

JGB 1723**THE ROLE OF TAX AWARENESS, KNOWLEDGE, AND PENALTIES IN RELATION
TO SELF-EMPLOYED INDIVIDUAL TAXPAYERS' COMPLIANCE IN THE
PROVINCE OF LA UNION***John Wesley F. Rapanut**Saint Louis University**jwfrapanut@gmail.com***Abstract**

This study examines the relationship between the determinants of tax compliance, namely tax awareness, tax knowledge, and penalties, with tax compliance among self-employed individuals in the province of La Union. The study used a Cross-sectional quantitative research design. Self-employed individual taxpayers in the area of La Union were the target population of this study. A sample of 396 self-employed individual taxpayers was randomly taken from 19 municipalities and one city in the province of La Union. The study used primary and secondary data sources. Primary data were collected through a questionnaire, and secondary data were obtained from the Bureau of Internal Revenue's Compliance section. Descriptive statistics such as tables and percentages have been used for data analysis. The result of this study revealed that tax awareness, tax knowledge, and tax penalties variables have no significant influence on tax compliance. Tax compliance is multifactorial and cannot only be influenced by one, two, or just three factors which the current study revealed. Besides, this study shows that several demographic factors showed a positive correlation with tax compliance which could be part of the bigger picture in understanding the compliance of individual taxpayers in the province of La

Union. This study served as a basis for the effects of further implementations of the Bureau of Internal Revenue. It increased awareness and knowledge of self-employed individual taxpayers for the success of tax compliance in the country.

Keywords: *Self-employed Individual taxpayers, Tax Awareness, Tax Knowledge, Penalties, Tax Compliance*

Introduction

Taxes are mandatory levies on income and assets paid to the taxpayer without special consideration. In developed countries, the principal objective of taxation is to finance the country's spending and for the government to raise revenues. However, it remains challenging to have tax maximization in collecting taxes and minimization of tax evasion due to compliance. Several factors could lead to taxpayers' lack of awareness and compliance, such as the absence of understanding of taxation, income reduction for paying taxes, the notion that the tax allocations need to be more transparent in distribution, and cases of illegal tax schemes. However, efforts can still be made to make the general population aware of the importance of paying taxes.

It is increasingly justified to examine the behavior of taxpayers concerning tax compliance. According to research by Nalendro (2014), the country's tax revenue will continue to rise if taxpayers know their need to pay taxes. Additionally, increased public awareness will make more people aware of their need to register as taxpayers, report, and pay their taxes correctly. The study by Listyowati et al. (2018) found several factors affecting taxpayers' compliance, such as the complexity of paying taxes, the familiarity with tax rules and penalties, and government policies and programs. Education and income levels, perceptions of tax

penalties, tax audits, tax rates, and the use of accounting and information systems can also influence it.

The fundamental principle of taxation is that voluntary compliance must be facilitated as much as possible, and tax rules must be written so the taxpayer can easily understand and comply with them without outside help. Knowledge about tax rules plays a crucial influence in determining taxpayers' compliance behavior, and tax authorities must consider efficient monitoring techniques and ongoing education programs to ensure that taxpayers have a good and reasonable grasp of tax matters. Ramli et al. (2020) and Devano & Rahayu (2016) found that applying tax fines on taxpayers may encourage them to meet their tax obligations, thereby improving compliance. The Bureau of Internal Revenue (BIR) is an agency of the Department of Finance (DOF) that collects more than half of total government revenue.

The BIR advises taxpayers to avoid the hassles and frustrations in filing their income tax returns, but most Filipinos view taxes as evil. Tax knowledge has a good link with taxpayer compliance in research studies undertaken by Djeni & Arvian (2018), Siat & Toly (2013), and Nurkhin et al. (2018), but this contradicts the findings of Famami & Norsain (2019), Nurgroho & Raharjo (2016), and Chan et al. (2000). Tax knowledge has a good link with taxpayer compliance in research studies undertaken by Djeni & Arvian (2018), Siat & Toly (2013), and Nurkhin et al. (2018), but this contradicts the findings of Famami & Norsain (2019), Nurgroho & Raharjo (2016), and Chan et al. (2000). This academic research seeks to support an answer if tax awareness, knowledge, and penalties can influence tax compliance of self-employed individual taxpayers in the province of La Union. It improves the various studies that several former researchers address on issues that influence taxpayers' compliance. Through its taxing authorities, it contributes to the government to improve tax administration, promoting

accountability and transparency in fund management, and educating the taxpaying public through campaigns and advertisements to increase and improve citizens' tax awareness and knowledge. It also contributes to the government through its taxing authorities to improve tax administration, promote accountability transparency in fund management, and educate the taxpaying public through campaigns and advertisements to increase and improve citizens' tax awareness and knowledge.

This research investigates whether tax compliance of self-employed individual taxpayers in the province of La Union can be influenced by tax awareness, knowledge, and penalties. It aims to determine the level of awareness of self-employed individual taxpayers about taxation, measure the level of knowledge of self-employed individual taxpayers about taxation, and determine the significant difference in the level of awareness and knowledge among self-employed individual taxpayers based on several demographics, such as gender, age, educational background, and income level.

The following hypothesis guides the research study: There are no significant differences in the level of awareness and knowledge among self-employed individual taxpayers based on several demographics such as gender, age, educational background, and income level, and there is a negative correlation and insignificant effect of tax knowledge, awareness, and penalties on self-employed individual taxpayer's compliance.

Self-employed individuals have a reputation for being "hard to tax," and the Bureau of Internal Revenue (BIR) has begun scrutinizing them in recent years. The Bureau of Internal Revenue (BIR) has begun scrutinizing self-employed individuals in recent years, as they have the most direct liability and obligation in filing and paying their taxes. Despite the BIR's efforts to bring the so-called "hard to tax" category into the tax net, many self-employed people can still

avoid paying the necessary amount of tax. The following are the principal taxes that every self-employed person must pay: registration fee, personal income tax, business tax, and, if applicable, withholding tax and registration fee.

All businesses, whether sole proprietorships, partnerships, or corporations, must register with the BIR before beginning operations and ensure tax compliance. Registration has several advantages, such as avoiding fines and possible jail time, having proper access to essential financial services, having a better reputation among customers and investors, having more growth opportunities, having more confidence in promoting your business and getting business financing quickly. The TRAIN law has been enacted to reduce personal income tax for most individual taxpayers. It also allows self-employed people and/or professionals with gross sales or receipts of less than Php 3,000,000 to pay an 8% tax on gross sales or receipts over Php 250,000 instead of the graduated income tax rates. Additionally, self-employed people and/or professionals with gross sales or receipts of less than Php 3,000,000 can pay an 8% tax on gross sales or receipts over Php 250,000 instead of the graduated income tax rates.

Additionally, self-employed people and/or professionals with gross sales or receipts of less than Php 3,000,000 can pay an 8% tax on gross sales or receipts over Php 250,000 instead of the graduated income tax rates. Finally, the withholding tax has been increased from Php 15,000 to Php 20,000. The withholding tax system is beneficial to the government but detrimental to taxpayers. It encourages voluntary compliance, reduces the cost of collection efforts, prevents delinquencies and revenue loss, and provides revenues throughout the taxable year. However, it can also lead to overpaying taxes, creating opportunity costs for workers, and encouraging a disconnect or apathy between employment income and taxes.

Tax compliance is a responsibility that taxpayers must fulfill based on their perception of their capability to pay their taxes and the impact of contentment on government services. There need to be more definitions of compliance and non-compliance in tax law. Compliance is the degree to which a taxpayer complies with tax rules and regulations, while non-compliance refers to a taxpayer's attitude that may lead to tax behavior. The author noted that tax avoidance and tax evasion are both forms of non-compliance aimed at lowering tax payments, but the legality and illegality are the key distinctions. According to Kirchler, Hoelzl, and Wahl (2008), when taxpayers trust the authorities, they will pay their taxes freely.

However, when trust in the authorities is low, but authorities' power to audit and punish wrongdoing is strong, taxpayers' compliance is enforced. Age is more compliant with tax rules and regulations than adolescent taxpayers, and males are said to be more frequently evade taxes than women. However, studies by Abdul-Jabbar & Kasipillai (2006) stated an insignificant disparity between man and women's mindsets concerning non-compliance and tax evasion. Gender disparities in tax compliance can be attributed to factors such as educational background, income level, and taxpayer awareness. The educational experience is linked to low tax compliance, while income level is linked to tax compliance.

Tax awareness is the understanding of the purpose, meaning, and function of tax payments, and it is expected that if people become aware that the current administration is spending tax revenues wisely for public goods and services, discretionary tax compliance will increase. Tax-related awareness includes awareness that taxes are a form of participation in the development of the state, awareness that deferring tax payments and reducing the tax burden is highly harmful to the state, and awareness that taxes are established by regulations that can be enforced. The most significant aspect of the current tax system is taxpayer awareness. Nurkhin et

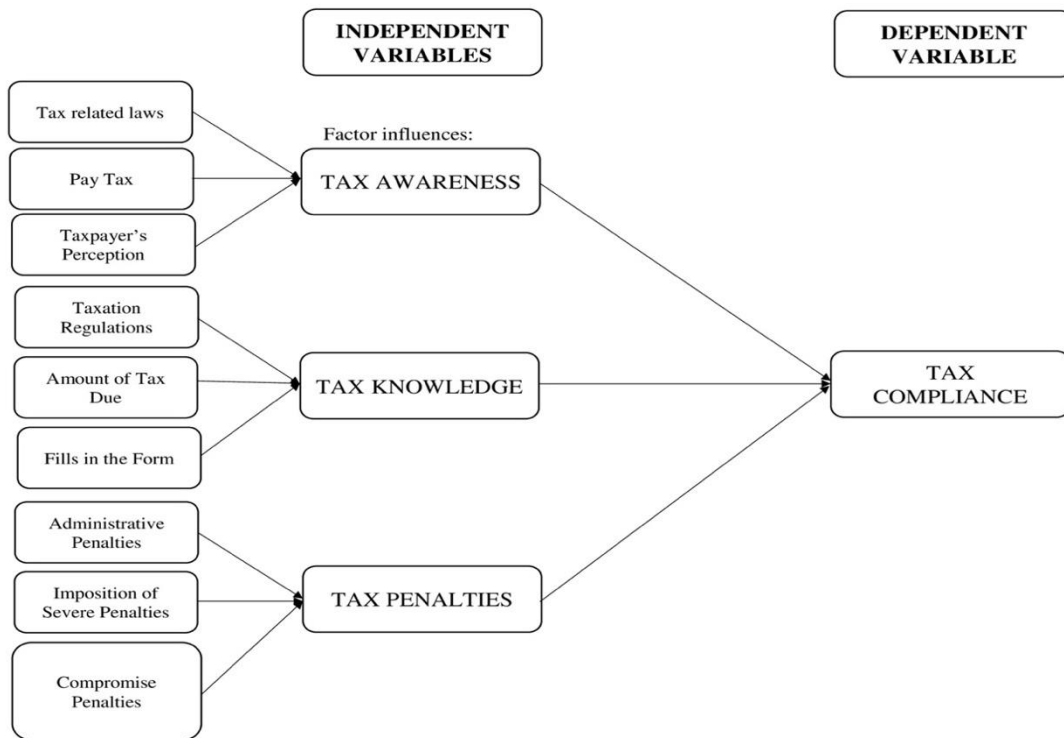
al. (2018) found that the larger the level of taxpayer awareness, the higher the level of tax compliance. However, tax understanding is often a barrier to tax collection from the general public.

Anto et al. (2021) found that taxpayers' knowledge regarding information and awareness of obligations, rights, and responsibilities can be measured. Suryadi (2006) found that to enhance taxpayer compliance, one must first grasp one's rights and obligations. Anto et al. (2021) also found that tax knowledge entails acquaintance with tax regulations, determining the correct amount of taxes to be paid, and experience filling out forms. Notoatmodjo (2003) and Taslim (2007) found that people knowledgeable about tax systems and payments will find it much easier to meet their tax obligations. Tax penalties are acts of punishment meted out to individuals who break the rules.

According to Mardiasmo (2016), tax penalties guarantee that the conditions of tax standards will be followed, protecting the taxpaying public from tax evasion. Listyowati et al. (2018) listed several types of fiscal penalties, including administrative fines, criminal penalties, tax penalties imposed on repeat offenders, heavy sanctions, and compromise penalties. Taxpayers are required to meet their tax obligations promptly. Hadiwijaya & Febrianty (2019) believe that the execution of tax penalties is critical since tax offenders will not disregard tax laws and regulations. Understanding anxiety is effective in reducing negligence and tax evasion, and this would have an impact on taxpayer compliance and awareness.

Figure 1

Research Paradigm



Methodology

Research Design

A research design involves decision-making to give a critical plan which states the various methods and processes involved in collecting and analyzing the collected data.

The Cross-sectional quantitative research design was employed in this study, as it was the usual experimental procedure for most scientific areas. Quantitative research design tests a hypothesis utilizing an untested study to provide a broad view and prioritize measuring and analyzing causal links among variables.

The researcher had formed a standard requirement to ensure the credibility of the data obtained, which included being a resident in the province of La Union, having derived their

earnings from the practice of profession or conduct of trade or business, and being willing to participate in the study. Those who met these criteria were qualified to answer the questionnaires.

Population and Sampling Size

The sample size was computed at a 95% confidence level and 0.05 margin of error from the total list of self-employed individuals in La Union. Respondents were prorated with the number of registered self-employed individual taxpayers in La Union. The 19 municipalities and 1 City of La Union were considered as the clusters. From the selected clusters per municipality, self-employed individuals were further stratified based on their income level.

Instrumentation

This study used primary data from a researcher-made questionnaire which was analyzed and interpreted according to the role of tax awareness, knowledge, and sanctions regarding individual taxpayers' compliance in the province of La Union. The questionnaire comprised four parts and 75 questions: Demographic Profile, Tax Awareness, Tax Knowledge, and Tax Sanctions. The Likert scale was used as an assessment instrument to measure the opinion or attitude of a respondent. A 5-point Likert scale ranging from 1 to 5 was used to answer questions related to Tax Awareness and Tax Sanctions, with one indicating strong unawareness or disagreement with the statement and 5 indicating strong awareness or agreement. The questionnaires were distributed through an electronic questionnaire (Google Forms). This method allows the respondents to reach the specified geographic area without being limited by location. It can also save funds because the dissemination was executed through the use of the internet as the channel to be in contact with the respondents.

Activities and Procedures

The researcher requested the population and not the taxpayers' data before sampling. The researcher asked to disseminate electronic survey forms (google forms) through their respective electronic email (e-mail) addresses to secure the sample size data. The researcher randomly selected self-employed individual taxpayers from 19 Municipalities and 1 City in the province of La Union. In collecting the data, a brief introduction, the purpose of the study, and the data confidentiality clause were presented on the first page of Google Forms. Participants gave their authorization and consent to the researcher concerning the Data Privacy Act of 2012. Permission to obtain secondary data on their tax compliance was also secured, and the sample signed part of the consent forms. Upon request, the Compliance section of the BIR's district office in La Union provided secondary data about the tax compliance of the respondents.

Validity Test

Heale, R. (2015) defined validity as the degree to which a study measures an idea accurately. The study employed both content and face validity. Content validity refers to the degree to which the set of items in a data collection instrument was understood to represent the range or universe of meanings or dimensions of a construct of interest. Face validity refers to a measure's capacity to accurately represent a concept as judged by someone with knowledge or experience. The questionnaire was given to ten specialists for further evaluation. Face Validity of 4.59 (Strongly Agree), Demographics of 3.27 (Quite Relevant), Tax Morale Scale of 3.81 (Highly Relevant), Tax Fairness Scale of 3.78 (Highly Relevant), Tax Knowledge of 3.92 (Highly Relevant), and Tax Sanctions of 3.67 (Highly Relevant) were the results of the questionnaire's validation.

Reliability Test

This paper subjected the questionnaire with dichotomous questions and Likert's scale to Cronbach's alpha analysis. There were ten responses in La Union, considered acceptable if the alpha was more than 0.80. A pilot testing of the questionnaire was undertaken to ensure that the variables covered the study's objective. The researcher was the only one who sent the questionnaire to the respondents, avoiding data collection bias. The environment in which the data was collected was consistent and similar to that used online. Tax Awareness had a Cronbach Alpha of 0.8314, Tax Knowledge had a Cronbach Alpha of 0.8218, and Tax Penalties had a Cronbach Alpha of 0.8210. The instrument used in this study was trustworthy, stable, and consistent, making it highly reliable.

Treatment and Analysis of Data

The part of the questionnaire that covered the demographic and personal background of the respondents made use of frequency and percentage distribution.

The level of tax awareness in Table 2 was presented as a Likert scale type of question. Hence, the median was used to deliver the results. The median was interpreted as follows:

Table 1

Interpretation of Level of Tax Awareness

Raw Rating	Median	Interpretation
1	1.00 - 1.80	Fully Unaware
2	1.81 - 2.60	Unaware
3	2.61 - 3.40	Not Sure
4	3.41 - 4.20	Aware
5	4.21 - 5.00	Fully Aware

Tax knowledge was composed of questions that had correct answers. Hence, the percentage of correct answers was computed per respondent. Aside from presenting the average

correct answers through mean and standard deviation, their level of knowledge was based on the below range:

Table 2

Interpretation of Level of Tax Knowledge

% Correct Answer		Interpretation
0%	20%	Very Low knowledge
21%	40%	Low knowledge
41%	60%	Average
61%	80%	High knowledge
81%	100%	Very High knowledge

Awareness of Tax Sanctions was presented as a Likert scale type of question. Hence, the median was utilized to obtain the results. The median was interpreted as follows:

Table 3

Interpretation of Level of Awareness on Tax Sanctions

Raw Rating	Median	Interpretation
1	1.00 - 1.80	Fully Disagree
2	1.81 - 2.60	Disagree
3	2.61 - 3.40	Not Sure
4	3.41 - 4.20	Agree
5	4.21 - 5.00	Fully Agree

Tax Compliance was obtained from secondary data in the Bureau of Internal Revenue's Compliance section, and each business owner was identified as compliant or non-compliant. The percentage of compliance was presented. Mann Whitney and Kruskal Wallis were applied to compare the level of awareness according to demographic profile. Independent-sample t-test and One-way analysis of variance (ANOVA) were used for variables with more than two categories. A chi-square test for variables with more than two categories was applied.

Fisher's exact test for dichotomous variables (with two categories) was applied. A P-value of 0.05 indicated significance.

Table 4

Presentation in comparing compliance according to the demographic profile

	Compliance	Non-compliance	Chi-square	p-value
Sex				
Male				
Female				
Age Group				
Group 1				
Group 2				

The Gamma test was used to measure the impact of tax awareness, tax knowledge, tax penalties, and other demographic profiles such as age, highest level of education, and gross monthly income as possible predictors of compliance.

Additionally, the Lambda coefficient, Goodman, and Kruskal Tau test were used to assess other demographic variables such as gender, whether one used e-filing, whether one attended or passed any formal taxation course, prepared tax returns, and who prepared one's tax return.

Post hoc analysis on the level of awareness according to age and gross monthly income used Mann Whitney Test, while post hoc analysis on the level of knowledge according to age, level of education, and gross monthly income used Fisher's Least Significant Difference Test (LSD). Finally, Spearman rho correlation was applied to determine the impact of awareness and knowledge on compliance.

Results and Discussion

A. Taxpayers' general tax awareness about Taxation

The study conducted by Frey and Torgler (2007) and Halla (2012) found that self-employed individual taxpayers in the province of La Union are fully aware of taxation. All statements with a median of 5 indicate that taxpayers have a high awareness of their moral obligation in paying taxes, such as "I should honestly declare earnings in my tax returns," "I should pay my tax obligations correctly and promptly," "I should pay my tax obligations even if I know that others are not," "I pay my tax obligations voluntarily without force," "I will not avoid paying my tax obligations even if I have the chance," and "I believe that not paying the correct tax obligation is a serious crime." The only state with a median of 4 is "It is unacceptable to overstate tax deductions." The research conducted by Frey and Torgler (2007) and Halla (2012) confirmed that tax morale affects tax awareness behavior. Additionally, if the morale of the taxpayer is good, the taxpayer will be aware of fulfilling his tax obligations.

A median of 4.04 implies that taxpayers are only aware of the fairness aspect of taxation. The most critical details in this text are that taxpayers are only aware of tax fairness when they receive enough social services and public goods from the taxes they pay to the government, receive public service and assistance to help them understand and meet their tax obligations, believe other taxpayers are also paying the just and proper taxes, are treated fairly and reasonably, are honest in their tax affairs, have enough advice and information that they can rely on, and believe the current system of income tax is just to all taxpayers. However, responses such as "Even if the government raises the rate of taxes, I will still pay my tax obligation correctly and responsibly" and "It is just for people with high income to pay proportionally more in taxes than those with lower income," and "Everyone must pay their tax obligation correctly"

denote high awareness in terms of fairness in taxation. The results of this study confirm the research of Akubo et al. (2016) and Gberegbe et al. (2015), which stated that taxes are fair if they can be justified by the level of services provided by the government. Tehulu and Dinberu (2014) also investigated the determinants of tax-compliant behavior in some countries. They found that the perception of tax equity and fair tax system significantly influence tax awareness behaviors.

According to Chan & Lemong (2009), increasing dissatisfaction with the tax system's fairness is the primary cause for taxpayers distrusting tax laws. Gillingham and Richardson (2005) stated that a tax system that is assumed to be unfair would discourage people from doubting taxation.

B. Taxpayers' general tax knowledge about Taxation

The most critical details in this text are that 59.3% of the respondents obtained a score of 41 to 60%, which indicates Average knowledge. In comparison, only 13.1% of the respondents were classified as having very high ability. Specifically, 31.3% of the respondents have a low understanding of income taxation, while 19.2% are classified as having very high ability. 41.9% of the respondents have an average knowledge of business taxation, while 14.9% are classified as having very high knowledge. 45.7% of the respondents have an intermediate understanding of withholding taxes, while 18.7% have a very high ability. Lastly, 43.7% of the respondents fall under shallow knowledge on questions related to other requirements, 26% are classified as needing more knowledge, and only 7.3% have very high knowledge.

C. Correlation of tax awareness and tax knowledge on several demographics.

The most critical details in this text are that gender does not determine the level of tax awareness of self-employed individual taxpayers in the province of La Union and that as taxpayers get older, they become more aware of their business, taxes, and tax authorities

compared to younger generations. Additionally, the highest level of education does not determine the level of tax awareness of self-employed individual taxpayers in the province of La Union, and those who graduated in the secondary and tertiary groups are more aware than those who graduated with post-graduate diplomas. The survey results differ due to several behavioral factors that steer taxpayer opinions in different directions. The most critical details in this text are the results of a study conducted by Hoffman et al. (2017), Jaffar-Harun et al. (2014), and Gadi (2015), which showed that taxpayers with higher incomes tend to be more aware and responsible for tax procedures and payment systems. This was supported by the study of Hoffman et al. (2017), Jaffar-Harun et al. (2014), and Gadi (2015), which verified that taxpayers with higher incomes tend to be more aware and responsible for tax procedures and payment systems. Additionally, high-income individuals are more familiar because they are forced or required to pay more taxes than low-income taxpayers.

The study found that males are more knowledgeable in taxation, with a mean of 58.96, compared to females with inadequate knowledge about taxation, with a standard of 54.95. Those aged 51 to 60 had the highest level of expertise, with a mean of 68.79, compared to those aged 20 to 30, with a mean of 53.68. The highest level of education was found to be the lowest, with a par of 46, compared to those who graduated in the tertiary and postgraduate levels, with a mean of 58.26 and 52.23, respectively. Gross monthly income results showed that taxpayers with a monthly income below P10,000 have the lowest proficiency, with a standard of 47.67, compared to those with a monthly payment above P100,000, with the highest ability, with a mean of 65.33. This suggests that as taxpayer income increases, so does taxpayer knowledge.

Table 5

Comparison of Level of Awareness based on several demographic

	Median	p-value	Conclusion
Gender			
Male	4.35	0.740	Not significant
Female	4.35		
Age			
20 to 30	4.35	0.003	Significant
31 to 40	4.45		
41 to 50	4.10		
51 to 60	4.00		
Above 60	4.65		
Highest Level of education			
Secondary	4.40	0.359	Not significant
Tertiary	4.40		
Post-graduate	4.30		
Gross Monthly Income			
≤10,000	4.20	0.028	Significant
10,001 to 40,000	4.30		
40,001 to 70,000	4.40		
70,001 to 100,000	4.58		
>100,000	4.60		

Table 6

Comparison of the Level of Knowledge based on several demographics

	Mean	p-value	Conclusion
Gender			
Male	58.96	0.010	Significant
Female	54.95		
Age			
20 to 30	53.68	<0.001	Significant
31 to 40	59.37		
41 to 50	59.88		
51 to 60	68.79		
Above 60	59.44		
Highest Level of education			
Primary	-	0.002	Significant
Secondary	46.00		
Tertiary	58.26		
Post-graduate	52.23		

Gross Monthly Income

≤10,000	47.67		
10,001 to 40,000	57.02		
40,001 to 70,000	64.44	<0.001	Significant
70,001 to 100,000	61.00		
>100,000	65.33		

D. Impact of tax awareness, tax knowledge, and tax penalties on compliance

The table shows that the gamma coefficient for tax compliance and tax knowledge is -0.088, indicating a negative correlation with a p-value of 0.271. It was found in the study of Kasipillai et al. (2013) that a more knowledgeable taxpayer would be more likely to identify tax loopholes and regulations that could lead to tax non-compliance than less educated taxpayers. Additionally, Soliha & Nadiah (2020) argued that tax knowledge is not directly correlated with individual taxpayers' tax compliance behavior. Additionally, a study by Lin, M.T., & Carrol (2000) argued that tax knowledge alone does not directly and significantly impact taxpayer compliance. Finally, there was a negative correlation between the agreement of taxpayers with penalties imposed and their tax compliance, which was not found to be related to each other, having a p-value of 0.289.

Table 7

Gamma Coefficient in assessing Tax Awareness, Tax Knowledge, Tax Penalties, Age, Highest Level of education, and Gross Monthly income as possible predictors of Compliance

Predictor of Compliance	Gamma	p-value	Conclusion
Tax Knowledge	-0.088	0.271	Not significant
Tax Awareness	0.042	0.571	Not significant
Tax Penalties	-0.082	0.289	Not significant
Age	0.443	<0.001	Significant
Highest Level of education	0.097	0.519	Not significant
Gross Monthly Income	-0.577	<0.001	Significant

Referring to the study by Mohd Ali, Isa, and Yusoff (2014) on the impact on the awareness of the threat of fines, there is a negative correlation between The severity of penalties for criminal fraud is positively correlated with the behavior of high-income self-employed individuals, while civil penalties appeared to be negatively associated with the small business owner and middle-income individuals. Age has a gamma coefficient of 0.443 and a p-value of less than 0.01, indicating a positive relationship with tax compliance. Chung and Trivedi (2003) have a similar positive correlation between older and younger taxpayers, with young taxpayers being more compliant than older taxpayers. The income level has a positive correlation, with a gamma coefficient of 0.577 towards tax compliance having a p-value of .001. In countries with poor income redistribution, high-income earners tend to withdraw more because they may feel deceived and unfairly treated. This can be seen in the previous result of the study that taxpayers who received a monthly income of Php 70,001 to Php 100,000 and more than Php 100,000 have a high non-compliance rate of 85% and 73.3%, respectively.

Conclusion

This study examined the relationship between tax awareness, tax knowledge, and penalties with tax compliance among self-employed individuals in the province of La Union. The analysis revealed that tax awareness, knowledge, and penalty variables do not significantly influence tax compliance. Tax compliance is multifactorial and cannot only be influenced by one, two, or just three factors. Factors that affect the tax compliance attitude of taxpayers can be divided into two major categories: economic factors such as income level, fines, tax rate, audit probabilities, tax benefits, tax audit, penalties, and demographic factors such as age, gender, and education. The results showed that demographic factors such as Gender, Age, Gross Monthly

Income, Prepared tax returns, and who prepared one's tax return positively correlated with tax compliance.

This study examines the awareness and knowledge of self-employed taxpayers in the Province of La Union. It found that self-employed individuals are generally fully aware and have average knowledge regarding taxation, but there still needs to be more knowledgeable in certain aspects like income tax returns and other reportorial requirements. Demographics such as gender, level of education, gross monthly income, the one who prepares tax returns, and individuals who have been audited or penalized by the BIR do not significantly affect the level of tax awareness. However, all demographics except individuals who have been audited or penalized by the BIR significantly affect respondents' tax knowledge level. The study concluded that tax awareness does not have a positive relationship with tax compliance due to taxpayers still considering tax as something burdensome, and awareness of tax policies and regulations does not significantly affect self-employed individual taxpayers' tax compliance.

The new ruling government has stepped into the country's administration and is hoped to promote good governance by having high accountability and distributing money fairly to the public as their main priority. This research analyzed self-employed taxpayers' tax compliance behavior by examining the relationship between tax knowledge and tax compliance behavior. The study concluded that a negative relationship exists between tax compliance behavior and tax knowledge, with self-employed individual taxpayers with a higher level of knowledge being found as better taxpayers in the province of La Union. The empirical evidence in this study has shown that the threat of punishment is less likely to be effective in deterring people who already have strong intentions to comply with tax laws but more likely to increase their negative intentions to comply when the threat of punishment is employed as one of the tools to reduce tax

non-compliance behavior. Therefore, the government is suggested to carefully plan its strategy by using a target policy in disseminating information to the right group of taxpayers, such as self-employed taxpayers, in encouraging voluntary tax compliance in the Philippines.

Recommendations

This study recommended that the Bureau of Internal Revenue provide taxpayers with adequate tax training and education to create tax awareness and knowledge. It should also disclose the government budget and expenditure and the total amount collected from the tax to citizens transparently. It should also formulate law-related information, strengthen the security and trustworthiness of electronic filing services, and enhance people's information security and privacy concepts. Finally, improving aspects of the different e-services should enhance taxpayers' perceived ease of use and usefulness and reduce the system's riskiness. The most important details in this text are that voluntary taxpayers may be discouraged if they believe the current tax system is unfair and inequitable and that the government should maintain tax fairness by treating all taxpayers fairly.

Additionally, bringing nontaxpayers into the tax system should be considered as a measure of ensuring tax equity. Finally, the research conducted by the author is limited to tax awareness, tax knowledge, and tax penalties. Future research should examine other factors that can increase taxpayer compliance, and other types of taxpayers should be employed in future research. Finally, this study can be replicated in other provinces to provide additional information on the current data regarding tax compliance among individual taxpayers.

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Appendices

TAX AWARENESS

Good level of reliability

Cronbach's alpha	0.8314
95% lower confidence limit	0.6738

Effect of dropping variables

Variable dropped	Alpha	Change
Q1	0.8311	-0.0002971
Q2	0.8366	0.005213
Q3	0.8273	-0.004087
Q4	0.8273	-0.004087
Q5	0.8232	-0.008205
Q6	0.8232	-0.008205
Q7	0.8354	0.003973
Q8	0.8232	-0.008205
Q9	0.8142	-0.01723
Q10	0.7982	-0.03323
Q11	0.8275	-0.003930
Q12	0.8416	0.01023
Q13	0.8132	-0.01821
Q14	0.8119	-0.01947
Q15	0.8059	-0.02546
Q16	0.8131	-0.01831
Q17	0.8175	-0.01392
Q18	0.8510	0.01960
Q19	0.8234	-0.007997
Q20	0.8236	-0.007769

TAX KNOWLEDGE

Good level of reliability

Cronbach's alpha	0.8218
95% lower confidence limit	0.6552

Effect of dropping variables

Variable dropped	Alpha	Change
Q1	0.8122	-0.009666
Q2	0.8256	0.003770
Q3	0.7960	-0.02579
Q4	0.8206	-0.001224
Q5	0.7821	-0.03973
Q6	0.7960	-0.02579
Q7	0.8241	0.002283
Q8	0.8241	0.002283
Q9	0.7983	-0.02357
Q10	0.7983	-0.02357
Q11	0.8241	0.002283
Q12	0.7890	-0.03286
Q13	0.8256	0.003770
Q14	0.7983	-0.02357
Q15	0.8241	0.002283
Q16	0.8554	0.03353
Q17	0.8137	-0.008172
Q18	0.8241	0.002283
Q19	0.7956	-0.02622
Q20	0.8256	0.003770

TAX SANCTIONS

Good level of reliability

Cronbach's alpha	0.8210
95% lower confidence limit	0.6462

Effect of dropping variables

Variable dropped	Alpha	Change
Q1	0.7917	-0.02926
Q2	0.8169	-0.004093
Q3	0.8051	-0.01583
Q4	0.8408	0.01985
Q5	0.8341	0.01315
Q6	0.7917	-0.02926
Q7	0.8136	-0.007353
Q8	0.7924	-0.02854
Q9	0.8054	-0.01554
Q10	0.8051	-0.01583
Q11	0.8136	-0.007353
Q12	0.7807	-0.04028

Result of the Survey Instrument Face Validation Rating (n=10)

No.	Statements	Mean ± SD	Interpretation
1	The items in the instrument are relevant to answer the objectives of the study.	4.80 ± 0.42	Strongly Agree
2	The items in the instrument can obtain depth to construct being measured.	4.80 ± 0.42	Strongly Agree
3	The instrument has an appropriate sample of items for the construct being measured.	4.70 ± 0.48	Strongly Agree
4	The items and their alternatives are neither too narrow nor limited in its content.	3.80 ± 1.32	Agree
5	The items in the instrument are stated clearly.	4.60 ± 0.52	Strongly Agree
6	The items on the instrument can elicit responses which are stable, definite, consistent and not conflicting.	4.90 ± 0.32	Strongly Agree
7	The terms adapted in the scale in the scale are culturally appropriate.	4.60 ± 0.52	Strongly Agree
8	The layout or format of the instrument is technically sound.	4.50 ± 0.71	Strongly Agree
9	The responses on the scale show a reasonable range of variation.	4.50 ± 0.71	Strongly Agree
10	The instrument is not too short or long enough that the participants will be able to answer it within a given time.	4.40 ± 0.52	Strongly Agree
11	The instrument is interesting such that participants will be induced to respond to it and accomplish it fully.	4.60 ± 0.52	Strongly Agree
12	The instrument as a whole could answer the basic purpose for which it is designed.	4.80 ± 0.42	Strongly Agree
13	The instrument is culturally acceptable when administered in the local setting.	4.70 ± 0.48	Strongly Agree
OVER-ALL		4.59 ± 0.28	Excellent Validity

Footnote:
SD – Standard deviation
1.0 – 1.79 Strongly Disagree; 1.80 – 2.59 Disagree; 2.60 – 3.39 Undecided; 3.40 – 4.19 Agree; 4.20 – 5.00 Strongly Agree
1.0 – 1.79 Poor Validity; 1.80 – 2.59 Fair Validity; 2.60 – 3.39 Good Validity; 3.40 – 4.19 Very Good Validity; 4.20 – 5.00 Excellent Validity