

Tax Literacy and Tax Compliance of the Selected Micro Business in Cabuyao City

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ABSTRACT: This research focus on tax literacy and tax compliance among microbusinesses in Cabuyao City. Microbusinesses, typically employing fewer than ten individuals, play a crucial role in the economy but often face significant challenges in understanding and complying with tax regulations. This study explores the complex relationship between tax literacy and tax compliance, highlighting the effect of various demographic factors such as age, gender, educational attainment, and years in business. The research employs a quantitative methodology, utilizing a structured survey distributed to selected microbusiness owners in Cabuyao City. The findings reveal that there are no significant differences in tax literacy and compliance levels based on demographic variables, and no significant relationship between tax literacy and tax compliance. This study underscores the importance of enhancing tax education and simplifying tax processes to improve compliance rates among microbusinesses, ultimately contributing to more effective tax administration and economic stability. The implications of these findings suggest the need for targeted policy interventions to support microbusiness owners in navigating the complexities of the tax system.

I. INTRODUCTION

In today's dynamic entrepreneurial scene, microbusiness owners encounter substantial obstacles in dealing with the tax system, despite the importance they play in the economy. A vital component of socioeconomic growth, taxes guarantee a fair distribution of the tax burden and provide public services with a main source of funding (Wiquar et al., 2022). With revenue administrations prioritizing initiatives to improve tax compliance and awareness (Batrancea, 2022), it is clear that microbusiness owners struggle with tax understanding and compliance (Abrea, 2022). The complex connection that exists between literacy and tax compliance highlights the challenges that these owners are facing. Tans (2020) emphasizes the critical relationship between increases in taxes and company support, underlining the necessity for business groups to combat tax evasion and ensuring that tax resources go towards long-term infrastructure development. Such discussions create the way for a more in-depth look at the complex relationship between tax literacy, compliance, and the issues that microbusiness owners confront while navigating the tax landscape.

A microbusiness, according to the Investopedia team (2023), often employs fewer than ten people and is commonly started with minimal funding. According to Shopify Staff (2023), the US tiny Business Administration defines microbusinesses as firms with nine or less employees, which include freelancers, tiny retailers, and individuals working side gigs. The existence of international tax regulations frequently allows for the development of aggressive tax planning strategies, which use loopholes and inconsistencies in tax laws to artificially transfer profits to jurisdictions with low or zero tax rates and limited economic activity (Dom et al., 2022). Tax literacy and compliance are important for the global economy. Tax literacy, or the understanding of tax laws and obligations, is essential for people and businesses to make educated decisions. However, there are obstacles to widespread literacy, like complex tax laws and insufficient educational opportunities. Tax compliance, or complying to legal requirements, is critical for revenue generation and economic stability, but barriers exist due to the system's complexity and intentional evasion. The ease with which taxes can be paid within a jurisdiction has an impact on businesses in addition to the current tax rates. Therefore, when choosing the best business environment, it is advised that companies and taxpayers consider more than just tax rates. Some of these factors include the time required for tax calculations, filing tax returns, and the efficacy of a government's tax policies in a particular location. Although there may be small differences in tax rates, in many developing markets in the ASEAN region, the time required to comply with tax-related procedures may be greater (Dezan Shira & Associates, 2021). Rashid et al. (2022) provide useful tax administration guidelines, offering insights for Asian governments to develop successful tax policies that improve compliance and reduce tax evasion. In Southeast Asian countries, tax authorities have a big chance to profit from tax administration strategies that lower compliance costs and promote voluntary compliance, as Chongvilaivan (2022) points out. Simplifying tax registration, filing, and payment procedures for individual taxpayers and micro, small, and medium-sized businesses (MSMEs) can help achieve this.

Abrea's (2022) data from the Philippine Statistics Authority's March 2022 Labor Force Survey reveals over 17 million unregistered workers and more than 1.3 million unregistered sari-sari stores. Despite Revenue Regulation No. 11-2000 categorizing self-employed individuals with annual gross sales below P100,000 as marginal income earners, the general classification of micro-enterprises encompasses many of these businesses. These micro, small, and medium-sized enterprises (MSMEs) constitute a significant portion of the nation's businesses, employing 63.19 percent of the labor force and facing challenges in tax compliance. According to recent findings by Lin (2024), analysis of small business owners by age indicates that Generation X remains the predominant group, constituting 47% of owners. Generation X, defined as individuals aged 39 to 54 in 2024, holds this majority. Gamad (2017) emphasizes that the majority of enterprise owner respondents are middle-aged females aged 31-40, primarily involved in sole proprietorship business ownership, often categorized as family and independently owned enterprises.

Furthermore, an article by Monzon (2023) highlights findings from a survey conducted by analytics firm OCTA Research for Go Negosyo, involving 1,200 Filipinos aged 18 and above from various socioeconomic backgrounds. The survey reveals that 31% of respondents aspire to manage their own time and schedule, emerging as the primary motivation for venturing into entrepreneurship. The Asian Development Bank (2023) reports that a significant majority (67%) of women-owned microenterprises operate as sole proprietorships without employees. In comparison, only 41% of microenterprises owned by men follow the same structure. According to Idian et al. (2022), business owners who have attained a college degree are more likely to experience growth in their enterprises. This suggests that higher levels of education equip owners/managers with a broader understanding and skills to effectively manage and enhance business operations. Additionally, Pascua et al. (2023) note that a considerable percentage of micro-enterprises have been in operation for five years or less, with some ranging from 16 to 20 years in operation.

As said by Said's (2018) analysis, utilizing OECD Tax Ratio data, the Philippines has a tax ratio of 16%, lower than the 34% threshold observed in many countries. This suggests potential challenges in tax compliance, tax collection efficiency, or the effective implementation of tax policies. Addressing this requires a public awareness campaign highlighting the significance of taxation, as emphasized by Malicdem et al. (2023), who estimates that only around 26 million out of a population of 100 million Filipinos pay taxes. This study is prompted by a research gap in the Philippine context, particularly in Cabuyao City, Province of Laguna, where the microbusiness industry is expanding. While international studies have explored the connection between tax literacy and tax compliance of micro business, there is a noticeable lack of research focusing on these aspects within the specific tax policies and socio-economic conditions of Cabuyao City. Microbusinesses are pivotal to the Philippine economy, contributing significantly to economic growth and employment, yet they often grapple with adhering to tax laws due to a lack of tax literacy, limited resources, or complex tax regulations. These studies aim to bridge the knowledge gap and offer practical insights to enhance tax compliance and financial performance of microbusinesses in the Philippines, particularly in Cabuyao City. The findings can inform the development of programs and policies supporting microbusinesses in the area, ultimately improving tax compliance and influencing taxpayers' willingness to fulfill their tax obligations.

Theoretical Framework: To better understand the study of Tax Literacy, and Tax Compliance microbusinesses this research will be anchored to the theory of Theory of Planned Behavior by Icek Ajzen. The theory of planned behavior (Ajzen, 1991) contends that attitudes, subjective norms, and perceived behavioral control all influence intentions, which in turn influence behaviors. Depending on the degree to which a behavior is actually controlled by the individual and the degree to which perceived behavioral control is an accurate measure of actual behavioral control, external forces may also directly force or prevent behaviors, regardless of the intention. According to (LaMorte, 2022), the theory was intended to explain all behaviors over which people have self-control. This model's most important element is behavioral intent, which is influenced by attitudes with regard to the likelihood that a behavior will result in the desired outcome and a subjective assessment of the risks and benefits of that outcome. The theory of planned behavior describes how people's intentions and behaviors are influenced by their attitudes, subjective norms, and perceived behavioral control. It includes the person's opinions about a behavior, whether they are positive or negative, how much pressure they feel from others to act in a certain way, and how confident they are in their ability to do so. In the context of this study, the Theory of Planned Behavior can be applied on attitudes toward tax compliance reflect how microbusiness owners perceive their tax obligations, with higher tax literacy potentially fostering a positive outlook. Subjective norms involve perceived social pressures regarding tax compliance. Perceived behavioral control, influenced by tax literacy, affects owners' sense of control over tax matters. Behavioral intentions, driven by attitudes, norms, and control, determine their motivation to comply.

Ultimately, actual tax compliance behavior stems from these intentions. The Theory of Planned Behavior, which is used to understand and predict human behavior. It is especially pertinent in the context of this study because it deals with individuals' attitudes, beliefs, and intentions, all of which are important in determining tax literacy, and tax compliance. By incorporating this theory into the research, this study will explore how microbusiness owners' attitudes, subjective norms, and perceived behavioral control relate to their tax literacy, and tax compliance, ultimately influencing their financial performance. This theory offers a useful framework for understanding the psychology underlying tax-related behaviors in the context of microbusinesses.

Research Paradigm/Operational Framework

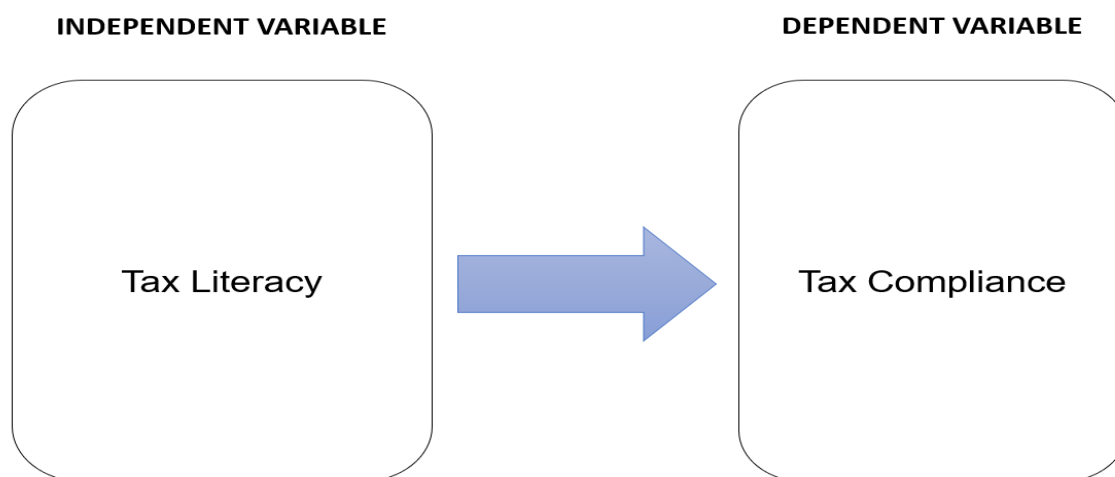


Figure 1. Research Paradigm

In Figure 1, the first box (independent variable) represents tax literacy. An arrow to the right box shows the second box (dependent variable) of the study, which is the tax compliance. It illustrates how the independent variables (tax literacy) are expected to influence the dependent variable (tax compliance).

Research Questions : This study aims to assess the impact of Tax Literacy, and Tax Compliance of Selected Micro Business in Cabuyao City.

The problem at hand revolves around the need to address the following key questions:

1. What is the demographic profile of microbusiness owners in Cabuyao City in terms of:
 - ✓ Age;
 - ✓ Gender;
 - ✓ Educational attainment and;
 - ✓ Years in business;
2. What is the level of tax literacy among the respondents?
3. What is the level of tax compliance among selected microbusinesses in Cabuyao City?
4. Is there a significant difference on the level of tax literacy when the respondents are grouped according to profile variables?
5. Is there a significant difference on the level of tax compliance when the respondents are grouped according to profile variables?
6. Is there a significant relationship between tax literacy and tax compliance of the selected microbusinesses in Cabuyao City?
7. Based on the findings of the study, what tax related program may be proposed?

Hypotheses

The null hypothesis presented is intended to guide the researcher in the study of tax literacy and tax compliance of Selected Micro Businesses in Cabuyao City.

H01- There is no significant difference on the level of tax literacy when the respondents are grouped according to profile variables.

H02- There is no significant difference on the level of tax compliance when the respondents are grouped

according to profile variables.

H03- There is no significant relationship between the level of tax literacy tax compliance.

Scope and Limitations : This study focuses on a specific geographical area of microbusinesses in Cabuyao City, Philippines. The research addresses several key issues within this context. It investigates microbusiness owners' financial literacy, particularly in relation to taxation, assessing their understanding of tax rules and the financial consequences of taxation. Tax compliance is another critical component of the scope, involving an evaluation of how well microbusinesses follow tax laws and fulfill their tax responsibilities. However, certain limitations must be acknowledged. The study will need to be accomplished in a limited amount of time, capturing a brief overview of the current state of microbusinesses in Cabuyao City without necessarily accounting for long-term trends. Respondents will be limited only to microbusinesses specifically to auto parts and motor shop owner that are identified through local business directories and municipal registrations. Due to practical limitations, a representative sample of microbusinesses will be used rather than the entire microbusiness population. It excludes businesses from other cities or regions on purpose, limiting its focus to provide an in-depth understanding of the local microbusiness landscape. To provide a thorough overview, the study covers a range of microbusiness industries in Cabuyao City. Because the findings are context-specific to Cabuyao City, they may not be universally applicable to other cities or regions in the Philippines or elsewhere. Finally, external factors such as changes in tax regulations or economic conditions may have an impact on the results, but they are not directly controllable within the scope of the study. These factors contribute to the study's boundaries and limitations, allowing for a focused and realistic research approach within Cabuyao City.

Significance of the Study : This study aimed to provide information about tax literacy, and tax compliance of microbusinesses in Cabuyao City. The results of this study were noteworthy and have a significant contribution to all the respondents, groups and organizations involved in the study.

Business Owner. Micro Business owners in Cabuyao City can benefit from having a deeper awareness of the variables affecting their financial performance. Insights concerning tax literacy, and compliance can help them make wise decisions about tax strategies, thereby enhancing the financial stability of their businesses.

Policy Maker. The research findings can be used to create targeted policies that will help both the growth and sustainability of microbusinesses in Cabuyao City. Policymakers can use the data gathered to create tax laws and financial education initiatives that cater to the specific needs of the local microbusiness sector. This will enable them to better understand and adhere to tax regulations, ultimately improving tax compliance and financial performance.

Researcher. The study's findings will improve the researcher's understanding of the significance of taxation on financial performance and recognize what he has accomplished in this study, which will add to his profession, particularly on the industrial and business side.

Future Researcher. Future researchers might utilize this study as a platform for further comprehensive analysis of tax-related behaviors and financial performance in microbusinesses. It provides a framework for researching these elements in various contexts and improving the body of knowledge.

Definition of Terms: The terminology used in the study was operationalized to ensure that the definitions were clear.

Tax Literacy. understanding and managing tax-related matters, staying informed about changes, and effectively managing personal finances considering tax obligations (Çetin Gerger et al., 2019).

Tax compliance. the willingness and ability of taxpayers to adhere to tax laws, report their annual earnings accurately, and pay taxes on time (Hassan et al. 2021).

Micro business. is a type of small business that employs fewer than 10 people, it includes solopreneurs, freelancers, side hustlers and many business owners who operate out of a single location. (Lauckner & Ramirez, 2023)

Tax ratios. derived from aggregate data - also known as implicit tax rates - capture the interest of policymakers and analysts as a possible method of measuring average effective tax rates on labor, capital, households,

corporations, and consumption ("Tax Ratios: A Critical Survey," 2001).

II. REVIEW OF LITERATURE AND STUDIES

This chapter presents information relevant to the research study that was taken from several different sources and will be used as a reference by the researcher in the formulation of the current study.

Conceptual Literature

Tax Literacy : According to Çetin Gerger et al. (2019), tax literacy includes understanding and keeping track of tax-related issues, being up to date on developments, and skillfully managing personal budgets by taking tax obligations into consideration. Tax literacy, as stated by Mouková and Vtek (2018), is a subset of financial literacy. Despite its significance, there is no standardized methodology for assessing tax literacy at the moment. Lyon and Catlin (2020) emphasize the significance of tax literacy within financial literacy, citing its influence on critical financial decisions such as promotions, donations, and retirement savings. The definition provided by Ms. Refia Wiquar et al. (2022) defines tax literacy as the knowledge necessary for competently managing personal taxation issues. This definition is consistent with the definition provided by Dr. Mridula Singhal & Ankit Verma (2021) who define tax literacy as the knowledge necessary for effectively managing personal taxation problems. According to Singhal and Verma (2021), tax literacy is the knowledge required to effectively handle personal taxation issues.

Although tax knowledge is a major factor in tax compliance, Bornman & Ramutumbu (2019) note a lack of emphasis on its various components. Tax knowledge is applied by Bornman and Wassermann (2020) to forecast potential tax consequences, including when and where they might occur. According to Mascagni and Santoro (2018), this knowledge is associated with improved attitudes toward paying taxes and perceptions of tax system fairness. Tax literacy, as described by Bornman and Wasser (2018), is a process of deriving meaning from the interaction of tax awareness and contextual knowledge. General knowledge about society and individuals, as well as an interest in tax-related issues and a mindset toward related tax compliance behavior, are all considered components of tax literacy, as explained by Cechovsky (2018).

Kaur and Sekhon (2022) further distinguish between functional tax literacy, denoting those capable of completing tax return forms, and tax illiteracy for those unable to comprehend and complete such forms. In essence, tax literacy involves not only understanding relevant tax legislation and compliance procedures but also a broader comprehension of the necessity for taxes in society.

Tax Compliance : According to StudySmarter UK (n.d.), tax compliance involves the individual or business choice to conform to a country's tax laws, encompassing actions such as income disclosure, filing returns, and meeting tax deadlines, as highlighted by Odabaş and Erdem (2023). Given the inherent complexities, Cummings et al. (2005) assert that tax compliance is a multifaceted behavioral issue requiring diverse methods and data sources. Due to the illegality of such practices, field data, which is critical for understanding evasion, is often incomplete. According to Batrancea (2022), paying taxes in accordance with the tax law is a fundamental societal norm that contributes to the funding of public goods essential for a well-functioning modern society. Tax compliance motivation is defined by Gangl and Torgler (2019) as an individual's willingness to follow tax laws. According to De Neve et al. (2021), tax compliance entails both truthfully reporting taxable income and timely fulfilling tax obligations. Abdu and Adem (2023) expound on tax compliance as an obedience to laws enforced by the government, stressing the importance of prompt and sufficient payments. FasterCapital (n.d.) agrees, defining tax compliance as adherence to governmental tax laws and regulations, citing potential penalties such as fines, legal ramifications, and reputational harm for noncompliance. In order to maintain budgetary balance and continue to provide citizens with essential goods and services, StudySmarter UK (n.d.) emphasizes the importance of paying taxes and asserts that doing so plays a crucial role in generating tax revenue for the government. Base on Malacañang Records Office, (2005), Executive Order No. 422, s. 2005 "*REQUIRING THE BUREAU OF INTERNAL REVENUE TO ESTABLISH A PROGRAM TO PROMOTE OPTIMUM TAX COMPLIANCE*" recognizing the need to establish a program to increase tax collections by providing taxpayers with incentives to voluntarily declare and pay higher taxes and reducing administrative costs from audits and investigations conducted by the Bureau of Internal Revenue.

Tax compliance is further defined by Okpeyo et al. (2019) as the voluntary and free fulfillment of all state-mandated tax obligations. According to Legacy Partners (2023), tax compliance allows individuals to gain a comprehensive understanding of their financial situation and plan for the future. Buted (2022), echoing the sentiment, warns against the destructive consequences of taxation, emphasizing the need for taxpayers to come

forward with clean hands in order to receive legal protection.

Research Literature : In the realm of taxpayer compliance, the pivotal role of education becomes evident, as emphasized by Çetin Gerger et al. (2019). The recommendation extends beyond mere awareness to the implementation of comprehensive initiatives at both academic and administrative levels. These initiatives should encompass a broad spectrum, ranging from fostering citizenship awareness to enhancing tax literacy. The study conducted by Kwok & Yip (2018) aligns with this perspective, providing substantial support for the positive impact of tax education on compliance. The findings suggest that tax education not only improves the ability and readiness of taxpayers to comply but also plays a role in shaping their moral considerations related to taxation. It is crucial, however, to consider the nuanced perspective presented by Newman et al. (2018). While acknowledging the importance of awareness through education, the study underscores the necessity of addressing systemic issues such as high tax rates and corruption to truly influence taxpayer compliance behavior positively. Several studies indicate the impact of tax literacy on tax compliance. Kurniawan (2020) suggested that tax education significantly affects tax compliance, and Nurkhin et al. (2018) emphasized the positive and significant impact of taxation knowledge on taxpayer compliance. Similarly, the findings of Hardika et al. (2021) and Aondo & Sile (2018) highlighted the positive effect of tax knowledge on tax compliance, suggesting that greater taxpayer knowledge leads to higher compliance. Additionally, Stanley (2021) discovered that men tend to have higher tax literacy levels than women, and this difference is statistically significant. Furthermore, tax literacy is positively correlated with age, education, and income levels. In other words, as people get older, more educated, or earn higher incomes, their understanding of taxes tends to increase.

Contrastingly, Fauziati et al. (2020) concluded that the tax knowledge variable, including general knowledge, legal knowledge, and technical knowledge, did not significantly affect tax compliance behavior. Wijayanti et al. (2020) supported this by stating that willingness to pay taxes was unaffected by knowledge and understanding of tax regulations. Inasius (2018) found that while tax knowledge does not significantly impact SME taxpayers' tax compliance, it does have some influence.

Shifting the focus to specific business sectors, Granfon et al. (2023) identify tax awareness as a particularly influential factor for compliance among Micro, Small, and Medium Enterprises (MSMEs). This underscores the need for tailored strategies to enhance tax awareness in different contexts. Similarly, Omondi & Theuri (2019) advocate for increased tax knowledge among small and medium-sized business owners, asserting that this can lead to a mutually beneficial scenario for both governments and taxpayers, fostering improved compliance. Nguyen's study (2022) adds depth to the discussion by highlighting a positive correlation between increased tax knowledge and enhanced compliance. This suggests that a deeper understanding of tax laws, declarations, obligations, and applicable tax rates may contribute significantly to improved compliance among taxpayers. Considering the contextual factors, Inasius and Nusantara (2015) argue that the impact of tax knowledge on compliance is contingent upon the fairness of the tax system. This introduces a nuanced dimension, emphasizing the importance of a just and equitable taxation framework. Oktaviani et al. (2020) introduce a contemporary perspective, suggesting that utilizing internet media for disseminating information about tax regulations positively correlates with heightened taxpayer awareness and knowledge. This underscores the evolving role of technology in shaping tax education strategies.

Edy et al. (2021) assert a direct link between tax competence and compliance, emphasizing the need for taxpayers to comprehend legal guidelines and policies for effective adherence. Luis (2019) highlights the potential risks faced by business owners due to a lack of understanding, emphasizing the critical role of tax knowledge in navigating the complexities of tax laws. The study by Bernard et al. (2018) emphasizes how knowing about taxes is crucial for people to understand and follow tax laws. Paco and Quezon (2022) add that factors like education, fines, and knowing about taxes affect whether people pay taxes properly. They suggest teaching about taxes early on in schools, which Herawati et al. (2022) support. They say it should start from when kids are young and continue through college, as part of teaching good character. Ghani et al. (2020) say knowing about taxes helps people feel more in control of their taxes. Freudenberg et al., (2017) cited McKerchar found out that the age of small business owners doesn't really change how much they know about taxes. Meanwhile, Musimenta (2020) suggests that governments should do more to teach people about taxes, through things like meetings, seminars, rewards, and even going door-to-door to explain things. Formanová et al. (2021) found that gender doesn't affect how much people know about taxes either. Isle et al. (2018) also found that small business owners who've been around a long time tend to know less about taxes, relying more on experts for help.

According to Andriani et al. (2021), compliance can be compared as a joint solution to the collective action problem. Identifying the factors that lead to collaboration is critical in promoting compliance. In line with this perspective, Musimenta (2020) defines compliance costs as operational expenses that erode taxable earnings or potentially raise the prices of goods and services. In delving deeper, Granfon et al. (2023) highlight the importance of the tax rate imposed on firms as viewed by taxpayers. A rise in tax rates serves as a barrier, causing taxpayers to avoid compliance by concealing income or profits and resorting to illegal increases in costs. Tax authorities are concerned about compliance behavior because it has a direct impact on tax collection, affecting the state's ability to achieve economic and societal goals Sapiei et al., 2014, cited by Bornman & Ramutumbu (2019). In addition, Deskar-krbi et al. (2018) demonstrate the significant impact of taxes on economic employment patterns. Excessive taxation, by distorting work incentives, can impair the labor market's proper functioning. This observation emphasizes the complex interplay of taxation policies and their effects on both compliance behavior and broader economic dynamics.

Cruz's (2022) challenges faced by businesses, citing tax rates and administration as significant hurdles in their day-to-day operations. The World Bank Enterprise surveys, referenced in the report, emphasize the need for a nuanced approach to classifying taxpayers. The conventional one-size-fits-all methodology is critiqued for not accounting for variations in the capacities of different businesses to comply with their tax obligations. The impact of the COVID-19 pandemic is also acknowledged, exacerbating existing limitations on tax compliance and prompting a call for the digitalization of tax services to streamline procedures. Streeter (2022) notes that tax regulations play a pivotal role in shaping how entrepreneurs structure their businesses and optimize investment and borrowing activities. Interestingly, Murray (2022) posits that most small enterprises do not directly pay business taxes, as sole proprietors incorporate these taxes into their personal income tax returns, necessitating awareness of individual tax rates.

Erdiansyah and Khoirunurrofik (2021) underscore the prevalent belief among micro and small-scale taxpayers in the commerce sector that they should only pay taxes and are not obligated to file annual tax returns. Despite a high level of awareness in the SME sector, the inclination to pay taxes is evidently not aligned with their actions, largely influenced by sales rather than profit and exacerbated by high tax rates, rendering numerous SMEs incapable of meeting their tax obligations.

NTRC's study (2019) reveals that more than half of the total tax collection from NI&P during a specific period came from corporations, followed by individuals and final withholding tax on interest income. Abdul and McFie (2019) introduce the critical dimension of fairness in the tax system, positing that taxpayers are more likely to comply if they perceive the tax system as fair. However, they caution against the detrimental impact of complexity, particularly procedural complexity, on tax fairness, emphasizing the need for clear and transparent tax regulations. Shiferaw & Tesfaye (2020) revealed that older taxpayers tend to have a more positive attitude toward tax compliance compared to younger ones. They suggest that this could be because younger taxpayers, being newer to the tax system, tend to take more risks and have less developed moral obligations to pay taxes. However, Muslim (2020) contradicts this finding, asserting that the younger generation actually demonstrates higher tax compliance. Younger individuals are more adaptable to changes in tax regulations and find it easier to use online systems for tax reporting, which are preferred by younger taxpayers. Conversely, older taxpayers often encounter difficulties in using information technology to fulfill their tax obligations.

Fauziati and Kassim's (2018) findings challenge assumptions regarding the impact of age, industry, and firm size on tax compliance costs. The assertion that both established and newer businesses face similar challenges in meeting their tax obligations regardless of their age or size adds a layer of complexity to the understanding of tax compliance dynamics. Guztaman & Djamaluddin (2019) argue that the tax penalty and the age of registration have minimal impact on micro, small, and medium taxpayers' compliance. On a different note, Aladejebi (2018) finding regarding the gender dimension in tax compliance introduces a unique perspective, indicating that female SMEs demonstrate a higher degree of adherence to government rules compared to their male counterparts. This assertion is backed by the study conducted by Yimam & Asmare (2020), which indicates that businesses owned by women exhibit higher levels of tax compliance when compared to enterprises owned by men. This observation prompts consideration of gender as a potential factor influencing compliance behavior. However, tax compliance and knowledge of business income are not significantly correlated. According to OECD.org (2021), taxpayer education is highlighted as a crucial tool for enhancing the willingness of individuals and businesses to voluntarily fulfill their tax obligations. It also plays a vital role in mobilizing the tax revenues urgently required to achieve the sustainable development goals. Additionally, the findings of Shiferaw & Tesfaye (2020) align with this perspective, indicating that as the level of education increases, the

level of tax compliance decreases, potentially resulting in higher tax evasion. Dunkelberg (2021) emphasizes that taxes pose a financial and administrative burden for small firms, constraining their ability to invest in business growth and employee development. Tee et al. (2016) point out that increases in tax rates lead to a decline in consumption and sales volumes, limiting profitability and impeding the growth of SMEs. Nguyen (2022) warns that high tax rates may induce taxpayers to conceal earnings when filing returns, potentially leading to tax evasion and arrears. Gregory (2022) highlights the crucial role of a small business owner's accountant in navigating financial rules, managing payment processes, and ensuring accurate tax filings. RESMI et al. (2021) posit that MSMEs equipped with a comprehensive understanding of finance and taxation experience higher business growth and maintain a competitive edge.

Synthesis : All of the previously reviewed literature and studies were cited when discussing the study's variables. The data collected from diverse platforms was shown to facilitate comprehension of the study's underlying assumptions. Tax literacy and compliance are important aspects of people's financial behaviors and responsibilities in society. Research highlights the importance of tax literacy for understanding tax issues, managing personal budgets, and making informed financial decisions (Mouková and Vtek, 2018; Lyon and Catlin, 2020; Refia Wiquar et al., 2022; Dr. Mridula Singhal & Ankit Verma, 2021). Tax literacy is important, but there isn't a standardized method for evaluating it yet. Scholars, on the other hand, agree that tax literacy plays an important role in promoting tax compliance, as people who understand tax laws and regulations are more likely to fulfill their tax obligations willingly and accurately (Bornman & Ramutumbu, 2019; Kaur and Sekhon, 2022).

On the other hand, tax compliance describes the conscious decision made by taxpayers to abide by the rules and laws pertaining to taxes, guaranteeing that taxes are paid on time and correctly. It also involves income disclosure, filing returns, and meeting tax deadlines (Çetin Gerger, 2021; StudySmarter UK, n.d.; Odabaş and Erdem, 2023). Individuals' willingness to follow tax laws, their perception of fairness in the tax system, and the potential consequences of noncompliance all influence their motivation for tax compliance (Gangl and Torgler, 2019; De Neve et al., 2021; Abdu and Adem, 2023). The literature on tax literacy and compliance emphasizes the importance of education in promoting taxpayer compliance. Kwok & Yip (2018) advocate for comprehensive educational initiatives to enhance tax literacy, which not only increases taxpayers' readiness to comply but also shapes their moral perspectives on taxation. Furthermore, numerous studies, including those by Kurniawan (2020), Nurkhin et al. (2018), Hardika et al. (2021), and Aondo & Sile (2018), show a consistent positive relationship between tax knowledge and compliance behavior. Understanding tax laws, obligations, and rates has been shown to significantly improve taxpayer compliance, highlighting the value of educational interventions.

However, the literature provides detailed perspectives on the impact of tax knowledge on compliance. While some studies highlight the benefits of tax education, others, such as Fauziati et al. (2020) and Wijayanti et al. (2020), argue that tax knowledge may not have a significant impact on compliance behavior. According to Inasius and Nusantara (2015), contextual factors such as tax system fairness play an important role in shaping the relationship between tax knowledge and compliance. This highlights the complexities of the compliance landscape, emphasizing the importance of tailored strategies that take into account a variety of contextual factors. Furthermore, the literature emphasizes the importance of tailored approaches to raising tax awareness across different business sectors, particularly Micro, Small, and Medium Enterprises (MSMEs). Education plays a pivotal role in promoting compliance, with tax education initiatives enhancing taxpayers' readiness and moral considerations related to taxation (Kwok & Yip, 2018). However, the impact of tax knowledge on compliance varies, with some studies emphasizing its positive influence (Kurniawan, 2020) and others finding no significant correlation (Fauziati et al., 2020). Factors such as gender, age, and industry sector also contribute to compliance dynamics (Stanley, 2021; Granfon et al., 2023). Omondi and Theuri (2019) advocate for increased tax knowledge among small business owners to promote better compliance. The role of taxpayer education is highlighted as essential for enhancing voluntary tax compliance (OECD.org, 2021). Furthermore, external factors such as tax rates, administration, and perceptions of fairness in the tax system have a significant impact on compliance behavior, as noted by Cruz (2022) and Streeter (2022). These findings emphasize the multifaceted nature of compliance and the importance of comprehensive strategies that address the various factors influencing taxpayer behavior.

Furthermore, studies such as Aladejebi (2018) introduce a gender dimension to tax compliance, implying that female SMEs adhere to government rules more than male counterparts. This emphasizes the importance of gender dynamics in understanding compliance behavior and designing targeted interventions. Overall, the

literature review emphasizes the complex interplay between tax knowledge, contextual factors, and external circumstances in shaping taxpayer compliance. Effective strategies to improve compliance necessitate a thorough understanding of these dynamics, as well as tailored approaches that take into account taxpayers' diverse needs across sectors and settings. The literature about tax literacy and tax compliance was gathered from a variety of sources, drawing upon insights from researchers in diverse fields such as education, government, law, and business. This extensive collection of information served as the foundation for the present study, contributing to a more comprehensive understanding of the subject and facilitating the development of relevant hypotheses.

Research Gaps : This study addresses a gap in the existing literature because these existing problems have received little attention in local research, particularly in the Philippine context. The study offers insightful information on tax literacy and tax compliance; however, there are a number of research gaps that need to be filled. First, there is a need to investigate the underlying reasons behind tax literacy, specifically how factors such as trust in government and filing knowledge interact to shape individuals' responses toward taxation. Furthermore, while the positive impact of tax education on compliance is recognized, an in-depth review of specific components of tax education and their effectiveness in improving compliance is needed. Given the increasing dependence on technology in tax systems, there is a knowledge gap regarding the role of digital platforms, online media, and technology-based approaches in increasing taxpayer awareness and compliance. In addition, there is an opportunity to offer potential strategies or tools for enhancing taxpayer tax literacy on a global scale on the role of technology in tax compliance. Although the study touches on psychological aspects of taxpayer behavior, more research into attitudes, perceptions, and motivations could provide a better understanding of the underlying factors influencing compliance decisions. Finally, investigating the broader societal consequences of tax compliance policies, such as their impact on social services and citizen well-being, would help us gain a more complete understanding of the dynamics between tax literacy and tax compliance. Addressing these research gaps would improve the study's contribution to effective field policy recommendations.

III. RESEARCH METHODOLOGY

The research methodology that was utilized was specifically covered in this chapter. It included a discussion of research design, locale, population and sampling, instruments and validation, data gathering procedure, ethical considerations, and the treatment of quantitative data. This provided relevant information required for developing a thorough understanding of the variables to be studied.

Research Design : The study primarily described tax literacy and tax compliance of selected microbusinesses in Cabuyao City. In doing so, it made use of quantitative research and descriptive correlational design. Quantitative research design, as described by Bhandari (2022), entailed the procedures of collecting and analyzing numerical data. It was used to establish hypotheses, find patterns and averages, examine causality, and extrapolate results to broader populations. Furthermore, correlational design was employed to determine the significant relationship between tax literacy and tax compliance. According to Creswell & Creswell (2018), correlational design is a non-experimental research method in which the degree of association (or relationship) between two or more variables or sets of scores is described and measured using the correlational statistic.

Research Locale : The research was conducted in selected microbusinesses located in Cabuyao City, Laguna. Cabuyao City was chosen as the research locale due to the noticeable growth and emergence of diverse microbusinesses in the area, which sparked interest for the study. The choice of Cabuyao City as the research location provided a local context for understanding the dynamics of tax literacy and tax compliance among selected microbusiness owners in the area.

Respondents of the Study : The purpose of this research was to measure the relationship between tax literacy and tax compliance among specific microbusinesses in Cabuyao City. There are thirty-three (33) microbusiness respondents, which include microbusiness owners, bookkeepers/accountants, and assigned personnel. By examining the relationships among these variables, the research use Slovincs formula as basis on the total acceptable number of respondents. The respondents will be able to provide valuable insights into the factors influencing the financial performance of microbusinesses in the specific locality.

Sampling Design : The focus of the study revolved around microbusinesses, specifically auto parts and motor parts shops situated in Cabuyao City, Province of Laguna. These microbusinesses were officially registered with the Cabuyao City office and were also recognized by the Bureau of Internal Revenue (BIR) as taxpayers. For respondents' selection, a population and simple random sampling method was utilized.

This method involved the researcher considering a selected number of participants drawn from the population data; selecting participants based on specific criteria aligned with the study's objectives. Microbusiness owners were identified through local business directories and city registration offices, with selection criteria including diverse factors such as years in business, business sector, and educational attainment. Bookkeepers/accountants and assigned personnel associated with these microbusinesses were also included, ensuring representation from various professional roles. Additionally, the sampling deliberately encompassed businesses from different areas, varied educational backgrounds, and geographically distributed locations within Cabuyao City. This population and sampling approach aimed to provide depth and specificity, capturing a diverse range of experiences and perspectives relevant to the study's objectives.

Instrumentation and Validation : The research instrument employed in this study was a self-made survey questionnaire. To ensure its relevance and effectiveness, the questionnaire drew upon ideas and compiled literature in the field, providing valuable information for addressing the research issues. To ensure accurate data collection and interpretation, a two-part survey and questionnaire were created. Each question was carefully crafted to be easily understood by the average individual. The First part of the questionnaire focused on the profile of the respondents followed on the next segment, assessing the tax literacy and tax compliance of microbusinesses in Cabuyao City. The third part aimed to measure the significant relationship of tax literacy and tax compliance of microbusinesses in Laguna. The questionnaire utilized a Four-Point Likert Scale, accompanied by verbal interpretations as a guide. This scale allowed respondents to express their level of agreement or disagreement with each statement presented in the questionnaire. The use of the Likert Scale, combined with verbal interpretations, enabled the researcher to quantitatively analyze the responses and gain a comprehensive understanding of tax literacy and tax compliance of microbusinesses in Laguna. The rating scale used to assess the level of tax-related variables in the study consisted of four categories, each associated with a weight, a categorical response, and a verbal interpretation.

To ensure validity and reliability, a thorough validation procedure was applied to the self-made survey questionnaire. The questionnaire underwent review and approval by a panel of experts, including a technical expert, statistician, and research advisor. Their expertise and contributions helped to improve the instrument by providing valuable feedback and recommendations. The instrument was carefully enhanced, taking into account the reviewers' specific recommendations and remarks. The study was revised to improve its clarity, relevance, and alignment with the research objectives. Any additions or deletions to questionnaire components were made in accordance with Pamantasan ng Cabuyao's research policies. Prior to real data collection, the Cronbach's Alpha test was used to evaluate the reliability and internal consistency of the questionnaire. Cronbach's Alpha is a statistical measure used to assess the precision and reliability of a survey. It determines the degree to which a set of Likert-type questions and scales are interconnected, indicating their reliability and validity in measuring the intended construct. The result on Cronbach's Alpha coefficients of $\alpha= 0.72$ for the tax literacy variables, and $\alpha= 0.81$ for the tax compliance variables.

Evaluation and Scoring:

To Determine the Level of Tax Literacy and Tax Compliance Rating Weight with Descriptive Equivalents.

Assigned Points	Range	Categorical Response	Verbal Interpretation
4	3.26-4.00	Strongly Agree	Very High
3	2.51-3.25	Agree	High
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very Low

Data Gathering Procedure : Before collecting the data to measure the tax literacy and tax compliance among selected microbusiness in City of Cabuyao, the researcher submitted a letter addressing to the Business Permit and Licenses Office (BPLO) and DTI Cabuyao to request a list of registered microbusinesses in Cabuyao. After the researcher gather the data it continues in requesting permission to conduct the study in the respondents. The data collection process in this research involved a combination of a Google Form and printed survey questionnaires to gather information from the respondents. To ensure proper authorization and access to the initial records of respondents, a consent letter was drafted and submitted to microbusiness owners in Cabuyao City. The survey instruments were administered either directly by the researcher or provided electronically, based on the respondents' preferences, following the acquisition of consent. The researcher proceeded to extract data from both completed paper questionnaires and electronic submissions.

The responses to the research questions were carefully computed, ranked, and tabulated to make the process of

later data analysis, presentation, and final reporting easier. These methods enabled a thorough analysis of the data, uncovering patterns, trends, and insights relevant to the objectives of the study. Acknowledging the significance of accurate statistical procedures and data handling, the researcher enlisted the support of a statistician. Collaborating with a statistician ensured that the gathered data underwent proper analysis and interpretation using suitable statistical techniques. This collaboration played a crucial role in guaranteeing the precision and reliability of the study's findings.

Treatment of Data / Thematic Process : To appropriately analyze the data, the research employed various statistical methods. The statistical treatments applied to the collected data encompassed the following techniques:

Frequency and Percentage. To determine the number of profile per variable.

Weighted Mean. was used to determine the relationship between the level of tax literacy and tax compliance of microbusinesses in Cabuyao City.

T-Test. was used to determine the difference between the variables when grouped according to profile.

Pearson Product Moment Correlation Coefficient. was used to utilized to establish significant relationships between tax literacy and tax compliance of microbusinesses in Cabuyao City.

Ethical Consideration : This study outlined its goals and assured respondents that their answers would be used only for academic research and would be kept completely confidential due to the sensitive nature of the subject. Participation was encouraged while protecting respondents' privacy by allowing them to remain anonymous and withhold specific details such as their name and business information. By recognizing the significance of accurate citation, the researcher further maintained academic integrity. The original sources of all concepts, theories, and idioms used in the research were duly acknowledged and cited. Keeping scholarly integrity and avoiding plagiarism required the practice of giving credit to earlier works and researchers. The researcher ensured that the participants' rights, privacy, and well-being were respected by abiding by ethical standards. The study was carried out with the highest ethical standards in mind, ensuring that the research process was carried out responsibly and ethically.

IV. RESULTS AND DISCUSSION

This chapter discussed the interpretation and analysis of data collected to explore the research problems. The study attempted to determine the relationship between tax literacy and tax compliance, as well as the levels across various profile backgrounds.

1. Demographic Profile of Microbusiness Owners

Table 1.1
Profile of respondents in terms of Age

Age	Frequency	Percentage
25 and below	6	18.18
26 - 30	10	30.30
31 - 35	3	9.09
36 - 40	4	12.12
40 and above	10	30.30
Total	33	100.00%

The highest number of respondents, representing 30.30% or 10 individuals, fell within the 26-30 and 40 and above age range, followed by 18.18% or 6 individuals in the 25 and below age group as shown in Table 1.1. The 36-40 age group had 12.12% or 4 respondents, while the least number of respondents were in the 31-35 age group with only 9.09% or 3 respondents.

This demonstrates that the majority of microbusiness owners were on the ages of 26-30 years old and 40 years old and above. This is due to the fact that on this age range where people explore opportunity in building a business after years of employment. This was supported by Monzon (2023), presenting the survey done by OCTA Research for Go Negosyo, interviewing 1,200 Filipinos aged 18 and above from various economic

backgrounds. The survey revealed that 31 percent of respondent's desire to manage their own time and schedule, which emerged as the primary motivation for venturing into entrepreneurship. Furthermore, Gamad (2017) found that the majority of enterprise owners are middle-aged women between 31 and 40 years old, running sole proprietorship businesses that are family-owned and operated independently. Additionally, Lin (2024) reported data from a recent study showing that Generation X individuals continue to be the largest group among small business owners, comprising 47% of the total. Generation X, as defined in the study, includes individuals aged 39 to 54 in the year 2024.

Table 1.2
Profile of respondents in terms of Gender

Gender	Frequency	Percentage
Male	17	51.52
Female	16	48.48
Total	33	100.00%

The majority of microbusiness owner respondents, comprising 51.52% or 17 individuals, were male. The remaining microbusiness owner respondents were female, with a frequency of 16 or 48.48% as illustrated in

Table 1.2. The result indicates that there is a higher proportion of male microbusiness owner compared to female microbusiness owner in Cabuyao City Laguna. This could be linked to the type of business being operated, which involves motorshop and parts supply and auto parts supply. It is possible that these fields have traditionally been male dominated due to the nature of business being operated. Inconsistent with the findings of the survey conducted by the Asian Development Bank (2023) which found that most women-owned microenterprises were sole proprietorships without employees, the survey showed a different trend for male-owned microenterprises.

Table 1.3
Profile of respondents in terms of Educational Attainment

Educational Attainment	Frequency	Percentage
High School Undergraduate	1	3.03
High School Graduate	7	21.21
College Graduate	18	54.55
College Undergraduate	5	15.15
Post Graduate (Masteral, Doctorate)	2	6.06
Total	33	100.00%

The majority of the respondents held a college degree, with 18 microbusiness owner representing 54.55% of the total as shown in Table 1.3. The next highest frequency was for high school graduates, with 7 respondents accounting for 21.21% of the total, followed by college undergraduates with a frequency of 5 or 15.15%. There were also small numbers of respondents who completed post graduate (masteral, doctorate), with a frequency of 2 or 6.06%, while the least number of respondents were high school undergraduate with only 3.03% or 1 respondent. However, there was no data available for respondents who completed elementary education, senior high undergraduate, senior high graduate and other completed education. This reveals that a significant proportion of the microbusiness owner in Cabuyao City has earned a college graduate or academic degree, which suggests that a large number of the microbusiness owner have completed tertiary education. This is due to the scope of business in Cabuyao City, which requires skills and knowledge that are typically acquired through higher education. It is possible that the microbusiness owner must have a certain level of educational attainment to perform their duties effectively and to accomplish all needed requirements of government to continue the operation of their business. Expanding on these findings, Idian et al. (2022) discovered that business owners with college degrees' experience higher levels of growth in their businesses. This suggests that higher levels of education among owners/managers are associated with better ability to manage and improve business operations.

Table 1.4
Profile of respondents in terms of Year in Business

Years in Business	Frequency	Percentage
5 and below	19	57.58
6 – 10	8	24.24
16 – 20	4	12.12
20 and above	2	6.06
Total	33	100.00%

Table 1.4 depicted the highest number of respondents have operated the business for 5 years and below, accounting for 19 or 57.58% of the total, followed by those who have been in business for 6-10 years with a frequency of 8 or 24.124%. Meanwhile, 4 microbusiness owners or 12.12% of the total have been in the business for 16-20 years, and 2 or 6.06% have operated for 20 years and above, however none of the microbusiness owner are in the business for 11-15 years. It implied that the largest group of microbusiness owner in Cabuyao City have been operated their business for 5 years and below. This was due to the fact that the age group of 26-30 years old and 40 years old and above, which was mostly composed of millennials, was the largest in the age group. According to Pascua et al. (2023), a significant percentage of micro-enterprises have been in operation for five years or less, with some even reaching 16 to 20 years. The lockdown measures have had a notable impact on their working capital, with many microenterprises reporting shortages in funds necessary to sustain or resume their operations.

2. Level of Tax Literacy

Table 2
Tax Literacy Level among Selected Microbusiness in Cabuyao City

Indicators in terms of Tax Literacy	\bar{X}	VI	Rank
1. Confident in understanding of basic tax concepts, such as income, deductions, and credits.	3.24	High	3
2. Knowledgeable about the different tax forms required for filing my taxes.	3.24	High	3
3. Aware of the various taxes applicable to the business.	3.27	High	2
4. Maintain accurate and organized records of any business transactions for tax purposes.	3.21	High	4
5. Familiar with the documentation required to support tax deductions and credits.	3.27	High	2
6. Knowledgeable about the allowable business expenses and deductions for tax purposes.	3.24	High	3
7. Aware of the deadlines for submitting various tax forms related to the business.	3.30	High	1
8. Have good understanding of the tax codes and regulations relevant to the business.	3.24	High	3
9. Knows when to consult tax professionals to ensure accurate and optimal tax filings.	3.27	High	2
10. Knows how to handle a tax audit for the business.	3.21	High	4
Average Weighted Mean	3.25	High	

Legend: 3.50 - 4.00 Strongly Agree (SA) / Very High (VH); 2.50 - 3.49 Agree (A) / High (H); 1.50 - 2.49 Disagree (D) / Low (L); 1.00 - 1.49 Strongly Disagree (SD) / Very Low (VL)

Table 2 showed that the level of tax literacy among selected microbusiness in Cabuyao City had a average weighted mean of 3.25 which was verbally interpreted as Agree (A)/ High. Furthermore, the indicator “Aware of the deadlines for submitting various tax forms related to the business” had the highest computed mean of 3.30 which was verbally interpreted as Agree (A)/ High. The indicator “Maintain accurate and organized records of any business transactions for tax purposes and Knows how to handle a tax audit for the business” had the lowest computed mean of 3.21 and was interpreted as Agree (A)/ High. The average weighted mean of the level of tax literacy among selected microbusinesses in Cabuyao City,

As revealed by the overall mean score of 3.25 and the categorical response for the overall assessment of "agree," indicates a high level of tax literacy among the respondents. It shows that microbusiness owners in Cabuyao City generally have a good understanding of tax matters. This is because they have learned about taxes before and during their business ventures, often seeking advice from accountants and tax professionals. Additionally, they utilize available resources like social media tutorials to grasp taxation concepts before starting and while running their businesses. In support of the findings, the study of Newman et al. (2018) demonstrated that tax education enhances taxpayers' ability to comply and influences their moral perspectives on taxation. Similarly, Omondi & Theuri (2019) advocate for increased tax knowledge among small and medium-sized business owners, highlighting its potential for improving compliance and benefiting both governments and taxpayers. Furthermore, Ghani et al. (2020) emphasize tax knowledge as an empowering tool for navigating the tax system effectively. Additionally, Musimenta (2020) suggests government initiatives such as symposiums, seminars, incentives, and door-to-door sensitization to educate taxpayers and bridge knowledge gaps.

3. Level of Tax Compliance

Table 3
Tax Compliance Level among Selected Microbusiness in Cabuyao City

Indicators in terms of Tax Literacy	\bar{X}	VI	Rank
1. Designate a tax professional or team responsible for ensuring compliance.	3.27	High	2
2. Ensure timely filing of all necessary tax payment.	3.30	High	1
3. Applies relevant laws in filing applicable taxes of the business.	3.24	High	3
4. Follows ethical practices in tax planning to minimize tax liability.	3.30	High	1
5. Ensures open and transparent communication with tax authorities.	3.27	High	2
6. Handle any inquiries or notices from tax authorities promptly and appropriately.	3.27	High	2
7. Report earnings received from any transactions	3.24	High	3
8. Align tax strategy with evolving regulations and long-term business goals.	3.24	High	3
9. Pay taxes without considering methods to minimize them.	3.12	High	5
10. Have been voluntarily pay business taxes.	3.21	High	4
Average Weighted Mean	3.25	High	

Legend: 3.50 - 4.00 Strongly Agree (SA) / Very High (VH); 2.50 - 3.49 Agree (A) / High (H); 1.50 - 2.49 Disagree (D) / Low (L); 1.00 - 1.49 Strongly Disagree (SD) / Very Low (VL)

Table 3 demonstrates that the overall level of tax compliance among microbusinesses in Cabuyao City received an average weighted mean of 3.25, which corresponds to an interpretation of "Agree (A)/ High". Among the indicators, "Ensure timely filing of all necessary tax payments and Follow ethical practices in tax planning to minimize tax liability" garnered the highest computed mean of 3.30 which was verbally interpreted as Agree (A)/ High, indicating a strong agreement with this aspect of tax compliance. The indicator "Pay taxes without considering methods to minimize them" had the lowest computed mean of 3.12 which was verbally interpreted as Agree (A)/ High, still indicating agreement with this aspect of tax compliance, even if is a slightly lesser extent compared to the other indicators. The average weighted mean of the level of tax compliance among selected microbusinesses in Cabuyao City, as revealed by the overall mean score of 3.25 and the categorical response for the overall assessment of "agree," indicates a high level of tax compliance among the respondents. It shows that Cabuyao City's microbusiness sector reveal a strong dedication to tax compliance. Scores for key indicators like timely payments and ethical tax planning are notably high, reflecting a commitment to fiscal responsibility. Additionally, there's a clear emphasis on designated professionals and transparent communication, indicating a proactive approach to compliance. Microbusinesses also demonstrate adherence to laws and alignment with business goals, coupled with a prevalent practice of voluntary tax payments. While active tax minimization isn't a primary focus, overall compliance remains robust, portraying a realistic picture of conscientious tax practices within the local microbusiness. As mentioned by Çetin Gerger (2021), tax compliance involves taxpayers consciously adhering to established tax laws and regulations, ensuring the punctual and precise payment of taxes. De Neve et al. (2021) further elaborate that tax compliance encompasses both accurately reporting taxable income and promptly fulfilling tax duties. Echoing these sentiments, Buted

(2022) underscores the potential negative effects of taxation, highlighting the importance for taxpayers to engage with clean intentions to secure legal protections.

4. Significant difference on the level of tax literacy when the respondents are grouped according to profile variables.

Table 4.1

Test of Significant Difference on the level of tax literacy when the respondents are grouped according to Age

Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision
Tax Literacy	Between Groups	0.98	4	0.25	1.04	.41 No Significant	Accept H ₀
	Within Groups			0.24			
	Total	6.66	28				
		7.64	32				

Level of significance if p-value ≤ 0.05

As shown in Table 4.1, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their age. The generated computed probability value of tax literacy was **.41** which was greater than the level of significance of 0.05; thus, the **null hypothesis was accepted**. Based on the results, it was show that regardless of age, respondents demonstrated similar levels of tax literacy. One possible reason for this could be that everyone had access to the same educational resources, like government programs or online information, and were influenced by similar cultural and economic factors. According to research cited by Freudenberg et al., (2017), McKerchar discovered that the age of small business owners didn't appear to affect their level of tax knowledge.

Table 4.2

Test of Significant Difference on the level of tax literacy when the respondents are grouped according to Gender

Variable	Category	Mean	p-value.	Remarks	Decision
Tax Literacy	Male	3.34	0.28	No Significant	Accept H ₀
	Female	3.16			

Level of significance if p-value ≤ 0.05

As shown in Table 4.2, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their gender. The generated computed probability value of Tax Literacy was **.28** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**.

The study's findings showed that the tax literacy of microbusinesses was not significantly different based on the gender of the owner. This was supported by Formanová et al. (2021), who found no gender effect on taxpayers' tax literacy levels.

Table 4.3

Test of Significant Difference on the level of tax literacy when the respondents are grouped according to Educational Attainments

Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision
Tax Literacy	Between Groups	1.73	4	0.25	2.05	.11 No Significant	Accept H ₀
	Within Groups			0.24			
	Total	5.92	28				
		7.64	32				

Level of significance if p-value ≤ 0.05

As shown in Table 4.3, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their highest educational attainment. The generated computed probability value of Tax Literacy was **.11** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**.

The result showed that the perceived level of tax literacy among microbusiness owners didn't significantly differ based on their highest educational attainment, contradicting to Stanley (2021), who found a correlation between education level and tax literacy, and mentioned that the more education someone had, the more they knew about taxes. This idea was backed up by, Herawati et al. (2022) state that tax awareness should begin early and be integrated into education at all levels, from childhood to higher education, through character education programs that include tax literacy components.

Table 4.4

Test of Significant Difference on the level of tax literacy when the respondents are grouped according to Years in Business

	Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision
Tax Literacy	Between Groups	0.36	3	0.25	0.46	.71	No Significant	Accept H ₀
	Within Groups							
	Total	7.51	29	0.24				
		7.87	32					

Level of significance if p-value ≤ 0.05

As shown in Table 4.4, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their number of years in business. The generated computed probability value of Tax Literacy was **.71** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**. The result suggests that the years in business among microbusiness in Cabuyao city has nothing to do with tax tax literacy. This idea is supported by Isle et al. (2018), who found that small business owners who have been in business for a while are less knowledgeable about taxes and rely more on advisors to handle their tax responsibilities.

5. Significant difference on the level of tax compliance when the respondents are grouped according to profile variables.

Table 5.1

Test of Significant Difference on the level of tax compliance when the respondents are grouped according to Age

	Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision
Tax Literacy	Between Groups	0.88	4	0.22	1.00	.42	No Significant	Accept H ₀
	Within Groups	6.16	28	0.22				
	Total	7.04	32					

Level of significance if p-value ≤ 0.05

As shown in Table 5.1, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their age. The generated computed probability value of Tax Compliance was **.42** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**.

Based on the results, it was show that regardless of age, respondents demonstrated similar levels of tax compliance. One possible reason for this could be is that everyone feels a responsibility to pay taxes, whether they are young or old. Another thing is they worries about getting in trouble if they don't comply, or just thinks it's the right thing to do. In contrast to other research, age can influence how people follow tax rules. Shiferaw & Tesfaye (2020) found that older taxpayers tend to obey tax rules better than younger ones. This might be

because younger taxpayers are new to taxes, they like taking risks, and they might not feel as strongly about paying taxes. On the other hand, Muslim (2020) says that younger people usually follow tax rules better. They're more open to new tax rules and can easily use online systems to report taxes. Older people might struggle more with using technology for taxes.

Table 5.2

Test of Significant Difference on the level of tax compliance when the respondents are grouped according to Gender

Variable	Category	Mean	p-value.	Remarks	Decision
Tax Literacy	Male	3.34	0.36	No Significant	Accept H ₀
	Female	3.18			

Level of significance if p-value ≤ 0.05

As shown in Table 5.2, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their gender. The generated computed probability value of Tax Compliance was **.36** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**.

The study found that whether microbusiness owners were male or female didn't make a big difference in how well they comply on tax rules. This goes against what some other studies, like Aladejebi (2018), have found that female-owned businesses tend to follow government rules better than male-owned ones. Yimam & Asmare (2020) also said that businesses owned by women are more likely to follow tax rules compared to those owned by men.

Table 5.3

Test of Significant Difference on the level of tax compliance when the respondents are grouped according to Educational Attainments

Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision	
Tax Literacy	Between Groups	0.83	4	0.21	0.93	.46	No Significant	Accept H ₀
	Within Groups	6.22	28	0.22				
	Total	7.04	32					

Level of significance if p-value ≤ 0.05

As shown in Table 5.3, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their highest educational attainment. The generated computed probability value of Tax Compliance was **.46** which was more than the level of significance of 0.05; thus, the **null hypothesis was accepted**.

The results revealed that the level of tax compliance perceived by microbusiness owners did not significantly vary based on their highest educational attainment, which contradicts the study of Paco and Quezon's study (2022), they said that education level, fines, and knowing about taxes are important for following tax rules. This was supported by the research of OECD.org, (2021) stated that teaching people about taxes can help them want to pay taxes.

Table 5.4

Test of Significant Difference on the level of tax compliance when the respondents are grouped according to Years in Business

Variable	Sum of squares	df	Mean square	F Ratio	Sig.	Remarks	Decision
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Tax Literacy	Between Groups	0.47	3	0.16	0.72	.55	No Significant	Accept H ₀
	Within Groups							
	Total	6.33	29	0.22				
		6.79	32					

Level of significance if $p\text{-value} \leq 0.05$

As shown in Table 5.4, there was **no significant difference** on the responses of the groups of respondents on the above-mentioned variables when grouped according to their number of years in business. The generated computed probability value of Tax Compliance was **.55** which was more than the level of significance of 0.05; thus, **the null hypothesis was accepted**.

The result suggests that the years in business among microbusiness in Cabuyao city has nothing to do with tax compliance. This is supported by research from Fauziati and Kassim (2018), who assert that both established and newer businesses face similar challenges in meeting tax requirements, regardless of age or size. Furthermore, Guztaman and Djameluddin (2019) state that tax penalties and registration age have little effect on micro, small, and medium-sized taxpayer compliance.

6. Significant relationship between tax literacy and tax compliance.

Table 6

Test of Significant Relationship on Tax Literacy and Tax Compliance among selected microbusiness in Cabuyao City.

Independent Variable	Dependent Variable	r value	P value	Remarks	Decision
Tax Literacy	Tax Compliance	.72	.13	No Significant	Accept H ₀

**Correlational at the level 0.01

*Correlational at the level 0.05(Two-tailed)

Table 6 showed that there was **no significant relationship** on the independent and dependent variables. The test of significant relationship on tax literacy level and tax compliance level, the **r value .72** was interpreted as with strong positive correlation as to correlate tax literacy and tax compliance. The computed probability value of .13 was higher than the level of significance ($P < 0.05$); thus, **the null hypothesis was accepted**.

The results of the study show that there is no significant relationship on tax literacy and tax compliance, implying that increasing knowledge about tax laws, regulations, and the tax system does not always result in a change in how individuals or businesses comply tax laws. To further explain, some studies have shown a connection between knowing about taxes and following tax rules. Kwok & Yip (2018) agree with this idea, stating that learning about taxes can help people follow the rules better. They found that tax education not only helps taxpayers know what to do but also makes them think more about why paying taxes is important. Similarly, Nurkhin et al. (2018) emphasized that knowing about taxes makes people more likely to follow the rules. Additionally, Hardika et al. (2021) and Aondo & Sile (2018) found similar results, suggesting that the more people know about taxes, the more likely they are to follow the rules. However, Fauziati et al. (2020) disagreed, arguing that knowing about taxes doesn't really change how people follow the rules. Wijayanti et al. (2020) supported this viewpoint, stating that wanting to pay taxes isn't affected by knowing about tax rules. On the other hand, Inasius (2018) found that knowing about taxes doesn't change how small business owners follow the rules much, but it still has some effect.

7. Proposed Tax Related Program : The primary objective of this research was to determine the relationship between tax literacy and tax compliance. It will also examine the tax literacy and compliance levels across various profile backgrounds. Thus, this will create and build a solid foundation about the variable above and develop programs relating to developing tax literacy and compliance. According to the study's findings, tax literacy somehow influences the tax compliance of microbusinesses by integrating the result on the level of tax literacy and tax compliance. The Project, "TaxWISE Cabuyao" or Workshop Initiative for Successful

Entrepreneurial Taxation, was derived from the word "WISE", the acronym reflects the focus of the program on providing workshops and initiatives aimed at empowering microbusiness owners in Cabuyao City with the knowledge and skills necessary for successful tax management and compliance. The proposed program focused on "Enhancing Tax Literacy and Compliance among microbusiness owners in Cabuyao City". It was crafted due to the findings that tax literacy and tax compliance of the microbusiness owners in Cabuyao City is high. This program is designed to help these microbusiness owners learn even more about taxes to ensure they feel confident and know what they're doing regarding taxes. The program includes workshops, online resources, and partnerships with local groups. It ensures every microbusiness owner in Cabuyao City feels supported and ready to tackle their taxes. Project TaxWISE Cabuyao can be adapted by the LGU of Cabuyao City or used as a guide to provide more comprehensive workshop or training in relation to taxation.

Table 7

The Proposed Program
Project "TaxWISE Cabuyao"
Enhancing Tax Literacy and Compliance Program
 Workshop Initiative for Successful Entrepreneurial Taxation

KEY RESULT AREA	PROGRAMS / ACTIVITIES	OBJECTIVES	TIME FRAME	PERSONS INVOLVED	SOURCE OF FUND	SUCCESS INDICATORS
Enhancing Tax Literacy and Compliance Among Entrepreneurs in Cabuyao	<ul style="list-style-type: none"> • Conduct regular tax literacy workshops targeting microbusiness owners in Cabuyao, covering topics such as tax regulations, deductions, and compliance strategies. • Organize interactive seminars led by tax experts to address specific challenges faced by entrepreneurs in maintaining tax compliance. • Develop and distribute educational 	<ul style="list-style-type: none"> • Develop and distribute educational materials such as brochures, guides, and online resources to supplement workshop sessions and provide ongoing support. • Equip entrepreneurs with practical skills and tools to manage tax obligations effectively and efficiently. • Foster a culture of proactive tax compliance and responsible business practices 	Quarterly	<ul style="list-style-type: none"> -Local Government Unit -Business Owners - Tax experts and professionals 	<ul style="list-style-type: none"> - Allocation from the local government's budget for community development initiatives - Sponsorship and support from businesses and organizations. 	<p>Increase in the number of entrepreneurs attending workshops and seminars over time.</p> <p>Positive feedback and evaluations indicating improved understanding and confidence in tax-related matters.</p> <p>Reduction in tax-related errors and late filings among microbusinesses in Cabuyao.</p>

KEY RESULT AREA	PROGRAMS / ACTIVITIES	OBJECTIVES	TIME FRAME	PERSONS INVOLVED	SOURCE OF FUND	SUCCESS INDICATORS
	brochures, guides, and online resources to support workshops and provide continuous assistance.	within the local entrepreneurial community.				

V. SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter summarized the results, conclusions, and suggestions based on the data gathered and presented.

Summary of Significant Findings : After a comprehensive review of the data obtained, the following findings of the study were summarized in form.

1. Profile of employees in Company X in terms of:

- ✓ **Age**
- ✓ Most of the microbusiness owners' ages predominate in Cabuyao City were aged from 26-30 years old and 40 and above age with the frequency of 10 or 30.30%.
- ✓ **Gender**
- ✓ The largest percentage of microbusiness owner-responders at Cabuyao City were male, accounting for 17 or 51.52% of the total.
- ✓ **Educational Attainment**
- ✓ Most of microbusiness owner-respondents earned a college graduate/academic degree with a frequency of 18 or 54.55%.
- ✓ **Years in Business**
- ✓ A substantial number of microbusiness owner respondents had 5 years and below operation, with a frequency of 19 or 57.58%.

2. Level of Tax Literacy among selected microbusinesses in Cabuyao City

- ✓ It had an average weighted mean of **3.25** which was verbally interpreted as **Agree (A) / High (H)**.

3. Level of Tax Compliance among selected microbusinesses in Cabuyao City

- ✓ It had an average weighted mean of **3.25** which was verbally interpreted as **Agree (A)/ High (H)**.

4. Test of Significance Difference on the level of Tax Literacy when the respondents are Grouped according to Profile Variables

- ✓ The results revealed that age with p-value of .41, gender with p-value of .28, educational attainment with p-value of .11, and years in business with p-value of .71 which was higher than the level of significance of 0.05. and has no significant difference on the mean level of tax literacy when group according to these profiles.

5. Test of Significance Difference on the level of Tax Compliance when the respondents are Grouped according to Profile Variables

- ✓ The results revealed that age with p-value of .42, gender with p-value of .36, educational attainment with p-value of .46, and years in business with p-value of .55 which was higher than the level of significance of 0.05. and has no significant difference on the mean level of tax literacy when group according to these profiles.

6. Test of Relationship between Tax Literacy and Tax Compliance

- ✓ As to the test for correlation, the result found that there was a no significant relationship on tax literacy and tax compliance with computed probability value .13 was higher than the level of significance ($P < 0.05$); thus, the null hypothesis was accepted. The result showed that there was no significant relationship between the independent and dependent variable.

7 Proposed Tax Literacy and Tax Compliance Program

- ✓ As a result, a program was created for microbusinesses in Cabuyao City to improve tax literacy and compliance. This program aims to benefit the local government units (LGUs) in Cabuyao City by fostering a “taxwise” mindset among business owners, thereby increasing the compliance rate.

Conclusions

Based on the results of the study, the following conclusions have been attained:

1. That majority of microbusiness owner-respondents are part of the millennial generation, aged between 26-30 and 40 and above age, mostly males, and hold a college degree. Most all of them have been in business for 5 years and below.
2. That level of tax literacy among microbusiness owner in Cabuyao City is high.
3. That level of tax compliance among microbusiness owner in Cabuyao City is high.
4. The respondents level of tax literacy was the same regardless of age, gender, educational attainment, and years in business.
5. The respondents had the same view on their tax compliance as far as age, gender, educational attainment, and years in business are concerned.
6. Improving tax literacy alone might not be enough to enhance tax compliance. This implies that other factors, such as penalties for non-compliance or the simplicity and ease of the tax filing process, could significantly influence tax compliance behavior.
7. That the proposed program will be benefit the local government units (LGUs) in Cabuyao City by fostering a “taxwise” mindset among business owners, thereby increasing the compliance rate.

Recommendations : The following recommendations were highly encouraged based on the presented results and finalized conclusions:

1. Most microbusiness owners in Cabuyao City are millennials, it’s important for local government to offer a support programs to their specific needs. LGU can consider organizing workshops, webinars, or mentorship sessions that address millennial entrepreneurs’ unique challenges and aspirations.
2. LGU and microbusinesses must maintain the positive trend in tax literacy. LGU can have a regular update on tax regulations, and provide a user-friendly material that can reinforce tax knowledge and empower business owners to make informed decisions.
3. Microbusiness owners should continue to prioritize strict financial record-keeping. This procedure assures tax reporting further to making it easier. Microbusiness owners should not also hesitate to seek advice from qualified tax professionals. Consulting with experts can provide clarity on complex tax issues and ensure that they meet their obligations correctly.
4. Local governments must ensure that tax literacy programs remain inclusive and accessible to all demographic groups, reinforcing the idea that everyone, regardless of age, gender, education level, or business experience, can benefit from these programs. Consider offering personalized support or mentorship for those who may need additional help.
5. Local governments and microbusiness should maintain the current strategies that promote high tax compliance. Implement periodic assessments and refresher courses to reinforce the importance of compliance and keep business owners informed about any updates in tax regulations.
6. Investigate other factors that might influence tax compliance, such as the ease of tax filing processes, perceived fairness of the tax system, or the impact of enforcement measures. Develop strategies that address these factors to further enhance compliance rates.
7. Project TaxWISE Cabuyao can guide the development of activities to help LGUs and microbusinesses improve tax literacy and compliance. By using this project, LGUs can offer workshops, online training, easy-to-understand materials, and regular updates. These activities will help business owners understand and follow tax rules better, leading to higher compliance and a stronger local business community in Cabuyao City.
8. Future researchers should explore factors affecting tax literacy and identify barriers faced by different demographics to create targeted educational interventions. Expanding research to include SMEs can provide more comprehensive data on tax compliance. Additionally, investigating the relationship between tax literacy and compliance using regression analysis and considering factors like perceived

fairness of tax policies, trust in government, and enforcement mechanisms will help develop strategies that promote a tax-compliant culture.

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Appendices

Appendix A

SURVEY QUESTIONNAIRE

Part I. Demographic Profile

In this section the researcher will determine the profile of the respondents in terms of age, gender, educational attainment and year in business.

Direction: Please check (/) the profile that corresponds to your answer.

Name of Business (Optional): _____

1. Age of Respondents: ___ below 25 years old ___ 36 – 40
 ___ 26 – 30 ___ 40 years old above

___ 31 – 35

2. Gender: ___ Female ___ Male
3. Educational Attainment: ___ Elementary Graduate ___ Senior High Graduate
 ___ High School Undergraduate ___ College Graduate
 ___ High School Graduate ___ College Undergraduate
 ___ Senior High Undergraduate ___ Post Graduate
 (Masteral, Doctorate)
 ___ Others
4. Years in Business: ___ 5 years and below ___ 16 – 20 Year
 ___ 6 – 10 Years ___ 20 years and above
 ___ 11 – 15 Years

Part II. Tax Literacy

In this section the researcher will determine the level of Tax Literacy of the respondents by identifying the level of the agreement using Likert Scale as indicator.

Directions: Please check (/) the appropriate box indicating your level of agreement with the level of tax literacy.

Use the following indicators:

4 – Strongly Agree 3 - Agree 2 – Disagree 1- Strongly Disagree

Tax Literacy	Strongly Agree (4)	Agree (3)	Disagree (2)	Strongly Disagree (1)
1. Confident in understanding of basic tax concepts, such as income, deductions, and credits.				
2. Knowledgeable about the different tax forms required for filing my taxes.				
3. Aware of the various taxes applicable to the business.				
4. Maintain accurate and organized records of any business transactions for tax purposes.				
5. Familiar with the documentation required to support tax deductions and credits.				
6. Knowledgeable about the allowable business expenses and deductions for tax purposes.				
7. Aware of the deadlines for submitting various tax forms related to the business.				
8. Have good understanding of the tax codes and regulations relevant to the business.				
9. Knows when to consult tax professionals to ensure accurate and optimal tax filings.				
10. Knows how to handle a tax audit for the business.				

Part III. Tax Compliance

In this section the researcher will determine the level of Tax Literacy of the respondents by identifying the level

of the agreement using Likert Scale as indicator.

Directions: Please check (/) the appropriate box indicating your level of agreement with the level of tax literacy.

Use the following indicators:

4 – Strongly Agree 3 - Agree 2 – Disagree 1- Strongly Disagree

Tax Literacy	Strongly Agree (4)	Agree (3)	Disagree (2)	Strongly Disagree (1)
1. Designate a tax professional or team responsible for ensuring compliance.				
2. Ensure timely filing of all necessary tax payment.				
3. Applies relevant laws in filing applicable taxes of the business.				
4. Follows ethical practices in tax planning to minimize tax liability.				
5. Ensures open and transparent communication with tax authorities.				
6. Handle any inquiries or notices from tax authorities promptly and appropriately.				
7. Report earnings received from any transactions				
8. Align tax strategy with evolving regulations and long- term business goals.				
9. Pay taxes without considering methods to minimize them.				
10. Have been voluntarily pay business taxes.				

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O.S.U

DEDICATION

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