

**TAXATION LITERACY AND COMPLIANCE ATTITUDE  
OF SOLE PROPRIETORS IN SELECTED  
MUNICIPALITIES OF CAVITE**

**THESIS**

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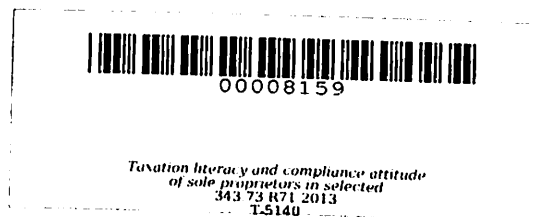
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OF SOLE PROPRIETORS IN SELECTED  
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## **ABSTRACT**

**ROSALES, MARLYNETH M., Taxation Literacy and Compliance Attitude of Sole Proprietors in Selected Municipalities of Cavite.** Undergraduate Thesis. Bachelor of Science in Business Management major in Financial Management, Cavite State University, Indang, Cavite. October 2013. Adviser: Prof. Estrellita D. Corpuz.

The study was conducted primarily to determine the influence of tax education on tax compliance attitude among sole proprietors in selected towns of Cavite. Generally, this study intended to determine whether tax education influences the tax compliance attitude of the taxpayers. Specifically, the study aimed to: (1) describe the demographic profile of sole proprietors in selected towns of Cavite; (2) determine the level of tax literacy of sole proprietors (3) determine the factors affecting tax compliance attitude of sole proprietors; (4) determine the relationship between the demographic profile and the factors affecting tax compliance attitudes of sole proprietors; and (5) determine the relationship between the tax knowledge of sole proprietors and the factors affecting their tax compliance attitude.

The study was conducted in four selected municipalities of Cavite, namely: Amadeo, General Trias, Tanza, and Trece Martires City. A total of 100 business proprietors, who were identified using quota sampling, participated in the study. Data were collected through personal interviews with the participants with the aid of prepared questionnaires.

Data were analyzed using frequency counts, percentage, mean, and standard deviation. Pearson Moment Correlation analysis was used in determining the relationship between demographic profile and tax compliance attitude of sole proprietors and the relationship between the tax literacy and tax compliance attitude of sole proprietors.

Almost one third of the participants (30%) were engaged in a repair shop business. Majority of them were male. Ages of participants ranged from 20 to 60 years old with an average of 41.83.

Less than half of the sole proprietors were high school graduates, almost one third were college graduates, and almost one-fourth were in the college level. There were only a few who were elementary graduates. Most of the sole proprietors did not attend taxation subjects while two-thirds of them did not attend seminars regarding taxation.

Sole proprietors in selected municipalities of Cavite were highly aware on their responsibility to pay taxes and the penalties that go with it in case they fail to pay taxes on time. Of the four municipalities, Tanza's sole proprietors were the most aware on their responsibilities to pay taxes and the penalties that go with it. When it comes to awareness to taxation, the sole proprietors of General Trias were the most aware.

The compliance attitude of sole proprietors in selected municipalities of Cavite was high with Tanza registering the highest compliance level (3.49 mean).

Results showed that there is no significant relationship between the demographic profile of the sole proprietors and the factors affecting tax compliance attitudes because the computed p-values are greater than 0.05, so the null hypothesis is accepted.

There is no significant relationship between taxation literacy and the factors affecting tax compliance attitudes of sole proprietors because the computed p-values are greater than 0.05, so the null hypothesis is accepted.

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# **TAXATION LITERACY AND COMPLIANCE ATTITUDE OF SOLE PROPRIETORS IN SELECTED MUNICIPALITIES OF CAVITE**

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## **INTRODUCTION**

Taxation is one of the important elements in managing national income, especially in developed countries and has played an important role in civilized societies since their birth thousands of years ago. Tax is defined as a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return (Lymer and Oats, 2009). However, not all payments to government are considered tax payments: for example, charges, tolls and other levies are paid to obtain a specific service and are not strictly tax payments.

Tax compliance is defined as seeking to pay the right amount of tax in the right place at the right time where right means that the economic substances of the transactions undertaken which coincides with the place and form in which they are reported for taxation purposes. According to Singh (2003), as cited by Berhane (2011), tax compliance is defined as the reporting of all incomes and paying of all taxes by fulfilling