

The Tax Awareness and Compliance Levels Among Small Business Owners: Basis for Tax Education Program

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Abstract— Tax awareness and compliance are measures that ensure small business owners fulfill their responsibility to the government and are paramount in sustaining a favorable business reputation. This study explored the tax awareness level of small business owners and how understanding tax regulation and education influences their tax compliance behavior thereby resulting into proposal of a strategic tax education program to further enhance tax awareness and compliance levels. The adoption of the explanatory sequential research method revealed that smallest business owners had a moderate level of awareness of the types of basic taxes appropriate for the operation of small business and a low level of understanding of the tax due schedules which yielded to the passive attitude of some on paying relevant business taxes. Most of them were familiar with the varied government tax education measures and initiatives which they learned from various channels such as through tax seminars, posts on social media, ads on television, and the use of print media. Informants believed that those actions created tax awareness but compliance with tax responsibilities was not evident. Most small business owners have been harnessing the aid of tax assistants to deal with their business tax responsibilities. These findings propelled the researcher to craft tax education programs comprising strategic initiatives such as optimizing the integration of digital platforms in the tax process and forming a network among small business owners.

Keywords— Tax awareness initiatives, compliance levels, small business owners, tax education programs, strategic tax initiatives

INTRODUCTION

The development of a country is a crucial aspect of economic performance and growth. It is a process that involves a range of factors, including infrastructure, advanced technology systems, and the people's economic situation. To achieve modernization and progress, taxation plays a vital role. Taxes are the primary means of financing development, and they are the mandatory contributions that individuals or corporations make to a government entity, whether local, regional, or national.

Taxation involves assessing, collecting, and distributing taxes to meet the government's financial needs. Having a thorough understanding of taxation is essential not only for businesses but also for individuals. Tax awareness is taxpayers' awareness, sincerity, and desire to fulfill their tax obligations. (Juanda&Wahyudi,2015). It involves being knowledgeable and aware of tax regulations, including fulfilling and implementing tax obligations.

Tax regulations are generally complex and require an in-depth understanding of tax laws. It is important for businesses as it helps them to comply with tax laws and avoid penalties. Businesses that are unaware of tax

regulations may face legal or financial consequences. It also allows businesses to keep accurate records of their economic activities, which can help them make informed decisions about their future financial strategies. Therefore, it is imperative to maintain an up-to-date and informed understanding of tax regulations to ensure compliance with the tax laws.

Tax compliance is a crucial aspect of any functional and prosperous society. It refers to following a country's tax laws and regulations, which is especially important for individuals, particularly business owners. Tax compliance helps individuals and businesses fulfill their legal obligations and promotes tax awareness, which is vital for the proper functioning of society.

By adhering to tax laws, individuals and companies contribute to the common good by supporting public services such as healthcare, education, and infrastructure. Furthermore, tax compliance helps ensure the government has the resources to address social issues such as poverty and inequality. Therefore, tax compliance is essential to a functioning society that benefits individuals and the community.

The Tax Education Program is an initiative that aims to assist individuals and businesses in complying with tax laws and regulations. The program is designed to educate taxpayers on their rights and responsibilities under the tax system, with the primary objective of promoting tax compliance. Through the Tax Education Program, taxpayers can learn about various tax laws and regulations topics, including the tax filing process, tax deductions, and tax credits.

This knowledge helps individuals and businesses follow tax regulations better, reducing the risk of errors and penalties. It provides comprehensive information and resources to taxpayers, making the tax system more accessible and transparent.

The Tax Education Program helps people to comprehend tax laws and regulations, which is significant as it promotes tax literacy.

This program enables individuals to avoid making mistakes when paying taxes and filing returns by providing the knowledge required to follow and comply with tax laws. By participating in the Tax Education Program, people can improve their ability to manage their tax affairs efficiently. It is a crucial tool for promoting tax

The data collected from the interviews were analyzed using thematic analysis, which involves identifying patterns, themes, and concepts in the data.

The study had 30 BIR-registered small business owner respondents chosen randomly and conveniently. They were surveyed and interviewed using individual interviews and focus group discussions. The researcher chooses its qualified participants randomly depending on their availability and willingness to respond to the survey and interviews conducted.

In the gathering of data, the researcher prepared the tools to be used for the study with the assistance of the adviser.

The semi-structured questionnaire consisted of close-ended questions and open-ended questions to determine the respondents' knowledge and awareness regarding basic taxes, their filing dues, available tax deductions, strategies to be proposed, and questions concerning effective tax education programs. The data gathered

were subjected to analysis and statistical treatment to arrive at the right interpretation and conclusion.

IV. RESULTS AND DISCUSSION

The following results were gathered, analyzed, and interpreted by the researcher based on the objectives of the study. Textual analysis tabular interpretation was also used.

1. Tax Awareness and Compliance Levels of Small Business Owners

Small businesses are subject to different types of taxes, including Income Tax, Percentage Tax, Withholding Tax, Value-added Tax, Excise Tax, Franchise Tax, and Local Government Taxes.

The type and nature of the business will determine which taxes apply. Income tax rates, exemptions, and rules can vary significantly between countries. For this reason, taxpayers must understand their tax obligations and comply with them accurately and promptly under the relevant tax laws.

Table 1.1 shows the awareness among small business owners regarding the various taxes that apply to small enterprises. The survey respondents were given seven basic types of taxes as options and were asked to indicate which taxes they were aware of as small business owners.

The higher the number of taxes known by the respondents, the greater their level of awareness was deemed to be. This information can provide valuable insights into small business owners' current knowledge and understanding of taxation policies and their implications for their businesses.

Table 1.2 presents a detailed overview of small business owners' level of awareness regarding tax filing and schedules. The table contains valuable information that reflects the respondents' ability to identify and determine the filing schedules of basic taxes that apply to their business operations.

During the survey, respondents were given seven basic types of taxes to test their knowledge of determining the due dates for each tax. The more correct respondents answer, the greater their awareness and understanding of tax filing schedules.

Table 1.2. Level of Awareness on Basic Business Tax Due Dates Among Small Business Owners

| Level of Awareness | Frequency (f) | Percentage (%) |
|--------------------------|---------------|----------------|
| High level (85%-100%) | 2 | 7 |
| Moderate level (57%-84%) | 4 | 13 |
| Low level (28%-56%) | 12 | 40 |
| Very low (0%-27%) | 12 | 40 |
| Total | 30 | 100 |

According to the data collected from the survey, a majority of the respondents lack awareness when it comes to the basic tax due dates. Of all the respondents, only 2% or 7% demonstrated a high level of understanding by correctly identifying the basic taxes' six to seven (85%-100%) due dates. This indicates that a tiny proportion of the respondents are well-informed about the tax deadlines.

Moreover, a moderate level of awareness was noted in 4 respondents, or 13% of the total sample size. These respondents were able to determine 4 to 5 (57%-84%) tax due dates, indicating that they have some knowledge about the basic tax due dates but not enough to be considered highly informed. Overall, the findings suggest that most respondents are unaware of the basic tax due dates.

These findings have emphasized the need for tax education programs to avoid future consequences. Providing the necessary education and guidance is crucial to ensure that individuals are more aware of their tax obligations and are better equipped to fulfill them.

Table 1.3 reveals the types of taxes the survey respondents know and their respective due dates. It provides a clear picture of the respondents' knowledge about the nature of taxes and the corresponding deadlines.

necessary to operate a small business. Attending seminars and training sessions before setting up a business can significantly enhance one's experience and awareness of this matter, making them more compliant with the needs of their business and the involved government agency. Ultimately, proper understanding and compliance with tax regulations can help businesses avoid legal issues and financial penalties and create a

more stable and sustainable business. As a result, many business owners hire bookkeepers to ensure that all taxes are paid correctly and on time. Maximizing Tax Incentives. According to a reliable source, a significant reason for non-compliance among taxpayers and small business owners is the high tax rates imposed by the government. However, it is observed that only a handful of individuals are aware of the various tax deductions that are available to them. These deductions can significantly help reduce the burden of their tax liabilities and promote compliance with the tax laws. Therefore, taxpayers and small business owners need to educate themselves about the tax deductions they may be eligible for and take advantage of them to avoid being non-compliant with the law. Almost all small business owners interviewed were unaware of the tax deductions required to comply with. This lack of awareness may result in an undue burden on their business operations, leading to financial strain. Preventing Tax-Related Issues. Entrepreneurs in Sorsogon City are faced with a significant challenge - tax compliance. To maintain the operation of their business, entrepreneurs must follow specific protocols and regulations to ensure they follow tax laws. This can include registering their business with the appropriate government agencies, obtaining necessary permits and licenses, and ensuring that all taxes are paid accurately and on time. Failure to comply with these regulations can result in costly penalties and legal issues, making tax compliance a crucial aspect of running a successful business in Sorsogon City. Out of the 30, there were 9 respondents, accounting for 30% of the total, who claimed to know all the effects of noncompliance. The results reveal that small business owners in Sorsogon City are aware of the consequences of not paying or complying with their tax dues and regulations. The informant's experience highlights the importance of complying with tax regulations and ensuring that all necessary documents are correctly

displayed and up to date. It is, therefore, crucial to provide proper guidance and support to businesses, particularly small businesses, to ensure that they are aware of and comply with relevant regulations and guidelines. On Becoming Business Tax Compliant. To become tax compliant as a business, it is crucial to understand and fulfill all tax obligations fully. This involves establishing a solid foundation for your business's financial health, which can help to mitigate the risk of tax-related issues in the future. Being tax-compliant is an important aspect of running a successful business by taking a proactive approach to tax compliance and implementing effective strategies for the long run of the business.

Channels of Tax Awareness Among Business Owners. As a business owner, staying informed about your tax obligations and responsibilities is essential. You can access tax awareness through various channels, such as online resources, seminars, workshops, and tax advisors. These channels provide valuable information on tax laws, regulations, and changes that may affect your business. According to the reports provided by the informants, it has been observed that the government has established specific platforms to spread awareness and information regarding taxes. However, these platforms seem to be falling short of fulfilling their intended purpose of increasing tax awareness among small business owners. Therefore, it can be inferred that there is a pressing need to develop and implement more effective and efficient means to improve tax education and awareness among small business owners to ensure compliance with taxation laws and regulations. **Raising Awareness of Businesses' Tax Responsibilities.** Compliance with tax laws and regulations is crucial to running a successful business. However, many small businesses struggle to understand their tax responsibilities, leading to unintentional non-compliance and potential legal consequences. To address this issue, organizations can implement various strategies to raise awareness and educate businesses about their tax obligations. One practical approach is to provide training and seminars on tax compliance, which can help businesses understand the complex tax laws and regulations. Information materials like fliers or social media campaigns can also disseminate tax-related information to a broader audience. Sending regular emails to businesses with updates on tax regulations and creating incentives for compliance can also be effective in encouraging businesses to comply with tax laws. Additionally, peer-to-peer activities, such as networking

events or workshops, can be organized to promote business discussions on best practices for tax compliance. Collaboration with tax authorities can also be beneficial, providing businesses with direct access to experts who can answer their questions and offer guidance. **Capabilities of Business Owners on Tax Compliance.** As a business owner, it is important to understand your critical role in ensuring that your business is tax compliant. To effectively comply with your tax responsibilities, you must possess certain traits and skills that will enable you to manage your business effectively. Firstly, you must clearly understand and be aware of your tax obligations, including the relevant rules and regulations. This will help you avoid any potential pitfalls and ensure that you always comply with the law. Secondly, you should maintain a systematic approach to recording your business transactions. This will help you keep track of all your financial activities and ensure that your tax records are accurate and up to date. Additionally, you should be transparent and always be willing to provide information when the authorities request. Thirdly, you must be attentive to changes affecting your business, particularly regarding tax regulations. This means that you should stay efficiently, identify potential deductions and credits, and ensure compliance with all relevant laws and regulations.

Strategy 2. Optimizing Digital Platforms on Tax Campaigns and Tax Payment Scheme

In today's digital age, digitalization has become the most used platform for disseminating information to the target market. As per recent studies, digital platforms are now being utilized to create awareness and disseminate information regarding filing or paying taxes. This new approach to tax administration can significantly enhance tax awareness, compliance, and overall effectiveness. By optimizing digital platforms for tax campaigns and payment schemes, tax authorities can leverage technology to foster greater tax awareness, encourage voluntary compliance, and streamline tax administration processes to benefit taxpayers and the government. This can help reduce the tax compliance burden on taxpayers while making it easier for governments to collect taxes more efficiently.

Strategy 3. Designating in Charge to Assist Small Business Owners in Their Tax Process Needs

To better assist small businesses in navigating the complex tax process, it would be beneficial to designate a specific person to serve as a point of contact. This

individual would serve as the focal point where business owners can seek personalized assistance and ask questions related to tax compliance. The role of this designated person would include answering tax-related inquiries, providing guidance on tax compliance, and facilitating access to resources and services that can help businesses effectively meet their tax responsibilities. Additionally, they would be responsible for staying up to date with the latest tax regulations and changes and would be able to provide timely and accurate information to business owners. By having a designated person in charge of assisting small businesses with tax needs, business owners can feel more confident and secure in their tax compliance efforts. This can lead to a more productive and successful business environment, with less stress and confusion surrounding tax regulations and compliance.

Strategy 4. Capacitating Small Business Owners About Taxes

Small business owners must have a solid understanding of taxation to succeed financially and comply with tax laws. By providing these entrepreneurs with the knowledge and skills necessary to navigate the complexities of taxation, they become better equipped to manage their finances and increase the likelihood of success in their business ventures. This can be achieved by implementing a comprehensive plan that empowers small business owners with the necessary tools to understand and comply with tax increase awareness and compliance among the business sectors. The use of social media platforms is a conduit for public awareness on tax education for wider reach. The proposed strategies should be adopted by the concerned entities. Researchers be encouraged to conduct a study on the following topics.

- Promotion of collaboration with tax professionals as a mechanism for effective tax collection
- Incentives and recognition for tax-compliant business establishments
- Effectiveness of social media platforms in tax education awareness campaign

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