Value-Added Tax System: the Relationships between Tax Informational Approaches and Other Factors on the Knowledge and Attitudes of Vat-Registered Individual Taxpayers in Davao City

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Abstract: *This is a descriptive-correlational method of study aimed at finding the relationships between the VAT informational approaches and other factors on the knowledge and attitudes of VAT-registered individual taxpayers in Davao City, Philippines toward the VAT system. This study attempted to answer the following questions: 1.What are the different tax informational approaches as source of knowledge of VAT-registered individual tax payers toward the VAT system? 2. What is the level of basic technical knowledge and course of attitudes of VAT-registered individual taxpayers toward the VAT system? 3. Is there a significant relationship between the knowledge and attitudes of the taxpayers toward the tax system and the following approaches: (a)public communication; (b) mass media communication; (c) two-person communication; and , (d) small group communication?4. Is there a significant relationship between the knowledge and attitudes of the taxpayers toward the tax system and the following politico-administrative factors: (a) other tax services; (b) tax enforcement activities; and, (c) disposition of government funds? 5. Are the relationships between knowledge and attitudes of taxpayers and the informational approaches and politico-administrative factors influenced by the following factors: (a)age; (b) education; (c) religion; (d) membership in social organizations; (e) type of business; and , (f) reliance on other persons?6. Which of these informational approaches and other factors contribute to the basic technical knowledge and course of attitudes of taxpayers toward the VAT system, singly or collectively?The statistical tools used in the research were the percentage, the average weighted mean, the multiple correlation and the stepwise regression. Interpretations were based on the two-tailed test (0.05 level of confidence) and Garret's description of the computed r-values (Appendix 1). Samples of the study were 260 VAT-registered individual taxpayers in Davao City, selected by simple random sampling technique, and the computer software used in this study was the Microstat. The analyses and interpretation of the data gathered in this study yielded the following findings: 1. All of the respondents obtained their knowledge on the VAT system from the following informational approaches: public, mass media, two-person and small group communications. 2. The respondents' level of basic knowledge on the VAT system was interpreted as high (average weighted mean = 3.89). However, the taxpayers' acceptance of the benefits or advantages of taxation, as well as the losses or disadvantages from it drove their attitude to the point of neutrality (average weighted mean = 3.14). 3. The three informational approaches – public, mass media and two-person communications disclosed significant relationships with both knowledge and attitudes of taxpayers. These findings affirmed the importance of tax seminars, print broadcast media, as well as tax information disseminated by either the accountants/bookkeepers or revenue personnel in the formation of both knowledge and attitudes of taxpayers toward the VAT system.4.Politico-administrative factors like other tax services, tax enforcement activities of the BIR and the disposition of government funds have significant relationships with the taxpayers' knowledge and attitudes. Among these factors, the disposition of government funds strengthened the taxpayers' knowledge and attitudes. 5. Taxpayers' personal factors such as educational attainment and memberships in social organizations contributed to the enhancement of their knowledge on the VAT. On the other hand, age was negative contributors to attitude, meaning the older these taxpayers were, the more critical they were with the tax system. Conversely, memberships in social organizations and reliance on other persons in transacting business with the BIR, positively affected their attitudes toward the VAT system.6.Considering the informational approaches, politico-administrative and personal factors, the factors that best contributed to taxpayer's knowledge on the VAT were: public communication, education, membership in social organizations, mass media communication, other tax services and two-person communication. Furthermore, the factors that strongly affected their attitudes toward the VAT system were: disposition of government funds, tax enforcement activities, age, public communication, membership in social organizations and reliance on other persons.*

Keywords: Value-Added Tax System, Tax Informational Approaches, Vat-Registered Individual Taxpayers

1. Introduction

1.1 Background of the Study

Man has typically regarded taxes as necessary evils, ones that he must accept in order that desired governmental services can be provided (Due and Friedlaender, 1977). Compounding this problem is the complexity of tax laws which, according to Song and Yardborough (1978; 442) "leaves even the better educated taxpayer confused and bewildered". Tax compliance in a self-assessment tax system, like in the United States and elsewhere is determined by a variety of factors, like the legal environment, opportunity and other situational factors, tax compliance behavior and taxpayer attitude (Song and Yardborough, 1978; Bird and de Jantscher, 1992).

Former President Fidel V. Ramos (The Philippine Revenue Journal, 1994) in his speech noted that part of the success in exceeding the tax collection goal for the first semester of

1994 was attributed to an intensified tax information campaign by enhancing people's awareness of their tax responsibilities. However, in a national survey (The Philippine Revenue Journal, 1994) conducted by the Social Weather Station (SWS) in April 1994, compared to that of the preceding 12-month period, on thirty-four percent (34%) of the respondents perceived some improvements in the Bureau of Internal Revenue's (BIR) tax information drive.

The Expanded Value-Added Tax (EVAT) law under Republic Act (R.A.) No. 7716 just like the Value-Added Tax (VAT) law under Executive Order (E.O.) No. 273 had not received popular support from some sectors of the taxpaying public, particularly in the early stages of the law's enactment. Despite the BIR's attempt to redefine its direction in line with the mission and objectives of the Tax Administration Strategic Plan (TASP, 1993), a 1994 survey (The Philippine Revenue Journal, 1994: 37) by the SWS showed that there had been a decrease in the margin of satisfaction on the "awareness and performance rating of the BIR" from the urban respondents of Mindanao, from +19 in November 1990 to +12 in April 1994.

Therefore, successful tax administration is not only affected by reforms in the tax system. Bird and de Jantscher (1992: 4) noted that tax compliance levels in developing countries reflect, not only the effectiveness of their tax administrations but also taxpayer attitudes toward taxation and toward government.

The objectives of this study were to find out:

1. The different tax informational approaches as sources of knowledge of VAT-registered individual taxpayers of the VAT system.
2. The level basic knowledge and course of attitudes of VAT-registered individual taxpayers toward the VAT system.
3. The significance of the relationship between knowledge and attitudes of VAT-registered individual taxpayers toward the VAT system and the different informational approaches and politico-administrative factors.
4. The significance of the influence of personal factors on the relationships between knowledge and attitudes of taxpayers, and the informational approaches and politico-administrative factors; and
5. The factors or combination of factors that contribute the taxpayer's basic technical knowledge and the course of attitudes toward the VAT system, singly or collectively.

1.2 Null Hypotheses (at 0.05 confidence level)

H_{01}: There is no significant relationship between the basic technical knowledge and course of attitudes of taxpayers toward the VAT system and the following informational approaches: (a) Public Administration; (b) Mass Media Communication; (c) Two-Person Communication; and (d) Small-Group Communication.

H_{02}: There is no significant relationship between the knowledge and attitudes of the taxpayers toward the tax system and the following politico-administrative factors: (a) Other Tax Services; (b) Tax Enforcement Activities; and, (c) Disposition of Government Funds.

H_{03}: The relationship between the knowledge and attitudes of the taxpayers and the informational approaches and politico-administrative factors are not influenced by the following taxpayers' personal factors: (a) Age; (b) Education; (c) Religion; (d) Membership in Social Organizations; (e) Type of Business; and, (f) Reliance on Other Persons.

1.3 Theory Base

This study is supported by two related variations of the Incentive Theory: the Cognitive Response Theory and the Expectancy-Value Theory (Sears, et. al., 1985). According to Sears, et. al. (1985), the Cognitive Response Theory of A.G. Greenwald, who assumes that people respond to communication or information with some positive or negative thoughts. These thoughts in turn determine whether or not people change their attitudes as a result of the information they have. Likewise, the Expectancy-Value Theory of W. Edwards holds the view that people adopt positions that would readily lead to the most probable good effects and reject those that are likely to lead to bad effects, or unlikely to lead to good effects (Sears, et. al., 1985).

1.4 The Conceptual Framework of the Study
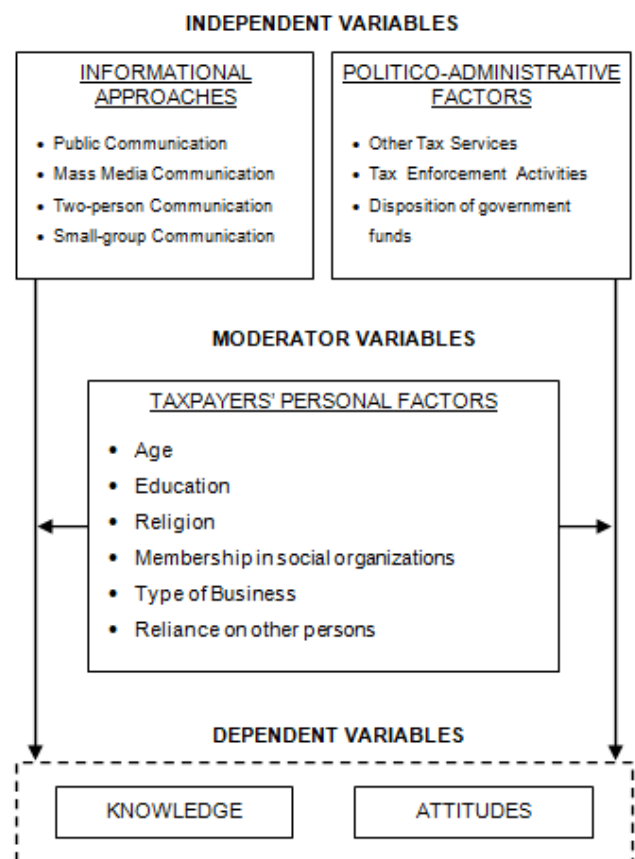
Figure 1: The conceptual framework of the study

1.5 Significance of the Study

The study shall highlight the relationships between the different informational approaches, politico-administrative and taxpayers' personal factors with the knowledge and attitudes of VAT-registered sole proprietors toward VAT system.Hence, policymakers and tax administrators shall be able to formulate and improve existing policies and strategies

operating the tax system in order to enhance tax voluntary compliance. Moreover, this study shall aid VAT-registered sole proprietors in understanding the importance of the VAT and their social responsibility to the society as essential partner of government in sustaining financial growth through a higher level of tax compliance. In this case, economic development shall be achieved and the public benefitted.

1.6 Scope and Limitation of the Study

To determine the relationships between the different variables with the knowledge and attitudes of VAT-registered taxpayers in Davao City, the researcher delimits his study on the basic concepts and operation of the VAT system first implemented under E.O. 273 through the different variables earlier cited. The respondents include only those sole proprietors who have been pre-existing at least one year prior to the VAT effectivity in 1988, whose lines of businesses were previously subjected to the fixed and percentage taxes replaced by the VAT and, since then, have been covered under the said tax system and have been registered as VAT individual taxpayer since 1988. Moreover, the respondents shall only include those whose business transactions are taxable under the ten percent VAT and were registered in the BIR of Davao City. The data gathering covers from November to December 1995, within Davao city.

1.7 Definition of Terms Used

Value-Added Tax System (VAT). This refer to the tax system made effective January 1, 1988 and first implemented under E.O. 273. This system of taxation involved the taxing of the value that is added on the cost of the good or service.

Tax Informational Approaches. These compose of VAT information communicated through the public, mass media, two-person and small-group communications between the senders of the messages and the VAT-registered respondents, rated according to their effect on the knowledge and attitudes of the latter.

Vat-Registered Individual Taxpayers. They pertain to the sole proprietors whose trade or business transactions are registered as subject to the VAT system.

Davao City. A city in southern Mindanao, Philippines, internationally known as the largest city in terms of land area. It is divided into 8 political districts, namely: Baguio, Paquibato, Calinan, Tugbok, Bunawan, Buhangin, Toril and Talomo (BIR Accomplishment Report, 1994).

Level of Basic Technical Knowledge. This refers to the score obtained by a VAT-registered respondent in a test on related VAT basic concepts and operation where 13-15 score means very high level; 10-12 means high level; 7-9 means moderate level; 4-6 means low level and 0-3 means very low level of knowledge.

Course of Attitudes. This involves the opinion and feeling of a VAT-registered respondent towards the VAT system, whether he strongly agrees, agrees, disagrees, strongly disagrees or is undecided as measured in a five-point Likert Scale (Salkind, 1991).

2. Methodology

2.1 Research Method

The methodemployed in this study was the descriptive correlational method. Salkind (1991: 11) claimed that descriptive research includes describing the characteristics of an existing phenomenon.

2.2 Selection of Respondents

In this study, the population of interest were 695 VAT-registered individual taxpayers drawn from the list of Davao City VAT-registrants as of December 31, 1987 and December 31, 1994, respectively. The sample size taken from the final list were 260 respondents. The reseacher selected the respondents using simple random sampling technique composed of 260 sole proprietors whose taxable business transactions have been pre-existing at least one year prior to January 1, 1988 and were registered in the BIR of Davao City as of December 31, 1987 as covered by ten percent VAT rate.Two hundred forty-six (246) respondents or 94.61 percent of the total sample size took part of this study. Fourteen did not bother to return the rest of the research instrument despite repeated personal requests of the researcher.

2.3 Procedure of the Study

The steps which were observed in conducting this studyinvolved the following:

1. Permission and approval of the experimentation from the proper authorities.
2. Provide instruments (questionnaires) to the participants.
3. Collect the instruments.
4. Analyze the data for statistical treatment.

2.4 Data Tool

The questionnaire method was adopted in view of a relatively large sample size. Moreover, convenience in the part of the respondents was the central concern in the choice of the research instrument. A set of self-constructed questionnaire was used in the gathering of data. The data tool is composed of eighty-eight (88) items broken into four categories: Part I deals on the background information of the respondents. Part II contains the politico-administrative factors and attitudes. Part III consists of a 15-item test involving the VAT system and Part IV covers items relating to the informational approaches.

A test score was used in measuring the level of basic technical knowledge of the respondents and a corresponding weight, rating and interpretation was assigned to the score intervals. Table 1 shows the corresponding weight, rating and interpretation of knowledge to test score intervals.

Table 1: Corresponding Weight, Rating and Interpretation of Knowledge to Test Score Intervals

Test Score	Weight	Rating	Interpretation Knowledge
13–15	5	4.51 –5.00	Very High
10 –12	4	3.51 –4.50	High
7–9	3	2.51 –3.50	Moderate
4–6	2	1.51 –2.50	Low
0–3	1	1.00–1.50	Very Low

The attitudes of the respondents toward the VAT system were measured by employing the five-point Likert scale with corresponding weights (Salkind, 1991: 128) and an equivalent rating for each response in the five-point scale was used. Table 2 and Table 3 shows the weights of the attittudes of the respondents toward the VAT system (using five-point Likert scale), and the equivalent rating for each response and interpretation of attitude respectively.

Table 2: Attitudes of Respondents toward the VAT system

Response	Weight Positive Statment	Negative Statement
Strongly Agree (SA)	5	1
Agree (A)	4	2
Undecided (U)	3	3
Disagree (D)	2	4
Strongly Disagree (SD)	1	5

Table 3: Equivalent Rating for each Response in a 5-Point Scale and Interpretation of Attitude

Response	Rating	Interpretation Attitude
Strongly Agree (SA)	4.51 –5.00	Highly Favorable
Agree (A)	3.51 –4.50	Favorable
Undecided (U)	2.51 –3.50	Neutral
Disagree (D)	1.51 –2.50	Unfavorable
Strongly Disagree (SD)	1.00–1.50	Highly Unfavorable

2.5 Validation of Instrument

Consultations were made with the researcher's mentor, research consultants and tax experts to ensure the validity of the research instrument. Before the final questionnaire was administered, it was pretested with a group of subjects who were among the excluded members of the population to statistically evaluate its reliability. The split-half tecnique (Sevilla, et. al., 1988: 191) was used and subsequently correlated using the Pearson Product-Moment Correlation. The result was the reliability coefficient of the half test where the computed r-value was 0.9568. Consequently, this was used in applying the Spearman-Brown Prophecy Formula:

$$\text{Reliability of test} = \frac{(2) \times (r \text{ of } \frac{1}{2} \text{ test})}{1 + r \text{ of } \frac{1}{2} \text{ test}}$$

$$= \frac{(2)(0.9568)}{1 + 0.9568}$$

$$= 0.9779$$

The computed value of 0.9779 is considered highly reliable. Furthermore, before the final questionnaire was administered, questions found to be vague or ambiguous were modified or improved.

3. Results and Discussion

Table 4: Informational Approaches as Sources of Knowledge About the VAT System of VAT-Registered Individual Taxpayers

Informational Approaches Availed of by VAT Taxpayers	Frequency (f)	Percentage (%)
Public Communication	246	100.00
Mass Media Communication	246	100.00
Two-person Communication	246	100.00
Small-group Communication	246	100.00

Table 4 shows that all the 246 VAT registered individual taxpayers obtained their knowledge about the VAT from four informational approaches: a) public communication, b) mass media communication, c) two-person communication and d) small-group cummunication.

This implies that all the VAT-registered taxpayers availed themselves of all informational approaches obtainable in Davao City and that they all desired to have knowledge about the tax they are required to pay by legislation.

Table 5: Average Weighted Mean and Descriptive Rating Obtained by VAT-registered Taxpayers in the VAT Knowledge Test

Test Score	Weight	f	Total Weighted f	Average Weighted Mean	Interpretation
13 –15	5	34	170		
10 –12	4	152	608		
7–9	3	59	177		
4–6	2	1	2		
0–3	1	0	0		
		246	957	3.89	High

Table 5 shows the data on the level of basic technical knowledge about the VAT system. It is shown in the table that 152 respondents obtained a numerical rating between 10 and 12 which is in the second highest scale of the 5-point scale used in this study. The obtained average weighted mean was 3.89 or a numerical rating between 10 and 12. This rating is interpreted as high.

This finding implies that the level of basic knowledge about the VAT system is high. This can be attributed to the fact that Davao City is a highly urbanized community where majorities (153 out of 246) of the respondents are at least college graduates.

Table 6: Descriptive Data on the Attitudes of VAT-registered Individual Taxpayers Toward the VAT System Before the VAT

Response	Weight	*f*	Total Weighted *f*	Average Weighted Mean	Interpretation
Strongly Agree	5	0	0		
Agree	4	16	64		
Undecided	3	170	510		
Disagree	2	60	2		
Strongly Disagree	1	0	0		
		246	694	**2.82**	**Neutral**

Table 6 presents the descriptive data on the attitudes of VAT-registered individual taxpayers towards the country's tax system before the VAT was introduced in the country. As shown in the table, the obtained average weighted mean of the 246 taxpayers was 2.82 or neutral with 170 respondents giving responses within 2.51and 3.50 range or undecided. This indicates that the respondents had a neutral attitude toward the old business tax system before the introduction of the VAT.

Taxpayers' ambivalence toward the tax system may have been caused by the idea that most tax payments in the city are spent for projects that mostly benefitted other regions like Metro Manila or elsewhere and to the fact that many people felt that their tax money went to the graft and corruption ridden bureaucracy. Or, it may have been due to the lack of information on the tax system, expecially on where their tax payments went.

Table 7: Descriptive Data on the Attitudes of VAT-registered Individual Taxpayers Toward the VAT System

Response	Weight	*f*	Total Weighted *f*	Average Weighted Mean	Interpretation
Strongly Agree	5	1	5		
Agree	4	81	324		
Undecided	3	118	354		
Disagree	2	44	88		
Strongly Disagree	1	2	2		
		246	773	**3.14**	**Neutral**

Table 7 shows the descriptive data on the attitudes of VAT-registered individual taxpayers toward the VAT system. The obtained average weighted mean indicating the present attitudes of the taxpayers toward the VAT system was 3.14 or neutral. This consistent neutrality, as evidenced by the results of the two tabulations, leads to the conscious unresponsiveness of the typical citizen to any tax system.

Aside from the cause's previously being mentioned, this neutrality maybe due to the citizens' imposed acceptance of the tax system by the law given the diminution of his income and his very own recognition of the benefits of taxation on the economy. The tug-of-war of this legal imposition and the psychological recognition within taxpayers' consciousness has somehow pushed the citizens' attitude to the point of neutrality.

Table 8: Correlation Matrix on the Significance of the Relationships Between Knowledge and Informational Approaches

Computed r (Pearson correlation coefficient)	Informational Approaches		
	Public Communi-cation	Mass Media	2-Person Communication
Knowledge	0.54981*	0.49587*	0.45830*
Critical Value (2-tailed)= ±0.12510			

*significant at 0.05 level

It is gleaned in Table 8 that the computed Pearson *r*-values between knowledge and: public, mass media and 2-person communications exceed the critical value of ±0.12510 for a two-tailed test and were statistically significant. Thus, the hypothesis stated for these 3 informational approaches was accepted.

Table 9: Correlation Matrix on the Significance of the Relationships Between Knowledge and Politico-Administrative Factors

Computed r (Pearson correlation coefficient)	Politico-Administrative Approaches		
	Other Tax Services	Tax Enforcement Activities	Dispositon of Gov't Funds
Knowledge	0.45293*	0.38215*	0.46751*
Critical Value (2-tailed) = ± 0.12510			

*significant at 0.05 level

Table 9 shows the significant relationships between knowledge and politico-administrative factors. The computed Pearson *r*-values between knowledge and: other tax services, tax enforcement activities and disposition of government funds exceed the critical value of ±0.12510 for a two-tailed test and were statistically significant. For knowledge and tax enforcement activities, the computed Pearson *r*-value reveals a value of 0.38215, denoting a slight positive relationship.

Table 10: Correlation Matrix on the Significance of the Relationships Between Attitudes and Informational Approaches

Computed r (Pearson correlation coefficient)	Informational Approaches		
	Public Communi-cation	Mass Media	2-Person Communication
Attitudes	0.32848*	0.40117*	0.29573*
Critical Value (2-tailed) = ± 0.12510			

*significant at 0.05 level

The significant relationships between attitudes and informational approaches are shown in Table 10. The computed Pearson *r*-values between attitudes and the three informational approaches: public, mass media and 2-person communications exceed the critical value of ±0.12510 for a two-tailed test and were statistically significant. The computed Pearson *r*-value between attitudes and public communication is 0.32848 which means a slight positive relationship.

Table 11: Correlation Matrix on the Significance on the Relationships Between Attitudes and Politico-Administrative Factors

Computed r (Pearson correlation coefficient)	Politico-Administrative Approaches		
	Other Tax Services	Tax Enforcement Activities	Dispositon of Gov't Funds
Attitudes	0.66278*	0.71845*	0.74050*
Critical Value (2-tailed) = ± 0.12510			

*significant at 0.05 level

Table 11 shows that the computed Pearson *r*-values between attitudes and: other tax services, tax enforcement activities and disposition of government funds exceed the critical value of ±0.12510 for a two-tailed test and were statistically significant.

Table 12: Multiple Correlation Coefficient R for Influence of Personal Factors on the Relationship between Knowledge and the Informational Approaches and Politico-Administrative Factors

Personal Factors of Taxpayers	Multiple R	R^2	adjusted R^2
Education	0.6625	0.4389	0.4319
Membership in Social Organizations	0.6776	0.4592	0.4502

Table 12 shows that two personal factors affected the relationship between knowledge and the informational approaches and politico-administrative factors. These were education and membership in social organizations. Therefore, the hypothesis that the relationships between knowledge, on the one hand and the informational approaches and the politico-admininistrative factors, on the other hand, is influenced by both education and membership, was accepted.

Table 13: Multiple Correlation Coefficient R for Influence of Personal Factors on the Relationship between Atttitudes and the Informational Approaches and Politico-Administrative Factors

Personal Factors of Taxpayers	Multiple R	R^2	adjusted R^2
Age	0.8201	0.6726	0.6686
Membership in Social Organizations	0.8306	0.6899	0.6834
Reliance on other persons	0.8330	0.6939	0.6863

From Table 13, only three of the six personal factors had registered values. These were age, membership in social organizations and reliance on other persons. Hence, the older these taxpayers were, the more they were critical with the VAT system. Likewise, group membership established harmonious relationships between VAT taxpayers and the tax administrators through several contacts between these parties. Lastly, reliance of taxpayers with their respective accountants/bookkeepers or some other trusted persons who have had regular contacts with BIR officials created mutual feelings among one another.

3.1 Contribution of Informational Approaches, Politico-Administrative and Personal Factors on Taxpayers' Knowledge

A stepwise multiple regression analysis using MICROSTAT showed that the most prevalent factors that singly or collectively contributed to the basic technical knowledge about the VAT system were: public communication (APublic), education (Educ), memberships in social organizations (Mbership), mass media communication (AMMedia), other tax services (service) and two-person communication (A2person). The regeression equation

$$Y = \begin{cases} 2.7268 + 0.5228(Apublic) + 0.4814(Educ) \\ + 0.4981(Mbership) + 0.4559(AMMedia) \\ + 0.5653(service) + 0.3815(A2person) \end{cases} \quad (1)$$

generated the highest registered values (adjusted R^2-value =0.4895, R^2-value = 0.5020 and multiple R-value = 0.7085). The overall contributions of all variables on taxpayers' knowledge about the VAT system, disclosed that about 50.20 % of the variations of their knowledge were attributed to the values in (1).

3.2 Contribution of Informational Approaches, Politico-Administrative and Personal Factors on Taxpayers' Attitudes

The most prevalent factors that singly or collectively contributed to the attitudes toward the VAT system analyzed by MICROSTAT were: disposition of government funds (Dispostn), tax enforcement activities (Enforce), age (Age), public communication (BPublic), membership in social organizations (Mbership) and reliance on other persons (Reliance). The regression equation

$$Y = \begin{cases} 0.2649 + 0.4889(Dispostn) + 0.3907(Enforce) \\ - 0.0094(Age) + 0.0840(BPublic) \\ + 0.1050(Mbership) + 0.2669(Reliance) \end{cases} \quad (2)$$

contained the highest adjusted R^2 value equivalent to 0.6863 (R^2 = 0.6939, multiple R = 0.8330) with the variable age having a negative regression coefficient. Analysis disclosed that all of the variables indeed in(2) contributed 69.39% of the variation in taxpayers' attitudes.

4. Conclusions

On the bases of the aforementioned findings, the following conclusions were drawn:

1. The different tax informational approaches as sources of knowledge about the VAT system were public communication, mass media communication, two-person communication small group communication.
2. The level of basic technical knowledge of the VAT taxpayers about the VAT system was high. Despite the complexity of tax laws, this signified that the VAT-registered individual taxpayers of Davao City were knowledgeable about the VAT system. Expectedly, their attitudes toward the VAT system were neutral.

3. There was a significant relationship between the knowledge and attitudes, on the one hand and the public communication, mass media communication, and two-person communication, on the other hand. A deeper look revealed that, while public communication was best in enhancing taxpayers' knowledge, mass media communication worked best in affecting attitudes.

4. There was a significant relationshp between the knowledge and attitutdes of the taxpayers toward the VAT system and the BIR's kind of tax services and tax enforcement activities, and the disposition of government funds. Evidently, the way government spends tax money greatly affected taxpayers' attitudes toward the tax system. Likewise, tax audits and other similar inspections conducted by the BIR strongly affect taxpayers' attitudes.

5. The higher were their level of education, the more they knew of the basic principles of the tax system. Similarly, the more were their membership in social organizations, the more they were exposed to tax seminars, thus, increasing their knowledge on the VAT. In another light, the older these taxpayers were, the more they were critical with the VAT. Membership in the different organizations, as well as reliance on tax advisers encouraged social support with the VAT system, through good rapport between the taxpayers and tax administrators.

6. The most prevalent factors that singly or collectively affect the basic technical knowledge about the VAT system were public communication, education, membership in social organizations, mass media, other tax services and two-person communication. The factors that affect the attitudes of taxpayers toward the VAT system were the disposition of government funds, tax enforcement activities, age, public communication, membership in social organizations and reliance on other persons.

5. Recommendations

On the bases of the foregoing findings and conclusions, the following recommendation are offered:

For the policymakers:

1. The disposition of government funds is an important factor in enhancing taxpayers' attitudes toward the VAT system. Hence, legislators should increase the existing allocation of VAT collections to the different cities or municipalities were such are collected.

2. The subject of taxation should be given utmost importance and a wider area of coverage starting from the primary level of education up to the tertiary level througout the country.

For the BIR:

1. The BIR-Davao City must exert more effort to reform the way it enforces the VAT law in such a manner as to elicit the highest level of confidence of the VAT taxpayers and their representatives, with the tax system.

2. To attain a higher level of awareness and support with the VAT system, the same agency should enhance its image from a mere tax enforcement agency into an authentic service-oriented center by consistently assisting on the needs of VAT taxpayers or their representatives.

3. Tax information dissemination should be strengthened in the use of tax seminars, the mass media and tax service counters for the benefit of these taxpayers. Tax enforcement officers or their superiors should strategically visit schools in all levels and conduct tax seminars and classroom lectures to be handled only by competent and credible BIR personnel.

For the Educators:

1. School teachers or instructors must give importance to taxation, both as a subject and as an inherent power of the State in which each and every citizen must give due regard. Thus, the concerned persons should likewise, help the government by stressing the benefits or advantages of taxes, in general and the VAT, in particular.

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Appendix 1

Garret's Table of Description of Computed r-values

Strength of Association	Computed r-value	
	Positive	*Negative*
Negligible relationship	0 to 0.2	0 to –0.2
Slight relationship	0.21 to 0.40	–0.21 to –0.40
Moderate relationship	0.41 to 0.70	–0.41 to –0.70
High relationship	0.71 to 0.90	–0.71 to –0.90
Very high relationship	0.91 to 1.00	–0.91 to –1.00

Author Profile

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