

Taxpayer's Commitment and Tax Knowledge as Predictors of Small-Medium Enterprises' (SMEs) Tax Compliance

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Abstract: This study measures the behaviors affecting the tax activities of the local business taxpayers and promotes the collection and revenue generation of the government through small and medium enterprises. This study used a non-experimental quantitative research design using correlational techniques with 400 respondents, duly registered taxpayers in Tagum City, chosen through Systematic Random Sampling. The results suggest that taxpayer commitment is present but only sometimes observed, pointing to potential gaps in sustained tax compliance behavior. Moreover, taxpayers possess a basic or average understanding of tax-related concepts, obligations, and rights, but this knowledge is not consistent or deeply embedded across all individuals – some taxpayers are informed while others are not, potentially leading to inconsistent compliance behavior. Furthermore, the SMEs are inconsistent in adhering to tax obligations such as timely filing, accurate reporting, and full payment of taxes, highlighting a lukewarm or conditional compliance attitude; SMEs may comply under certain circumstances but not uniformly or voluntarily. The significance of the results of this study may contribute to the existing literature on tax compliance by offering dependable and precise concepts for evaluating compliance among taxpayers of Small and Medium Sized Enterprises (SMEs) in Tagum City and provide additional perceptions and understanding.

Keywords: business taxation, Philippines, tax compliance, tax commitment, tax knowledge

I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) serve as the backbone of the Philippine economy, accounting for 99.52% of businesses in the country, which also employs 62.7% of the employment rate (Lu, 2023, p. 1). With their enormous contribution to the nation's economy, their tax contributions also impose greater importance on taxation. The tax has been tagged as the "lifeblood of the government" and should be sufficient to sustain the country's growth and development, including the increase in expenditures for the numerous programs, plans, and projects of the government that will widely benefit the Filipino people (DOF NTRC, 2015, p. 4).

However, an abundance of MSMEs have been affected by the pandemic due to financial constraints (Gallimore, 2022, p. 8), and these business interruptions affect consumer behaviors that are consequential to the productivity and mobility of the business sector (Del Castillo et al, 2024, p. 18). The pandemic's lengthy restrictive measures significantly limit businesses' ability to conduct company operations, which has an impact on their liquidity and overall operational effectiveness. The consequences of the pandemic, as indicated by Hidalgo, et.al. (2021, p. 186), are especially noticeable among small and micro enterprises compared to medium and big businesses, which have better operational procedures and financial resources to meet the problems and remain active in the business responses to face greater economic challenges.

Supplementary to these tests, the levels of tax compliance of businesses are influenced by a variety of variables, including the impact of the pandemic and the global financial crisis, despite the road to recovery. For instance, the economy's impact on personal and business finances, sudden changes to tax laws and procedures, and taxpayers' perception of how just the tax system is can all have an impact on how many people voluntarily pay the right amount of tax (Davies, 2022, p. 17). As studied by Helhel and Ahmed (2014, p. 48), for developing economies all throughout the world, improving tax compliance is a top issue. In low-income countries, tax revenues are not only low as a percentage of GDP in absolute terms, but they are also low when equated to higher-income economies. In every situation, determining tax compliance and examining its drivers is intricate. It is also required for enterprises to achieve the best

possible compliance outcome from the regulating bodies. To do so, they are given a determinate amount of resources, which means that cautious decisions must be made on how and in what ways those resources will be used to achieve the best possible outcome in terms of improved tax compliance.

Moreover, Bornman and Wessels (2018, p. 11) stated that even in settings where trust is an issue and where there are perceptions of injustice in the tax system or a strained relationship between taxpayers and tax authorities, taxpayer commitment can play a key role in determining levels of compliance. Commitment can cause individuals to behave in ways that, from the perspective of neutral observers, can appear to be opposed to their self-interest.

Tax compliance has a significant influence on tax knowledge. Good attitudes about tax compliance behavior are favorably connected with tax knowledge. The level of education a person has plays an essential role in their comprehension of taxation, particularly when it comes to tax rules and regulations. It also showed that the ability to pay taxes is highly correlated with their tax knowledge (Damajanti and Karim, 2017, p. 13).

Furthermore, taxation is the most practical method for governments to raise cash to fund development projects in the country. In this aspect, SMEs have the potential to be a significant source of tax income (Alkhatib, Abdul-Jabbar, Abuamria, and Rahhal, 2019, p. 7). How to deal with a significant topic of worry is a major and important matter of concern, which includes the taxpayers' willingness to follow the tax law's provisions. Several people are well-known to have a negative and unresponsive attitude toward tax payments. As a result, it needs some herculean power to impose tax collection in a variety of situations (Abuamria, F., 2019, p. 65).

Shown in Figure 1 is the Conceptual Framework of the study, where the first Independent Variable is the Taxpayers' Commitment to having procedural fairness, trust, commitment, and tax compliance are the indicators (Mangoting, et. al., 2021, p. 11). Tax Knowledge is also cited in the study as the second Independent Variable. Taxpayer's responsibilities and rights, income, tax relief, refunds or tax credits, and awareness of offenses, penalties, and fines are the indicators under this variable (Palil, 2010, p. 384). The Dependent Variable in this study is the Tax Compliance of Small and Medium Enterprises (SMEs), which states that internal and external factors affect taxpayer compliance. Internal factors include taxpayers' thoughts and perceptions about taxation, which influence their behavior and attitudes. External factors include the tax system and technique, the tax administration's approach to taxpayers, public opinion's general sense of political confidence, tax knowledge, and legal arrangements. (Helhel, et. al., 2014, p. 56).

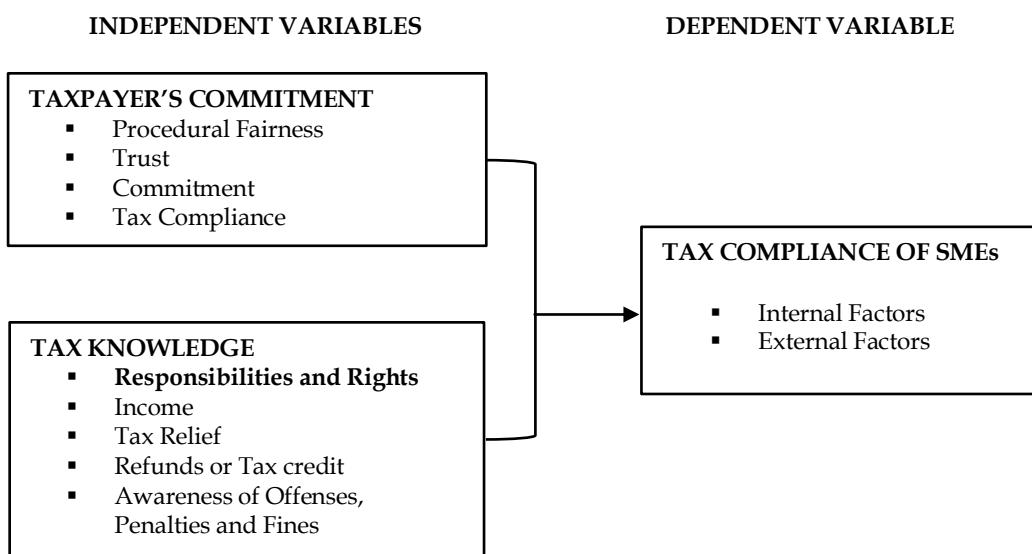


Fig. 1. Conceptual Paradigm of the Study

The objective of this research was to determine the predictive influence of Taxpayer's Commitment and Tax Knowledge to Small-Medium Enterprises' (SMEs) Tax Compliance. Specifically, it sought to answer the following questions: first, describe the level of Taxpayers' Commitment in terms of Procedural Fairness, Trust, Commitment and Tax Compliance; second, determine the level of Tax Knowledge in terms of Taxpayer's Responsibilities and Rights, Income, Tax Relief, Refunds or Tax credit and Awareness of Offenses, Penalties and Fines; third, measure the level of Tax Compliance of SMEs in Tagum City in terms of Internal Factors and External Factors; fourth, to ascertain if there is a significant relationship between Taxpayers' Commitment and Tax Knowledge on the Tax Compliance of SMEs in

Tagum City; and lastly, fifth, to resolve if the Taxpayers' Commitment and Tax Knowledge predict the Tax Compliance of SMEs in Tagum City.

Also, the following hypotheses were tested at 0.05 level of significance: (1) there is no significant relationship between Taxpayers' Commitment and Tax Compliance of Small and Medium Enterprises in Tagum City; (2) there is no significant relationship between Tax Knowledge, Tax Compliance of Small and Medium Enterprises in Tagum City; and (3) Taxpayers' Commitment and Tax Knowledge do not predict the Tax Compliance of SMEs in Tagum City.

This study provides a quantitative approach, and therefore, there is a lack of rich insight and texture that a qualitative study could deliver. However, a global response is required to the current global issues of our generation. Recovery will take time, and the future will be significantly different from the present. The pandemic significantly affects taxation, and taxation will also be an important aspect as economies around the world begin to recover, including Tagum City. Hence, the catching up to do, despite the significant economic impact of businesses in the locality, has encountered. With such strategies in place for possible future disruptions, businesses vis-à-vis the local government need to rethink how they operate their industries and still comply with the tax rules and regulations.

The significance of the results of this study may contribute to the existing literature on tax compliance by offering dependable and precise concepts for evaluating compliance among taxpayers of Small and Medium Sized Enterprises (SMEs) in Tagum City. The research may add to the corpus of information already known about tax compliance in the locality while also providing new and additional perceptions and understanding. This will help the local community by providing input and delivering crucial information on tax compliance strategies for SMEs. Further, the taxpayers, businesses, the Local Government Unit of Tagum City, the Bureau of Internal Revenue (BIR), and future researchers will all profit from this and will likewise provide a springboard for subsequent researchers to conduct independent research on this issue at hand.

II. METHOD

The study involved the various Small and Medium Enterprises (SMEs) duly registered in Tagum City. The study has 400 respondents from the provided list of duly registered taxpayers requested from Tagum City's Business Licensing and Permit Office (BPLO) and was randomly chosen by the researcher until the desired sample size was attained. The collection of data involved the distribution of a validated questionnaire as a means of extracting significant experiences and insights from the target participants. As it used Systematic Random Sampling, the researcher got a sample of every fifth (5th) person from the list provided.

The tax compliance, taxpayers' commitment, and tax knowledge questionnaire of SMEs comprised researcher-built instruments taken from various literature and sources, which were customized and improved to fit the study and subjected to the experts' validation. Lastly, the reliability of the questionnaires was tested through pilot testing using Cronbach's Alpha (Gliem, 2003, p. 88). Questions were stated in clear and straightforward terms, translated to the local dialect, Bisaya, and respondents were allotted a maximum of 30 minutes to complete each.

The researcher respondents were asked to rate the level of Taxpayers' Commitment, the level of Tax Knowledge, and the level of Tax Compliance of Small-Medium Enterprises. Responses were rated on a five-point Likert Scale: 5 - Strongly Agree, 4 - Agree, 3 - Neutral, 2 - Disagree, and 1 - Strongly Disagree. The following means with its descriptions are 4.20 - 5.00 or Very High which means it is observed at all times; 3.40 - 4.19 or High, meaning it is observed most of the time; 2.60 - 3.39 or Moderate, reflecting sometimes observed; 1.80 - 2.59 or Low, meaning rarely observed; and 1.00 - 1.79 or Very Low, which interprets never observed. The questions for the Taxpayer's Commitment were adapted from Mangoting, Y., Junfandi, J., Vania. (2021, page 71), the Tax Knowledge questions were from Palil, M.R. (2010, pages 433-435), and the questions used in Tax Compliance were from Helhel, A., and Ahmed, Y. (2014, page 52).

This study used a non-experimental quantitative research design using correlational techniques. This design is suitable as it aims to find correlations between variables and define them in terms of their strength, direction, may it be positive or negative, and absence of an intervention to alter an outcome variable (Cook and Cook, 2008, p. 101). This research design helps describe and comprehend related events, situations, and behaviors, and also search for traits, abilities, or conditions that covary or correlate with each other. (Mertler, 2016, p.119)

III.RESULTS

This section analyzes the results gathered from the Small and Medium Enterprises (SMEs) in Tagum City. The purpose of this research is to study the relationship between two variables—taxpayer's commitment and tax knowledge—and their influence on tax compliance among Small and Medium Enterprises (SMEs), to assess the

relationship between taxpayer's commitment and tax compliance, and the tax knowledge and tax compliance of these local businessmen.

Level of Taxpayer's Commitment

Table 1 below shows that the overall mean of the level of taxpayers' Commitment is 3.38 is described as Moderate. This suggests that while there is a noticeable degree of commitment among taxpayers, it is not consistently strong. In other words, taxpayer commitment is present but only sometimes observed, pointing to potential gaps in sustained tax compliance behavior.

The total mean is a result of the indicators, which are Procedural Fairness, Trust, Commitment, and Compliance, with a mean of 3.55, 3.36, 3.25, and 3.36, respectively. Among the following indicators, the highest mean received was the Procedural Fairness with a High variation, meaning that the taxpayer's commitment is sometimes observed.

Table 1. Level of Taxpayer's Commitment

Indicators	Mean	SD	Descriptive Equivalent
Procedural Fairness	3.55	0.79	High
Trust	3.36	0.78	Moderate
Commitment	3.25	0.86	Moderate
Tax Compliance	3.36	0.84	Moderate
Overall	3.38	0.69	Moderate

Table 2 displays Procedural Fairness, with a 3.55 mean, suggesting that taxpayers perceive the processes and methods of tax collection, transparency, and consistency in how tax laws are applied are likely seen positively. This perception can foster a more willing compliance among taxpayers. The SD of 0.79 indicates moderate variation, meaning while many respondents agree on fair treatment, there are still some differing views, possibly due to uneven experiences across regions or sectors.

Furthermore, Farrar, et. al. (2022) in his study showed that tax authorities should be procedurally and distributively fair and it is important for taxpayers to be informed about this procedural fairness so that in return, the tax authorities can explicitly communicate its reinforcement and tax efforts on the fairness of processes, which is important to the taxation systems. Their study found that it is not sufficient for tax authorities to simply implement fair measures; it is equally significant for them to actively apprise and educate taxpayers about these reasonable practices. By clearly collaborating on their Commitment to fairness and supporting it through visible actions and policies, tax authorities can build stronger public trust, improve voluntary tax compliance, and enhance the overall legitimacy of the taxation system.

Table 2. Level of Taxpayers' Commitment in terms of Procedural Fairness

Item	Mean	SD	Descriptive Equivalent
Sees a fair and impartial tax policy in the locality.	3.78	0.95	High
Cooperates with the taxation rules and regulations.	3.55	0.90	High
Submits to the online system for tax services.	3.47	0.99	High
Adapts to the digitalization of taxation procedures.	3.42	0.99	High
Believes the tax policies and regulations are inclusive to all business sectors in the City.	3.53	1.01	High
Overall	3.55	0.79	High

The taxpayer's Trust also indicates that while some taxpayers believe that the tax system and its administrators are trustworthy, there is room for improvement. Building higher trust could lead to stronger voluntary compliance. The SD of 0.78 shows that responses are somewhat spread out—some taxpayers trust the system more than others, likely depending on their prior experiences or exposure to transparency in government spending. From the publication of the Association of Chartered Certified Accountants (2022), trust is a key element in the taxpayers' tax morale, including their understanding of the existing systems, which leads to increased taxpayers' engagement.

The mean of Tax Compliance implies that some taxpayers may comply out of necessity or fear of penalties, rather than genuine Commitment. A moderate score reflects occasional compliance—some pay taxes regularly, while others may avoid or delay payments. With an SD of 0.84, there is again significant variability, pointing to inconsistent compliance patterns among respondents. As stated in the study of Mebratu in 2024, the cost of tax compliance is influenced by the readiness of the taxpayers to adhere to tax laws, and compelling them can be a demanding mission. To

enhance their voluntary compliance, there should be an open and good relationship between authorities and taxpayers, including awareness, reduction of compliance costs, and conveyance of tangible and intangible benefits to responsible taxpayers.

Table 3. Level of Taxpayers' Commitment in terms of Commitment

Item	Mean	SD	Descriptive Equivalent
Supports the tax provisions and changes of the post-pandemic era.	3.27	0.94	Moderate
Enjoys the utilization of the local tax digital services.	3.20	0.98	Moderate
Undertakes consistency in performing and paying its tax obligations.	3.21	1.07	Moderate
Believes paying taxes is a positive contribution to the government.	3.27	1.08	Moderate
Understands the need to pay taxes even in the post-pandemic era.	3.30	1.06	Moderate
Overall	3.25	0.86	Moderate

Shown in Table 3 is the Commitment, having the lowest mean among the indicators, which shows that taxpayers' intrinsic motivation or moral obligation to pay taxes is relatively weak. It may indicate that taxpayers view paying taxes as a burden rather than a civic responsibility. The SD of 0.86 is the highest among all indicators, showing more variability in how individuals feel committed, suggesting mixed levels of personal motivation and sense of responsibility. Derived from the study of Dharmayanti, et. al (2023), taxpayer's Commitment is critical in motivating them to adhere to their respective tax obligations, especially on their normative Commitment as determined by a sense of responsibility and obligations.

Conforming with the 2021 research of Kassa, enterprise taxpayers' Commitment to pay based on their revenue included factors that instigate their involvement, including tax evasion. Some stand with the argument "I do not receive benefits, therefore I do not have to pay" hence the defiance of some taxpayers on this obligation. There are multiple factors in their Commitment in which authorities have a huge role to play and to better engage and commit the businessmen in the present tax systems.

Level of Tax Knowledge

Table 4 presents the overall mean of the level of Tax Knowledge is 3.30, which is described as Moderate, meaning that the knowledge of the taxpayer is sometimes observed. Taxpayers possess a basic or average understanding of tax-related concepts, obligations, and rights, but this knowledge is not consistent or deeply embedded across all individuals. Tax knowledge is sometimes demonstrated, which indicates variability – some taxpayers are informed while others are not, potentially leading to inconsistent compliance behavior. The overall SD of 0.75 indicates that when all components are averaged, taxpayers are more consistent in their general level of knowledge compared to individual topics.

Table 4. Level of Tax Knowledge

Item	Mean	SD	Descriptive Equivalent
Responsibilities and Rights	3.46	0.84	High
Income	3.44	0.93	High
Tax Relief	3.30	0.85	Moderate
Refund or Tax Credit	3.11	0.90	Moderate
Awareness of Offenses, Penalties, and Fines	3.19	0.96	Moderate
Overall	3.30	0.75	Moderate

The total mean is the result of the indicators, which are Responsibilities and Rights, Income, Tax Relief, Refund or Tax Credit, and Awareness of Offenses, Penalties, and Fines, with a mean of 3.46, 3.44, 3.30, 3.11, and 3.19, respectively.

Responsibilities and Rights, exhibited in Table 5, indicate that many taxpayers are relatively aware of their basic tax responsibilities, such as filing and paying taxes, as well as their rights. This suggests that tax authorities may have successfully communicated these fundamental aspects, possibly through campaigns or public education. The SD of 0.84

shows moderate variation, suggesting that while many respondents are knowledgeable, some still lack clarity, possibly due to differing levels of education or access to reliable tax information. According to the study of Chandra et. al. in 2021, the motivation of the taxpayer can grow because of the level of knowledge they have, which includes their rights and responsibilities. This touches on the tax regulations on tax rates, benefits obtained once they pay taxes, tax rights and duties, and tax administration present in their locality.

Table 5. Level of Tax Knowledge in terms of Taxpayer's Responsibilities and Rights

Item	Mean	SD	Descriptive Equivalent
Informs and declares actual income received from all sources and expenses to the authorities.	3.68	0.90	High
Keeps records/documents from all transactions and payments of taxes.	3.45	0.93	High
Experiences awareness that businesses need to submit to and pay local business tax such as Business Permit, Mayor's Permits, Community Tax and etc.	3.44	1.00	High
Submits and is aware of the regulations of the national tax system.	3.40	1.03	High
Holds knowledge of its rights as a taxpaying business entity.	3.34	1.07	Moderate
Overall	3.46	0.84	High

Income also shows relatively high results, which implies, they may understand which sources of income are taxable and how income affects their tax obligations. This awareness is critical for accurate reporting and honest declarations. However, the SD of 0.93 is the highest among all indicators, which suggests greater inconsistency in knowledge. This could be due to varying income sources or confusion over what constitutes taxable income. This concurred with the study of Kurnia and Fajarwati in 2022, wherein one's income is a factor that influences taxpayers in paying taxes during the COVID-19 pandemic at the SukabumiPratama tax service office. As the income of the taxpayer increases, the greater their tax knowledge on compliance is.

The moderate mean of the Tax Relief suggests that while some taxpayers are familiar with tax relief options, many might not be maximizing or even aware of the benefits they're entitled to. The moderate SD shows a reasonable level of agreement among respondents, though still with some variation, possibly because tax reliefs can be complex and subject to frequent policy changes. According to Novianti and Dewi (2017), some knowledge of tax amnesties proves an influence on the attitude toward the taxpayer's non-compliance, which is subjective standards and behavioral intent. This is a common dilemma in emerging countries, in which supposedly, these tax relief, and amnesties reassure the equitable tax system and reform, and eventually increase tax revenue.

The lower mean on Refund or Tax Credit implies limited familiarity with the option of refunds or claiming tax credits. Taxpayers may either be unaware of how to apply for a refund or be unfamiliar with the conditions under which they qualify for tax credits. This lack of understanding may lead to missed opportunities and potential distrust in the system. The SD of 0.90 implies a wide spread of understanding –some are informed, but many are not. This points to a gap in public education on financial benefits tied to compliance. In the research by Deloitte Philippines, small businesses have been complaining about the inconvenience of applying for a tax refund, which then results in noncompliance. This lack of clarity and information on the necessary requirements, eligibility criteria, and refund process creates confusion for the taxpayers and brings about taxpayer frustration and arguments between taxpayers and tax authorities. (Merto, 2023)

Table 6. Level of Tax Knowledge in terms of Refund or Tax Credit

Item	Mean	SD	Descriptive Equivalent
Aware that it can apply Refund or Tax credit for overpayment.	3.12	1.01	Moderate
Understands the process for Refund or Tax credit.	3.14	1.07	Moderate
Knows the requirements for filing for Refund or	3.08	1.05	Moderate

Tax credit.			
Appreciates the purpose of Refunds and Tax Credit for businesses.	3.09	1.02	Moderate
Prepares to file for claims in case the business entity is entitled to it.	3.15	1.05	Moderate
Overall	3.11	0.90	Moderate

Furthermore, the Awareness of Offenses, Penalties, and Fines is also concerning as it indicates that taxpayers have limited awareness of the consequences of non-compliance. This could weaken the deterrent effect of penalties, as individuals are less likely to comply with laws they don't fully understand or perceive as enforceable. The highest SD of 0.96 signals substantial variability, meaning some are very informed while others know little to nothing about penalties. This inconsistency could weaken prevention effects. Understanding tax penalties supports tax compliance, wherein penalties and offenses distinguish the compliant taxpayers from non-compliant taxpayers. Moreover, the standards of conduct essential to the taxpayer are ascertained by the accuracy penalty available, those policies that do and do not have the potential for tax abuse. (Doran, 2009).

Additionally, in the study of Amin et al. in 2022, better tax compliance can be expected for those with increased levels of literacy and tax system knowledge. One of the key components in achieving tax compliance is awareness, which also serves as an internal drive for taxpayers to make a payment and support national growth. When taxpayers appreciate how the system works, what their part is, and what their viewpoint is to gain or lose, they are more motivated to fulfill their obligations. Thus, tax knowledge is not only educational but also psychological and behavioral in effect. While they show rational awareness in areas like income and responsibilities, there are gaps in their understanding of benefits and penalties. Improving taxpayer education and awareness will be crucial for fostering a more compliant and cooperative tax culture. These findings reinforce Amin et al.'s (2022) conclusion that knowledge is key to both compliance and national development.

Level of Tax Compliance of SMEs

The total mean is a result of the indicators, which are Internal Factors (Thoughts and behaviors) and External Factors (Tax laws, systems, and administration), with a mean of 3.48 and 3.22, respectively, as shown in Table 7.

Table 7. Level of Tax Compliance of SMEs

Items	Mean	SD	Descriptive Equivalent
Internal Factors (Thoughts and behaviors)	3.48	0.86	High
External Factors (Tax laws, systems, administration)	3.22	0.88	Moderate
Overall	3.35	0.77	Moderate

Table 8 presents the Internal Factor, which signifies that those internal motivations play a significant role in shaping compliance behavior. SMEs are more likely to comply based on personal principles or perceived responsibilities, even in the absence of external pressure. The SD of 0.86 indicates moderate variability, meaning that while many SMEs show strong internal motivation, there are still some differences in responses – some SMEs may be more committed internally than others. Most SMEs tend to have strong internal motivations, but a few may differ, creating a moderate spread.

In the study of Nguyen, T. H. (2022), one factor that positively impacts individuals' voluntary tax compliance behavior is their principles. It suggests that morally upright individuals are more likely to pay their taxes. Conversely, deviant behaviors like tax evasion and avoidance are likely to arise if their moral ideals decline. Building on this, it becomes clear that nurturing solid ethical values within a society plays a vital role in encouraging tax compliance. Educational drives, public dialogues, and government transparency can all contribute to firm citizens' moral standards and sense of civic duty. When people observe that the tax system is impartial and that their contributions are used sensibly for the public good, their fundamental motivation to comply rises. Thus, nurturing moral values and reinforcing ethical behavior are essential strategies not only for improving tax compliance rates but also for creating a more dependable and sustainable taxation system.

Table 8. Level of Tax Compliance of SMEs in terms of Internal Factors (Thoughts and behaviors)

Item	Mean	SD	Descriptive Equivalent
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Believes that collected tax is spent as public service in Tagum City.	3.72	0.94	High
Thinks that the crafting of tax policies is people centered.	3.48	1.04	High
Pays taxes accurately in Tagum City.	3.40	1.04	High
Feels impressed and encouraged by someone else's commitment/fulfillment of tax obligations.	3.41	1.04	High
Deems that it is a sacred duty as a Filipino citizen to pay taxes.	3.47	1.04	High
Considers that payment of tax is an indicator of loyalty to the government.	3.37	1.11	Moderate
Overall	3.48	0.86	High

The External Factors' lower score suggests exterior barriers or inadequacies, such as complex procedures, lack of clarity, or sluggish services, are negatively affecting compliance. It shows that even keen taxpayers may struggle to conform due to operational or organizational challenges in understanding or submitting to tax laws, due to system inefficiencies, complications, or lack of support from tax authorities. The SD of 0.88 is slightly higher than that of internal factors, suggesting greater inconsistency in experiences and insights. This suggests that while some SMEs may find the structure tolerable, others may experience substantial challenges or discrepancies in tax procedures or services. There's more inconsistency in how SMEs perceive or experience tax laws and systems. Some may feel supported, while others do not, leading to lower average and greater variation.

In the study conducted by Dlamini in Durban in 2021, tax nonpayment may sometimes occur accidentally when certain parts of the tax code are complex and hard to grasp for persons with little tax understanding. Another reason is that SMEs have limited resources, which are focused on tax compliance and would have been better used for reinvesting in the future development of their business. It has been noted that the tax code is complicated and that they have to incur extra expenses to comply, which places an excessive burden on small enterprises. Further, taxpayers who are compliant do not gain from the provision of numerous amnesties, and once tax amnesty and tax administration are weak, it can increase incidences of tax evasion.

Table 9. Level of Tax Compliance of SMEs in terms of External Factors (Tax laws, systems, administration)

Item	Mean	SD	Descriptive Equivalent
Believes there are clear and appropriate tax regulations and systems.	3.38	1.04	Moderate
Thinks that tax penalties are preventive enough for tax evasion.	3.24	0.99	Moderate
Trusts there are suitable tax revenue-generating activities.	3.22	1.01	Moderate
Knows about tax exemptions and tax amnesties that do not result in tax inequality.	3.19	1.06	Moderate
Believes there is sufficient working staff in the tax office and delivers effective service.	3.25	1.10	Moderate
Believes the working staff in the office have adequate education level and professional knowledge for efficient service.	3.22	1.09	Moderate
Observes positive relations between working staff in the tax office and taxpayers.	3.16	1.12	Moderate
Thinks that authorities can adapt technological developments in their tax office.	3.13	1.19	Moderate
Overall	3.22	0.88	Moderate

Finally, the overall mean of the level of Tax Compliance of SMEs is 3.35, which is described as Moderate, meaning that the compliance of the taxpayer is observed sometimes. This implies that SMEs are inconsistent in adhering to tax obligations such as timely filing, accurate reporting, and full payment of taxes. This result also highlights a lukewarm or conditional compliance attitude—SMEs may comply under certain circumstances but not uniformly or voluntarily. The

lower SD of 0.77 here shows that responses across all SMEs are more consistent when considering both internal and external factors together. While individual scores may vary, the general trend is that SMEs fall in the moderate compliance range and behave similarly.

In the study of Hoang et. al. in 2024, it shows that consumer confidence is positively impacted by the quality of tax services, with SMEs' faith in the tax system increased by prompt and competent tax service authorities. Tax services have a direct impact on SMEs' tax compliance in addition to an indirect one through reputation. This implies that tax information is made available by the authorities' tax services to help SMEs adhere to tax laws, hence simplifying compliance.

Relationship between Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs

Table 10 presents the significant relationship between Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs. The result shows a p-value of 0.001, which is lower than the significance level of 0.05, revealing that the null hypothesis was rejected and indicating that the results are statistically significant. This means that there is enough evidence to reject the null hypothesis, which concludes that there is a significant relationship between Taxpayer's Commitment and Tax Compliance and Tax Knowledge and Tax Compliance.

The r-value of 0.731 implies a strong correlation between Taxpayer's Commitment and Tax Compliance of SMEs. This means that as commitment increases, so does the level of compliance, and vice versa. Additionally, its r-squared of 0.5344 signifies that the tax commitment can account for 53.44% of the variation in Tax Compliance of SMEs. In simpler terms, over half of the behavior of tax compliance among SMEs is influenced by how committed the taxpayers are, through the indicators of Procedural Fairness, Trust, Commitment, and Compliance.

Moreover, the data shows that the 0.7722 r-value and 0.5960 r-squared, or 59.60% of the tax knowledge, can indicate the level of tax compliance of SMEs in Tagum City. This represents an even stronger positive correlation than commitment, showing that tax knowledge has a significant and powerful relationship with compliance. This reflects the idea that more informed taxpayers are more likely to comply with tax laws, possibly due to increased understanding, confidence, and reduced confusion or fear of penalties.

Table 10. Significance on the Relationship between Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs

Independent Variables	Dependent Variable	r-value	r ²	p-value	Decision
Taxpayer's Commitment	Tax Compliance of SMEs	0.731**	0.5344	0.001	Reject Ho
Tax Knowledge		0.772**	0.5960	0.001	Reject Ho

*p < 0.05

Regression Analysis on the Influence of Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs

In Table 11, this displayed the Regression Analysis on the Influence of Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs revealed an f-ratio of 344.298 and a p-value of 0.001 for the dependent variable. The f-ratio of 344.298 indicates that the overall regression model is a good fit for the data. It tests whether the model as a whole, both commitment and knowledge, significantly predicts tax compliance. The p-value of 0.001 is well below the 0.05 threshold, meaning the result is statistically significant, leading to the rejection of the null hypothesis, confirming that at least one of the independent variables has a statistically significant impact on tax compliance.

These figures indicate that the null hypotheses are rejected as the p-values are below the significance level of 0.05, and both the level of taxpayer's commitment and tax knowledge forecast the SMEs' tax compliance in Tagum City. Likewise, the R-value of the dependent variable, which is 0.796, suggests that both independent variables positively influence tax compliance. This reflects a strong positive multiple correlation between the two predictors, taxpayer's commitment and tax knowledge, and the outcome variable, which is tax compliance. This suggests that both predictors are positively associated with tax compliance.

Table 11. Regression Analysis on the Influence of Taxpayer's Commitment and Tax Knowledge to Tax Compliance of SMEs

Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t-value	p-value	Decision
	B	SE	Beta			
(constant)	0.390	0.118				
Taxpayer's Commitment	0.358	0.055	0.322*	6.503	0.001	Reject Ho
Tax Knowledge	0.530	0.051	0.517*	10.427	0.001	Reject Ho
Dependent Variable: Tax Compliance of SMEs						
R = 0.796*			r ² = 0.634			
F-ratio = 344.298			p-value = 0.001			

The r-squared value of 0.634 or 63.4% proves that the taxpayer's commitment and tax knowledge rationalize the variation of the Small and Medium Enterprises' tax compliance. This is a high explanatory power, implying that these two factors are very influential in determining the compliance behavior of SMEs. The remaining 0.366 or 36.6% in the adjusted r-squared represents other factors that can influence the Tax Compliance of Small-Medium Enterprises, which can be answered by further research.

IV. CONCLUSION AND RECOMMENDATIONS

Conclusion

Firstly, the level of Taxpayers' Commitment of the Small and Medium Enterprises garnered a Moderate variation, meaning that the commitment of the taxpayer is sometimes observed. This resulted from assessing the Procedural Fairness, Trust, Commitment, and Compliance of the taxpayers, which signified a majority of moderate observance of the taxpayer's commitment, except for the Procedural Fairness, which implicates a high mean, or that the commitment of the taxpayer to Procedural Fairness is observed most of the time.

This result in Tax Commitment indicates that there is a conditional relationship between taxpayers and tax authorities. Taxpayers might be willing to comply if they perceive fairness and benefit, but their moral obligation or sense of civic duty is lacking, and efforts to increase trust, procedural fairness, and communication can potentially boost intrinsic motivation to comply. The lower SD of 0.69 indicates that, when averaged together, responses are more uniform, suggesting that while individual components vary, general sentiment around taxpayer commitment is relatively stable among respondents.

Meanwhile, the overall mean of the level of Tax Knowledge is described as moderate, or that the taxpayer's knowledge is sometimes observed. This was an upshot from its indicators, which are Responsibilities and Rights, Income, Tax Relief, Refund or Tax Credit, and Awareness of Offenses, Penalties, and Fines. Three of them garnered a moderate equivalent, meaning that the knowledge of the taxpayers to Tax Relief, Refund, or Tax Credit, and Awareness of Offenses, Penalties, and Fines, respectively, is sometimes observed. However, Responsibilities and Rights, and Income are seen with a high perception of the taxpayers in their tax compliance, meaning the knowledge of the taxpayer to these indicators is observed at all times.

Lastly, the Tax Compliance of Small and Medium Enterprises is considered Moderate, or the compliance of the taxpayer is observed most of the time. Internal Factors (Thoughts and behaviors) and External Factors (Tax laws, systems, and administration) are assessed for this variable, and it is observed that the Internal Factors, such as the taxpayer's thoughts and behaviors, are observed most of the time in tax compliance or described as High. On the other hand, External Factors, such as Tax laws, systems, and administration, are moderately observed by the taxpayers in their tax compliance.

The stronger impact of internal factors imitates a willingness to comply, but external encounters, such as complex structures or ineffective services, often hinder full compliance. These findings are reinforced by Hoang et al. (2024), who confirm that quality tax services directly and indirectly promote compliance. Therefore, investing in professional, accessible, and streamlined tax services can serve as a key strategy for improving SME tax behavior in the long run.

Recommendations

Based on the results of the study, it is highly recommended that the Small and Medium Enterprises in Tagum City must be given attention to their tax commitment and tax knowledge in order to comply with their tax obligations in the locality.

Starting with those considered high from the data collected, observance of an impartial tax policy, rules, and

regulations must be highlighted. Given the significance and role of technology today, an online campaign and action plans can be started to drive businessmen to their commitment to cooperate with the taxation procedures that must be put into place. Tax authorities have a critical role in influencing commitment by enhancing transparency and service delivery, educating taxpayers about how taxes are used, and creating feedback mechanisms to show the impact of tax revenues.

This feedback mechanism can be implemented through an Interactive Map of Tax-Funded Projects, such as tracing what was built or improved using their taxes and budget allocated, and progress updates or testimonials from local beneficiaries. Another would be an Annual or Quarterly Public Feedback Forum, which can be conducted online and in-person, where business taxpayers are invited to give feedback on public services, suggest priorities for future spending and the action plans are publicly shared.

An online series to educate SME taxpayers can include a comprehensive discussion and lectures on the Local Revenue Code of Tagum City, emphasizing Business Taxation. This can be implemented by the Business Permit and Licensing Office in coordination with the City Treasurer's Office.

Furthermore, updates of the national taxation laws, such as the National Internal Revenue Code (NIRC), administered by the Bureau of Internal Revenue (BIR), Revenue District Office (RDO) No. 112, which covers Tagum City, is also an essential matter to be delivered. Added information with the implementation of the Comprehensive Tax Reform Program (CTRP) such as the Tax Reform for Acceleration and Inclusion (TRAIN) Law or Republic Act No. 10963 and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law or the Republic Act No. 11534, is very crucial for business entities to understand in response to the COVID-19 pandemic and its subsequent effects to businesses and the current tax administration.

Nonetheless, this online series will not be limited to the social platform. It is highly encouraged to conduct simplified and inclusive public outreach and seminars, and workshops on these topics to further elaborate on the fairness and transparency of the tax procedures followed by tax authorities when administering and enforcing tax laws. This step, which can be applied in partnership with the twenty-three (23) Barangays in Tagum City, will help ensure that the small and medium-sized businessmen in each Barangays are treated equitably and independently, while providing them with adequate opportunities to be heard, to present their different business issues, inquire on proper business requirements to enhance tax compliance, and to challenge decisions made by tax authorities.

This targeted tax education is needed, especially in lower-scoring areas such as refunds/tax credits and penalties for non-compliance. This then creates a ripple effect on the taxpaying community of SMEs to build up their commitment and knowledge to comply with the tax policies of the land, which can eventually spring up the tax revenue that will be collected by the authorities.

Another recommendation is to increase the tax knowledge of our businesses by introducing a compulsory Basic Taxation Course, which will be mandatory upon the renewal of their business licenses and permits annually. This program, or a refresher for some, will comprise a module with practical questions and answers, such as the method to file taxes, basic tax calculation, and taxpayers' ethics and responsibilities, among others. This will induce accountability to the SME owners and responsible persons in their business entity to do their best to understand the tax environment rather than thoughtlessly complying with what is required for them to operate. This course can include topics on tax laws, policies, tax rates, different categories and features of taxation, tax justice and injustices, availment of tax refunds and amnesties, tax benefits to the businessmen and the community, and simulation of them fulfilling their tax returns. This will also imply to them that the tax authorities care about the business community by giving back not only by what is visible, like the infrastructure and other general services in the city, but also in this kind of provision through educating the significant members of society who reasonably contribute to the government revenues.

And as always, goaled and maintained, enhancing the delivery of tax services—particularly in training employees, customer relationship, simplifying processes, and using digital platforms—can reduce barriers to compliance. Since internal factors are already relatively strong, external improvements may unlock greater compliance potential.

By paying close attention to the abovementioned activities and initiatives, this can positively affect the attitude and outlook of a business taxpayer. Different demographic groups could have distinct tax views, but by giving them the proper knowledge, allowing them to experience just taxation procedures, training them the skills, orienting them their rights and benefits, and helping them better understand what taxation is per se will potentially build their independence and trust in the value of paying their taxes to shape a more optimistic tax culture in Tagum City.

The results of this research and its recommendations will prove the SMEs' power to understand, be encouraged, and testify that the local taxation programs are people-centered. This affects the vast number of variables and agencies, including the Local Business Chamber, the Department of Trade and Industry, and especially the Local Government Unit of Tagum City, and the Bureau of Internal Revenue, that play a role in taxation compliance in Tagum City. This may genuinely require a multi-faceted and dedicated approach by the tax authorities, as well as their major players, the

Small and Medium Enterprises, and eventually well-up constructive tax achievements.

Finally, this research will contribute to Sustainable Development Goal No. 09, or Sustainable Cities and Communities, which may aid in the generation of revenue needed by Tagum City for sustainable developments such as infrastructure, urban planning, public services, healthcare, and disaster resilience. Another Sustainable Development Goal is No. 17 or the Partnerships for the Goals, which strengthens collaboration and partnerships between the civic society and business sector, the Local Government Unit of Tagum City, and the Bureau of Internal Revenue to initiate capacity-building, administrative and fiscal systems, setting a business-friendly environment and policy recommendations for the Small and Medium Enterprises in Tagum City.

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