

ASSESSMENT OF AWARENESS AND COMPLIANCE OF ONLINE SELLERS' ON ONLINE TAXATION POLICY IN METRO MANILA, PHILIPPINES

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ABSTRACT--The main purpose of the study is to determine the level of awareness and degree of compliance of online sellers' regarding on their obligation to pay taxes. The data utilized on this study were the responses of 400 randomly selected online sellers' in Metro Manila, Philippines as respondents through a questionnaire. The data gathered from the respondents were summarized and analyzed using descriptive statistics in profiling them as well their awareness and compliance on taxation. A correlational technique was explored also to see if there is significant relationship between respondents' awareness and compliance on taxation. All data were analyzed using Statistical Software for accuracy of computations. Results shows that most of the respondents age were surprisingly below 20 years old, dominated by female, undergraduate, single, less than a year in the business and monthly income derived from the business is less than Php5,000.00. In terms of awareness the respondents are moderately aware of their obligation as manifested on their average weighted mean of 3.008. And in terms of degree of compliance, most of the respondents much agree as revealed on their average weighted mean of 3.491. Their level of awareness and degree of compliance are significantly related based on computed p-value which is less than the significant level of 0.05. Results from study helps the government to intensify its awareness campaign and compliance of online business on paying tax and crack new policy on online taxation monitoring since one of the government components in generating revenue is on sales tax. Applying this study in other cities as well as in the whole country may assembled more information for decision making in the government.

Keywords--Awareness, Compliance, Online Sellers, Taxation, Philippines

I. INTRODUCTION

The dawn of modern machinery is very fast; some businessmen find out a new way of selling their goods that is through internet or online selling. The government is quite alarm on this type of transactions since sales taxes from this online business are not easy to monitor, thus evasion from paying taxes to the government could be much possible. Many consumers also patronize this type of transactions for reasons that are comfortable, easy, less hassle and no need to leave their homes as long as you have internet and credit cards¹.

The needs and wants of people are never-ending. The advancements of technology make it easy for people to be aware of goods and services that will satisfy their wants and/or will make their daily works easier, uncomplicated, and trouble-free. As a result, the demand for these products continues to increase.

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Since there is an increase in demand, there must also be an increase in supply in the market. The competition between the suppliers usually lies between the price and quality of their products but nowadays, online shops became a trend which provides not only an affordable and highquality products but also convenience on both the buyers and sellers. Its main advantage over the traditional “bricks and mortar” shopping is that people can shop anywhere and anytime they want as long as they have gain access to the internet. It is hassle-free and time saving since an increasing number of populations has a personal computer and other gadgets at home like mobile phones².

Because of the popularity and acceptability from the public, the number of online shops in the Philippines continues to rise. Some of the popular online shops that operate worldwide are Lazada, Amazon, Zalora and Metro deal and even some social networking sites, like Facebook and Twitter, can be online market platforms.

More Filipinos are turning to the Internet for shopping, according to a recent study released by MasterCard. MasterCard’s study found that Filipinos turn to the Internet to obtain the following: Airline tickets (38.4 percent), home appliances and electronic products (35.1 percent), clothing and accessories (31 percent), hotels (29.9 percent) and computer software (29.4 percent).

Meanwhile, sites of apps stores (50.1 percent), music downloads (42.6 percent) and home appliances/electronic products (38.2 percent) draw the most web traffic, the study also showed. E-commerce is now called a “game changer” so entrepreneurs are now adopting it to take advantage of the growing online market³. Since the number of consumers purchasing online multiplies, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular Number 55-2013, Reiterating Taxpayers’ Responsibilities in Relation to Online Business Transactions, dated August 5, 2013, to remind taxpayers, buyers, and online intermediaries of their tax obligations when doing online transactions including business to consumers (B2), consumer to consumers (C2C), and business to business (B2B) transactions. The said memorandum circular is created to make sure that online shops will comply with the business requirements set by the Philippine law. The circular treats online sellers as regular taxpayers who must also comply with the requirements stated therein⁴. For these reasons, that this research was conducted to know if the online sellers are aware of their obligations to the government and their compliance to our existing law on taxation⁴.

1.1. Objective of the Study

The main target of this study is to determine the level of awareness and degree compliance of online sellers on taxation law of the country and specifically this study wanted to answer 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. civil status,
 - 1.5. years in online business and
 - 1.6. monthly income.
2. What is the level of awareness of the respondents on taxation in terms of the following tenets:
 - 2.1. Equality or ability
 - 2.2. Certainty
3. What is the degree of compliance of the respondents on taxation in terms of the following tenets:

3.1. Convenience

3.2. Economy

4. Is there a significance difference between awareness and compliance of the respondents on taxation of online sellers' in Metro Manila when grouped according to their profile?

5. Is there a significance difference between awareness and compliance of the respondents on taxation of online sellers' in Metro Manila?

1.2. Scope and limitation of the study

The data utilized from this study were came from the respondent's answers on the questionnaire device by the researcher for purpose of obtaining their awareness and compliance on online sellers' taxation. The researcher limits the respondents to 400 online sellers' in metro manila.

1.3. Significance of the study

This research is very significance to the government and country leaders to craft more policies to monitor and implement the require taxes of online sellers' as mandated by law.

1.4. Research Paradigm

The researcher applied the "Input-Process-Output" concept for this study to obtained the respondents assessments on the existing policy of the government regarding online sellers' taxation.

II. METHODOLOGY

The researcher developed an instrument and imperiled it to validation with experts as well as tested it for reliability for consistency of responses with reliability coefficient of 0.84 which indicates a good instrument to gathered the needed data from the target respondents of 400 around the Metro Manila, Philippines and subjected it to some appropriate statistical tools for more extractions of useful information to appreciate this research with the aid of statistical software for accuracy of computations in the results.

2.1. Frequency and Percentage

This statistical method used by the researcher to comprehend the respondent's profiles and descriptively analyze their bearing to the study.

2.2. Weighted Means

This statistical tool was used to determine the respondent's level of awareness and degree of compliance regarding online seller's taxation to come up with generalized analysis of respondent's perception.

2.3. One-way Analysis of Variance

This a parametric statistical tool which is a test of significant difference of two or more variables in terms of means. This method was employed by the researcher to realize the most important objective of this research in

determining the significant difference on the comparison of assessments of respondents on the online sellers' taxation issues in terms of awareness and Compliance.

2.4. Paired t-test

This is also another parametric statistical tool employed in this study to determine as a whole the significant difference between Awareness and Compliance assessment of the respondents on the online sellers' taxation.

III. RESULTS AND DISCUSSIONS

Apparently, this research displays the profile, assessment on awareness and compliance of the respondents on the online sellers' taxation, and its significance to their profiles. Surprisingly, the respondents profile are below 20 years old, dominated by female, undergraduate, single, less than a year in the business and monthly income derived from the business is less than Php5,000.00 In terms of awareness most of the respondents are "moderately aware" of their obligation as manifested on their average weighted mean of 3.008. In Addition, in terms of degree of compliance, most of the respondents much "agree" as revealed on their average weighted mean of 3.491. The level of awareness and degree of compliance of the respondents differs significantly on Educational Attainment and Monthly Income from Online selling based on computed p-values which are less than the significant level of 0.05. Furthermore, respondent's assessment on awareness and compliance are significant as a whole, which implies that if the respondents are aware of online sellers' taxation, they are also either compliant or not.

Table 1: Profile of the respondents

Demographics	Profile	Frequency	Percentage
Age	Below 20 years old	186	46.50
	21-25 years old	134	33.50
	26-30 years old	45	11.25
	31-35 years old	14	3.50
	36-40 years old	16	4.00
	41 years old and above	5	1.25
Gender	Male	128	32.00
	Female	272	68.00
Educational Attainment	Primary Education	0	0.00
	Secondary Education	47	11.75
	Undergraduate	261	65.25
	Graduate School	92	23.00
Civil Status	Single	315	78.75
	Married	85	21.25
	Widowed	0	0.00
	Separated	0	0.00
	Less than one year	219	54.75

Years in Online Business	1-5years	161	40.25
	6-10 years	20	5.00
	More than 10 years	0	0.00
Monthly Income from online selling	Less than P 5,000	139	34.75
	P 5,001 – 10,000	106	26.50
	P 10,001 – 15,000	103	25.75
	P 15,001 – 20,000	20	5.00
	P 20,001 – 25,000	5	1.25
	More than P 25,000	27	6.75

The table above illustrate that the respondents' age were surprisingly below 20 years old, mostly dominated by female, which were undergraduate, as well as frequently single, whose experienced were less than a year in the business and approximately monthly income derived from the business is less than Php5,000.00 as manifested on its figures. This indicates that most online sellers are young, undergraduate and mostly dominated by female and their income monthly derived from this type of business is not much yet since this a new type of endeavor in selling.

Table 2: Mean Distribution of the Respondents Level of Awareness on taxation in terms of tenet of Equality or Ability.

Tenet of equality or ability		Weighted mean	Verbal Interpretation
1	Every online seller should pay taxes.	2.833	Moderately Aware
2	Taxes should be proportionate to income.	3.625	Aware
3	Taxes should be as “neutral” as possible not favoring one business or individual at the expense of another.	3.630	Aware
4	Small time online sellers should bear less burden on taxes than bigtime online sellers.	4.038	Aware
5	There is no exemption whether bigtime or smalltime.	3.545	Aware
Average Weighted Mean		3.534	Aware

Legend: “Not Aware (1.00 – 1.79)”, “Less Aware (1.80 – 2.59)”, “Moderately Aware (2.60 – 3.39)”, “Aware (3.40 – 4.19)”, “Very Aware (4.20 – 5.00)”

From the table above, it can be observed that in terms of the Respondents' level of awareness on tenet of Equality or Ability in taxation, most of them were Aware or Informed on their obligation to the government regarding taxation as manifested on their average weighted mean of responses which is 3.534.

Legend: “Not Aware (1.00 – 1.79)”, “Less Aware (1.80 – 2.59)”, “Moderately Aware (2.60 – 3.39)”, “Aware (3.40 – 4.19)”, “Very Aware (4.20 – 5.00)”

Table 3: Mean Distribution of the Respondents Level of Awareness on taxation in terms of tenet of Certainty

Tenet of certainty		Weighted mean	Verbal Interpretation
1	Online sellers have full knowledge and awareness about their tax obligations.	2.425	Less aware
2	The requirement for online sellers stated in BIR Memorandum Circular No. 533-2013 (Reiterating Taxpayers' Obligations in Relation to Online Business Transactions) to issue registered receipt, either manually or electronically is clear, simple and absolutely certain.	2.253	Less Aware
3	The requirement for online sellers stated in BIR Memorandum Circular No. 533-2013 to register their business at the Revenue District Office is clear, simple and absolutely certain.	2.458	Less Aware
4	The requirement for online sellers stated in BIR Memorandum Circular No. 533-2013 to file applicable tax returns on or before the due dates is clear, simple and absolutely certain.	2.490	Less Aware
5	The administrative penalties for noncompliance of online sellers stated in BIR Memorandum Circular No. 533-2013 is clear, simple and absolutely certain.	2.783	Moderately Aware
Average Weighted Mean		2.482	Less Aware

From the table above, in terms of tenet of certainty on full knowledge regarding BIR memorandum circular in online sellers with regards to requirements, obligations and penalties the respondents are "less aware" on this matter as manifested on their responses with average weighted mean of 2.482. This means that the respondents are not fully aware of the government ruling on online seller's taxation.

Table 4: Mean Distribution of the Respondents Degree of Compliance on taxation in terms of tenet of Convenience.

Tenet of Convenience		Weighted mean	Verbal Interpretation
1	The method and timing of tax payment stated in BIR Memorandum Circular No. 533-2013 is convenient for the online sellers.	2.463	Disagree
2	The requirements stated in BIR Memorandum Circular No. 533-2013 are costly to comply with.	3.560	Agree
3	Keeping books of accounts and other business/accounting records within the time prescribed by law is convenient for online sellers	3.793	Agree
4	Securing the required Authority to Print (ATP) invoices/receipts and registers books of accounts for use in business electronically as proposed by BIR made compliance more convenient than manually.	2.893	Neutral
5	The easier the tax structure is to understand the higher voluntary compliance and lower enforcement costs.	4.573	Strongly Agree
Average Weighted Mean		3.456	Agree

Legend: “Strongly Disagree (1.00 – 1.79)”, “Disagree (1.80 – 2.59)”, “neutral (2.60 – 3.39)”, “Agree (3.40 – 4.19)”, “Strongly Agree (4.20 – 5.00)”

The table above shows, that in terms of the Respondents Degree of Compliance on the BIR Memorandum Circular no. 55-2013 in terms of Tenet of convenience, most of them assessed as “Agree” as manifested by their response average weighted mean of 3.456. This indicates that the respondents arranged to comply with their obligations as per mandated on BIR memorandum circular.

Table 5: Mean Distribution of the Respondents Degree of Compliance on taxation in terms of tenet of Economy.

Tenet of Economy		Weighted mean	Verbal Interpretation
1	The issuance of BIR Memorandum Circular No. 533-2013 has the purpose of collecting tax to cover the full cost of providing governmental services.	2.753	Neutral

2	The issuance of BIR Memorandum Circular No. 533-2013 will help collect right amount of tax to generate revenue for the welfare the economy and the people.	3.088	Neutral
3	Tax collection encourages economic growth and job creation.	2.685	Neutral
4	BIR must be transparent on their tax collection.	4.568	Strongly Agree
5	Tax collection should be efficient taking no more from the taxpayer than is necessary to defray the cost of providing services.	4.538	Strongly Agree
Average Weighted Mean		3.526	Agree

Legend: “Strongly Disagree (1.00 – 1.79)”, “Disagree (1.80 – 2.59)”, “neutral (2.60 – 3.39)”, “Agree (3.40 – 4.19)”, “Strongly Agree (4.20 – 5.00)”

It can be seen on the table above, that as per tenet of economy on the compliance of taxation on online selling, the respondents agree that their taxes on their business are important to the improvement of government services in the country as manifested of their response average weighted mean of 3.526. The respondents understood their obligations to the government.

Table 6: Summary of Average Weighted Mean and Verbal Interpretation of All Tenets

Variables		Average Weighted Mean	Verbal Interpretation
Level of Awareness			
A	Tenet of equality or ability	3.534	Aware
B	Tenet of certainty	2.482	Less Aware
Average Weighted Mean		3.008	Moderately Aware
Degree of Compliance			
A	Tenet of convenience	3.456	Agree
B	Tenet of economy	3.526	Agree
Average Weighted Mean		3.491	Agree

As a whole, as seen from the table most of the respondents “Moderately aware” on the tenet of equality and certainty as manifested on its responses with average weighted mean of 3.008. On the hand, the respondent’s response on the degree of compliance is “Agree” as manifested on its average weighted mean of 3.491. This denotes that the respondents as a whole are aware of their duties and obligations to the government regarding on online seller taxations and they agreed to comply on it as required.

Table 7: One – Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Age.

Indicators	Age	Mean	F	p-values	Decision	Remarks
Awareness	Below 20 years old	3.06	1.75	0.1221	Accept H ₀	Not Significant
	21-25 years old	3.00				
	26-30 years old	2.83				
	31-35 years old	3.03				
	36-40 years old	2.86				
	41 years old and above	3.42				
Compliance	Below 20 years old	3.48	1.97	0.0829	Accept H ₀	Not Significant
	21-25 years old	3.49				
	26-30 years old	3.46				
	31-35 years old	3.72				
	36-40 years old	3.62				
	41 years old and above	3.22				

Note: “If p value is less than or equal to the level of significance (0.05) reject Ho, otherwise failed to reject/Accept Ho.”

The table above shows that the age of the respondents is not significant to their assessment on awareness and compliance to the government policy on online seller taxation. Further, that age has nothing to do with their assessment.

Table 8: One – Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Gender.

Indicators	Gender	Mean	F	p-values	Decision	Remarks
Awareness	Male	2.94	2.55	0.1110	Accept H ₀	Not Significant
	Female	3.04				
Compliance	Male	3.51	0.71	0.4005	Accept H ₀	Not Significant
	Female	3.48				

Note: “If p value is less than or equal to the level of significance (0.05) reject Ho, otherwise failed to reject/Accept Ho.”

From the table above, it shows that the gender of the respondents is not significant to their assessment on awareness and compliance to the government policy on online seller taxation. This indicates that gender of the respondents does not affect their assessments.

Table 9: Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Educational Attainment.

Indicators	Educational Attainment	Mean	F	p-values	Decision	Remarks
Awareness	Secondary Education	2.46	24.27	0.0000	Reject H _o	Significant
	Undergraduate	3.07				
	Graduate School	3.11				
Compliance	Secondary Education	3.42	3.12	0.0451	Reject H _o	Significant
	Undergraduate	3.47				
	Graduate School	3.57				

Note: “If p value is less than or equal to the level of significance (0.05) reject Ho, otherwise failed to reject/Accept Ho.”

Table above shows that Educational Attainment of the respondents is significant to the respondent’s assessment on their awareness and compliance on online seller taxation. This means that Education of respondents impinge on their decision.

Table 10: One – Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Civil Status.

Indicators	Civil Status	Mean	F	p-values	Decision	Remarks
Awareness	Single	3.06	9.72	0.0020	Reject H _o	Significant
	Married	2.83				
Compliance	Single	3.48	1.05	0.3050	Accept H _o	Not Significant
	Married	3.53				

Note: “If p value is less than or equal to the level of significance (0.05) reject Ho, otherwise failed to reject/Accept Ho.”

Table above indicates that, in terms of civil status of the respondents on awareness it is significant. But on the other hand, civil status is not significant to the compliance of the respondents on the policy of online seller taxation.

Table 11: One – Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Years in Online Business.

Indicators	Years in Online Business	Mean	F	p-values	Decision	Remarks
Awareness	Less than one year	2.93	4.22	0.0153	Reject H _o	Significant
	1-5years	3.11				
	6-10 years	3.00				
Compliance	Less than one year	3.46	2.64	0.0727	Accept H _o	Not Significant
	1-5years	3.51				
	6-10 years	3.65				

Note: “If p value is less than or equal to the level of significance (0.05) reject Ho, otherwise failed to reject/Accept Ho.”

Above table shows that, years in online business is significant the awareness of the respondents in taxation policy. However, in terms on compliance, years in online business becomes not significant. This can be explaining to the extent that there are processes in complying which are still vague to the respondents.

Table 12: One – Way Analysis of Variance (ANOVA): Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines According to Monthly Income from online selling.

Indicators	Monthly Income from online selling	Mean	F	p-values	Decision	Remarks
Awareness	Less than P 5,000	2.72	23.93	0.0000	Reject H _o	Significant
	P 5,001 – 10,000	3.28				
	P 10,001 – 15,000	3.27				
	P 15,001 – 20,000	2.76				
	P 20,001 – 25,000	3.28				

	More than P 25,000	2.55				
Compliance	Less than P 5,000	3.39	4.43	0.0006	Reject H _o	Significant
	P 5,001 – 10,000	3.52				
	P 10,001 – 15,000	3.58				
	P 15,001 – 20,000	3.67				
	P 20,001 – 25,000	3.30				
	More than P 25,000	3.47				

Note: “If p value is less than or equal to the level of significance (0.05) reject H_o, otherwise failed to reject/Accept H_o.”

The table above explain that the monthly income the respondents derived from online selling are both significant to their awareness and compliance of the online seller taxation, this implies that income plays a vital role in obeying all the duties and responsibilities with regards to the online taxation as per government policy.

Table 13: Paired t- test: Comparison on the Assessment of the Respondents on the Awareness and Compliance of the Online Sellers’ Taxation in Metro Manila, Philippines.

Indicators	Mean	t	p-value	Decision	Remarks
Awareness	3.01	15.76	0.0000	Reject H _o	Significant
Compliance	3.49				

Note: “If p value is less than or equal to the level of significance (0.05) reject H_o, otherwise failed to reject/Accept H_o.”

From the table above, being aware and compliant to the existing government policy on online taxation is significant as a whole based on the respondent’s assessment. This implies that if the respondents are aware or not, it follows that they are either compliance or not also.

IV. CONCLUSION

Based on above results and discussions, it can be assumed that Educational Attainment and Monthly Income of the respondents plays an important role in the awareness and compliance of online seller in Metro Manila, Philippines regarding the existing government policy on online seller taxation. In Addition, it was also noted that, even if the online seller is aware of their obligations to the government regarding taxation it doesn’t follows that they comply the government policy. This may be justified to the reality that having involve in online business is not easy to track their sales as well as their profit since the requirements and reportorial documents are not easy to produce. Finally, obtaining or providing legitimate receipts for each transaction online are not strictly imposed and even its monitoring is not regularly observed.

V. RECOMMENDATIONS

From the above suppositions the researcher proposes that :

1. Government must exert intensive drive to inform the public especially the people involve in online business their obligations to the government regarding taxation.
2. Requirements and Reportorial Documents for complying the taxation in online business be made easy and available.
3. Before an individual engage in online business, they should be brief and required to have a Permit to sell online for clients to identify legitimate online seller.

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