Modes of Payment and Challenges Encountered by Real Property Taxpayers: An Evaluation

Jap Leonard E. Quinday, Ronalyn G. Diaz, John Johnell J. Dela Cruz, Marilou P. Pascual, Felipe E. Balaria

Abstract— *This study aimed to determine the services received by the taxpayers on real property revenue in Talavera, Nueva Ecija, Philippines. It utilized a descriptive method of research and focused on the modes of payment utilized by 127 respondents and the challenges they've encountered in paying their taxes. Results of the study show that majority of the taxpayers were females in the age bracket of 41-50 years old, married, Roman Catholics, college degree holders working in the local government units with a monthly income between P10,000.00 to P19,999.00 ($200 to less than $400) and are good taxpayers. Their modes of payment were through technological devices such as cellular phones. The high amount of real tax revenue, penalties, excessive collections, and increasing taxes were the most common challenges encountered by the taxpayers. They are in favor of paying the taxes semi-annually. Based on the conclusions of the study the following recommendations were offered: Continuing awareness and education about the income tax returns collections in the whole town must be prioritized and the participation and collaborations of the church and local government in revenue collections as social and moral obligations of responsible Filipino citizen must be strengthened.*

Keywords— *Awareness, evaluation, mode of payment, real property taxpayers, revenue.*

I. INTRODUCTION

Tax compliance by every taxpayer in real property provides efficient tax collection for every country in the world. That is why the owner of the property needs to comply and pay their annual obligations. The real property tax for any year in the Philippines shall occur on the first day of January [1].

On the basis of the taxing authority of the local government unit, according to section 129 of the R.A 7160, each local government unit shall exercise its power to create its own sources of revenue and to levy taxes, fees, and charges subject to the provisions herein, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local government units [2].

According to Gomez [3], devolution of functions transfers assets, records, regional offices, and personnel to the Local Government Units (LGUs), and subsequent to the devolution of functions, local governments were allotted an automatic share of national tax revenues. To encourage self-reliance, the Local Government Code (LGC) defines the revenue-raising prerogatives of LGUs. Provinces, municipalities, cities, and barangays are granted the power to levy taxes with

specified maximum rates as well as to impose fees and charges for various services. Thus, Local Government Units are empowered to create their own sources of revenues and to levy taxes, fees, and charges, one of which is real property tax. Section 233 of the Local Government Code of 1991, states that the following rates of basic real property tax are prescribed based on assessed values of real properties in the Philippines, 1% for the province and 2% for city or municipality within Metro Manila area [4]. Aside from the basic real property tax, the following may likewise be imposed under real property taxation in the Philippines, special education fund (SEF) of 1% of the assessed value of a real property, ad valorem tax on idle lands of 5% of the assessed value of real property tax, special assessment to recover at least 60% of public improvement benefiting the real property [5]. The Local Assessor shall take charge of the discovery, classification, appraisal, assessment, and valuation of all real properties within his territorial jurisdiction which shall be used as the basis for taxation [6].

The real property tax is the most important tax revenue of local governments. In the eighties, it accounted for 23 percent of the total revenues of local governments [7]. Its

relative importance started to decline in 1990 to 18 percent and dropped in 1994 to 11.0 percent. Thereafter, it picked up strength and now accounts for 13.36 percent of the total revenues of LGUs [7].

According to the Talavera Municipal Treasurers Office [8], real property tax is nineteen percent (19%) of the total revenue income of the Municipality of Talavera in the year 2019 which plays a vital role in the development of infrastructure for local use, industrial research and support services, tourism promotion programs and investment support services, primary health care and the management and maintenance of the ecological balance for sustainable progress of Talavera as a first-class municipality in Nueva Ecija despite the large percentage of collectibles and delinquency of the real property taxpayers [8].

The government received complaints among the taxpayers concerning the property tax collection system. Awareness of tax compliance needs to be encouraged continuously in order to reach targeted tax revenue [9]. Property owners that encountered various problems in the implementation of real property revenue have solutions and remedies to survive. For these strong reasons, this study was conducted. It aimed to describe the socio-demographic profile of the respondents, modes of payment, experiences in paying real property tax, and the challenges they have encountered and suggestions of the respondents to address the challenges.

II. METHODOLOGY

The researchers utilized the descriptive method of research in determining the services, experiences, and challenges encountered by the taxpayers on real property revenue in Talavera, Nueva Ecija, Philippines. According to the author in [10] as cited in [11], "descriptive research is a fact-finding study with adequate and accurate interpretation of data and describes with emphasis what actually exists such as the current condition of the phenomenon". The 127 purposively chosen respondents [12] described their experiences in paying their real property tax in a questionnaire-checklist self-made research instrument. Data were collected from May 2020 to June 2020. The data gathered from the respondents were analyzed using appropriate statistical tools such as frequency, percentage, and weighted mean.

III. RESULTS AND DISCUSSION

1. Socio-Demographic Profile of the Respondents

Respondents within the age bracket of 41-50 years old got the highest frequency count of 34 or 27% while ages 71-80 years old got the lowest frequency count of four (4) or 3%. As to civil status, out of 127 respondents, 112 or 88.19% were married, two (2) or 1.57% were widowed and 13 or 10.24% were single. In terms of sex, 68 or 53.54% were males and 59 or 46.46% were females. For the respondents' religion, 104 or 81.89% were Roman Catholics and represents the highest frequency count while Jehovah's Witnesses got the lowest frequency count of three (3) or 2.36%. In their occupation, 43 were working in the local government units occupying the highest frequency count while sewers got the lowest frequency count at three (3) or 2.26%. For their educational attainment, 68 or 53.54% were college graduates while the Master's degree holders got the lowest frequency count of two (2) or 1.57%. In terms of their monthly income, 53 or 41.73% were earning 10,000 to 19,999 ($200 to less than $400).

2. Modes of Payment Regarding Real Property Tax Payment

Devices as a mode of respondents' compliance in paying their Real Property Tax got the highest frequency count of fifty-nine (59) or 46.46% while advertisements got the lowest frequency count of 4 or 3.15%. Advertisements of the real property tax office should be heightened to enhance the interests [13] of their taxpayers.

3. Challenges encountered in Paying Real Property Tax

This study revealed that the main challenges encountered [14] by the respondents are Item 4 which is "Highly amount of the real tax revenue" with the weighted mean of 2.69. Moreover, moderately serious problems such as penalties, excessive collections, and increasing taxes were also part of the most common challenges encountered by the taxpayers.

4. Respondents' Suggestions regarding Better Tax Payment

"Paying the taxes semi-annually" got the highest frequency count of forty-nine (49) or 38.58% while "Paying through amnesty" got the lowest frequency count of nine (9) or 7.09%. Likewise, statements such as "Paying on time" and "Paying in advance" were also suggested by the respondents to improve the tax collection systems of the office.

IV. CONCLUSIONS AND RECOMMENDATIONS

Majority of the taxpayers in Talavera, Nueva Ecija, Philippines, were females in the age bracket of 41-50 years,

married, Roman Catholics, college degree holders working in the local government units with a monthly income between P10,000.00 to P19,999.00 ($200 to less than $400); the majority of the respondents are good taxpayers and reminders through devices such as cellular phones have a big role in reminding the taxpayers regarding their obligations in paying taxes; the process of updating taxes, time and mode of payments and length of processing time were the most common experiences encountered by the taxpayers. In addition, the procedures in tax-paying have a moderate impact in the collections of payments that needs to be addressed by the Bureau of Internal Revenue units; the high amount of the real tax revenue, penalties, excessive collections, and increasing taxes were the most common problems encountered by the taxpayers; the respondents are in favor of paying the taxes semi-annually followed by paying the taxes annually. Thus paying taxes semi-annually is much better for those respondents in rural areas like Talavera, Nueva Ecija. Paying on time is the most effective way to come up with the best real tax property payment followed by paying in advance. Likewise, there should also a continuing awareness and education about the income tax returns collections and participation and collaborations of the church and local government in revenue collections as social and moral obligations of responsible Filipino citizens must be strengthened. Additionally, the Bureau of Internal Revenue offices through their officers must utilize and prepare more attractive media and local advertisements to encourage all citizens in paying their taxes regularly. Lastly, proper preservation of documents and records keeping by utilizing a computerized management information system (MIS) must be employed to avoid missing records of the taxpayers. Also, there should also be a system that has a built-in feature that ensures a safe internet [15] taxpayers collection.

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