

TAX AWARENESS AND EXTENT OF TAX COMPLIANCE AMONG MICRO, SMALL, AND MEDIUM CONSTRUCTION SUPPLIES AND HARDWARE BUSINESSES OF NUEVA VIZCAYA

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ABSTRACT

This research focused on assessing how the owners of construction supplies and hardware businesses in Nueva Vizcaya are aware of and the extent of their compliance with the various taxes paid. Through random sampling, 30 business owners of construction suppliers in Nueva Vizcaya registered with the Business Permit and Licensing Office were selected as respondents. A descriptive-correlational and descriptive-comparative research design was used in this study, utilizing standardized, adapted questionnaires for gathering data that was analyzed and interpreted using frequency and percentage, the Mann-Whitney U-test, Kruskal-Wallis, and Spearman correlation. Results indicate that regardless of their demographic profile, owners of construction supply and hardware businesses in Nueva Vizcaya exhibit high awareness of value-added tax, documentary stamp tax, percentage tax, and income tax. However, awareness is moderate for excise taxes, withholding tax on compensation, and expanded withholding tax. Findings also show that construction supply and hardware business owners are complying with the different types of tax paid to a large extent. Additionally, there is no significant difference found among the respondents when they are grouped according to their profile. Furthermore, penalties are the highest factor that affects taxpayer compliance. Lastly, a tax campaign was suggested to maintain the high level of tax awareness and compliance among MSME owners.

Keywords: documentary stamp tax, income tax, percentage tax, value-added tax, withholding tax on compensation

INTRODUCTION**Rationale**

Tax is a compulsory government exaction on persons, property, income, and businesses (Tabag, 2018) to generate funds needed for numerous initiatives and projects undertaken by the government. Some of these projects involve infrastructure, expanding healthcare facilities, and ensuring access to education for all children (Team, 2023). To ensure compliance and increase the willingness of taxpayers to pay their taxes, tax regulations are implemented. However, it is equally important that stakeholders responsible for tax compliance further find ways to promote willingness among taxpayers to pay not because of fear of consequences of violating laws but because of a culture of voluntary adherence.

In the Philippines, the basic source of tax laws is the national internal revenue law, which codifies all tax provisions based on Republic Act No. 8424 (The Tax Reform Act of 1997). Revenues from tax are materialized through tax collection which is deemed as the embodiment of devotional obligations and the role of the taxpayer to directly and jointly implement the necessary tax obligations for financing state and national development. In relation to this, the tax collection system employed in the country is a self-assessment system where the taxpayer files a tax return reflecting the revenues, deductions and the tax due. This annual income tax return is filed on the 15th day of the 4th month following the close of the calendar or fiscal year. The Bureau of Internal Revenue (BIR) has two electronic platforms for filing: the electronic Filing and Payment System (eFPS) and the Online BIR Forms System (KPMG International Cooperative, 2018).

Among the taxpayers are MSMEs which according to studies promote developing technologies, establish local communities, and help create employment opportunities, but more importantly, fuel the national economy (Ahmed, 2019). Fortunately, because of the crucial role they play in economic growth, governments frequently provide incentives, such as preferential tax treatment and improved credit availability, to help micro, small, and medium-sized firms stay in operation.

One of the MSMEs is equipment and construction supplies whose main main purpose is the rental or sale of goods and materials used in building construction and maintenance, such as furniture, tools, paint, wallpaper, plumbing supplies, landscaping supplies, and the like (and their surrounding outdoor areas) (Hardware and Building Supplies, n.d.).

While it is the duty of the Philippine Tax Agency and BIR to ensure that the public, including the MSMEs, is correctly reporting their taxes and paying the correct amount of taxes owed to guarantee unhindered delivery and effective implementation of government programs, it is also the duty of every tax-paying citizen or business to comply to tax laws. They need to be aware of their obligations to the nation, report their incomes fairly, and become tax-compliant individuals voluntarily. This helps the economy and the national government achieve their maximum capacity and avoid unnecessary costs of non-compliance.

In this context, the study aims to ascertain how the owners of construction supplies and hardware businesses in Nueva Vizcaya are aware of the various taxes paid. The goal of tax compliance studies like this is to gauge how well taxpayers adhere to their tax obligations.

As its social value, this study may contribute in improving the tax awareness and tax compliance of business persons, particularly the construction supplies and hardware businesses, and any other businesses in general.

Statement of the Problem

The study aims to determine the level of tax awareness and extent of tax compliance among construction supply and hardware businesses in Nueva Vizcaya for the first semester of the academic year 2023-2024. Specifically, it answered the following specific questions:

1. What is the demographic profile of the respondents in terms of:
 - 1.1. Age;
 - 1.2. Number of months or years in business;
 - 1.3. Highest educational attainment; and
 - 1.4. Capitalization?
2. What is the level of tax awareness of the construction supplies and hardware business owners towards the different types of tax paid?
3. What is the extent of tax compliance of the construction supplies and hardware business owners towards the different types of tax paid?
4. Is there a significant difference in the level of tax awareness of construction supplies and hardware business owners towards the different types of tax paid when grouped according to their profile?
5. Is there a significant difference in the extent of tax compliance of construction supplies and hardware business owners towards the different types of tax paid when grouped according to their profile?
6. Is there a significant relationship between the level of tax awareness and the extent of tax compliance of construction supply and hardware business owners?

Statement of the Null Hypotheses

1. There is no significant difference in the level of tax awareness among construction supplies and hardware business owners towards the different types of tax paid when grouped according to their profile.
2. There is no significant difference in the extent of tax compliance among construction supplies and hardware business owners towards the different types of tax paid when grouped according to their profile.
3. There is no significant relationship between the level of tax awareness and the extent of tax compliance among construction supplies and hardware business owners.

METHODOLOGY

This study employed descriptive-correlational and descriptive-comparative research designs to examine the relationship between tax awareness and tax compliance among construction and hardware supply owners in the first-class municipalities of Solano, Bayombong, and Bambang in Nueva Vizcaya. Using simple random sampling, 30 respondents were selected from a total population of 121 registered businesses. Data were collected through a validated survey questionnaire adapted from Paco and Quezon (2022), which demonstrated high reliability (Cronbach's alpha = 0.99). The questionnaire covered respondents' profiles, tax awareness, and compliance levels. Data analysis was conducted using SPSS, applying frequency and percentage for descriptive analysis, Mann-Whitney U-test and Kruskal-Wallis for group comparisons, and Spearman correlation to determine the relationship between tax awareness and compliance.

RESULTS AND DISCUSSION

Section 1. Demographic Profile of the Respondents

Table 1

Demographic Profile of Construction Supplies and Hardware Business Owners of Nueva Vizcaya

		Frequency	Percentage
Age Group	35 and Below	15	50%
	Above 35 years old	15	50%
Years in Business	Within 5 years	14	46.67%
	More than 5 years	16	53.33%
Highest Educational attainment	High School Graduate	6	20%
	Bachelor's Degree	24	80%
Capitalization	1-3M	15	50%
	3-15M	12	40%
	15-100M	3	10%

n = 30

Table 1 shows the demographic profile of the hardware and construction supply business owners. In terms of age, there were two categories identified with the same number in each (15 out of 30). Likewise, two categories emerged in terms of years in business with almost the same distribution of respondents. Some of the participants stated that they have been in the same course of business for the past 30 years in the industry, while some participants have started their business most likely just a year ago.

In terms of highest educational attainment, most (80%) hold a bachelor's degree. Lastly, in terms of asset size, half had below P3,000,000, closely followed by firms with resources of

P3,000,000 up to P15,000,000 with a total of 12 participants. On the other hand, only three firms had an asset size of P15,000,000 to P100,000,000.

Generally, the participants were either below or above 35 years old, have been operating either within or below 5 years and college graduates, wherein there are four times more business owners who are bachelor's degree holders when compared to high school graduates with an average of 9.1 years (SD = 8.1). Lastly, based on asset size, most are micro-enterprises.

Section 2. Level of Tax Awareness and Extent of Tax Compliance

Table 2

Level of Tax Awareness Among Micro, Small, and Medium Construction Supplies and Hardware Business Owners of Nueva Vizcaya

Items	Levels of Tax Awareness								Average (Median)	Qualitative Description
	NA		SA		MA		EA			
	f	%	f	%	f	%	f	%		
Q1. Income tax	0	0	7	23.3	8	26.7	15	50	3.5	Extremely Aware
Q2. Withholding tax-compensation	1	23.3	7	23.3	12	40	10	33.3	3.0	Moderately Aware
Q3. Withholding tax-expanded	1	3.3	9	30	11	36.7	9	30	3.0	Moderately Aware
Q4 Value-added tax	2	6.7	2	6.7	5	16.7	21	70	4.0	Extremely Aware
Q5. Percentage tax	1	3.3	5	16.7	7	23.3	17	56.7	4.0	Extremely Aware
Q6. Excise tax	1	3.3	9	30	6	20	14	46.7	3.0	Moderately Aware
Q7. Documentary stamp tax	1	3.3	3	10	8	26.7	18	60	4.0	Extremely Aware

n = 30, NA (Not Aware), SA (Slightly Aware), MA (Moderately Aware), EA (Extremely Aware)

Table 2 shows the level of awareness of construction supplies and hardware business owners in Nueva Vizcaya. As shown, participants are extremely aware of value-added tax (median =4), documentary stamp tax (median = 4), percentage tax (median = 4), and income tax (median = 3.5). They may be extremely aware because their businesses have been in business for more than 5 years which results in increasing familiarity with the tax. Upon the Secretary of Finance's recommendation and the satisfaction of specific conditions specified in R.A. 9337, often known as the Value Added Tax Reform Law, BIR Revenue Memorandum Circular (RMC) No. 7-2006 increased the VAT rate from 10% to 12% effective February 1, 2006.

On the other hand, participants are moderately aware of excise taxes, withholding tax on compensation, and the expanded withholding tax because maybe these were not imposed on them. Likewise, on withholding tax on compensation, it can be assumed that the income for each employee can be lower or equal to the minimum wage due to the positions of the worker, such that entry-level employees tend to have a lower or equal minimum wage, but employees that have higher positions have a higher salary. The result regarding the level of awareness is based solely on the owner, but when it comes to their compliance, it can be affected by third parties, such as their accountants, who help or assist them in complying with the said taxes. This could conclude why some business owners, despite having moderate awareness, have extremely high compliance.

The findings of this survey run counter to those of Al-Hadrami and Almoosa's (2019) study, who discovered that the majority of respondents knew very little about the meaning and intent of enacting the Value Added Tax (VAT) since they thought it would not be a significant source of funding for the government.

Table 3

Extent of Tax Compliance Among Micro, Small, and Medium Construction Supplies and Hardware Business Owners of Nueva Vizcaya

Items	Extent of Tax Compliance								Average (Median)	Qualitative Description
	NA		SE		ME		LE			
	f	%	f	%	F	%	f	%		
Q1. Income tax	1	3.3	4	13.3	10	33.3	15	50.0	3.5	To a Large Extent
Q2. Withholding tax-compensation	1	3.3	3	10.0	10	33.3	16	53.3	4.0	To a Large Extent
Q3. Withholding tax-expanded	1	3.3	3	10.0	12	40.0	14	46.7	3.0	Moderate Extent
Q4 Value-added tax	2	6.7	2	6.7	14	46.7	12	40.0	3.0	Moderate Extent
Q5. Percentage tax	2	6.7	3	10.0	12	40.0	13	43.3	3.0	Moderate Extent
Q6. Excise tax	1	3.3	6	20.0	10	33.3	12	40.0	3.0	Moderate Extent
Q7. Documentary stamp tax	1	3.3	4	13.3	9	30.0	15	50.0	4.0	To a Large Extent

n = 30, NA (None), SE (Small Extent), ME (Moderate Extent), LE (Large Extent)

As indicated, most of the respondents comply with the different taxes paid to a moderate extent. The results show that the respondents pay their taxes correctly and on time, especially income tax (median = 3.5), withholding tax compensation (median = 4), and documentary stamp tax (median = 4). Meanwhile the respondents comply with tax to a moderate extent, value-added tax (median = 3), withholding tax-expanded (median = 3), percentage tax (median = 3), and excise tax (median = 3). There was one respondent who did not answer the question on excise tax and documentary stamp tax. Since not all types of taxes are applicable in a business, it can be assumed that some of their products are not covered by these taxes. Hardware and construction supply owners might be aware of it; however, these taxes are not applicable to them.

Generally, the extent of their compliance is related to some kinds of taxes. Apparently, they are compliant because they are aware of the different types of taxes. This suggests that awareness has something to do with compliance. Similarly, the existence of laws and their knowledge of these laws may have helped to prevent and hopefully eliminate the idea and action of non-compliance among taxpayers. According to law, companies in the Philippines may be qualified to register for value-added tax (VAT) or percentage tax. In other words, company taxes derived from the sale of products and services include a value-added tax and a percentage tax. The taxes' respective applicability, however, varies. Based on Cloud CFO (2020), percentage tax is a direct tax where the seller is the one who shoulders the tax, whereas VAT is an indirect tax where the end consumer is charged for the tax.

In addition, it is expressed within the national inner income code, Sec. 248, that there should be forced, in expansion to the charge required to be paid, a punishment identical to (25%) of the sum due. According to Section 249, from the date of payment until the whole amount is paid, any unpaid tax and interest will be imposed and collected at a rate of twenty percent (20%) annually, or a higher rate as may be specified by rules and regulations. Finally, NIRC SEC. 255 stipulates that taxpayers will also be subject to compromise penalties for each infraction. When they are aware and complying, perhaps they will avoid penalties, and the consequences of non-compliance will be reduced.

Section 3. Significant Difference Between the Demographic Profile of the Respondents in Their Level of Tax Awareness and Extent of Tax Compliance

Table 4

Test of Significant Difference in the Level of Tax Awareness of Construction Supplies and Hardware Business Owners of Nueva Vizcaya According to Profile Variables

	Profile	N	Mean \pm SD	Median	U / H	p-value
Age Group	35 and Below	15	3.13 \pm 0.63	3	87.50	0.295
	Above 35 years old	15	3.32 \pm 0.65	4		
Years in Business	Within 5 years	14	3.18 \pm 0.70	3	102.00	0.675
	More than 5 years	16	3.27 \pm 0.60	4		
Educational Attainment	High School Graduate	6	3.43 \pm 0.65	4	53.5	0.333
	Bachelor's Degree Holder	24	3.18 \pm 0.64	3		
Capitalization	1-3,000,000	15	3.29 \pm 0.66	4	1.344 (2)	0.511
	3,000,001-15,000,000	12	3.25 \pm 0.66	3.5		
	15,000,001-100,000,000	3	2.86 \pm 0.50	2		

U (Mann-Whitney Test), H (Kruskal-Wallis Test)

1- (Not Aware), 2- (Slightly Aware), 3- (Moderately Aware), 4- (Extremely Aware)

Age Group

The null hypothesis, which claims that there is no significant difference in the degree of tax awareness when respondents are classified according to age, is accepted because the p-value of 0.295 is higher than the generally recognized significance level of 0.05. In contrast, the study of Frencall-Hughes and Lymer (2017) showed that tax awareness worsens with age if left unaddressed. Pratama (2018) corroborates this as his study concluded that age had been one of the predictors of tax awareness. Older taxpayers tended to have less tax knowledge, or younger taxpayers tended to have higher tax knowledge. These findings contradict this study's results since age was found not to cause any significant difference in tax awareness. Moreover, it shows that Nueva Vizcaya has business owners that always address tax in their businesses better or in a way more updated manner.

Years in Business

For years in business, those who have been in business for "within 5 years" have a mean tax awareness score of 3.18, whereas those who have been in business for "more than 5 years" have a higher mean tax awareness score of 3.27. These observed differences are not statistically significant though, as shown by the Mann-Whitney results ($U= 102.5, p=0.675$). Evidently, the duration of time a business has been established may not significantly impact the tax awareness levels of business owners in the construction and hardware industries in Nueva Vizcaya. Despite a slight difference in mean tax awareness scores between businesses operating "within 5 years" and those operating "more than 5 years," the observed variations were not statistically significant. Regardless of the number of years in business, the construction and hardware business owners of Nueva Vizcaya have the same level of tax awareness.

Educational Attainment

When grouped according to educational attainment, "high school graduates" have a slightly higher mean tax awareness score of 3.43, while "bachelor's degree holders" have a somewhat lower mean tax awareness score of around 3.18. With almost identical standard deviation values, this suggests that, on average, high school graduates exhibit slightly higher tax awareness scores. This possibly stems from their own strategies and application of knowledge from the seminars and trainings they attended. It also shows that even if one has a bachelor's

degree, it does not translate to being knowledgeable about things. Sometimes, personal strategies are applied more than supposedly advanced knowledge acquired in college. However, the result of the Mann-Whitney test showed that there is no significant difference ($U= 53.5$, $p=0.333$) in the level of tax awareness between high school graduates and bachelor's degree holders which means that both groups exhibit similar levels of tax awareness.

On the other hand, the study of Kwok and Yip (2018) stressed that informed taxpayers will more likely consider the advantages and services offered by the government. However, as mentioned, it is not only through formal college education that business owners can gather information about tax. For example, they can be educated about tax by attending seminars or listening to business talks by successful business owners. Regardless of where they source their knowledge about tax though, it is to the business owner's benefit to keep themselves up to date.

Furthermore, it can also be assumed that because most of the businesses were passed from one generation to another, the respondents were already exposed to the different taxes since they were already taught by their parents. In this sense, familial businesses often benefit from a strong connection among family members and a deep understanding of the business operations. This close-knit relationship can result in shared knowledge of tax regulations and practices within the family, leading to better tax planning and compliance. As family members work together in a business, they are more likely to communicate effectively about tax matters, leverage each other's expertise, and collectively navigate the complex landscape of tax laws. This shared tax knowledge can contribute to the overall knowledge of newer generations towards tax.

Capitalization

In terms of capitalization, business owners in Nueva Vizcaya are divided into three groups, showing that higher-capitalized businesses tend to have slightly lower tax awareness scores. Since businesses with higher capitalization have more resources to invest in tax planning and get their own accountants to provide advice on their estimated tax payments, they tend not to notice the different types of tax paid. A Kruskal-Wallis test was performed to compare the level of tax awareness among business owners in Nueva Vizcaya when they were grouped according to the amount of business capital, and there was no significant difference in their level of tax awareness ($H_{(2)}=1.344$, $p=0.511$). Regardless of capitalization, the level of tax awareness of business owners is described as moderate. Specifically, the Kruskal-Wallis test statistic ($H_{(2)} = 1.344$) did not reach a level of statistical significance, and the p-value associated with the test (0.511) is much greater than the commonly used significance level of 0.05. Therefore, the null hypothesis is accepted. In other words, regardless of their capitalization, the level of tax awareness appears to be similar among the studied groups.

Table 5

Test of Significant Difference in the Level of Tax Compliance of Construction Supplies and Hardware Business Owners of Nueva Vizcaya According to Profile Variables

	Profile	N	Mean \pm SD	Median	U / H	p-value
Age Group	35 and Below	15	3.20 \pm 0.56	3	90.50	0.357
	Above 35 years old	15	3.35 \pm 0.65	4		
Years in Business	Within 5 years	14	3.40 \pm 0.51	4	89.50	0.345
	More than 5 years	16	3.20 \pm 0.68	3		
Highest Educational Attainment	High School Graduate	6	3.31 \pm 0.71	4	70.00	0.917
	Bachelor's Degree Holder	24	3.27 \pm 0.59	3		

Capitalization	1-3,000,000	15	3.30 ± 0.58	3	0.099	0.952
	3,000,001-15,000,000	12	3.23 ± 0.67	3.5	(2)	
	15,000,001-100,000,000	3	2.33 ± 0.64	4		

U (Mann-Whitney Test), H (Kruskal-Wallis Test)

1- (Not at all), 2- (To a Small Extent), 3- (To a Moderate Extent), 4- (To a Large Extent)

Age Group

The data indicates the average level of tax compliance within the two age groups. On average, individuals "35 and below" have a mean tax compliance score of 3.20, while "above 35 years old" individuals have a slightly higher mean tax compliance score of 3.35. With the scores exhibiting more variability around the mean, construction supplies and hardware business owners are compliant to tax regardless of their age. Moreover, the Mann-Whitney test found that there is no significant difference in the levels of tax compliance among hardware owners when they are grouped according to age groups. The p-value of 0.357 is greater than the commonly used significance level of 0.05. Therefore, the null hypothesis, suggesting that there is no statistically significant difference in tax compliance between the two age groups, is accepted.

Furthermore, according to the statistics provided, the age group of 35 to 39 years old had no bearing on individual income tax revenue, there is no significant difference in age when it comes to the level of tax compliance. This implies that despite the results of other research, the profile and location of respondents or business owners can change the findings of the study, further enabling more researchers to find out the economic health of their area in terms of tax. The result shows that there could be a few other variables that make more seasoned citizens have less charge compliance than more younger citizens. The location of the tax office, the difficulty of calculating taxes, and the inexperience with technology while utilizing the e-submission tool to assist people in filing their returns could all be contributing issues

Years in Business

For hardware owners who have been in business "within 5 years," the mean tax compliance score is 3.40, and the scores are relatively consistent or closely clustered around the mean. For hardware owners who have been in business "more than 5 years," the mean tax compliance score is 3.20, but there is more variability in the tax compliance scores, indicating that some business owners in this group may have significantly different levels of tax compliance. The results of the Mann-Whitney test suggest that there is no statistically significant difference though in the level of tax compliance between hardware owners with less than 5 years in business ("within 5 years") and those with more than 5 years in business ("more than 5 years"). The p-value of 0.345 indicates that the observed difference in tax compliance is not statistically significant, and it is likely due to random variation.

Several studies have examined the relationship between the age of a business and its level of tax compliance. Further investigation into these additional factors is warranted to gain a comprehensive understanding of the dynamics influencing tax compliance in the hardware industry. Research by scholars like Alm and Jackson (1992) suggested that older businesses tend to have higher levels of tax compliance due to their establishment in the market and a reputation to protect.

Educational Attainment

The findings show that there is no discernible difference in these two educated groups' levels of tax compliance. Significantly higher than the generally accepted significance level of 0.05 is the p-value of 0.917. As a result, the null hypothesis which contends that there isn't a

discernible difference between the groups of "high school graduate" and "bachelor's degree holders" regarding the degree of tax compliance is accepted. In other words, regardless of their educational background, the level of tax compliance appears to be similar among the studied groups. This is confirmed by the findings of Soliha and Nadiyah (2020) who discovered that there are no significant variations between education level and tax compliance behavior.

Capitalization

Based on the data presented, the research findings suggest that capitalization does not play a significant role in influencing tax compliance among construction supplies and hardware business owners. The study indicates that factors such as filing experience and tax morale have a more substantial impact on small business owners' tax compliance practices. The results also imply that the level of compliance is more strongly influenced by the individual business owner's perception of tax obligations and the consequences of non-compliance, rather than the size of the business's capitalization. This highlights the importance of fostering positive filing experiences and maintaining high tax morale among small business owners to encourage greater compliance with tax laws. Therefore, the acceptance of Ho2, which suggests that regardless of various profile variables, there is not a significant difference in compliance, underscores the notion that factors beyond capitalization are more influential in determining tax compliance behavior among small business owners in the construction supplies and hardware sector.

Section 4. Relationship Between Tax Awareness and Level of Tax Compliance Among Hardware Owners in Nueva Vizcaya

Table 6

Correlation Between Level of Tax Awareness and Level of Tax Compliance Among Construction Supplies and Hardware Business Owners of Nueva Vizcaya

Spearman's rho	Correlation Coefficient	.203
	Sig. (2-tailed)	.281
	N	30

A Spearman's rank-order correlation was run to determine the relationship between tax awareness and level of tax compliance among 30 hardware owners in Nueva Vizcaya. The correlation is weak and not statistically significant ($r_s(28)=0.203$, $p=0.281$). The findings imply that there is no strong and solid positive relationship between the two variables. As a result, it can be inferred that the level of awareness does not significantly influence the extent of tax compliance.

This result was supported by the study of Salawati et al. (2021) conducted in Malaysia, in which they found a negative and insignificant relationship between tax awareness and tax compliance when grouped according to the respondents' age and gender.

The findings of this study imply that there is no direct relationship between the level of tax awareness and the extent of tax compliance among the respondents. This is because tax awareness is common among potential taxpayers, as they are aware of their tax obligations towards the country. Nowadays, tax information is always available and accessible, such as on the BIR website, obtaining awareness of taxes is simple.

Tax awareness demonstrates that a citizen's duties include adhering to tax rules, which include declaring taxes truthfully, calculating tax liabilities accurately, completing tax returns, and paying the required amount of tax within the allotted period.

Section 5. Factors Affecting Tax Compliance Among MSMEs

Table 7

Factors Affecting Tax Compliance Among MSMEs

Factors	Frequency	Percentage
1. Because of the high penalty, I pay my taxes on time or in advance.	25	37%
2. I am afraid of not paying my tax obligation because the probability of being audited is very high.	19	28%
3. I comply on time because I am a responsible Filipino citizen.	24	35%
Multiple responses	68	100%

According to a total of 25 participants, or 37%, the likelihood of being audited by 19 participants, or 28%, was what drove the majority of MSMEs to comply with BIR requirements: the fear of penalties. On the other hand, 24 individuals, or 35%, said in their response that they are law-abiding Filipinos. Apparently, if high tax penalties are imposed on a regular and orderly basis, such will increase compliance among business taxpayers.

Likewise, MSMEs' compliance decisions are often influenced by their perception of the probability of detection and the likelihood of facing penalties. Deyganto (2018) found that the probability of being audited has a positive impact on tax compliance. Furthermore, perceived probability of being audited was found to influence compliance with specific tax obligations, such as income tax, value-added tax (VAT), or payroll taxes (Bérgolo et al., 2017).

Moreover, one of the obligations of being a responsible Filipino citizen or individual taxpayer is to comply with tax obligations to the Philippine government to continue working and running business operations. Furthermore, businesses benefit from infrastructure, security, education, health, and social peace, so taxpayers should be responsible for paying taxes to maintain the services that allow businesses to exist.

Section 6. Information, Education, and Communication Material

Based on the findings and conclusions, an IEC material that aims to educate MSMEs about the importance of tax awareness, the types of taxes, how to ensure tax compliance and additional charges was prepared for distribution to these establishments. The IEC material is a tri-fold flyer that contains essential information that MSMEs need to know. Presented below is a copy of the flyer.

Figure 5
Information, Education, and Communication Materials

Our Mission!

Welcome to the world of taxation in the Philippines! This brochure is designed to enhance your understanding of tax awareness and compliance, helping you navigate the intricacies of the Philippine tax system.

Contact Us

09652732777
alphajoypedro@gmail.com

Understanding TAXATION in the Philippines

Navigating the Philippine Tax Landscape: A Comprehensive Guide to Tax Awareness and Compliance.

Figure 6
Information, Education, and Communication Materials

The Importance of TAX AWARENESS

- Fueling National Progress**
Taxes serve as the lifeblood of a nation, funding essential services and infrastructure projects that contribute to economic growth. By being aware of how your contributions shape the country's future, you become an active participant in fostering progress.
- Empowering Individuals & Businesses**
In the realm of taxation, knowledge empowers financial decisions, as understanding tax regulations enables individuals and businesses to optimize liabilities and allocate resources efficiently, translating knowledge into financial empowerment.
- Building Trust in Institutions**
Transparent and accountable tax systems build trust between citizens and the government. Understanding where your taxes go fosters a sense of civic responsibility and strengthens the foundation of a fair and just society.
- Mitigating Risks & Penalties**
Lack of awareness can lead to unintentional non-compliance, resulting in unnecessary penalties. By being informed about tax obligations, individuals and businesses can mitigate risks, ensuring timely and accurate submissions to avoid legal complications.
- Enhancing Financial Literacy**
Taxation is integral to financial literacy. It empowers individuals with a clear understanding of concepts like deductions and exemptions, enabling informed financial decisions, future planning, and the pursuit of long-term financial well-being.
- Contributing to Social Welfare**
Important social programs, such as those pertaining to public safety, healthcare, and education, are paid for by taxes. You actively promote a cooperative effort for the welfare of all citizens by paying your taxes, which goes toward improving society. Tax awareness is a means to financial intelligence, societal advancement, and individual and group prosperity, not merely a means of fulfilling legal requirements. Accept the information and allow it to be a driving force for improvement in both your financial situation and the state of the country.

Types of TAXES

- Income Tax**
- Applicable to individuals and corporations based on their annual income.
- Progressive tax rates for individuals.
- Corporate income tax is a flat rate.
- Withholding Tax- Compensation**
- Deducted by employers from their employees' salaries.
- Ensures real-time tax collection.
- Withholding Tax- Expanded**
- Applied to specific income payments such as professional fees, royalties, and commissions.
- Value Added Tax: VAT**
- Imposed on the sale of goods and services.
- Input and output tax mechanism for businesses.
- Percentage Tax**
- A business tax applicable to those not VAT-registered.
- Calculated as a percentage of gross sales or receipts.
- Excise Tax**
- Imposed on specific goods like tobacco, alcohol, and petroleum products.
- A measure to regulate the consumption of certain commodities.
- Documentary Tax Stamp**
- Levied on certain documents, instruments, loan agreements, and papers evidencing the acceptance, assignment, sale, or transfer of an obligation.

Ensuring Tax Compliance

1. Keep accurate records of income and expenses.
2. File tax returns on time to avoid penalties.
3. Seek professional advice for complex tax matters.
4. Understand tax incentives and reliefs available.

Understanding Additional Charges

- +** **Surcharge**
- A penalty for late or non-payment of taxes.
- Calculated as a percentage of the tax due.
- +** **Interest**
- Applied to late payments.
- Computed based on the unpaid amount and the number of days overdue.
- +** **Compromise**
- A negotiated settlement for tax liabilities.
- Considered in specific cases to encourage settlement.

CONCLUSION AND RECOMMENDATIONS

Conclusion

1. The research conducted among hardware and construction supply businesses in Nueva Vizcaya has illuminated crucial aspects affecting tax awareness, understanding, and compliance within these sectors. Enhancing tax awareness and compliance is deemed essential for the success of businesses in Nueva Vizcaya, emphasizing the need to improve knowledge of tax regulations, understand tax obligations, and prioritize compliance to navigate regulatory complexities and foster growth in the region. A holistic approach to tax compliance is advocated, stressing the importance of tailoring strategies to regional contexts, acknowledging diverse influencing factors, and promoting sustainable business practices to cultivate a culture of tax compliance and drive industry growth in Nueva Vizcaya and beyond.
2. The multifaceted nature of tax compliance, shaped by fear, audit likelihood, and civic responsibility, underscores the significance of responsible tax behavior among MSMEs in the Philippines. Recognizing the role of compliance in supporting state functions, public services, and economic development is crucial for ensuring individual business sustainability and the collective progress of society. The integration of research findings from Nueva Vizcaya and the Philippines highlights the pivotal role of tax awareness, understanding, and compliance in fostering business success and societal development. Embracing a culture of responsible tax behavior, addressing regulatory challenges, and fostering collaboration among stakeholders can empower hardware and construction supply businesses to thrive in their industries and make positive contributions to the broader economic landscape and social welfare.

Recommendations

For the Construction Supplies and Hardware Owners. They should always keep up with the latest news regarding different types of tax paid to the Bureau of Internal Revenue.

For the Bureau of Internal Revenue. They should continuously do tax campaigns and seminars that can help increase taxpayers' knowledge and understanding of tax regulations and intensify the level of tax awareness, the extent of tax compliance, and combat tax evasion.

For the Local Government Unit. As collectors of taxes, should continuously cooperate with the BIR, especially in conducting seminars, because the better awareness of taxpayers is applied, the more taxpayers will fulfill their obligations.

For the School of Accountancy and Business and Future Researchers. They may conduct follow-up research on this study. This study only used four demographic profiles: age, educational attainment, months or years in business, and capitalization.

For Future Researchers. The next researcher may include the variables that were not taken in this research to make a more extensive study that would explain individual tax awareness and compliance. Finally, this research result only represents Nueva Vizcaya. Future researchers may expand the scope to other provinces or the Philippines as a whole, so that results can portray a more representative model of tax awareness and tax compliance.

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