Awareness on BIR E-Filing and Payment System: Basis for Efficient Revenue Transactions

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Date Received: January 15, 2015; Date Revised: April 15, 2015

Abstract - The research investigated the Level of Awareness of Batangas City Small-Medium Enterprise (SME) owners on Bureau of Internal Revenue (BIR) E-Filing and tax Payment System. To limit the number of six hundred twelve (612) Small and Medium Sized Enterprises in Batangas City which belong to the scope of the study, the researchers selected 105 from 612 small business entities in Batangas City according to the list acquired from Business Permits and Licenses Office (BPLO) of the City Government of Batangas. The study used the descriptive design exercising a survey questionnaire to appoint the profile of the respondents. Findings revealed that most SME owners are aware about filing and paying their taxes electronically. Respondents agree with the perceived benefits on using the eFPS and the respondents’ intention to use the system is usually affected by their perceived risks and problems. It is evident to say that this new electronic government system, when recognized by SME taxpayers, would benchmark electronic filling practices. This study served as a basis for the effects of further implementations of BIR and increase awareness of SME owners for the success of the eFPS in the country.

Keywords: EFPS, awareness, Internal Revenue, Payment System

INTRODUCTION

In almost every country, the government derives a majority of its revenues for financing public goods and services from taxation. Moreover, the government’s ability to serve people depends upon the collected taxes. Taxes are indispensable in the government operation. Without it, government will be paralyzed. In the Philippines, the Bureau of Internal Revenue (BIR) is mandated by law to assess and collect all national internal revenue taxes, fees and charges, and to enforce all forfeitures, penalties and fines connected therewith (Sec. 2 of the National Internal Revenue Code of 1997- www.bir.gov.ph).

In today’s current situation, manual filing is the most traditional and popular method of filing and paying taxes in the Philippines. During the tax-filing and payment period, taxpayers perform complex calculations and fill out a standard printed form either by hand or typewriter. The tax return and related documentation are submitted to the tax agency over the counter or by postal mail. The tax agency uses either manual data entry or image processing to enter the tax return data into its computers. When using the manual filing method, taxpayers need to understand the individual income tax laws, and the tax return is subject to errors through writing and/or calculations. For the tax collection department, manual filing represents a tedious task, where they have to enter the taxpayers’ data into their computer system both quickly and accurately.

Hence, Electronic tax system started as a faint rumor couple of years ago. It hardly got the attention of small business operators as everyone imagined it was meant for big companies.
As it is the primary role of BIR to collect and administer taxes, the present self-assessment system places the responsibility on individuals and corporate taxpayers to be informed of their obligations and to act accordingly. In line with this, the BIR had been exercising the Electronic Commerce Act of 2000 (Republic Act No. 8792) which mandates the creation of online filing and payment systems and requires certain government offices to transact government business electronically. Moreover, they developed the Electronic Filing and Payment System or the so-called eFPS which is an e-Service offered by BIR that allows and gives taxpayer a paperless tax filing experience and convenient payment of tax dues utilizing the power of the Internet (Costales, 2013). The e-Filing is data-capture facility that uses BIR-supplied validation and computation rules to efficiently check for completeness and correctness of taxpayer inputs. While e-Payment is the online payment and confirmation process between the BIR eFPS and the participating banks (through an internet-enabled banking system) and/or other mode of payments such as: tax debit memo and tax remittance advice.

Additionally, the e-Tax filing and payment system (eFPS) was introduced by the Bureau of Internal Revenue (BIR) in June 2001 at www.bir.gov.ph. It was mandatory to be used by large taxpayers under the jurisdiction of the Large Taxpayer Service in August 2002, as well as mandatory for large companies and government employees. There are six objectives of the system, it includes 1) providing taxpayers convenience in filing and paying their tax returns, 2) capturing returns data at source, 3) increasing and improving the reliability of returns data, 4) eliminating or minimizing encoding errors, 5) enhancing and facilitating the processing of tax returns and improving the security of tax payments, and 6) reducing costs and paper flow. The characteristics of this system are speed, ease, convenience, security, no cost, and availability.

As stated by Azmi and Bee (2010) from their research conducted in Malaysia, e-filing has potentials to benefit both taxpayers and the Malaysian Inland Revenue Board (IRB), but only if it is actually used by the Malaysian taxpayers. And same is expected in the Philippines.

Despite all the efforts aimed at developing better and easier electronic tax-filing systems, these tax-filing systems remained unnoticed by the public or were seriously underused inspite of their availability. With this prevailing situation, the researchers set out to investigate the present degree of familiarity of SME owners in Batangas City on the electronic tax filing and payment system. There is a need to understand the acceptance of the users of the electronic tax-filing and payment systems and identify the factors that can affect their decision to use or not use these eFPS. This issue is important that the answer could help the government to plan and promote new forms of electronic tax-filing systems in the future (Wang, 2005).

The main reason why researchers had set out to investigate the situation was because of their perceived needs of the Philippine society about the system that runs between BIR and the taxpayers. Tax evasion, noncompliance of taxpayers, and corruption are all over the news. Due to this, the researchers had committed their selves to study this matter at hand to aid in the betterment of the system.

Moreover, the researchers also have an urge to help SME owners in Batangas City to reduce the cost of the tax payer complying with BIR, increase tax collection, achieve compliance and remove the inefficiencies associated with costs of movement by tax payers to BIR offices to do business and present to tax payers a system that reduces their cost of compliance. This study serves as a venue for self-awareness and introduction to the system. This may motivate the researchers to utilize the system for its convenience, interactivity, self-validation, fast-response, availability, and cost effectiveness. Patronizing this latest and technological venture of the institution may encourage the government to improve the services, and the business enterprises to benchmark electronic filling practices.

OBJECTIVES OF THE STUDY

The present study aims to determine the level of awareness in online BIR filing and tax payment as basis for efficient and on-time BIR transactions of small and medium sized enterprise owners in Batangas City.

Specifically, this study intends to describe the profile of the business owners; to determine the level of awareness of Batangas City SME owners concerning online BIR Filing and Tax payment; to identify the difficulties encountered by SME owners on using eFPS; to determine the significant difference on the difficulties encountered when grouped according to profile of the business owners and to propose plan of action to address the problems encountered by SME owners using the new E-Filing and Tax Payment System.

METHODS

Research Design

The study used the descriptive design exercising a survey questionnaire to appoint the profile of the respondents. Descriptive design is a statistical study to
identify patterns or trends in a situation, but not the
causal linkages among its different elements
(www.businessdictionary.com). This study also aimed
to provide a description of difference among the
following variables: demographic profile and the level
of awareness of SME’s business owners on the online
tax payment. This research design was chosen because
it can provide essential knowledge about the concepts
being used in this study as well as its relationship with
each other.

This method was deemed appropriate to the present
study since this involved assessment of prevailing
conditions.

Participants
The study involved business entities in Batangas
City which are registered in BIR and also files and pays
taxes manually. To narrow the focus of the paper, the
researchers prioritized those businesses which have
total gross investments of three (3) million.

To limit the number of six hundred twelve (612)
Small and Medium Sized Enterprises in Batangas City
which belong to the scope of the study, the researchers
used 105 as the respondents of the study, using 10
percent margin of error with 99 percent confidence
level.

Instrument
The researchers utilized a questionnaire modified
by the need of the study to attain awareness as the main
data gathering instrument. It was adapted from a study
(Manongsong, 2013). The questionnaire was
constructed to elicit information from the respondents
in order to meet the required data for the study.

The questionnaire consists of four parts; the first
part deals with the Respondents’ Profile; the second
part concerns with the Level of Awareness; the third
part encompasses the Benefits of using E-Filing and
Payment System of BIR. Lastly, the fourth part
discusses the Problems Encountered on Using E-Filing
and Payment System of BIR. Part I of the questionnaire
covers the profile of the respondents including age,
educational background, years in business, availability
of computers and internet connection in business,
computer literacy and internet literacy to ensure proper
documentation and reliability of the information; part II
of the questionnaire assesses the level of awareness of
the respondents with regards to the E-filing and
Payment System of BIR; part III of the survey tool
determines the level of agreeability about the benefits of
using E-Filing and Payment System of BIR; and part IV
of the questionnaire evaluates the problems encountered
by the SME owners on Using E-Filing and Payment
System of BIR.

The questionnaire was collected by the researchers
as soon as the respondents answered the instrument but
they were given ample time to answer the items. The
data were gathered to aid the researchers in assessing
the level of awareness and readiness of the respondents
in employing technology to make the relevant
transactions with BIR.

Procedure
The research was undertaken by following a
systemic approach of answering the questions and
meeting the objectives of the study. An initial draft of
the questionnaire was constructed based on the
objectives of the study. Revisions and fine-tunings of
the questionnaire or survey tool were carried out
through the help of experts in the business thrust. The
constructed survey questionnaire was employed as the
tool for obtaining the necessary data. The
questionnaires were distributed by the researchers to
105 selected from 612 small business entities in
Batangas City according to the list acquired from
Business Permits and Licenses Office (BPLO) of the
City Government of Batangas. Attached to the
questionnaire is an informed consent to be filled-out by
the respondents prior to answering the survey. This is to
ensure the confidentiality and professional use of the
information that the researchers will obtain from the
respondents.

Data Analysis
All needed data were treated using descriptive and
inferential statistics. These include frequency
distribution, weighted mean and Analysis of Variance
(ANOVA). The results were computed using PASW
version 18 using 0.05 alpha level to test the hypothesis
of the study.

RESULTS AND DISCUSSION
Table I illustrates the profile of SME owners which
are registered at the Business Permits and Licenses
Office (BPLO) of the City Government of Batangas. It
presents the demographic profile of the respondents in
terms of age, educational background, and years in
business, availability of computers and internet
connection in business and computer/ internet literacy.
Majority of the respondents who answered the
questionnaire are between the ages of 31-35 that
gathered 31.4% of the total respondents. This shows
that the managerial position of most businesses are
given to early thirties personnel.
Table 1. Percentage Distribution of the Respondents’ Profile

<table>
<thead>
<tr>
<th>Profile Variables</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 – 25 years old</td>
<td>11</td>
<td>10.50</td>
</tr>
<tr>
<td>26 – 30 years old</td>
<td>19</td>
<td>18.10</td>
</tr>
<tr>
<td>31 – 35 years old</td>
<td>33</td>
<td>31.40</td>
</tr>
<tr>
<td>36 – 40 years old</td>
<td>17</td>
<td>16.20</td>
</tr>
<tr>
<td>41 – 45 years old</td>
<td>13</td>
<td>12.40</td>
</tr>
<tr>
<td>46 – 50 years old</td>
<td>6</td>
<td>5.70</td>
</tr>
<tr>
<td>51 years old and above</td>
<td>6</td>
<td>5.70</td>
</tr>
<tr>
<td>Educational Background</td>
<td></td>
<td></td>
</tr>
<tr>
<td>College Graduate</td>
<td>5</td>
<td>4.80</td>
</tr>
<tr>
<td>College Undergraduate</td>
<td>86</td>
<td>81.90</td>
</tr>
<tr>
<td>High School Graduate</td>
<td>12</td>
<td>11.40</td>
</tr>
<tr>
<td>High School Undergraduate</td>
<td>2</td>
<td>1.90</td>
</tr>
<tr>
<td>Years in Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-5 years</td>
<td>49</td>
<td>46.70</td>
</tr>
<tr>
<td>6 – 8 years</td>
<td>40</td>
<td>38.10</td>
</tr>
<tr>
<td>9 – 11 years</td>
<td>10</td>
<td>9.50</td>
</tr>
<tr>
<td>12 – 14 years</td>
<td>2</td>
<td>1.90</td>
</tr>
<tr>
<td>15 years and above</td>
<td>4</td>
<td>3.80</td>
</tr>
<tr>
<td>Availability of Computers and Internet Connection in Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available</td>
<td>94</td>
<td>89.50</td>
</tr>
<tr>
<td>Unavailable</td>
<td>11</td>
<td>10.50</td>
</tr>
<tr>
<td>Computer/Internet Literacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>2</td>
<td>1.90</td>
</tr>
<tr>
<td>Good</td>
<td>62</td>
<td>59.00</td>
</tr>
<tr>
<td>Fair</td>
<td>21</td>
<td>20.00</td>
</tr>
<tr>
<td>Poor</td>
<td>20</td>
<td>19.00</td>
</tr>
</tbody>
</table>

Respondents with the age near retirement, of 46-50 years old and 51 years old and above got the lowest percentage of 5.70%.

In terms of educational background, most of the respondents are college graduates which obtained a percentage of 81.90% while the lowest percentage of the respondents got 1.90% who are high school undergraduate. This proves that educational attainment of a collegiate degree holder is a significant factor in running a business. Also taxation area of discussion are given to tertiary education, it can expect that college graduate are equipped with knowledge about tax. In addition, an eFPS knowledge-equipped taxpayer is particularly favorable for government because they avoid many of the mistakes taxpayers make in manual filings, and they help to prevent tax evasion by data matching (Manly et al, 2005).

The data shows that SME’s in Batangas City are mostly operating from 3-5 years only with the percentage of 46.70%. Most of them are just beginning their businesses while only 1.90% ventures into business for a long period of time.

A great number of respondents have installed computers and internet connection to assist them in their day-to-day operations. This was proven by the assessed result which showed 89.5% availability. Not just as a support to their activities, business investment in computer and internet which exercise the use of eFPS also provide benefits like incentives from Bureau of Internal Revenue such as extending payment deadlines to five days later than the deadline for manual filing (Bhuasiri, 2011).

As shown from the table, 59 percent of the respondents have efficient skills regarding computer and internet literacy. This shows that SME owners are eligible enough with the use of electronic services in running their business as well as in complying with tax requirements. As stated by Harold (2011), Computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors.

Table 2. Level of Awareness on BIR E-Filing and Tax Payment System

<table>
<thead>
<tr>
<th>Indicators</th>
<th>WM</th>
<th>VI</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Electronic Filing and Payment System (EFPS) was first introduced in line with the government’s policy of providing fast and convenient manner of transacting with government offices.</td>
<td>2.86</td>
<td>Aware</td>
<td>6</td>
</tr>
<tr>
<td>2. With the help of EFPS, Enterprises will have a better security and privacy.</td>
<td>2.90</td>
<td>Aware</td>
<td>5</td>
</tr>
<tr>
<td>3. EFPS can avail of a paperless tax filing experience.</td>
<td>3.19</td>
<td>Aware</td>
<td>1</td>
</tr>
<tr>
<td>4. EFPS helps taxpayers to pay their taxes online through the convenience of an internet-banking service via debit from their enrolled Bank account.</td>
<td>3.03</td>
<td>Aware</td>
<td>2</td>
</tr>
<tr>
<td>5. Taxpayers can file and pay for their taxes anytime and anywhere as long as he or she is using a computer with an internet connection.</td>
<td>2.93</td>
<td>Aware</td>
<td>4</td>
</tr>
<tr>
<td>6. Qualified taxpayers who file and pay their taxes to the Philippine government are eligible to use the system.</td>
<td>2.65</td>
<td>Aware</td>
<td>8</td>
</tr>
</tbody>
</table>
Table 2 (cont.) Level of Awareness on BIR E-Filing and Tax Payment System

<table>
<thead>
<tr>
<th>Indicators</th>
<th>WM</th>
<th>VI</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. EFPS will reduce space in your existing office such as filing cabinets and drawers.</td>
<td>2.98</td>
<td>Aware</td>
<td>3</td>
</tr>
<tr>
<td>8. EFPS is free of charge, but may be subject to a minimum Average Daily Balance, depending on your bank.</td>
<td>2.61</td>
<td>Aware</td>
<td>9</td>
</tr>
<tr>
<td>9. It has been made open to all taxpayers wishing to avail of the EPS at their option, and almost all tax returns are now available for EFPS filing.</td>
<td>2.54</td>
<td>Aware</td>
<td>10</td>
</tr>
<tr>
<td>10. The System will generate a filing reference and payment confirmation as proof of successful tax payment.</td>
<td>2.71</td>
<td>Aware</td>
<td>7</td>
</tr>
</tbody>
</table>

Composite Mean: 2.84 Aware

Legend: 3.50 – 4.00 = Highly Aware; 2.50 – 3.49 = Aware; 1.50 – 2.49 = Less Aware; 1.00 – 1.49 = Not Aware

Table 2 presents the level of awareness on BIR E-filing and tax payment system in Batangas. It was found out that the over-all assessment was aware with composite mean of 2.84 which means that most SME owners are knowledgeable about filing and paying their taxes electronically.

As of December 2007, the number of eFPS enrollees reached 22,235. This represented an increase of 28.99% over 2006 total enrollees of 17,238. In 2007 BIR received 574,512 transactions as compared to 2006 transactions of 529,041 or an increase of 8.60%. Total collection generated from eFPS filers is 388.92 Billion. For January to June 2008, additional 1,244 taxpayers have enrolled in eFPS and the collection for the said period amounted to P 205.33B (www.bir.gov.ph).

From the illustration, all items were rated aware and EFPS can avail of a paperless tax filing experience ranked first with weighted mean score of 3.19. This shows that SME taxpayers are well-informed that the new system would help them ease the hassle through storing and communicating information in electronic form rather than written. In line with this, Costales (2013) stated that the e-Service offered by BIR allows and gives taxpayer a paperless tax filing experience and convenient payment of tax dues utilizing the power of the Internet. The assessed rank one item was followed by EFPS helps taxpayers to pay their taxes online through the convenience of an internet-banking service via debit from their enrolled Bank account (3.03) and EFPS will reduce space in your existing office such as filing cabinets and drawers (2.98).

Gilligan and Grant (2005) assert that the perception of tax fairness is one of the most important variables that can influence tax compliance behavior. Public perception that the tax system is fair and equitable is important if that system relies for its success on significant degree of voluntary tax compliance, which of course the reality for many jurisdictions.

Alm et al (2006) states that the trust the tax payers have in the state improves the positive attitude and commitment to paying taxes. The eventual effect is reflected through voluntary compliance by willingly reporting and filling tax returns and as well as paying the tax obligations as and when they fall due.

However, the least assessed were qualified taxpayers who file and pay their taxes to the Philippine government are eligible to use the system, is free of charge, but may be subject to a minimum Average Daily Balance, depending on your bank and it has been made open to all taxpayers wishing to avail of the EPS at their option, and almost all tax returns are now available for EFPS filing with 2.65, 2.61 and 2.54 respectively. This depicts that it hardly got the attention of small business operators as everyone imagined it was meant for big companies. Moreover, taxpayers, though aware, weren’t that informed that they may practice this E-service. As stated by Azmi and Bee (2010) from their research conducted in Malaysia, e-filing has potentials to benefit both taxpayers and the Malaysian Inland Revenue Board (IRB), but only if it is actually used by the Malaysian taxpayers. And the same is expected in the Philippines.

The table 3 provides the distribution of the perception of respondents regarding the benefits of using E-filing and Payment system of BIR. The over-all assessment was “agree” with composite mean of 3.00. As shown in table 3, respondents agree with the perceived benefits on using the system. With eFPS, taxpayers can avail of a paperless tax filing experience and can also pay their taxes online through the convenience of an internet-banking service via debit from their enrolled bank account so it undoubtedly, ranked first and second.

As stated by Harold (2011), computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors.
Table 3. Benefits of using E-Filing and Payment System of BIR

<table>
<thead>
<tr>
<th>Indicators</th>
<th>WM</th>
<th>VI</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Convenient to use.</td>
<td>3.30</td>
<td>Agree</td>
<td>2</td>
</tr>
<tr>
<td>2. Interactive - information exchange is immediate and online, users get immediate feedback from the system when enrolling, e-filing or performing e-payments.</td>
<td>3.20</td>
<td>Agree</td>
<td>3</td>
</tr>
<tr>
<td>3. Self-validating - errors are minimized because all of the information supplied by the taxpayer is validated before final submission.</td>
<td>3.07</td>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>4. Fast - response or acknowledgment time is quicker than manual filing.</td>
<td>2.96</td>
<td>Agree</td>
<td>5</td>
</tr>
<tr>
<td>5. Readily available - eFPS is available 24 hours a day, 7 days a week including holidays.</td>
<td>2.89</td>
<td>Agree</td>
<td>7</td>
</tr>
<tr>
<td>6. Secure - return and payment transactions are more secured, as all data transmission is encrypted.</td>
<td>2.70</td>
<td>Agree</td>
<td>10</td>
</tr>
<tr>
<td>7. Flexible payment arrangements through online banking.</td>
<td>2.89</td>
<td>Agree</td>
<td>7</td>
</tr>
<tr>
<td>8. Paperless mode of transaction.</td>
<td>3.30</td>
<td>Agree</td>
<td>1</td>
</tr>
<tr>
<td>9. Accurate - by using e-filing, the chance of error goes down to about 1%.</td>
<td>2.79</td>
<td>Agree</td>
<td>9</td>
</tr>
<tr>
<td>10. Assists with record keeping.</td>
<td>2.90</td>
<td>Agree</td>
<td>6</td>
</tr>
</tbody>
</table>

Composite Mean 3.00 Agree

Legend: 3.50 – 4.00 = Strongly Agree; 2.50 – 3.49 = Agree; 1.50 – 2.49 = Disagree; 1.00 – 1.49 = Strongly Disagree

However, taxpayers also agreed on the secure transaction of EFPS but it ranked last among all of the benefits. Many taxpayers are afraid that if they use the computer to file their returns, others might see the information they entered in the Internet. But in order to ensure confidentiality of information, the BIR uses the industry standard Secure Sockets Layer (SSL) protocol to encrypt the data submitted by the taxpayer to prevent unauthorized access to the data, and make the eFPS secure. The Bureau of Internal Revenue (BIR) plans for improvements such as additional security by implementing the Digital Signature infrastructure of government and managing data traffic/congestion (Evans, 2009).

Table 4 shows the perception of the respondents as to the problems encountered using E-Filing and Payment System of BIR with an over-all composite mean of 2.69. It was interpreted as “often” which means that the respondents’ intention to use the system is usually affected by their perceived risks and problems.

All items were rated often. Dealing with technology problems such as computer crashes or losing Internet access ranked first. This shows that majority of the respondents signaled a problem of servers as being the major weakness of the electronic tax filing system. This is depicted by majority of the respondents with weighted mean score of 2.81. Taxpayers believe that software glitches and Internet issues especially during deadlines would cost them unnecessary inconvenience.

Table 4. Problems Encountered on Using E-Filing and Payment System of BIR

<table>
<thead>
<tr>
<th>Indicators</th>
<th>WM</th>
<th>VI</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dealing with technology problems - computer crashes or losing Internet access.</td>
<td>2.81</td>
<td>Often</td>
<td>1</td>
</tr>
<tr>
<td>2. Cost of installing system.</td>
<td>2.79</td>
<td>Often</td>
<td>2</td>
</tr>
<tr>
<td>3. Potential loss of data through software, electrical, human failure.</td>
<td>2.67</td>
<td>Often</td>
<td>7</td>
</tr>
<tr>
<td>4. Complexity - hard for untrained people to access and manipulate data.</td>
<td>2.70</td>
<td>Often</td>
<td>5</td>
</tr>
<tr>
<td>5. Taxpayer’s reliance on technology instead of an understanding of the tax code</td>
<td>2.58</td>
<td>Often</td>
<td>8</td>
</tr>
<tr>
<td>6. Computer might provide an opening for a thief to steal your identity while you're filing your taxes online.</td>
<td>2.77</td>
<td>Often</td>
<td>4</td>
</tr>
<tr>
<td>7. Information can be permanently deleted in error.</td>
<td>2.57</td>
<td>Often</td>
<td>9</td>
</tr>
<tr>
<td>8. Hacking can release information that is data protected.</td>
<td>2.78</td>
<td>Often</td>
<td>3</td>
</tr>
<tr>
<td>9. Complicated Tax Forms</td>
<td>2.50</td>
<td>Often</td>
<td>10</td>
</tr>
<tr>
<td>10. Fraudulent (dishonest) credit card transactions</td>
<td>2.70</td>
<td>Often</td>
<td>6</td>
</tr>
</tbody>
</table>

Composite Mean 2.69 Often

Legend: 3.50 – 4.00 = Always; 2.50 – 3.49 = Often; 1.50 – 2.49 = Sometimes; 1.00 – 1.49 = Never
The poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in the e-tax system and when not given attention to may greatly undermine compliance levels as tax payers become disgruntled with the system hence leading to non-compliant behaviors. It was followed by the cost of installing system (2.79). This implies that respondents have usual dilemmas on financing the system.

Thus, Guevarra (2005) believes that the income tax is not significant to them. On the other hand, the compliance costs may be significant for small firms where the owner is into everything in the business: production, marketing, and bookkeeping. Record-keeping for tax purposes may constitute a substantial part of the businessman’s time because hiring the services of an accountant may be too costly for an SME.

On the other hand, the least ranked were the respondents claim that eFPS’s regulation would cast problems like permanent deletion of information in error (2.57) and complicated tax forms (2.50). Based on these, it can be told that SME taxpayers in Batangas City hesitate to enroll in this online filing system because of the new system’s drawbacks. Byaruhanga (2007) further asserted that compliance is still low due to the fact that tax authorities have not sufficiently addressed the key shortfalls in the administration systems.

Table 5 reveals the difference of responses on the problems encountered on using E-Filing and Payment System of BIR when grouped according to profile variables.

Based from table 5, it shows that the problems encountered in using E-filing and payment system of BIR differs when grouped according to age and computer literacy of the respondents’. This was observed from the obtained p-value of 0.008 and 0.010 which were less than 0.05 alpha level.

Table 5. Difference of Responses on the Problems Encountered on Using E-Filing and Payment System of BIR When Grouped According to Profile Variables

<table>
<thead>
<tr>
<th>Profile Variables</th>
<th>F-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>3.089</td>
<td>0.008**</td>
</tr>
<tr>
<td>Educational Background</td>
<td>0.279</td>
<td>0.840*</td>
</tr>
<tr>
<td>Years in the Business</td>
<td>1.418</td>
<td>0.234*</td>
</tr>
<tr>
<td>Availability of Computers and</td>
<td>0.016</td>
<td>0.899*</td>
</tr>
<tr>
<td>Internet Connection in Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer / Internet Literacy</td>
<td>4.019</td>
<td>0.010**</td>
</tr>
</tbody>
</table>

Legend: **Significant at p-value < 0.05; *Not significant

This means that the problems encountered varies to whether they are young or old, or computer literate or not. SME owners’ age has a significant effect on the level of awareness on eFPS. Younger SME owners may be more familiar and savvy as to the new regulations and electronic government services like the eFPS. Moreover, computer and internet literacy of SME owners were also found significant. This depicts that as the business owners engage themselves in a modernized system, they need to be flexible and knowledgeable in using computer and internet as well. Odlyzko (2009) once stated that as technology is developing, the range of devices and processes to transact electronically continues to increase while the percentage of cash and check transactions continues to decrease. This may clearly reflect that the need for computer and internet education is an important variable.

Table 6 shows the proposed action plan to enhance the level of awareness of SMEs in Batangas City, Philippines regarding Electronic Filing and tax Payment System with the following key result areas: dealing with technology problems, cost of installing system and hacking.

Table 6. Proposed Action Plan to Enhance the Level of Awareness of SMEs in Batangas City Regarding Electronic Filing and tax Payment System

<table>
<thead>
<tr>
<th>Key Results Area (KRA)</th>
<th>Activities/Strategies</th>
<th>Persons Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealing with technology problems</td>
<td>The taxpayers should file their tax returns earlier.</td>
<td>SME Owners/Taxpayers</td>
</tr>
<tr>
<td>Cost of installing system</td>
<td>Invest in computer machine and internet connection.</td>
<td>BIR</td>
</tr>
<tr>
<td>Hacking</td>
<td>BIR should facilitate seminars and training concerning tax awareness and knowledge of eFPS.</td>
<td>SME Owners/Taxpayers, Telephone Companies, Computer Suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SME Owners/Taxpayers, BIR</td>
</tr>
</tbody>
</table>
CONCLUSIONS and RECOMMENDATIONS

Majority of the SME owners in Batangas City are affiliated in business for 3 to 5 years, engage in business with an available and good literacy in computer and Internet connection. The over-all assessment about the Level of Awareness of Batangas City SME owners concerning online BIR Filing and Tax payment was generally aware. All of the difficulties identified were often experienced by SME owners. The Level of Awareness of SME owners differ as to their age and as to whether they are computer and internet literate or not. The proposed plans of action were designed to enhance the level of awareness of SME owners in Batangas City.

The BIR may perform extensive advertisement in national newspapers; this can be extended to local newspapers, radio stations and local channels thru local languages. The BIR may facilitate seminars and trainings concerning tax awareness and knowledge regarding eFPS. Formulation of information-related laws, strengthening the security and trustworthiness of electronic filing services without a reduction in convenience, and enhancement of people’s concept regarding information security and privacy should be constructed. There should have improving aspects of the eFPS that would enhance taxpayers’ perceived ease of use, usefulness and reduce the riskiness of the system to increase adoption of the e-Service. For future researchers, the need for further study may be needed since the scope of the research done is only limited to the SMEs located in Batangas City.

REFERENCES


Republic of the Philippines, Bureau of Internal Revenue. www.bir.gov.ph

