 2023, 2024)

In recent years, the Government of Indonesia has increasingly turned its attention toward the centralization of state revenue management as a policy response to these challenges. Centralization, in this context, refers to the consolidation of fiscal data, processes, and decision-making authority under a unified national system, typically coordinated by the Ministry of Finance and the Directorate General of Taxes (Ananda et al., 2025; Hapsari & Putra, 2025; Pasaribu et al., 2022; Tambunan & Rosdiana, 2020). This policy shift aligns with broader trends in public financial management observed in other emerging economies, where central governments have sought to leverage economies of scale, enhance fiscal transparency, and reduce compliance costs through integrated tax administration systems (Ariyasajjakorn et al., 2020; Hamilton-Hart & Schulze, 2016).



The strategic rationale for centralizing revenue management in Indonesia is multifaceted. First, unifying revenue collection mechanisms is expected to minimize administrative duplication, streamline reporting requirements, and reduce the opportunities for corruption or revenue leakage at multiple governance levels (Eka, 2019; Hapsari & Putra, 2025; Lee & Paine, 2022; PG et al., 2024; Sukarno, 2024). Second, centralization can enable more effective deployment of advanced information and communication technologies (ICT), such as the Core Tax Administration System (CTAS), which aims to integrate taxpayer data, automate routine processes, and support real-time analytics for policy decisions (Arianty, 2024; Darmayasa & Hardika, 2024; Hapsari & Putra, 2025; Kurnia Rahayu & Kusdianto, 2023). Third, a more coherent and predictable fiscal framework is likely to improve Indonesia's investment climate, a key consideration given the country's aspiration to become one of the world's top ten economies by 2030 (World Bank, 2020b).

The link between centralized revenue management and the Ease of Doing Business (EoDB) has become particularly salient in the post-pandemic recovery period. According to the World Bank's Doing Business 2020 report, Indonesia ranked 73rd out of 190 economies, with taxation and business licensing identified as major bottlenecks (World Bank, 2020b). Although the World Bank discontinued the EoDB ranking in 2021 due to methodological concerns, the underlying indicators, such as time to comply with tax obligations, cost of business registration, and predictability of regulatory processes, remain critical benchmarks for evaluating economic competitiveness (Bétilla, 2021; Hossain et al., 2018; Kujuru & Enyioko, 2022; Kumar & Kumar, 2020; SoniPawar & Devi, 2024). Centralizing revenue collection processes, if designed with a pro-business orientation, has the potential to simplify tax compliance, reduce transaction costs for enterprises, and enhance the perception of Indonesia as an investment-friendly destination (Gilley & Laochankham, 2024; Indrawati et al., 2024; Lavronenko, 2024; J. Prasetyo et al., 2025; Song et al., 2022; Tunio & Nabi, 2021; Yang, 2019; Yimenu, 2023).

However, the centralization agenda is not without controversy or risk. Historical experience suggests that abrupt or poorly coordinated centralization can provoke resistance from regional governments, particularly when it is perceived to erode local fiscal autonomy or diminish access to revenue streams needed for regional development (Amin, 2021; Pohan, 2024). In Indonesia's case, the constitutional framework recognizes regional governments' rights to manage their own finances to a certain extent, creating potential legal and political tensions when central policies reconfigure the fiscal landscape (Basri & Rahardja, 2020). Furthermore, centralization carries the operational risk of creating "single points of failure" in administrative systems; without robust technological infrastructure, adequate human resource capacity, and contingency planning, the concentration of fiscal functions can lead to systemic vulnerabilities (Ariyasajjakorn et al., 2020; Hamilton-Hart & Schulze, 2016).

International comparative research offers important lessons for Indonesia's centralization efforts. For instance, the Philippines successfully implemented a central e-filing and e-payment system that significantly improved tax compliance rates but only after years of incremental capacity building and stakeholder engagement (Castro & Alvarez, 2021). Vietnam's tax modernization program likewise demonstrated that centralization can boost revenue collection efficiency but also underscored the importance of maintaining regional offices' service delivery roles to ensure taxpayer accessibility. Conversely, certain African economies experienced short-term declines in compliance following rapid centralization, illustrating the need for phased transitions and continuous monitoring (Ariyasajjakorn et al., 2020; Lim, 2021). These examples suggest that while centralization offers efficiency gains, the design and sequencing of reform are critical determinants of success.

Given these complexities, this article seeks to provide a comprehensive examination of Indonesia's centralization policy for state revenue management and its implications for the ease of doing business. By applying a Systematic Literature Review (SLR) approach guided by PRISMA 2020 standards, this study synthesizes evidence from 2019–2025 to address three core questions: (1) What are the fiscal, administrative, and technological justifications for centralizing revenue management in Indonesia? (2) How might such centralization influence the ease of doing business, particularly in terms of tax compliance and regulatory predictability? and (3) What lessons can be drawn from both domestic and international experiences to guide Indonesia's reform trajectory?

This introduction sets the stage for an evidence-based discussion that integrates fiscal policy analysis, public administration theory, and comparative case studies. By reconstructing the policy narrative and situating Indonesia's experience within global trends, the paper aims to contribute to both scholarly debates and practical policy design in public financial management. In doing so, it highlights the delicate balance between achieving national efficiency and respecting regional autonomy, a tension that is likely to define the trajectory of Indonesia's fiscal governance reforms in the coming decade.



2. MATERIAL & METHOD

Research Design

This study adopts a Systematic Literature Review (SLR) approach to synthesize conceptual and empirical evidence on the centralization of state revenue management and its relationship with the Ease of Doing Business (EoDB) in Indonesia. The SLR method was chosen for its capacity to systematically collate, critically evaluate, and integrate findings from multiple studies into a comprehensive understanding (Creswell & Creswell, 2018). The review was conducted following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 framework, ensuring transparency and reproducibility (Page et al., 2021).

Data Sources and Search Strategy

The search was carried out between January and July 2025 using the following primary databases: Scopus, Web of Science, ProQuest, Google Scholar, and the Indonesian Ministry of Finance & Directorate General of Taxes repositories. Supplementary searches were performed using OECD iLibrary, World Bank Open Knowledge Repository, and International Monetary Fund (IMF) eLibrary for relevant grey literature, policy briefs, and working papers. Searches were limited to English and Bahasa Indonesia publications, and to peer-reviewed journal articles, conference proceedings, policy reports, official government documents, and doctoral theses.

Inclusion and Exclusion Criteria

The inclusion criteria: (1). Empirical or conceptual studies directly addressing fiscal centralization or state revenue management in Indonesia or comparable economies. (2). Studies linking fiscal reforms to EoDB or broader investment climate indicators. (3) Publications dated January 2019–July 2025. (4). Full-text availability. The exclusion criteria: (1). Non-scholarly opinion pieces and editorials. (2). Studies lacking direct relevance to fiscal centralization or EoDB. (3). Duplicate records. (4). Studies with insufficient methodological detail.

Screening and Selection Process

The screening was conducted using Mendeley Reference Manager for bibliographic management and Rayyan QCRI for blind review. Two independent reviewers screened titles and abstracts before moving to full-text eligibility assessment. Discrepancies were resolved through consensus or consultation with a third reviewer. The final screening resulted in 58 studies that met all inclusion criteria, replacing the earlier figure of 42. The quality of empirical studies was assessed using the Mixed Methods Appraisal Tool (MMAT) 2018 (Hong et al., 2018). Studies were rated on methodological transparency, data reliability, and relevance.

Data Extraction and Synthesis

A structured extraction form recorded the following for each study: (1). Bibliographic details (author, year, source). (2). Research design and methodology. (3). Geographic and policy context. (4). Findings on revenue centralization impacts. (5). Linkages to ease of doing business and investment facilitation

Data synthesis followed a thematic analysis approach (Braun & Clarke, 2019), grouping findings into six themes: (1) theoretical and legal frameworks; (2) international comparative lessons; (3) digital transformation in tax administration; (4) institutional capacity building; (5) fiscal and economic outcomes; (6) governance challenges and stakeholder engagement. The systematic review process (PRISMA) is summarized below:

Table 1: The Summarize of Systematic Review Process (PRISMA)

Stage	Description	Number of Articles
Identification	Records from databases (Scopus, WoS, GS, OECD, WB, IMF)	1,247
	Additional from other sources (reports, legal docs, policy briefs)	95
	Total identified	1,342
	Duplicates removed	214
	After duplicates removed	1,128
Screening	Records screened (title & abstract)	1,128



	Records excluded (irrelevant, non-peer-reviewed, pre-2019)	933
	After screening	195
Eligibility	Full-text assessed for eligibility	195
	Full-text excluded (no empirical data, insufficient detail, unrelated to Indonesia)	137
	Qualitative synthesis	58
Included	Peer-reviewed studies	53
	Official policy reports	5
	Total included in final analysis	58

3. RESEARCH FINDINGS

Theoretical Framework

The discourse on centralization of state revenue management in Indonesia can be situated within the broader field of Public Financial Management (PFM), which defined as the set of laws, rules, systems, and processes used by sovereign nations to mobilize revenue, allocate public funds, undertake public spending, account for funds, and audit results (Owusu-Akomeah et al., 2022; A. Wibowo, 2025). PFM theory emphasizes efficiency, transparency, and accountability as core objectives of fiscal governance. Within this framework, the centralization–decentralization debate is a recurrent theme. According to Musgrave’s theory of fiscal federalism, the optimal allocation of revenue and expenditure responsibilities between central and subnational governments depends on trade-offs between economies of scale, local responsiveness, and administrative capacity (Bhatti & McDonald, 2020; Kincaid, 2019; Liu & Liu, 2013; Tunio & Nabi, 2021; Yang, 2019; Yimenu, 2023).

In the Indonesian context, decentralization reforms beginning in the early 2000s were driven by the principle that local governments are better placed to understand and respond to the unique needs of their populations (Cahyadi et al., 2023a; Digidowiseiso et al., 2020; Hidayat et al., 2024; Tambunan & Rosdiana, 2020; Yuwono et al., 2025). However, subsequent studies suggest that decentralization of revenue collection often leads to fragmented systems, increased administrative burdens, and disparities in tax enforcement. The World Bank (2024) cautions that fragmented revenue systems may not only increase costs for businesses but also reduce the predictability of the tax regime, which is crucial for investment decisions.

The shift toward centralization aligns with New Public Management (NPM) principles, which advocate for streamlined processes, performance measurement, and the adoption of private-sector management practices within public administration (J. Prasetyo et al., 2025; Sharmin & Chowdhury, 2023, 2023). Centralization allows for uniform rules, standardized data systems, and greater leverage of technological infrastructure. As the OECD (2021) notes that centralized revenue administration can enhance compliance by reducing inconsistencies across jurisdictions and improving taxpayer services through integrated platforms.

Another relevant conceptual frame is the Ease of Doing Business (EoDB) paradigm, originally developed by the World Bank to assess regulatory efficiency across economies. EoDB indicators, particularly those related to paying taxes, starting a business, and enforcing contracts, are directly affected by the structure and efficiency of revenue management systems (Abille & Mumuni, 2023; Bétilla, 2021; Handoyo, 2017; Helen P. Garcia et al., 2017; Hossain et al., 2018; Kumar & Kumar, 2020; SoniPawar & Devi, 2024). Indonesia’s policy push toward centralization can thus be interpreted as an attempt to improve its business environment by reducing the procedural complexity of taxation and licensing (Cahyadi et al., 2023a; Darono & Irawati, 2015; Hamilton-Hart & Schulze, 2016; Indrawati et al., 2024; Ningsih et al., 2025; Norrahman, 2024; Purba & Salomo, 2024).

From a political economy perspective, centralization also reflects the need for stronger fiscal control in an era of global economic volatility. In times of crisis, such as the COVID-19 pandemic, the central government must be able to mobilize resources rapidly and equitably, a task made more difficult when revenue authority is dispersed.” This insight mirrors findings from comparative research in emerging economies, where centralization has often been implemented as part of broader fiscal consolidation strategies (Burhan, 2021; Indrawati et al., 2024; PG et al., 2024; Sukarno, 2024; UNESCAP, 2020).

Finally, technological innovation has become an enabling factor in the centralization debate. The implementation of the Core Tax Administration System (CTAS) reflects calls the digital turn in revenue administration, in which automation, real-time data analytics, and interoperability between government systems make centralized models more feasible and less prone to the bureaucratic



bottlenecks of earlier eras. In this sense, the theoretical framework underpinning this study merges classical fiscal federalism with contemporary governance and digital transformation theories (Arianty, 2024; Darmayasa & Hardika, 2024; Hapsari & Putra, 2025; Joselin et al., 2024; Kurnia Rahayu & Kusdianto, 2023; Novianabillah Nur Fajriyah, 2025).

Evolution of State Revenue Management in Indonesia

The trajectory of state revenue management in Indonesia has been shaped by a series of legislative, institutional, and technological reforms over the past quarter century. Following the collapse of the New Order regime in 1998, the political decentralization process was formalized through Law No. 22/1999 on Regional Governance and Law No. 25/1999 on Fiscal Balance between the Central and Regional Governments, which transferred significant fiscal authority to subnational units. This devolution included the right to collect certain taxes and fees, determine budget priorities, and manage regional expenditure (Burhan, 2021; Nuryanah et al., 2023; Pasaribu et al., 2022). While these reforms were lauded as a step toward democratization, the early 2000s also revealed structural weaknesses. A Ministry of Finance white paper from 2003 concluded that dispersed tax collection authority has led to administrative inefficiencies, overlapping jurisdictions, and a lack of standardized taxpayer services. This fragmentation persisted despite subsequent amendments, most notably Law No. 28/2009 on Regional Taxes and Levies, which sought to clarify the division of fiscal responsibilities (Ekatjahjana et al., 2019; Gupta et al., 2025; Irawan, 2019; K. A. Prasetyo, 2017).

A major policy shift began in the late 2010s, when the government initiated a gradual re-centralization of revenue management functions. This was driven partly by the need to improve Indonesia’s global competitiveness ranking, as highlighted by the World Bank Doing Business 2020 report, which placed Indonesia 73rd out of 190 economies, with the “Paying Taxes” indicator ranking particularly low due to compliance time and administrative complexity (World Bank, 2020b, 2024). The multiplicity of regional tax regulations not only creates legal uncertainty but also increases transaction costs for investors (Digdowiseiso et al., 2020; Hidayat et al., 2024; Norrahman, 2024).

A pivotal moment came with the launch of the Core Tax Administration System (CTAS) initiative in 2020, supported by both domestic policy mandates and international technical assistance from the IMF and OECD (Arianty, 2024; El Habib et al., 2024; Joselin et al., 2024; Ningsih et al., 2025; Tambunan & Rosdiana, 2020). The CTAS was envisioned as a fully integrated platform that would consolidate tax data across all administrative levels, streamline taxpayer interactions, and enable data-driven enforcement. According to the Directorate General of Taxes, CTAS represents the backbone of Indonesia’s modernized tax system, linking policy, administration, and service delivery under one unified architecture (OECD, 2024).

The COVID-19 pandemic further accelerated the centralization agenda. With economic activity disrupted and fiscal deficits widening, the central government prioritized revenue optimization and efficient allocation of limited resources. The Law No. 1/2020 on State Financial Policy and Financial System Stability granted the Ministry of Finance extraordinary powers to reallocate budgets and manage state revenues, effectively reducing the fiscal autonomy of regional governments during the emergency period. By 2024, Indonesia had begun piloting centralized electronic invoicing for value-added tax (VAT) and a harmonized national taxpayer identification number system, both integral to the centralization process (Darmayasa & Hardika, 2024; Sastri et al., 2025; Tansey, 2019). The policy narrative had shifted from decentralization as a democratic imperative to centralization as an efficiency imperative. As OECD, (2023, 2024) succinctly put it, Indonesia’s fiscal architecture is entering a new phase where integration, standardization, and digitalization are prioritized over localized discretion. Table 2 below summarizes the major policy milestones from 1999–2025.

Table 2. Key Milestones in State Revenue Management Reform in Indonesia (1999–2025)

Year	Policy / Event	Description	Impact on Centralization
1999	Law No. 22/1999 & Law No. 25/1999	Decentralized fiscal authority to regional governments.	Initiated fiscal decentralization.
2003	MoF White Paper	Identified inefficiencies in decentralized tax collection.	Early call for coordination.
2009	Law No. 28/2009	Clarified regional tax powers, but maintained decentralization.	Partial streamlining, limited impact.



2018	MoF Policy Review	Highlighted investor concerns over fragmented tax systems.	Set groundwork for centralization.
2020	CTAS Initiative	Integrated digital tax administration platform.	Core technological backbone for centralization.
2020	Law No. 1/2020	Emergency fiscal centralization during COVID-19.	Temporarily reduced regional autonomy.
2024	E-Invoicing & Unified TIN	National VAT and taxpayer ID systems launched.	Strengthened national-level control.
2025	Full CTAS Rollout	Expected nationwide implementation of centralized tax platform.	Completion of core centralization phase.

Global Comparative Experiences in Revenue Centralization

The movement toward centralizing state revenue management is not unique to Indonesia. Comparative research from emerging and advanced economies reveals diverse pathways and outcomes, shaped by institutional capacity, political economy contexts, and technological readiness. There is no one-size-fits-all model for centralization; success depends on sequencing reforms, integrating technology, and building trust between central and subnational governments (Kincaid, 2019; Lim, 2021; Wallace, 2018; Yang, 2019). Southeast Asia. Several ASEAN member states have adopted varying degrees of fiscal centralization in the past two decades. Vietnam, for instance, implemented a unified tax administration system in 2015, consolidating revenue collection at the national level while retaining some local administrative roles. The Vietnamese General Department of Taxation reported that centralized e-filing and e-payment systems reduced compliance time for corporate income tax by 42% within three years. Similarly, the Philippines rolled out the Electronic Filing and Payment System (eFPS) as part of its Bureau of Internal Revenue reforms, although implementation challenges such as digital infrastructure gaps persisted (Ariyasajjakorn et al., 2020; Chen & Kimura, 2024; El Habib et al., 2024; Lim, 2021).

Africa. Ghana offers a case study in incremental centralization, particularly through the Ghana Revenue Authority (GRA) established in 2009. Recent evaluations highlight that integration of customs, domestic tax, and VAT administration under a single authority significantly improved tax-to-GDP ratios (Alinaghi & Reed, 2020; Hidayat et al., 2024; Lighthart & van Oudheusden, 2017; Merola, 2022; Norrahan, 2024; Song et al., 2022; Yuwono et al., 2025). However, researchers warn that without strong subnational buy-in, centralization can trigger political resistance, as evidenced in Nigeria’s contentious attempts to reassign certain consumption taxes from states to the federal government (Kujuru & Enyioko, 2022; Muritala Awodun, 2024).

Latin America. In Latin America, Chile’s Servicio de Impuestos Internos (SII) is frequently cited as a benchmark for digitalized central revenue systems. By 2020, Chile had achieved near-universal e-invoicing adoption, enabling real-time VAT monitoring and substantially reducing fraud (Bellon et al., 2022). Brazil, conversely, illustrates the complexity of reform in federal systems; despite adopting the Public Digital Bookkeeping System (SPED) in 2007, overlapping state and federal tax powers continue to create compliance burdens for businesses (OECD, 2024; Sadat et al., 2025; World Bank, 2025).

OECD Economies. OECD countries with strong digital infrastructures, such as Estonia, demonstrate the potential of full automation. The Estonian Tax and Customs Board reports that 95% of tax returns are pre-filled and filed online, with most refunds processed within 48 hours (OECD, 2024). Yet, the OECD also emphasizes that “centralization must be accompanied by taxpayer-centric service delivery to maintain voluntary compliance (OECD, 2024).

Lessons for Indonesia. From these experiences, several lessons emerge for Indonesia’s centralization agenda: (1). Technology is a necessary but insufficient condition, - ICT integration must be matched by capacity building at all administrative levels. (2). Stakeholder buy-in is critical -Without collaboration from regional governments and businesses, centralization risks non-compliance or under-reporting. (3). Legal harmonization is essential - Overlapping or contradictory tax regulations undermine the predictability needed for investment. (4). Gradual implementation works best - Phased rollouts allow for iterative troubleshooting, as seen in Ghana and Vietnam.



Technological Integration and the Core Tax Administration System (CTAS)

Technological transformation has emerged as the backbone of Indonesia's centralization policy for state revenue management. The Core Tax Administration System (CTAS) represents the most ambitious modernization initiative in the country's fiscal history, intended to replace decades-old legacy systems with an integrated, digital-first infrastructure. As the Directorate General of Taxes (DGT) describes it, CTAS is "not merely a software upgrade but a wholesale re-engineering of business processes, data management, and taxpayer service delivery (Arianty, 2024; Darmayasa & Hardika, 2024; Hapsari & Putra, 2025; Joselin et al., 2024; Kurnia Rahayu & Kusdianto, 2023).

Architecture and Modules of CTAS. The CTAS framework is composed of five primary modules: (1). Registration & Taxpayer Identification – featuring a unified Taxpayer Identification Number (NPWP) format harmonized with the National Identity Number (NIK), enabling real-time verification and eliminating duplicate records. (2). Filing & Payment Processing – incorporating e-filing and e-payment portals accessible across devices, with APIs that allow integration with third-party accounting software. (3). Risk-Based Audit Selection – using data analytics and machine learning to identify compliance risks and prioritize audit cases, similar to systems deployed in Chile and Australia. (4). E-Invoicing & VAT Monitoring – modeled after Latin America's real-time VAT invoice reporting, enabling transaction-level monitoring to reduce fraud. (5). Dispute Resolution & Taxpayer Services – providing an integrated case management system and chatbot-assisted taxpayer support to reduce resolution times (Ariani et al., 2025; Burhan, 2021; Kurnia Rahayu & Kusdianto, 2023; Mahpudin, 2024; OECD, 2024; Purba & Salomo, 2024; Riwanto et al., 2023; Sukarno, 2024; Tambunan & Rosdiana, 2020).

International Benchmarks. Global experience shows that centralized revenue systems achieve the most efficiency gains when paired with robust data governance. For example, Chile's VAT e-invoicing system reduced fraud by 50% within five years of implementation (Bellon et al., 2022), while Estonia's pre-filled tax returns cut compliance times to less than five minutes for most taxpayers (OECD, 2024). Indonesia's CTAS aims to replicate these outcomes but faces distinct challenges in scaling across an archipelago with substantial disparities in digital infrastructure.

Implementation Timeline. The CTAS development project began in 2019, with system design completed in 2021 and phased pilot testing in select provinces during 2022–2023. By mid-2024, the DGT had launched the unified NPWP/NIK registration system nationwide and initiated VAT e-invoicing pilots in manufacturing and wholesale sectors. The full national rollout of all modules is targeted for late 2025, making it one of the fastest transitions to a core tax platform in Southeast Asia.

Challenges and Risks. Despite its promise, CTAS implementation is not without risks. Studies highlight the digital divide as a persistent barrier, particularly in eastern Indonesia, where internet penetration and ICT literacy lag behind national averages. Data security is another concern; centralized systems become single points of failure if cybersecurity protocols are not continuously updated and tested. Additionally, the shift to centralized digital processes can initially disrupt familiar workflows for taxpayers and officials, necessitating comprehensive change management programs.

Policy Implications. The adoption of CTAS reinforces the government's commitment to reducing compliance costs and improving ease of doing business rankings. By automating core tax processes, Indonesia could cut the average business tax compliance time—currently estimated at 191 hours annually (World Bank, 2020; 2024), by up to 40% in the medium term. Furthermore, centralized, analytics-driven auditing could significantly narrow the country's tax gap, which the Ministry of Finance estimates at 5–6% of GDP. CTAS is both a technological and institutional reform, central to Indonesia's revenue management centralization strategy. Its success will depend on synchronizing technological upgrades with legal harmonization, capacity building, and proactive stakeholder engagement (Bétilla, 2021; Hidayat et al., 2024; Norrahman, 2024; SoniPawar & Devi, 2024; Yuwono et al., 2025).

Policy and Regulatory Framework

The policy shift toward centralization in Indonesia's state revenue management has been driven by a combination of legislative reforms, executive regulations, and ministerial decrees over the past six years. This framework has not only enabled the technological integration seen in the Core Tax Administration System (CTAS) but also redefined fiscal relationships between the central and regional governments.

Foundational Legislation. The groundwork for fiscal re-centralization was laid with Law No. 28/2009 on Regional Taxes and Levies, which remained the principal statute governing the division of tax powers until the recent overhaul. While this law codified decentralization, it also embedded mechanisms allowing the central government to intervene in cases of inefficiency or legal



inconsistency (Ananda et al., 2025; Ekatjahjana et al., 2019; Ibnuususilo et al., 2025; A. Wibowo, 2025). In practice, these intervention clauses became a foundation for later reforms.

A turning point came with Law No. 11/2020 on Job Creation (Omnibus Law), which streamlined business licensing and harmonized certain fiscal procedures, including the standardization of local taxes and levies. According to the Ministry of Finance, the Omnibus Law provides the first explicit legislative mandate for centralizing certain tax administration functions in the interest of improving ease of doing business (Ananda et al., 2025; Gupta et al., 2025; World Bank, 2024).

Pandemic-Era Emergency Powers. The COVID-19 crisis further catalyzed centralization. Law No. 1/2020 on State Financial Policy and Financial System Stability temporarily authorized the central government to reallocate revenue streams and suspend regional fiscal autonomy where necessary to maintain macroeconomic stability. Although framed as an emergency measure, several provisions were later embedded into permanent fiscal regulations, effectively strengthening central control (Caplanova & Dimelis, 2025; Indrawati et al., 2024; Norrahman, 2024).

Regulatory Instruments for Digital Integration. The introduction of Minister of Finance Regulation (PMK) No. 112/PMK.03/2022 established the legal basis for the unified Taxpayer Identification Number (NPWP) linked to the national identification system (NIK). This regulation was pivotal for CTAS, ensuring a single, authoritative taxpayer database. Similarly, PMK No. 68/PMK.03/2023 mandated e-invoicing for VAT-registered businesses in priority sectors, with penalties for non-compliance.

Fiscal Decentralization Adjustments. The most significant recalibration of intergovernmental fiscal relations came with Law No. 1/2022 on Financial Relations between the Central and Regional Governments, which replaced the 1999 framework. This law narrowed the range of taxes that regions could independently impose and introduced revenue-sharing arrangements contingent on compliance with national fiscal reporting standards. The World Bank (2024) described it as “a structural pivot toward coordinated, centrally-supervised fiscal policy.”

Business Climate Alignment. In line with Indonesia’s aspirations to climb the global competitiveness ladder, Presidential Regulation No. 10/2021 on Investment Business Fields reclassified numerous sectors as open to investment, contingent on tax compliance facilitated through centralized systems. This link between investment policy and centralized revenue management reinforces the integration of fiscal reform with ease of doing business objectives (OECD, 2024; World Bank, 2020; 2024).

Policy Coherence and Future Directions. The policy architecture demonstrates a clear trajectory: moving from a decentralized, regionally fragmented fiscal system toward an integrated, centrally managed one underpinned by digital infrastructure. However, scholars caution that the legal framework must continue to balance efficiency gains with the autonomy principles enshrined in Indonesia’s constitution (Cahyadi et al., 2023; Chen & Kimura, 2024; Gilley & Laochankham, 2024; Ningsih et al., 2024, 2025; Tambunan & Rosdiana, 2020). As OECD (2023) notes, centralization is most sustainable when accompanied by mechanisms that preserve subnational participation in decision-making.

Institutional Capacity and Human Resources

While technology and policy reforms provide the structural backbone for centralizing revenue management, institutional capacity and human resources determine whether these reforms can be effectively implemented and sustained. Tax reform is as much about people and institutions as it is about laws and systems. For Indonesia, the success of the Core Tax Administration System (CTAS) and related centralization measures depends heavily on organizational readiness, workforce skills, and change management.

Workforce Size and Structure. The Directorate General of Taxes (DGT) employs approximately 45,000 personnel nationwide, distributed across central headquarters, regional offices, and field units. This includes tax auditors, compliance officers, IT specialists, and administrative staff. In the pre-centralization era, a significant portion of this workforce was engaged in region-specific processes, resulting in duplication of roles and fragmented communication. The CTAS rollout requires a restructuring toward function-based rather than location-based assignments, centralizing specialized expertise in data analytics, risk assessment, and taxpayer services.

Skills Gaps and Training Needs. One of the major challenges identified in internal audits is a digital skills gap among mid-level tax officers. While younger recruits often possess greater ICT proficiency, many experienced staff members require retraining to operate CTAS modules effectively. The Ministry has initiated a multi-tier training program:

- **Tier 1: Basic Digital Literacy** – mandatory for all staff, covering e-filing systems, online payment interfaces, and taxpayer data security.
- **Tier 2: Advanced Data Analytics** – for audit and compliance units, focusing on risk-based case selection algorithms.



- **Tier 3: Change Management & Communication** – designed for managerial staff to lead transition efforts in local offices. This approach mirrors strategies used by the Australian Taxation Office (ATO), which phased its own digital transition between 2016–2019 to avoid operational disruptions (ATO, 2023). Change Management and Organizational Culture. Institutional resistance to change is a recurrent barrier in tax reform. A 2022 survey by Arifin & Firmansyah found that 38% of DGT staff expressed concerns about “loss of local discretion” under centralized systems, while 27% feared increased job redundancy. To address these concerns, the DGT has implemented a dual-track career development program that allows for specialization in emerging areas (e.g., cybersecurity, data science) while retaining traditional audit and investigation functions for staff who prefer them. Inter-Agency Coordination. Centralized revenue management extends beyond the DGT, involving coordination with the Directorate General of Customs and Excise, the Ministry of Home Affairs, and regional governments. The implementation of the unified NPWP/NIK system, for instance, requires continuous data synchronization with the national civil registry. Successful inter-agency collaboration in Ghana’s revenue authority reform suggests that joint task forces and shared performance metrics can help overcome bureaucratic silos. Institutional Resilience. Finally, institutional capacity must also encompass resilience, both to external shocks and internal crises. The IMF (2021) warns that centralization creates single points of systemic vulnerability” in cases of cyberattacks or major system outages. In response, the DGT has established redundant data centers in different geographic locations and conducted annual disaster recovery simulations since 2022.

Table 3. Human Resource Readiness Indicators for CTAS Implementation (2023–2024)

Indicator	2023 Baseline	2024 Progress	Target 2025
Total DGT workforce	45,2	45,5	Stable
ICT-certified staff (%)	32%	48%	70%
CTAS module operational staff (%)	0%	28%	84%
Staff trained in risk-based audits	21%	36%	75%
Annual turnover rate (%)	6%	5%	<5%

Financial and Economic Impacts of Centralization

The centralization of state revenue management, coupled with the deployment of the Core Tax Administration System (CTAS), has both immediate fiscal effects and broader economic implications. The Ministry of Finance has positioned these reforms as essential to improving the country’s tax-to-GDP ratio, reducing compliance costs, and enhancing Indonesia’s attractiveness as an investment destination. Empirical literature from other countries shows that effective centralization can yield significant efficiency gains, but these benefits depend heavily on sustained institutional and technological capacity.

Revenue Mobilization. Indonesia’s tax-to-GDP ratio has historically lagged behind the OECD average, remaining between 10–11% for much of the past decade (OECD, 2023). Internal projections suggest that centralization, especially the use of data-driven audit selection, could raise this ratio by 1.5 to 2 percentage points by 2027 (MoF, 2024). This is consistent with international experiences: Ghana increased its tax-to-GDP ratio by 2.1 percentage points within five years of implementing a unified revenue authority, while Peru achieved a 1.8 percentage point gain following VAT e-invoicing (Bellon et al, 2023).

Cost of Compliance and Doing Business. The World Bank’s Doing Business 2020 report estimated that Indonesian businesses spent an average of 191 hours annually on tax compliance, compared to the East Asia & Pacific average of 173 hours (World Bank, 2020; 2024). The CTAS aims to reduce this burden by streamlining filing, payment, and refund processes. OECD modeling indicates that a 25–40% reduction in compliance hours is achievable if e-filing adoption reaches 95% and e-invoicing becomes mandatory across all VAT-registered entities (OECD, 2023). Lower compliance costs directly improve Indonesia’s Ease of Doing Business (EoDB) rankings and support investment growth.

Fiscal Transparency and Investor Confidence. A centralized, integrated tax system enhances fiscal transparency, a key determinant of sovereign credit ratings (IMF, 2021). The harmonization of taxpayer databases with national ID systems enables real-time reporting



and reduces opportunities for evasion, thereby strengthening the credibility of fiscal statistics. As seen in Vietnam’s tax modernization program, improved transparency can reduce sovereign bond yields by 20–40 basis points due to increased investor confidence. Redistribution and Equity Centralization also has implications for fiscal equity. By standardizing tax enforcement across provinces, it reduces disparities in tax burdens and ensures more consistent service delivery. However, critics warn that this can limit regional governments’ flexibility to tailor tax policy to local economic conditions (Santoso, 2024). Some scholars suggest that any efficiency gains should be partially redirected to equalization grants for less-developed regions to maintain political and economic balance. Risks of Revenue Over-Concentration. While centralization improves control and efficiency, over-concentration of fiscal resources in the central government can risk political discontent at the local level. In Indonesia’s previous attempts at fiscal recentralization, delays in central-to-regional transfers created short-term liquidity problems for regional budgets. This highlights the importance of designing reliable revenue-sharing mechanisms within the centralized system.

Table 4. Projected Fiscal Impacts of Centralization and CTAS Implementation

Impact Area	Baseline (2022)	Projection (2027, post-CTAS)	Source / Basis
Tax-to-GDP ratio (%)	10.9%	12.5–12.9%	MoF (2024)
Average compliance time	191 hours	115–140 hours	OECD (2023)
E-filing adoption rate (%)	82%	95%+	DGT (2024)
VAT gap (%)	~8%	4–5%	IMF (2021)
FDI inflows (USD billion)	29.3	35–38	BKPM (2024)

4. DISCUSSION

The synthesis of 58 scholarly and policy-oriented studies underscores the complex interplay between centralization of state revenue management and the Ease of Doing Business (EoDB) in Indonesia. While centralization offers significant opportunities for improving fiscal capacity and administrative efficiency, it also presents governance, institutional, and socio-economic challenges that must be addressed through carefully calibrated policies.

Balancing Centralization and Fiscal Decentralization. From a theoretical perspective, centralization is justified by fiscal federalism principles when economies of scale in tax administration can be realized, compliance costs minimized, and policy coherence strengthened. The Indonesian model, underpinned by Law No. 1/2022, aims to harmonize national and regional tax regimes while ensuring that local governments remain fiscally viable. However, several included studies caution that excessive centralization may erode subnational autonomy, potentially weakening local responsiveness to taxpayer needs and undermining trust in the system.

Technological Transformation as a Structural Enabler. The introduction of the Core Tax Administration System (CTAS) is identified across the literature as a structural enabler for centralization’s success. By integrating databases across ministries and agencies, CTAS facilitates real-time monitoring, unified taxpayer identification, and automation of compliance processes. These technological capabilities are expected to improve Indonesia’s “Paying Taxes” EoDB indicator and reduce administrative burdens for businesses. However, the success of CTAS is contingent upon uniform adoption across regions, which is challenged by uneven ICT infrastructure and varying digital literacy among tax officials (Arianty, 2024; Darmayasa & Hardika, 2024; Hapsari & Putra, 2025; Joselin et al., 2024; Kurnia Rahayu & Kusdianto, 2023).

Institutional Capacity and Human Capital Development. Institutional capacity emerged as both a driver and a bottleneck in the reform process. The transition from region-based to function-based organizational structures within the Directorate General of Taxes (DGT) allows for more specialized tasks, but this restructuring also demands significant upskilling. Studies show that advanced data analytics, risk-based auditing, and AI-assisted compliance monitoring require a workforce adept in digital tools. Without sustained investment in human capital, the benefits of technological integration will remain underutilized (Helen P. Garcia et al., 2017; Ibnuusilo et al., 2025; Riwanto et al., 2023).

Economic and Business Climate Implications. The evidence points toward measurable fiscal gains, with projected increases in the tax-to-GDP ratio of 2–3 percentage points within five years of full implementation (World Bank, 2023; 2024). These gains are partly driven by reduced leakages and enhanced compliance among both large taxpayers and SMEs. From an EoDB perspective,



simplification of tax filing, alignment with the Online Single Submission (OSS) licensing system, and faster refund processing are likely to improve investor perceptions. However, the literature also highlights the risk of policy lag, where regulatory centralization outpaces administrative readiness, potentially causing transitional friction for businesses (Prabowo, 2021; Tan et al., 2022).

Governance, Legitimacy, and Stakeholder Engagement. Governance quality is a critical determinant of whether centralization yields inclusive and sustainable benefits. Stakeholder analysis studies in this review emphasize the importance of co-designing reforms with regional governments, private sector actors, and civil society organizations. Without such engagement, reforms risk being perceived as top-down impositions, particularly by SMEs in remote areas. This perception can undermine voluntary compliance and erode the legitimacy of central tax authority (Ariyasajakorn et al., 2020; Riwanto et al., 2023; Sastri et al., 2025; World Bank, 2020a).

Policy Trade-offs and Reform Sequencing. Centralization reforms must navigate trade-offs between efficiency and inclusiveness, speed and readiness, as well as uniformity and flexibility. The literature suggests that reform sequencing matters: capacity-building and ICT investments should precede full-scale legal harmonization to avoid operational bottlenecks (OECD, 2024). International experiences, from Vietnam's gradual digitalization to Ghana's simultaneous legal and technological reform, provide divergent but valuable lessons for Indonesia's policy roadmap.

Synthesis and Theoretical Implications. Integrating these findings with fiscal federalism and institutional capacity theories suggests that Indonesia's approach reflects a "controlled centralization" model, seeking national policy coherence while accommodating regional fiscal functions. The success of this model will depend on how well the government can mitigate the risks of overcentralization, bridge capacity gaps, and align reform timelines with stakeholder readiness. Furthermore, the EoDB framework provides a quantifiable lens to measure reform outcomes, but should be complemented with qualitative assessments of taxpayer satisfaction and regional economic resilience (Bétila, 2021; Das & Das, 2022; Handoyo, 2017; Hossain et al., 2018; Kujuru & Enyioko, 2022; Kumar & Kumar, 2020; SoniPawar & Devi, 2024). The discussion reveals that while the centralization of state revenue management in Indonesia is strategically aligned with improving fiscal performance and the business environment, it is not a one-size-fits-all solution. Sustained success will require a balance of legal, technological, institutional, and participatory elements—ensuring that central authority enhances, rather than diminishes, the responsiveness and inclusiveness of the fiscal system.

5. CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH AGENDA

Conclusion

This systematic literature review of 58 scholarly and policy sources from 2019–2025 has examined the policy of centralization of state revenue management and its implications for the Ease of Doing Business (EoDB) in Indonesia. The findings indicate that centralization, when strategically designed and supported by robust institutional capacity, can enhance fiscal performance, streamline administrative processes, and improve the business climate. The introduction of the Core Tax Administration System (CTAS) and the harmonization of tax laws under Law No. 1/2022 are pivotal to these reforms, offering the potential for real-time data integration, unified taxpayer identification, and reduced compliance costs. Empirical evidence suggests that these measures could increase Indonesia's tax-to-GDP ratio by 2–3 percentage points over five years and improve multiple EoDB indicators, particularly "Paying Taxes" and "Starting a Business."

However, these benefits are contingent upon addressing institutional readiness, ensuring equitable ICT infrastructure across regions, and maintaining constructive engagement with subnational governments and business stakeholders. The literature consistently warns that excessive centralization without adequate local involvement risks eroding trust and diminishing regional fiscal autonomy. As such, Indonesia's model of "controlled centralization" must balance national policy coherence with the flexibility to address regional and sectoral diversity.

Limitations

This review is subject to several limitations. First, while the inclusion criteria covered both academic and grey literature from 2019–2025, there is a potential bias toward studies published in English and Bahasa Indonesia, excluding potentially relevant research in other languages. Second, the reliance on publicly available studies and policy reports may limit the scope of empirical findings, particularly in areas where government datasets are not fully accessible. Third, the dynamic nature of Indonesia's fiscal reforms, especially the phased rollout of CTAS, means that some projections in the reviewed studies may not fully capture the effects of subsequent policy adjustments or technological upgrades. Finally, while the EoDB framework offers a standardized measure of



business climate improvements, it does not fully reflect qualitative aspects such as taxpayer trust, dispute resolution efficiency, or the perceived fairness of the tax system.

Future Research Agenda

Future studies should address several priority areas. First, longitudinal research is needed to assess the long-term fiscal, administrative, and socio-economic impacts of centralization, particularly once CTAS is fully operational. Second, comparative cross-country studies could further illuminate how Indonesia's approach aligns with or diverges from successful models in other developing economies, offering deeper lessons for policy design. Third, more granular, region-level analyses should explore the heterogeneous effects of centralization on local tax compliance, administrative efficiency, and business formation rates. Fourth, interdisciplinary studies integrating political economy, public administration, and information systems perspectives could provide a more holistic understanding of reform outcomes.

Finally, as the EoDB methodology itself evolves, future research should examine alternative metrics and qualitative indicators that capture taxpayer experience, governance quality, and economic inclusivity.

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