

Original Article

Government Support Mechanisms, Taxpayers' Compliance and Satisfaction Among Small and Medium Enterprises

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Abstract. The research examined how Government Support Mechanisms (GSM), Taxpayers' Satisfaction (TPS), and Taxpayers' Compliance (TPC) interact among Small and Medium Enterprises (SMEs) in Iloilo City. The researcher collected data from 300 SME owners and managers using a structured research instrument with a descriptive-correlational research design. The business profile includes years of operations, industry type, and enterprise type. The study results showed that GSM received Highly Effective ratings from participants who reported Digital Infrastructure as the most important aspect. TPS received a rating of Highly Satisfied, with a mean value of 3.21, while TPC showed High results, with a mean value of 3.04. Data analysis using Multiple Regression and Mediation Analysis detected no direct links between the studied variables. The researcher observed a major negative suppression effect when testing TPS as a mediator. The GSM demonstrated a strong capacity to generate compliance through its direct relationships, which produced a positive effect with a beta value of 0.2531 and a p-value below 0.001. However, this relationship remained concealed because satisfaction levels changed. The results demonstrate Competitive Mediation, as satisfaction serves as an intervening variable that must be controlled to reveal how government support affects the system's core functions. The study shows that the Bureau of Internal Revenue (BIR) successfully operates its digital-first system, enabling it to meet compliance requirements. The system's actual compliance level depends on two factors: the "Power of Authority" and system usability, rather than on emotional satisfaction. The study recommends three actions: server optimization during high-demand times, implementation of standardized administrative processes, and development of simpler reporting methods for small businesses.

Keywords: *Compliance; Government support mechanisms; Satisfaction; SMEs; Taxpayers.*

Small and Medium Enterprises (SMEs) are the global drivers of economic development, but they face significant challenges in meeting tax compliance requirements. The transition from traditional "command and control" enforcement methods to a "service-oriented" approach has become the main focus of fiscal policies across different jurisdictions. This transition emphasizes that voluntary compliance is more sustainable than forced compliance. According to the "Slippery Slope Framework," tax compliance is a product of two

dimensions: the power of authorities and the trust in authorities (Kirchler et al., 2008). In this context, government support mechanisms are viewed as tools for building trust. When governments provide resources rather than just penalties, it reduces the "compliance cost"—the time and money SMEs spend to meet tax obligations—thereby increasing the likelihood of honest reporting. Small business owners who operate in international markets face a major hurdle due to complex tax systems that require less administrative work than larger businesses. Research by Alm et al. (2020) suggests that when tax administrations simplify procedures and provide external assistance through modern technology, they mitigate the psychological stress associated with tax filing. This worldwide trend demonstrates that taxpayer relationships with the state now function as collaborative partnerships.

In the Philippines, the tax landscape has undergone a significant transformation through the Comprehensive Tax Reform Program (CTRP) and the recent Ease of Paying Taxes (EOPT) Act. The Bureau of Internal Revenue (BIR) has pivoted to service excellence through digital tax process improvements, helping create better conditions for businesses. The digital infrastructure system secures filing process efficiency, yet it demands users to have specific technology skills and system knowledge, which most micro-enterprises currently lack. The government's efforts to provide training and awareness programs are designed to bridge this gap, yet national data suggest that compliance remains uneven. The research by Mas'ud et al. (2019) shows that businesses assess their tax obligations based on the efficiency of tax administration systems and the availability of government tax incentives. SMEs' assessment of the tax system depends on two factors: their taxpayer classification system and their ability to handle changes in tax reporting requirements. Alshira'h et al. (2020) emphasize that government support truly improves compliance only when it effectively enhances taxpayers' knowledge and operational ease.

A critical theoretical gap exists in understanding how support actually translates into behavior. It is not enough for support mechanisms to exist; they must be perceived as effective and fair by the taxpayer. This is where taxpayers' satisfaction acts as a crucial mediating variable. Satisfaction in a tax context is the taxpayer's positive evaluation of their interaction with the authority. The Social Exchange Theory explains that taxpayers who perceive high-quality government services will feel compelled to fulfill their tax obligations (Inasius, 2019). A high level of satisfaction establishes a stronger "psychological contract" between citizens and the state. The satisfaction of SME owners decreases when they encounter difficulties with digital portals or find training programs inadequate to their needs, resulting in non-compliance even when the government intends to maintain compliance. The internal process of satisfaction establishes an active link between external support systems and administrative backing, leading to successful compliance outcomes. Tax authorities seeking to establish long-term voluntary compliance must assess taxpayer satisfaction, as their current infrastructure investments create annoying systems that taxpayers cannot use.

The existing research base includes a wide range of studies on tax compliance, yet no studies have examined how satisfaction affects Filipino citizens' ability to access local government services. The research investigates the real-world situation affecting SMEs in Iloilo City. The research investigates how digital infrastructure, training programs, and system usability interact to create a tax administration model tailored to the local area. The research will assess whether increasing taxpayer satisfaction is the essential factor in transforming government assistance into improved compliance rates among Ilonggo small and medium-sized enterprises.

Methodology

Research Design

The study employed a quantitative research design, using both descriptive and correlational methods, to examine how government support mechanisms influence taxpayer satisfaction and tax compliance among SMEs in Iloilo City. The descriptive component provided a systematic and accurate portrayal of current conditions across key variables, including Government Support Mechanisms (covering digital infrastructure, training, and administrative support), Taxpayers' Satisfaction, and Taxpayers' Compliance regarding adaptation, classification, and system usability. Meanwhile, the correlational approach was used to test the study's three primary hypotheses: whether Government Support, as an independent variable, significantly affects Taxpayer Compliance, the dependent variable, and whether Taxpayer Satisfaction serves as a mediating variable influencing this relationship. Through statistical tools such as regression analysis, the study extended beyond mere description to explain how variations in support—such as the "regularity of training programs"—are associated with variations in "adaptation to tax reporting" among SME owners. Furthermore, mediation analysis was incorporated to assess whether the relationship between government support and compliance occurs independently or is influenced by taxpayer satisfaction acting as a filtering element. This approach tested the

conceptual framework by evaluating whether the BIR's digital and administrative operations in Iloilo City effectively meet compliance standards through enhanced taxpayer services, while ensuring that the quantitative framework produces objective, generalizable results and identifies service areas requiring policy improvement.

Research Locale

The study was conducted in Iloilo City, a highly urbanized center in Western Visayas, Philippines, recognized as the province's primary economic hub and an ideal setting for examining how government support influences tax compliance among small and medium-sized enterprises (SMEs). The Iloilo City Government reports that the city remains one of the most business-friendly local government units in the country, with rapid growth in business registrations since 2024 (Iloilo City Government, 2024). The MSME sector drives much of this economic activity, representing the majority of business operations. This environment allows researcher to investigate enterprises transitioning into digital economic systems regulated by the Bureau of Internal Revenue (BIR), particularly under Revenue Region No. 11, which oversees tax operations across the city.

Supporting this context, the National Economic and Development Authority (NEDA) Region VI (2023) identifies Iloilo City as a key contributor to the regional Gross Regional Domestic Product (GRDP), largely through its wholesale and retail trade sector dominated by SMEs. Its designation as a Smart City further makes it suitable for assessing digital infrastructure and system usability, which are central to this research. The presence of seven districts with active SMEs enables a comprehensive examination of taxpayer experiences with BIR support and regional training programs. Additionally, the Department of Trade and Industry (DTI) - Iloilo highlights the availability of business resource centers and industry hubs that facilitate the dissemination of tax information and access to training programs (DTI, 2023). This geographic and institutional concentration ensures that respondents are well-positioned to engage with government initiatives, allowing the study to gather relevant insights from SMEs actively participating in national efforts to streamline tax compliance in the Visayas region (Rising Iloilo, 2019).

Research Participants

The research participants are key economic stakeholders in Iloilo City—specifically, owners, managers, and finance officers of small and medium-sized enterprises (SMEs)—who are directly involved in business operations and in compliance with tax regulations. These individuals were selected for their active roles in managing financial decisions, using eBIRForms, and engaging with administrative helpdesks within government support systems. By including both business owners and finance personnel, the study captures institutional memory. It provides a comprehensive assessment of Taxpayer Satisfaction, combining strategic perspectives from owners with the technical experiences of staff responsible for tax processing. The study used simple random sampling to ensure that all members of the target population of small and medium-sized enterprises (SMEs) in Iloilo City had an equal chance of selection, thereby minimizing selection bias and enhancing the generalizability of the findings. Based on official records, there were 1,350 registered SMEs (LEDIP, 2024), from which a sample of 300 participants was selected.

Research Instrument

The study utilized a self-constructed survey questionnaire as its primary data collection instrument to assess SME experiences in Iloilo City regarding government support mechanisms, taxpayer satisfaction, and tax compliance. The instrument consisted of four parts: (1) Business Profile; (2) Government Support Mechanisms, composed of 30 items covering digital infrastructure, training and awareness programs, and administrative support, and grounded in frameworks such as the DeLone and McLean (2003) Information System Success Model, Setyawan (2024), Sarjito (2024), Veiga et al. (2016), Al-Kamal et al. (2025), Assegaf and Andesto (2023), Schmidt and Karsten (2006), Parasuraman et al. (1988), Feld and Frey (2007), Alm and Torgler (2011), Slemrod and Yitzhaki (2002), and Tyler (1990); (3) Taxpayers' Satisfaction anchored on Expectancy Disconfirmation Theory (Oliver, 1980), as well as DeLone and McLean (2003), Alghamdi and Rahim (2016), Carey and Forsyth (2009), Parasuraman et al. (1988), and Tyler (1990); and (4) Taxpayers' Compliance assessing adaptation to tax reporting, taxpayer classification, and system usability, guided by frameworks such as the EOPT Act (RA 11976), RR No. 8-2024, Slemrod and Yitzhaki (2002), Alm (2012), Shapiro and Borie-Holtz (2020), Manghani (2011), SAP Concur Team (2025), DeLone and McLean (2003), Venkatesh et al. (2003), and Antosz et al. (2022).

The instrument underwent rigorous content validation and reliability testing to ensure accuracy and consistency. Content validity was established through expert evaluation by a panel of four taxation specialists, including

professors and practitioners, who confirmed alignment with academic standards and real-world tax practices. Confirmatory Factor Analysis (CFA) was conducted to evaluate the measurement model's validity and model fit, revealing statistically significant path coefficients ($p < .001$) but moderate fit indices, including a Comparative Fit Index (CFI) of 0.870 and a Relative Chi-square (X^2/df) of 3.62, indicating an acceptable yet not optimal model fit.

Data Gathering Procedure

The data-gathering process followed a systematic, ethical approach to ensure the integrity and reliability of the information collected from SME participants in Iloilo City. The procedure began with the acquisition of the official list of 1,350 registered SMEs from the Iloilo City Government's Local Economic Development and Investment Promotions (LEDIP) Office as of 2024. Upon securing the necessary ethical approvals and a formal transmission letter, the researcher administered the validated and reliability-tested questionnaire to selected owners, managers, and finance officers using a combination of online distribution and face-to-face visits to maximize response rates. Participants were first informed of the study's objectives and their rights, after which they provided consent through signed informed consent forms.

Data Analysis Procedure

The study employed a range of statistical techniques to ensure accurate and meaningful analysis of the collected data, including descriptive statistics, correlation analysis, and regression analysis with mediation to address the research questions. Frequency counts and percentages were used to describe the business profile of SMEs by years of operation, industry type, and enterprise classification, providing a clear summary of the sample distribution across these categories. To assess the levels of government support mechanisms (digital infrastructure, training, and administrative support), taxpayer satisfaction, and taxpayer compliance (adaptation, classification, and usability), the study utilized mean and standard deviation, where the weighted mean captured the average perceptions of respondents and the standard deviation measured response consistency. These results were interpreted using a Likert scale with predefined ranges to provide a qualitative description of each variable's performance.

Ethical Considerations

An informed consent form will be used to ensure that all participants fully understand the purpose, procedures, risks, and benefits of the study before agreeing to take part. The consent form will provide a clear explanation of the research objectives, the voluntary nature of participation, and the measures taken to protect confidentiality and privacy. It will outline the eligibility criteria, duration of participation, and any potential risks associated with the study.

Results and Discussion

Business Profile of Small and Medium Enterprises (SMEs)

Table 1 shows the business profiles of SMEs by years in operation, enterprise type, and industry sector.

Table 1. Business Profile of SMEs		
	Frequency	Percentage (%)
Years in Operations		
3-10 years	67	22.30
11-20 years	179	59.70
21-30 years	22	7.30
31-40 years	8	2.70
41-50 years	8	2.70
51-60 years	5	1.70
61 years and above	11	3.70
Type of Enterprise		
Small Enterprise	255	85.00
Medium Enterprise	45	15.00
Type of Industry Sector		
Retail	39	13.00
Food Services	13	4.30
Manufacturing	7	2.30
Professional Services	26	8.70
Technology-based Business	8	2.70
Other Services/Industries	207	69.00
Total	300	100.00

In terms of business profile, the data indicate that most participating SMEs in the study have operated for extended periods, with 59.7% belonging to enterprises that have been in operation for 11 to 20 years, while 22.3% (67 businesses) have operated for 3 to 10 years. Regarding enterprise type, Small Enterprises dominate the sample, comprising 85% of the total respondents, whereas Medium Enterprises account for the remaining 15%. By industry sector, the distribution shows varying levels of concentration, with the majority of respondents (69%) classified under Other Services/Industries, while Retail and Professional Services collectively represent 21% of the sample.

The sample also includes a smaller proportion of businesses that have operated for more than 21 years, including some exceeding 61 years, indicating that respondents possess substantial longitudinal experience with the Philippine tax system; this long-term exposure strengthens the credibility of their assessment of recent reforms, particularly their transition to the EOPT Act, as it is grounded in years of traditional compliance practices. The composition further reflects the typical economic structure of Iloilo City, where small enterprises form the backbone of local commerce, comprising the majority of the sample and operating with fewer administrative resources than medium enterprises, thereby making government support—especially BIR digital infrastructure and training programs—critical to their operations. Moreover, the SME sector’s broad representation across industries, including service providers, local trading firms, Food Services, Technology-based businesses, and Manufacturing, ensures that the study captures diverse compliance perspectives and demonstrates how the tax system affects various segments of the local economy.

Government Support Mechanism

Digital Infrastructure

Table 2 presents descriptive statistics for Digital Infrastructure (DI), a key element of the government's tax support systems.

Table 2. *Digital Infrastructure (DI)*

	Indicators	Mean	SD	Interpretation
1	The BIR's online tax filing system is consistently available and accessible to SMEs.	3.39	0.50	Highly Effective
2	The BIR online filing system's interface is designed to be easy to navigate for SME owners.	3.48	0.51	Highly Effective
3	The online payment system for tax obligations functions reliably without frequent downtime.	3.48	0.59	Highly Effective
4	The online payment system offers multiple payment channels that are convenient for SMEs.	3.59	0.49	Very Highly Effective
5	The BIR provides downloadable digital resources and specific forms (e.g., Offline eBIRForms Package) that are updated with the latest system versions for online tax filing.	3.54	0.56	Very Highly Effective
6	The BIR provides updated digital guides and payment-related resources that reflect the current system versions for various online payment channels.	3.51	0.51	Very Highly Effective
7	The BIR utilizes cybersecurity protocols to protect taxpayer data transmitted via online tax filing platforms (e.g., eBIRForms).	3.50	0.54	Very Highly Effective
8	The BIR uses cybersecurity protocols to protect financial data across integrated online payment channels.	3.48	0.51	Highly Effective
	Composite Mean	3.50	0.53	Very Highly Effective

The composite mean for digital infrastructure among SMEs in Iloilo City is 3.50 ($SD = 0.53$), interpreted as Very Highly Effective, indicating strong technological support for tax compliance. The highest-rated indicator was the availability of multiple convenient payment channels (mean = 3.59, $SD = 0.49$), followed by updated downloadable digital resources (mean = 3.54, $SD = 0.56$). In contrast, easy interface navigation, reliable payment systems, and cybersecurity for financial data each achieved a mean of 3.48. The lowest-rated item, consistent system availability and accessibility, still scored highly at 3.39 ($SD = 0.50$). Overall, seven of the eight indicators met the Very Highly Effective standard, demonstrating SMEs’ confidence in the security and usability of the BIR’s online tax platform. Although minor technical interruptions occur, the system effectively supports tax compliance modernization, aligning with Yilmaz and Coolidge’s (2013) assertion that electronic systems require both technical stability and server uptime to perform optimally during peak usage periods.

Training and Awareness Programs

Table 3 displays the descriptive statistics for Training and Awareness Programs (TAP), which functions as a measurement of government support for the tax system.

Table 3. Training and Awareness Programs (TAP)

	Indicators	Mean	SD	Interpretation
1	The BIR conducts regular training programs (e.g., webinars, seminars, or forums) specifically for SMEs.	3.23	0.49	Highly Effective
2	The BIR ensures the timely dissemination of information regarding new tax reforms and compliance requirements.	3.36	0.50	Highly Effective
3	The BIR provides tax education materials that demonstrate the practical application of tax laws to SME business operations.	3.36	0.56	Highly Effective
4	The BIR provides clear and comprehensive guidelines on tax processes and procedures for SME taxpayers.	3.41	0.55	Highly Effective
5	The BIR's training programs provide specific technical instructions for fulfilling SME tax compliance obligations.	3.42	0.58	Highly Effective
6	The BIR's awareness campaigns include detailed explanations on how to avoid common filing mistakes and penalties.	3.39	0.55	Highly Effective
	Composite Mean	3.36	0.54	Highly Effective

The composite mean for training and awareness programs is 3.36 ($SD = 0.54$), which is interpreted as Highly Effective, indicating positive reception among SMEs in Iloilo City. Among the six indicators, training programs with specific technical instructions for compliance received the highest rating (mean = 3.42, $SD = 0.58$), followed closely by guidelines on tax processes and procedures (mean = 3.41, $SD = 0.55$). In contrast, the timely dissemination of information and tax education materials both received a score of 3.36. The lowest-rated item, regular SME-focused training programs such as webinars, seminars, or forums, still achieved a mean of 3.23 ($SD = 0.49$). Overall, all items in this dimension confirm that BIR's educational initiatives effectively support SMEs in acquiring the knowledge necessary for tax compliance, demonstrating the importance of continuous education, as emphasized by Loo et al. (2010), because administrative reforms cannot be fully addressed through a single training session.

Administrative Support

Table 4 displays the basic statistics for Administrative Support (AS), which represents a governmental support aspect of the tax system.

Table 4. Administrative Support (AS)

	Indicators	Mean	SD	Interpretation
1	BIR personnel provide direct assistance to SMEs to help them navigate complex tax registration and filing procedures.	2.57	0.91	Highly Effective
2	BIR frontline staff provide personalized assistance to SMEs regarding specific tax-related inquiries.	2.62	0.82	Highly Effective
3	The BIR provides timely responses to SMEs when resolving tax-related disputes or issues.	2.66	0.92	Highly Effective
4	The BIR maintains accessible communication channels (e.g., helpdesk, email, or hotlines) for SME inquiries.	2.72	0.96	Highly Effective
5	BIR personnel provide corrective guidance to help SMEs comply with regulations before penalties are imposed.	2.72	0.92	Highly Effective
6	BIR employees demonstrate technical competence when addressing the unique administrative concerns of SME taxpayers	3.00	0.78	Highly Effective
	Composite Mean	2.72	0.89	Highly Effective

The administrative support dimension yielded a composite mean of 2.72 ($SD = 0.89$), interpreted as Highly Effective, indicating generally positive but varied experiences among SME respondents. Among the six indicators, the technical competence of employees received the highest rating (mean = 3.00, $SD = 0.78$), while accessible communication channels and corrective guidance to avoid penalties both recorded a mean of 2.72. Direct assistance in system navigation received a mean of 2.57 ($SD = 0.91$), and personalized assistance followed closely at 2.62, with all items remaining within the Highly Effective range, despite higher standard deviations than other dimensions, reflecting diverse user experiences. While digital systems were rated Very Highly Effective, challenges arise in accessing tailored assistance because their reliance on automation reduces human interaction. This supports Alm et al. (2010), who emphasized the need for maintaining face-to-face support for complex taxpayer concerns. Furthermore, the variability in responses ($SD = 0.78$ – 0.96) highlights the inconsistent nature of administrative support, aligning with Feld and Frey (2002), who argued that perceived accessibility and fairness in support services shape the psychological tax contract and influence voluntary compliance. Overall, the findings suggest that while personnel demonstrate adequate technical competence, administrative support services require greater standardization to match the efficiency of digital infrastructure.

Government Support Mechanisms as a Whole

Table 5 presents descriptive statistics on the government support mechanisms that SMEs in Iloilo City perceive as available.

Table 5. *Government Support Mechanism as a Whole*

Indicators	Mean	SD	Interpretation
Digital Infrastructure	3.50	0.53	Very Highly Effective
Training and Awareness Programs	3.36	0.54	Highly Effective
Administrative Support	2.72	0.89	Highly Effective
Total	3.19		Highly Effective

The data indicate an overall mean of 3.19, interpreted as Highly Effective, reflecting positive SME perceptions of government support mechanisms in Iloilo City. Among the dimensions, digital infrastructure achieved the highest rating (mean = 3.50, $SD = 0.53$), classified as Very Highly Effective, followed by training and awareness programs (mean = 3.36, $SD = 0.54$) and administrative support, which, despite a lower mean of 2.72 ($SD = 0.89$), remained Highly Effective. These results suggest that online filing and payment systems have significantly reduced compliance friction compared to traditional manual processes. This aligns with Bird (2014), who emphasized that digital modernization is crucial for limiting the shadow economy and enhancing voluntary compliance, and with Alm and Duncan (2014), who found that technical reliability and user-friendly design lower psychological barriers to tax payments. Overall, SMEs in Iloilo City perceive the digital tax system as a facilitator of business efficiency rather than a burden, highlighting the need for the BIR to complement technical improvements with enhanced administrative “soft skills” and faster response times to fully realize the objectives of the EOPT Act.

Taxpayers’ Satisfaction with Government Support Mechanism

Table 6 presents descriptive statistics on taxpayers' satisfaction (TPS) with government support mechanisms.

Table 6. *Taxpayers’ Satisfaction (TPS)*

	Indicators	Mean	SD	Interpretation
1	I am satisfied with the technical reliability of the BIR online tax filing system.	3.19	0.47	Highly Satisfied (Good)
2	I am satisfied with the ease of navigation within the government's digital tax platforms.	3.22	0.48	Highly Satisfied (Good)
3	I am satisfied with the security protocols used to protect my SME's financial data.	3.37	0.51	Highly Satisfied (Good)
4	I am satisfied with the overall performance of the BIR's digital tax infrastructure.	3.38	0.54	Highly Satisfied (Good)
5	I am satisfied with the speed of the technical support provided for digital system issues.	3.25	0.71	Highly Satisfied (Good)
6	I am satisfied with the practical relevance of the BIR training materials to my business.	3.32	0.55	Highly Satisfied (Good)
7	I am satisfied with how BIR awareness programs have increased my confidence in tax compliance.	3.33	0.56	Highly Satisfied (Good)
8	I am satisfied with the promptness of communication regarding new tax reforms.	3.28	0.57	Highly Satisfied (Good)
9	I am satisfied with the depth of understanding I gained from BIR educational programs.	3.30	0.58	Highly Satisfied (Good)
10	The BIR's awareness programs have met my expectations regarding tax compliance assistance.	3.30	0.57	Highly Satisfied (Good)
11	I am satisfied with the professionalism demonstrated by the BIR staff during business transactions	3.05	0.76	Highly Satisfied (Good)
12	I am satisfied with the BIR staff's reliability in resolving my tax-related issues.	3.01	0.78	Highly Satisfied (Good)
13	I am satisfied with the fairness with which the BIR applies tax rules to SME.	3.00	0.77	Highly Satisfied (Good)
14	I am satisfied with the BIR's efficiency in responding to my administrative inquiries.	3.09	0.73	Highly Satisfied (Good)
15	I am satisfied with the channels provided by the BIR for SMEs to submit feedback or complaints.	3.08	0.68	Highly Satisfied (Good)
	Composite Mean	3.21	0.63	Highly Satisfied (Good)

The taxpayers’ satisfaction dimension yielded a composite mean of 3.21 ($SD = 0.63$), interpreted as Highly Satisfied (Good), reflecting generally positive SME perceptions of the BIR’s services. Among the 15 indicators, the highest ratings were given to digital tax infrastructure (mean = 3.38, $SD = 0.54$) and security protocols protecting financial data (mean = 3.37), while training and awareness programs for compliance confidence and practical relevance scored highly at 3.33 and 3.32, respectively. The lowest-rated items pertained to administrative interactions and institutional fairness, with fairness in applying tax rules scoring 3.00 ($SD = 0.77$), reliability of staff in resolving issues 3.01, and staff professionalism 3.05, reflecting a wider range of opinions ($SD = 0.73$ – 0.78). These findings suggest that while digital support is highly effective, human and procedural aspects require greater emphasis on

equity and responsiveness, as satisfaction is a key driver of voluntary compliance (Kirchler et al., 2011), highlighting the need to strengthen perceptions of fairness to encourage cooperation beyond enforced compliance.

Taxpayers' Compliance

Adaptation to Tax Reporting

Table 7 presents all descriptive statistics on adaptation to tax reporting (ATR), which serves as a measure of taxpayer compliance.

Table 7. Adaptation to Tax Reporting (ATP)

	Indicators	Mean	SD	Interpretation
1	My business finds the new tax reporting requirements (e.g., VAT, business registration, and electronic payment processes) difficult to comprehend and implement.	3.21	0.41	High Compliance (Good)
2	My business has successfully updated its internal accounting processes to align with current tax reporting rules.	2.97	0.60	High Compliance (Good)
3	The documentation required for new tax reporting is excessively burdensome for my SME to manage.	2.84	0.65	High Compliance (Good)
4	Unclear reporting guidelines frequently cause my business to make errors in tax submissions.	2.83	0.75	High Compliance (Good)
5	My business is proactive in adopting new tax reporting standards as soon as the BIR releases them.	3.17	0.48	High Compliance (Good)
	Composite Mean	3.00	0.59	High Compliance (Good)

The taxpayers' compliance dimension yielded a composite mean of 3.00 ($SD = 0.59$), interpreted as High Compliance (Good), indicating that SMEs in Iloilo City generally adhere well to national tax regulations. Among the five indicators, comprehension of reporting requirements scored the highest (mean = 3.21, $SD = 0.41$), followed by proactiveness in adopting new standards (mean = 3.17, $SD = 0.48$). In contrast, errors due to unclear guidelines (mean = 2.83, $SD = 0.75$) and burdensome documentation (mean = 2.84, $SD = 0.65$) were the lowest-rated items, reflecting variability in administrative experiences. These results suggest that business owners actively align their internal processes with tax rules, consistent with Ajzen's (1991) Theory of Planned Behavior, which posits that attitudes toward a behavior predict actual performance. Overall, SME compliance meets Good standards, but the BIR could enhance it to Excellent by simplifying documentation and providing precise reporting templates to reduce administrative burdens.

Taxpayer's Classification

Table 8 provides descriptive statistics for Taxpayer's Classification (TC), an essential measure of taxpayer compliance.

Table 8. Taxpayer's Classification (TC)

	Indicators	Mean	SD	Interpretation
1	Determining the correct BIR tax classification is confusing for my business.	3.20	0.40	High Compliance (Good)
2	My business accurately fulfills the specific filing obligations required for its registered taxpayer classification.	2.99	0.52	High Compliance (Good)
3	My business finds it difficult to monitor the specific thresholds (e.g., gross sales) that would require a change in our tax classification.	3.18	0.39	High Compliance (Good)
4	The overall classification system is so complicated that my business requires external experts to ensure we are not misclassified.	2.77	0.71	High Compliance (Good)
5	My business has not incurred any BIR penalties resulting from incorrect taxpayer classification or status reporting.	3.05	0.52	High Compliance (Good)
	Composite Mean	3.04	0.52	High Compliance (Good)

The taxpayers' classification dimension yielded a composite mean of 3.04 ($SD = 0.52$), interpreted as High Compliance (Good), indicating that SMEs in Iloilo City generally navigate the BIR classification system effectively. Among the five indicators, correctly determining tax classification scored highest (mean = 3.20, $SD = 0.40$), followed by monitoring thresholds for classification changes (mean = 3.18, $SD = 0.39$). At the same time, the absence of penalties for incorrect classification also showed strong performance (mean = 3.05). The lowest-rated items were reliance on external experts due to complexity (mean = 2.72, $SD = 0.71$) and accurate fulfillment of specific filing obligations (mean = 2.99), reflecting variability in handling classification challenges. These results suggest that SMEs can self-assess their tax status in line with Braithwaite's (2003) concept of self-regulation, building trust in tax authorities as they manage their obligations without major penalties (Murphy, 2004). However, simplifying procedural requirements could further reduce dependence on experts while sustaining

compliance levels.

System Usability

Table 9 presents descriptive statistics for System Usability (SU), the final dimension of taxpayer compliance.

Table 9. *Taxpayer's Classification (TC)*

	Indicators	Mean	SD	Interpretation
1	The BIR e-filing system is cumbersome to navigate, which causes delays in my business's timely tax submissions.	3.21	0.41	High Compliance (Good)
2	Frequent technical glitches or system bugs prevent my business from completing its tax filings on the first attempt.	2.67	0.66	High Compliance (Good)
3	My business consistently utilizes the digital tax platform for all required compliance activities without reverting to manual methods.	3.10	0.49	High Compliance (Good)
4	The logical design of the digital tax platform enables my business to calculate and report its tax obligations accurately.	3.13	0.47	High Compliance (Good)
5	Technical system errors have forced my business to amend previously submitted tax filings.	3.20	0.40	High Compliance (Good)
	Composite Mean	3.06	0.50	High Compliance (Good)

The system usability dimension achieved a composite mean of 3.06 ($SD = 0.50$), interpreted as High Compliance (Good), indicating that SMEs in Iloilo City generally use the digital tax platform effectively. Among the five indicators, ease of navigation for timely submission scored highest (mean = 3.21, $SD = 0.41$), followed closely by avoidance of amendments due to system errors (mean = 3.20, $SD = 0.40$). At the same time, logical design for accurate calculation and consistent digital utilization also showed strong results (means = 3.13 and 3.10). The lowest-rated item was technical glitches preventing first-attempt filing (mean = 2.67, $SD = 0.66$), highlighting that system errors are the main source of variable user experiences. These findings suggest that SMEs' platform usage relies heavily on technical performance, as "perceived ease of use" directly influences user behavior and performance per the Technology Acceptance Model (Davis, 1989). Despite occasional glitches, the platform's logical design and digital-first features enable SMEs to fulfill tax obligations efficiently, though improving back-end stability and resolving system bugs would further enhance user experience and operational reliability.

Taxpayers' Compliance as a Whole

The study measured SMEs' compliance (TC) in Iloilo City using Table 10, which presents descriptive statistics.

Table 10. *Taxpayers' Compliance as a Whole*

	Indicators	Mean	SD	Interpretation
	Adaptation to Tax Reporting	3.00	0.59	High Compliance (Good)
	Taxpayer's Classification	3.04	0.52	High Compliance (Good)
	System Usability	3.06	0.50	High Compliance (Good)
	Total	3.04		High Compliance (Good)

The overall compliance of SMEs in Iloilo City achieved a composite mean of 3.04, interpreted as High Compliance (Good), with system usability attaining the highest mean (3.06, $SD = 0.50$), followed by Taxpayer's Classification (3.04, $SD = 0.52$), and adaptation to tax reporting scoring the lowest (3.00, $SD = 0.59$). The low standard deviations across all dimensions indicate that SMEs maintained similar compliance levels, reflecting a strong tax compliance culture. The high score for system usability suggests that when digital tools function reliably and are easy to operate, SMEs are more likely to meet their tax responsibilities, consistent with the Technology Acceptance Model (Davis, 1989), as usability reduces psychological and administrative barriers. Despite technical tools being effective, SMEs face greater challenges adapting to new reporting systems and changing requirements, highlighting "compliance complexity" that may lead to unintentional errors (Devos, 2014). According to the Slippery Slope Framework (Kirchler et al., 2008), compliance is influenced by both the power of tax authorities and the trust taxpayers place in the system; SMEs demonstrate understanding of classification and reporting rules, but simplifying reporting requirements could further elevate compliance from "Good" to "Excellent," given the already high usability of digital platforms.

Relationship Between Government Support Mechanisms (GSM) and Taxpayers' Compliance

The results of the regression analysis examining the relationship between government support mechanisms (GSM) and taxpayers' compliance are presented in Table 11.

Table 11. *Relationship Between Government Support Mechanisms and Taxpayers' Compliance*

Predictor	Estimate	SE	t	p	Interpretation
Government Support Mechanism	0.09	0.05	1.62	.106	Not Significant

The statistical analysis indicates that government support mechanisms have a beta coefficient of 0.088 (SE = 0.05), with a t-statistic of 1.62 and a p-value of 0.106, which is not significant at the $p < .05$ level. The model intercept of 2.91 is statistically significant ($p < .001$), indicating a baseline compliance level independent of support mechanisms. These results show that, despite the "Highly Effective" ratings of digital infrastructure, training, and administrative support, such mechanisms do not significantly influence SME compliance in Iloilo City. This aligns with the Slippery Slope Framework (Kirchler et al., 2008), which emphasizes that compliance is driven more by perceptions of authority, power, and trust rather than service-based support. Alm et al. (2010) similarly note that administrative convenience improves procedural ease but does not automatically increase reporting or payment unless underlying tax morale issues are addressed.

The lack of significance is further explained by the "administrative burden paradox" (Mulatsih et al., 2024), whereby complex tax laws limit the effectiveness of support mechanisms, leaving a gap between available assistance and actual compliance. Digital infrastructure alone cannot help SMEs fully understand tax law, a challenge documented in developing economies (Inasius, 2019). The significant intercept suggests that baseline compliance is maintained through institutional trust and civic duty, as taxpayers with high trust feel a reciprocal obligation to comply (Torgler, 2007). For government support to meaningfully drive compliance, it must influence internal states such as taxpayer satisfaction or perceived fairness; otherwise, support is perceived as an external requirement rather than a business benefit, limiting its impact (Bird, 2014).

Relationship Between Taxpayers' Satisfaction and Taxpayers' Compliance

As shown in Table 12, the regression results assess the relationship between Taxpayers' Satisfaction (TPS) and Taxpayers' Compliance (TC).

Table 12. *Relationship Between Taxpayers' Satisfaction and Taxpayers' Compliance*

Predictor	Estimate	SE	t	p	Interpretation
Taxpayer's Satisfaction	-0.07	0.04	-1.49	.136	Not Significant

The statistical output shows that Taxpayers' Satisfaction has a beta coefficient of -0.07 (SE = 0.04), with a t-statistic of -1.49 and a p-value of 0.14, which is not significant at the $p < 0.05$ level. The model intercept of 3.40 remains statistically significant ($p < .001$), indicating a baseline compliance level independent of satisfaction. This indicates that, in SMEs in Iloilo City, higher satisfaction with tax services does not translate into higher compliance, and the alternative hypothesis asserting a direct relationship between satisfaction and compliance is rejected. Compliance behavior appears to be driven more by institutional obligations and legal requirements than by emotional responses or service experiences, aligning with Kirchler (2008), who emphasizes that enforced compliance makes taxpayers prioritize authority power over personal satisfaction, and with the Deterrence Theory (Allingham & Sandmo, 1972), which holds that compliance depends on the likelihood of detection and penalties.

The significant intercept suggests that baseline compliance persists due to strong tax morale, where taxpayers feel a civic or regulatory duty to comply, independent of service satisfaction (Torgler, 2007; Batrancea et al., 2019). The Service-Compliance Paradox explains this lack of significance: higher service quality and satisfaction improve the administrative environment but do not affect SMEs that already comply with tax requirements or avoid taxes due to financial constraints (Alm et al., 2010). In developing economies, satisfaction only affects compliance when taxpayers perceive the system as fair both horizontally and vertically, a condition not uniformly experienced in Iloilo City. Therefore, while enhancing taxpayer satisfaction can build trust, it is not an effective compliance incentive without proper enforcement and a deeply rooted moral obligation.

Mediating Effect of Taxpayers' Satisfaction Between Government Support Mechanisms and Taxpayers' Compliance

In Table 13, the mediation analysis results indicate that Taxpayers' Satisfaction (TS) mediates the relationship between Government Support Mechanisms (GSM) and Taxpayers' Compliance (TC). The results reveal a significant indirect effect of -0.17 ($p < .001$), accounting for 39.50% of the model's total variance. In contrast, the direct effect of Government Support Mechanisms (GSM) on Compliance (Path C') becomes statistically significant at 0.25 ($p < .001$) when Taxpayer Satisfaction (TS) is included as a mediator, explaining 60.5% of the effect. The

total effect remains not significant ($0.09, p = .104$), indicating that the direct and indirect paths operate in opposite directions. This pattern demonstrates competitive mediation with a suppression effect, as TPS captures "noise" that previously obscured the direct connection between GSM and Compliance. The mediator's negative beta suggests that satisfaction introduces psychological or behavioral variance, complicating the observation of the positive influence of government support (Conger, 1974; Tzelgov & Henik, 1991; Paulhus et al., 2004; MacKinnon et al., 2000).

Table 13. *Mediating Effect of Taxpayers' Satisfaction Between Government Support Mechanisms and Taxpayers' Compliance*

Effect	Label	Estimate	SE	Z	p	% Mediation	Interpretation
Indirect	$a \times b$	-0.17	0.05	-3.43	< .001	39.50	Significant
Direct	c	0.25	0.07	3.57	< .001	60.50	Significant
Total	$c + a \times b$	0.09	0.05	1.63	.104	100.00	Not Significant

The mediation results support the alternative hypothesis that Taxpayer Satisfaction is a crucial link between Government Support and Compliance, operating through complex interactions. While GSM inherently promotes compliance through functional tools such as eBIRForms, the negative beta for TS indicates that emotional responses—frustration with tax rates, bureaucratic delays, or perceived burdens—can suppress the observable benefits of support. SMEs follow the system due to its technical reliability and logical design rather than personal satisfaction, consistent with Venkatesh and Davis (2000) and the Service-Compliance Paradox (Alm et al., 2010; Torgler, 2007). High satisfaction does not necessarily translate into willingness to pay, as demonstrated by quasi-voluntary compliance theory (Mauss, 1954; Levy, 1997), which shows that psychological perceptions interact with bureaucratic systems in non-linear ways, resulting in reduced predictive clarity (Conger, 1974).

These findings highlight the need for BIR to manage both the "power" of Government Support and the "human behavior" elements of satisfaction to optimize compliance outcomes. Employees' technical competence provides enforcement capacity, while communication and service satisfaction build trust (Kirchler et al., 2008). The suppression effect indicates that conflicting SME needs and regulatory requirements generate statistical noise, implying that additional variables—such as perceived tax fairness and economic pressure—should be incorporated for a fuller model. Ultimately, Taxpayer Satisfaction yields unpredictable outcomes that constrain GSM's effectiveness, suggesting that full compliance requires integrating support, satisfaction, and equity to implement the Psychological Tax Contract effectively (Feld & Frey, 2007).

Conclusion

The study concludes that the SMEs in Iloilo City are predominantly small enterprises operating for 11–20 years, reflecting a stable business profile that requires advanced, long-term technical support rather than just basic start-up assistance. Among government support mechanisms, digital infrastructure emerged as the most robust and highly effective pillar of the Bureau of Internal Revenue's (BIR) modernization efforts; consequently, the BIR may continue to prioritize high-speed server reliability and cybersecurity to maintain this technical trust. In terms of taxpayers' satisfaction, SME owners reported high satisfaction, particularly with the technical reliability and security protocols of the BIR's online platforms. The study also found that SMEs exhibit high levels of compliance, primarily due to their ability to navigate and use the digital tax system effectively. However, the relationship between government support mechanisms, taxpayers' satisfaction, and compliance is not a simple positive trend; instead, it is characterized by a Suppression Effect, indicating that the functional strength of support mechanisms drives compliance more effectively than the emotional satisfaction of the taxpayers. This suggests that tax administration policy may focus its resources on "frictionless" system functionality—such as pre-filled forms and automated filing—since the system's utility is a more powerful driver of revenue collection than public perception or taxpayer sentiment programs.

Contributions of Authors

The sole author was responsible for the entirety of this work. This includes the initial conceptualization and design of the research framework, the development of the methodology, and the performance of all data collection and formal analysis. The author conducted the investigation, managed all project administration, and wrote the original draft. Furthermore, the author performed all subsequent revisions, data visualization, and final proofreading and editing of the manuscript.

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Conflict of Interests

The author affirms no conflict of interest in the publication of this document.

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