

Determining the Level of Tax Awareness and Factors Affecting Tax Compliance of Ready-to-Wear Businesses in Solano, Nueva Vizcaya

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ABSTRACT

The paper explored the intricacies of tax awareness and compliance among Ready-to-Wear (RTW) businesses that fall under the category of micro enterprises in Solano, Nueva Vizcaya, Philippines. The study employed theories of compliance and awareness as its conceptual framework, aiming to identify the factors that influence tax compliance and awareness among these businesses. It considered various demographic variables such as age, educational attainment, gender, and years in business operation as potential influencers. The study utilized a descriptive-comparative research design and collected data through a survey questionnaire. The findings indicate that the respondents have a high level of awareness of their tax rights and responsibilities, particularly regarding issuing receipts and invoices. However, they may need more understanding of tax return filing dates and timely tax payments. The factors influencing tax compliance include fines and penalties, the probability of being audited, financial constraints, tax knowledge, and peer influence. Non-compliance reasons include unawareness of laws, financial burden, and high tax rates. Recommendations include simplifying procedures, reducing tax rates, and improving tax education through socialization efforts. The study also highlights the importance of fines and penalties in promoting tax compliance. The paper is significant not just for tax authorities but also for the businesses themselves, offering them a clearer understanding of the importance of tax compliance and the implications of non-compliance. Overall, the paper serves as a multi-faceted exploration into the realm of taxation among micro enterprises, with a specific focus on the RTW businesses in Solano, Nueva Vizcaya.

Keywords: Fines and Penalties, Micro Enterprises, Tax Education, Tax Knowledge, Tax Rates, Tax Rights and Responsibilities

INTRODUCTION

Rationale

Tax can be viewed as the lifeblood of a country as it sustains the functioning and growth of the nation. Tax revenue provides the financial resources a government needs to fulfill its responsibilities. Taxes enable the government to invest in infrastructure, public services, and social programs that improve the quality of life for citizens. They support the maintenance of law and order, defense capabilities, and the country's overall development. With tax revenue, a country can meet its financial obligations and provide the necessary

resources for its citizens' well-being and progress.

As such, taxes are obligatory payments to the government collected from individuals, businesses, properties, and income, which are used to generate revenue and fund social welfare programs (Tabag, 2018).

Unfortunately, in the global scenario, it has been reported by the International Revenue Service of the United States that small business proprietors may underpay taxes due to their reliance on cash transactions (CFO Selections Team, 2018). In fact, in the United Kingdom, small businesses account for 40% of the tax deficit, which amounts to £14 billion in unpaid tax. This is mainly due to negligence, errors, or different interpretations of the law (White, 2019).

The Philippine government's tax regulating body is called the Bureau of Internal Revenue (BIR). BIR aims to raise funds to pay for the government's expenditures by collecting internal revenue taxes, fees, and other levies. This is an important role as providing for the country's citizens would be attained through the effective and efficient collection of taxes. However, due to challenges such as poor taxpayers' compliance, BIR needs help in collecting taxes. As a result, BIR has launched the Tax Compliance Verification Drive (TCVD).

Tax compliance refers to taxpayers' decision to conform with tax legislation and rules by paying taxes on time and correctly (Youde & Lim, 2019). Taxpayer compliance is an essential factor that greatly affects a country's tax revenue. When society becomes more aware of and compliant with taxation, it can result in an increase in domestic tax revenue.

Additionally, the awareness of taxpayers regarding the rules and processes for fulfilling tax obligations is another factor in compliance to pay taxes (Asrinanda, 2018). Tax awareness refers to the state where taxpayers possess knowledge and comprehension of taxation and adhere to their tax responsibilities. Furthermore, their perceptions of the tax system significantly influence their awareness levels. This suggests that taxpayers' sensitivity toward taxation is influenced by their perception of it (Pandapotan & Tjen, 2017).

In 2017, the Bureau of Internal Revenue (BIR) identified and profiled medium-sized taxpayers and warned them about their level of tax compliance. This taxpayer segment accounts for 21% of the actual collection for the region. However, in one of the seven registered compliance areas, only 4% of taxpayers were found to have a reasonable compliance rate, while 18% had a poor compliance rate. The remaining 78% fell within the average compliance range (De La Cruz, 2017).

Additionally, there are more than 900,000 micros, small, and medium enterprises (MSMEs) that operate in the informal economy, without being registered, keeping proper books of account, or paying taxes. In other words, they operate outside the Philippine tax laws (Du-Baladad, 2016).

As per the Republic Act 9501 of the Philippines, commonly known as the Magna Carta for Micro, Small, and Medium Enterprises, MSMEs are business enterprises that are involved in industry, agribusiness, or services, irrespective of their legal structure. These enterprises can be single proprietorships, cooperatives, partnerships, or corporations. MSMEs are categorized based on total assets, excluding land: micro (assets up to ₱3,000,000), small (assets from ₱3,000,001 to ₱15,000,000), and medium (assets from ₱15,000,001 to ₱100,000,000). Micro, small, and medium enterprises (MSMEs) significantly impact the nation's economy by generating employment opportunities, driving growth in rural areas, and serving as a platform for aspiring entrepreneurs and established businesses. In 2019, the Philippine Statistics Authority reported 995,745 MSMEs out of 1,000,506 total businesses nationwide (Philippine Commission on Women, 2022).

Micro-enterprises play a crucial role in a nation's economy, and they constitute the predominant form of business in numerous countries. Their ease of operation and minimal initial investment make them

accessible to entrepreneurs from diverse backgrounds, offering income-generating prospects.

The importance of MSMEs in the economy cannot be overstated, as they make up 99.6% or the majority of all enterprises in the country and provide employment to at least more than half of the labor force. As significant contributors to the economy, MSMEs also bear essential responsibilities as citizens of the country. Taxes, an essential part of our sovereignty, are necessary for the sustenance of our economy, and as such, they must be paid. Also, to ensure the effective implementation and timely delivery of government programs, the Bureau of Internal Revenue (BIR) must require that citizens submit and pay the necessary taxes accurately and on time. However, problems may arise if individuals neglect to fulfill this responsibility (Paco & Quezon, 2022).

Most establishments in Solano, Nueva Vizcaya, mainly consist of MSMEs. One of the specific dominating businesses is the sale of ready-to-wear (RTW) clothing and the majority is a micro industry in Solano, Nueva Vizcaya. RTW pertains to garments available in physical stores or online without modifications (Sacawa, 2017). RTW or “prêt-à-porter” is a term used in the fashion industry to indicate that a piece of clothing was produced in large quantities, adhering to standardized sizes, and sold in a completed state, as opposed to being custom-designed and tailored for an individual. Most clothing purchased throughout the years, such as sweatshirts, denim, cardigans, and handbags, fall into the ready-to-wear category, meaning they were bought directly without any specific alterations or customization (MasterClass, 2020).

The significant question is whether these RTW stores are aware of their responsibilities as taxpayers which is the focus of this paper.

Taxation

Atty. Maribel L. Buted, a CPA-Lawyer, emphasized in her article online published entitled, “The Significance of Tax Compliance,” that the government has the right to collect taxes, as well as exercise powers of eminent domain and police authority. These are essential attributes of sovereignty, meaning they exist because the state exists.

Taxation is the procedure or technique that the sovereign, and through the legislative body, generates revenue to pay for the government’s necessary expenditures (Ampongan, 2016). Relatively, the main goal of the tax is to produce property to protect and improve the welfare of its population as a whole and to enable it to support its numerous activities.

Tax Awareness

Understanding tax laws and principles relevant to a particular transaction is known as tax awareness (Cain & Montaña, 2021). The Internal Revenue Service (IRS) emphasizes the importance of tax awareness for all taxpayers to ensure they meet their tax obligations accurately and on time. The compliance rates of taxpayers in paying taxes on time are significantly affected by their tax awareness. Tax awareness is the state of knowing, comprehending, and feeling the attitude of a taxpayer or an individual taxpayer regarding the meaning, function, and purpose of tax payment. It is necessary to have knowledge of tax rules to cultivate a compliant attitude. If taxpayers are unaware of the deadline, they cannot submit tax returns on time (Lestari & Wicaksono, 2017).

Tax Compliance

Tax compliance is paying taxes promptly and adequately to conform to tax rules and regulations (Youde & Lim, 2019). For some situations involving non-compliance with the tax law, the Bureau of Internal Revenue suspends business activities and may even close down business locations. It is important for taxpayers to

fulfill their obligation of paying taxes. If they fail to do so, the government is legally obligated to assess and collect the taxes, even if it may cause harm. This is because taxes are essential for the government to function. Those who disobey the law and refuse to pay taxes will not be protected by the law or the court. Constitutional protection is only granted to specific legal entities (Buted, 2022).

Role of the Bureau of Internal Revenue

In the Philippines, the Department of Finance (DOF) oversees and manages the Bureau of Internal Revenue (BIR). The DOF is responsible for assessing, collecting, and enforcing all federal internal revenue taxes, fees, and charges, including any related forfeitures, fines, or penalties. On the other hand, the BIR is responsible for executing and managing the police and oversight authority given to it by the National Internal Revenue Code or other laws.

The Constitution of the Philippines and Republic Acts, such as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act), Tax Reform for Acceleration and Inclusion (TRAIN) Law, Article VI, Section 28 of the Constitution, the National Internal Revenue Code, and the Local Government Code of 1991, primarily govern taxation in the Philippines.

The BIR collects taxes by enforcing strict tax regulations. As part of BIR's objective to improve the government's internal revenue, its primary goal is to increase tax collection. BIR Commissioner Caesar Dulay said that the BIR's collection rapidly increased from 1.58 trillion pesos in 2016 to 1.78 trillion pesos in 2017, 1.96 trillion pesos in 2018, and the highest so far was in the year 2019 when collections amounted to 2.19 trillion pesos. However, due to the complexity of tax laws, taxpayers have had to deal with several challenges in calculating and complying with their tax liabilities. These difficulties could have been avoided with sufficient awareness and knowledge of the relevant tax laws. Concerning this, the Bureau of Internal Revenues conducted a tax compliance verification drive (TCVD) to expand the tax base and enhance tax compliance.

Tax Compliance Verification Drive

Tax compliance verification drive, commonly known as tax mapping, is a process conducted by the Bureau of Internal Revenue (BIR) to expand the tax base, enhance tax compliance, and implement Revenue Memorandum Orders (RMOs) related to collecting information on any person's business operations. The information collected provides a presumptive basis for determining their tax liability under the Internal Revenue Code. RMOs like No. 56-2000 prescribe penalty schedules for violations related to the production, possession, use, and issuance of sales or commercial invoices under RMO No. 1-90. In addition, RMO No. 10-99 outlines policies and processes for carrying out Revenue Regulation No. 2-99 for the use of audit and investigation immunity for income tax, VAT, and percentage tax returns submitted for the tax year 1998 that is provided by the ERAP Program. Lastly, RMO No. 29-2002 provides updated methods for processing and approving applications for licenses to use computerized accounting systems (CAS) (Lawphil.net, 2023).

The Bureau of Local Government Finance in Cagayan Valley awarded Nueva Vizcaya three accolades in 2010 for its remarkable local revenue collection record, as reported by Ben Ebreo of the Philippine Information Agency in 2012. The first award was for being the top revenue collector under the provincial category, achieving a collection efficiency of 137.65 percent, which represents aggregate collections on real property tax, business tax, fees, and economic enterprises. The second award was for being the top local revenue collector on fees, with the highest collection efficiency of 103 percent among the provinces. The third award was for being the top local revenue collector on real property tax, with the highest collection efficiency of 198.89 percent regionwide. The Revenue District Office No. 14: Bayombong, Nueva Vizcaya, is among the tax collectors identified in the national ranking and the region based on BIR statistics.

In 2022, its internal revenue collection ranked 3rd among the provinces of Region 2, totaling P1,372.91 million.

The study of Laciste et al. (2013) states that surveying the area of responsibility first before conducting the actual TCVD is an essential step to be able to identify places with a high concentration of business establishments where many taxpayers appear to be unregistered and with poor tax compliance. In this step, the officers plan the areas that need to be visited so there will be a good use of time, money, and effort. The BIR officers will determine whether the businesses are tax-compliant through the survey. If the business is not tax compliant, they will be informed of the violations committed and listed on the checklist with corresponding penalties. Moreover, stickers are posted with a related color-coding scheme to certify that the businesses are tax-mapped as proof that the establishment has undergone tax mapping.

In this context, the researchers carried out a study that sought to identify the level of tax awareness among ready-to-wear businesses in Solano, Nueva Vizcaya, as well as the factors that influence tax compliance. The study's results would be helpful for the Bureau of Internal Revenue (BIR) to plan and make decisions for future programs aimed at improving and evaluating tax systems. Likewise, this study is significant in many aspects. It could benefit and substantially contribute to the provincial government of Nueva Vizcaya. This study provides the government with information concerning the different factors that affect the tax compliance of businesses. Second, for the ready-to-wear businesses, it would provide them additional tax knowledge. It would also give them information about the advantages and disadvantages of complying with taxes and help them understand the purpose of tax compliance. Third, the study's researchers would gain more new knowledge and ideas regarding tax, which they can apply in their studies, daily lives, and future professions. This study would help them better appreciate the significance of taxation they are continuously studying. And fourth, for future researchers, this could be a basis and starting point for them to gain more information concerning the taxation of MSMEs. Fifth, the School of Accountancy and Business, teachers, parents, and employees could also benefit from this study since no one is exempt from paying taxes. This study would give them tax knowledge, and this would be a guide to better understand the significance of taxation and tax compliance that they can apply in their lives, especially if they are business owners, and likewise can teach to other people. And lastly, for students, it allows them to know and understand the purpose of tax awareness, giving them additional knowledge and understanding of taxation so that they would be more compliant in paying their taxes in the future.

Theoretical Framework

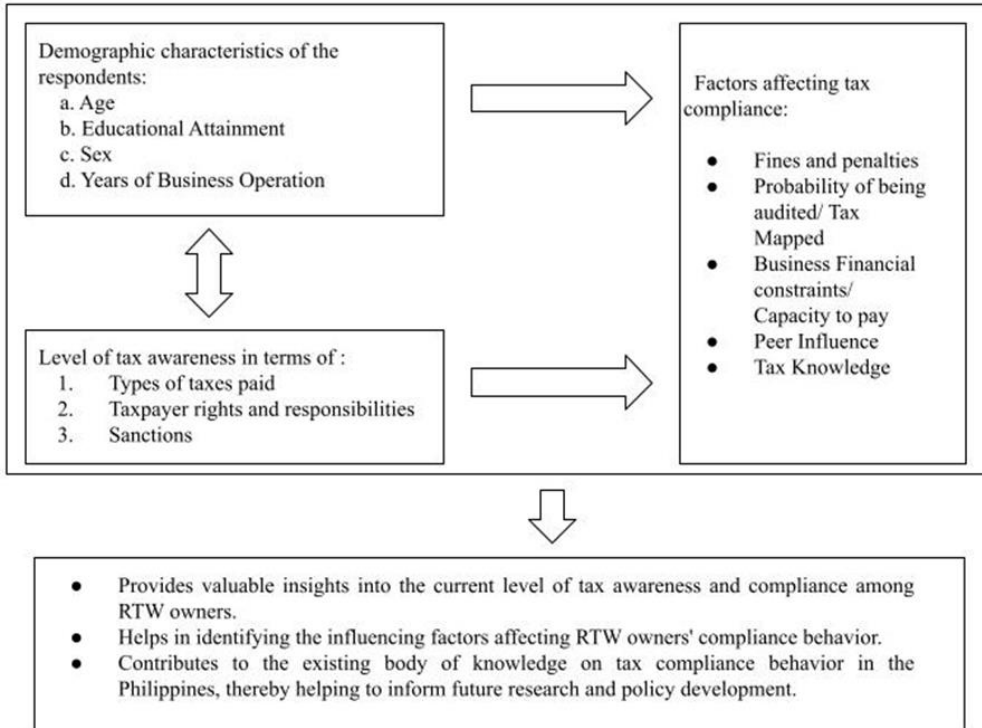
This study was supported by the theory of compliance developed by Julien Etienne. This theory provides a coherent framework for dealing with the various motivations behind compliance and non-compliance behaviors, taking into account the interactions between these motives, rather than treating them in an ad hoc or additive manner. Automatic compliance involves habitual or routine behaviors, while planned compliance or non-compliance is a result of intentionally pursuing different goals, such as achieving maximum benefit, fulfilling moral obligations like duty or trust, or avoiding penalties. Non-compliance may also result from the taxpayer's inability, incompetence, ignorance, or misunderstanding of regulatory requirements (Etienne, 2011).

This study was also supported by the theory of awareness, developed by Alabede et al. (2011). This theory suggests that consciousness is a will accompanied by action, from reflection to reality. Taxpayer awareness is an activity that is accompanied by self-encouragement to willingly perform the rights and duties under the law. Taxpayers are considered aware if they already know, obey, and respect tax rules. However, if taxpayers have limited knowledge of tax rules, their awareness is still low. This low awareness may lead to minimal knowledge and understanding of tax rules and regulations by the taxpayer.

The theories of compliance and awareness served as the basis in determining the level of tax awareness and factors affecting tax compliance of ready-to-wear businesses in Solano, Nueva Vizcaya.

Conceptual and Analytical Framework

Figure 1: Conceptual Framework of the Study



The focus of this study was to determine the level of tax awareness and the factors affecting tax compliance among ready-to-wear (RTW) businesses classified as micro enterprises registered in Solano, Nueva Vizcaya. Figure 1 presents an overview of the study. Micro business refers to any enterprise with less than ten employees and a capitalization size of less than P300,000.00 according to the Business Permit and Licensing Department of the municipal office of Solano. This was based on the third chapter of the Municipal Revenue Code of Solano, Nueva Vizcaya.

The study looked at three sets of variables. The first set focuses on the respondents' demographic characteristics, such as age, educational attainment, sex, and years of business operations. This group of factors is crucial because it can reveal whether there are variations in tax awareness and compliance levels according to these attributes.

The second set of variables relates to how well-informed RTW business owners are about taxes. The types of taxes paid, taxpayer rights and responsibilities, and sanctions are all part of this group. It aims to pinpoint any areas in which taxpayers might benefit from additional education and knowledge regarding tax laws and regulations.

The third group of variables relates to the elements that have an impact on tax compliance. These variables include fines and penalties, the probability of being audited/ tax mapped, business financial constraints or capacity to pay, peer influence, and tax knowledge. This group of factors is important because it can give information on why some taxpayers disregard tax laws and rules.

The study has the potential to provide insight into tax compliance and awareness among RTW owners in Solano, Nueva Vizcaya. By identifying the factors that influence tax compliance behavior, the study can help future research and policy development in the area of tax administration and compliance. The study also aims to support government revenue and tax compliance in the Philippines.

In order to gain a deeper understanding of the perception, knowledge, and understanding of tax awareness as well as the variables affecting tax compliance among RTW businesses in Solano, Nueva Vizcaya, the conceptual framework of this study incorporates these variables. As a result, the study will also provide potential suggestions for enhancing tax compliance and illuminate the impact of governmental tax laws and regulations on these businesses.

Government tax policies and regulations refers to the tax regulations and laws that organizations in Solano, Nueva Vizcaya, are required to abide by on a local, regional, or national level. Income tax, value-added tax (VAT), and other pertinent taxes are among these regulations. The regulations also specify the particular steps to be taken in order to file and pay these taxes, as well as the sanctions for failure to do so.

Taxpayer rights and responsibilities refer to taxpayers' legal responsibilities in relation to their tax obligations. This includes the right to be aware of various types of taxes they are paying, to ask tax authorities for advice and assistance, to keep accurate records, and to pay the appropriate taxes on schedule.

Sanctions refer to the penalties for breaking tax laws and regulations. Sanctions can be monetary fines to imprisonment, depending on how serious the violation was.

Statement of the Problem

This study was primarily conducted to determine the level of tax awareness and the factors affecting compliance of ready-to-wear businesses in Solano, Nueva Vizcaya. This study was conducted during the first semester of the Academic Year 2023 – 2024.

Specifically, the study answered the following:

1. What is the profile of the respondents in terms of:
2. Age;
3. Educational Attainment;
4. Sex; and
5. Years of Operations?
6. What is the level of tax awareness among ready-to-wear businesses in terms of the following:
7. Types of Tax Paid;
8. Tax Rights and Responsibilities; and
9. Sanctions?
10. What are the factors that affect the tax compliance of the respondents?
11. Is there a significant difference in the respondents' tax awareness level when grouped according to their profile variables?

Statement of Null Hypothesis

There is no significant difference in the level of tax awareness when grouped according to profile variables.

RESEARCH METHODOLOGY

This chapter clearly presents the research methodology specifically the research design, research locale,

research participants, research instruments, data gathering procedure, treatment of the data used in finding solutions to the problems raised in the study, and ethical considerations.

Research Design

The researchers used a descriptive-comparative research design which aims to accurately and systematically describe a phenomenon and give a better and deeper understanding of the phenomenon being studied. Moreover, survey research is a method of collecting data by asking questions. Using this method, the researchers utilized questionnaires in gathering needed data to describe a particular situation's nature and explore the causes of this phenomenon. Since the study primarily focused on assessing the tax awareness and factors affecting tax compliance of micro RTW business owners in Solano, Nueva Vizcaya, descriptive comparative research was used to corroborate the hypothesis put forth in this study, where the required relationships were formed using both independent and dependent variables. The hypothesis tested the relationship between the independent variables and the level of tax awareness of the respondents. The research design provides information that may examine the information of a hypothesis for future research. The survey questionnaire contains the profile of the respondents, and it has different sets of questions related to this study. Using this design, the researcher was able to determine the level of tax awareness and factors affecting tax compliance of ready-to-wear businesses. Because data collection was on a large scale rather than through interviews, the research design used a mix of quantitative and qualitative approaches.

Research Locale

The research survey was conducted in the public market of Solano, a first-class municipality and the largest town in the province of Nueva Vizcaya, located in the Cagayan Valley region of the Philippines. The town is mainly known for its agricultural industry and is home to several small businesses, including ready-to-wear businesses. By conducting the study in the Solano public market, the researchers aimed to better understand the level of tax awareness and the factors affecting tax compliance among ready-to-wear businesses in a specific location, which can help inform policies and practices related to tax compliance in the town. The research locale was carefully selected to ensure the representativeness of the sample and the validity of the study's findings.

Figure 2: Strategic Location of Solano, Nueva Vizcaya



(Source: https://en.wikipedia.org/wiki/Solano,_Nueva_Vizcaya)

Research Participants

The target population of this research were the registered ready-to-wear businesses in Solano, Nueva Vizcaya. The researchers have concentrated explicitly on the public market of Solano considering that it has the highest number of RTW businesses in the town. The list of respondents came from the list of registered businesses provided by the Business Permit and Licensing Department of the Municipal Office of Solano. As of December 2022, there are a total of 3,099 registered MSME businesses in Solano and a total of 800 registered micro-scale businesses. The sample population for the study was selected using a purposive sampling technique based on the number of registered micro-scale businesses. The researcher used their discretion to choose respondents who were capable of providing relevant data. The selection process was also influenced by the business classification, focusing only on micro ready-to-wear businesses. The respondents were asked to complete a questionnaire that measured their level of tax awareness and identified the factors that affect tax compliance in the ready-to-wear business sector.

Inclusion criteria

The researchers targeted the owners of ready-to-wear businesses classified as micro enterprises around Solano Public Market, Solano, Nueva Vizcaya as their research respondents. The age bracket that was included is from 18 years old and above to 60 years old below, but if the respondent cannot answer the questionnaire due to, but not limited to, poor eyesight or a busy schedule, the respondent may seek help from the researchers or any trustworthy assistant that would partake in answering the questionnaire. Moreover, to narrow the focus and ensure that the results were attainable, only micro RTW businesses that have a physical store in Solano public market were selected.

Exclusion criteria

The RTW businesses who are registered but only sell online were not included as respondents of this study. Also, regarding age, those who were 18 years old below and 60 years old and above were excluded. Respondents classified as small and medium enterprises were also excluded. Likewise, micro-scale businesses not located in the public market of Solano were excluded in the selection of the respondents. Businesses primarily engaged in the sale of second-hand or used clothing were also excluded.

Research Instruments

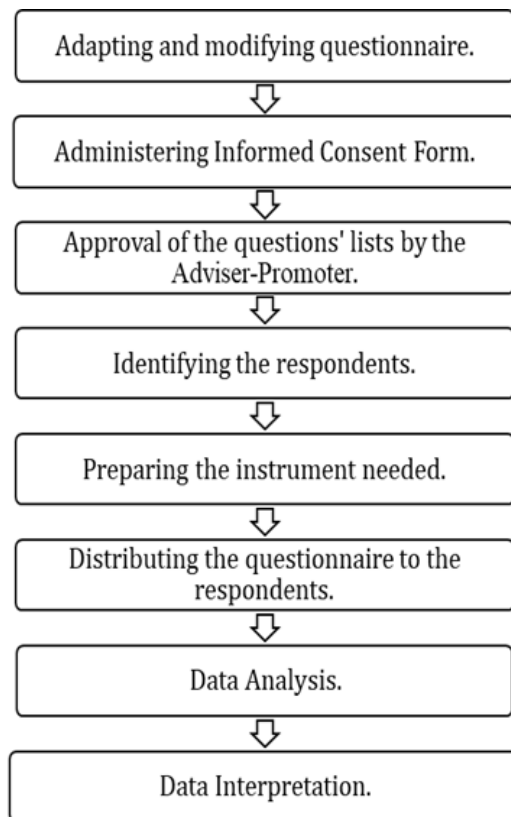
The researchers employed face-to-face data gathering and asked questions essential to the study that they have prepared. The instrument used in collecting data was an adapted and modified survey questionnaire containing vital questions that would help in answering the study's problems. The survey questionnaire was divided into two parts. The first part includes the demographic profile of the respondents such as age, educational attainment, sex, and the number of years they have been running their business. The second part includes the responses of the respondents to the questions asked by the researchers in relation to the study's objectives. The questions were answered using a checklist and a Likert scale. The first section of the second part focuses on the level of tax awareness of the RTW businesses, which was measured using a scale with the following verbal interpretations: (4) extremely aware, (3) aware, (2) moderately aware, (1) slightly aware. The second part of this section examines the awareness of the respondents regarding their tax rights and responsibilities, as well as the sanctions that may be imposed if they fail to comply with tax laws. This section uses a scale with the following verbal interpretations: (4) strongly agree, (3) agree, (2) disagree, (1) strongly disagree.

Meanwhile, for the factors that affect the tax compliance of the RTW businesses, researchers used a rank-order scale to determine which factors affect the most and least in complying with tax. The factors were

ranked using the following scale: 1 for the most factor and 5 for the least factor affecting tax compliance. While the last part of the questionnaire is an open-ended question for RTW businesses, which gives insights to future researchers and readers. The open-ended questionnaire also seeks to answer the questions of the study.

Data Gathering Procedure

Figure 3: Data Gathering Procedure



The researchers collected essential data by adapting and modifying tools from previous studies similar to the current one. The tool was derived from the following studies: “Tax Awareness and Compliance of Micro and Small Enterprises” (2022) by Paco et al.; “Tax Knowledge and Tax Compliance of Small and Medium Enterprises in Ghana” (2020) by Kojo Kakra et al., and “Tax Knowledge and Tax Compliance Determinants in Self-Assessment System in Malaysia” (2010) by Mohd Rizal Palil. The adviser was then given a drafted questionnaire to review and approve. Then, the researchers administered an informed consent form and had it checked by the research instructor before the validation of the questionnaire. The most suitable respondents for this study were determined after the questions were validated, and the researchers then visited the local government of Solano Nueva, Vizcaya, to request an updated list of the designated respondents. The researchers then checked and prepared all the required materials for the survey. Afterward, the researchers visited the respondents and asked permission for their willingness and availability to participate in the data gathering of the study and likewise explained to them the significance of the study by giving and reading them the Informed Consent Form (ICF) for them to be able to participate more and answer the questionnaire with honesty and integrity. During the third week of August, the researchers distributed the questionnaire that took less than twenty (20) minutes for the respondents to complete and answer. Some respondents requested more time to answer the survey and asked the researchers to return the following day to collect their responses.

During the survey, the researchers introduced themselves to the respondents and discussed information about the topic for them to be aware of. They read the instructions and were assured to be well informed on the needed data to be gathered. Then, the questionnaires were distributed, and they were answered by the respondents. The researchers were responsive any time the respondents had questions. After the respondents had responded to the questionnaire, the researchers gathered the data for analysis, and the researchers interpreted the data under their statistician and adviser’s constant supervision.

Treatment of Data

The data was analyzed primarily using descriptive statistics. The researchers presented and analyzed the respondents’ profile by using frequency count and percentage. The level of awareness and compliance for each dependent variable was described using means and standard deviations. The answers to open-ended questions were analyzed through thematic analysis and used to support the respondents’ level of tax awareness, especially in ranking the factors that affect the respondents’ compliance. The gathered data were transcribed word-by-word, translated into English for the benefit of all readers, and presented in tabular form for more accessible and better analysis. The initial responses of the respondents, with their languages used, were included in the appendices section. The data was coded to reveal similarities in the respondents’ narratives. The researchers chose the best theme describing the respondents’ answers and categorized them into related responses. Other than that, by highlighting some respondents’ significant answers, the researchers interpreted the data most simply and came up with results related to the purpose of this study. For the inferential statistics, the Kruskal Wallis test was used for age, educational attainment, and years of operation. Meanwhile, the Mann Whitney U-Test was used for the sex variable. To determine whether there was any significant difference between the respondents’ profile and their level of tax awareness, one-way ANOVA and T-test were used. The researchers used the Likert scale shown in Table 1 to interpret the respondents’ level of tax awareness and compliance.

Table 1: Likert Scale

Means	Verbal Interpretation	Description
3.50-4.00	Strongly Agree / Extremely Aware	I am fully knowledgeable of the BIR requirements.
2.50-3.49	Agree / Aware	I am knowledgeable of the BIR requirements.
1.50-2.49	Disagree / Moderately Aware	I am somewhat knowledgeable of the BIR requirements.
1.00-1.49	Strongly Disagree / Slight Aware	I have little knowledge of the BIR requirements.

RESULTS AND DISCUSSION

This chapter presents the analysis and interpretation of all the data collected during the study. It delves into an in-depth investigation of the research problem. The findings were based on the responses received from the respondents. The collected data were carefully analyzed and presented, discussed, and interpreted in a table and theme that served as tools to address the research problems.

Section 1. Profile of the Respondents

The profile variables considered in this study were age, educational level, sex, and years of operations. The findings are presented in Tables 2 – 5.

Table 2: Profile in Terms of Age

Years	Frequency	Percent
26 – 36	10	21.3

37 – 47	22	46.8
48 and above	15	31.9
Total	47	100.0
Mean Age: 42.14	Youngest: 26	Oldest: 59

Note: No respondents were aged 60 or above. As shown above, the age categories were used only to represent the three working age groups with an already predetermined age bracket.

Table 2 shows the profile of the respondents in terms of age. The age of respondents was clustered into three based on the distribution of the number of each cluster. There were 10, or 21.3% respondents between 26 to 36 years old; 22, or 46.8%, were between 37 to 47; and 15, or 31.9%, were under 48 and above the cluster. The mean age was 42.14, while the youngest was 26 and the oldest was 59.

Based on this profile variable, it appears that most survey respondents fell within the age range of 37 to 47 years old. This could suggest that owners of RTW (ready-to-wear) businesses tend to be older, as many of the respondents stated that they inherited their family business and are continuing the legacy. These individuals may have chosen to carry on the business because it helps fund their education and now, they are ensuring the continuation of the business for their own children’s education. However, there are also a minority of respondents aged 26 to 36 years old who may have outgrown their family business and have decided to use their knowledge and experience to either start their own business or further grow their existing one.

Table 3: Profile in Terms of Educational Attainment

Educational Attainment	Frequency	Percent
Primary	2	4.3
Junior High School	2	4.3
Secondary	13	27.7
Tertiary/College	30	63.8
Total	47	100.0

The table shows that primary and junior high school levels got a frequency of 2 (4.3%) in terms of educational attainment. The secondary level followed them with a 13 (27.7%) frequency. Meanwhile, the tertiary/college level got a frequency of 30 (63.8%). The majority of the respondents in the survey have completed tertiary/college education. It is possible that the long-standing presence of ready-to-wear (RTW) businesses, as demonstrated in Table 5, has contributed to their owners’ ability to pursue higher education. Survey respondents have attested to this, stating that their RTW business has afforded them the opportunity and resources to further their education, and has even facilitated the education of their children. In fact, they mentioned that their business serves as their means to pay for their children’s schooling.

Table 4: Profile in Terms of Sex

Sex Group	Frequency	Percent
Female	37	78.7
Male	10	21.3
Total	47	100.0

It could be gleaned from the table that there are more female respondents, comprising 37 (78.7%) of the total respondents, while only ten (10) were male, equivalent to 21.3% of the total percentage. The findings, however, corroborate the general observation that women are more commonly involved in the clothing industry than men. This may be due to societal norms encouraging women to engage in fashion-related activities such as buying and selling clothing. In contrast, men are encouraged to do heavy work-related tasks. Historically, women have also been the primary buyers of clothing and fashion. However, it is essential to note that success in the industry does not solely depend on sex. There are successful male entrepreneurs and business owners in clothing businesses because personal abilities and skills are also crucial for success in the clothing industry.

Table 5: Profile in Terms of Years of Operation

Years of Operation	Frequency	Percent
1 – 10	15	31.9
11 – 20	18	38.3
20 and above	14	29.8
Total	47	100.0

The table above presents that the years of operation of the respondents was clustered into three groups based on the distribution of the number of each cluster. There were 15 (31.9%) of the respondents who have been operating their business for 1-10 years, while 18 (38.3%) of the respondents has 11 – 20 years of operating their business, and 14 (29.8%) of the respondents belong to 20 and above years of business operation. This suggests that most of the respondents have been operating their business for 11 – 20 years, while 14 (29.8%) have been in business for more than 20 years. A contributing factor to their longevity in operating their ready-to-wear (R-T-W) business could be the fact that it is a family-owned business that has been passed down through generations. The survey respondents supported this statement by mentioning that they inherited the business from their parents. This might clarify why, as displayed in Table 3 (Educational Attainment), their business has aided them in attaining higher levels of education throughout the years.

Section 2. Level of Tax Awareness among Ready-To-Wear Businesses

The succeeding tables show the respondents’ mean score and standard deviation according to their level of awareness in terms of types of taxes paid, tax rights and responsibilities, and sanctions. The corresponding statements in each table are the results of their level of awareness.

Table 6: Level of Awareness of RTW of Types of Tax Paid

Indicators	Mean	SD	Qualitative Description
I am aware of how to file and why I pay my Income Tax	3.78	.50	Extremely Aware
I am aware of how to compute and why I pay Withholding Tax-Expanded.	3.57	.54	Extremely Aware
I am aware of the Input Tax Credit during the payment duration of my Value- Added Tax.	3.38	.76	Aware
I am aware of the tax rate that I am going to use when filing my Percentage Tax due	3.59	.68	Extremely Aware
I am aware of the surcharges and interest if I fail to pay my Local Business Tax within the required dates of the authority.	3.61	.73	Extremely Aware

Overall Mean	3.59	.47	Extremely Aware
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Legend: 1:00 – 1:49: Slightly Aware (Very Low); 1:50 – 2:49: Moderately Aware (Low); 2:50 – 3:49: Aware (High); 3.50 – 4.00: Extremely Aware (Very High)

Table 6 shows the level of awareness of RTW Businesses in terms of the types of tax they paid. The mean scores for each item range from 3.38 to 3.78, with an overall mean score of 3.59(SD=0.47), indicating an extreme awareness in terms of the types of taxes paid. This could mean that respondents have full knowledge of the BIR requirements and are extremely aware of the types of tax they pay. In the study of Lestari (2017), compliance is mainly influenced by taxpayer attitudes rather than tax knowledge. However, awareness plays a significant role in encouraging compliant behavior.

According to the data in the table, the indicator with the highest average score was “*I am aware of how to file and why I pay my income tax*” (3.78) (SD=0.50). This suggests that respondents are extremely aware of how to file their taxes and why they are paying them. This could be due to the fact that many of the respondents are tertiary/college graduates, as shown in Table 3, indicating that education may play a role in their tax knowledge. Additionally, most of the respondents have been operating their businesses for over a decade, as shown in Table 5, which could also contribute to their awareness of the types of taxes they are paying.

On the other hand, the question with the lowest average score was “*I am aware of the Input Tax Credit during the payment duration of my Value-Added Tax,*” with a mean of 3.38 (SD=0.76). Despite the low score, it still indicates that respondents have some knowledge of the Input Tax Credit during the payment duration of Value-Added Tax. This question received the lowest rating because it pertains to claiming a credit for taxes already paid on purchases, which is not directly related to disbursement or payment. Additionally, not all respondents are Value-Added Taxpayers, which could be why some may not be familiar with the credit-claiming process.

These findings align with a study by Twum (2020) that found knowledge of tax rights and obligations and business income to be the biggest drivers of tax compliance. Hence, it is vital for the government to enhance tax education and raise public awareness about tax-related issues. In addition, micro, small, and medium-sized business owners should also aim to improve their tax knowledge for the benefit of both taxpayers and governments (Oladipupo, 2016). According to the results, respondents are fully knowledgeable about filing taxes and the purpose behind paying their income taxes. Sanusi (2019) found that attitude and knowledge about taxes heavily influence tax awareness. Additionally, the education sector plays a moderating role in the relationship between tax authorities and tax awareness.

Table 7: Level of Awareness of Tax Rights and Responsibilities

Indicators	Mean	SD	Qualitative Description
I am aware of my responsibility to issue receipts/invoices.	3.82	.37	Extremely Aware
I am aware of my responsibility to keep an accurate and complete book of accounts/bluebook.	3.68	.62	Extremely Aware
I am aware of the date of filing my tax returns and paying taxes within the dates prescribed by law.	3.65	.52	Extremely Aware
I am aware of my responsibility to submit reports and other information required by law. (Sales and Expenses)	3.72	.45	Extremely Aware

I am aware of my responsibility to pay an annual registration fee for my business.	3.68	.51	Extremely Aware
Overall Mean	3.71	.38	Extremely Aware

Legend: 1:00 – 1:49: Slightly Aware (Very Low); 1:50 – 2:49: Moderately Aware (Low); 2:50 – 3:49: Aware (High); 3:50 – 4:00: Extremely Aware (Very High)

The table presented above displays the level of awareness of business owners who operate in the RTW sector regarding their tax rights and responsibilities. The mean score ranges from 3.65 to 3.82, indicating that all the indicators were rated as extremely aware by the respondents, with an overall mean of 3.71 (SD = 0.38). This suggests that the respondents were fully knowledgeable about the requirements of BIR. Studies conducted by Amin (2022) and Hassan (2016) have found that training and education play a vital role in increasing taxpayer compliance and awareness when it comes to tax rights and responsibilities.

The survey results reveal that the item “*I am aware of my responsibility to issue receipts/invoices*” obtained the highest mean score of 3.82 (SD = 0.37). This indicates that the respondents are conscious of their obligation to issue receipts and invoices, which is a positive sign. Properly issuing receipts and invoices can help businesses avoid legal and financial complications. This may be because some respondents mentioned receiving penalties due to a lost receipt from years ago, which made them conscious of keeping their receipts and issuing them properly. The Organization for Economic Co-operation and Development (OECD) also found in 2019 that proper invoicing practices are crucial for combating tax evasion and improving tax compliance.

On the other hand, despite being aware of the filing and payment dates prescribed by law, item “*I am aware of the date of the filing of my tax returns and paying taxes within the dates prescribed by law*” received the lowest mean score of 3.65 (SD=0.52). This may be due to some respondents being unable to meet their tax obligations within the prescribed dates. Feedback from respondents in the open-ended questions showed that some found the tax rate too high and had insufficient income to pay their taxes, as their business was their primary means of supporting their families and sending their children to school. Additionally, some respondents mentioned that their busy schedules caused them to miss payment deadlines. However, non-compliance with tax regulations can have serious legal and financial consequences for businesses, making it important to ensure timely and accurate filing and payment.

Based on this and on the high ratings across all indicators in the table, it can be inferred that the respondents are extremely aware of the BIR requirements. However, there are still some factors that prevent them from fully complying with their tax obligations. Understanding tax rules is an essential part of tax awareness, which refers to a taxpayer’s knowledge, understanding, and attitude towards tax payment. Being aware of the tax deadline is crucial to avoid any late filing. Failure to file tax returns on time may lead to penalties and interest charges. According to Lestari and Wicaksono (2017), taxpayers who lack knowledge of the tax rules are more likely to develop a non-compliant attitude towards tax payment. The study conducted by Bird and Zolt in 2018 found that taxpayers who have access to information, particularly through digital means, are more likely to comply with tax regulations. This supports the notion that the participants in the current study could have gained knowledge about BIR regulations from various sources of information, which may explain their high level of awareness.

Table 8: Level of Awareness in Terms of Sanctions

Indicators	Mean	SD	Qualitative Description
I am aware of the sanctions for failing to issue receipts/invoices.	3.78	.41	Extremely Aware

I am aware of the sanctions for failing to keep books of accounts.	3.55	.61	Extremely Aware
I am aware of the sanctions for not filing tax returns and paying taxes on time.	3.70	.50	Extremely Aware
I am aware of the sanctions for not doing my responsibility to submit reports and other information required by law.	3.65	.52	Extremely Aware
I am aware of the sanctions for the late payment of the annual registration fee.	3.65	.52	Extremely Aware
Overall Mean	3.67	.42	Extremely Aware

Legend: 1:00 – 1:49: Slightly Aware (Very Low); 1:50 – 2:49: Moderately Aware (Low); 2:50 – 3:49: Aware (High); 3.50 – 4.00: Extremely Aware (Very High)

The survey results indicate that the respondents demonstrated a good understanding of the consequences of not following tax laws, with an average score of 3.67 (SD=.42). This suggests that they have knowledge about the regulations set by the Bureau of Internal Revenue (BIR) and the possibility of tax penalties may play a significant role in motivating them to comply with tax laws.

It is important to note that the question regarding knowledge of penalties for not providing receipts or invoices had the highest mean score of 3.78 (SD=.41) among the respondents. This suggests that they were well-informed about the repercussions of not issuing receipts or invoices to their customers, which is consistent with the highest mean indicator in Table 7 that pertains to their awareness of their responsibility to issue receipts or invoices. It is possible that the respondents obtained this knowledge due to their fear of sanctions for non-compliance, as some of them had previously been penalized even for being one day late in issuing receipts.

According to the survey results, the statement “*I am aware of the sanctions for failing to keep books of accounts*” received the lowest mean score of 3.55 (SD=0.61) among the respondents. This suggests that some individuals may not fully understand the consequences of not keeping accurate accounting records. As noted in Chapter 1 of Du-Baladad’s 2016 study, some MSMEs operate in the informal economy and do not maintain proper books of accounts. This may be due to prevailing practices within their industry or a belief that such record-keeping is unnecessary and may reveal their financial status, as found in Amoako’s 2013 study of small and medium-sized businesses in Kumasi, Ghana. However, failure to keep accurate records may result in non-compliance with tax regulations. Fortunately, the majority of respondents in the survey demonstrated a high level of awareness regarding tax penalties, likely due to a fear of the consequences for non-compliance. Handoko et al.’s 2020 study discovered that imposing tax sanctions can increase taxpayers’ awareness and compliance with tax obligations, and that severe sanctions can be an effective method of educating taxpayers about proper tax compliance.

Overall, the high rating for all the indicators in the table suggests that majority but not all the respondents are well-informed and understand the sanctions that the BIR will impose if they fail to comply with tax laws. Respondents’ high awareness of tax sanctions may also be attributed to their compliance with tax laws. According to Buted (2022), taxpayers are required to pay their taxes and failure to do so can result in the government assessing and collecting the taxes, even if it causes harm. Taxes are crucial for the government to operate and those who do not comply with the law and refuse to pay taxes will not be shielded by the law or the court.

Section 3. Factors that Affect the Tax Compliance of the Respondents

The table below shows the respondents' mean responses regarding the factors that affect tax compliance. The factors were ranked in accordance with their mean score. The least was ranked as the most common factor following the questionnaire, with 1 being the highest. In contrast, the factor that got the highest sum was ranked as the most minor factor in accordance with the questionnaire, with 5 being the lowest.

Table 9: Rank of Factors that Affect Compliance of the Respondents

Factors	Total	Rank
Fines and Penalties	76	First
Probability of being Audited/Tax Mapped.	116	Second
Business financial constraints/Capacity to pay.	162	Fourth
Peer Influence (usually refer to other RTW Businesses' friends first before paying taxes).	193	Fifth
Tax Knowledge	158	Third

Table 9 shows the ranking of the factors that affect the respondents' tax compliance. According to the result, the factor that affects the most their tax compliance is *finances and penalties*, followed by *probability of being audited/tax mapped*. At the same time, *tax knowledge* ranked as the third factor, followed by *business financial constraints/capacity to pay*, and last is the factor, *peer influence*.

According to the computed result, the biggest factor affecting compliance with tax laws is fear of fines and penalties. This was further confirmed by respondents in an open-ended question, where majority stated that they comply with tax laws because they are afraid of the Bureau of Internal Revenue (BIR). They fear that non-compliance will result in additional payments and legal consequences, which may harm their business reputation and even lead to its closure. Some respondents mentioned that they even pay their taxes despite high tax rates, but they sometimes struggle to meet their due dates due to financial difficulties. As a result, they may face sanctions and penalties, as indicated by the tables above. Respondents also pointed out that their capacity to pay is one of the main reasons for late payment, which was further supported by their answers in the open-ended question. Meanwhile, peer influence is the least important factor probably because taxpayers are not being affected by their peers when it comes to paying their tax obligation, as one of the respondents stated that they do not mind the tax payment obligations of their business neighbors. They will pay their obligation whenever their due dates occur, provided that they have the capacity to pay for it.

Kamleitner (2012) stated in his study that the ability of taxpayers to pay is a significant factor in determining whether or not they can comply with tax regulations. Above all, despite the challenges that hinder taxpayers from complying on time, such as financial burden, they still recognize their responsibility to pay taxes.

Moreover, it can be seen in the table above that even though some of the respondents perceived *tax knowledge* as third to be the highest factor that affects tax compliance, their peer influence got the least factor, which presumes that peers do not influence that much the other taxpayers when it comes to complying with their tax responsibilities. According to Mat Udin (2015), it is crucial for taxpayers to have a fundamental understanding of taxation in order to carry out their rights and responsibilities. But as competition in the market continues to rise, it is not uncommon for business owners to face *business financial constraints* that limit their *capacity to pay* taxes. This can have a significant impact on their income, making it important for them to be aware of their tax obligations.

The findings are further supported by the study of (Paco 2022) which indicates that penalties are one of the

most important variables influencing MSE tax compliance. Most MSEs were encouraged to comply with BIR rules by the threat of penalties, followed by the possibility of being audited, which also demonstrates that many are afraid because audits typically leave taxpayers exhausted and impoverished. The findings of the study corroborate those of Alshira'h (2019), who discovered that peer influence had no significant effect on sales tax compliance. Additionally, the data supports Bornman's (2015) claim that peer influence has little influence on taxpayers' compliance with income tax.

Section 4. Significant Difference in the Respondents' Tax Awareness Level When Grouped According to their Profile Variables

The table below shows the level of tax awareness of the respondents in terms of age.

Table 10: Level of Tax Awareness in Terms of Age

Level of Tax Awareness	Groups (Years)	N	Mean	SD	Kruskal Wallis	df	Sig.
Types of TaxPaid	26 to 36	10	3.70	.44	.708	2	.708
	37 to 47	22	3.61	.40			
	48 and above	15	3.48	.59			
	Total	47	3.59	.47			
Tax Rights and Responsibilities	26 to 36	10	3.80	.33	1.274	2	.529
	2.00	22	3.71	.41			
	3.00	15	3.65	.38			
	Total	47	3.71	.38			
Sanctions	26 to 36	10	3.58	.56	.142	2	.931
	37 to 47	22	3.68	.38			
	48 and above	15	3.72	.38			
	Total	47	3.67	.42			

The level of Significance is set at <0.05.

According to the Kruskal-Wallis test, the statistical analysis indicates that all the calculated p-values were greater than .05, which means that the null hypothesis is accepted. This finding suggests that there is no significant difference in respondents' level of understanding regarding the types of tax paid, tax rights and responsibilities, and sanctions, regardless of their age. However, Frecknall-Hughes and Lymer (2017) conducted a study which revealed that older people face significant challenges with tax matters, and this issue may become worse with an aging population. Also, in contrast to the current study, Al-Mamun (2014) found that younger people are more aware of tax and compliant with tax regulations. This suggests a negative correlation between age and tax compliance. Possible reasons why there is no significant difference in the respondents' level of understanding regarding the types of tax paid, tax rights and responsibilities, and sanctions, regardless of their age, are that some taxpayers in various age groups acquire their basic

understanding of taxes through general education, social media exposure, experiences such as they are encountering certain tax concepts in their everyday living which can contribute to a shared understanding of tax basics. Despite the finding's indication that there may not be a significant difference in tax comprehension between age groups, it is crucial to remember that there may still be individual variations in tax knowledge and awareness, just like what was cited above.

In conclusion, the age of respondents does not seem to affect their level of awareness regarding tax types, rights and responsibilities, and the consequences of non-compliance, as per the result of the current study. On the other hand, other similar studies have highlighted that the impact of age on tax awareness varies based on the variables of the study conducted, as demonstrated by the studies cited above.

The table below shows the level of tax awareness of the respondents in terms of educational attainment.

Table 11: Level of Tax Awareness in Terms of Educational Attainment

Level of Tax Awareness	Educational Attainment	N	Mean	SD	Kruskal Wallis	df	Sig.
Types of Tax Paid	Primary	2	3.50	.70	.979	3	.613
	Junior High School	2	3.10	.14			
	Secondary	13	3.43	.55			
	Tertiary/College	30	3.70	.41			
	Total	47	3.59	.47			
Tax Rights and Responsibilities	Primary	2	3.60	.56	2.933	3	.231
	Junior High School	2	3.00	.28			
	Secondary	13	3.63	.43			
	Tertiary/College	30	3.80	.30			
	Total	47	3.71	.38			
Sanctions	Primary	2	3.50	.70	2.404	3	.301
	Junior High School	2	3.10	.14			
	Secondary	13	3.56	.37			
	Tertiary/College	30	3.76	.41			
	Total	47	3.67	.42			

The level of Significance is set at <0.05.

After using the Kruskal-Wallis Test to compare the levels of tax awareness based on educational attainment, it was found that all computed p-values were greater than .05. Therefore, the null hypothesis was accepted, indicating that the responses do not have significant differences regardless of educational attainment. Similar to the previous table, some taxpayers regardless of their educational attainment acquire their fundamental knowledge of taxes through general education, social media exposure, and experiences like they are encountering certain tax concepts in their daily lives which can contribute to a shared understanding of taxes. This may explain why there is no significant difference in the respondents' level of understanding regarding the types of tax paid, tax rights and responsibilities, and sanctions, regardless of their educational attainment. Meanwhile, it is important to keep in mind that there may still be differences in tax knowledge and comprehension, similar to what was mentioned before, despite the findings indicate that there is no significant difference between educational attainment.

Unlike the results presented above, the study of Paco and Quezon (2022) found that having a higher level of

education, knowledge of penalties, and being aware of tax regulations are the essential factors that help predict a person’s compliance with tax laws.

Moreover, the study conducted by Mukhlis et al. (2015) has been observed that tax education plays a crucial role in improving tax knowledge, which ultimately leads to increased tax fairness and compliance. Therefore, it is essential to focus on enhancing tax education to encourage tax compliance. This can be achieved through tax socialization efforts, which involve spreading information about the various types of taxes, their rates, and payment methods.

Based on the results, although the educational level of the respondents did not significantly impact their tax awareness, it is possible that educational attainment may affect tax awareness depending on other factors, as seen in the various studies presented above.

The table below presents the results of the level of tax awareness in terms of sex of the respondents.

Table 12: Level of Tax Awareness in Terms of Sex

Level of Tax Awareness	Sex Group	N	Mean	SD	Mean Rank	Mann Whitney	Sig.
Types of Tax Paid	Female	37	3.58	.45	23.54	168.000	.642
	Male	10	3.60	.57	25.70		
Tax Rights and Responsibilities	Female	37	3.71	.39	24.12	180.500	.899
	Male	10	3.72	.36	23.55		
Sanctions	Female	37	3.69	.37	24.23	176.500	.812
	Male	10	3.58	.59	23.15		

The level of Significance is set at <0.05.

Based on the results of the Mann-Whitney U test, it was found that all the computed p-values were above the significant value of .05. This implies that there is no significant difference in the level of tax awareness between male and female respondents. In simple terms, regardless of sex, the respondents have a similar perception towards tax awareness. This could be attributed to the factors that, similar to the preceding tables, tax knowledge is acquired through general education that is accessible for both males and females. Tax laws and regulations apply to all individuals equally. Moreover, the fact that both men and women participate in various tax-related economic activities can help them develop a shared understanding of the type of taxes, which is crucial for managing the RTW business.

In corroboration, Asante and Baba’s (2011) research revealed that there is no substantial gender-based difference in tax knowledge and awareness. Similarly, Alm and Torgler’s (2011) study concluded that sex is not a significant predictor of tax compliance behavior. Additionally, Putri and Venusita’s (2019) research showed that men and women have similar attitudes towards taxes and comparable levels of tax knowledge and awareness.

On the other hand, some studies suggest that sex plays a role in tax awareness and compliance. For example, Kastlunger et al. (2010) discovered that women are generally more risk-averse than men, leading them to comply with tax regulations to avoid potential penalties.

In conclusion, while the present study finds no significant difference in types of tax paid, tax rights and responsibilities, and sanction in relation to sex, it is important to note that other factors may affect the

results. Individual variations in tax payment, such as personality, personal background, and experiences, could contribute to differences. These factors should also be taken into consideration.

The table below presents the results of the level of tax awareness in terms of years of operation of the respondents.

Table 13: Level of Tax Awareness in Terms of Years of Operation

Level of Tax Awareness	Years of Operation	N	Mean	SD	Kruskal Wallis	df	Sig.
Types of Tax Paid	10 – 20	15	3.62	.41	1.408	2	.495
	21 – 30	18	3.48	.53			
	31 and above	14	3.68	.48			
	Total	47	3.59	.47			
Tax Rights and Responsibilities	10 – 20	15	3.90	.18	5.906	2	.052
	21 – 30	18	3.58	.41			
	31 and above	14	3.67	.44			
	Total	47	3.71	.38			
Sanctions	10 – 20	15	3.74	.27	.084	2	.959
	21 – 30	18	3.60	.53			
	31 and above	14	3.68	.40			
	Total	47	3.67	.42			

The level of Significance is set at <0.05.

The Kruskal Wallis Test was used to conduct statistical analysis and it was found that all the p-values were greater than 0.05. This means that the null hypothesis is accepted, indicating that the years of operation do not have an impact on the level of tax awareness of the respondents, similar to age, educational attainment, and sex. Similar to what was mentioned in the preceding tables, understanding the types of tax paid, tax rights and responsibilities, and sanctions does not necessarily depend on the number of years a business has been operating, essential tax concepts that need in the RTW business can be acquired through general education, or experiences, irrespective of business longevity, regardless of the years of operation, individuals can acquire relevant tax knowledge through self-study, professional advice, educational programs, or personal experiences.

On the contrary, according to a study conducted by Barolo et al. (2018) entitled “Tax Compliance Status of Business Establishments in Tuguegarao City,” businesses that have been operating for 1-10 years are more likely to comply with their taxes promptly upon registration. Although some businesses may have difficulties in paying their quarterly income tax on time, the study suggests that they are generally more tax-compliant than those that have been operating for a longer period relative to their registration.

On the other hand, Nzioki (2014) offers a different perspective that is businesses with longer operational histories may have better tax knowledge and education which could contribute to better tax compliance. Therefore, it is plausible that the level of tax awareness is higher among such businesses based on the number of years they have been operating.

In conclusion, while the present study found no significant difference in types of tax paid, tax rights and responsibilities, and sanction regardless of the years of operations, it could still put into consideration that other factors can make the results varies that could fulfill their tax obligations effectively.

CONCLUSION AND RECOMMENDATIONS

This section presents the conclusions based on the results of the analysis. It analyzes the importance of the study and links the findings to the goals and issues outlined in the introduction of chapter one. Furthermore, this chapter provides recommendations based on the conclusions and results.

Conclusion

After reviewing the literature and analyzing the data gathered from the respondents, the researchers arrived at the following conclusions:

1. Based on the respondents' profiles, it is evident that most of the RTW business owners in this study are aged between 37-47 (46.8%). This could mean that RTW business owners tend to be older, as many inherited their family business and are continuing the legacy, and they carry on the business to fund their own and their children's education. Majority of them hold a tertiary/college education (63.8%) and might be due to the fact that, as respondents said that their RTW businesses have helped them pursue higher education. These businesses have provided resources for education and even facilitated the education of their children. Some owners mentioned that their business serves as their means to pay for their children's schooling. Interestingly, the study found that there are more women (78.7%) than men who own RTW businesses. This is may be because of societal norms which women are encouraged to engage in fashion-related activities, while men are encouraged to do heavy work-related tasks. Historically, women have been the primary buyers of clothing. However, success in the clothing industry is determined by personal abilities and skills rather than gender. Furthermore, most of the respondents have been running their businesses for more than 11-20 years (38.3%), a contributing factor to their longevity in operating their Ready-To-Wear (R-T-W) business could be the fact that it is a family-owned business that has been passed down through generations.

2. The respondents indicated that they have a high level of tax awareness (extremely aware) and are knowledgeable about the different types of taxes they pay, their tax rights and responsibilities. This could be because many respondents are tertiary/college graduates, and most have been operating their businesses for over a decade as well as the consequences of not complying with tax regulations set by the BIR. The high rating for all the indicators in the table suggests that most respondents are well-informed and understand the sanctions that the BIR will impose if they fail to comply with tax laws. Respondents' high awareness of tax sanctions may also be attributed to their compliance with tax laws.

3. The survey results indicated that *finer and penalties* have the most significant impact on tax compliance. This was further confirmed by respondents in an open-ended question, where majority stated that they comply with tax laws because they are afraid of the Bureau of Internal Revenue (BIR). They fear that noncompliance will result in additional payments and legal consequences, which may harm their business reputation and even lead to its closure. On the other hand, *peer influence* has the least effect on tax compliance. It is probably because taxpayers are not being affected by their peers when it comes to paying their tax obligation, as one of the respondents stated that they do not mind the tax payment obligations of their business neighbors. They will pay their obligation whenever their due dates occur, provided that they have the capacity to pay for it.

4. The test of significant difference showed no significant difference when it comes to the level of tax awareness among respondents based on their demographic profile variables such as age, educational attainment, sex, and years of operation.

There may be several reasons why age is not a significant factor in understanding taxes. For instance, people

from different age groups may have gained their knowledge of taxes from various sources like, social media exposure, or experiences in their daily lives, which can contribute to a shared understanding of basic tax concepts.

Moreover, there is no significant difference in terms of educational attainment maybe because some taxpayers regardless of their educational attainment acquire their fundamental knowledge of taxes through general education, social media exposure, and experiences like they are encountering certain tax concepts in their daily lives which can contribute to a shared understanding of taxes.

Furthermore, there is no significant difference in terms of sex because tax knowledge is acquired through general education accessible for both males and females. Tax laws and regulations apply to all individuals equally. Moreover, the fact that both men and women participate in various tax-related economic activities can help them develop a shared understanding of the type of taxes, which is crucial for managing the R-T-W business.

Lastly, years of operation do not have an impact on the level of tax awareness of the respondents. Understanding the types of tax paid, tax rights and responsibilities, and sanctions does not necessarily depend on the number of years a business has been operating. Essential tax concepts needed in the R-T-W business can be acquired through general education or experiences, irrespective of business longevity. Regardless of the years of operation, individuals can acquire relevant tax knowledge through self-study, professional advice, educational programs, or personal experiences.

Recommendations

The following recommendations are hereby forwarded based on the conclusions and salient findings of the study:

1. Bureau of Internal Revenue (BIR). Based on the responses of taxpayers, particularly in open-ended questions, many are experiencing difficulties with tax laws and procedures due to frequent changes. Some taxpayers are also unaware of new rules, which is why it is essential to conduct a seminar that everyone can attend. To help taxpayers with their tax-related queries, the Bureau of Internal Revenue (BIR) is highly recommended to create a user-friendly website with updated information, FAQs, and resources. Simplifying procedures will also make them more understandable for taxpayers. Additionally, enhancing transparency will help taxpayers understand where their money is going, which is one reason why some are not compliant as perceived by some of the respondents.

2. Provincial Government of Nueva Vizcaya. In collaboration with Local Government Units and the Business Permits and Licensing Office, it is recommended to conduct an orientation about the new sets of rules, guidelines, and procedures for taxpayers' compliance. During the orientation, they may provide a feedback box where they can give their recommendations and express any concerns regarding taxes. This will help the authorities to understand and address the issues faced by business taxpayers and make the process easier for them.

3. Ready-To-Wear Business Owners. To properly monitor transactions, it is highly recommended to maintain a financial record book to track their income and expenses. Keeping receipts properly organized and developing a strategic plan are crucial for the smooth operation of the business. To avoid penalties for late payment, it is suggested to separate personal and business finances and schedule the filing and payment of taxes. Furthermore, it is highly recommended to read articles about tax planning and tax avoidance during free time to apply gained knowledge in the business and minimize tax burden while maximizing tax benefits.

4. Future Researchers. They may consider broadening the scope of the study to cover a broader range of

knowledge related to tax awareness and factors that affect tax compliance. Furthermore, it is highly recommended that the challenges faced by not only micro RTW businesses but also other sectors of MSME businesses, such as small and medium RTW or other businesses, should be explored.

5. School of Accountancy and Business, Teachers, Employees, and Students. The department may use the findings to utilize the findings to enhance their knowledge of tax compliance. By understanding the factors that influence tax compliance, they can prevent penalties and make the process of paying taxes less of a burden.

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