

# Perceived Impact of Corporate Recovery and Tax Incentives for Enterprises Act (Create Law) on Microenterprise Pharmacies in Nueva Vizcaya

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## ABSTRACT

When the pandemic struck the country, a new tax law called the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was introduced. This study aimed to determine the perceived impact of the CREATE Law on microenterprise pharmacies in Nueva Vizcaya in the first semester of AY 2023-2024. Specifically, this research sought to determine the profile of the respondents; the perceived impact of the CREATE Law on microenterprise pharmacies in terms of business growth, factors affecting their operation, and taxes that most affected them; if there was a significant difference between the perceived impact on the pharmacies when grouped according to their profile; and the challenges the pharmacies experienced during the pandemic wherein the CREATE Law was able to help them resolve those problems and how. This study used the quantitative-qualitative method and data was gathered through survey questionnaires. The results showed that the majority of the respondents have not completed a business-related course while most of them have been operating for at least 10 years. The researchers also found out that the CREATE Law had a positive impact on business growth and factors affecting their operation but not taxes that most affected the pharmacies. Additionally, there was no significant difference in the perceived impact of the CREATE Law on the pharmacies when grouped according to their profile. Lastly, the challenges the pharmacies experienced during the pandemic were operational restrictions, market access, supply chain disruptions, and increased expenses. The pharmacies adhered to pandemic measures for business continuity and also experienced financial stability amidst market shifts. However, there was only a limited impact of tax exemptions. Overall, the CREATE Law had a limited impact on the pharmacies.

**Keywords:** Business growth, business operations, pandemic, taxes, tax laws

## INTRODUCTION

Taxation refers to the process through which a taxing authority levies or imposes a monetary obligation on its residents or citizens (Kagan, n.d.). To raise public funds and support government spending is the most fundamental purpose of taxation. Taxes play a vital role in promoting equitable and sustainable economic development. This is especially true through initiatives like "greening" tax systems and fighting tax evasion and avoidance ("Taxes & Government Revenue," n.d.)

Package 1 of the Corporate Tax Reform Program (CTRP), commonly referred to as the Tax Reform for Acceleration and Inclusion (TRAIN), was signed into law as Republic Act (RA) No. 10963 on December 19, 2017, by President Rodrigo R. Duterte. The law, which went into effect on January 1, 2018, aims to correct some flaws in the tax system so that it is easier, more equitable, and more effective. TRAIN addresses the long-standing injustice of the tax system by lowering income taxes, giving much-needed relief to 99% of income taxpayers after 20 years of non-adjustment. It also provides a substantial amount of funding for the President's major infrastructure projects, which seek to lower the percentage of poverty from 21.6% in 2015 to 14% by 2022. ("Package 1: TRAIN," n.d.).

A study by Deyganto (2022) revealed that various tax incentives, such as tax holidays, allowances, decreased tax rates, accelerated depreciation, loss carry forwards, and tax exemptions, positively impact the sustainability of micro, small, and medium-sized enterprises (MSMEs) in Ethiopia.

In another study by Diana and Eforis (2022) on the factors that determine the effectiveness of tax incentives during the COVID-19 pandemic, it was found that modernization, socialization, and taxpayer education would increase the efficiency of tax incentives. Factors within the government, like frequent socialization and the modernization of the tax system, greatly encourage people to take advantage of the incentive without having a thorough understanding of taxation.

In the Philippines, however, the implementation of the TRAIN Law has resulted in mixed reactions within the economy. While it positively affected MSMEs' sustainability, it had varied impacts on microenterprises. The impact of the implementation of the TRAIN Law was slightly evident with regards to the development of microenterprises (Bonghanoy et al., 2019).

Some merchandising businesses experienced increased total purchases due to higher unit purchase prices, leading to the necessity of selling products at higher prices (Dimalanta et al., 2019). Carcido and Damasig (2022) had similar results, reporting that the effect of TRAIN Law is seen in the increase of product prices caused by operation costs. Thus, the stores had to pursue a different strategy by giving discounts or advertising more.

Additionally, because tax expense depends on the sales and purchases of the companies, TRAIN Law did not directly affect it (Dimalanta et al., 2019).

### **Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) (Republic Act No. 11534)**

The government introduced the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, formerly known as the Corporate Income Tax and Incentives Reform Act (CITIRA), in response to the COVID-19 pandemic that struck the country. The CREATE Act, Republic Act No. 11534, was signed by President Rodrigo Duterte into law on March 26, 2021, and it became effective on April 11, 2021 (Carpo Law & Associates, 2021).

The CREATE Law addresses the economic challenges posed by the pandemic and aims to modernize elements of the outdated Tax Code. It provides financial aid to businesses, especially corporations (including one-person corporations), with measures designed to facilitate recovery from the pandemic's impact. "Republic Act No. 11534 - Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" (2021) states that the law also introduces changes to the fiscal incentive system and includes relief measures to encourage local and foreign investments.

One of the main features of the CREATE Act is that it significantly lowers the corporate income tax rate for MSMEs (micro, small, and medium-sized enterprises) from 30% to 20% benefiting the most from this reduction ("Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act," n.d.).

Additionally, the percentage tax for non-VAT taxpayers is changed by the CREATE Law, reducing from 3% to 1%. This modification took effect on July 1, 2020, and ended on June 30, 2023 ("Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act," n.d.).

The CREATE Law also enhanced deductions, such as a 150% deduction for power expenses (increased from the previous 100%) and a 200% deduction for labor expenses in less developed areas (up from 150%) ("Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act," n.d.). These enhancements aim to further incentivize businesses and contribute to the overall economic recovery in the post-pandemic landscape.

Thus, this study was conceptualized to know the perceived impact of the CREATE Law to microenterprises in Nueva Vizcaya, to determine if there is a significant difference between the perceived impact when the respondents are grouped according to their profile, and to identify the challenges the microenterprise pharmacies experienced during the pandemic wherein the CREATE Law was able to help them and how.

This study will be beneficial for the following: for pharmacy owners, this study will further expand their

knowledge in terms of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) to help them determine the impact of this law and possibly similar laws in the future to improve their business. This study will also contribute to the knowledge of law-makers and may serve as their basis in improving the laws, specifically the Corporate Tax Reform Program. Additionally, this study will help microenterprises by knowing the impact of CREATE Law in establishing a business, specifically, pharmacies. This study is also beneficial to the School of Accountancy and Business (SAB) in contributing to the body of knowledge and research in the field. It is beneficial to the SAB students, as well, in adding to their knowledge about taxation and tax laws. Lastly, this study shall serve as a basis for future researchers to conduct, in the future, studies related to the topic.

### **Statement of the Problem**

This study aimed to determine the perceived impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) on Micro-enterprise Pharmacies in Nueva Vizcaya during the first semester of AY 2023-2024. The specific research questions that this research sought to answer were as follows: What is the profile of the respondents in terms of personal and business information. What is the perceived impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) on Micro-enterprise Pharmacies in Nueva Vizcaya with regards to growth of their business, factors affecting their operation and taxes wherein their business is most affected. Additionally, it explored whether there is a significant difference between the perceived impact on the microenterprise pharmacies in Nueva Vizcaya when grouped according to their profile variable. The study also investigated the challenges these microenterprise pharmacies in Nueva Vizcaya experienced during the pandemic wherein the CREATE Law was able to help them resolve those problems and how.

### **Statement of the Hypothesis**

The hypothesis formulated by the researchers was as follows: There was no significant difference between the perceived impact of CREATE Law on Micro Enterprise Pharmacies in Nueva Vizcaya when grouped according to their profile.

## **REVIEW OF RELATED LITERATURE**

### **Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) (Republic Act No. 11534)**

The CREATE Law, the second package of the Comprehensive Tax Reform Program, primarily aims to encourage both foreign and domestic investment in the Philippines by rationalizing fiscal incentives and reducing corporate income tax rates (“Republic Act No. 11534 - Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act,” 2021). This legislative initiative represents a significant financial stimulus for businesses, with private enterprises expected to receive tax relief amounting to 1 trillion Pesos over the next decade. (“Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act,” n.d.).

Furthermore, to better connect fiscal incentives with the country's industrial policy, the CREATE Act provides an incentive structure tailored to industry and location categories. Activities in less developed areas will receive longer incentives, promoting economic growth in these regions (“Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act,” n.d.).

### **Microenterprises**

CREATE Law aimed to provide assistance and incentives to businesses during the economic downturn caused by the pandemic. Microenterprises were among the businesses that received assistance and incentives from the law.

In operationally defining MSMEs, the Philippines uses two criteria, specifically, the number of employees and asset size. An enterprise is classified by the Philippine Statistics Authority as micro if it has less than 10 employees. The Magna Carta for Micro, Small and Medium Enterprises, on the other hand, considers a business micro if it has total assets not exceeding ₱3,000,000 (“Micro, Small and Medium Enterprises Development Sector,” n.d.).

MSMEs make important contributions to society. Generally, their impact on economic development is moderate. Their impact on infrastructure development is also moderate but high when it comes to technology. Overall, the entrepreneur's willingness to do business that contributes to the growth and development of the local economy serves as the foundation of MSMEs (Quingco & Leonoras, 2019).

In the study of Mendoza (2015), the results showed that when it comes to liquidity, activity, and leverage, MSMEs perform well but have low levels of profitability.

The perceived impact of the CREATE Law on the profitability of the microenterprise pharmacies is determined in this study, as well.

In contrast to the study of Mendoza (2015), in the study of Cruz et al. (2019), a high level of profitability and low level of leverage was present in almost all MSMEs. A significant relationship, specifically an inverse relationship, was seen between profitability and leverage.

When it comes to taxation and microenterprises, in a study by Guliman (2015), the results showed that the level of financial knowledge in taxation of most owners of micro and small enterprises is low. Despite most owners' lack of financial knowledge in taxation, however, in a study by Paco and Quezon (2022), it was found out that micro and small enterprises (MSEs) were very aware of the requirements of the BIR but were completely aware of value-added tax (VAT) and slightly aware of other percentage taxes. However, this was before the pandemic.

The world economy was greatly affected by the COVID-19 pandemic. One of the most directly affected by social distancing is the small business sector. In comparison to larger businesses, the effects are greater in the case of microenterprises. Because several supporting industries such as retail and transportation closed, microentrepreneurs cancelled or closed their businesses, as well (Fabeil et al., 2020).

According to the research of Hidalgo et al. (2021), 14.3% of Nueva Ecija's microenterprise activities were strongly affected by the pandemic, while 42.9% were moderately impacted. Furthermore, 19% of respondents were only slightly affected, while 23.8% were not affected at all. Due to the pandemic, 14 of the respondents' customer orders were reduced, eight were unable to extend their existing loans, seven had insufficient protective equipment, six had both inability to deliver existing orders and disruption of logistics, three were unable to deliver existing orders, and two had upstream and downstream chain disruptions.

In this study, the challenges wherein the CREATE Law was able to help the microenterprise pharmacies were also identified.

### **Impact of Tax Incentives on Microenterprises**

One solution of governments to the impact of the pandemic on businesses is providing tax incentives. However, in a study by Naitili et al. (2022), the researchers discovered that low tax literacy reduces the beneficial effects of providing tax incentives on MSME compliance by taxpayers during the COVID-19 pandemic. The government must increase tax socialization, especially among MSME players, as the lack of tax literacy of MSME actors has led to less-than-optimal utilization of tax benefits.

In the government of Indonesia, they have also implemented a number of policies to help MSMEs survive, one of which is the provision of government-borne MSME final income tax incentives. However, in a study by Kristiana and Kristianti (2022), the researchers found out that the government-borne final income tax incentives were not availed of by the microentrepreneurs. They chose to ignore these incentives.

In contrast, in this study, the specific tax incentives focused on were those affecting income tax, percentage tax, VAT for sales of certain products, and withholding tax.

The results in the study of Kristiana and Kristianti (2022) further show that product or service innovation done by microentrepreneurs are not significantly affected by tax incentives. Instead, the microentrepreneurs use debt investment during the pandemic to innovate their products or services according to the needs of their customers.



In relation to this, the results of the study by Faisol and Hakim (2021) revealed that tax incentive regarding the pandemic is still ineffective, which implies MSMEs' continued lack of utilization of tax benefits. The statistics reveal that after five months of conducting the program, only 200,000 of the approximately 2.3 million MSMEs who are eligible have taken advantage of these incentives, demonstrating the poor participation of MSMEs in using them. In addition, according to the tax consultant, one of the two informants in the study, the strategy that was put in place for reducing the financial burden on MSMEs is ineffective because the incentives were non-substantial. Furthermore, the informant recommends that value-added tax be covered by the incentives.

Another study by Andal et al. (2021) had similar results. The researchers found out that MSME assistance programs were not easily accessed by MSMEs in Laguna, Philippines and that many do not have knowledge of those programs.

Other government policies such as social distancing and working from home played a role in the economic sectors', especially the MSMEs', tax payments, as well. In a study by Ispriyarso and Wibawa (2022), the results show that the MSMEs were negatively affected by these government policies. These resulted in many losses and discontinuation of operations for some businesses. It would not be easy for MSMEs to pay taxes in such circumstances. The government then formulated policies, specifically, tax incentives, for MSMEs. However, it was found out that because they had no knowledge that these incentives exist and because they lack understanding of the procedures, most of the MSMEs did not avail of these incentives.

Regarding the CREATE Law's impact on microenterprises, however, according to the IBON Foundation (2021), large companies mainly benefit from the said law, not MSMEs. Less than one-third out of almost a million MSMEs in the Philippines pay corporate income tax, which will gain from a decrease in taxes. According to the said organization, CREATE is too late to be of help to many MSMEs that have already shut down and will shut down because of the lack of real stimulus programs. A few big companies will earn more due to the decrease in corporate income tax than MSMEs will.

## **Pharmacies**

Pharmacies were specifically one of the micro enterprises impacted by the pandemic. Pharmacies are retail businesses that offer both prescription and over-the-counter medicines and are monitored by licensed pharmacists ("Pharmacies and Drug Shops Expanding Contraceptive Choice," n.d.). One of the most profitable industry before the pandemic is the pharmaceutical industry because medicine becomes a necessity for consumers. However, they must also pay attention to the factors that could lead to their success, similar to other retail businesses.

Vital healthcare service is being provided by community pharmacies. This is broadly established and is the preferred and initial contact for the community members especially during the pandemic when the importance of community pharmacies was highlighted (Bahlol & Dewey, 2021).

As the ongoing worldwide COVID-19 pandemic remains a risk to public health, pharmacies are crucial in ensuring that the public can still obtain essential medicines and wellness products ("Pharmacies and Drug Shops Expanding Contraceptive Choice," n.d.). When it comes to public health, pharmacists have addressed these intelligently and quickly. For instance, they are giving professional protective and guidance for staff in pharmacies and pharmaceutical services, making and checking that drug formularies are up to date, solving the problem regarding shortage in medicine, educating the public about preventing and managing infection, and helping in evaluating medicine and conducting clinical tests (Hussain et al., 2020). Pharmacy services indeed played a crucial role in public health by preventing and controlling the spread of the COVID-19 pandemic.

For example, in Egypt, 49.1% of pharmacies offered home delivery services (Bahlol & Dewey, 2021). In the Philippines, a free online pharmacy service through telecommunications was introduced during the pandemic to supplement traditional sources of information regarding health during a time of limited accessibility (Plantado et al., 2021).

Because of the pandemic, in the short run, there were changes in the demand in the pharmaceutical industry, as

well as revisions in regulations, changes in research and development, and moving towards digital communication and tele-medicine. In the long run, on the other hand, the slowing down of industry growth, delays in approvals for non-COVID-related pharmaceutical products, trend changes in the consumption of health-market products, and ethical dilemmas could also be the impact of the pandemic (Ayati et al., 2020).

This study also determined the impact of the pandemic on the microenterprise pharmacies, specifically, the challenges the pharmacies faced during the pandemic wherein the CREATE Law was able to help them.

This study focused on the pharmacy industry because, even though the COVID-19 pandemic had affected businesses of all sizes, with many closing their operations and others finding new ways to operate, pharmacies had remained open and experienced a boom during the pandemic. Specifically, this study covered pharmacies in Bayombong, Solano, Bagabag, and Bambang, Nueva Vizcaya that are classified as microenterprises according to the Department of Trade and Industry and the Business Permits and Licensing Office of each municipality. This study focused on determining the impact of CREATE Law on these pharmacies in terms of income tax, withholding tax, and the taxes in Appendix A.

## Synthesis

In the study of Mendoza (2015), the researcher studied the financial performance of the respondents using data from financial statements for the past three years. In this study, the researchers analyzed the financial performance of the respondents as part of determining the perceived impact of the CREATE Law on the growth of the business. The researchers gathered data through survey questionnaires. In the study of Mendoza (2015), the researcher focused on financial performance while in this study, the focus was on the perceived impact of the CREATE Law. The financial performance of the microenterprise pharmacies was only one aspect.

Both this study and the study of Hidalgo et al. (2021) determined the impact of the pandemic. However, this study focused more on how the CREATE Law was able to help the microenterprise pharmacies with the challenges they experienced during the pandemic. Additionally, the research respondents of the study of Hidalgo et al. (2021) were micro and small entrepreneur graduates of the Kapatid Mentor ME (KMME) Program of the Department of Trade and Industry (DTI), while in this study, the respondents were microenterprise pharmacies in Nueva Vizcaya. The respondents of the study of Hidalgo et al. (2021) were from Nueva Ecija, another province in the Philippines.

The study of Kristiana and Kristianti (2022), meanwhile, focused on the use of tax incentives by performing microbusinesses while this study determined the perceived impact of tax incentives. Both studies involved income tax.

In the study of Ayati et al. (2020), the researchers studied both the short- and long-term impacts of the pandemic while in this study, only the short-term impact of the pandemic and the CREATE Law were determined.

## METHODOLOGY

### Research Design

The research design of the study was a mixed method. It used both quantitative and qualitative methods. Under the quantitative method, it used the descriptive-comparative method while under the qualitative method, it used thematic analysis.

The descriptive method was used to determine the profile of the respondents and their assessment on their business, which was in terms of sales, number of employees, customer base, customer loyalty, operating expenses, gross profit, operating profit, and inventory turnover under CREATE Law. Additionally, the descriptive method was used to measure the perceived impact of the CREATE Law on the pricing and purchasing of microenterprise pharmacies. The said method was also used to determine the perceived impact of CREATE Law on taxes that affect them the most.

Moreover, the comparative method was utilized to know if there was a significant difference between the

perceived impact of the CREATE Law on the microenterprise pharmacies when grouped according to their profile. Thematic analysis, meanwhile, was used to study further the challenges the microenterprise pharmacies experienced during the pandemic wherein the CREATE Law was able to help them resolve those problems.

An adapted questionnaire was distributed to gather the data.

### **Research Environment**

The study was conducted in the vicinity of Bayombong, Solano, Bagabag, and Bambang, Nueva Vizcaya. Solano was one of the municipalities chosen as a research locale because it is the commercial center of the province. As proven by the enterprises that went to Solano to do business, coming from different places not only from the nearby municipalities but also those from Region 2 and Metro Manila, Solano was acknowledged as a major growth center in Region 2 (“Economic Resources,” n.d.). Bayombong, Bagabag, and Bambang were also chosen because, combined together, there are many pharmacies in these municipalities.

### **Research Respondents**

The participants in this study were twenty-three (23) out of thirty-two (32) pharmacies considered microenterprises in Solano, Bayombong, Bambang, and Bagabag, Nueva Vizcaya, who had been operating their businesses for at least four years.

The Sample Size Calculator, a survey tool provided as a public service by Creative Research Systems, was used to calculate the sample size.

For Solano, the respondents were the microenterprise pharmacies that had been officially registered with the DTI in Nueva Vizcaya from January 2018 to March 2023. For the municipalities of Bayombong, Bambang, and Bagabag, the respondents were those that had been officially registered with the Business Permits and Licensing Office (BPLO) from January 2018 to June 2023.

Specifically, the participants consisted of those who file and pay the business taxes of the microenterprise pharmacy. The study employed purposive sampling, excluding all other enterprises in favor of the selected list of microenterprises that had been registered with the DTI and BPLO.

### **Research Instrument**

The data gathering instrument used in this study was a survey questionnaire that had been revised and adapted from a study by Lalaine M. Carcido and Francis Adrian S. Damasig titled *The Impact of TRAIN Law on Small and Medium Enterprises (SMEs)* and the study of Abarcar et al. (n.d.) titled “*The Effects of TRAIN Law on Small and Medium Enterprises in Davao City.*”

The instrument for gathering data had four parts: the first part focused on the respondent's personal details, whether they were graduates of any business course. The frequency count and percentages were employed to identify the respondents' profile.

The second part focused on the business details, consisting of a one-item survey that included how long their business had been established. Frequency counts and percentages were used to identify the business establishment's profile.

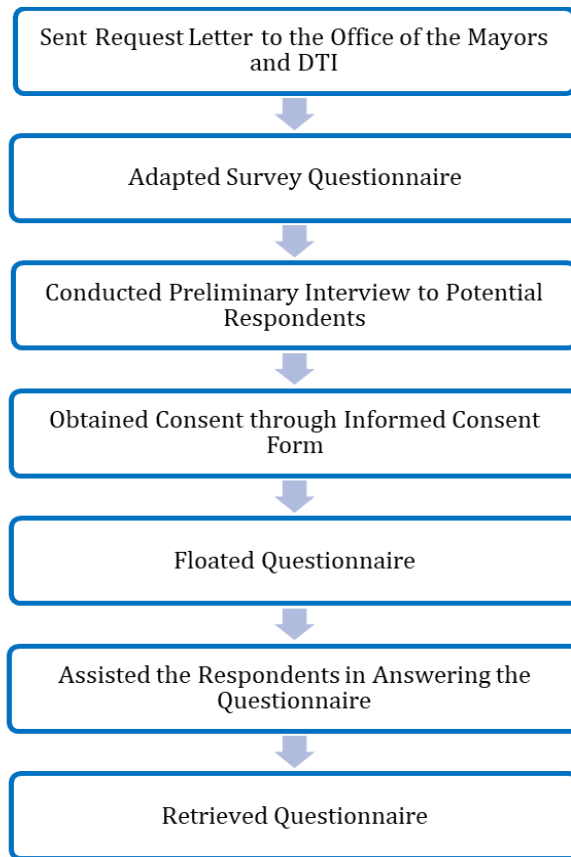
The third part of the survey questions, included the following:

The first table in the questionnaire presented measurements of how the CREATE Law impacted the growth of their businesses. The second table enumerated the factors in their business operations that were affected by the CREATE Law. The third table, consisting of a list of taxes that affected their business, was presented. To determine the responses of the respondents, a Likert scale was used according to their agreeableness: strongly agree, agree, disagree, and strongly disagree. The impact was assessed through the use of frequency counts and percentages. Appendix D defines the mean ranges for interpretation.

Finally, the last part consisted of an essay question. The respondents were asked to describe the challenges that they had experienced during the pandemic and how the CREATE Law was able to help them overcome those challenges. Thematic analysis was used to analyze their responses.

There was no electric version of the research instrument.

### Data Gathering Procedure



**Figure 1:** Data gathering procedure.

For the purpose of collecting the necessary data and information, the researchers sent a request letter to the DTI requesting a list of registered Pharmacies considered as Micro-enterprises operating in Solano from January 2018 to present.

The same letter was addressed to the Mayor's Offices of Municipalities of Bambang, Bayombong, and Bagabag requesting the BPLO of each municipality for the same list. Secondly, the survey questionnaire was adapted and modified to suit the study's objectives. Afterward, the researchers conducted a preliminary interview with the potential respondents indicated on the list of registered microenterprise pharmacies.

Next, was the admission of the Informed Consent Form to the respondents and the questionnaires were floated. With the guidance of the researchers, the respondents answered the questionnaires, which were retrieved once all of the items had been completed.

### Treatment of Data

Frequency counts and percentages were used for the profile of the respondents. The higher or highest percentage between or among the profile of the respondents were paid more attention to by the researchers in the data analysis. Mean and standard deviation were used for the tables in the questionnaire in assessing the perceived



impact of CREATE Law. The researchers analyzed the specific impact of CREATE Law on the factors and taxes that had the highest and lowest means in the results. One way ANOVA, meanwhile, was used for the tables in the questionnaire in determining if there was a significant difference between the perceived impact of CREATE Law on microenterprise pharmacies when grouped according to their profile. Regarding the responses to the qualitative question, thematic analysis was utilized. Similar responses were grouped together under one theme. Each theme was then analyzed.

## RESULTS AND DISCUSSIONS

### Section 4.1: Demographic Profile of Respondents

**Table 1:** Respondents Who Finished a Business Related Course

Response	Frequency	Percent
Yes	4	17.40%
No	19	82.60%
Total	23	100.00%

Table 1 shows the frequency result of respondents' profiles according to whether they finished a business-related course or not. More respondents (82.6%) have not completed a course related to business compared to those who have (17.4%). This may be because most of the respondents are pharmacists and are in the pharmaceutical industry.

**Table 2:** Years of Operation of the Respondents

Years of Experience	Frequency	Percent
4-6 years	8	34.80%
7-9 years	5	21.70%
10 years and up	10	43.50%
Total	23	100.00%

Table 2 shows the frequency result of the profile of the respondents according to how long they have been operating their businesses. 34.8% of the pharmacies have been in operation for 4-6 years, 21.7% for 7-9 years, and most pharmacies (43.5%) have been in operation for ten years or more.

### Section 4.2.1: Perceived Impact of CREATE Law on Microenterprise Pharmacies in Nueva Vizcaya With Regards to the Growth of their Business

**Table 3:** Perceived Impact of CREATE Law With Regards To the Growth of Their Business

Statement	Mean	Std. Deviation	Qualitative Description
There was an increase in sales.	2.65	0.714	Agree
There was an increase in the number of employees.	2.22	0.518	Disagree
There was an increase in customer base or number of clients.	2.74	0.689	Agree
There was an increase in customer loyalty.	2.91	0.596	Agree

There was a decrease in operating expenses.	2.13	0.815	Disagree
There was an increase in gross profit (sales less cost of sales).	2.43	0.728	Disagree
There was an increase in operating profit (gross profit less operating expenses).	2.48	0.511	Disagree
There was a faster inventory turnover.	2.7	0.703	Agree
Mean	2.53	0.44	Agree

Table 3 shows the perceived impact of the CREATE Law on the growth of their business. Overall, the respondents agreed that the CREATE Law had a positive impact on sales (mean=2.65; SD=0.714), customer base (mean=2.74; SD=0.689), customer loyalty (mean=2.91; SD=0.596), and inventory turnover (mean=2.70; SD=0.703). However, there was perceived negative impact on the number of employees (mean=2.22; SD=0.518), operating expenses (mean=2.13; SD=0.815), gross profit (mean=2.43; SD=0.728), and operating profit (mean=2.48; SD=0.511).

An increase in customer loyalty has the highest mean (mean=2.91; SD=0.596) while a decrease in operating expenses has the lowest mean (mean=2.13; SD=0.815). The respondents agreed that their customers became more loyal to the pharmacy while they disagreed that operating expenses increased after the implementation of CREATE Law.

Overall, the mean indicates that respondents agreed that the CREATE Law had a positive impact on the growth of microenterprise pharmacies in Nueva Vizcaya. As cited in Ramadhan et al. (2023), an increase of 0.627 in the growth of small companies would be the effect of an increase in tax incentives of 1% on average. The researchers in the said study came to the conclusion that tax incentives and the small businesses' growth were related. The reason behind this is that 0.05 is greater than the p-value of 0.023, at a confidence interval of 95%. Due to tax incentives, firms have benefited from being exempt from tax such as from withholding tax and have been granted a certificate of tax exemption by the Uganda Revenue Authority because those businesses have a good record of paying income taxes on time. As a result, these enterprises now face a lower tax burden, which enables them to expand and reinvest, enhancing the success and expansion of small businesses in Uganda.

Pharmacies are facing a number of challenges that impact the growth of their business. The pharmacies responded in the qualitative portion of the questionnaire that there was a rise in competitors, prices of in-demand products, and expenses. One of the biggest challenges that they are facing is increased competition in the market. As a result of this increased competition, pharmacies are having to work harder to differentiate themselves from their competitors. This can include investing in marketing and advertising efforts, as well as offering a wider range of products and services to customers. However, these efforts can come at a cost, as they require additional resources and manpower to implement.

Another major challenge that pharmacies are facing is the rising cost of in-demand products. This can include everything from prescription medications to over-the-counter remedies and supplements. As these products become more popular, their prices tend to rise, which can put a strain on the budgets of pharmacies that are already facing tight profit margins. They may have paid more for these in-demand products, both because of the higher prices and because the products were in demand.

In addition to the rising cost of in-demand products, pharmacies are also facing increased operating expenses. This may concern things from utilities and rent to payroll and benefits for employees. As these expenses continue to rise, pharmacies are finding it increasingly difficult to keep their costs under control and maintain profitability.

In summary, the pharmacies agreed that the CREATE Law positively impacted sales, customer base, customer loyalty, and inventory turnover. However, views differ on its impact on the number of employees, operating expenses, gross profit, and operating profit. The highest mean is for an increase in customer loyalty and the lowest mean is for a decrease in operating expenses. Increased competition and increases in prices of in-demand products and expenses were reported in the qualitative portion of the questionnaire, which may have contributed to the higher operating expenses.

**Section 4.2.2:** Perceived Impact of CREATE Law on Microenterprise Pharmacies in Nueva Vizcaya With Regards to Factors Affecting Their Operation

**Table 4:** Perceived Impact of CREATE Law With Regards to Factors Affecting Their Operation

Statement	Mean	Std. Deviation	Qualitative Description
There was a decrease in pricing because of the decrease and exemptions in the VAT when purchasing products.	2.48	0.846	Disagree
There was an increase in purchase of medications as a result of CREATE Law's VAT exemption for some medications.	2.83	0.778	Agree
Mean	2.65	0.647	Agree

Table 4 presents data on the perceived impact of the CREATE Law on microenterprise pharmacies in Nueva Vizcaya on factors affecting their operations. The respondents perceived a positive impact on microenterprise pharmacies, particularly in terms of an increase in the purchase of medications (mean=2.83; SD=0.778). However, there is some disagreement regarding the decrease in pricing (mean=2.48; SD=0.846).

The respondents disagree that there was a decrease in pricing, most likely because the products they purchased from the supplier were set at a high price, and the pharmacies had to set a higher price in order for them to cover up for the cost. They had also mentioned in their responses an increase in the prices of in-demand products. However, it is most likely that there was still an increase in their purchase of medications because these were also in demand, especially considering the pandemic.

Based on the respondents' perception, the results imply that pharmacy businesses have been greatly impacted by the recent price adjustments. There is disagreement among respondents regarding the pricing decrease, with a mean value of 2.48 and a standard deviation of 0.846. The qualitative description is "Disagree" in spite of the decline suggesting that there isn't much agreement regarding the beneficial impacts, possibly because of other affecting circumstances such as increase in prices of in-demand products. Despite the different opinions on prices, however, the results suggest that the respondents perceive that VAT exemption encourages more medicine purchases.

In a study by Cherneva and Benisheva (2018), the results showed that Greece only applies a 6% VAT rate on medications. Bulgaria, on the other hand, retains a 20% VAT rate on medicines. This means that a decrease in VAT is associated with lower medicine prices in Greece compared to Bulgaria, and retailers also benefit from increased profit margins.

Respondents generally agreed with the mean value of 2.83 about the rise in drug purchases as a result of the VAT exemption under the CREATE Law. There is an agreement that VAT exemptions have led to an increase in the purchase of medications, as indicated by the standard deviation of 0.778. Even though the respondents perceived that VAT Exemption leads to an increase in drug purchases, this is because the VAT exemption applies only to pharmacies that buy medicines from other countries. Pharmacies that are involved in local transactions are not eligible for the VAT Exemption.

**Section 4.2.3:** Perceived Impact of CREATE Law on Microenterprise Pharmacies in Nueva Vizcaya With Regards to Taxes Wherein Their Business is Most Affected

**Table 5:** Perceived Impact of CREATE Law With Regards To Taxes Wherein Their Business is Most Affected

Statement	Mean	Std. Deviation	Qualitative Description
There was a decrease in income tax.	2.3	0.703	Disagree
There was a decrease in value-added tax.	2.3	0.635	Disagree

There was a decrease in percentage tax.	2.57	0.59	Agree
There was a decrease in withholding tax.	2.43	0.59	Disagree
Mean	2.4	0.515	Disagree

Table 5 shows the perceived impact of the CREATE Law on microenterprise pharmacies in Nueva Vizcaya, specifically concerning taxes. The overall findings showed that the respondents disagreed that the CREATE Law had a positive impact on the income tax (mean=2.30; SD=0.703), value-added tax (mean=2.30; SD=0.635), and withholding tax (mean=2.43; SD=0.590) paid by the microenterprise pharmacies. On the other hand, the respondents agreed that there is a decrease in the percentage tax (mean=2.57; SD=0.590). Overall, the implementation of the CREATE Law did not result in a decrease in the taxes affecting the pharmacies the most.

The results imply that there was no decrease in the taxes that affect the microenterprise pharmacies the most, except percentage tax. The income tax holiday in the CREATE Law most likely had not been implemented or affected the pharmacies. The same goes for the VAT exemptions stated in the CREATE Law when the pharmacies purchase medicines for their inventory.

The pharmacies also mentioned in their responses that there was a decrease in percentage tax. Another implication of the decrease in percentage tax is that the microenterprise pharmacies, if not most, were nonVAT-registered. Regarding withholding tax, the results imply that the CREATE Law did not cover or affect the said tax. Overall, the results suggest that the CREATE Law did not have an impact on the microenterprise pharmacies. One probable reason is that the CREATE Law was made mostly for the benefit of corporations, considering the decrease in the corporate tax rate and the purpose of the CREATE Law, which is to increase foreign direct investment in corporations.

Based on the respondents' perception, the respondents disagreed that the CREATE Law had a beneficial impact on lowering their taxes. Furthermore, their answers suggested that there was a decrease in their percentage tax caused by the reduced tax rate of 3% to 1% on gross income. They disagreed, however, that their income tax, value-added tax, and withholding tax had decreased.

In general, the CREATE Law had a negative impact on the respondents' taxes. As a result, the CREATE Law only reduced the respondents' percentage tax, not the total amount. That being said, however, the respondents' disagreement about income tax does not imply that the high tax rate has a negative impact. Table 5 indicates that there was an increase in their sales, which was another element to take into account. Greater sales translate into greater revenue, which raises the tax base and income tax. Despite this, it is important to note that the timing of the pandemic and the fact that medications were a marketable product at the time contributed more to the increased sales than the CREATE Law itself.

**Section 4.3: Significant Difference Between the Perceived Impact on the Microenterprise Pharmacies in Nueva Vizcaya When Grouped According to their Profile Variable**

**Table 6:** Significant Difference Between the Perceived Impact on the Microenterprise Pharmacies in Nueva Vizcaya When Grouped According to their Profile

Category	Years of Experience	N	Mean	Std. Deviation	Std. Error	Test Statistic
Mean for the Growth of Their Business	4-6 years	8	2.42	0.32	0.113	F(2) = 1.044, p = .370
	7-9 years	5	2.78	0.347	0.155	
	10 years and up	10	2.5	0.543	0.172	
	Total	23	2.53	0.44	0.092	

Mean for Factors Affecting Their Operation	4-6 years	8	2.44	0.496	0.175	F(2) = .820, p = .455
	7-9 years	5	2.9	0.742	0.332	
	10 years and up	10	2.7	0.715	0.226	
	Total	23	2.65	0.647	0.135	
Mean for Taxes Wherein Their Business is Most Affected	4-6 years	8	2.47	0.388	0.137	F(2) = .098, p = .907
	7-9 years	5	2.35	0.576	0.257	
	10 years and up	10	2.38	0.615	0.195	
	Total	23	2.4	0.515	0.107	
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\*significant at 0.05

Table 6 presents the significant difference between the perceived impact of the CREATE Law on the microenterprise pharmacies in Nueva Vizcaya when grouped according to their profiles. The findings indicate that there is no significant difference between the perceived impact on the microenterprise pharmacies according to their growth of business (F(2)=1.044, p=.370), factors affecting their operation (F(2)=.820, p=.455), and with regards to their taxes that most affected them (F(2)=.098, p =.907) when grouped according to the number of years they have been operating.

The average growth rating of pharmacies with a four- to six-years in business was 2.42, with a standard deviation of 0.32. In comparison, those operating for seven to nine years reported a growth rating that was slightly higher (mean=2.78), with a standard deviation of 0.347. Lastly, pharmacies that have been in operation for ten years or more have rated their growth at 2.50, with a 0.543 standard deviation, indicating that their growth experiences have less varied, as well. The average growth rating for all establishment periods was 2.53, with a standard deviation of 0.440. According to the results of the statistical test (F(2)=1.044, p=.370), this implies that growth patterns did not exhibit substantial variations and that there is no significant difference in the perceived impact on the growth of microenterprise pharmacies when grouped by the number of years in operation.

When it comes to factors affecting their operation, pharmacies operating for four to six years rated a mean of 2.44 and a standard deviation of 0.496. In the seven to nine years, pharmacies rated a higher mean of 2.90 with a larger standard deviation of 0.742. Pharmacies operating for 10 years and up rated factors affecting their operation at 2.70, with a standard deviation of 0.715. The overall average rating for factors affecting their operation was 2.65, with a standard deviation of 0.647. The statistical test (F(2)=0.820, p=.455) suggests no significant differences in the perceived impact on operational factors when microenterprise pharmacies are grouped by the number of years in operation.

In terms of the taxes that were most affected, pharmacies operating for four to six years had a mean of 2.47, with a standard deviation of 0.388. In the seven to nine years, pharmacies had a mean of 2.35, with a standard deviation of 0.576. Lastly, pharmacies operating for 10 years and up have a mean rate of 2.38, with a standard deviation of 0.615 that also indicates a higher variability, which means that it is less varied. The overall average rating for the impact on taxes that was most affected was 2.40, with a standard deviation of 0.515. The statistical test (F(2)=0.098, p=.907) suggests there is no significant difference in the perceived impact on the taxes that most affected microenterprise pharmacies when grouped by the number of years in operation.

The results show that the impact of the CREATE Law is the same regardless of how long the microenterprise pharmacy had been in the industry. These imply that the pharmacies have the same experiences when it comes to the impact of tax laws on their business growth, on factors that affect their operations, and taxes that most affect them, especially if they are under the same category such as being nonVAT-registered.



To summarize, the pharmacies' perspectives regarding the impact of the CREATE Law on growth, operational factors, and taxes that most affected them were generally similar, with no significant differences observed when categorized by the number of years they have been in operation.

#### **Section 4.4: Challenges and Opportunities Identified by Microenterprise Pharmacies**

One respondent talked about increased expenses while another commented on the rise in competitors and increase in price of in-demand products. Both respondents, however, stated that the decrease in percentage tax helped them. The respondents' exact words were "Yes, there's a decrease in percentage tax. That's a big help for us. But the expenses increase because of lack of products like we need to transport or buy medicines from the city." The other respondent commented, "It helps in other way that there was a decrease in percentage tax. However, due to the rise of competitors and increase in price of in-demand product, profit became stable."

The respondents observed a rise in competitors, especially since more pharmacies were established during the pandemic, perhaps when they saw the demand for medicines during that time. The microenterprise pharmacies also experienced an increase in the price of in-demand products because the suppliers of the respondents may have taken advantage of the high demand for these products and increased the selling price. It may also be possible that the price is high because of low supply. In addition to these, the pharmacies commented about an increase in expenses. These may be related to the rise of competitors wherein the respondents may have incurred costs in their efforts to be at par with or to be better than their competitors. The microenterprise pharmacies experienced supply chain disruptions as well. These may also have contributed to the increase in the respondents' expenses because of the costs incurred in finding other suppliers, such as transportation expenses, especially if these new suppliers are farther than the pharmacies' former suppliers. Additionally, it may have been challenging for the pharmacies to buy supply because of the very high demand for medicines during the pandemic, thus the increase in the pharmacies' expenses.

However, the impact of these challenges to the respondents may have been minimized by the decrease in percentage tax after the implementation of the CREATE Law. Even if the percentage tax only decreased by 2%, from 3% to 1%, it may have an overall significant impact on the percentage tax that the microenterprise pharmacies have paid. The decrease in the percentage tax may have been a big help to the respondents because the pharmacies may be non VAT-registered.

To summarize, the challenges the microenterprise pharmacies experienced during the pandemic were supply chain disruptions and increased expenses. The impact of the CREATE Law is limited only as far as the percentage tax is concerned.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Based on the findings of this study, the following conclusions were made:

First, there are a greater number of respondents who have not finished a business-related course compared to those who have completed one. When it comes to their business information, most of the pharmacies have been operating for 10 years or more.

Second, according to the study's findings, the respondents believed that the CREATE Law had a positive impact on the growth of business of pharmacies in Nueva Vizcaya. The CREATE Law's impact on microenterprise pharmacies in Nueva Vizcaya reveals a similar perception when it comes to factors affecting their operation. However, the respondents disagreed that CREATE Law decreased their taxes.

Third, there is no significant difference in the perceived impact of the CREATE Law on microenterprise pharmacies in Nueva Vizcaya in terms of the growth of their business, factors affecting their operation, and the impact of taxes most affected in relation to the number of years they have been operating.

Fourth, the challenges the microenterprise pharmacies experienced during the pandemic were supply chain

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disruptions and increased expenses. The impact of the CREATE Law is limited only as far as the percentage tax is concerned.

The results of this study may be used as a basis of policymakers for assessing the effectiveness of and improving existing laws and creating new laws. Stakeholders may also raise their concerns about taxes and tax laws to their respective local government units, wherein these may eventually be raised to the Congress.

This study had a few limitations, however. Specifically, it only focused on the CREATE Law, microenterprise pharmacies, and Nueva Vizcaya as a research locale. Additionally, this research was not able to study if there was a significant difference between the perceived impact of the CREATE Law when grouped according to whether the respondents graduated from a business-related course or not due to the big difference between the number of respondents per group.

## Recommendations

The researchers offer the following recommendations:

1. To the pharmacy owners, to remain updated on the amendments to existing laws or new tax laws that they may be able to maximize, which may contribute to the growth and operational efficiency of their businesses, as well as the taxes they pay. Additionally, to consider enrolling in quick courses, attending seminars, and/or viewing free online courses on taxation and business management. This will not only enhance their knowledge but also ensure their compliance with the latest legal requirements;
2. To the lawmakers, to take into consideration the findings of this study in assessing how effective existing tax laws are and use them as basis in making amendments to existing tax laws and in simplifying the application and compliance process to encourage more businesses to comply with tax laws and take advantage of available incentives;
3. To microenterprises, to continue to avail tax incentives offered by the government;
4. To the School of Accountancy and Business, to take into consideration the results of this study in deepening their knowledge and understanding about taxation and tax laws;
5. For future researchers, to further explore and ascertain the effects of the CREATE Law, they could conduct a comparative analysis of the financial performance of microenterprise pharmacies before and after the implementation of the CREATE Law. They can also further study the impact of the CREATE Law and other tax laws on pharmacies according to their taxpayer classification, such as VAT-registered and nonVAT-registered. In addition to this, they can consider studying the impact of the CREATE Law on corporations to assess more precisely the impact of the said law.

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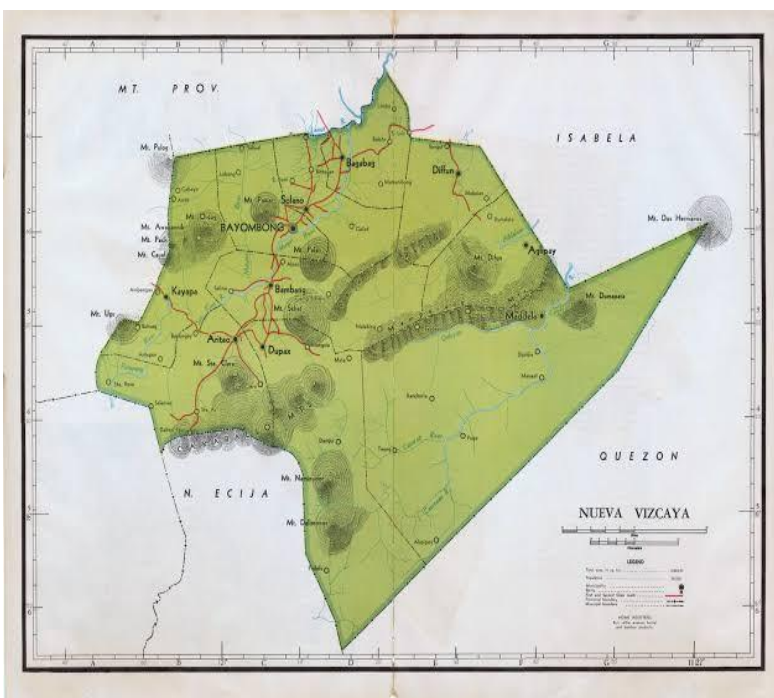
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## APPENDICES

### Appendix A: Taxes and VAT Exemptions Covered in This Study

Type of Business Tax	PRE-CREATE	CREATE
Percentage tax for non-VAT taxpayers (applicable from July 1, 2020 to June 30, 2023)	3%	1%
VAT imposed on the sale of imported capital equipment and raw materials for PPE production	12%	EXEMPT
VAT imposed on the sale of imported prescription drugs, medical supplies, devices, and equipment for COVID-19	12%	EXEMPT
VAT imposed on the sale or importation of vaccines for COVID-19	12%	EXEMPT

### Appendix B: Map of Nueva Vizcaya.





**Appendix C: Respondents Per Municipality**

<b>Municipality</b>	<b>Number of Pharmacies</b>
Solano	4
Bayombong	6
Bambang	10
Bagabag	3
Total	23

**Appendix D: Mean Ranges for Interpretation**

<b>Mean Range</b>	<b>Qualitative Description</b>
3.50 – 4.00	Strongly Agree
2.50 – 3.49	Agree
1.50 – 2.49	Disagree
1.00 – 1.49	Strongly Disagree