

Tax knowledge, bookkeeping practices, and financial performance of micro-enterprises: Basis for an enhanced tax compliance framework

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Abstract

The study determined the relationship between tax knowledge, bookkeeping practices and financial performance of micro-enterprises in the city of Calamba, Laguna. The study utilized the quantitative method of research and utilized the Shapiro-Wilk Test and Spearman rho using the SPSS version 28 to assess the objectives. The data were collected from three hundred ninety-nine (399) enterprises that could be sole proprietorship, partnership, corporation or cooperatives locally registered in the municipality of Calamba, Laguna with net assets not exceeding three million pesos (P3,000,000) and with employees not exceeding ten (10). The results showed a highly significant relationship between tax knowledge and financial performance, and bookkeeping practices and financial performance that implies a higher-level tax knowledge leads to a timely and accurate tax compliance preventing penalties and fines from being incurred. Moreover, a well-designed bookkeeping practices promotes an accurate and complete financial record enhancing the confidence in the financial statements and all have an effect to the overall financial performance. The framework developed for this study aimed to enhance the level of tax knowledge and bookkeeping practices of micro-enterprises to ensure better and timely tax compliance while providing accurate and complete financial records ready for any potential audit causing the prevention of incurring penalties and fines from incorrect and late filing, thereby, improving the overall enterprises' financial performance.

Keywords: tax knowledge, bookkeeping practices, financial performance, tax laws and regulations, tax compliance

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1. Introduction

Taxes are lifeblood of one's nation. Without it, a country would be paralyzed as it cannot sustain its functions and operation for the benefit of the nation. Taxes allow the government to fund social programs, public services, and infrastructure that enhance citizens' quality of life. They are in favor of the preservation of the nation's defensive capabilities, law and order, and general development. A nation can pay its debts and care for its citizens via tax money. In relation to this, the government must uphold its responsibility to collect the right amount of taxes to its citizen. It is, however, the responsibility of every taxpayer to comply with their taxes on an accurate and timely manner.

In a global context, collection of taxes is considered to be a challenge that are multifaceted that exist in both developed and developing countries. In actuality, micro companies in the UK are responsible for tax short fall of 40%, or unpaid taxes amounting to £14 billion. The primary causes of this include carelessness, mistakes, or disparate legal interpretations (White, 2019). In like manner, small business owners may underpay taxes as a result of their reliance on cash transactions, according to reports from the US Internal Revenue Service. Philippines has the Department of Finance (DOF), through the Bureau of Internal Revenue (BIR) is mandated by law to assess and collect all national internal revenue taxes, fees, and charges, as well as to carry out any associated forfeitures, penalties, and fines, including carrying out court-mandated execution of judgments. Moreover, after the Tax Reform for Acceleration and Inclusion (TRAIN) law was implemented, it was thought that a more straightforward tax system for micro and small businesses would encourage voluntary compliance and a higher number of registered individual taxpayers without enacting additional taxes. However, despite the efforts of the BIR to provide with a program to lessen the burden of complexity on compliance, as mentioned in Paco et al. (2022), micro to medium-sized taxpayers were recognized, profiled, and informed of their degree of tax compliance by the BIR due to their little tax understanding. In a more localized setting, the researcher, as a tax practitioner himself, observed in RDO 056 in the city of Calamba, there are a number of micro-enterprises who are not fully aware of the basic tax laws and regulations. It is one of the main reasons of unintentional non-compliance to tax laws and regulations. There is also an observation as to the incomplete bookkeeping documents leading to inaccurate tax computation. The business bottom-line is highly affected due to unnecessary incurrence of costs such as penalties and fines.

To support the study, it is anchored with regulations that can either have a good or negative effect on industry, according to the economic theory of regulations (Stigler, 1971); a regulation that benefits the industry is regarded as positive and vise-versa. To support this, proper compliance of MSMEs to the taxman (BIR) affects the financial performance of a company as it reduces the risks of a tax audit, thereby eliminating the chance to pay additional costs such as penalties in the form of surcharge, interest, and compromise penalties which are then affects the net income. It lowers the price of non-compliance for companies, allowing them to allocate and concentrate their money mainly on investment and operations. (Paco et al., 2022). Hence, a need for a proper bookkeeping management system. In addition, bookkeeping practices may offer companies with an improved process, reduced risks, accuracy in financial reporting and quicker retrieval. A good records management may also reduce the risks of litigation and potential penalties (imageAPI, 2024).

The challenges of micro-enterprise businesses in the limitation of tax knowledge and employing improper bookkeeping practices leading to possible tax non-compliance which incurs unnecessary costs for fines and penalties that ultimately affect financial performance are the main motivation of the study. Needless to say, inadequate bookkeeping can lead to inaccurate financial reporting, poor decision-making, and non-compliance with the tax regulations. Therefore, the study calls for more tax education to the micro-business enterprise

owners. The study is expected to provide with valuable insights into the level of tax knowledge and the bookkeeping practices of micro-businesses that affect business performance which will be the basis for an improved tax compliance framework that could be useful to the enterprise owners in tax-related compliances.

Objectives of the Study - This study aimed to assess the level of tax knowledge, bookkeeping practices and financial performance of micro-enterprises as basis for an enhanced tax compliance framework. Specifically, to assess the level of tax knowledge in terms of tax laws and regulations, tax liability, and tax compliance and penalties; to determine the bookkeeping practices in terms of accuracy and completeness, accessibility and verifiability, and audit readiness and risk reduction; to evaluate the financial performance in terms of cost management and profitability, cashflow management and investment and growth decision; to test the relationship of tax knowledge, bookkeeping practices and business performance and; to develop a framework to enhance tax compliance among micro-business enterprises.

2. Methods

Research Design - The present study utilized the descriptive-correlational research design to determine the relationship among tax knowledge, bookkeeping practices and financial performance in the city of Calamba, Laguna. Both descriptive and correlational designs were integrated in descriptive-correlational research. In descriptive research, information was gathered to test theories or provide answers on the participants' present employment situation. Descriptive study identified and documented the current state of affairs. Conversely, correlational research sought to ascertain whether and to what extent two or more quantitative variables were related. The degree of association (or relationship) between two or more variables or sets of scores was described and measured using this method.

Participants of the Study - The participants in the study were the 399 managers or owners of the micro-business enterprises. It was computed using Rao Software from a total population of 1,359 micro-enterprise businesses registered in the municipality of Calamba, Laguna as of January 2025 with a margin of error of 5% and 95% of confidence level. These micro-enterprises could be sole proprietorship, cooperatives, partnerships or corporation, the main business address is located in the City of Calamba, which are categorized based on the total assets, excluding land: micro (assets up to P3,000,000.00), with employees not greater than 9. Any business branches outside of the City of Calamba shall be excluded from the scope of the study. The study also focused on the business registration with the Bureau of Internal Revenue (BIR) and compliance with the applicable national taxation. Needless to say, local taxation and compliance will not be part of the scope.

Data Gathering Instrument

Table 1
Test of Reliability Result

Variable	Cronbach's Alpha	Remarks
1. Tax Knowledge	0.924	Excellent
1A. Tax Laws and Regulations	0.907	Excellent
1B. Tax Compliance	0.939	Excellent
1C. Tax Liability	0.925	Excellent
1D. Penalties and Fines	0.953	Excellent
2. Bookkeeping Practices	0.928	Excellent
2A. Accuracy and Completeness	0.946	Excellent
2B. Accessibility and Verifiability	0.908	Excellent
2C. Audit Readiness and Risk Reduction	0.929	Excellent
3. Financial Performance	0.890	Good
3A. Cost Management and Profitability	0.847	Good
3B. Cashflow Management	0.824	Good
3C. Investment and Growth Decisions	1.000	Excellent
Overall	0.914	Excellent

George and Malley (2003) provide the following rules of thumb >0.90 – Excellent, >0.80 – Good, >0.7 – Acceptable, >0.60 – Questionable, >0.50 – Poor, and <0.50 – Unacceptable

The research instrument that was used in this study is a self-made survey questionnaire. The first part included questions about assessing the level of tax knowledge. It was interpreted using the 4-point Likert scale with a categorical response and verbal interpretation as: 3.50 – 4.00 = High; 2.50 – 3.49 = Moderate; 1.50 – 2.49 = Less; 1.00 - 1.49 = Not Knowledgeable. The second part of the questions assessed the level of bookkeeping practices and were interpreted as 3.50–4.00=Always; 2.50–3.49=Often; 1.50–2.49=Sometimes; 1.00-1.49=Not practiced. The third part of the questions were assessing the level of financial performance and were interpreted as Strongly Agree - Micro-business owners were able to fully identify applicable tax deductions, credits and incentives and uses taxation to operational advantage and potential growth; Agree-Micro-business owners were able to identify limited applicable tax deductions, credits and incentives and uses taxation to operational advantage and potential growth; Disagree-Micro-business owners were able identify few applicable tax deductions, credits and incentives thus affecting financial performance; and Strongly Disagree-Micro-business owners were not able identify applicable tax deductions, credits and incentives.

Table 1 displays the Cronbach's alpha reliability test results for the pilot testing of the survey questionnaire which was adopted from various sources and was modified and validated by experts to ensure the accuracy and reliability of the questionnaire.

Data Gathering Procedures - After the approval of the research proposal, a letter of request was given the municipality of Calamba to get the list of registered micro-enterprises, to conduct the study about the level of tax knowledge, bookkeeping practices and financial performance. After the aforementioned request was granted, a survey pertinent to the subject of the study was carried out. For the purpose of conducting and distributing the survey, the study used the Google Forms online tool. Although, the participants answered the survey at their own convenient time, there was a limitation identified during the conduct of survey: that there were participants who took an average of eight (8) days before they can able to submit response due to busy schedule but this was considered by the researcher. The researcher followed up for the responses depending on the commitment date of the participants within the relevant range. The research questionnaires were also collected, tallied, and evaluated for interpretation. For the processing and analysis of the data, a statistician was also consulted.

Data Analysis - To perform data analysis, the following statistical tools were used. Weighted mean and ranking were used to assess the level of tax knowledge in terms of tax laws and regulations, tax liability, and tax compliance and penalties; to determine the record-keeping practices in terms of accuracy and completeness, accessibility and verifiability, and audit readiness and risk reduction; to evaluate the business performance in terms of cost management and profitability, cashflow management and investment and growth decision. The result of Shapiro-Wilk Test revealed that p-values of the main variable were less than 0.05 which means that the data set is not normally distributed. Therefore, Spearman rho was used to test the significant relationship among the treated variables. The following Likert Scale was used in assessing the variables: 3.50- 4.00 = High, Always, Strongly Agree; 2.50-3.49 –Moderate, Often, Agree; 1.50 – 2.49 –Less, Sometimes, Disagree; and 1.00 – 1.49 – Not Knowledgeable, Never, Strongly Disagree. In addition, all data were treated using a statistical software known as PASW version 26 to further interpret the result of the study using an alpha level of 0.01.

Ethical Considerations - it is necessary to make sure the study would not ignore ethical concerns. Therefore, the actions listed below were implemented. First, the participants in the survey were properly informed about the study's goals and objectives. Second, there was no unpleasant language that could offend any group members in the surveys, including derogatory and discriminatory language. Finally, no personal or private questions were included in the questionnaires; they were created to gather data directly relevant to the research issues.

3. Results and discussion

Table 2 presents the summary of the tax knowledge of micro-enterprises in the city of Calamba, Laguna. It clearly shows that among the four (4) indicators assessing the level of tax knowledge, Compliance was noted to have gained the highest weighted mean of 3.27 interpreted as moderate while Penalties and Fines earned the

lowest in rank.

Table 2

Summary Table on Tax Knowledge

Indicators	Weighted Mean	Verbal Interpretation	Rank
Laws and Regulations	3.23	Moderate	2.5
Compliance	3.27	Moderate	1
Liability	3.23	Moderate	2.5
Penalties and Fines	3.13	Moderate	4
Composite Mean	3.22	Moderate	

Legend: 3.50 – 4.00 = High; 2.50 – 3.49 = Moderate; 1.50 – 2.49 = Less; 1.00 - 1.49 = Not Knowledgeable

The results can be deduced that a key element in encouraging tax compliance among micro-enterprises is tax knowledge. Building confidence between tax authorities and micro-enterprises, boosting tax education, and guaranteeing fair tax. Furthermore, Granfon, et al. (2023) conducted a study in Dipolog City, they claimed that tax knowledge is a critical component affecting MSEs' tax compliance. According to the study, compliance levels are increased when people are aware of tax rules, payment procedures, and applicable rates. Laws are therefore crucial tactics for raising compliance rates.

Table 3

Summary Table on Bookkeeping Practices

Indicators	Weighted Mean	Verbal Interpretation	Rank
Accuracy and Completeness	3.43	Often	1
Accessibility and Verifiability	3.40	Often	2
Audit Readiness and Risk Reduction	3.33	Often	3
Composite Mean	3.39	Often	

Legend: 3.50 – 4.00 = Always; 2.50 – 3.49 = Often; 1.50 – 2.49 = Sometimes; 1.00 - 1.49 = Never

Table 3 presents the summary of the bookkeeping of micro-enterprises in the city of Calamba, Laguna. It clearly shows that among the three (3) indicators assessing the level of bookkeeping practices, Accuracy was noted to have gained the highest weighted mean of 3.43 interpreted as Often while Audit Readiness and Risk Reduction earned the lowest in rank. Based on the results, bookkeeping practices have three (3) sub-variables: accuracy and completeness, accessibility and verifiability and audit readiness and risk reduction. The results show a composite mean of 3.39 verbally interpreted as often. This implies that accurate and complete bookkeeping is vital for micro-enterprises in the Philippines. In addition to guaranteeing adherence to legal and tax obligations, it also promotes efficient financial management, makes financing easier to get, and aids in well-informed strategic planning—all of which are essential for long-term company expansion. Businesses can use it to monitor their financial performance, make sure they are in line with the law, plan for expansion, and make well-informed decisions. Businesses can enhance cash flow management, position themselves for long-term success, and obtain important insights into their financial health by putting proper bookkeeping procedures into place and using bookkeeping software. Accurate bookkeeping is not only required by law, but it also gives firms a competitive edge that helps them successfully negotiate the market.

Table 4

Summary Table on Financial Performance

Indicators	Weighted Mean	Verbal Interpretation	Rank
Cost Management Profitability	3.37	Agree	2
Cash Flow and Management Reduction	3.31	Agree	3
Investment and Growth Decision	3.39	Agree	1
Composite Mean	3.36	Agree	

Legend: 3.50 – 4.00 = Always; 2.50 – 3.49 = Often; 1.50 – 2.49 = Sometimes; 1.00 - 1.49 = Never

Table 4 presents the summary of the financial performance of micro-enterprises in the city of Calamba, Laguna. It clearly shows that among the three (3) indicators assessing the level of financial performance, Investment and Growth Decision was noted to have gained the highest weighted mean of 3.39 interpreted as Agree while Audit Readiness and Risk Reduction earned the lowest in rank. Based on the results in table 14, financial performance got a composite mean of 3.36 verbally interpreted as agree. From among the sub-variables,

investment and growth decision got the highest weighted mean 3.36, verbally interpreted as 3.39. The results can be deduced that making wise investment choices is a crucial to micro-enterprises financial success. Through objective resource allocation and improved financial management procedures, microbusinesses can boost earnings, facilitate growth, and guarantee long-term viability.

In the same fashion, Capiña (2022) conducted a study on Marinduque's agribusiness companies emphasized how crucial financial management techniques—including investment choices—are to attaining the best possible business outcomes. Effective use and management of financial resources, particularly in times of financial crisis, improves profitability and firm survival, according to the study. Likewise, Alferos (2023) made a study on small and medium-sized businesses' (SMEs') financial management methods, including microbusinesses, was carried out in Zambales, Philippines. According to the study, these companies only minimally used capital structure and investment decision-making techniques, but they were very good at working capital management. As these practices are essential for business expansion and financial progress, the study suggested that SMEs improve their investment decision-making processes through capital budgeting and strategic resource allocation to long-term assets.

Table 5
Relationship Between Tax Knowledge and Financial Business Performance

Laws and Regulations	rho-value	p-value	Interpretation
Cost Management Profitability	.551**	<.001	Highly Significant
Cash Flow and Management Reduction	.531**	<.001	Highly Significant
Investment and Growth Decision	.498**	<.001	Highly Significant
Compliance			
Cost Management Profitability	.453**	<.001	Highly Significant
Cash Flow and Management Reduction	.493**	<.001	Highly Significant
Investment and Growth Decision	.447**	<.001	Highly Significant
Liability			
Cost Management Profitability	.320**	<.001	Highly Significant
Cash Flow and Management Reduction	.407**	<.001	Highly Significant
Investment and Growth Decision	.414**	<.001	Highly Significant
Penalties and Fines			
Cost Management Profitability	.289**	<.001	Highly Significant
Cash Flow and Management Reduction	.301**	<.001	Highly Significant
Investment and Growth Decision	.359**	<.001	Highly Significant

Legend: Significant at $p\text{-value} < 0.01$

Table 5 shows the association between tax knowledge and financial business performance. The computed r-values indicate a strong direct correlation and the resulted p-values were all less than the alpha level of 0.01. This means that there was significant relationship exists and implies that the more knowledgeable to tax, the better is the financial business performance.

Enhancing the financial performance of businesses, particularly micro, small, and medium-sized enterprises (MSMEs), requires a thorough understanding of taxes. Furthermore, there is a high significant relationship with tax compliance and financial business performance in terms of cost management and profitability, cash flow management and investment and growth decision. The results infer that financial performance of micro-businesses is significantly influenced by tax compliance. Even while following tax laws can be difficult, research shows that doing so can improve long-term sustainability, operational effectiveness, and financial results. It can be supported by the study made by Ssavuma (2024), who came to the conclusion that the income tax had a significant impact on the profitability of the small and medium-sized businesses in Nabuti Village Nsube Kauga Mukono. These require a lot of different resources, including time, money, effort, and attention, because of the high tax rates and the difficult-to-understand regulations. Because of the poor profit margin that resulted, these businesses found it challenging to expand and advance. The decrease of tax rates and the simplification of tax laws may be very beneficial to the financial and size-wise growth of these firms in this region.

Additionally, there is a high significant relationship with tax liability and financial business performance in

terms of cost management and profitability, cash flow management and investment and growth decision. This means that micro-enterprises in the city of Calamba can apply the knowledge with some level of confidence and achieve moderate results in terms of computing accurate tax liability. This is consistent with the study made by Paco et al. (2022), it was assessed the level of tax awareness and compliance among micro and small enterprises in Bacolod City. It found that higher educational attainment and greater tax awareness significantly predicted the extent of tax compliance, emphasizing the role of accurate tax computation in ensuring compliance. Additionally, tax literacy increases the accuracy of financial planning and budgeting, empowering entrepreneurs to make well-informed choices regarding pricing, investments, and resource allocation. This can be supported by Paco et al. (2022) who claimed that improved tax compliance was found to be substantially correlated with increased tax awareness, especially with reference to Bureau of Internal Revenue (BIR) standards. Tax compliance is crucial in order to avoid unnecessary expenditures such as tax penalties and fines which can enhance the overall financial performance.

Moreover, there is a high significant relationship with penalties and fines and financial business performance in terms of cost management and profitability, cash flow management and investment and growth decision. This implies that if micro-enterprises are knowledgeable enough, the incurrence of tax penalties and fines can be prevented which will enhance the financial business performance. According to a study made by Namusonge, et al. (2022), small and medium-sized businesses' (SMEs') tax compliance in Nairobi County, Kenya, is positively and significantly impacted by the imposition of tax fines and interest. According to the report, fines improve SMEs' financial performance by incentivizing them to adhere to tax laws. In summary, these studies collectively imply that tax compliance, which is impacted by elements like tax education and awareness, has a significant relationship on the financial performance of micro and small businesses. Enhancing tax understanding and guaranteeing compliance may help MSEs become more profitable and sustainable.

Table 6
Relationship Between Bookkeeping Practices and Financial Business Performance

Accuracy and Completeness	rho-value	p-value	Interpretation
Cost Management Profitability	.560**	<.001	Highly Significant
Cash Flow and Management Reduction	.546**	<.001	Highly Significant
Investment and Growth Decision	.636**	<.001	Highly Significant
Accessibility and Verifiability			
Cost Management Profitability	.572**	<.001	Highly Significant
Cash Flow and Management Reduction	.659**	<.001	Highly Significant
Investment and Growth Decision	.708**	<.001	Highly Significant
Audit Readiness and Risk Reduction			
Cost Management Profitability	.637**	<.001	Highly Significant
Cash Flow and Management Reduction	.671**	<.001	Highly Significant
Investment and Growth Decision	.673**	<.001	Highly Significant

Legend: Significant at p-value < 0.01

Table 6 shows the association between bookkeeping practices and financial business performance. The computed r-values indicate a strong direct correlation and the resulted p-values were all less than the alpha level of 0.01. This means that there was significant relationship exists and implies that the better is the bookkeeping practices, the better is the financial business performance. Micro-enterprises can make well-informed decisions by efficiently managing cash flow, tracking spending, and monitoring income by keeping accurate and current financial records. Profitability may be raised by identifying areas where expenses can be cut, waste can be removed, and resources can be utilized thanks to this financial transparency. Furthermore, maintaining accurate records lowers the possibility of penalties and fines that could reduce earnings by guaranteeing adherence to tax laws. Businesses can increase their chances of making a profit by using precise financial data to inform strategic decisions about investment, expansion, and pricing. Essentially, sound bookkeeping forms the basis of financial stability, allowing companies to function more effectively and optimize their earnings.

Furthermore, the results show that accuracy and completeness have a high significant relationship with financial performance in terms of cost management and profitability, cash flow management and investment and

growth decision. This implies that when a micro-enterprises employ an accurate and complete bookkeeping practices, it allows them to effectively analyze business performance, objectively identify profitable areas and come up with an informed decision-making. It can be supported by the study made by Mbonga, et al. (2024), the study showed that almost 9% of the variances in financial statements can be accounted by proper bookkeeping. The study found that improved bookkeeping procedures help maintain financial stability, which allows companies to stay stable and maybe grow.

In the same fashion, the results revealed that accessibility and verifiability have a high significant relationship with financial performance in terms of cost management and profitability, cash flow management and investment and growth decision. This means that with accessible document practices into place, internal procedures can be streamlined, and the legal consequences of non-compliance can be reduced. As a result, expenses are reduced and resources are allocated more effectively. This will also increase the confidence of micro-enterprises to be ready in any potential audit from the BIR. Based on the study made by Lawton (2023), businesses should aim to have verified and conveniently accessible documentation in addition to accurate and thorough documentation. Being accessible is not just the right thing to do, but it's also a smart business decision. Businesses place a high importance on compliance. How easy it is for people of all abilities to access the internet, mobile devices, and web products is referred to as accessibility when discussing web information and documents. But accessible structures can also attract more potential customers to a business. Moreover, the results showed that audit readiness and risk reduction have a high significant relationship with financial performance in terms of cost management and profitability, cash flow management and investment and growth decision. This infers that the risk of financial misstatement can be reduced to an acceptable level and that internal controls can be strengthened.

With this in mind, Mohamed et al. (2024) claimed that SMEs that are required to conduct internal audits can increase their tax compliance in a number of ways, including by improving internal control, raising tax awareness, improving financial record accuracy, and gaining more credibility with tax authorities. Mandatory audits for SMEs could have disadvantages, though. For SMEs with low resources in particular, these audits can be expensive and time-consuming. They can also add to the administrative load on tax authorities, especially in jurisdictions with limited capacity and resources.

In order to provide the micro-enterprises with an enhanced tax knowledge for tax compliance, the researcher proposed the following improved tax compliance framework.

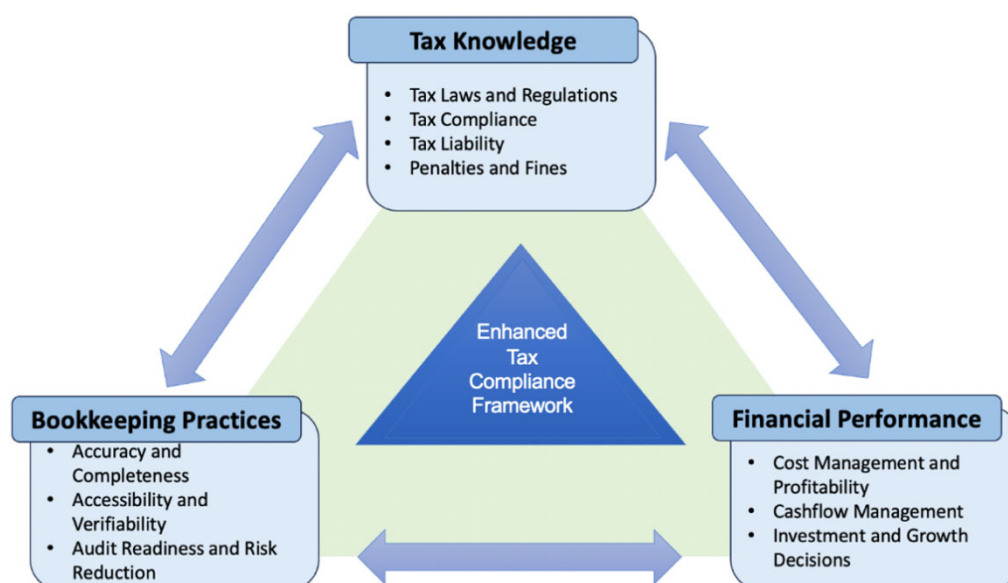


Fig 1. Enhanced Tax Compliance Framework

Enhanced tax compliance framework is vital to the long-term goals and prosperity of economies and enterprises. The framework shall provide with a clear-cut guideline, reduces complexity and ultimately ensures that the taxpayers understand their obligations. Moreover, this improved tax compliance framework focuses on increasing the tax knowledge among the taxpayers. It is essential to enhance the knowledge of people about taxes at the time of business registration in order to foster a culture of compliance, avoid expensive errors, and guarantee long-term success. With this, it promotes early compliance while avoiding potential penalties and fines. Also, this boosts confidence of the micro-enterprise owners as they gain clarity on tax systems for better planning. In addition to this, the framework also encourages proper bookkeeping practices among the micro-enterprises as tax education highlights the importance of accurate and complete bookkeeping practices and enhances the readiness for potential audit.

To sum up, enhanced tax knowledge promotes proper and timely compliance and prevents penalties and fines from being incurred. Accurate bookkeeping enhances the confidence of declaring the right amount of income and expenses preventing the over or under declaration of income and expenses and by extent over or under payment of taxes. Micro-enterprises can monitor their costs and profit based from an informed judgment. It also increases credibility of the micro-enterprises leading to more investment opportunities to investors, banks and partners. Needless to say, the framework may also be utilized by the government to ensure compliance among taxpayers causing a higher rate of tax collection. It increases confidence in the tax system, lowers tax evasion, and contributes to the development of a more just society where the tax burden is equitably divided.

4. Conclusions and recommendations

In light of the results of the study, the following conclusions were drawn: When micro-enterprises are equipped with tax knowledge in tax laws and regulations, they yield accurate computation of tax liabilities and promotes timely compliance to prevent tax penalties and fines. Micro-enterprises often apply bookkeeping practices accurately and completely ensuring documents are readily available for possible tax audits. When micro-enterprises comply to tax in a timely manner, it will have an effect to the overall profitability of the enterprise as costs can be minimized from preventing penalties and fines from incurring. That with the given results, tax knowledge and financial performance pose a highly significant relationship which implies that a thorough understanding to tax laws and regulations and a better bookkeeping practice, the better is the financial business performance. That as a result of the study, an improved tax compliance framework is proposed to undertake new capabilities to an existing tax framework which will enhance the tax compliance framework as this will increase the confidence of micro-enterprises in tax compliance which eventually will have an effect on the overall financial performance of the micro-enterprise.

Based on the afore-cited results and conclusions of the study, the following recommendations are proposed to improve the tax compliance framework among the micro-enterprises in the City of Calamba, Laguna. Micro-enterprise may be equipped with an improved tax knowledge through seminars and trainings prior the issuance of the certificate of registration. Micro-enterprise may maintain a well-designed bookkeeping practices with consideration to accuracy and completeness as this is vital in the preparation of a reliable financial statements and to readily available for possible tax audits. The overall financial performance of micro-enterprises may be improved through a thorough understanding to tax laws and regulations and by employing a well-design bookkeeping practice. That an improved tax compliance framework may be undertaken to enhance the current implementation as this may enhance the tax knowledge of micro-enterprises in terms of tax laws and regulations promoting timely tax compliance and preventing penalties and fines. Future researches may undertake to study to other revenue districts or nationwide locale. This research may serve as a guide or reference when they expand their study to additional revenue districts or on a national level, given that it focuses on enhancing tax understanding, bookkeeping methods, and their impact on financial performance.

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