

Tax Compliance in Abra: Basis for Operations Strategy

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Abstract

The study sought to analyze the compliance practices of microenterprises and small businesses in the province of Abra and determine how such practices may inform and guide the operational strategies of the BIR.

This study followed a method of quantitative and utilized a descriptive- correlational research design. The 152 microenterprises and small business owners registered taxpayers in Bucay, Abra served as the respondents of this study for calendar year 2025 – 2026.

The questionnaire consisted of four parts: the profile of the respondents, tax compliance indicators covering filing, payment, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit request, degree of seriousness of the challenges covering filing, payment, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit request, and open-ended questions on challenges and suggestions to improve the BIR tax compliance and services. Each close-ended item was rated on a four-point Likert frequency scale, with higher scores indicating greater compliance or stronger agreement with BIR initiatives.

The level of compliance of taxpayers was “very high” in terms of filing, payment, accuracy of reporting and responsiveness to notices and “high compliance” in recordkeeping and documentation. These challenges indicated a need for clearer and simplification of guidelines, improved taxpayer education, and enhanced support mechanisms to facilitate compliance.

The result suggested that compliance is more strongly influenced by educational attainment and financial capacity rather than basic demographic characteristics or business type. Both year of operation and nature of business showed no statistically significant differences across all compliance dimensions. In contrast, annual gross sales revealed significant differences in several compliance areas, particularly in accuracy and truthfulness, recordkeeping and documentation, responsiveness to notices and audit requests, and overall compliance.

Keywords: *Tax Challenges, Microenterprises, Tax Compliance behavior, Compliance indicators*



INTRODUCTION

Background of the Study

The lifeblood of a state is taxation which posits that taxes are essential for the existence and continued formation of the government. Taxation is being used by the government to raise revenues for different purposes that benefit the country and its people. Specifically, taxation helps fund the public goods and services, control the economic spending, and oversee import activities (Biru, 2020). Every country experiences difficulty in collecting taxes, especially in developing countries with poor and small areas. Tax collection presents inherent challenges, as it requires not only the administrative capacity and active enforcement of tax authorities but also the voluntary compliance of taxpayers. Promoting taxpayer motivation is critical in sustaining effective revenue generation (Wijayanti et al., 2020).

Beyond serving as a revenue-generating tool worldwide, even dating back to ancient civilizations wherever governance existed, taxes are also employed to address environmental issues, such as levying charges on gas-flaring emissions to protect the atmosphere (Salvo et al. 2021 cited in Adelus et al. 2025). Taxation is crucial in advancing the Sustainable Development Goals (SDGs) because it provides revenue to support essential policies and programs, while guiding consumption and production toward socially and environmentally sustainable practices. Well-designed tax policies and systems can help lessen inequalities by promoting fairness, preventing discrimination, and fostering inclusivity, good governance, and equitable distribution of income and wealth, thereby reinforcing the social contract (United Nations Economist Network, 2024).

Taxation also refers to the compulsory financial contributions imposed by the government on individuals and has long played a vital role in the development and organization of societies (Kagan, 2025). The effectiveness of a taxation system, however, depends largely on the level of tax compliance among taxpayers. Tax compliance refers to the extent to which taxpayers adhere to the tax laws of their country by accurately reporting income, submitting tax returns, and paying their tax liabilities on time (Mwangi, 2014; Oyedele, 2009 cited in Daniel et al., 2016).



At the provincial level, assessments of taxing powers and tax effort reveal structural constraints and variation across provinces in how much they collect relative to their fiscal capacity. Work by the National Tax Research Center and related policy briefs indicates that provinces typically lag cities/municipalities in revenue-generation metrics and that provincial collection performance is shaped by the economic base, administrative capacity, and legal frameworks available to provincial governments. These studies provide a useful macro-backdrop: while micro-level determinants explain taxpayer behavior, provincial-level capacity and institutional design shape the feasible set of operation strategies for revenue improvement (National Tax Research Center, 2022).

Amid the rapid growth of online businesses and activities in the Philippines, BIR has further reinforced and strengthened its regulations on business registration in compliance with the issuance of Revenue Regulations (RR) 15-2024, ensuring stricter adherence to the country's tax laws (Mendoza, 2024). In 2023, the BIR ramped up its tax enforcement efforts, collecting a record ₱2.34 trillion by November an 8.6% increase from the previous year. Through intensified programs like Run After Fake Transactions (RAFT), Oplan Kandado, and a sweeping digital transformation initiative, the BIR is holding businesses to higher standards of accountability and transparency (Mendenueta, 2025). The Finance Secretary has ordered the BIR and Bureau of Customs (BOC) to work together as a team to strengthen tax administration and procedures to hit the total government revenue of Php 4.3 billion in 2024, according to the Development Budget Coordination Committee (DBCC) Medium-Term Fiscal Program (Lo, 2024 cited by Gandia et al., 2024).

In 2023, as stated in the Revenue Memorandum Order 27-2023, the total collection goal of RDO 7- Abra for the specific tax types of Income Tax and Percentage Tax is P742,806,000. The total actual collection of RDO 7- Abra is P599,588,972.95 having a negative 19.28% decrease in collection that means that RDO 7 did not meet its corresponding goal. The following years, a collection goal of P631,037,000.00 for 2024 and P638,822,000.00 for 2025 were assigned to RDO 7 for the specific tax types of Income Tax and Percentage Tax but only collected P614,181,559.14 and P546,496,439.93 respectively having a negative (decrease)



percentage of collection. There is also a decrease in the tax rates for individuals including the business owners during the implementation of TRAIN Law.

Despite existing studies on tax compliance, limited attention has been given to the underlying factors influencing compliance behavior among microenterprises and small businesses, particularly in areas experiencing shortfalls in tax collection. In Abra, where these enterprises form the backbone of the local economy, their role in improving tax performance remains underexplored. Moreover, there is a lack of in-depth understanding of how small business taxpayers' compliance behavior can inform and refine the operational strategies of the BIR.

The main reason why this researcher had set out to investigate the situation was because of the perceived needs of the Philippine society about the system that runs between BIR and the taxpayers. Due to this, the researcher had committed herself to study this matter at hand to aid in the betterment of the system.

Given this context, the present study, "Tax Compliance in Abra: Basis for Operation Strategy," seeks to analyze the compliance practices of small businesses in the province and determine how such practices may inform and guide the operational strategies of the BIR. There is limited research focused on the specific context of Abra, particularly among microenterprises and small businesses. By identifying the specific challenges like complexity of tax systems, digitalization and system issues and lack of tax knowledge and motivations of taxpayers and evaluating the effectiveness of current compliance initiatives, the study aims to provide a sound basis for refining and strengthening BIR strategies. Ultimately, the findings are expected to contribute toward ensuring sustained compliance in Abra and offering a model that may be replicated in other localities.



LITERATURE REVIEW

Tax Compliance

Different researchers have defined tax compliance in various ways. According to In Tishar and Hasanuzzaman (2019), tax compliance is influenced by taxpayers' social attitudes and behavioral factors; in some cases, a complex mix of circumstances can also act as a catalyst. It is essential for taxpayers to possess both awareness of and adherence to their tax obligations; failure to do so can result to severe consequences associated with non-compliance, ultimately to their own detriment (Buted, 2022). In the Philippine context, noncompliance with tax regulations is subject to corresponding penalties. Accurate reporting of taxable income and the prompt settlement of tax liabilities are fundamental to sustaining the proper functioning of society (Tsankova et al., 2021). Tax compliance can also be defined as either voluntary or enforced (Kirchler et al., 2008 cited in Randlane, 2015). Voluntary compliance refers to taxpayers fulfilling their tax obligations without prompting from tax authorities. In contrast, enforced compliance involves active oversight and intervention by the tax authorities to ensure tax obligations are met.

Tax compliance presents a significant challenge for many tax authorities, as encouraging taxpayers to meet their obligations is difficult, especially given that tax laws are not always clearly defined (James & Alley, 2014 cited in Biru, 2020). In the study of Mwangi (2014) in Kenya, SMEs accounted for more than half of the new jobs generated in 2005. Despite their economic importance, a large portion of these enterprises evade taxes. The underlying reasons for tax evasion among SMEs remain poorly understood. As a low-income country with generally low tax compliance, it faces significant challenges in implementing an efficient and effective tax administration system. Another study by Lestary et al. (2021), states that the private sector plays a role in generating income tax revenue, including contributions from micro, small, and medium-sized enterprises (MSMEs). However, in 2017, the total income tax paid by MSMEs in Indonesia accounted for only 2.2 percent of the overall income tax collected from taxpayers.

Businesses that operate within the informal sector, particularly small and medium enterprises, have been found to have a high rate of non-compliance with the tax law. Kamleitner



et al. (2012) cited in Twum et al. (2020), suggest that this may be attributed to the lack of awareness and understanding of tax laws among the SME owners and managers. This may result in an increase in failure to pay their tax obligations on time compared to larger enterprises, which have a better knowledge of tax-related activity.

The complexity of tax compliance is heightened by the frequent amendments to tax legislation. As a result, prior requirements may become obsolete, and inadequate awareness of recent changes increases the risk of unintentional noncompliance. It is evident that many taxpayers find tax legislation complex and often incomprehensible, and this can lead to increased non-compliance, which may be largely unintentional (Young, 2024).

Factors affecting Tax Compliance

Tax compliance may be attributed to several factors. The determinants of tax compliance and noncompliance vary across countries and among individual taxpayers. Within the field of tax compliance research, several factors have been identified as particularly influential, including income level, tax rates, perceived benefits, audit practices, audit probabilities, and the imposition of fines and penalties (Kirchler, 2007, cited in BarButa-Misu, 2011). San et al. (2024) concluded that the taxpayer's higher education level and income may contribute to higher tax compliance, as SMEs' owners possess a greater understanding of tax law. A study conducted by Helhel and Ahmed (2014) revealed that economic challenges such as high inflation and tax rates that are disproportionate to the average per capita income negatively impact tax compliance, a situation that is particularly pronounced in developing and underdeveloped countries. Furthermore, Palil and Mustapha (2011) cited in Modugu and Anyaduba (2014) suggested that higher audit rates and more comprehensive audits can encourage taxpayers to accurately complete their tax returns, report all income, and claim appropriate deductions. Conversely, taxpayers who have never been audited may be more likely to underreport income or claim false deductions. Tax compliance can also be affected by different non-economic factors such as willingness to pay for public provision, public education, tax morale, and tax information (BarButa-Misu, 2011).

Tax morale refers to the non-economic motivators of tax compliance. According to Walsh (2012) cited in Angeles (2024), tax compliance is an inner motivation to adhere to tax



regulations and contribute to the country's progress. Taxpayers' compliance is often affected by the fear of audits and monitoring. Conversely, Filippin et al. (2013) cited in Angeles (2024) argued that strict tax enforcement can undermine tax morale, emphasizing that an individual's intrinsic characteristics, rather than penalties or sanctions, primarily shape their willingness to comply.

Another factor that affects tax compliance is the trust in the government. As cited by Angeles (2024) in Hofmann et al. (2008), explains trust in the government in two ways: perceived equality between the taxes paid and benefits received. Second, perceived justice is the impartiality of procedures and sanctions. In the study of Torgler (2007), fairness has often been excluded as an insignificant factor in economic analysis. An unfair tax system could enhance the incentives to rationalize cheating. There is a high influence of tax compliance when there is fairness perceived between the tax paid and the services provided by the government. Likewise, higher levels of trust in government institutions, tax administrations, and the tax system foster stronger tax morale, which in turn strengthens the taxpayers' willingness to fulfill their legal obligations.

Tax compliance varies across sociodemographic characteristics, yet empirical findings on the effects of age, sex, educational attainment, and income are inconclusive, showing no consistent pattern in either the strength or direction of their relationships (Hoffman et al., 2017). In the study of Vincent et al. (2023) cited in San et al. (2024), researchers have often examined demographic factors like age and gender as independent variables in assessing tax compliance behavior. Evidence also indicates that income and educational attainment among SMEs can affect their level of compliance. Tax authorities should consider demographic characteristics in developing enforcement strategies and implement targeted approaches to address compliance issues across different age brackets, educational backgrounds, and business sectors, especially among SMEs.

According to the study of Schoeman (2023) cited in Balating et al. (2025), there is no statistically significant correlation between age and tax compliance. It was revealed in his study that individuals between the ages of 40 and 65 have strong ethical values regarding tax. In the studies of Rahmawati and Dwijayanto (2021) and Ikhsan et al. (2023), gender does not affect the



tax moral and tax compliance variables. Both women and men have the same opportunity to have good tax morale and tax compliance. As per income level category, it should be mentioned that the lower income taxpayers' category has negative impact while category of higher income taxpayers has positive impact towards tax compliance regarding base category (Paleka et al., 2023).

With all the factors that may affect tax compliance, tax agencies should develop a tax compliance strategy for the economic crisis to address the emerging challenges to revenue administration. Strategy is broad, long-term, aggregated, and the concern of the most senior management in the business. Operations, on the other hand, are detailed, complex, concerned with day-to-day issues, and carried out by those towards the lower levels of the organizational hierarchy. The primary concern of the operation strategy is organizing resources, processes, and systems to achieve organizational goals. Incorporating tax compliance into the framework indicates that it will not only be viewed as a constraint but also a strategic opportunity that can enhance competitiveness (Slack, 2002). These theories serve as a basis for integrating tax compliance with operational strategy. Organizations need to adopt and design practices that will not only address legal risk but also strengthen trust, promote transparency, and improve efficiency in dealings with tax authorities. Moreover, integrating compliance into strategy can support long-term reputational capital and smoother regulatory relationships.

Operational Strategies in Tax Administration

Like all good strategies, this should be based on clear objectives and an appropriate set of measures for achieving them (Brondolo, 2009). Murphy (2008) identifies two regulatory approaches to enforcement: the Deterrence model and the Accommodative model. Tax policy has largely emphasized deterrence, which, according to the Tax Evasion Model, posits that increased penalties and detection probabilities reduce the likelihood of tax evasion. In contrast, the accommodative approach—a more cooperative strategy—has gained attention among researchers and policymakers, as it is believed to promote more sustainable, long-term compliance (Rillstone, 2015; Alm, 2018 cited in Hassan et al., 2021).



Another strategy identified by Bornman and Stack (2015) cited in Firmansyah and Putra (2018) is the reward system. They state that reward systems have a positive effect on the taxation behavior of small business owners. On the other hand, Fochmann and Kroll (2015) have a different finding, that rewards have no effect on tax compliance from taxpayers who are rewarded and have a negative effect on tax compliance from taxpayers who are not rewarded.

According to Slemrod (2018), a particular viewpoint highlights that some individuals fulfill their legal obligations primarily due to a sense of civic responsibility, whether or not there is a potential gain involved. Moreover, their sense of duty is influenced by how the enforcement is done. Another approach suggests that some individuals' behavior depends on the process by which the tax and tax enforcement system is formulated and its features, holding constant the incentives the system provides.

Pedroche (2008) presented in his study some measures to foster voluntary compliance. First, is the simplification of tax regulations. He discussed that this implies the fundamental components on which a country's tax administration depends are often difficult for the general public to comprehend. Even businesses encounter challenges in keeping tax regulations sufficiently up to date, understanding how these are enforced, and meet their obligations correctly. They find it difficult to keep up with the changing tax rules, particularly for small businesses. Second, is tax information by request of a citizen, which means that the Tax administration should strive to ease the complexities involved in understanding and interpreting the tax rules and regulations by responding to individual taxpayers' inquiries, and not only through broad measures. Third, is opening new communication channels. This means that taxpayers should be provided with multiple channel options allowing them to select what they need to access the tax information at a minimal cost, with particular emphasis on eliminating the need to visit the offices of tax administrations in person. Other measures include assistance services for compliance with tax obligations, measures to favor customs brokerage, electronic tax administration, fostering social cooperation, a communication strategy, transparency of the tax administration, and citizens' opinions.

Another strategy is the use of enhanced taxpayer education (Lymer & Oats, 2009 cited in Gitaru, 2017). Findings from Gitaru's (2017) study indicate that taxpayers possessing sufficient



knowledge to comprehend are likely to accept any new system that will be introduced. Educational programs led by the tax authorities are essential for improving taxpayers' understanding of the Self-Assessment System.

As demonstrated in the research of Mohamad Ali et al. (2007) cited by Palil and Mustapha (2011), there is a significant influence of tax knowledge on compliance behavior. Increasing taxpayers' awareness about the social and economic implications of taxation has been shown to have a positive influence on their voluntary compliance with tax regulations (Loo & Ho, 2005 cited in Twum et al., 2020). As such, the relationship between taxpayers' attitude and tax knowledge highlights the importance of tax education among students, entrepreneurs, and business owners to become law-abiding citizens.

In relation to this, the study conducted in Ghana by Twum et al. (2020) found that knowledge of tax rights and responsibilities, knowledge of employment income, and awareness of sanctions were statistically significant with tax compliance. Another study by Acheampong et al. (2016) showed that it is evident that tax compliance is basically a function of the understanding of the fundamental principle of the tax system and the taxpayers' obligation to the state. The lack of education has resulted in serious underpayment of taxes among the informal sector of the economy.

A strategic aspect of financial management which is tax planning, is essential for optimizing resources and enhancing profitability. The main objective of tax planning is to help individuals and businesses minimize their tax liability within the boundaries of the law. The self-assessment system, widely adopted in many countries, represents a modern approach to tax administration. It relies on taxpayers' voluntary compliance and incorporates risk management strategies (Phan et al., 2020 cited in Salazar & Serrano, 2024). Tax penalties, audits, and taxpayers' awareness all have a positive impact on corporate tax compliance. However, the intention to comply does not significantly influence the effect of these penalties, audits, or awareness on corporate compliance. This is because the enforcement of penalties and audits adheres to tax laws, and corporate taxpayers already recognize the importance of taxation as a key source of government revenue (Rahmayanti et al., 2020 cited in Salazar & Serrano, 2024).

Micro, Small and Medium Enterprises

The Micro, Small, and Medium Enterprises (MSMEs) are perceived to be potential taxpayers in the provinces. They are the backbone of the Philippine economy, accounting for 99% of all businesses and employing 60% of the country's workforce (GGGI, 2025). The MSMEs as defined under Republic Act No. 9501 or the Magna Carta for MSMEs is any business activity or enterprise engaged in industry, agri-business and/or services that has: (1) an asset size (except land) of up to P100 million; and (2) an employment size with less than 200 employees, regardless of the type of business ownership. According to Republic Act 11976 also known as Ease of Paying Taxes, taxpayers are classified as follows: Micro with a gross sales less than three million pesos; Small with a gross sales of three million pesos to less than twenty million pesos; Medium with a Twenty million pesos to less than one billion pesos gross sales and Large Taxpayers with One billion pesos and above gross sales. These are the descriptions of MSMEs used in the study.

The relevance of MSMEs in the economy equals its role towards nation- building. Regrettably, over 900,000 MSMEs are estimated to operate neglecting the tax laws, and operating in underground economies (Du-Baladad, 2016 cited in Paco & Quezon, 2022).

For MSMEs, adherence to tax regulations administered by the Bureau of Internal Revenue (BIR) minimizes the likelihood of audits and consequently reduces exposure to additional costs such as surcharges, interest, and compromise penalties. Compliance, therefore, lowers the financial burden of noncompliance and allows firms to channel resources more effectively toward operations and investment (San Luis, 2019 as cited in Paco & Quezon, 2022).

A study of MSMEs in Dipolog City identify tax inspection probability, penalties, and tax knowledge as statistically important predictors of compliance behavior; these studies used survey instruments with local business owners and highlight the role of perceived audit risk and sanctions in shaping reporting and payment decisions. This could also be interpreted as the taxpayer having more knowledge and understanding of tax laws, tax declaration and payment, tax obligations, and the tax rate applied to the business, the more likely they are to be tax compliant. (Granfon et al., 2023).

Statement of the Problem

This study sought to determine the level of tax compliance among microenterprises and small businesses in Abra. Specifically, it aimed to answer the following questions:

1. What is the profile of the respondents as to:
 - A. Personal-related profile:
 1. age;
 2. sex; and
 3. highest educational attainment?
 - B. Business-related profile:
 1. type of business organization;
 2. years of operation;
 3. nature of business activity; and
 4. annual gross sales?
2. What is the level of tax compliance of microenterprises and small businesses in Abra in terms of:
 - a. filing compliance;
 - b. payment compliance;
 - c. accuracy and truthful reporting;
 - d. recordkeeping and documentation; and
 - e. responsiveness to notices and audit requests?
3. What is the degree of seriousness of the challenges encountered by microenterprises and small business owners in complying with their tax obligations as to:
 - a. filing compliance;
 - b. payment compliance;
 - c. accuracy and truthful reporting;



- d. recordkeeping and documentation; and
 - e. responsiveness to notices and audit requests?
4. Is there significant relationship between the personal-related profile and the level of compliance of microenterprises and small businesses?
 5. Is there significant difference in the level of compliance when microenterprises and small businesses are grouped according to business-related profile?
 6. What suggestions can be proposed to improve BIR tax compliance and services?

Hypotheses

1. There is no significant relationship between the personal-related profile and the level of compliance of microenterprises and small businesses.
2. There is no significant difference in the level of compliance of microenterprises and small businesses when grouped according to business-related profile.

MATERIALS AND METHODS

Research Design

This study followed a quantitative method and utilized a descriptive-correlational research design.

Descriptive research aimed to systematically describe the characteristics of the respondents, such as their age, sex, highest educational attainment, as well as their level of tax compliance along filing, payment, accuracy and truthful reporting, recordkeeping and documentation and responsiveness to notices and audit request. The researcher does not manipulate any of the variables but rather describes the sample and/or the variables (Siedlecki, 2020).

Correlational is used to determine whether there is a significant relationship between the respondents' personal profiles and their level of tax compliance.

Population and Locale of the Study

The respondents of this study targeted the microenterprise and small business owners operating in the municipality of Bucay, Abra and registered under RDO No. 7, Bangued, Abra, specifically from the barangays of North Poblacion, South Poblacion, Banglolao, Layugan, Salnec, Dugong, and Madalipay. According to records, there were 422 taxpayers with businesses in Bucay as of December 2024.

In order to achieve equitable respondent representation, the researcher purposively included all the 201 microenterprise and small business owners operating in North Poblacion, South Poblacion, Banglolao, Layugan, Salnec, Dugong, and Madalipay. This ensured that both areas were proportionately and accurately reflected in the study. These respondents were chosen because they directly engaged in tax-related obligations and were directly influenced by the operational strategies of the Bureau of Internal Revenue. Their participation was vital in providing reliable insights into the level of tax compliance in Bucay and in identifying which strategies could be enhanced to sustain and further improve compliance in the locality.

Out of the total target population of 201 respondents, only 152 were able to participate in the study. The remaining 49 respondents did not provide responses due to various reasons, including refusal to answer, closure of business operations, and unavailability or time constraints. Despite these limitations, the obtained sample was considered sufficient to represent the target population of the study.

Data Gathering Instrument

The primary tool used in this study was a researcher-made questionnaire designed to measure the level of tax compliance of microenterprises and small businesses in Bucay, Abra, to find out the level of compliance and degree of challenges. A questionnaire is a pre-formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Survey questionnaires are user friendly and evoke honest response and simple to administrative (Evans et al., 2005 cited by Sritharan & Salawati., 2019).

The research questionnaire was content validated by experts and was pilot tested to 30 microenterprises and small businesses from the different barangays of Bucay which includes



Bugbog, Siblong, San Miguel and Labon. Using Cronbach's alpha, the tested questionnaire yielded an estimated coefficient of 0.90. An alpha of 0.90 fell comfortably into the "excellent" range, suggesting that the items in the scale were highly correlated and reliably measured the same construct. The respondents of the pilot test were then excluded from the actual study.

The questionnaire consisted of four parts: the profile of the respondents, tax compliance indicators covering filing, payment, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit request, degree of seriousness of the challenges covering filing, payment, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit request, and open-ended questions on challenges and suggestions to improve the BIR tax compliance and services. Each close-ended item was rated on a four-point Likert frequency scale, with higher scores indicating greater compliance or stronger agreement with BIR initiatives.

Data Gathering Procedure

The initial step to collect the needed data was to make a request letter addressed to the Regional Director of RR2 and the Revenue District Officer of RDO No. 7. This served as a tool to conduct the study at the Bureau of Internal Revenue RDO No. 7. Once the requests were approved, the researcher conducted a content validation and reliability test to assess the validity and reliability of the survey questionnaire. After the conduct of the questionnaire's reliability test, the questionnaires were then personally distributed to the research respondents, and Google Forms were sent through Facebook Messenger. The researcher utilized Google Forms to administer the same set of questions to respondents who were not in the area of business. The data collected were consolidated and matched.

RESULTS AND DISCUSSION

This chapter presents, analyses, and interprets the data gathered to determine the level of tax compliance in Abra as a basis for operations strategy.

Problem 1. What is the profile of the respondents as to:

- A. Personal-related profile:
 1. age;
 2. sex; and
 3. highest educational attainment?
- B. Business-related profile:
 1. type of business organization;
 2. years of operation;
 3. nature of business activity; and
 4. annual gross sales?

Table 1 *Personal-related Profile the Respondents*

Demographic Profile	Frequency	Percentage (%)
Age		
Below 20 years old	2	1.32
21 - 30 years old	17	11.19
31 - 40 years old	41	26.97
41 - 50 years old	41	26.97
51 years old and above	51	33.55
Total	152	100
Sex		
Male	42	27.63
Female	110	72.37
Total	152	100
Highest Educational Attainment		
College Graduate	107	70.39
College Undergraduate	2	1.32
High School Graduate	38	25
Elementary Graduate	4	2.63



Others (Vocational)	1	0.66
TOTAL	152	100

On age. Most of the participants were aged 51 and above years old, or 33.55% of the total sample size. It was followed by individuals aged 41-50 years old (26.97%); 31-40 years old (26.97%); and 21-30 years old (11.19%). There are two (2) participants aged below 20 or 1.32% in total. This implied that many small businesses in the province are managed by individuals with long years of life and work experience, which may contribute to more stable business operations and practical knowledge in handling finances and tax responsibilities. Older business owners may have developed stronger habits of compliance through years of dealing with government regulations and business transactions.

On sex. The table revealed that female participants are dominant compared to male participants garnering 72.37% of the total or 110 individuals, while the latter obtained 42 or 27.63%. This implies that women play a major role in managing and operating small-time businesses in Abra. Their strong representation suggests that many women are actively engaged in entrepreneurship as a means of supporting household income, achieving financial independence, and contributing to the local economy.

On highest educational attainment. Almost 70.39% of the group or 107 participants were college graduate, followed by participants who were high school graduate, which comprised 25% or 38 participants. There are four (4) participants who were elementary graduate or 2.63%; two (2) college undergraduates with a 1.32% in total and only one (1) participant who answered vocational graduate or 0.66%. According to Samad (2017), most college graduates have more available time compared to experienced individuals, allowing them to focus on establishing a new business. This enables them to fully engage in their ventures without experiencing negative impacts on other aspects of their lives.

Table 2 *Business- related Profile the Respondents*

Type of business	Frequency	Percentage (%)
Sole Proprietorship	152	100.00
Partnership	0	0.00
Corporation	0	0.00
Cooperative	0	0.00
Total	152	100
Years in Operation		
Less than 1 year	10	6.57
1-3 years	35	23.03
4-6 years	54	35.53
7-10 years	26	17.11
11 years and above	27	17.76
Total	152	100
Nature of business		
Retail	120	78.95
Wholesale	5	3.29
Manufacturing	3	1.97
Service	21	13.82
Others (please specify)	3	1.97
Total	152	100
Annual Gross Sales		
Below ₱100,000	83	54.61
₱100,001- ₱500,000	53	34.87
₱500,001- ₱1,000,000	10	6.58
₱1,000,001- ₱1,500,000	3	1.97
₱1,500,001- ₱2,000,000	2	1.32
₱2,000,001- ₱2,500,000	0	0



₱2,500,001- ₱3,000,000	1	0.65
₱3,000,001 and above	0	0
Total	152	100

Collectively, all the participants were under single proprietorship. These findings revealed that all respondents were operating under single proprietorship, which implied that this is the most common form of business ownership among small-time business owners in Abra. This may be because sole proprietorship is easier to establish, requires fewer legal requirements, and allows owners full control over business decisions and profits. In relation to tax compliance, this suggest that most respondents personally handle their business obligations, including tax registration, filing of returns, record keeping, and payment of taxes. Since there is no separate management team or accountant in many sole proprietorships, the owner's own knowledge, discipline, and awareness greatly influence compliance behavior.

On the year of operation. Results showed that 35.53% or 54 participants operated for 4-6 years; 35 participants or 23.03% are operating for 1-3 years; 27 participants or 17.76% for 11 years and above of operation; 26 participants or 17.11% for 7-10 years of operations and only a small portion of the participants answered less than 1 year of operation with 10 participants or 6.57% in total.

The findings suggested that many businesses are already in their developing or growth stage, where owners have gained some experience but may still be improving their systems and processes. The number of years in operation can significantly affect tax compliance. Businesses that have been operating longer are more likely to be familiar with tax deadlines, filing procedures, and payment responsibilities because of repeated experience. They may also have better financial records and more stable income, making tax payments easier to manage. In contrast, newer businesses, especially those operating for less than three years, may face challenges such as lack of knowledge about tax requirements, confusion with forms and procedures, irregular income, and limited capital for tax payments.

On the nature of business. The retail trade got the highest percentage of 78.95% or 120 participants. This was followed by service sector with 13.82% or 21 participants. Only five (5) participants or 3.29% answered wholesale and lastly three (3) participants or 1.97% are in



manufacturing and other sector. According to Hameli (2018), the retail sector is likely the most vital part of the economy because it directly serves consumers. It covers a wide range of businesses, from small kiosks and local grocery stores to large supermarket chains and shopping malls, all of which provide goods and services to end users for personal and household consumption. This indicated that most small-time business owners in Abra are involved in businesses that directly sell goods to consumers, such as sari-sari stores, market stalls, small groceries, clothing shops, and similar enterprises.

On the annual gross sales. More than half of the respondents (83 participants or 54.61%) have an annual gross sales below P100,000.00, while 53 participants or 34.87% businesses with annual gross sales of P100,001.00 to P500,000. There are ten (10) participants or 6.58% who answered having an annual gross sale of P500,001.00 to P1,000,000.00; three (3) participants or 1.97 have P1,000,001.00 to P1,500,000.00; two (2) participants or 1.32% having P1,500,001 to P2,000,000.00 annual gross sales and one (1) participant or 0.65% with annual gross sales of P2,500,001.00 to P3,000,000.00. All are non-vatable businesses and shall be paying percentage tax of 3% of their sales.

This indicated that the majority of small-time business owners in Abra operate on a micro or low-income scale, generating limited revenues and modest business activity.

Overall, the findings imply that tax compliance strategies for small businesses in Abra should focus on affordability, simplified filing procedures, taxpayer education, and accessible assistance programs. Government agencies may also strengthen awareness that all registered businesses, regardless of size, have tax responsibilities while ensuring that compliance systems remain practical for low-income entrepreneurs.



Problem 2. What is the level of tax compliance of microenterprises and small businesses in Abra in terms of:

- a. Filing compliance;**
- b. Payment compliance;**
- c. Accuracy and truthful reporting;**
- d. Recordkeeping and documentation; and**
- e. Responsiveness to notices and audit requests?**

Table 3 *Level of Tax Compliance along variables on tax compliance indicators*



A. Filing Compliance	\bar{x}	DE
1. I file my tax returns on or before the deadline.	3.34	VH
2. I use the proper forms and follow procedures when filing.	3.39	VH
3. I do not skip filing periods even when my business has no income.	3.35	VH
Sub-Mean	3.36	VH
B. Payment Compliance		
1. I pay my taxes in full and on time.	3.35	VH
2. I make sure all required payments are settled to avoid penalties.	3.41	VH
3. I understand and comply with tax deadlines.	3.38	VH
Sub-Mean	3.38	VH
C. Accuracy & Truthful Reporting		
1. I declare accurate sales and income in my tax returns.	3.30	VH
2. I do not understate or overstate my expenses.	3.30	VH
3. I ensure that all information submitted to BIR is correct and honest. .	3.38	VH
Sub-Mean	3.33	VH
D. Recordkeeping and Documentation		
1. I maintain organized record of sales, purchases, and expenses.	3.24	H
2. I keep receipts and documents required for tax filing.	3.28	VH
3. I use simple bookkeeping methods to track tax-related transactions	3.23	H
Sub-Mean	3.25	H
E. Responsiveness to Notices & Audit Request		
1. I respond immediately to BIR audit or verification notices.	3.28	VH
2. I provide requested documents within the given timeframe.	3.26	VH
3. I take corrective actions after receiving a BIR notice.	3.31	VH
Sub-Mean	3.28	VH
Overall Mean	3.32	VH



Table 3 shows that most respondents exhibit very high compliance in terms of filing, payment, accuracy and truthful reporting, as well as responsiveness to notices and audit requests. This indicates that microenterprise owners in Bucay, Abra generally follow their tax obligations diligently, although record-keeping and documentation fall under a slightly lower, yet still high, level of compliance. The mean scores range from 3.23 to 3.41, with an overall mean of 3.32.

Filing compliance refers to the ability and willingness of taxpayers to submit required tax return correctly and on time. In the result of filing compliance, the item *I use the proper forms and follow procedures when filing* got the highest mean of 3.39. Taxpayers must use the correct forms based on their taxpayers' type. It is the obligation of taxpayers to comply and follow the regulatory procedures to ensure compliance and prevents legal penalties. Failure to follow the procedures can lead to significant extra cost.

On the other hand, payment compliance refers to the ability of taxpayer to pay the correct amount tax due on time. For the payment compliance, the survey results reveal that the item *I make sure all required payments are settled to avoid penalties* got the highest mean of 3.41. It signifies that the respondents are aware that failure to pay their tax obligations will result in penalties. In the study of Paco (2022), penalties are one of the most important variables influencing MSE tax compliance. Taxpayers are often concerned that failure to comply with tax regulations may lead to additional financial obligations and legal penalties, which could damage their business reputation and potentially result in closure. This implies that government agencies can strengthen tax compliance by maintaining clear and consistent penalty policies, while also providing proper guidance and reminders to taxpayers. Some taxpayers proactively visit the office to review their tax ledgers, ensuring that any deficiencies are identified and addressed early to avoid potential penalties.

Accuracy and Truthful Reporting mean that taxpayers correctly declare their income, expenses, and other tax-related information without errors, omissions, or misrepresentation, ensuring that all submitted data are complete, honest, and in accordance with tax laws and regulations. The item *I ensure that all the information submitted to BIR is correct and honest* has the highest mean of 3.38. It means that the respondents are generally committed to ensuring that the information they submit to the BIR is accurate and truthful to avoid sanctions. There was an



instance where a taxpayer did not accurately report the correct amount of tax due, resulting in the imposition of additional penalties.

Recordkeeping and Documentation refers to the systematic process of maintaining, organizing, and preserving financial records and supporting documents such as receipts, invoices, and ledgers. The item *I use simple bookkeeping methods to track tax-related transactions* garnered the lowest mean of 3.23 or high compliance. The researcher observed that during tax mapping, the most common violations are related to taxpayers' books of accounts, particularly incomplete entries, and the use of unregistered books. Additionally, some taxpayers are unaware that they are required to maintain books of accounts to record their transactions. It suggests a lack of adequate bookkeeping practices or limited knowledge of proper record-keeping among business owners. While some respondents consult bookkeepers to ensure proper documentation, others are unable to afford such services. As a result, this can lead to inaccuracies in financial reporting and potential non-compliance with tax regulations.

Responsiveness to notices and audit requests refers to a taxpayer's promptness and willingness to reply to communications from the tax authority. The item *I take corrective actions after receiving a BIR notice* got the highest mean of 3.31. A notice is given to taxpayers reminding them of unsettled payments in their previous years whether it is a payment without tax return (PWTR) or unpaid tax return (UTR). There are times wherein a taxpayer filed their tax return but did not proceed to payment. This will cause them to pay their tax due with corresponding penalties because taxpayers are encouraged to "Pay as you File".

Problem 3. What is the degree of seriousness of the challenges encountered by micro-business owners in complying with their tax obligations as to:

- a. Filing compliance;**
- b. Payment compliance;**
- c. Accuracy and truthful reporting;**
- d. Recordkeeping and documentation; and**
- e. Responsiveness to notices and audit requests?**

Table 4 *Degree of Seriousness of the Challenges Encountered on tax compliance indicators*



A. Filing Compliance	Mean	Interpretation
1. I find it difficult to understand filing procedures for taxes.	2.17	M
2. I struggle with knowing filing deadlines.	2.09	M
3. I need assistance or guidance when filing tax returns.	2.74	H
4. I struggle to use online or manual filing platforms	2.40	M
5. I experience delays or errors when processing tax filings.	2.07	M
Sub-Mean	2.29	M
B. Payment Compliance		
1. I struggle to set aside funds for tax payments.	1.70	L
2. I find myself unable to avoid penalties and surcharges for late payments.	1.79	M
3. I find it challenging to manage payment channels and procedures.	2.02	M
4. I find it difficult to compute the exact amount of tax due.	2.03	M
5. I find that tax payment schedules impact my business cash flow.	1.89	M
Sub-Mean	1.89	M
C. Accuracy & Truthful Reporting		
1. I find it challenging to accurately declare income and expenses.	1.88	M
2. I worry about making mistakes in my tax reports.	2.66	H
3. I find tax computations and forms difficult to understand.	2.36	M
4. I lack knowledge on allowable deductions and taxable items.	2.42	M
5. I rely on others because I am unsure about my reporting accuracy.	2.62	H
Sub-Mean	2.39	M
D. Recordkeeping and Documentation		
1. I have difficulty keeping my receipts and accounting records organized.	1.90	M
2. I do not have a regular system for organizing business documents.	1.94	M
3. I struggle to maintain complete and accurate financial records.	2.03	M
4. I find preparing the necessary documents for tax filing consume too much time.	2.35	M



5. I lack tools or knowledge on proper bookkeeping.	2.26	M
Sub-Mean	2.38	M
E. Responsiveness to Notices & Audit Request		
1. I find it stressful to receive notices from tax authorities.	2.05	M
2. I have trouble responding to notices on time.	1.83	M
3. I do not fully understand what documents are required during audits.	1.84	M
4. I find the process of resolving audit concerns complicated.	1.89	M
5. I find communicating with the BIR to clarify notices challenging.	2.26	M
Sub-Mean	1.97	M
Overall Mean	2.13	M

Table 4 shows that most respondents experience moderate degree of seriousness of challenges encountered in terms of filing, payment, accuracy and truthful reporting, as well as responsiveness to notices and audit requests. The mean scores range from 1.89 to 2.39, with an overall mean of 2.13.

Filing compliance. In the result, the overall weighted mean of 2.29, interpreted as “moderate,” which indicates that taxpayers moderately experience challenges related to filing compliance. While tax filing procedures can be complex and stressful for business owners, these challenges are generally manageable with the assistance provided by BIR personnel through seminars and taxpayer support initiatives. The most significant concern identified was the *need for assistance and guidance in filing tax returns*. It has the highest mean of 2.74 described as “high”, largely due to difficulties in using eBIRForms, limited digital literacy, and internet connectivity issues. On the other hand, *delays or errors in processing tax filings* had the lowest mean of 2.07, suggesting that taxpayers experience fewer problems in this area because of system advisories, manual filing alternatives, and automated tax computation features. Overall, the findings highlight the importance of continuous taxpayer education and accessible assistance to improve filing compliance.



On the other hand, payment compliance shows an overall weighted mean of 1.89, described as “moderate,” indicating that taxpayers rarely experience challenges related to payment compliance. The most common difficulty identified was *computing the exact amount of tax due* having a mean of 2.03, which suggests that some taxpayers are uncertain about their tax obligations and how to accurately calculate their liabilities, often due to incomplete or disorganized financial records. This may lead to errors in reporting, possible tax deficiencies, and penalties. Meanwhile, *struggling to set aside funds for tax payments* received the lowest mean of 1.70, indicating that respondents experience this less frequently, likely because many are microenterprises with relatively low tax dues that are easier to manage. Overall, the findings suggest that while payment compliance challenges exist, they are not commonly experienced, though taxpayers may still benefit from clearer guidance on tax computation and payment procedures.

Accuracy and Truthful Reporting show an overall weighted mean of 2.39, described as “moderate,” indicating that taxpayers moderately experience challenges related to accuracy and truthful reporting. This suggests that while taxpayers generally comply with tax requirements, many still experience uncertainty and lack confidence in preparing accurate tax reports due to the complexity of tax laws and regulations. The highest-rated challenge was *worrying about making mistakes in tax reports* with a mean of 2.66, “high”, reflecting taxpayers’ concerns about errors that may result in penalties. Meanwhile, *accurately declaring income and expenses* received the lowest mean of 1.88, suggesting that taxpayers find this aspect relatively manageable because they are more familiar with their own income and expenses. Overall, the findings emphasize the need for stronger taxpayer education and guidance to improve confidence, minimize errors, and support accurate tax reporting compliance.

Recordkeeping and Documentation show an overall weighted mean of 2.38, interpreted as “moderate,” indicating that taxpayers moderately experience challenges related to bookkeeping and record-keeping. This suggests that maintaining accurate and organized financial records requires considerable time and effort, which may lead to inefficiencies in documentation, delays in preparing records, and difficulties in meeting tax compliance requirements. The most common challenge identified was that *preparing the necessary*

documents for tax filing consumes too much time with a mean 2.35, as taxpayers need to gather sales invoices, receipts, and other supporting documents, and some are unable to hire bookkeepers to assist them. Meanwhile, *difficulty in keeping receipts and accounting records organized* had the lowest mean of 1.90, indicating that respondents generally manage this aspect better, likely due to awareness of its importance for compliance. Overall, the findings highlight the need to simplify documentation requirements and continue promoting proper record-keeping practices to ease taxpayers' compliance burden.

Responsiveness to notices and audit shows an overall weighted mean of 1.97, interpreted as "moderate," indicating that taxpayers rarely experience challenges related to tax notices and audits. The findings suggest that respondents generally encounter only minimal difficulties in this area, likely because most have not undergone tax audits, particularly as audits are more commonly focused on businesses with higher gross sales or those flagged for discrepancies. The most notable challenge identified was *communicating with the BIR to clarify notices* (mean = 2.26), which reflects taxpayers' difficulty in understanding technical tax language, requirements, and deadlines stated in notices. This may lead to confusion, anxiety, and hesitation in communicating with tax authorities. On the other hand, *responding to notices on time* received the lowest mean (1.83), indicating that respondents generally do not find it difficult to comply within the required timeframe. Overall, the results highlight the need for clearer communication, simpler explanations in notices, and continued taxpayer education to improve understanding and reduce stress related to tax notices and audit compliance.

Problem 4: Is there significant relationship between the personal-related profile and the level of compliance of microenterprises and small businesses?

Table 5 *Correlation Result of the Personal-Related Profile and Level of Compliance of Microenterprises and Small Businesses*

Personal Profile of the Respondents	Level of Compliance of Microenterprises and Small Businesses					
	Filing compliance	Payment compliance	Accuracy and truthfulness	Recordkeeping and documentation	Responsiveness to notices and audit requests	As a Whole

Age	0.054	0.082	0.077	0.117	0.134	0.104
Sex	0.070	0.051	0.154	0.104	0.123	0.111
Highest Educational Attainment	0.048	0.057	0.107	0.227**	0.238**	0.160*

Legend: ** - 0.01 level of significance

* - 0.05 level of significance

As reflected in the data, age shows very weak positive correlations with all areas of compliance (r ranging from 0.054 to 0.134), including filing, payment, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit request. Since there is no statistically significant relationship, this indicates that age does not have a meaningful influence on compliance behavior. This result is supported in the study of Schoeman (2023) cited in Balating et al. (2025) stating that there is no statistically significant correlation between age and tax compliance.

Similarly, sex also demonstrates weak and non-significant relationships ($r = 0.051$ to 0.154), suggesting that compliance practices are generally consistent regardless of gender. The findings of the study corroborate those of Rahmawati and Dwijayanto (2021) and Ikhsan et al. (2023), signifying that gender does not affect the tax moral and tax compliance variables. Both women and men have the same opportunity to have good tax morale and tax compliance.

In contrast, highest educational attainment exhibits statistically significant relationships, particularly with recordkeeping and documentation ($r = 0.227$, $p < 0.01$), responsiveness to notices and audit requests ($r = 0.238$, $p < 0.01$), and overall compliance ($r = 0.160$, $p < 0.05$). This implies that respondents with higher levels of education are more likely to maintain proper records, respond effectively to regulatory requirements, and demonstrate better overall compliance. This is in contrary to the findings of Aregbedola et al. (2020) which concluded that educational background of the tax payers does not significantly influence tax compliance attitude. The implication is that compliance improvement initiatives should prioritize capacity-building and education-oriented interventions, particularly for those with lower educational attainment, as knowledge appears to be a key driver of compliant behavior.

Problem 5: Is there significant difference in the level of compliance when microenterprises and small businesses are grouped according to business-related profile?

Table 6 Summary table on the Analysis of Variance Showing Significant Differences Between and Among the Level of Compliance of Microenterprises and Small Businesses when grouped according to the Business-Related Profile

Personal Profile of the Respondents	Level of Compliance of Microenterprises and Small Businesses					
	Filing compliance	Payment compliance	Accuracy and truthfulness	Recordkeeping and documentation	Responsiveness to notices and audit requests	As a Whole
Year of Operation	2.120	1.216	0.770	0.907	0.829	1.231
Nature of Business	0.816	0.425	1.108	1.674	1.446	1.232
Annual Gross Sales	1.245	1.404	2.458*	4.189**	3.771**	2.883*

Legend: ** - 0.01 level of significance

* - 0.05 level of significance

Based on the results, both year of operation and nature of business show no statistically significant differences across all compliance dimensions, as indicated by F-values are not statistically significant. This suggests that the length of time the business has been operating and the type of business are not significantly associated with different tax compliance. In contrast, annual gross sales reveal significant differences in several compliance areas, particularly in accuracy and truthfulness ($F = 2.458$, $p < 0.05$), recordkeeping and documentation ($F = 4.189$, $p < 0.01$), responsiveness to notices and audit requests ($F = 3.771$, $p < 0.01$), and overall compliance ($F = 2.883$, $p < 0.05$). This indicates that businesses with varying levels of income exhibit different compliance behaviors, with higher-income enterprises likely having better systems, resources, and incentives to comply with regulatory requirements. This result is supported by the study of Paleka et al., (2023) stating that as per income level category, it should

be mentioned that the lower income taxpayers' category has negative impact while category of higher income taxpayers has positive impact towards tax compliance regarding base category.

Problem 6: What suggestions can be proposed to improve BIR tax compliance and services?

Table 7 shows the programs or activities proposed by the respondents that can help improve their tax compliance and services.

Table 7 *Proposed Programs or Activities to Improve the Tax Compliance and services*

Proposed programs/activities	Frequency	Percentage	Rank
More face-to-face lecture	3	17.64	3
Seminars for easier filing and payment of taxes	5	29.41	2
Focus on simplification, digitalization, and fairness	6	35.29	1
Visit and check every business if registered	2	11.76	4
Extend possibilities if delayed payments	1	5.88	5
TOTAL	17		

Table 7 shows that focus on simplification, digitalization, and fairness rank first in the proposed programs or activities to improve BIR tax compliance and services. First, tax simplification is considered an effective approach to improving compliance rates and increasing the efficiency of tax administration. By making tax systems less complex and reducing administrative requirements and compliance costs, such measures can promote voluntary compliance among taxpayers and reinforce the overall integrity of the tax system (Seng, 2024). Second, digitalization plays a crucial role in modern tax administration. The adoption of electronic filing systems, online payment platforms, and automated reporting mechanisms helps streamline tax processes and improve efficiency. Third, there is a high influence of tax compliance when there is fairness perceived between the tax paid and the services provided by the government (Torgler 2007). To further improve tax compliance and service delivery, the respondents suggest that BIR should strengthen its taxpayer education programs through regular seminars and face-to-face lectures. These initiatives provide taxpayers with direct guidance on



tax laws, filing procedures, and compliance requirements, helping them better understand their obligations.

The respondents also suggested that the BIR should intensify its monitoring and verification of business establishments to ensure that all operating entities are properly registered. Regular field visits and inspections can help identify unregistered businesses and encourage them to comply with registration requirements.

In addition, the BIR should consider extending flexible options for taxpayers who experience delays in payment. Providing reasonable extensions, installment payment schemes, or penalty relief programs can help taxpayers settle their obligations without excessive financial strain.

CONCLUSION

Based from the findings, the researcher arrived at the following conclusions:

The microenterprises in the locality are largely managed by experienced adult women with sufficient educational background, but they operate mostly small and emerging businesses with limited income levels.

The level of tax compliance among microenterprises and business owners in Bucay, Abra is very high in terms of filing compliance, payment compliance, accuracy and truthful reporting, recordkeeping and documentation, and responsiveness to notices and audit requests.

On the other hand, certain challenges moderately affect their tax compliance. The need for assistance or guidance when filing tax returns, fear of making errors, and reliance on others due to uncertainty in reporting accuracy obtained the highest mean values. This suggests that many taxpayers are not yet fully equipped or confident to independently accomplish tax-related tasks, indicating gaps in tax knowledge and self-efficacy.

Furthermore, the weak correlations observed for age and sex imply that compliance behavior is relatively uniform across these demographic variables. Likewise, year of operation and nature of business showed no statistically significant differences across all compliance dimensions.



Recommendations

Based from the findings and the conclusions made in this study, the following recommendations are forwarded by the researcher:

1. The BIR may consider a clearer guideline, accessible support services, and taxpayer education programs to improve confidence, accuracy, and overall compliance.
2. The BIR may conduct regular monitoring and field visits to ensure that all businesses are properly registered and compliant with tax regulations.
3. The BIR may also prioritize the simplification, digitalization, and promotion of fairness within the tax system to enhance accessibility and transparency. The BIR may consider conducting walkthrough on the eBIRforms and online payment channels for the microenterprises and small business owners.
4. The agency may consider offering flexible arrangements or extended options for taxpayers with delayed payments to encourage compliance and reduce financial burden.
5. The researcher recommends to conduct another study to focus on other factors other than personal demographics in improving tax compliance. Future researchers are also encouraged to explore other variables such as economic factors, taxpayer attitudes, and institutional trust, which may have a more significant influence on tax compliance

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