

**FACTORS INFLUENCING VOLUNTARY TAX COMPLIANCE OF
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ABSTRACT

Most self-employed taxpayers, who are exempted from third-party reporting, is being evaded. Compared to employees and corporations, self-employed have a low percentage of compliance due to government regulation focusing more on large taxpayers, resulting in fiscal imbalance. Thus, this study aims to determine the significant influence of the tax behavior factors on the tax compliance status of self-employed individuals in Davao City. The study uses descriptive-correlational method and adapted a modified questionnaire to collect data from 180 self-employed taxpayers. Findings reveal that the level of four indicators: personal, institutional, economic, and social are high than the expected level. It also shows that the level of tax compliance in terms of administration and submitting tax returns are found to be tax compliant most of the time. Using the multiple regression analysis, only institutional and social factors significantly influence tax compliance. It is recommended that the government should further strengthen the tax authority's efficiency and effectiveness while making the tax system equitable. The researchers also suggest tax forms must be convenient and tax structure must be fair and just to likely increase the number of tax returns and ensure the favorable attitude of self-employed individuals towards taxation.

Keywords: Tax Compliance, Self-employed Individuals, Davao City

1. INTRODUCTION

Taxation involves broad social debates about distributional fairness and poses collective and commitment problems (Tans, 2020, p.375). Taxes are paid to contribute significantly to the economic stability of a country (Kumacheva et al. 2018, para 2). However, noncompliance hampered the collection of these tax revenues. There are three identified complex tasks in collecting tax revenues: registration of taxpayers, assessment of liabilities, and collection of payment, which developing countries need help to follow (Kira 2017, p.258). The Philippine government aims to triple real income per capita by 2040 by eradicating poverty

and hunger and enabling the economic environment. It aims to simplify the tax system to be fairer, more equitable, and internationally competitive (Bonoan 2017, p.49).

However, the tax system in the Philippines consistently has low delivery of essential public services over the decades. The higher tax rates discourage investments. Although there are repeated attempts to lower tax rates and improve organizational performance, it causes tax leakages (Reside & Burns 2016, p.34). Just like the self-employed individuals and professionals (SEPs) who are identified as a "hard-to-tax" group by the Bureau of Internal Revenue. These independent taxpayers are free to file and pay taxes independently compared to employees and corporations. These groups also have a low percentage of compliance due to government regulations focusing more on large taxpayers, which resulted in unconventional tax collection in the Philippines (Angeles 2021, p.5). Recent studies show that most of these self-employed incomes are exempted from third-party reporting, of which their taxes are being evaded. Aside from that, there needs to be better tax administration which significantly decreases tax compliance among self-employed individuals (Barany 2017, p.2).

Based on the Psychology of Tax Behavior Theory, tax noncompliance depends on the attitude of the individuals, the social environment, and how they perceive the taxing authorities. Voluntary compliance for self-employed individuals needs a push for compliance by looking at several aspects that will help individuals force to comply. Fischer Model identified several factors personal, social, economic, and institutional (Chan, Troutman & O'Bryan 2000, p. 89). Mitu (2016, p.82) also found that an improved understanding of taxpayer attitudes toward taxation can help tax administrations develop voluntary tax compliance. The theory of fiscal exchange asserts that the government's endeavor to deliver public goods and services motivates citizens to religiously comply with their obligation (Alm, Jackson & McKee, 1993, p.289). But, with the proper implementation, citizens may remit the exact amount of tax returns and remit them promptly (Kirchler, Hoelzl & Wahl, 2008, p.212).

Thus this study is important because there is a need for the regulatory agencies to speed up a solution to give awareness and understanding to their citizens of the importance of tax payments. There are various studies about tax compliance, but only a few studied self-employed taxpayers. This study would like to fill the gap in developing strategies to improve tax compliance by looking at the tax behavior factors that influence tax compliance of self-employed individuals and aims to help the tax regulatory authorities to develop policies to increase tax collection efficiency, yielding higher revenues.

2. REVIEW OF RELATED LITERATURE

The purpose of this chapter is to discuss the literature related to tax behavioral factors influencing the tax compliance status of individuals based on personal, institutional, economic, and social factors.

2.1 Theory

2.1.1 Theory of voluntary tax compliance

Song and Yarbrough (1978, p.443) define tax compliance as self-assessment and willingness to follow tax regulations. There are two perspectives of tax compliance; administration and completing the tax returns. Tax compliance in terms of administration

focuses on registration and tax information authorities, while compliance in completing the tax returns concentrates on submitting tax returns and tax deadlines. In Kirchler, Hoeszl, and Wahl (2008, p. 210) study, tax compliance refers to filing tax returns and when they fall due as mandated by the law. The scope of tax compliance includes reporting income and paying all taxes by abiding by the applicable laws, regulations, and court decisions (Alm, 1996, p. 103). Overall, tax compliance typically means true reporting of the tax base, accurate computation of the liability, and timely filing of the returns (Murphy 2008, p. 113).

2.1.2 Theory of Fischer Model

Jackson and Milliron (1986, p.128) identified 14 essential characteristics influencing taxpayers' behavior to comply with the tax regulation. Using the Fischer Model, Fischer, Wartick, and Mark (1992, p.18) grouped these factors into four: demographic, noncompliance opportunity, attitudes and perceptions, and tax system. Later, Fischer's model was redefined as the only one that includes economic, social, institutional, and personal elements and a coherent conceptual framework that describes tax compliance behavior (Chan, Troutman & O'Bryan 2000, p. 89).

2.1.3 Theory of Economic Psychology of Tax Behaviour

Based on Kastlunger et al. (2009, p.405), tax behavior is organized into four main areas. First, the psychological determinants of tax compliance are tax knowledge, perceptions, and attitudes. Taxpayer believes they are responsible and willing to comply when they are motivated and they understand tax obligations and it is convenient to pay them. On the other hand, unintentional noncompliance assumes that many taxpayers still need more knowledge about the process, obligations, and tax requirements (Mikesell & Birskyte 2007, p.1048). This relies more on encouraging compliance through education than enforcement actions against taxpayers.

The second area is tax compliance decisions, consisting of audit penalties and fines, tax rates, and tax complexity. It is well-accepted that tax compliance in many developing countries has been declining, and one of the key reasons for this issue is an undeveloped tax system (Jackson & Milliron 1986, p.135). In the Fischer Model (Fischer, Wartick & Mark 1992, p.18), the tax system's complexity, the chance of discovery, and penalties all impact the tax system's efficacy. Government enforcement alone does not correspond to high-level compliance. Thus, increasing audits and penalty rates suggest that the government can raise tax compliance (Gangl et al. 2014, p.378).

A third area, self-employment and taxes, are related to work effort. Alm, Jackson, and McKee (1993, p.289) stated that the theory of fiscal exchange assumes the government's endeavor to deliver public goods and services motivates citizens. This is related to the government receiving funds from taxpayers in exchange for public services. According to Cowell and Gordon (1988, p. 310), the distribution of vast amounts of public goods, as opposed to small quantities of private goods, encourages people to pay the tax. They also recognize that tax compliance increases when public goods are adequately provided

The fourth area is the interaction between tax authorities and taxpayers. The way the tax enforcement agency treats its taxpayers is crucial to the success of a voluntary tax system. Slemrod (2007, p.36) suggests perceptions of the tax fairness system have a role in tax compliance behavior. If the tax system is fair, the conscience and cooperation of complying

will be strengthened. Other taxpayers' attitudes influence others' compliance behavior; thus, having a better opinion concerning the compliance rate of other associates in society could increase the degree of tax compliance (Bobek, Hageman & Kelliher 2013, p. 451).

2.2.1 Personal Factor

According to the study of Purnamasari and Sudaryo (2018, p.214), taxation knowledge substantially impacts taxpayer compliance levels. The better the taxpayer's knowledge of taxation, the higher the taxpayer's compliance rate. Taxpayers' compliance in carrying out their tax obligations is influenced by the level of education and taxpayers' knowledge of the tax itself. Therefore, taxpayers' knowledge of the tax code significantly influences the individual in paying taxes. Therefore, the taxpayer must understand the functions, regulations, registration, procedure for paying taxes, and tax rates.

The taxpayers' awareness of fulfilling tax obligations in paying taxes is influenced by mutual knowledge, trust, and reasoning following the rules given by the taxation provisions (Alhempri et al. 2020, p.356). The requirements that the taxpayer must own, categorized as having tax awareness, are to know the provisions and understand the obligations. As a result, taxpayers' awareness is based on knowledge about tax mechanisms. Taxpayers' education effectively increases tax compliance (Putra & Tjaraka 2020, p.167).

Tax education can provide the taxpayer with information so they have more knowledge and consequently comply with the tax law. Oktaviani et al.'s (2020, p.89) study claimed that raising taxpayers' tax awareness will logically raise their level of compliance. Thus, taxpayers' compliance is influenced by their level of tax knowledge. As a result, the higher the taxpayer's knowledge, the better the taxpayer can determine their behavior well and follow tax regulations.

2.2.2 Institutional Factor

In the NCR of the Philippines, the tax system and tax burden are significant predictors of taxpayers' behavior (Hugo 2018, p.39). Alm (2019, p.741) noticed that nations with a simple tax system have higher GDP and tax rates. In contrast to nations with a complex tax code, there is a lower advancement level and a lower nature of administration. They are supported by Oghuma (2018, p.559), the guidance, law enactment, filing and payments, audits, and appeals of tax hinder tax compliance. The cost of compliance with taxation plays a key role in determining a taxpayer's willingness to pay taxes. As the tax law becomes increasingly complex, compliance costs also increase, which is one possible reason for tax noncompliance (Sinnasamy & Bidin 2017, p.69).

Generally, penalties are imposed to keep taxpayers from violating the tax law. In contrast, Gemmell and Ratto (2018, p.550) disagreed and claimed that tax penalties do not affect taxpayers. Some countries show tax compliance due to changes in their tax structure; thus, taxpayers' unwillingness to pay taxes is associated with the cumbersome processes or the application of penalties and punishments (Tilahun et al., 2019).

A previous study by Rahmayanti and Prihatiningias (2020, p. 118) claimed that tax penalties in the form of fines affect taxpayer compliance. Taxpayers will pay their taxes if they believe the penalties will be more severe. The realization of respondents that tax is a source of state revenue in financing state needs up to public facilities and infrastructure has increased the

level of tax compliance in financing the state. Therefore, if the imposition of tax penalties is ordinarily executed, tax penalties will increase taxpayers' compliance.

2.2.3 Economic Factor

The number of individual taxpayers increases with time, but evidence reveals that this increase does not equate to increased government tax revenue (Siyabola et al. 2017, p.138). The study by Huong and Cuong (2019, p.272) asserted the growing noncompliance of taxpayers and the government's public services deflect an increase in the number of people to pay taxes. As a result of insufficient revenue collection, negative tax compliance is believed to significantly impair the government's ability to function (Nguyen 2017, p.290)

DesyAmaliati, Rahma, and Rahayu (2020, p.179) claimed that those who pay higher taxes would be concerned about how the government spends its money. Voluntary compliance is likely to rise if the government spends national revenue properly on essential services. Moreover, Kiow, Salleh, and Kassim (2017, p.37) pointed out the different perceptions of every person are influenced by their interactions with the government. It is the taxpayers who decide to choose whether to have faith or not in the government. Transparency in public procurement concerns taxpayers, as a lack of transparency can lead to corruption (Sitorus 2018, p. 41).

2.2.4 Social Factor

Guerra and Harrington (2018, p.186) argued that peer compliance, with taxpayers' intention, is insignificant to tax compliance behavior. In contrast to the study of Al-Rahamneh and Bidin (2022), the influence of peer groups on tax taxpayers is great, thus affecting the taxpayers' decisions, moral values, and personality to comply. The people around the taxpayers may influence their tax compliance practices. This act is called subjective norms—peers influence taxpayers. When they defy paying tax obligations to the authority, their associates are more likely to conceal returns. As cited by Kassa (2021, p.15), a strong relationship exists between social norms and subjective norms with compliance.

According to Yee, Morthy, and Soon (2017, p. 413), citizens agree to pay taxes to the extent of reasonable tax rates between higher and lower pay workers. AlaarJ, Bustamam, and Mohamed (2017, p. 443) observed that the perception of fairness is essential for developing individuals' attitudes and compliance with tax behavior. Solano-Garcia (2017, p. 1026) reported that reaction to policies strongly depends on their perception of society, which determines their tax compliance. The study of Alshira'h (2019, p. 710) indicated the good tax practices of an individual in society could influence the group, which leads to an increase in tax compliance.

2.3 Tax Compliance

According to Migai, de Jong, and Owens (2018, p.395), the tax administration is responsible for assessing, collecting, and monitoring taxpayers' compliance with tax laws and regulations. Tax compliance is a major problem for many tax authorities, and it takes a lot of work to persuade taxpayers to comply with the tax requirements. Tax administration should consider the environment in which it operates and adopt the best-suited strategies that would ensure easy compliance of the taxpayers. The study by Wadesango et al. (2018, p.15) stated tax compliance is the process in which tax returns required to be submitted to the tax authorities are filed at the appropriate time with the accurate tax liability as required.

Enachescu et al. (2019, p. 14) revealed that people with favorable experiences with tax filing are more driven to comply, pay the returns, and show less resistance to the government. Thus, positive experience may include less tax complexity and clear implementation. Fochmann et al. (2021, p.20) asserted that proper filing fosters confidence in the taxpayer, increasing the possibility of paying taxes. Comparably, using alternatives, such as technology, contributes to taxpayer compliance.

Numerous countries have simplified the tax filing process, benefiting individuals and governments (Veeramootoo et al., 2018, p.165). According to Obert et. Al (2018, p.342), tax compliance is achieved when most taxpayers voluntarily file their tax returns and pay tax liabilities as stipulated without the intervention of the tax authorities through enforcement. Third-party reporting and self-reported income are keen to evade taxes but only have limited information on how many others evade taxes. The lower the quality of tax regulation, the less tax compliance can be achieved Bruno (2019, p. 193).

2.4 Methodology Literature

Borrego, Lopes, and Ferreira (2017, p.424) conducted an empirical study on the impact of a demographic factor on the involvement of professionals in tax compliance. It confirmed a significant disparity in gender between the positions of taxpayers and professionals, as young women are more vulnerable to pressures from clients and employers than older women. Tsegaw (2017, p.45) studied the six tax compliance determinants, including the income level of taxpayers using correlation and regression analysis. It was revealed that the taxpayers' income level variable greatly and significantly influences tax compliance behavior in Addis Ababa City.

Nkundabanyanga et al. (2017, p. 931) used a correlational and cross-sectional survey approach to determine whether governmental efficacy and a transparent tax system significantly influence tax compliance. Rahmayanti and Prihatiningtias (2020, p.120) examine tax compliance using convenience sampling, multiple linear regression, and moderated regression analysis. According to findings, an institutional factor has a favorable impact on taxpayer compliance. This is due to penalties and tax audits imposed following tax regulations. In addition, Yunus and Ramli (2017, p.83) stated that the knowledge of tax penalties plays a significant role in tax compliance behavior whereby it found that there are positively affected between the knowledge of tax penalties and tax compliance behavior.

Using multiple regression analysis, Subramaniam (2019, p. 27) investigated the ethical, moral, religious, and cultural factors influencing individual voluntary tax compliance in Malaysia. The results show that ethicality and religiosity strongly affect individual tax compliance behavior, while moral and cultural background have no significant effect. The study of Abdul and McFie (2020, p.95) significantly impacted fairness, tax penalties, and perception towards government spending on tax compliance using the logistic regression model. Although, it results in a negative but insignificant association, implying that individual income taxpayers make compliance decisions independently from others.

3. CONCEPTUAL FRAMEWORK

The theoretical framework gives the idea of four major tax behavior factors: personal, institutional, economic, and social, which the Economic Psychology of Tax Behavior supports. Based on the personal factor-taxation knowledge and awareness will help individuals likely comply as they understand the tax function and its regulation. Second, the institutional factor-the willingness to follow tax regulation depends on the complexity and effectiveness of the tax system. Third, the economic factor- the public trust in the government's ability to utilize income tax wisely is one of the concerns of individuals with high taxes. They are concerned about using these taxes and whether complying will benefit them. Lastly, in social factors, citizens seek fairness in the tax system between the income they earn and the tax obligation. This study seeks to identify which tax behavior factors significantly influence the tax compliance of self-employed individuals in Davao City.

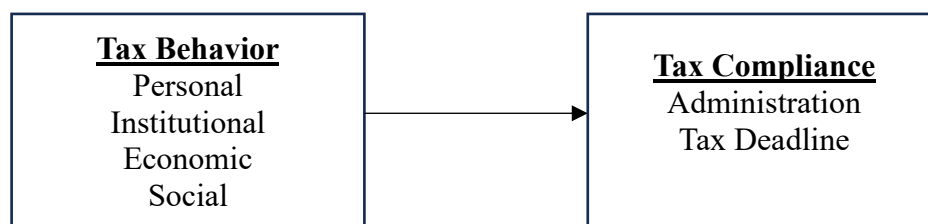


Figure 1. Conceptual Framework of the study.

4. OBJECTIVE OF THE STUDY

The study aims to determine the significant influence of personal, institutional, economic, and social factors on the tax compliance status of self-employed individuals in Davao City.

Since most of the self-employed income taxes are being evaded and there is a problem with the tax compliance of these particular groups, thus this study would like to know what particular factors affect the tax compliance of these self-employed individuals in Davao City.

5. STATEMENT OF HYPOTHESIS

To achieve the study's objectives and find answers to the study's questions, this investigation was predicated based on its null hypotheses:

Ho: There is no significant influence between the personal, institutional, economic, and social factors and the tax compliance status of self-employed individuals in Davao City.

6. METHODOLOGY

This descriptive-correlational study describes how the independent variables (personal, institutional, economic, and social) influence the tax compliance of self-employed individuals in Davao City. A total of 180 self-employed respondents were asked to participate in the study. Qualified applicants were characterized as individuals from the practice of profession or conduct of a trade or business, sole proprietors, or partnership members (Section 74, 1997 Tax Code of the Philippines). The researchers used purposive sampling from the qualified

participants who are residents of Davao City and registered taxpayers receiving income from the conduct of a trade or business and practice of a profession.

The study used a modified survey questionnaire from Maneekwan Chandarasorn. The survey was divided into three sections: general information, independent variable, and dependent variable. The second and third parts are research variables using a 5-point Likert scale to specify the level of agreement, neutrality, or disagreement.

Researchers used means to summarize and describe the factors influencing the tax compliance of self-employed individuals in Davao City. It also used multiple regression analysis to predict to determine the significant influence between the factors and tax compliance of the self-employed individuals in Davao City.

7. RESULTS AND DISCUSSION

Table 1 presents the tax behavior factors: personal, institutional, economic, and social of self-employed individuals in Davao City. As shown in the table, respondents gained the same descriptive interpretation of high on the mean ratings of the four indicators. The overall mean of the variable is 3.95 (SD = 0.31), which indicates that the level of the factor is above the expected level.

Table 1
Level of the factors on self-employed individuals in Davao City

Indicators	Mean	Standard Deviation	Descriptive Interpretation
Personal	4.18	0.50	High
Institutional	4.15	0.54	High
Economic	3.51	0.48	High
Social	3.98	0.43	High
Overall	3.95	0.31	High

Personal factors got the highest mean rating of 4.18 (SD=0.50), above the expected level. Personal factors focused on tax education, awareness, and knowledge. Results show that self-employed individuals are aware and educated on taxation. This supported Oktaviani et al. (2020, p.89) study on tax awareness and obligation to pay taxes; understanding tax laws and education will likely increase tax compliance. The taxpayers' awareness of fulfilling tax obligations in paying taxes is influenced by mutual knowledge, trust, and reasoning following the rules given by the taxation provisions (Alhempri et al. 2020, p.356). Scholars have emphasized that taxpayers' perceptions and attitudes are triggered by a person's moral obligations and recognized societal responsibilities (Koessler et al. 2019, p.95).

The institutional factor ranked second with a mean rating of 4.15 (SD = 0.54), above the expected level. Self-employed taxpayers perceived that the tax system of the Philippines influenced their voluntary compliance. Their provision of services and utilization of tax revenues affect their support of the tax system, which indeed favored Musimenta's study (2020, p.89) and Pacaldo and Ferrer (2020). Improving tax policy and administration by providing the necessary information to taxpayers strengthened legal enforcement and penalties. Despite the complexity of filing taxes, taxpayers are eager to pay their tax obligations to avoid penalties.

With a mean rating of 3.98 (SD = 0.43), socially ranked third of all the indicators based on the result. Although this is above the expected level, people sometimes influence taxpayers' decisions and moral values to comply. Thus supporting AlaarJ, Bustamam, and Mohamed's (2017, p. 443) study that the perception of fairness and tax burden should be fairly distributed to effect honest compliance. It also supports the assertion made by Alkhatib et al. (2019, p.697) that social and cultural norms have a strong influence on compliance.

The economic factor ranked last among all indicators with a mean rating of 3.51 (SD = 0.48), which is still above the expected level. Economic factors focused more on the perception of taxpayers on the government, whether they trust the government, on how they utilize the funds. Their voluntary compliance depends on their faith in the government. This supported the claim of DesyAmaliati, Rahma, and Rahayu (2020, p.179) that if the government provides enough information about how it utilizes the taxpayer's money, spends a reasonable amount on economic welfare, reduces tax rates, making tax collection fair and transparent, tax compliance will likely increase. It also supports previous research by Huong (2021, p.88). Thus, transparency must be practiced in government spending and procurement.

Table 2 shows the level of tax compliance among self-employed individuals in Davao City regarding the administration and submission of tax returns.

Table 2
Level of tax compliance on self-employed individuals in Davao City

Indicators	Mean	Standard Deviation	Descriptive Interpretation
Administration	4.11	0.57	High
Submitting Tax Returns	3.82	0.61	High
Overall	3.96	0.50	High

The overall mean of tax compliance is 3.96 (SD = 0.50). Administration top with the highest mean rating of 4.11 (SD= 0.57), followed by submitting tax returns with a mean of 3.82 (SD=0.61). It means that self-employed taxpayers in Davao City are mostly tax compliant. They trust the BIR's administration and submit their tax returns.

Filling up a tax return involves the taxpayer declaring all of his income to the BIR. Taxpayers must have the skills and understand the process of tax returns, whether online or offline. This also means that respondents are willing to report the tax returns even if it takes time; they may find the tax form complicated and identify which sources of income they must declare (Obert et al., 2018, p.342). Usually, taxpayers with favorable tax filing experiences are more driven to pay taxes and feel more compliant with authorities (Enachescu et al., 2019, p.129). In contrast, a negative filing experience may discourage tax compliance. Thus, the tax administrator must ensure that tax rules are obeyed and increase taxpayer engagement to secure tax payments. The government has adopted programs for alternative filing taxes and enhanced compliance behavior (Angeles 2021, p.222).

Table 3 presents the significant influence of personal, institutional, economic, and social factors on tax compliance among self-employed individuals in Davao City. Using the Multiple Linear Regression, R² is 43.5%, meaning tax compliance of self-employed individuals can be attributed to their personal, institutional, economic, and social differences. The remaining 56.5% of the variance can be accounted for by other factors not measured in this

study. While the F-ratio equaled 33.647 was the test statistic used to decide whether the model has a statistically significant predictive capability. The overall model is statistically significant, and the model's data fit is satisfactory. This means the null hypothesis, which states no significant influence, is rejected.

Table 3

Statistical Significance of the Level of Factors and Level of Tax Compliance on Self-employed Individuals in Davao City

Source	SS	Df	MS	F	p-value	Decision on H ₀
Regression	19.473	4	4.868	33.647	.000**	Reject
Residual	25.320	175	145			

R² = 0.435 **sig at 0.05

Table 4 shows that only the institutional and economic aspect influences the tax compliance of self-employed individuals in Davao City.

Table 4

Regression Coefficients for the Indicators of Factors

Variable	B	SE	t-value	p-value	Decision H ₀
Constant	.297	.371	.801	.424	
Personal	.042	.058	.724	.470	Accept
Institutional	.126	.055	2.278	.024	Reject
Economic	.099	.064	.096	.121	Accept
Social	.658	.73	8.994	.000	Reject

** sig at 0.01 * sig at 0.05

The beta coefficients indicate that for every unit increase in institutional and social, the level of tax compliance increases 0.126 times positively, holding the other predictors constant. Furthermore, for every unit increase in the level of social, the level of tax compliance increases 0.658 times, positively holding the other predictors constant.

8. FINDINGS, CONCLUSION AND RECOMMENDATION

8.1 Summary of Findings

This study aims to determine the significant influence of the given factors on the tax compliance status of self-employed individuals in Davao City. In light of the above results and discussion, there is evidence of compliance among self-employed individuals using the given tax behavior factors. Based on the preceding chapter, this study finally drew the following summary of findings.

The findings indicate that personal, institutional, economic, and social factors are higher than expected among self-employed individuals in Davao City. Moreover, self-employed individuals are found to be tax compliant most of the time in terms of administration and submitting returns. The results of the current study confirm the literature findings that social and institutional factors significantly influence the tax compliance of self-employed individuals in Davao City. Thus, the null hypothesis is rejected. However, personal and economic are not significant influences on the tax compliance of self-employed individuals.

8.2 Conclusion

Since independent taxpayers enjoy the freedom to file and pay taxes on their own compared to employees and corporations, they have a low percentage of compliance. Moreover, government regulation focuses more on large taxpayers rather than small taxpayers, which results in unconventional tax collection. Thus the study would like to determine what tax behavior factors influence tax compliance of self-employed individuals in Davao City. From the results, self-employed taxpayers comply with the obligations imposed in the registration, filing, and submitting process. It emerged that only social and institutional influence tax compliance. Thus, taxpayers would pay their taxes because of the presence of fines, punishment, and compliance of their peers. The study is grounded on the Economic Psychology of Tax Behavior.

In contrast with personal and economic factors, taxpayers are rational individuals who assess the advantages and disadvantages of tax compliance before complying. Hence, taxpayers might avoid paying taxes when they feel the tax rates are high and the perception of public services is low. Moreover, the result indicates that social factor is the most significant influence on tax compliance practices. Taxpayers' motivation as a social norm to conform with the tax laws contribute to the tax compliance status of self-employed individuals. In addition, everyone acknowledges the influence of fairness in the tax system. They were followed by an institutional factor that significantly influences tax compliance practices by improving tax regulation, the accessibility of filing, and imposing stronger penalties in contrast to personal and economic, which do not influence tax compliance. Regardless of the reasons for paying taxes, they are more than the government's reception still needs to oblige.

8.3 Limitations of the Study

The data collected from this constituency may be an approximate representation of the whole of Davao City. First, incomplete responses removed many respondents during data collection, affecting the validity of the results. The survey is both online and face-to-face. In the online survey, the researchers have no control over the responses and no opportunity to clarify any doubts or questions. Second, for generalization, the sample size may only properly reflect some self-employed workers' views and observations. Third, the study's variables and indicators differ from those used by other scholars. The researchers measure personal factors based on knowledge and personal norms, institutional-based tax complexity and penalties only, economically based on government service and tax rates, and socially based on peer group and fairness in the tax system, which may alter the comparability of the findings.

4. Recommendations

The researchers suggest that tax compliance strategies should be developed as a comprehensive package that includes social and institutional factors. First, the Bureau of Internal Revenue should enforce audits and penalties seriously, with no exceptions. By publicizing more news of people who evade tax that has been punished that tax evasion will not be tolerated and excused. Paying taxes must be more convenient: tax forms must be made easier and less complicated, tax structure should be fair, and tax rates should be manageable. As a result, to lower the number of mandatory registrants and ensure that taxpayers have a favorable attitude, they must engage in continuous awareness development programs or tax concerns. The most obvious need for fairness or equity is that everyone in every situation shall be treated equally.

Second, the administration should educate citizens about tax knowledge and a sense of nationality at a young age. The jobs should not only be on the part of the Revenue Department but also the Department of Education, the Public Relations Department, the media, and private and public organizations. Social norms against tax evasion must be established. Changes in tax laws must be publicized and easy to be understood. If each of these factors is in place, it is feasible to shift people's attitudes toward taxes from negative to positive, increasing tax compliance and government income.

Third, this research will aid future researchers who want to develop their topics of interest concerning tax compliance and administration. This contributes to local and national literature as an addition to existing tax compliance literature in the University and another field of research.

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