Explaining Tax Compliance Behavior Among Start-Up Owners in General Santos City, Philippines: The Role of Tax Knowledge

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Abstract—This study examines the relationship between tax knowledge and tax compliance behavior among start-up business owners in General Santos City, Philippines. Anchored on the Slippery-Slope Framework, the study adopts a quantitative, descriptive–correlational research design to determine whether taxpayers' level of tax knowledge significantly influences their compliance behavior. Data were collected from 540 start-up business owners classified as "New Businesses" by the city's Business Permits and Licensing Office using a validated and modified survey questionnaire. Descriptive statistics and Spearman's rank correlation were used for data analysis. Findings reveal that respondents possess a moderate level of tax knowledge and a very high level of tax compliance behavior. Results further indicate a positive, though statistically insignificant, relationship between tax knowledge and tax compliance behavior, suggesting that while tax knowledge contributes to compliance, it is not the sole determinant of compliance behavior. The study underscores the importance of strengthening tax education initiatives tailored to start-up enterprises to enhance voluntary and sustainable tax compliance.

Index Terms—Tax knowledge, Tax compliance behavior, Start-up businesses, Slippery-Slope Framework, Philippines.

1. Introduction

Tax compliance remains a critical concern for governments, particularly in developing economies where public revenues are heavily dependent on effective tax collection. Taxes serve as the primary mechanism through which governments finance public goods and services, sustain economic stability, and promote social welfare. However, non-compliance, whether intentional or unintentional, undermines fiscal capacity and weakens public trust in institutions.

In the Philippine context, the self-assessment tax system places substantial responsibility on taxpayers to correctly compute, file, and remit their tax obligations. According to Angeles (2021), the filing experience, goodwill, and perception of government or tax system of a small business owner matters a lot in compliance practices. This system increases the likelihood of errors, especially among start-up business owners who often lack sufficient experience and tax expertise. Start-ups are uniquely vulnerable due to limited resources, evolving business structures, and unfamiliarity with regulatory requirements, making tax knowledge a particularly important factor in shaping compliance behavior. Bello and Kasztelnik (2022) argued "that tax knowledge is linked to tax compliance as well as ethical tax behaviors among manufacturing start-ups in Lagos State, Nigeria.

Tax knowledge refers to an individual's understanding of tax laws, regulations, procedures, and obligations. Prior studies suggest that inadequate tax knowledge contributes to filing errors, delayed payments, and unintentional non-compliance, while sufficient knowledge promotes confidence, accuracy, and voluntary compliance. According to Kirchler et al., the more knowledgeable a taxpayer is, the more likely they are to comply with tax obligations. In contrast, low tax knowledge relates to low tax compliance Tax knowledge, and the difficulty of tax accumulation are believed to contribute to the non-compliance behavior of taxpayers (Damajanti & Karim, 2017). As for Granfon et al. (2023) who studied the MSMEs in Dipolog City, Philippines, they stated that tax knowledge is important for all enterprises, specifically more important for the start-ups. It helps them in meeting their obligations and promotes sustainability. Within the Slippery-Slope Framework, knowledge functions as a cognitive foundation that enables taxpayers to comply voluntarily, complementing enforcement mechanisms.

Despite the growing importance of start-up enterprises in local economic development, empirical studies focusing specifically on the role of tax knowledge in shaping tax compliance behavior among start-up owners remain limited, particularly at the city level in the Philippines. Addressing this gap, the present study investigates the level of tax knowledge among start-up business owners in General Santos City and examines its relationship with their tax compliance behavior.

2. Methodology

A. Research Design

The study employed a quantitative, descriptive–correlational research design to examine the relationship between tax

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knowledge and tax compliance behavior among start-up business owners. This design is appropriate for identifying the degree and direction of association between variables without manipulating the research environment. By combining descriptive and correlational approaches, the study was able to describe the prevailing levels of tax knowledge and compliance behavior while simultaneously determining whether variations in tax knowledge are associated with changes in compliance behavior. This approach ensures objectivity, replicability, and statistical rigor in analyzing behavioral patterns among start-up enterprises.

B. Research Locale and Respondents

The research was conducted in General Santos City, Philippines, an emerging urban and economic center in Southern Mindanao. The city was selected due to its growing number of start-up enterprises and its strategic importance to local economic development. Respondents consisted of start-up business owners officially classified as "New Business" by the City's Business Permits and Licensing Office. A complete enumeration or census method was employed, resulting in 540 respondents. This approach ensured full population coverage, minimized sampling bias, and allowed the findings to reflect the actual conditions of start-up business owners in the locality.

C. Research Instrument

Data were gathered using an adapted and modified structured questionnaire derived from previously validated studies on tax knowledge and tax compliance behavior. The instrument was subjected to expert validation to ensure content relevance, clarity, and construct alignment with the objectives of the study. The questionnaire consisted of two major sections: the first measured tax knowledge using a four-point Likert scale assessing awareness of tax laws, rates, filing deadlines, penalties, and computation procedures; the second measured tax compliance behavior using a five-point frequency scale covering timely filing, accurate reporting, and proper tax payment. Minor modifications were made to contextualize the instrument to Philippine tax regulations and the start-up business environment.

D. Data Gathering Procedure

Explain how the research data was collected, the duration, medium (face-to-face, online, hybrid). Prior to data collection, formal permission was secured from the Office of the City Mayor and the Business Permits and Licensing Office of General Santos City. Data collection was conducted through both face-to-face distribution and online administration using Google Forms to accommodate the limited availability of business owners. To ensure response authenticity, only business owners were allowed to answer the questionnaire. The researcher provided clarifications when necessary to avoid misinterpretation of items. A total of 540 valid and complete responses were collected, encoded, and prepared for statistical analysis.

E. Data Analysis Procedure

The collected data were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics, including means and standard deviations, were used to determine the levels of tax knowledge and tax compliance behavior among respondents. Normality tests indicated that the data were not normally distributed; therefore, Spearman rank correlation analysis was employed to examine the relationship between tax knowledge and tax compliance behavior. This nonparametric method is appropriate for ordinal data and does not require normal distribution assumptions. The results were interpreted using established statistical thresholds to determine the strength, direction, and significance of the relationship between the variables. This helps determine how much the independent variable contributes to explaining variations in tax compliance. (Yu et al., 2023) (Blanchflower & Oswald, 2004) (Athey et al., 2021)

3. Results and Discussion

A. Tax Knowledge

Descriptive analysis revealed in Table 1 indicates that start-up business owners in General Santos City exhibit a moderate level of tax knowledge. The start-up business owners in General Santos City have moderate level of factors that everyone who earns income sourced in this country is taxable, regardless of whether that person is resident or not (M=3.12) and that the income tax system is the legitimate way of the government to collect revenue to manage an economy (M=3.08). They also have moderate level of factors in knowing the tax rates that apply to their business income (M=3.01) and similar to the criminal offenses, they believe that individuals can also be prosecuted for not complying with their Income Tax Laws (M=3.01). However, they have low level of factor that they think the deadline for filing tax returns is only a guideline, and there are no penalties if they miss it (M=2.46).

The computed overall mean (2.90) which is described as moderate, indicates that start-up business owners demonstrated a moderate level of tax knowledge, influencing their tax compliance behavior. This suggests that while these business owners are aware as to the importance of complying with tax obligations, having a limited tax knowledge is still a barrier in attaining voluntary compliance.

The result is supported by Nagato (2024) who emphasized that start-ups in Japan are struggling in terms of working through complex tax systems due to limited experience and lacking of deep understanding of their tax system. He pointed out that lack of tax knowledge can result to non-compliance, which may cause start-ups to miss opportunities for growth and innovation due to unnecessary burdens brought by not complying.

Similarly, Bello and Kasztelnik (2022) studied small manufacturing enterprises and observed a strong linkage between tax knowledge, compliance, and ethical tax practices. They highlighted that the moderate level of tax knowledge limited tax awareness is affecting negatively the responsible tax behavior of small and manufacturing enterprises which causing them to commit errors in terms of their tax compliance.

Moreover, Granfon et al. (2023) examined MSMEs in

Dipolog City and emphasized that many small and emerging enterprises are lacking of technical knowledge and resources which is necessary for complying their tax liabilities effectively. The respondents having moderate level of tax knowledge reflects a similar reality in the Philippines that start-up owners can recognize the importance of taxation and its compliance but they lack sufficient confidence or deep knowledge in applying tax regulations.

B. Tax Compliance

In contrast, the level of tax compliance behavior, as shown in Table 2, among respondents was found to be very high. The above mean ratings which are high on all indicators, but particularly on paying taxes through formal channel (M = 4.53), paying the full amount due (M = 4.49) and ensuring that payments are correctly recorded by the Bureau of Internal Revenue (WM = 4.49) imply that start-up owners are compliant and observant of proper procedure. This pattern might be described as voluntary compliance, where the taxpayers meet their requirements without enforcements (Kirchler, Hoelzl, & Wahl, 2008). Most start-up owners reported consistently filing tax returns on time, paying the correct amount of tax, and maintaining the necessary tax records.

The findings corroborate the work of Hassani, Benazzou (2020), Jensen (2015), Ogembo (2020), and Nieuwenhuizen (2019), which indicates that even though there are financial and administrative challenges that pose a big challenge to the tax compliance of the country, having proper systems and

accountability mechanisms will mitigate those challenges. Because of their high level of compliance, new business owners in the locality may have already been made aware and manage their tax obligations in a structured manner. This, of course, is consistent to their level of tax knowledge and tax morality.

C. Tax Knowledge and Tax Compliance Correlation

Correlation analysis revealed in Table 3 shows a positive, though statistically low significant, relationship between tax knowledge and tax compliance behavior ($r \approx 0.395$, $p < 0.001$). Using the Spearman's Rank Correlation analysis (r_s), Table 3 showed a correlation coefficient of r (540) = .395, with a p-value of .000, which is significantly less than the alpha level of 0.05. This means there is a positive low statistically significant relationship between the tax knowledge and tax compliance behavior of the respondents. In addition, the coefficient of determination ($r2$ = .156) is saying that approximately 15.6% of the variance in tax compliance behavior of the start-up owners can be explained by their level of tax knowledge, while 84.4% are due to other factors.

The result indicates that higher levels of tax knowledge are associated with better compliance behavior; however, the strength of the relationship suggests that tax knowledge alone explains only a limited portion of compliance behavior among start-up business owners. This finding is supported in the study of Cervantes et al. (2025). They stated that tax knowledge in certain areas like tax rights, responsibilities, and sanctions significantly influences compliance behavior among small

Table 1
Level of tax knowledge among start-up owners

Indicator	Weighted Mean	Description
The income tax system is the legitimate way of the government to collect revenue to manage an economy.	3.08	Moderate
As far as I am aware, non-compliant taxpayers can be imprisoned, if found guilty of evading tax.	2.96	Moderate
To my knowledge, individuals are subject to a single flat rate of income tax under the current tax system.	2.73	Moderate
As far as I am aware, everyone who earns income sourced in this country is taxable, regardless of whether that person is resident or not.	3.12	Moderate
I know the tax rates that apply to my business income.	3.01	Moderate
Similar to the criminal offenses, I believe that individuals can also be prosecuted for not complying with our Income Tax Laws.	3.01	Moderate
I know the types of taxes that apply to me (e.g., VAT – value-added tax, Income Tax, Percentage Tax, Withholding Tax).	2.96	Moderate
I think the deadline for filing tax returns is only a guideline, and there are no penalties if I miss it.	2.46	Low
I know the deadlines for filing and paying taxes.	3.00	Moderate
I know how to compute my taxable income and tax due.	2.68	Moderate
Mean	**2.90**	**Moderate**

Table 2
Level of tax compliance among start-up owners

Indicator	Weighted Mean	Description
I filed my income tax return on or before the deadline.	4.30	Very High
I paid the full amount of taxes due.	4.49	Very High
I reported all the income my business earned.	4.32	Very High
I claimed only the deductions or credits that were legally allowed.	4.31	Very High
I kept receipts and records that support my tax declarations.	4.41	Very High
I paid my taxes at the correct place or through the official payment channels.	4.53	Very High
I avoided delaying the filing of tax returns even if the deadline was still far.	4.25	Very High
I corrected mistakes in my tax filing when I found them.	4.41	Very High
I made sure that my tax payments were posted/recorded by the BIR.	4.49	Very High
I complied with other tax obligations (e.g., withholding or percentage tax) that applied to my business.	4.46	Very High
Mean	**4.39**	**Very High**

Table 3
Correlation between tax knowledge and tax compliance

Variables Correlated	r	r²	p-value	Extent of Relationship	Remark
Tax Knowledge and Tax Compliance Behavior among Start-Up Business Owners in General Santos City	.395	.156	.000	Low	Significant

business owners. They also added that start-up entrepreneurs were more likely to file returns accurately and on time as a result of having higher tax knowledge, even more when they received assistance from local government units and business development centers. In addition, Umali (2024) observed that microbusiness demonstrated better compliance when they possess higher tax literacy, especially when supported with targeted educational programs and simplified tax procedures.

The findings demonstrate that while start-up business owners possess only moderate tax knowledge, they still exhibit a very high level of tax compliance. This suggests that compliance behavior may be driven not only by knowledge but also by external factors such as enforcement mechanisms, fear of penalties, and administrative requirements. The positive relationship between tax knowledge and tax compliance aligns with prior studies indicating that informed taxpayers are better able to fulfill their obligations accurately and voluntarily. Adequate tax knowledge reduces uncertainty, minimizes filing errors, and enhances taxpayers' confidence in dealing with tax authorities. However, the low magnitude of the relationship implies that knowledge alone is insufficient to fully explain compliance behavior, particularly in contexts where compliance is heavily influenced by regulatory enforcement.

Within the Slippery-Slope Framework, the results suggest that start-up owners may rely more on enforced compliance rather than purely voluntary compliance. Moderate tax knowledge supports compliance to some extent, but without a more profound understanding, compliance may remain procedural rather than internalized. This condition poses risks to long-term compliance sustainability, especially if enforcement weakens or tax systems become more complex. The findings highlight the need for targeted tax education programs that go beyond basic awareness and focus on practical application, computation, and procedural clarity. Strengthening tax knowledge among start-ups can shift compliance behavior from enforcement-driven to genuinely voluntary, supporting a more sustainable tax culture.

4. Conclusion

This study examined the relationship between tax knowledge and tax compliance behavior among start-up business owners in General Santos City, with the aim of understanding whether knowledge of taxation translates into compliant behavior. The findings reveal that although respondents possess only a moderate level of tax knowledge, they exhibit very high levels of tax compliance. This suggests that start-up business owners generally comply with tax regulations despite limited technical understanding of tax laws and procedures, possibly due to regulatory enforcement, administrative requirements, or fear of penalties rather than purely voluntary motivation.

The positive but weak and statistically nonsignificant relationship between tax knowledge and tax compliance behavior indicates that tax knowledge alone is insufficient to fully explain compliance among start-up enterprises. While tax knowledge contributes to better awareness and accuracy in fulfilling tax obligations, it does not independently guarantee consistent or voluntary compliance. This finding reinforces

existing literature which argues that compliance behavior is multifaceted and influenced by a combination of cognitive, institutional, and structural factors. In the context of start-up businesses, compliance may be largely procedural—driven by external pressures—rather than deeply internalized through understanding and personal conviction.

Nevertheless, the study concludes that strengthening tax knowledge remains a critical foundation for achieving sustainable and voluntary tax compliance. Improved tax knowledge can reduce errors in filing, enhance confidence in dealing with tax authorities, and lessen dependence on enforcement mechanisms over time. For start-up enterprises, which often lack prior exposure to formal taxation systems, early and targeted tax education is particularly important.

Accordingly, policymakers and tax authorities are encouraged to implement structured, accessible, and start-up-specific tax education initiatives that go beyond basic awareness. These initiatives should emphasize practical application, clear guidance on tax computation and filing procedures, and simplified information delivery tailored to new business owners. By investing in tax knowledge development, authorities can gradually shift compliance behavior from enforcement-driven to voluntary and informed compliance, thereby supporting the long-term sustainability of start-up enterprises and strengthening the overall tax system.

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