

Factors Influencing Tax Compliance Among Micro and Small-Sized Enterprises in Masinloc, Zambales

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Abstract. This study investigated factors influencing tax compliance among micro and small-sized enterprises (MSEs) in Masinloc, Zambales, Philippines (CY 2022-2023). We used a quantitative descriptive survey design with 119 randomly selected MSE owners and questionnaires. The study profiled respondents based on age, gender, business type and size, income, and employee count. Perceived factors influencing tax compliance were assessed across seven dimensions: tax knowledge, morale, attitudes/ethics, municipal tax system efficiency, fairness, compliance costs, and perceived behavioral control. The results showed a predominantly female, middle-aged population of MSE owners who were primarily engaged in merchandising. We observed a high level of tax compliance (86.55%). While respondents demonstrated strong knowledge of tax laws and a positive attitude towards compliance, significant differences in perceptions emerged concerning municipal tax fairness, notably influenced by age. Analysis revealed a positive moderate relationship between the seven factors and overall tax compliance. The study concludes with recommendations for enhanced tax education programs, streamlined tax processes, and targeted support for MSEs, suggesting further research to validate these findings in a broader context.

Keywords: taxation, compliance, taxpayer behaviour, small micro enterprises

1. INTRODUCTION

Tax compliance is crucial for the economic well-being of any nation, and understanding the factors influencing it, particularly among micro and small-sized enterprises (MSEs), is vital for effective policy-making. MSEs, forming the backbone of many economies, often face unique challenges related to tax compliance due to limited resources, knowledge, and administrative capacity.

This research aims to identify and analyze the key factors impacting tax compliance among MSEs in Masinloc during the school year 2022-2023. The study explores a comprehensive range of factors, including tax knowledge, morale, attitudes, and ethics; the efficiency of the municipal tax system and authorities; the perceived fairness of the system; compliance costs and procedures; and perceived behavioral control.

This study aimed to determine the factors that influence tax compliance among owners of MSEs in Masinloc, Zambales, during SY 2022-2023.

Specifically, the researchers sought to find answers to the following questions:

1. What is the profile of the respondents in terms of:
 - 1.1 Age;
 - 1.2 Gender;

- 1.3 Educational Attainment;
 - 1.4 Nature and Size of Business;
 - 1.5 Annual Income; and
 - 1.6 Number of Employees?
2. How may the factors influencing tax compliance be assessed based on the following dimensions:
 - 2.1 Tax Knowledge;
 - 2.2 Tax Morale;
 - 2.3 Attitudes and Ethics Towards Tax Compliance;
 - 2.4 Efficiency of Municipal Tax System and Authorities;
 - 2.5 Municipal Tax Fairness;
 - 2.6 Compliance Cost and Procedures; and
 - 2.7 Perceived Behavioral Control?
 3. How is the level of compliant among owners of MSEs in Masinloc, Zambales described?
 4. Is there a significant difference between factors influencing tax compliance when grouped according to profile variables?
 5. Is there a significant difference on the perceptions towards factors influencing tax compliance as cited in problem number 2?
 6. Is there a significant relationship between factors influencing tax compliance and the level of compliant?

2. LITERATURE REVIEW

The review of related literature underscores the critical role of an effective tax system and cooperative taxpayers in fostering community development. Taxes, defined as compulsory contributions mandated by law, serve as the primary source of funding for public services and societal prosperity (Luttmer & Singhal, 2014). Despite their importance, achieving consistent tax compliance remains a persistent challenge, often influenced by a complex interplay of factors. According to James & Alley (2004), tax compliance generally refers to the timely and accurate fulfillment of tax obligations, which ensures the financing of essential public goods and services like education, healthcare, and infrastructure. However, numerous issues, including costly compliance processes, negative taxpayer attitudes, and inefficiencies in tax administration, continue to hinder compliance efforts (Alm, 2019).

Research has shown that demographic factors like age, gender, education, and income significantly influence tax compliance. For example, older taxpayers typically exhibit higher compliance rates than younger individuals, possibly due to a greater sense of responsibility or experience (Torgler, 2007). The effects of gender and education, however, remain debated in the literature, with some studies suggesting that women and better-educated taxpayers are more compliant, while others show minimal correlation (Richardson, 2006). Higher-income individuals and larger businesses with structured financial practices are generally more compliant, while small businesses and informal sectors with less oversight often struggle with compliance (Kirchler, 2007). Taxpayers' knowledge of tax obligations also plays a vital role, as those with a better understanding of tax laws are more likely to comply (Kasipillai & Jabbar, 2006).

Tax morale, or the intrinsic motivation to pay taxes, is another critical factor. It is shaped by social norms, perceived fairness, and the efficiency of government services (Torgler & Schneider, 2009). Positive attitudes toward the tax system and ethical considerations often enhance compliance, while perceptions of inequity or government corruption discourage it (Frey & Torgler, 2007). The efficiency and fairness of the tax system also significantly affect compliance. Simplified processes, consistent enforcement, and equitable tax rates foster compliance, whereas complexities, high tax rates, and perceived injustices lead to evasion (Slemrod, 2019). High compliance costs and inconsistent enforcement disproportionately affect small businesses, further exacerbating non-compliance (Coolidge, 2012).

Various strategies have been proposed to improve compliance. These include reducing tax rates, simplifying tax laws, increasing taxpayer education, and improving transparency and accountability within tax administrations (Alm & McClelland, 2012). Incentives for small businesses and equitable tax systems are particularly emphasized as effective measures to enhance compliance. Theoretical frameworks such as the Fischer Model, Allingham and Sandmo's Theory of Conformity, and Ajzen's Theory of Planned Behavior provide valuable insights into taxpayers' behavior. These models highlight the interaction of demographic characteristics, perceived fairness, penalties, and behavioral intentions in influencing compliance decisions (Kirchler, Hoelzl, & Wahl, 2008).

In conclusion, a robust tax system supported by cooperative taxpayers is essential for societal growth and development. By addressing barriers to compliance and fostering positive taxpayer attitudes, governments can create a more equitable and efficient tax system that benefits all stakeholders.

3. METHODS

The method of this study highlights the research design as what have executed in this study. The target respondents and their location, the data collection instruments, their validation, and the method, as well as the analysis of the collected data, are also discussed.

Research Design

This study employs a descriptive research design using survey questionnaires to collect data. According to Siedlecki (2020), descriptive quantitative research aims to describe individuals, events, and conditions without manipulation. This method is typically used to answer questions related to a subject's characteristics. The study investigates factors influencing tax compliance among micro and small-sized enterprises in Masinloc, Zambales, using firsthand data from participants to draw valid conclusions and recommendations. Descriptive research is preferred as it addresses questions such as "who," "how," "what," "when," and "how much," combining both qualitative and quantitative analysis to reduce bias and error in data interpretation (McCombes, 2020). It provides a systematic description of participants or phenomena, emphasizing natural and unchanged situations, and facilitates problem-solving through observation and analysis (Canonizado, 2020; Koh & Owen, 2017).

Respondents of the Study

This study was conducted using purposive sampling, whereas the respondents would be carefully chosen based on the criteria by the researchers, in which their responses were essential to the purpose of this study.

According to the data from the Municipal Cooperative Development Office (MCDO) of Masinloc, Zambales, there are a total of 979 registered micro and small-sized enterprises in the municipality, wherein 923 of these are micro enterprises which is equivalent to 94% of the total population size, while the remaining 56 enterprises, are small in scale, and it is equivalent to 6%. To meet the desired statistical constraints, the researchers computed the minimum number of necessary samples. A total of 119 sample size are needed to have a confidence level of 98% that the real value is within $\pm 10\%$ of the surveyed value.

Table 1: Distribution of Respondents

Business Classification	Number of Respondents	Percentage
Micro Business Enterprises	112	94.12
Small-sized Enterprises	7	5.88
Total	119	100.00

Locale of the Study

The study was conducted in Masinloc, Zambales, a coastal municipality situated between Zambales Mountain and the China Sea. Masinloc, one of 13 municipalities in the province, is classified as a 1st class municipality and ranks 8th in the Philippines for locally

sourced revenues (BLGF) and ranked 1st in the whole province of Zambales for FY 2020 and FY 2021. This makes Masinloc, Zambales a more desirable subject for the study. Captain Juan de Salcedo visited it in 1572, and in 1607 it became the first town and provincial capital of Zambales. The name "Masinloc" is believed to come from a mispronounced phrase meaning "town with a river," or from a native tree called "jinloc." The town has 13 barangays, is known for the "Zambales Carabao Mango," and was once a major site for chrome mining. The Masinloc Coal-Fired Thermal Power Plant and the Marine Sanctuary Project have played significant roles in its development.

Research Instrument

The survey questionnaire used in this study was adapted from previous research, focusing on factors that could influence tax compliance among micro and small-sized enterprises in Masinloc, Zambales. We designed the instrument to gather detailed information on the respondent's profile and the factors affecting their tax behavior. The taxpayer profile section included demographic questions, such as age, gender, education, business nature, size, income, and number of employees. This was followed by questions assessing various factors like tax knowledge, tax morale, attitudes and ethics towards tax compliance, municipal tax system efficiency, tax fairness, compliance costs, and perceived behavioral control, all factors believed to influence tax compliance.

The validation process of the instrument involved conducting a pilot test with 20 respondents, including 19 micro-enterprise owners and 1 small enterprise owner. The researchers used the feedback from the pilot test to improve the questionnaire, ensuring that it captured relevant information and addressed the study's goals. The reliability of the instrument was tested using Cronbach's Alpha for each section. Values ranged from 0.746 (acceptable) to 1.00 (excellent), with the Tax Knowledge, Compliance Costs, and Tax Morale sections scoring the highest, suggesting a high level of consistency and reliability in the instrument.

In the data collection phase, the researchers utilized the survey method to gather data from respondents in person. We distributed the questionnaires during face-to-face interactions to ensure proper completion and collection. Before conducting the survey, respondents were informed about the study's purpose, and consent was obtained through a formal letter. The letter also explained the confidentiality of responses and reassured participants that their participation was voluntary. The researchers made sure that participants understood the instructions and had the opportunity to ask questions for clarification, thus ensuring accurate, unbiased responses.

Data Analysis

We organized and tallied the survey data to facilitate analysis and improve the interpretation of the results. Various statistical tools and treatments was used and they are the following:

1. Computing the Percentage

According to the respondent's profile, the percentage indicates the proportion of samples divided into different groups based on their responses to the first section of the questionnaire. Division of samples may be according to different age groups, gender groups, among others.

Percentage distribution also describes the proportion of samples when it comes to those who answer a specific rating scale for the second part of the questionnaire. It compares the number of respondents who answer each corresponding rating scale on each item.

2. Computing the Mean

With the computed mean, we can identify the average responses of the whole sample to each item in the questionnaire. Each rating scale has an assigned value to it and would be used to determine the weighted mean. The number of respondents who answer a specific scale in each item would be used also.

3. Ranking

We rank the computed mean of each item from highest to lowest. In this ranking, we can determine and compare the potential of each item depending on the indication applied.

4. Likert Scale

With the computed mean, this statistical tool is effective to use when interpreting the respondent's answers.

Table 2.
Likert Scale and Statistical Assignment of Class Interval with Corresponding Indication

Scale	Class Interval	Indications
4	3.25-3.99	Strongly Agree (SA)
3	2.50-3.24	Agree (A)
2	1.75-2.49	Disagree (D)
1	1.00-1.74	Strongly Disagree (SD)

5. Analysis of Variance (ANOVA)

ANOVA was used to determine the significance of difference between the variances of two or more independent samples. This makes use of the F ratio or the variance ratio. We assume that the various groups under comparison are independent of one another within a population. They are also assumed to have standard deviations that are approximately equal.

Decision or Arbitrary Rule:

1. If the computed ANOVA or F Sig. Value is > 0.05 Alpha Level of Significance, accept the null hypothesis and reject the alternative hypothesis; hence there is no significant difference.
2. If the computed ANOVA or F Sig. Value is $<$ than $.05$ Alpha Level of Significance, reject the null hypothesis and accept the alternative hypothesis; hence there is a significant difference.

4. RESULTS

The gathered and processed data in tabular form provide interpretation and analysis to give better understanding of the problems.

Profile of the Respondents

Table 3
Frequency and Percentage Distribution on the Respondents' Profile Variables
N=119

Profile Variables		Frequency	Percentage
Age Mean= 41.26 years old	18-30	16	13.4
	31-40	16	13.4
	41-above	87	73.1
	Total	119	100.0
Gender	Male	20	16.8
	Female	95	79.8
	LGBTQIA+	4	3.4
	Total	119	100.0
Nature of Business	Manufacturing	9	7.6
	Merchandising	93	78.2
	Service	17	14.3
	Total	119	100.0
Size of Business	Micro	112	94.1
	Small	7	5.9
	Total	119	100.0
Educational Attainment	Elementary Graduate	4	3.4
	High School Graduate	45	37.8
	Technical-Vocational	13	10.9
	College Graduate	56	47.1
	Master's Degree	1	.8
	Total	119	100.0
Annual Income Php= 130,294.4	Less than 60,000	44	37.0
	60,000-100,000	17	14.3
	100,001-150,000	18	15.1
	150,001-300,000	19	16.0
	300,001-500,000	7	5.9
	More than 500,000	14	11.8
	Total	119	100.0
Number of Employees	Less than 10	108	90.8
	More than 10	11	9.2
	Total	119	100.0

Age. Majority of the respondents with 87 or 73.10% were from age group of 41 years old and above; 16 or 13.40% from 18-30 and 31-40 years old respectively. The computed mean age of the respondents was 41.26 years old.

Gender. The majority of the respondents were females, with 95, or 79.80%; 20, or 16.80%, were males, and 4, or 3.40%, were from the LGBTQ+ community.

Nature of Business. The majority, with 93, or 78.20%, were engaged in merchandising; 17, or 14.301%, from the service sector; and 9, or 7.630%, engaged in manufacturing. Merchandising business is selling goods that employ pricing, offers, displays, and other techniques to impact buyers' buying decisions.

Size of the Business. Majority of the respondents with 112 or equivalent to 94.10% are categorized as micro level while 7 or 5.90% are under small scale business level.

Educational Attainment. Most of the respondents, with 56, or 47.10%, have attained college graduate education; 45 or 37.80% are high school graduates; 13 or 10.90% are technical-vocational graduates; 4 or 3.40% are elementary graduates; and only 1 or 0.80% is a master's degree graduate.

Annual Income. Most of the respondents have an annual income of less than Php60,000 with 44 or equivalent to 37.00%; 19 or 16.00%, Php150,001-300,000; 18 or 15.10%, Php100,001-150,000; 17 or 14.30%, Php60,001-100,000; 14 or 11.80%, more than Php500,000 and 7 or 5.90%, with annual income of Php300,001-500,000. The computed mean of annual income was Php130,294.40.

Number of Employees. The majority, with 108 or 90.80%, have less than 10 employees, while only 11, or 9.20%, have more than 10 supervised employees.

Perception of the Respondents Towards Factors Affecting Tax Compliance

Tax Knowledge

The perception of the respondents towards factors affecting tax compliance as to Tax Knowledge is shown in Table 5.

Table 4
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Tax Knowledge
N=119

	Tax Knowledge	Weighted Mean	Descriptive Equivalent	Rank
1	I know what is the meaning of tax is and why we are paying it.	3.41	Strongly Agree	1
2	Tax evasion is considered a minor crime.	2.87	Agree	5
3	I am well aware of myself when it comes to my tax affairs.	3.34	Strongly Agree	2
4	I know how to compute my tax.	3.17	Agree	4
5	I know the criminal liabilities for intentionally not filing taxes.	3.22	Agree	3
Overall Weighted Mean		3.20	Agree	

The respondents were strongly agreed on indicator in which they know the meaning of tax and why they are paying manifested on the high mean value of 3.41 and ranked 1st while on the indicator in which tax evasion is considered a minor crime which obtained the lowest mean value of 2.87 interpreted as agreed and ranked 5th. The computed overall weighted mean on the responses towards Tax Knowledge was 3.20 with descriptive equivalent of “Agreed”.

Tax Morale

The perception of the respondents towards factors affecting tax compliance as to Tax Morale is shown in Table 6.

The respondents strongly agreed on the indicator in which they pay tax for it is their civic responsibility, manifested in the high mean value of 3.57, and ranked 1st, while on the indicator in which the large and profitable businesses are the only ones that should pay taxes instead of us, which obtained the lowest mean value of 2.56, interpreted as agreed and ranked 5th. The computed overall weighted mean on the responses towards Tax Morale was 3.13 with a descriptive equivalent of “Agreed”.

Table 5
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Tax Morale
N=119

	Tax Morale	Weighted Mean	Descriptive Equivalent	Rank
1	We need to pay tax because it is our civic responsibility.	3.57	Strongly Agree	1
2	Others are evading their taxes.	2.97	Agree	4
3	Only few entrepreneurs report all of their income to the government unit.	3.07	Agree	3
4	I would pay honestly even if many are evading their taxes.	3.50	Strongly Agree	2
5	Large and profitable businesses are the only ones that should pay taxes instead of us.	2.56	Agree	5
Overall Weighted Mean		3.13	Agree	

Attitudes and Ethics Towards Tax Compliance

The perception of the respondents towards factors affecting tax compliance as to Attitudes and Ethics towards Tax Compliance is shown in Table 7.

The respondents strongly agreed on the indicator in which they should always do the right thing, that is, to pay tax, manifested on the high mean value of 3.51 and ranked 1st, while on the indicator in which only the rich and large business owners should pay tax, which obtained the lowest mean value of 2.07, interpreted as disagreed and ranked 5th. The computed overall weighted mean on the responses towards Attitudes and Ethics Towards Tax Compliance was 2.60 with a descriptive equivalent of “Agreed”.

Table 6
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Attitudes and Ethics Towards Tax Compliance
N=119

C. Attitudes and Ethics Towards Tax Compliance		Weighted Mean	Descriptive Equivalent	Rank
1	I should not pay tax because our income is low.	2.19	Disagree	4
2	Only rich and large business owners should pay tax.	2.07	Disagree	5
3	I pay too much tax compared to what I receive from the government.	2.35	Disagree	3
4	I would not evade my tax if the tax authorities are good at their job.	2.89	Agree	2
5	I should always do the right thing, that is to pay tax.	3.51	Strongly Agree	1
Overall Weighted Mean		2.60	Agree	

The data simply indicates the positive attitude of the respondents and their commitment to doing the right things in paying their business taxes and being compliant to avoid penalty, interest, and possible crime offenses.

Efficiency of Municipal Tax System and Authorities

The perception of the respondents towards factors affecting tax compliance as to Efficiency of Municipal Tax System and Authorities is shown in Table 7.

Table 7
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Efficiency of Municipal Tax System and Authorities
N=119

D. Efficiency of Municipal Tax System and Authorities		Weighted Mean	Descriptive Equivalent	Rank
1	The taxes collected are being used by the government effectively.	3.03	Agree	1
2	Our tax authorities help us entrepreneurs in developing our businesses.	2.67	Agree	4
3	Tax authorities would accept that my income return is correct and would not check it.	2.62	Agree	5
4	There is not enough enforcement even if there are existing tax laws.	2.69	Agree	3
5	The BIR informs taxpayers in advance when their taxes are due.	2.87	Agree	2
Overall Weighted Mean		2.78	Agree	

The respondents agreed on the indicator in which taxes collected are being used by the government effectively manifested in the high mean value of 3.03 and ranked 1st, while on the indicator in which the tax authorities would accept that my income return is correct and would not check it, which obtained the lowest mean value of 2.62, interpreted as agreed and ranked 5th. The computed overall weighted mean on the responses towards Efficiency of Municipal Tax System and Authorities was 2.78 with a descriptive equivalent of “Agreed”.

Municipal Tax Fairness

The perception of the respondents towards factors affecting tax compliance as to Municipal Tax Fairness is shown in Table 8.

Table 8
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Municipal Tax Fairness
N=119

Municipal Tax Fairness		Weighted Mean	Descriptive Equivalent	Rank
1	Our tax system and authorities are fair to all business.	2.86	Agree	2
2	There is no special treatment to large and more profitable businesses when it comes to their tax compliance.	2.83	Agree	3
3	We are neglected by our tax authorities because our contribution is low compared to large businesses.	2.39	Disagree	5
4	Tax collection procedure varies depending on size of business.	2.87	Agree	1
5	Rewards to excellent taxpayers are more favorable to larger businesses.	2.56	Agree	4
Overall Weighted Mean		2.70	Agree	

The respondents were agreed on the indicator in which tax collection procedure varies depending on the size of the business, manifested in the high mean value of 2.87, and ranked 1st, while on the indicator in which they are neglected by our tax authorities because our contribution is low compared to large businesses, which obtained the lowest mean value of 2.39, interpreted as disagreed and ranked 5th. The computed overall weighted mean on the responses towards Municipal Tax Fairness was 2.70 with a descriptive equivalent of “Agreed”.

Compliance Cost and Procedures

The perception of the respondents towards factors affecting tax compliance as to Compliance Cost and Procedures is shown in Table 10.

The respondents strongly agreed on the indicator in which they know how to pay their taxes, which manifested in the high mean value of 3.46 and ranked 1st, while the indicator in which the tax authorities offer different ways (paper or online forms) to pay taxes obtained the lowest mean value of 2.90, interpreted as agreed, and ranked 5th. The computed overall weighted mean on the responses towards Compliance Cost and Procedures was 3.07 with a descriptive equivalent of “Agreed”.

Table 9
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Compliance Cost and Procedures
N=119

Compliance Cost and Procedures		Weighted Mean	Descriptive Equivalent	Rank
1	I know how to pay my taxes.	3.46	Strongly Agree	1
2	The tax rate is very high.	2.91	Agree	4
3	The interest and penalty surcharges for late payment of taxes is high.	3.06	Agree	2
4	It is easy and convenient to pay taxes at our municipality.	3.03	Agree	3
5	Our tax authorities offer different ways (paper or online forms) to pay taxes.	2.90	Agree	5
Overall Weighted Mean		3.07	Agree	

Perceived Behavioral Control

The perception of the respondents towards factors affecting tax compliance as to Perceived Behavioral Control is shown in Table 10.

Table 10
Perception of the Respondents Towards Factors Affecting Tax Compliance as to Perceived Behavioral Control
N=119

Perceived Behavioral Control		Weighted Mean	Descriptive Equivalent	Rank
1	The chance of getting caught to evade tax is low.	2.53	Disagree	5
2	The consequences of getting caught are not serious enough to stop people from evading their taxes.	2.74	Agree	3
3	It is shameful for my name to be published on the List of Tax Evaders/Defaulters.	3.45	Strongly Agree	1
4	Current penalties are too light to make people obey tax laws.	2.61	Agree	4
5	I know that the BIR has the power to receive certain information in case of my non-compliance from 3 rd parties.	3.11	Agree	2
Overall Weighted Mean		2.89	Agree	

The respondents strongly agreed on the indicator in which it is shameful for their name to be published on the List of Tax Evaders/Defaulters, which manifested on the high mean value of 3.45 and ranked 1st, while on the indicator in which the chances of getting caught to evade tax are low, which obtained the lowest mean value of 2.53, interpreted as disagreed and ranked 5th. The computed overall weighted mean on the responses towards Perceived Behavioral Control was 2.89 with a descriptive equivalent of “Agreed”.

Level of Tax Compliance

Table 11
Level of Tax Compliance among SMES owners in Masinloc, Zambales

		Frequency	Percentage
Had Paid before due date of March 1, 2022	Compliant	103	86.55
Had Paid after due date of March 1, 2022	Not Compliant	16	13.45
Total		119	100.00

Table 12 shows the Level of Tax Compliance among MSEs owners in Masinloc, Zambales.

Out of one hundred nineteen (119) MSEs owners, there were 103, or 86.55%, who are compliant, while only 16, or 13.45%, are not compliant.

Test of Differences on The Perception Towards Factors Affecting Tax Compliance When Grouped According To Profile Variables

Tax Knowledge

Table 12 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Tax Knowledge when grouped according to profile variables.

The computed Sig. or P-values of 0.632, 0.076, 0.471, 0.544, 0.202, 0.680, and 0.137, which are all higher than the 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factor affecting tax compliance as to Tax Knowledge when grouped according to the profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Table 12
Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Tax Knowledge when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.300	2	.150	.362	Accept Ho Not Significant
	Within Groups	16.980	116	.146		
	Total	17.280	118			
Gender	Between Groups	.751	2	.375	.076	Accept Ho Not Significant
	Within Groups	16.529	116	.142		
	Total	17.280	118			
Nature of Business	Between Groups	.223	2	.111	.471	Accept Ho Not Significant
	Within Groups	17.057	116	.147		
	Total	17.280	118			
Size of Business	Between Groups	.055	1	.055	.544	Accept Ho Not Significant
	Within Groups	17.225	117	.147		
	Total	17.280	118			
Educational Attainment	Between Groups	.874	4	.218	.202	Accept Ho Not Significant
	Within Groups	16.406	114	.144		
	Total	17.280	118			

Annual Income	Between Groups	.466	5	.093	.680	Accept Ho Not Significant
	Within Groups	16.814	113	.149		
	Total	17.280	118			
Number of Employees	Between Groups	.325	1	.325	.137	Accept Ho Not Significant
	Within Groups	16.955	117	.145		
	Total	17.280	118			

Tax Morale

Table 13 shows the Analysis of Variance to test differences in the perception towards factors affecting tax compliance as to Tax Morale when grouped according to profile variables.

The computed Sig. or P-values of 0.227, 0.154, 0.436, 0.891, 0.709, 0.979, and 0.826, which are all higher than 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factor affecting tax compliance as to Tax Morale when grouped according to profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Table 13
Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Tax Morale when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.475	2	.237	.227	Accept Ho Not Significant
	Within Groups	18.334	116	.158		
	Total	18.809	118			
Gender	Between Groups	.597	2	.298	.154	Accept Ho Not Significant
	Within Groups	18.212	116	.157		
	Total	18.809	118			
Nature of Business	Between Groups	.267	2	.134	.436	Accept Ho Not Significant
	Within Groups	18.542	116	.160		
	Total	18.809	118			
Size of Business	Between Groups	.003	1	.003	.891	Accept Ho Not Significant
	Within Groups	18.806	117	.161		
	Total	18.809	118			
Educational Attainment	Between Groups	.348	4	.087	.709	Accept Ho Not Significant
	Within Groups	18.461	114	.162		
	Total	18.809	118			
Annual Income	Between Groups	.127	5	.025	.979	Accept Ho Not Significant
	Within Groups	18.682	113	.165		
	Total	18.809	118			
Number of Employees	Between Groups	.008	1	.008	.826	Accept Ho Not Significant
	Within Groups	18.801	117	.161		
	Total	18.809	118			

Attitudes and Ethics towards Tax Compliance

Table 14 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Attitudes and Ethics towards Attitudes and Ethics towards Tax Compliance when grouped according to profile variables.

Table 14
Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Attitudes and Ethics towards Tax Compliance when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.437	2	.218	.316	Accept Ho Not Significant
	Within Groups	21.802	116	.188		
	Total	22.239	118			
Gender	Between Groups	.044	2	.022	.890	Accept Ho Not Significant
	Within Groups	22.194	116	.191		
	Total	22.239	118			
Nature of Business	Between Groups	.020	2	.010	.949	Accept Ho Not Significant
	Within Groups	22.218	116	.192		
	Total	22.239	118			
Size of Business	Between Groups	.059	1	.059	.578	Accept Ho Not Significant
	Within Groups	22.180	117	.190		
	Total	22.239	118			
Educational Attainment	Between Groups	.970	4	.243	.274	Accept Ho Not Significant
	Within Groups	21.268	114	.187		
	Total	22.239	118			
Annual Income	Between Groups	1.657	5	.331	.115	Accept Ho Not Significant
	Within Groups	20.582	113	.182		
	Total	22.239	118			
Number of Employees	Between Groups	.058	1	.058	.580	Accept Ho Not Significant
	Within Groups	22.180	117	.190		
	Total	22.239	118			

The computed Sig. or P-values of 0.316, 0.890, 0.949, 0.578, 0.274, 0.115, and 0.580, which are all higher than the 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factors affecting tax compliance as to attitudes and ethics towards Tax Compliance when grouped according to profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Efficiency of Municipal Tax System and Authorities

Table 15 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Efficiency of Municipal Tax System and Authorities when grouped according to profile variables.

The computed Sig. or P-values of 0.748, 0.878, 0.509, 0.053, 0.16, 0.191, and 0.199, which are all higher than the 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factors affecting tax compliance as to the efficiency of Municipal Tax System and Authorities when grouped according to the profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Table 15
Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Efficiency of Municipal Tax System and Authorities when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.064	2	.032	.748	Accept Ho Not Significant
	Within Groups	12.750	116	.110		
	Total	12.814	118			
Gender	Between Groups	.029	2	.014	.878	Accept Ho Not Significant
	Within Groups	12.785	116	.110		
	Total	12.814	118			
Nature of Business	Between Groups	.148	2	.074	.509	Accept Ho Not Significant
	Within Groups	12.666	116	.109		
	Total	12.814	118			
Size of Business	Between Groups	.406	1	.406	.053	Accept Ho Not Significant
	Within Groups	12.408	117	.106		
	Total	12.814	118			
Educational Attainment	Between Groups	.822	4	.205	.106	Accept Ho Not Significant
	Within Groups	11.992	114	.105		
	Total	12.814	118			
Annual Income	Between Groups	.805	5	.161	.191	Accept Ho Not Significant
	Within Groups	12.009	113	.106		
	Total	12.814	118			
Number of Employees	Between Groups	.180	1	.180	.199	Accept Ho Not Significant
	Within Groups	12.634	117	.108		
	Total	12.814	118			

Municipal Tax Fairness

Table 16 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Municipal Tax Fairness when grouped according to profile variables.

The computed Sig. or P-value of 0.015, which is lower than the 0.05 alpha level of significance, therefore the null hypothesis is rejected; hence there is a significant difference in the perception of the respondents towards the factor affecting tax compliance as to Municipal Tax Fairness when grouped according to age profile variables.

On the other hand, the computed Sig. or P-values of 0.703, 0.154, 0.243, 0.312, 0.161, and 0.352, which are higher than the 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factors affecting tax compliance as to Municipal Tax Fairness when grouped according to the profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Table 16
Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Municipal Tax Fairness when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	1.109	2	.555	.018	Reject Ho Significant
	Within Groups	15.519	116	.134		
	Total	16.628	118			
Gender	Between Groups	.101	2	.050	.703	Accept Ho Not Significant
	Within Groups	16.527	116	.142		
	Total	16.628	118			
Nature of Business	Between Groups	.527	2	.264	.154	Accept Ho Not Significant
	Within Groups	16.101	116	.139		
	Total	16.628	118			
Size of Business	Between Groups	.194	1	.194	.243	Accept Ho Not Significant
	Within Groups	16.434	117	.140		
	Total	16.628	118			
Educational Attainment	Between Groups	.675	4	.169	.312	Accept Ho Not Significant
	Within Groups	15.952	114	.140		
	Total	16.628	118			
Annual Income	Between Groups	1.110	5	.222	.161	Accept Ho Not Significant
	Within Groups	15.518	113	.137		
	Total	16.628	118			
Number of Employees	Between Groups	.056	1	.056	.532	Accept Ho Not Significant
	Within Groups	16.572	117	.142		
	Total	16.628	118			

Homogeneous Subsets

Municipal Tax Fairness Mean		
Scheffe		
Age	N	Subset for alpha = 0.05
		1
31-40	16	2.4875
18-30	16	2.6250
41-above	87	2.7586
Sig.		.053
Means for groups in homogeneous subsets are displayed.		
a. Uses Harmonic Mean Sample Size = 21.979.		
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.		

Means Plots

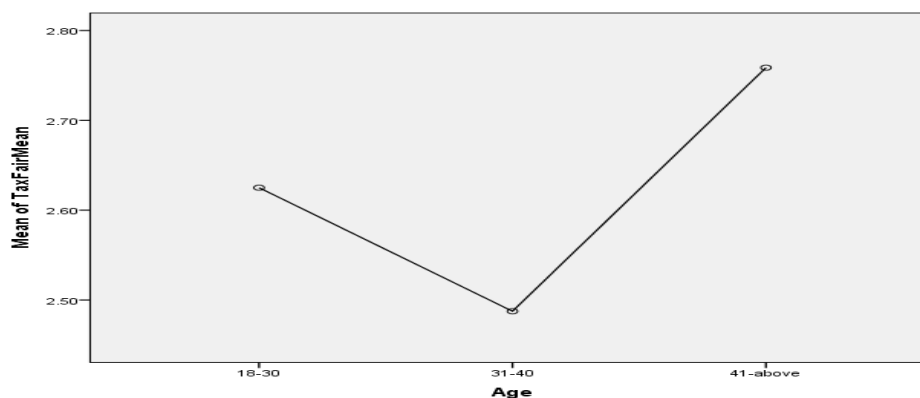


Figure 10. Mean Plot to determine where the difference lies on the perception towards Municipal Tax Fairness as factors influencing tax compliance when grouped according to age

Compliance Cost and Procedures

Table 17 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Compliance Cost and Procedures when grouped according to profile variables.

The computed Sig. or P-values of 0.533, 0.909, 0.317, 0.731, 0.139, 0.184, and 0.468, which are all higher than the 0.05 alpha level of significance, therefore the null hypothesis is confirmed; hence there are no significant differences in the perception of the respondents towards the factors affecting tax compliance as to compliance cost and procedures when grouped according to the profile variables of age, gender, nature of business, size of business, educational attainment, annual income, and number of employees, respectively.

Table 17

Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Compliance Cost and Procedures when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.152	2	.076	.533	Accept Ho Not Significant
	Within Groups	13.907	116	.120		
	Total	14.058	118			
Gender	Between Groups	.023	2	.012	.909	Accept Ho Not Significant
	Within Groups	14.035	116	.121		
	Total	14.058	118			
Nature of Business	Between Groups	.276	2	.138	.317	Accept Ho Not Significant
	Within Groups	13.782	116	.119		
	Total	14.058	118			
Size of Business	Between Groups	.014	1	.014	.731	Accept Ho Not Significant
	Within Groups	14.044	117	.120		
	Total	14.058	118			
Educational Attainment	Between Groups	.824	4	.206	.139	Accept Ho Not Significant
	Within Groups	13.235	114	.116		
	Total	14.058	118			
Annual Income	Between Groups	.896	5	.179	.184	Accept Ho Not Significant
	Within Groups	13.163	113	.116		
	Total	14.058	118			
Number of Employees	Between Groups	.063	1	.063	.468	Accept Ho Not Significant
	Within Groups	13.995	117	.120		
	Total	14.058	118			

Perceived Behavioral Control

Table 18 shows the analysis of variance to test differences in the perception towards factors affecting tax compliance as to Perceived Behavioral Control when grouped according to profile variables.

Table 18

Analysis of Variance to test differences on the perception towards factors affecting tax compliance as to Perceived Behavioral Control when grouped according to profile variables

Sources of Variations		SS	df	MS	Sig.	Decision
Age	Between Groups	.217	2	.108	.427	Accept Ho Not Significant
	Within Groups	14.635	116	.126		
	Total	14.851	118			
Gender	Between Groups	.017	2	.008	.937	Accept Ho Not Significant
	Within Groups	14.834	116	.128		
	Total	14.851	118			
Nature of Business	Between Groups	.145	2	.072	.566	Accept Ho Not Significant
	Within Groups	14.706	116	.127		
	Total	14.851	118			
Size of Business	Between Groups	.057	1	.057	.504	Accept Ho Not Significant
	Within Groups	14.794	117	.126		
	Total	14.851	118			
Educational Attainment	Between Groups	.704	4	.176	.232	Accept Ho Not Significant
	Within Groups	14.147	114	.124		
	Total	14.851	118			
Annual Income	Between Groups	.640	5	.128	.411	Accept Ho Not Significant
	Within Groups	14.211	113	.126		
	Total	14.851	118			
Number of Employees	Between Groups	.006	1	.006	.832	Accept Ho Not Significant
	Within Groups	14.845	117	.127		
	Total	14.851	118			

The computed Sig. or P-values of 0.427, 0.937, 0.566, 0.504, 0.232, 0.411, and 0.832 all exceed the 0.05 alpha level of significance, confirming the null hypothesis. Therefore, there are no significant differences in the respondents' perceptions of factors affecting tax compliance and Perceived Behavioral Control when grouped according to profile variables such as age, gender, nature of business, size of business, educational attainment, annual income, and number of employees.

Test of Differences on the factors affecting tax compliance

Table 19 shows the Analysis of Variance to test differences in the perception towards factors affecting Tax Compliance.

Table 19

Analysis of Variance to test differences on the perception towards factors affecting Tax Compliance

Anova: Single Factor				
SUMMARY				
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Tax Knowledge	119	380.8	3.2	0.146441
Tax Morale	119	373	3.134453782	0.159396
Attitudes and Ethics Towards Tax Compliance	119	309.8	2.603361345	0.188463
Efficiency of Municipal Tax System and Authorities	119	330.4	2.776470588	0.108594
Municipal Tax Fairness	119	321.8	2.704201681	0.140914
Compliance Cost and Procedures	119	365.6	3.072268908	0.11914
Perceived Behavioral Control	119	343.6	2.887394958	0.125857

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	37.54717	6	6.2578631	44.300	4.7E-47	2.1095
Within Groups	116.6789	826	0.1412578			
Total	154.2261	832				

Decision: Reject Null Hypothesis; There is Significant Difference

The computed Sig or P-value of 4.7E-47, which is lower than (<) 0.05 alpha level of significance, therefore the null hypotheses are rejected; hence there are significant differences in the perception towards factors influencing tax compliance as to Tax Knowledge, tax Morale, Attitudes and Ethics Towards Tax Compliance, Efficiency of Municipal Tax System and Authorities, Municipal Tax Fairness, Compliance Cost and procedures, and Perceived Behavioral Control.

Means Plots

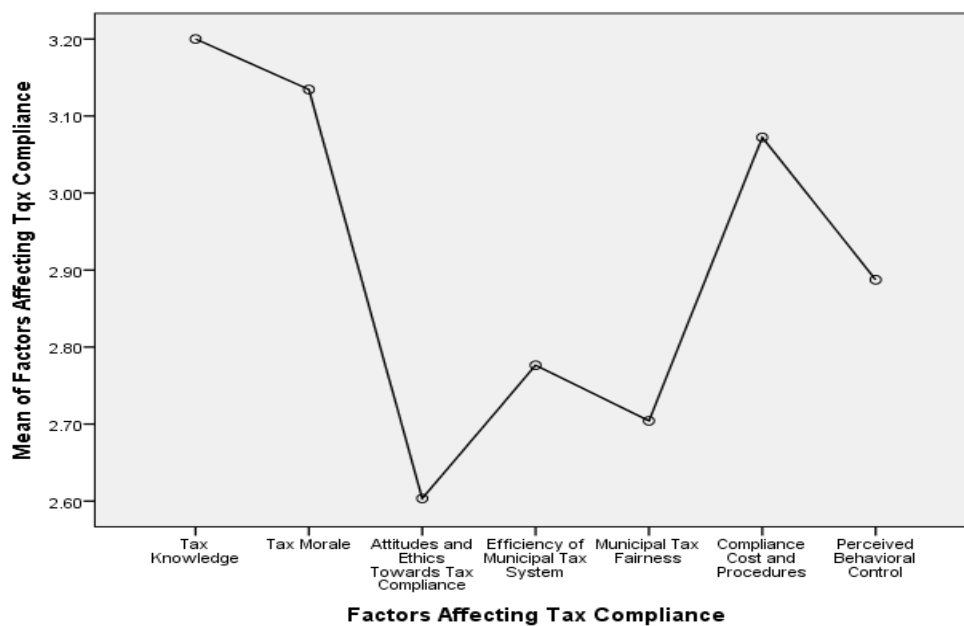


Figure 11. Means Plot to determine where the significant differences lie on the perception towards factors affecting tax compliance

Test of Relationship between the factors influencing tax compliance and the level of tax compliance

Table 20 shows the Pearson Product Moment Coefficient of Correlation to determine the relationship between the factors influencing tax compliance and the level of tax compliance.

Table 20

Pearson Product Moment Coefficient of Correlation to determine the relationship between the factors influencing tax compliance and the level of tax compliance

Sources of Correlations		Level of Tax Compliance	Factors Influencing Tax Compliance
Level of Tax Compliance	Pearson Correlation	1	0.407**
	Sig. (2-tailed)		.000
	N	119	119
Factors Influencing Tax Compliance	Pearson Correlation	0.407**	1
	Sig. (2-tailed)	.000	
	N	119	119
**. Correlation is significant at the 0.01 level (2-tailed).			

There is a positive moderate relationship between the factors influencing tax compliance and the level of tax compliance manifested in the computed Pearson Product Moment Coefficient of Correlation value of 0.407**. The computed Sig. Or P-value (2-tailed) value of 0.000, which is lower than the 0.05 alpha level of significance, signifies that the null hypothesis is rejected; hence there is a significant relationship.

5. DISCUSSION

The findings underscore a moderate positive correlation between the influencing factors and tax compliance levels. Compliance is essential for sustaining public systems and services, with clear and simple tax rules being pivotal to encourage adherence and reduce evasion (Ahmed & Kedir, 2015; Muslichah, 2015). Studies define tax compliance as timely and accurate tax payments, aligning with societal norms for financing public goods (Gerger, 2021; Batrancea, 2022). However, complexities in tax systems and inconsistent enforcement present challenges (James & Alley, 2014).

Demographics significantly influence compliance behaviors. Older taxpayers are generally more compliant than younger ones (Rwahigi, 2012; Alabede, 2014), and women in business often demonstrate strong tax awareness due to societal and familial roles. Business size and income levels also affect compliance, as larger businesses with higher revenues incur higher compliance costs (Lignier & Evans, 2012; Smulders et al., 2016). Education emerges as a mixed factor—while it can enhance compliance through greater awareness, its impact varies across regions and contexts (Antwi et al., 2015; Alabede, 2014).

Tax knowledge, though crucial, does not consistently lead to compliance. Training and workshops by local authorities and organizations play a key role in equipping taxpayers with technical skills for tax filing (Fauziati et al., 2016; Mukhlis et al., 2015). Tax morale, influenced by personal and societal factors, motivates intrinsic compliance (Sadjiarto et al., 2020; Rantelangi & Majid, 2018), but perceptions of fairness in tax systems remain a critical

determinant. Unfair tax rates can lead to evasion, while equitable systems foster trust and adherence (Amina & Saniya, 2015; Alkhatib et al., 2019).

The interplay between tax authorities and taxpayers reveals mutual dependency, with inefficiencies on both sides impacting compliance (John, 2012; Ali, Fjeldstad, & Sjursen, 2013). High compliance costs, complex procedures, and lack of government transparency exacerbate challenges (Atawodi & Ojeka, 2012). To increase compliance rates, experts recommend simplifying tax laws, lowering rates, and improving taxpayer education (Gupta, 2021; Appah & Wosowei, 2016).

Behavioral factors, including attitudes toward obedience and risk, also play a significant role. Positive attitudes foster compliance, while perceptions of inequity and administrative inefficiencies can deter it (Fjeldstad, 2016; Saad, 2012). The study reaffirms the importance of a balanced approach, emphasizing fairness, education, and streamlined processes to bolster compliance in business sectors.

6. CONCLUSION

The researchers concluded that micro and small business owners in the study were predominantly middle-aged females engaged in merchandising activities. These business owners typically oversee a small workforce, possess a college degree, and earn modest annual incomes, reflective of their micro-level enterprise classification. The findings revealed that respondents generally agreed on the importance of various factors affecting tax compliance, including their knowledge of taxes, moral obligation to pay taxes, attitudes and ethics regarding compliance, efficiency and fairness of the municipal tax system, costs and procedures associated with compliance, and their perceived behavioral control.

Age may influence how people perceive the fairness of the tax system, as evidenced by the significant differences in perceptions of municipal tax fairness across different age groups. In contrast, other factors—such as tax knowledge, tax morale, attitudes and ethics, efficiency of the municipal tax system, compliance costs and procedures, and perceived behavioral control showed no significant differences when analyzed by demographic and business-related variables like gender, business type, size of the enterprise, educational background, income level, and number of employees.

Furthermore, the study established that there are significant differences in perceptions across the key factors influencing tax compliance. This indicates that while individual demographic and business characteristics may not always result in differing views, the factors themselves collectively and uniquely influence tax compliance behavior. These findings

underscore the need for targeted interventions and policy adjustments that address these factors holistically, while paying particular attention to municipal tax fairness and its impact on different age groups.

LIMITATION

The study aimed to determine the factors that influence tax compliance among owners of MSEs using Masinloc, Zambales, during SY 2022-2023.

The researchers utilized the quantitative descriptive survey research design with a questionnaire as the main instrument in gathering data and information from one hundred and nineteen (119) small- to medium-scale business respondents from Masinloc who were randomly selected.

The study was designed to determine the profile of the respondents limited to age, gender, educational attainment, nature and size of business, annual income, and number of employees.

It also dealt to determine the perception of the respondents towards the factors influencing tax compliance limited to (1) Tax Knowledge; (2) Tax Morale; (3) Attitudes and Ethics Towards Tax Compliance; (4) Efficiency of Municipal Tax System and Authorities; (5) Municipal Tax Fairness; (6) Compliance Cost and Procedures; and (7) Perceived Behavioral Control.

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