



Withholding Tax Management of Schools Division Office

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ABSTRACTS

This study identified the withholding tax management, the level of awareness of the Senior Bookkeeper and bookkeeper-designates about the guidelines in withholding taxes, the difficulties encountered by the respondents in the preparation of withholding tax reports, and the common errors observed in the preparation of withholding tax reports. Thus, actions for the facility and accurate preparation of withholding tax reports may be recommended. The descriptive-survey method utilizing a questionnaire checklist facilitated the data gathering from 40 Senior Bookkeeper-respondents. The findings were revealed. Out of 40 Senior Bookkeepers (n=40, 100%), a total of (83.2%) of the respondents have a “high level of awareness” about the computation of withholding tax guidelines of Bureau of Internal Revenue but a lower percentage (17%) among them have “low to moderate level of awareness” about the computing of withholding tax. The study concluded that even though the majority of Senior Bookkeepers were neophytes to the service, nevertheless, they had been successful in completing the primary duties of their posts. But even so, other things contributed to their problems, including frequent mistakes made by the supplier and the head of the school.

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1. INTRODUCTION

Income tax is a type of tax that the government imposes on income generated by businesses and individuals within their jurisdiction. By law, taxpayers must file an income tax return annually to determine their tax obligations. One of the top development priorities is tax and fee collection. It is crucial to set the appropriate price incentives for sustainable private-sector investment as well as to finance investments in human capital, infrastructure, and the delivery of services for residents and companies. A fundamental method for nations to produce public revenues that enable them to support investments in human capital, infrastructure, and the provision of services for citizens and businesses is through the collection of taxes and levies.

The fairness and equity of the tax system must be ensured. Government must strike a balance between maintaining a fair and equitable tax system and achieving objectives like improved revenue mobilization, sustainable growth, and lower compliance costs. The relative taxation of the rich and the poor; corporate and individual taxpayers; cities and rural areas; the formal and informal economies; labor and investment income; and the older and younger generations are all fairness-related factors.

Individuals and businesses are required to pay taxes to the federal, state, and municipal governments. The funds are used to pay for public services and items that benefit the entire community, such as national defense and local schools. One of the top development priorities is tax and fee collection. Financing investments in infrastructure, human resources, and the delivery of services to people and businesses are essential. As well as the need to determine the proper price incentives for long-term private-sector investment. Many nations still struggling to raise enough money to support their development. Tax payment facilitation improves competitiveness. Overly intricate tax structures are linked to high rates of tax evasion, increased corruption, and low levels of investment. The goal of modern tax systems should be to maximize tax revenue while reducing taxpayer compliance costs. The fairness and equity of the tax system must be ensured.

Governments receive funding from income taxes. They are used to pay for debts owed to the government, fund public services, and supply residents with goods. The Codal Reference and Related Issuances of the Bureau of Internal Revenue states that "it encourages voluntary compliance, it reduces the cost of the collection effort, it prevents delinquencies and revenue loss, and it prevents dry spell in the fiscal conditions of the government by providing revenues throughout the taxable year, the government expressly acknowledges the importance of the withholding tax system".

Income tax promotes voluntary compliance, lowers the cost of the collection operation, avoids delinquencies and lost revenue, and more. It keeps the government's finances from going into a dry spell by generating income throughout the tax year. Nearly as old as taxes themselves is the issue of tax compliance. As governments look for ways to raise money to address social demands, tax compliance is a crucial issue for countries all over the world. To support their budgets and finance public spending, nations rely on tax revenue. Therefore, government policymakers as well as practitioners, researchers, and the general public are interested in the factors that influence taxpayers' tax compliance. This is because governments are attempting to lessen tax evasion and promote taxpayer compliance considering the increased responsibilities placed upon them by the global economic slump (Al-zaqeba *et al.*, 2018).

The tax burden for a specific tax year is calculated using the portion of the gross income known as "taxable income." Adjusted gross income (AGI) less allowed standard or itemized

deductions can be used to broadly describe it. Taxable income includes investment income, other unearned income sources, as well as wages, salaries, bonuses, and gratuities.

Many nations, both established and developing, continue to rely heavily on taxes as a means of fostering socioeconomic development. Taxes are thought of as one of the main sources of income for governments all around the world. According to certain theories, government revenue significantly affects socioeconomic growth directly. Various tax schemes are used to finance a lot of development projects. As a result, tax money serves as a sizable source of funding for government spending. Almost everywhere in the world, citizens are required to pay taxes. Even though people are aware of the importance of taxes in raising their quality of life, many of them disregard their civic duty to pay their fair share of taxes (Supriyadi *et al.*, 2021).

Governments receive the funding they need to invest in development through taxes, provide public services and alleviate poverty. It provides a remedy to assist dependence in providing the budgetary stability and sustainability required by developing nations and encouraging growth. Designing a tax system is very intimately related to both domestic and international investment choices, including in terms of justice and openness. Strengthening the mobilization of domestic resources involves more than merely increasing revenue; A tax structure that favors inclusion and good governance, reflects societal perceptions of acceptable wealth and income disparities, and encourages societal harmony must be in place.

Governments have the funds they need to invest in development thanks to taxes, the provision of public services, and the decrease in poverty. By providing developing nations with the budgetary stability and sustainability required to foster growth, it offers a remedy for the problem of reliance. The fairness and transparency of a tax system, as well as other factors, are directly related to domestic and international investment choices. The utilization of domestic resources cannot be strengthened simply by raising revenue. establishing a tax structure that supports societal cohesion, diversity, and good governance, and that reflects society's views on acceptable wealth and income disparities.

Taxpayers must fully comprehend all tax regulations to use the self-assessment method. High school students are viewed as potential taxpayers because they will eventually generate income that is subject to taxes. A key to preventing tax evasion is to have a thorough awareness of taxes, which primarily intends to assess contextual and ethical tax knowledge among business and non-business students, also explores students' perspectives of whether tax is vital and, therefore, something they should learn. 341 Soegijapranata Catholic University (SCU) students were employed; they were then split into two categories, with 54.3% business students and 45.7% non-business students. Private university SCU in Semarang, Indonesia, pledges to work with the government to empower tax-paying citizens. To determine whether there are variations in contextual and ethical tax awareness between groups, this study used the Independent Sample T-Test. To determine how students feel about the significance and necessity of tax education, crosstabs analysis is used. The outcome demonstrated that there is no discernible difference in the groups' contextual tax knowledge. It shows that tax duties and the requirement to do self-assessments are thrust upon them without taking their academic background into account. Additionally, it took place in the context of ethical tax awareness. This is to demonstrate to the government that tax sensitivity has already been raised among the youth. The groups' perceptions of the significance of tax education and the necessity of including tax as a subject, however, varied significantly. The majority of business students (45.7%) think that the knowledge will be helpful for their career; hence it is crucial to learn it at a high educational level (41.8%). They specifically and primarily

want to learn about tax introduction. Since their students' awareness tends to be at the same level as students who don't understand tax as well, it means that the management of the business department should evaluate their educational approach (Hastuti, 2014).

To ensure that employees can afford to pay any income tax they owe, withholding tax is used. It combats tax evasion as well as the requirement to issue taxpayers with hefty, prohibitive tax bills after the fiscal year.

A person or entity that intentionally avoids paying their true tax responsibilities is engaging in tax evasion. Tax evaders frequently have to deal with harsh fines and legal action. Willful neglect to pay taxes is considered a federal offense according to the Internal Revenue Service (IRS) tax code.

Both the unlawful nonpayment of taxes and the unlawful underpayment of taxes are considered forms of tax evasion. The IRS can still ascertain if taxes were owed even if a taxpayer fails to file the relevant tax forms by using the data that was expected to be handed in by third parties, such as W-2 data from a person's employment or 1099s. Unless the failure to pay is seen to be purposeful, a person is typically not considered to be guilty of tax evasion. Charges of a criminal nature may result from improper tax payment. Charges must be proven to have been intentionally committed by the taxpayer to be brought against them. A person can be found guilty of official charges, which could result in jail time, in addition to being responsible for paying any outstanding taxes. When a person or business illegally avoids paying their tax liability, it is considered tax evasion, which is a crime punishable by fines and penalties.

Tax evasion has been one of the most difficult problems in tax administration, both in the global north and south, but notably among the self-employed. To combat tax evasion, especially among numerous small and medium-sized firms (SMEs) in the informal sector, several nations throughout the world have been adopting withholding tax as a key instrument to ensure tax compliance. Therefore, using withholding tax procedures gives the government a chance to increase revenue collection and widen the tax base (Supriyadi *et al.*, 2021).

Tax evasion is the practice of not making the required payments to the government by individuals, groups, or corporations. It is illegal, thus that is a crime. Tax evasion was the biggest obstacle to tax collection overall, which also faced other challenges. Taxpayers intentionally evade taxes by avoiding and concealing numerous papers that serve as proof for the tax collection agencies. It's illegal to pay less than the entire amount of taxes due. Tax evasion is a crime that has the potential to destabilize the entire economic, political, and social system of the country. The economic aspect of tax evasion affects how equally money is allocated among citizens.

Income may or may not be an accurate indicator of one's ability to pay taxes. The money value of the products and services consumed by the taxpayer plus or minus any change in net worth over a specific period is the only definition of "accrued income" that is entirely consistent, devoid of anomalies and unpredictable outcomes.

Income may or may not be a reliable indicator of one's ability to pay taxes, depending on how it is defined. The only definition of "accrued income" that has been demonstrated to be consistent, free of anomalies and unpredictable outcomes is the money value of the goods and services consumed by the taxpayer plus or minus any change in net worth during a particular period.

Individuals conducting business or practicing a profession, non-individuals (corporations, associations, partnerships, cooperatives), whether conducting business or not, government entities and their instrumentalities (including National Government Agencies (NGAs),

Government-owned or Controlled Corporations (GOCCs), and Local Government Units (LGUs), including Barangays), are all required to withhold withholding taxes.

The creditable and final withholding tax are the two kinds of withholding taxes that apply to businesses and individuals in the Philippines. Taxpayers involved in a trade or commercial activities are required to pay withholding taxes as part of their corporate tax obligations. The creditable withholding tax is the payees in advance income tax. This would imply that the taxpayer had already paid a portion of its income tax liability through the payor who withheld and paid the money to the Bureau of Internal Revenue (BIR) before submitting the income tax return; while final withholding tax, is imposed on certain income payments and is not deductible from the payee's income tax obligation on other income subject to standard rates of tax for the taxable year.

The expanded withholding tax, also known as the withholding of creditable tax at source, is a tax imposed and prescribed on the items of income payable to natural or juridical persons residing in the Philippines by a payor-corporation/person. Its collection shall be applied to reduce the taxpayer's income tax liability for the taxable year. Income payments made by NGAs, LGUs, and other entities to their local/resident suppliers of goods that are not subject to other rates of withholding tax with alphanumeric tax code WC640 are taxed at a rate of 1%; payments made to their local/resident suppliers of services that are not subject to other rates of withholding tax with alphanumeric tax code WC157 are taxed at a rate of 2%. Before making any payments to non-value-added tax registered taxpayers, suppliers, or payees, NGAs, and instrumentalities, including government-owned and controlled corporations (GOCCs) and local government units (LGUs), withhold the withholding tax on Government Money Payments (GMP) - Percentage Taxes. A 5% of value-added tax withholding rate is applied to purchases of goods with the WV010 code and a 5%- value-added tax withholding rate is applied to purchases of services with the WV020 code. The tax rate applies to both government and private withholding agencies, in particular to those who are exempt from value-added tax (VAT) under Sec. 108BB (creditable), is 3% ("Withholding Tax on Government Money Payments).

The providers of products and services have to adhere to BIR requirements. To put it simply, anyone or any company conducting business in the Philippines is required to register as a taxpayer, file tax returns, and pay taxes. The Bureau of Internal Revenue is responsible for overseeing all aspects of tax compliance. Therefore, it is a need for all business entities to register with the BIR, at which point they will be considered legal taxpayers in the Philippines.

There is a commensurate penalty for failing to file a return, provide accurate and complete information, pay the tax withheld and remitted tax, and refund excess taxes withheld on compensation under Section 255 of the Bureau of Internal Revenue National Code. Any person is required to pay tax and file returns, retain any necessary records, or provide accurate information under this Code or by rules and regulations issued thereunder. If found guilty, anybody who fails to follow these instructions will be subject to a fine of at least ten thousand pesos (P 10,000) and a term of imprisonment of at least one (1) year but not more than 10 years.

Correct tax payment is essential. One of the biggest issues facing the majority of income earners in the Philippines has been paying the appropriate amount of tax. Most people, if not all of them, wish to minimize the amount of tax they must pay to the BIR. As a result, they use a variety of strategies to lower their tax liabilities, including tax amnesties, tax avoidance, and even tax evasion.

Paying the appropriate amount of taxes has advantages, to wit: a.) no or little BIR audit; frequently, failure to file and pay a tax return, the BIR contesting the amount of tax paid, or both, is the reason a particular company receives a letter of notification from the BIR. By filing and paying the correct amount of tax, the possibility that BIR will audit a company's financial records is nil; b) a sense of calm; being audited by the BIR may be very stressful, especially for taxpayers who knowingly or unknowingly reduce their tax payments. Sometimes it might even have an impact on their personal lives, causing anxiety and restless nights. One can be spared of such kind of worry and anxiety if he is paying the correct amount of tax; c) A true tax return; some taxpayers who do not file the correct amount of tax get into issues when they need to provide a tax return to apply for a loan or a visa. As a result, many resorted to filing false income tax returns to meet the aforementioned requirements. The risk of filing an erroneous tax return is considerable since it could get one into a lot of problems if the agency verifies it with the BIR. However, it is simple to generate an accurate income tax return without taking any chances provided that payment of taxes is accurate and is done on time; d) Good credit rating; paying the correct amount of tax gives financial institutions and agencies a good credit rating. One's credit rating will increase if he declares more income and pays more taxes. When applying for a loan for more funds for the growth of a business or firm, a good credit rating may be used as leverage; e) Good investor value; to expand a business, investments may be opened to interested individuals or organizations with money to invest. The company's financial and tax data will be analyzed by these investors to support their investment choices. Investor confidence will increase if accounting and tax records are kept honestly and accurately. On the other side, false and erroneous information would give investors the impression that the company is unreliable.

Being socially responsible to the nation is paying the proper amount of tax. The government will use the money we pay to develop and improve government services and the quality of life for Filipinos both inside and outside of our nation. The government can raise more money to support its goals, such as developing roads, and schools, better government wages, and improving government services, if all income earners pay the appropriate amount of tax. These elements may aid in luring more foreign capital and employment to the Philippines. The number of people working increases the number of individuals with money to spend, which will either directly or indirectly benefit your company.

On the other hand, if everyone who earns money reduces their tax responsibilities unlawfully, the government will not have any money on hand and will have to turn to private or foreign loans to run the country. Less money will be available to create infrastructure such as roads, schools, and roadways. Diminished pay will also lower morale, which will result in subpar government services. The cycle of poverty will continue in this case because investors may decide not to invest in the Philippines, which would result in fewer jobs and greater poverty. People will have less money to spend and fewer prospective consumers for your business if there are fewer jobs available in the nation. There will be more crime, which could have an impact on your family, your business, or both.

The school MOOE is one source of withholding tax. The government is stepping up its efforts to help the roughly 20 million students enrolled in elementary and secondary public schools across the country reach their learning goals, so the Department of Education has increased its funding for school maintenance and other operating expenses (MOOE) this year. The Maintenance and Other Operating Expenses (MOOE) are monies designated for public elementary and secondary schools that can be used for programs and requirements (such as electricity and water) that promote education and assist keep schools safe and hygienic.

The Budget of Expenditures and Sources of Financing (BESF) also includes one schedule listing national cash disbursements by the object (Personal Services, MOOE, Capital Outlay). Because of this, throughout the year, the Department of Budget and Management provides organizations with a variety of distribution authorities in addition to cash disbursement (Notice of Cash Allocation, or NCA). NCAs are distributed following a monthly cash program, additional budget execution materials given by agencies ahead of the fiscal year's commencement, and the government's total cash position. The cash program can assist in covering past-due payables (obligations made in prior years but payable in the current year). During budget execution, the Development Budget Coordinating Council (DBCC) closely monitors real cash disbursements (Monsod, 2016).

According to the former secretary of education, Br. Armin A. Luistro FSC, Department of Education (DepEd), and the Department of Budget and Management have all decided to adopt a more precise formula that takes into account not only the total number of students enrolled in a school but also the number of classrooms and teachers to determine the MOOE budgets for public schools. The updated formula is more considerate of the calls for improved administration of educational institutions and in-class instruction. The government's significant initiatives to enhance conditions in public schools and raise educational standards, including its massive teacher hiring and classroom construction programs, coincide with the MOOE increase (Ragahita & Nandiyanto, 2022).

One purpose of MOOE is to finance projects that are part of the school's authorized School Improvement Plan (SIP) for the year and those expressly specified in its Annual Implementation Plan (AIP) to purchase classroom supplies and other consumables for instructors and students as deemed necessary. To pay for building and grounds maintenance, minor facility repairs, and school maintenance. To cover the salaries of the full-time janitorial, mobility, and security staff. To cover the cost of communications and utilities.

One of the strongest tools for promoting and enhancing management and accountability at the school level is the budget. The DepEd continues to give schools more resources, along with curricular updates and capacity-building initiatives, to support students' improved performance. Schools that can present the required reports will be given money from the school MOOE to help with operational expenditures so they may buy supplies for the students, teachers, and other staff members. The supplier will be qualified to bid for the commodities to be purchased by the School Head if they possess all necessary eligibility documents, such as a Business or Mayor's Permit, Philippine Government Electronic Procurement System (PhilGeps) registration, BIR Form 2305, etc.

The School Head and BAC committee will select the vendors from whom they wish to purchase goods that meet their stringent standards for high quality after the bids have been closed and approved. Whether the transactions were taxable or non-taxable, the withholding tax will automatically be subtracted from the gross amount that is required to be included in the official receipt or sales invoice. Before paying for any supplies that need to be procured or purchased, the School Head must inform the Senior Bookkeeper to follow the proper procurement method, so that the Senior Bookkeeper may determine the proper withholding tax. However, based on actual observations, some School Heads skipped or didn't follow the method, which resulted in errors and mistakes in the computation of the withholding tax. As a result, the withholding tax reports that are submitted late by the Senior Bookkeeper will be added to the unremitted withholding tax, and it needs to be reviewed for accuracy in withholding tax computation.

Another problem connected to erroneous withholding tax computation is that certain suppliers make inaccurate computations due to a lack of focus. For instance, instead of computing for the non-VAT computation, it is computed as a vatable with a significantly higher VAT computation rate. Or perhaps, it is valued as a service rather than a good. In that, some funds could be used for additional educational expenses that applied to the excess VAT payment. Following the proper procurement procedure, the School Head should hand the official receipt or sales invoice to the designated school Senior Bookkeeper for inspection after the items have been purchased. The Senior Bookkeeper will create a schedule of taxes withheld after it has been examined, including the payee's details, source of funds, and tax identification number. The official receipts must show the gross amount less the withholding tax. The designated school Senior Bookkeeper will also provide a copy to the division Senior Bookkeeper in charge, who will record it and publish it to the Alphalist Data Entry.

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) statute are being used by the Department of Education SDO Albay. RA 11534 was enacted by President Rodrigo R. Duterte on March 26, 2018. The Duterte Administration's latest historic law went into force on April 11, 2018. The CREATE Act, the second component of the Comprehensive Tax Reform Program, lowers the Minimum Corporate Income Tax (MCIT) rate from 2% to 1% from July 1, 2020, to June 30, 2023. It also lowers the percentage tax from 3% to 1% from July 1, 2020, to June 30, 2023, and restricts the use of the Value-Added Tax (VAT) exemption on importation and the VAT zero-rating on local purchases to items that are directly and exclusively used in the registered.

In response to the COVID-19 outbreak, the Philippine Congress passed Republic Act (RA) No. 11534, often known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which provides financial relief to both local and foreign businesses operating in the country. With a primary focus on reducing corporate income tax rates and optimizing fiscal incentives to better encourage local and foreign investments in the Philippines, it intends to alter several elements of the outdated Tax Code.

The CREATE Act was formerly known as the Tax Reform for Attracting Better and Higher-quality Opportunities (TRABAHO) bill before the COVID-19 epidemic. After the bill was renamed to Corporate Income Tax and Incentives Reform Act (CITIRA), which also failed to pass Congress, it was determined that the law was neither urgent nor of high importance at the time COVID-19 was declared an emergency. The insertion of clauses relating to COVID-19 made the bill more likely to pass and become law ([Glushchenko, 2023](#)).

Millions of individuals have died as a result of the COVID-19 pandemic, which has also had a negative impact on the global economy, way of life, educational system, and mental health. The initial effects of the epidemic have been felt in every nation and sector of the economy. Because of COVID-19, rural livelihoods have suffered considerably. The main issues in underdeveloped areas of the Philippines were lost income and job possibilities. Communities that are vulnerable to disasters have a harder time adjusting to COVID-19's restrictions and their negative economic effects. The quality of the goods or services has declined, and the price of the goods or services has increased. The COVID-19 pandemic had a substantial detrimental influence on people's quality of life, particularly because of job losses and a decline in the labor market ([Artawati et al., 2022](#)).

Because of the pandemic, some BIR Revenue Regulations have been reformed. According to BIR Revenue Regulation No. 11-2018, dated January 31, 2018, with the subject: Amending Specific Provisions of Revenue Regulation No. 2-98, as Amended, to Implement Additional Amendments Introduced by Republic Act No. 10963, Also known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law," relating to Income Tax Withholding.

Section 2. Certain items of Section 2.57.2 of Revenue Regulation No. 2-98 are hereby renumbered and further amended: "Section 2.57.2. Income Payments Subject to Creditable Withholding Tax and Rates Prescribed Thereon – Except as herein otherwise provided, there shall be withheld a creditable income tax at the rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines. Specifically, (l) states that – Income payments made by any of the top withholding agents, as determined by the commissioner, to their local/resident supplier of goods/services, including non-resident aliens engaged in the trade or business in the Philippines, shall be subjected to the following withholding tax rates: Supplier of goods - 1%, Supplier of services 2%).

Withholding Tax Revenue Regulations No. 02-98 dated April 17, 1998. Subject: Implementing Republic Act No. 8424, "An Act Amending the National Internal Revenue Code, as Amended" Relative to the Withholding on Income Subject to the Expanded Withholding Tax and Final Withholding Tax, Withholding of Income Tax on Compensation, Withholding of Creditable Value-Added Tax and Other Percentage Taxes.

Section 5.116. Withholding of Percentage Tax - Bureaus, offices, and instrumentalities of the government, including government-owned or controlled corporations, as well as their subsidiaries, provinces, cities and municipalities making any money payment to private individuals, corporations, partnerships and/or associations, are required to deduct and withhold the taxes due from the payees on account of such money payments. Persons exempt from value-added tax (VAT). - On gross payments to persons who are exempt under Sec. 109 (z) of the Code from payment of value-added tax and who is not a VAT registered person except payment to cooperatives (3%).

Governments impose fees on their citizens and businesses to raise money for their spending agendas. This comprises providing funds for governmental and public projects as well as enhancing the business environment in the country to spur economic growth. Without taxes, governments would not be able to meet the requirements of their populations. Governments need taxes because they use the revenue, they generate from them to pay for social services. Several of these projects include Health - Without taxes, government investments in the healthcare sector would not be possible. Taxes are used to cover the cost of health services such as social healthcare, medical research, social security, etc.

Education - Education might be one of the most deserving uses of tax money. Governments place a great emphasis on the development of human capital, and education is crucial to this growth. Taxpayer money supports, equips, and maintains the public education system. Governance - Governance is crucial for the efficient operation of a country's affairs. Every facet of the country would suffer from bad governance, especially its capacity to grow economically. Good governance ensures that tax money is spent on the people of the country. Additionally, this money is used to pay the salaries of police officers, lawmakers, postal workers, and other organizations. In fact, without an effective system of governance, there won't be any effective protection of the public interest.

Other important sectors are those that build infrastructure, transportation, and housing. Governments use tax funds to support areas like security, science, environmental preservation, etc. that are crucial for the welfare of their citizens in addition to social projects. Some of the money is also used to cover expenses like childcare, unemployment benefits, and pensions. Without taxes, governments would not be able to fund these kinds of programs. Taxes can have an impact on a country's rate of economic growth. Taxes frequently have an impact on a nation's gross domestic product (GDP). Taxes support economic growth because

of this contribution, which helps the economy of the country by raising living standards, increasing employment growth, etc.

Governments also employ taxes as a deterrent to poor behavior, such as drinking alcohol and smoking cigarettes. To do this, governments impose significant excise taxes on these products, which drives up their costs and discourages people from buying or selling them. For a business to thrive, the country requires good infrastructure, including roads, phones, power, etc. This infrastructure is made by governments or organizations with direct government involvement. Governments create this infrastructure with the tax money they collect, which promotes economic expansion in the country.

Taxes help raise the standard of living in a country. The likelihood of increased consumption increases with the rising standard of life. Businesses flourish when there is a demand for their products and services. An increase in domestic consumption would be a guarantee for businesses with a greater standard of life. Because taxes are necessary, everyone should benefit from them. Because of this, taxpayers must try to pay their bills and understand that taxes aren't just a "money grab" by the government ([Shaturaev, 2023](#)).

Taxes are the main way society is financed. Resources have shifted from the taxed sector to the untaxed sector as a result of the application of taxes. The revenue services are shared or allocated across the numerous producing sectors to support the country's overall economic growth. Taxation is a mechanism the government uses to try to accomplish some of its economic objectives. A population's consumption patterns can be influenced or directed by taxation. It can be used to encourage or discourage investment in specific economic sectors. By taking this action, the government can significantly reduce the quantity of "damaging," "antisocial," but legal, business activity. It can also be utilized to support local and small businesses and reposition them to compete more successfully against their bigger, multinational rivals.

Taxes are a particular type of impost that can be distinguished from fees and fines since they are levied against the entire community and are not directly related to the use of any particular services, the granting of any specific rights or privileges, or the breaching of any laws by the payer. Taxpayers are required by law to pay taxes, and they are obligated to do so even if they do not always get anything in return ([Glushchenko, 2023](#)).

The importance of taxes to an economy cannot be overstated. This is only possible, though, if the country develops and implements a tax policy designed to reduce the recognized problems with its tax system. If taxes are to advance economic development, they must be fair and effective, and the government and revenue agencies must be held accountable. In general, taxes should be few, widely applied, and revenue-producing. They must also be adaptable enough to allow the tax system to easily take economic changes into account.

DepEd SDO Albay is composed of 465 Elementary Schools. Consequently, there is an increase in the yearly enrolment that needs to be funded for school MOOE. The school must purchase supplies for students, teachers, and other allowed expenditures utilizing the school MOOE. Despite the efforts of the government, the fund will be futile if not handled properly by the School Head. In addition, submission and remittance of withholding tax are important tasks that need to be accomplished by the school. Generally, purchasing school supplies thru school MOOE funding is subjected automatically to withholding tax deductions from vatable or non-vatable suppliers.

The Schools Division Office of Albay is located at Ligñon Hill, Bogtong, Legazpi City with different sections and offices and one of them is the Accounting Section. It has 465 elementary schools with 25 districts namely: Bacacay East, Bacacay West, Bacacay South,

Malilipot, Malinao, Sto. Domingo, Tiwi, Camalig South, Camalig North, Daraga South, Daraga North, Manito, Rapu-Rapu East, Rapu-Rapu West, Guinobatan East, Guinobatan West, Jovellar, Pioduran East, Pioduran West, Oas South, Oas North, Polangui South, Polangui North, Libon East and Libon West. 40 Senior Bookkeepers cater to them in the processing of withholding tax. Hence, the purpose of this study is to determine the level of awareness of the Senior Bookkeeper and bookkeeper-designates in SDO Albay about the guidelines in withholding taxes, the difficulties encountered by the respondents in the preparation of withholding tax reports so that actions, if needed, may be recommended.

As shown in **Figure 1**, the Withholding Tax Management of DepEd SDO Albay will be determined involving the Senior Bookkeepers and Bookkeeper Designates. Their level of awareness of the guidelines in the computation of withholding taxes will be determined, as their difficulties encountered in the preparation of withholding tax reports, and the common errors observed in the preparation of withholding tax reports, so that corrective actions may be recommended to help them in the prompt preparation of withholding tax reports in the future.

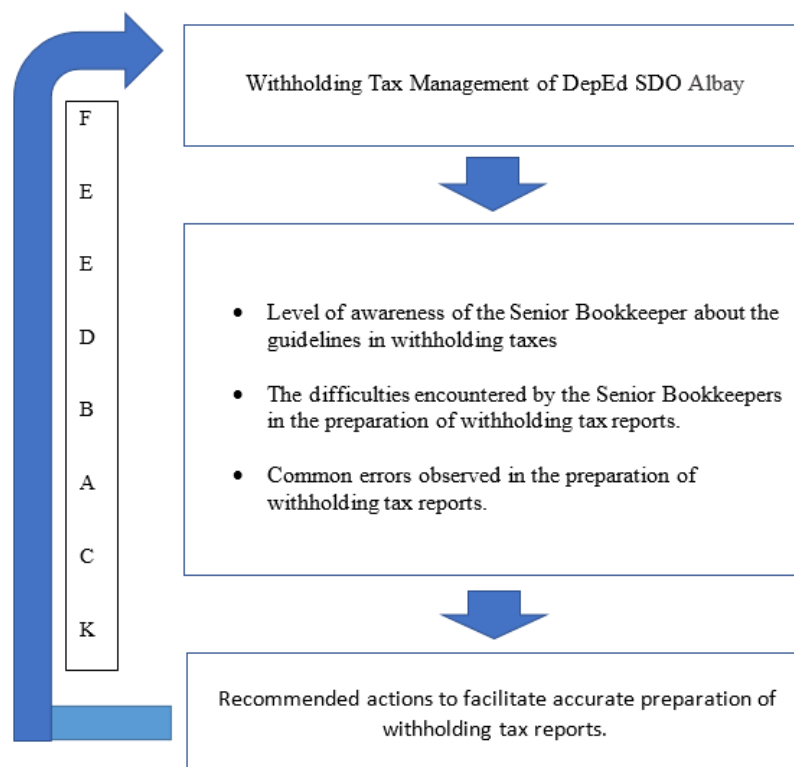


Figure 1. Conceptual paradigm.

This study determined the withholding tax management of the DepEd Schools Division Office of Albay particularly at the elementary school level under Maintenance and Other Operating Expenses (MOOE). Specifically, it will answer the following problems:

- (i) What is the level of awareness of the senior bookkeepers and bookkeeper-designates at SDO Albay about the guidelines for withholding taxes?
- (ii) What are the difficulties encountered by the respondents in the preparation of withholding tax reports?
- (iii) What are the common errors observed in the preparation of withholding tax reports?
- (iv) What actions may be recommended to facilitate the accurate preparation of withholding tax reports?

2. METHODS

This part presents the research methodology to be used in gathering data to answer the research problems. It includes the research design, sources of data, respondents of the study, research instrument, data gathering procedure, and statistical tools used in analyzing the gathered data.

2.1. Research Design

The study made use of the descriptive survey approach. Descriptive research tries to describe a population, circumstance, or phenomenon accurately and methodically. What, where, when, and how inquiries can be answered, but why questions cannot be done. A descriptive research strategy can study one or more variables using a wide range of research techniques. Contrary to experimental research, this study merely observes and measures the variables, not controls, or manipulates any of them (Wahab *et al.*, 2023).

2.2. Sources of Data

Data and information needed in this study were categorized into primary and secondary sources. The primary sources are specifically the responses in the survey form checklist through the use of Google forms by the Senior Bookkeepers and Bookkeeper Designates of the Department of Education Schools Division Office of Albay to the survey questionnaire. The secondary sources, specifically, the list of the respondents were secured with permission from the SDO head.

2.3. Respondents of the Study

There are 56 Senior Bookkeepers and Bookkeeper Designates in DepEd Schools Division Office. Out of the 56, 40 of them were handling the bookkeeping of the schools in the district. They were the respondent of the study. **Table 1** shows their respective assignments. Three (3) respondents for each district came from Bacacay West and Oas North, followed by two (2) respondents for each district came from Malinao, Rapu-Rapu East, Rapu-Rapu West, Daraga North, Daraga South, Jovellar, Pioduran West, Oas South, Polangui North, Libon West, and Manito, and 1 respondent for each district came from Tiwi, Malilipot, Bacacay East, Bacacay South, Sto. Domingo, Camalig South, Camalig North, Guinobatan East, Guinobatan West, Pioduran East, Polangui South and Libon East.

The table also shows the Baccalaureate degree earned by the respondents. It can be gleaned from the results that the majority of the respondent is graduate of business-related courses where the curriculum embodies accounting and taxation subjects, which means that generally, they have an understanding of accounting and taxation. As government workers, they must accept the necessity of learning taxation as it relates to the workplace and the requirement for ongoing education to support effective performance at work. Knowing how taxes are applied or calculated would be extremely advantageous not only on the part of the organization but also among the bookkeepers themselves considering that the preparation of tax reports is part of their functions.

According to Republic Act No. 386 approved June 18, 1949, entitled: an act to ordain and institute the civil code of the Philippines it is stated in Article 3 that "Ignorance of the law excuses no one from compliance therewith". In essence, it indicates that even if a person did not know a law was being broken, they were nevertheless responsible for it.

Table 1. Respondents of the study.

| Profile indicators | Number = 40 | |
|---|------------------|----------------|
| | Frequency | |
| A. District assigned | | |
| Bacacay West | 3 | |
| Oas North | 3 | |
| Rapu-Rapu East | 2 | |
| Malinao | 2 | |
| Rapu-Rapu West | 2 | |
| Daraga South | 2 | |
| Daraga North | 2 | |
| Jovellar | 2 | |
| Pioduran West | 2 | |
| Oas South | 2 | |
| Polangui North | 2 | |
| Libon West | 2 | |
| Manito | 2 | |
| Malilipot | 1 | |
| Bacacay East | 1 | |
| Bacacay South | 1 | |
| Sto. Domingo | 1 | |
| Camalig South | 1 | |
| Camalig North | 1 | |
| Guinobatan East | 1 | |
| Guinobatan West | 1 | |
| Pioduran East | 1 | |
| Tiwi | 1 | |
| Polangui South | 1 | |
| Libon East | 1 | |
| Total | 40 | |
| B. Baccalaureate degree/course | | |
| | Frequency | Percent |
| BS Accountancy | 10 | 25.0 |
| BS Business Administration | 9 | 22.5 |
| BS Management | 6 | 15.0 |
| BS Management and Accountancy | 4 | 10.0 |
| BA in Economics | 3 | 7.5 |
| BS Computer Science | 3 | 7.5 |
| BS Commerce | 2 | 5.0 |
| BS Education | 1 | 2.5 |
| BS Managerial Accounting | 1 | 2.5 |
| BS Commercial Science | 1 | 2.5 |
| Total | 40 | 100 |
| C. Years in service as a senior bookkeeper | | |
| | Frequency | Percent |
| Less than 1 year | 1 | 2.5 |
| 1 – 3 years | 22 | 55.0 |
| 4 – 6 years | 13 | 32.5 |
| 7 – 9 years | 4 | 10.0 |
| TOTAL | 40 | 100 |

Further, the lengths of service of the respondents as Senior Bookkeepers are also reflected in **Table 1**, where only one may be considered a newbie. The work can be mastered in a matter of a few months and so the longer the years they are doing the job, the more adept they should be in performing their tasks. Hence, it could be inferred that there are various factors why errors occur in the preparation of tax reports among some of the respondents, which may be attributed to the school heads, the suppliers, and probably the time frame in the preparation of said reports.

2.4. Research Instrument

The research instrument used was a questionnaire composed of four parts—1 on the level of awareness, 2nd on the difficulties encountered, 3rd on the common errors observed, and last was an open-ended part on comments and suggestions. The level of awareness part used a scale of 1-5, where 5 means very high; 4, high; 3, moderate; 2, low; and 1, very low awareness. The difficulties and common errors observed utilized a checklist, where the respondents may check all indicators that apply to their respective experiences.

2.5. Validation of the Instrument

This study validated the instrument among the Senior Bookkeepers of DepEd SDO Albay, with the approval of the Schools Division Superintendent, where a mock survey was conducted to the selected Senior Bookkeepers of DepEd SDO Albay to test the validity of the questionnaire. Respondents to the mock survey were not included in the actual survey. The result of the mock survey was used as input to further enhance the questionnaire.

Upon the approval of the Class Adviser, the final copy of the questionnaire was transformed into Google Form and distributed to the respondents using their emails and also FB Messenger Group Chats.

2.6. Validation of the Instrument

As soon as the proposal was approved by the research committee, this study immediately initiated the gathering of needed data and information. First, she asked for the approval of the Schools Division Superintendent to conduct the study at Albay Division (Appendix A). Upon approval, the final copy of the survey questionnaire, which was transformed into Google forms was sent to the 40 respondents in their emails and through their FB Messenger Group Chats. Follow-ups were done constantly hence, the retrieval rate of 100% was achieved.

2.7. Statistical Tools

The statistical tools utilized to analyze the results of the data gathered from the respondents were frequency counts, percentages, and weighted means.

3. RESULTS AND DISCUSSION

In this section, the results of the study are presented and discussed concerning the aim of the study, which was to identify the level of awareness of Withholding Tax Guidelines by the Bureau of Internal Revenue. This was described in the previous section which presented the methodology used in the study.

3.1. Level of Awareness on Withholding Tax Guidelines

When a business withholds a percentage of the payment for goods or services from a supplier and remits that portion to the government on the provider's behalf, that process is known as withholding tax. Governments use this approach of tax compliance to make sure that taxes are duly remitted and computed.

3.2. Awareness of the Computation of Government Money Payments (GMP) Withholding Tax

Table 2 shows that a total of 4.19 (83.8%) of the respondents have a high level of awareness about the computation of withholding tax guidelines of the BIR. It is indicated that a small proportion of the respondents 0.81 (16.2%) of the respondents have a low to moderate level of awareness about the computing of withholding tax. This means that most of the respondents were aware and knowledgeable about how to compute the withholding tax. Computations are as follows: by computing the total gross amount less the computed withholding tax whether it is vatable, or non-vatable, and the expanded withholding tax due.

Table 2. Awareness of the computation of government money payments (GMP) withholding tax concept (N-40).

| Indicators | Weighted Mean | Verbal indicators |
|--|---------------|-----------------------|
| Percentage Taxes - Purchase of Services with ATC - WV020 (5% tax rate) | 4.32 | High Awareness |
| Percentage Taxes - Purchase of Services with ATC - WV020 (5% tax rate) | 4.24 | High Awareness |
| Percentage Taxes - Persons exempt from VAT (creditable) | 4.02 | High Awareness |
| Government Withholding Agent with ATC - WB080 (1% tax rate) | | |
| General Weighted Mean | 4.19 | High Awareness |

Legend: 1.0-1.49 – Very Low Awareness; 1.50-2.49 – Low Awareness; 2.50-3.49 – Moderate Awareness; 3.50-4.49- High Awareness; 4.50-5.00 – Very High Awareness

3.3. Awareness on the computation of expanded withholding tax (EVAT)

Table 3 presents the respondents' level of awareness on the computation of expanded withholding taxes. The results showed that respondents have a "high level of awareness" when it comes to the computation of expanded withholding tax (EVAT). As per the data collected, Senior Bookkeepers were knowledgeable of the Bureau of Internal Revenue Guidelines on the computation of withholding tax. The findings were probably because of the Senior Bookkeepers' high awareness of the computation of withholding tax so it attained a high rating.

Table 3. Awareness of the Computation of Expanded Withholding Tax (EVAT) (N-40).

| Indicators | Weighted Mean | Verbal indicators |
|--|---------------|-----------------------|
| Income Payment made by NGAs, LGU, etc. to its local/resident suppliers of goods other than those covered by other rates of withholding tax with ATC - WC640 (1% tax rate) | 4.17 | High Awareness |
| Income Payment made by NGAs, LGU, etc. to its local/resident suppliers of services other than those covered by other rates of withholding tax with ATC - WC157 (2% tax rate) | 4.07 | High Awareness |
| General Weighted Mean | 4.12 | High Awareness |

Legend: 1.0-1.49 – Very Low Awareness; 1.50-2.49 – Low Awareness; 2.50-3.49 – Moderate Awareness; 3.50-4.49- High Awareness; 4.50-5.00 – Very High Awareness

The effect is reflecting the government that it is good to know that the employees are sufficiently knowledgeable about the task at hand. The chance to meet 100 percent accurate computation of withholding tax is close to real. But Senior Bookkeepers still have to work with the School Heads to achieve the 100% precise computation of withholding taxes. Maybe this can be accomplished by having proper coordination between the School Head and Senior Bookkeeper.

According to Newman (2018), The degree of awareness or sensitivity is tax knowledge. It is influenced by several variables, including formal schooling among others. Positive and negative elements make up one's knowledge of an item. These two factors will both affect a person's mindset. Information that someone knows or recognizes is called knowledge. It is well-recognized that knowledge is a product of the educational process. Both internal and external elements, including the methods of information available, have an impact on this learning process. Examples of internal factors include motivation. The taxpayer's comprehension of how to apply the tax laws, particularly those about income tax, is demonstrated by their knowledge.

3.4. Difficulties Encountered in the Preparation of Withholding Tax Reports

The preparation of tax reports is the responsibility of the Senior Bookkeeper. That's why they aim to complete the report on time and accurately. Nevertheless, keeping correct financial records is the responsibility of both the Senior Bookkeeper and the School Head.

Table 4 shows the difficulties encountered by the Senior Bookkeepers and Bookkeeper Designates in the preparation of tax reports. Thirty-one 31 of 78% of the respondents revealed that late submission of liquidation reports by the School Heads as the topmost difficulty affecting them in preparing the withholding tax reports. Ranked as 2nd difficulty according to 26 or 65% of the respondents is on the erroneous computation of withholding tax; 3rd in rank, 25 or 63% was on the confusion about supplier vat rate status; 4th, 13 or 33%, on confusion on rounding off for the computed withholding tax; and 5th was on late submission on a copy of the certificate of creditable tax withheld at source, 11 or 27%.

The School Head or person concerned must observe and monitor the due date for the submission of the liquidation report. Late submission is one of the difficulties that need to be resolved to lessen the difficulties on the side of the Senior Bookkeeper. Proper coordination or constant reminder to the Senior Bookkeeper should be done by the School Head so that conflict on the report of withholding tax may be resolved.

This practice is also stated in the Division Memorandum No. 0456 series of 2022 dated July 11, 2022, of the Schools Division Superintendent in Schools Division of Bohol entitled: Liquidation of the 30 days School-Based Feeding Program (SBFP) Regular Component Funds and the 30 days Milk Feeding Operational Funds for School Year 2021-2022. It was reflected in the said memo that the submission of the liquidation reports to the SDO shall follow the usual submission scheme and the District Bookkeepers are encouraged to constantly coordinate with their assigned Congressional District Coordinator in the process.

3.5. Common errors observed in the preparation of withholding tax reports

Table 5 shows the common errors committed by the Senior Bookkeeper and Bookkeeper Designated in their withholding tax reports. The five most common errors observed were: Certificate of Creditable Tax Withheld at Source not signed by the supplier; interchanging

computation for EVAT and VAT; unfamiliar/incorrect Alphanumeric Tax Code; incorrect input for the inclusive month, day, and year; and interchanging of computation for goods and services.

Table 4. Difficulties encountered by the Senior Bookkeeper (N=40).

| Difficulties | Frequency | Percentage | Rank |
|--|-----------|------------|------|
| Late submission of liquidation reports by the School Heads | 31 | 78 | 1 |
| Erroneous computation of withholding tax subject to revision | 26 | 65 | 2 |
| Confusion about supplier vat rate status | 25 | 63 | 3 |
| Confusion on rounding off for the computed withholding tax | 13 | 33 | 4 |
| Late of a copy of the certificate of creditable tax withheld at the source | 11 | 28 | 5 |
| Advance submission of withholding tax report before the submission of liquidation report | 6 | 15 | 6 |
| Advance payment of schools to the service provider before seeking the assistance of the bookkeeper in computing the taxes withheld | 1 | 3 | 7 |

*Multiple responses

Table 5. Common errors by the senior bookkeeper (n=40).

| Common errors | Frequency | Rank |
|---|-----------|------|
| Certificate of Creditable Tax Withheld at Source not signed by the supplier | 27 | 1 |
| Interchanging computation for EVAT and VAT | 23 | 2 |
| Unfamiliar/incorrect Alphanumeric Tax Code | 20 | 3 |
| Incorrect input for the inclusive month, day, and year | 19 | 4 |
| Interchanging of computation for goods and services | 18 | 5 |
| Suppliers Tax Identification Number | 17 | 6 |
| Not updated of the authorized signatory for Payor/Payor's Authorized Representative/Tax Agent | 9 | 7 |
| Incorrect input for the inclusive month, day, and year | 8 | 8 |
| The gross amount is not indicated in the amount of | 8 | 8 |

*Multiple responses

As shown, the Senior Bookkeeper's first two (2) common errors are related to the supplier's involvement. In general, suppliers have a significant impact on how tax compliance is handled. Suppliers must be aware that the certificate of creditable tax withheld at source form requires their signature. Suppliers need to be aware of what details must be included on the BIR 2307 form. Additionally, suppliers must be the ones that are most familiar with their vat rate status. As observed, several suppliers did not know their VAT rate status, which led to inaccurate withholding tax computations as one of the requirements for individuals engaged in business.

It is critical to managing supplier compliance. Continually expand the knowledge of the criteria for supplier compliance, which range from tax and business registration to topics like sustainability, fraud prevention, trade compliance, diversity, and more. It is crucial to use an automated process that is specific to each supplier. Management of supplier compliance is a continuous process. Any solution should be capable of ongoing monitoring to guarantee that certificates are current and that existing suppliers are subject to new regulations.

The usefulness of Supplier Information Management (SIM) for supplier compliance management has common values across many different roles, although there are many

distinct aspects and factors to take into account. This is because SIM is typically not role specific. The compliance standards are mandatory and frequently prescribed at very particular stages of a supplier workflow process, such as onboarding, performance, and risk management. Businesses need to develop a standardized procedure to guarantee that requirements are consistently monitored, carried out, and adhered to across all business units to design a supplier compliance management process that is effective.

Sharing the burden of compliance necessitates visibility across functions, from suppliers and external stakeholders like auditors and stakeholders to internal stakeholders like sourcing, procurement, and supply chain. Therefore, companies need to be able to quickly modify their supplier compliance strategies. According to Jefferies, to have thorough oversight and produce accurate reports, navigating the supplier compliance landscape can be a time-consuming and difficult endeavor. Involve internal, external, and third parties in compliance activities for them to be effective. Make sure all required procedures are followed, including approvals. get regular program compliance updates. Provide timely reports on all areas of supplier compliance, including information gathered, scoring metrics, program success, and/or audit control. Support compliance programs before, during, and following corporate changes like mergers, acquisitions, or divestitures.

3.6. Comments and suggestions of the respondents

An open-ended part of the questionnaire was included to gather some comments and suggestions from the respondents. Their responses are enumerated below:

Comments are in the following:

- (i) The reports submitted for withholding tax computation are not prepared accurately.
- (ii) The person-in-charge in withholding tax computation is not aware of the suppliers' vat status.
- (iii) The submitted schedule of withholding tax is not accompanied with liquidation report.
- (iv) Failure to submit reports on time or late submission of a liquidation report.
- (v) The individual in charge lacks sufficient expertise in calculating tax rates.

Suggestions are in the following:

- (i) A schedule of tax withheld must be prepared before preparing and printing of BIR 2307 forms for easy checking.
- (ii) Complete attachments must be submitted as to the validity of documents.
- (iii) Person-in-charge must maintain a record of the registration type of the suppliers.
- (iv) Proper coordination between the concerned individuals should be regularly observed to prevent conflict and further errors or mistakes in the computation of withholding tax.
- (v) To conduct training and seminars for updating and upskilling the personnel concerned.

4. CONCLUSION

Based on the findings of the study, the following conclusions are drawn. These Senior Bookkeepers, through self-assessment, have a high level of awareness in withholding tax management, competent to perform the duties and responsibilities of a Senior Bookkeeper in the government agency. These results pointed out that the respondents have performed well as Senior Bookkeepers of the agency. However, they are faced with difficulties in the performance of their functions, especially in the preparation of withholding tax reports. Factors associated with those difficulties were identified as both supplier-related and school-heads inability to secure the necessary documentary attachments and inability to coordinate well with the bookkeepers before making purchases.

Efficient and effective withholding tax management may be achieved if both the bookkeepers and the school heads will work hand in hand in making sure all necessary documents needed in the preparation of withholding tax reports are secured from the suppliers before the purchase, upon delivery, and/or payment of the items purchased.

As Senior Bookkeepers, the respondents to this study expressed a desire to attend capacity building, training, and seminar workshops to review, stay current with, and learn more about withholding tax management, which was another indication that they might not be making an effort to advance their careers.

Based on the findings and in the light of the conclusions, the following are recommended to further intensify the skills of the bookkeepers:

- (i) Conduct periodic training and seminars for the continuous upskilling of the Senior Bookkeepers and Bookkeeper Designates.
- (ii) Maintain a list of all suppliers indicating all information needed for the certificate of withholding tax like TIN, name, address, tax status, Alphanumeric Tax Code, etc.
- (iii) Provide a uniform tool or template must be provided to all the personnel assigned to withholding tax computation.
- (iv) Be aware of any updates from the Bureau of Internal Revenue Guidelines.
- (v) The Senior Bookkeeper must be the one to prepare and compute the withholding tax to lessen erroneous computation for they have more knowledge about withholding tax computation as their line of work.

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7. AUTHORS' NOTE

The authors declare that there is no conflict of interest regarding the publication of this article. Authors confirmed that the paper was free of plagiarism.

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