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**EFFECTS OF TRAIN LAW TO MERCHANDISING BUSINESSES IN
TUGUEGARAO CITY**

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ABSTRACT

The sudden modification in the tax regulation in the Philippines led the individuals, economic experts, and businesses into mixed views. Thus, this paper determined particularly the effects of TRAIN Law to the merchandising businesses and their coping mechanisms to its adverse effects. Through the use of a qualitative research method, an interview was conducted to 31 participants of various merchandising businesses. The data gathered were analyzed using thematic analyses and supporting documents were obtained. Results show that most of the businesses had increased total purchases because of increase in unit purchase price. This is the main reason why businesses were forced to increase their selling prices and the effects are mixed since some experienced decrease in sales so they had to change strategy by offering discounts or increasing their advertising efforts. Tax expense was not directly affected by TRAIN Law since this is dependent on the sales and purchases of the businesses. Because of the online filing of taxes, some said that it is more difficult while some said it is easier.

Keywords: *TRAIN Law, taxation, adverse effects, merchandising business, sales, purchases, tax expenses*

INTRODUCTION

The sudden modification in the tax regulation in the Philippines led the individuals, economic experts, and businesses into mixed views. The Tax Reform for Acceleration and Inclusion (TRAIN) Act consists of revisions to the Philippine Tax Code. The main goals of TRAIN Law are to simplify the previous tax system, to create a more "just" taxation scheme, to improve the efficiency by which tax is collected and particularly to tackle issues of compliance. TRAIN law was enacted, without duly informing the public of its implications on take-home pay, prices of goods and services, and consumer spending patterns. Together with the increase of inflation rate, common goods such as rice, canned goods, and other merchandise are starting to have the increase in prices. Economic experts warn that TRAIN Law can deliver negative effects to economy.

Some tax reforms in other countries brought negative effects in their economy. In the United States, an increase in reported income represents a shift in taxable income then total tax revenue will fall. If so, efficiency has declined rather than increased (Gordon & Slemrod, 1998). In Denmark, tax reforms imposed in industry, do in fact tend to be regressive, and therefore have

undesirable distributional effects (Wier et. al., 2005). A well-designed tax policy has the potential to raise economic growth, but there are many stumbling blocks along the way and certainly no guarantee that all tax changes will improve economic performance (Gale & Samwick, 2014). Similarly, TRAIN law helped the individual from which income tax brackets have finally been adjusted, but it was accompanied by a surge in inflation.

In the business perspective last 2018, the sales performance of stores was highly productive. The products were affordable and saleable and the supply was enough for the demands of the consumers before the implementation of TRAIN Law. The sales performance of businesses and its productivity decreased due to the inflation rate caused by the new tax regulation. The products they sell are still affordable but there is a change in its pricing (Mangondato, Cabalida, Ibrahim & Mimbantas, 2019).

Few studies have been conducted to determine the effects of Train Law to businesses. With regard to these, the researchers determined the effects of TRAIN Law to the merchandising businesses in Tuguegarao City.

Research Objectives and Questions

The research aimed to determine the effects of TRAIN Law to the merchandising businesses in Tuguegarao City. Specifically, it aimed to answer the question:

1. What are the effects of TRAIN Law experienced by the merchandising businesses on its first year of implementation in terms of:
 - a. Sales and selling price
 - b. Purchases and purchase price
 - c. Tax expenses and filing of taxes

Significance of the Study

This study provides awareness to business owners on the effects of TRAIN Law on the operations of merchandising businesses and consequently determines some coping mechanisms that will help them with their decisions. It will also help the national government to look into the occurring effects of TRAIN Law to assess whether these occurring effects are in line with the goals of the implementation of the law. Moreover, it will benefit the businesses by providing data and information on what are the significant changes in the tax regulation and what are the effects to their tax cost and compliance due to the changes brought about by TRAIN Law. Lastly, it serves as a baseline study for continued future researches in presenting and determining data and information.

Literature Review

Conceptual Framework

In 2017, President Rodrigo Duterte, signed into law the Tax Reform for Acceleration and Inclusion (TRAIN) Act and took effect on January 1, 2018. The goal of the TRAIN Law is to make the Philippine tax system simpler, fairer and more efficient to promote investments, create jobs and reduce poverty. TRAIN consists of amendments to several provisions of the National Internal Revenue Code of 1997 on personal income taxation, passive income, estate tax, value-added tax (VAT) and excise tax (Rodriguez, 2018). Provision of TRAIN Law includes 8% optional deduction which were available to self-employed and professionals whose gross sales/receipt do not exceed the VAT threshold. The 8% option is in lieu of the graduated personal income tax and percentage tax (Manasan 2018). In the first quarter of 2018, both positive and negative outcomes have been observed. The economy saw the positive changes in tax revenues, government capital stock and an incremental growth in GDP. However as regards to the inflationary effects, the additional taxes had increased the inflation rates more than the projected calculations which caused much uproar and objections (Cororaton, Tiongco & Eloriaga, 2019). There have been petitions to suspend and amend the law, so as to safeguard particular sectors from soaring prices. With the different views and opinions about this tax reform, this study will investigate on the potential effects of this tax reform to the performances of businesses in the locale.

Taxation

The state as a sovereign person of public law is manifested by its functions in society. These functions must be maintained through public funds. The most important and reliable source of fund is tax. Simply, statehood will not work if there is no money in the budget. The reality of economic, social, political and moral are embedded in the notion of state (Morar, 2015). Therefore, fiscal policy's most important role in terms of growth is to ensure macroeconomic stability (Diokno, 2005). Administrative tax system is the financial skeletal system of the government. It serves as the backbone and fundamental key to attain economic stability. It must be observed and maintained in all levels and it cannot be dispensed. However, it is also important to sustain honesty, transparency and accountability in order to continuously preserve the trust and confidence of the people. The promotion of public interest over personal concentration must be the primary consideration in order to attain sustainability and development (Santiago, David, & Garcia, 2017). An important goal of a state's economic policy is to create an attractive place to do business and well-paying jobs for the future (Rider, 2006). Globalization has put additional pressure on tax systems so that they are attractive to foreign investors. Tax systems should foster economic growth through efficient

design that limits distortions and attracts foreign investment (Reside and Burns, 2016).

Tax Reform

Policy Makers have always been concerned about what to be done in improving the industrial competitiveness and economic growth of their country. They are normally concerned about the impact of capital flows on economic welfare and the constraints that mobility of capital may place on their ability to tax the income arising from capital (Devereux & Maffini, 2007), thus considering tax reform. Tax changes are equally important to the government and its people.

In the Philippines, VAT, CIT, and personal income tax (PIT), make up over two thirds of total tax revenues (Usui, 2011). In the last two decades prior TRAIN Law, the Philippines has undergone two major tax policy reforms- 1986 Tax Reform Program and the 1997 Comprehensive Tax Reform Program (CTRP). The pre-1986 tax system may be described as unresponsive to changes in economic growth, low yielding, heavily dependent on indirect taxes, and difficult to administer. To address the major weaknesses of the existing tax system, the 1986 tax reform program was designed such as it unified the dual tax schedules applicable to individual income on both compensation and profit income (Diokno, 2005).

After 1987, more tax policy changes had been legislated by the government; some of these were not consistent with the earlier reforms implemented under the 1986 Tax Policy Reform (Aldaba, 2000). On January 1, 1998, the substantial revision with passage of the Tax Reform Act of 1997 took effect. This is the tax system which the TRAIN Law- the current tax system under President Duterte's regime, replaced. The rate structure was reduced to 7 brackets. Personal and additional exemptions were increased even as the new structure allowed the deduction of premium payments for health and/or hospitalization insurance from gross income.

Based on the two previous reforms, there are lessons that should be learned in managing reforms. It should be presented as a critical component of a comprehensive public sector form program thus; it should be done at the start of an administration. The next reform must focus on simplifying tax administration, broadening tax base and improving the system's responsiveness to changes in economic activity (Diokno, 2005). Tax reform must be backed up with support from tax administration to educate taxpayer community about the changes in tax laws. Also, tax administration must be strong and the leadership must be stable in order for the reform to be complemented (Reside & Burns, 2016). A poorly executed tax system leads to low efficiency, high collection charges, waste of time for taxpayers

Accountancy, Business and Hospitality Research Bulletin and staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000).

Advantages and Disadvantages of Tax Reform

Tax reform of countries can either be a big step to success or big drawback. Whatever is the result of this change or no matter how much risk is attached to this change; there are still countries that chose to take these risks. There are a lot of factors that must be considered when it comes to proposing a tax reform. It can be its over-all effect on the economy or on the specific elements such as to the labor force and to businesses.

A study conducted by Bonghanoy (2019) found out that the increase in the taxes being imposed by the government raises more revenues to fund the different projects and programs under the Duterte administration. With this revenue collection on additional excise taxes on many commodities the people assessed that there was slight improvement on the necessary services and facilities provided by the government. Train Law had benefited the small businesses in the country too; because the VAT threshold had increased to 3 million from 1.9 million so those who were VAT registered prior to TRAIN law but didn't exceed the 3 million thresholds. It has an option to be taxed for 8% in lieu of the graduated income tax and percentage tax. It was a decrease in tax expense for those who enjoyed the benefit of this change. An international research say that transferring properties can also be affected in a way that it will allow a deduction for charitable bequest and this will encourage transferring properties in a legal way (Bakija, 2003). Concurrence to this, the TRAIN law had moderately decreased the expense of transferor and making the provisions on bequests and gifts more straightforward (Bonghanoy, 2019). Tax compliance can also be affected. It could make it more simplified and its implementation can be more controlled and well monitored (Milandeeep 2016). Based on the paper discussion of Manasan (2018), the substantial reduction in the average effective tax rate of self-employed and professionals is a positive development as this will likely improve their tax compliance. Through the TRAIN law income tax return paperwork for businesses has gone from 12 pages to four pages, making it more manageable for your business to meets its obligations to the government. In the study about the flat tax rate, the early response is an increase in revenue without associated cost increase which seems consistent with the real margin (Kopczuk, 2012). Small businesses viewed Goods and Service Tax System as a business friendly and customer friendly taxation. It increases profit even though there is a decrease in product price. It reduces cost of doing business (Joseph, 2018).

On the other side of it, potential negative effects are also awaiting to be revealed on the different stages of its implementation such as the consequence of higher number of people being exempted in their income. The loss suffered by this

exempted taxes on income must be shouldered by the government that is eventually passed unto its people by increasing other taxes. It raised the excise taxes on the products such as sugary beverages, cigarettes, automobiles and petroleum as well as broadened the coverage of the VAT (Manasan, 2018). Increasing the imposed taxes by government affects the cost and price of the commodities that the businesses offer to the consumers (Bonghanoy, 2019). When numerous taxes are being imposed on the business, business owners are left with little or no profit to plough back into the business. Consequently, when tax rates are high, prices turn to increase and consumers go for substitutes and as a result the businesses experience slow sales (Bih, 2015). Another effect could be a higher tax on goods and other services will increase their over-all expenditures and some cannot even cope up with the changes and will eventually be the cause of their failure (Charles, McLure, & Jr. Zodrow, 1987). Another research show that the increase in tax rates leads to higher production, distribution and selling cost which will now lead to higher prices and as a result consumers change their buying behavior (Tee, 2016). Such as the increase in the excise tax of petroleum and coal products, increase in energy prices cause production costs to increase, pushing fuel-intensive goods such as manufactured goods and transportation services to spike up (Castillo, 2018). Some believe that high compliance costs can result in tax avoidance, tax fraud and inhibit investment by way of diminishing competitiveness of the country in terms of taxation attractiveness (Atawodi & Ojeka, 2010). In 2016, the World Bank estimated that the average VAT gap from 2006 to 2013 represented almost 63% of potential VAT revenues. Of this, 28% percent was a result of legal exemptions and special treatment while 35% may be associated with noncompliance. Corporate taxes reduce productivity and investment at the firm level, especially the case for firms who are catching up the technological frontier (Arnold and Schwellnus, 2008). The recent tax reform in US has an estimated effect for the business sector which are disaggregated into six broad industry categories and all of which are found to receive a net decrease in tax liability over the 10-year budget window. However, the tax effects are not uniformly distributed across industries, either in absolute dollar or percentage terms (Pizzola, Carroll & Mackie, 2018).

METHODS

In this study, descriptive qualitative method was used. This study was conducted on the different merchandising businesses in Tuguegarao City, Cagayan, Philippines. The researchers opted to interview all merchandising businesses operating for at least five years and who had experienced the changes in tax regulation but only 31 businesses were willing to participate in the study. These merchandising businesses include grocery stores, pharmacy, and fashion wears. An interview was conducted to the owner or any personnel having knowledge of the financial performance and operations of the company. The

proponents conducted an in-depth interview with the participants regarding the effects of TRAIN Law to their sales and selling price, purchases and purchase price, and tax expenses and filing of taxes. Financial information were also requested to support the data gathered in the interview. The research study required document review and interview. A letter approved by the Dean of the School of Accountancy, Business and Hospitality was presented to the owner or any personnel of the business to ask for permission to conduct the study. Financial statements were also requested for data review. During the in-depth interviews, the set interview questions were used to guide the participants regarding their experiences with the TRAIN Law and their coping mechanisms on the adverse effects attached thereto. Notes were taken in order to assist in the accuracy and transcription. In any moment that the respondents felt uncomfortable with the study, they were given the right to withdraw their participation from the study. The data gathered during the interview were analyzed through content analysis.

RESULTS

Theme 1: Increase in selling price and increase in sales

Some of the responses are as follows:

R03: “Tumaas naman yung sales ko pero hindi na kagaya ng dati ang increase niya. Siguro dahil na din sa kumonti ang nabebenta namin kahit mas mataas ang price kumpara dati. Nagtaas ako ng prices kasi tumaas din yung expenses ko.” *[I experience increase in sales but the percentage increase is not the same with the previous year. Maybe because the volume of goods we sell decreases but the selling price had increased. I increased the selling price since my expenses are also increasing.]*

R15: “Ang daming mga produkto ang nagtaas ang presyo mula nung meron na ang TRAIN Law. And to catch up sa mga changes sa market, tinaas ko na din ang presyo ng mga products ko. Kasi If my co businesses increased their price tapos mataas pa din ang demand nila, then I need to increase too, to have higher income. Luckily, our projection effected, kaya over – all, nag-increase ang sales namin.” *[As an effect of TRAIN Law to market, the commodities have higher prices now. As a response to that, I have also increased my selling price in order to catch up in the market. If my co-businesses increased their price and they still have high demand that means I need to increase too, so I can have higher income. Luckily, my customers didn't decrease their purchases; they are still loyal to me. This results to an over - all increase in sales.]*

R31: “Dahil sa pagtaas ng mga presyo ng mga produkto na naipasa sa amin kapag bumibili kami, nagtaas din ang presyo namin. Ang maganda naman

dito, hindi pa rin naman nagbabago ang quality ng mga produkto. Kaya nga di na din ako naghahanap ng ibang supplier since useless lang din dahil nagtaasan naman lahat ng presyo.” *[Because there is an increase in the product costs, it has been passed to us as we buy these products. With this, we also increase our sales price. The good thing is that there is no change in the quality of the products. That is why I am not looking for another supplier since it would be useless because everyone is affected by the increase of product cost.]*

Theme 2: Increase in selling price but decrease in sales

R04: “Isa sa epekto kasi ng TRAIN Law e ang pag increase ng costs ng mga produkto namin, kaya we have increased our selling price din para makacope up sa market, however, yung increase e nagresult ng decrease sa number ng customers namin, which leads to the decrease of the number of units sold as well as our sales.” *[As an effect of TRAIN Law which is the increase of the purchase prices of goods we are selling, we have increased our selling price too to cope up to the market. However, this increase resulted to a decrease in the number of customers which have led to the decrease in the number of units sold as well as our sales.]*

R23: Kagaya nga ng sinabi ko, nagtataasan ang mga bilingin kaya kailangan ko din itaas ang presyo ko. Nabawasan tuloy yung mga items na nabebenta since yung mga ibang bumibili mas pinili nilang bawasan ang binibili nila kaya para sa akin useless yung pagtaas ko ng presyo. *[Like what I said, the prices of commodities increased that is why I also need to increase my selling price. It also resulted to decrease in the number of items I am selling since some buyers tend to decrease the number of items that they are buying so the increase in selling price is useless.]*

R29: Well bumaba yung napagbebentahan ko dahil na din sa biglaang pagtaas ng mga presyo ng bilingin. Yung ibang customers mas piniling bawasan yung items na binibili nila para mapagkasya ang budget nila gaya ko din. Pero kung ikukumpara ko naman nitong mga nakaraang buwan, sa tingin ko, anti- unti na din nag-aadjust ang mga mamimili kaya unti-unti ulit ang pagtaas ng sales. *[My sales decreased since there are those customers who decrease the number of items they buy so that their budget will be enough. But comparing this to these previous months, costumers are slowly adjusting with the changes in selling price that's why there is now an increase in sales.]*

Theme 3: Increase in purchase price and increase in total purchases

R09: “Yung total purchases namin tumaas talaga siya pero hindi naman ganun kalala kasi nagpalit kami ng brand ng mga produkto naming pero hindi totally pinalitan lahat kumbaga bumili kami ng mga panibagong brands at binawasan namin yung quantity ng dati naming binibili. May mga mas mura kasi pero same quality lang naman. Coping mechanism namin ay yung tinaasan namin ang mga presyo ng mga products namin kaya nagsuffer din ang sales namin. Bukod dito, tinaasan rin namin ang budget namin sa purchases at naglaan kami ng mas malaking halaga sa mga other expenses namin. *[Our total purchases had increased but not too high since we changed the brands of some of our products but we did not totally change. We just purchased additional brands and we lessened the quantity of the products we usually buy since there are brands that are cheaper but provide the same quality. Our coping mechanism is that we increase the prices of our products that is why our sales also suffered. Aside from this we also increase our budget for purchases and we allocated higher budget for our other expenses.]*

R13: “Tumaas yung mga presyo ng paninda ko kaya nagdecrease din yung volume ng purchases para pasok pa din sa budget and makaiwas sa deficit at the end of the year pero mataas pa rin total purchases ko naman.” *[There is an increase in the price of the goods I buy so I decided to decrease the volume of purchases in order to be on the budget and not to have a deficit at the end of the year but I still incur higher total purchases.]*

R22: “Yung total purchases naming tumaas pero hindi gaya ng inaasahan naming since nagbago kami ng supplier. Tumaas man lahat ng presyo ng bilihin yung iba kasi ay mas nakakapag-offer ng mas mataas na discount at meron din yung nagtaas ng presyo pero hindi ganun kataas.” *[Our total purchases had increased but not as high as we expected since we changed our supplier. There might be an increase in prices of products but some suppliers also offer high discount rates and there are also some suppliers who have not increased their prices tremendously.]*

Theme 4: Increase in purchase price but decrease in total purchases

R07: “Bumaba yung purchases namin last 2018. Kasi noong 2017, nagstart ng magdecline ang sales namin including yung total purchases namin. Kaya last 2018, nagdecide kaming magbawas ng mga binibili naming items kasi baka mas lalong magsuffer ang business naming lalo na tumaas ang presyo ng mga bilihin under TRAIN Law. Nagtaas kami ng selling price . Ito kasi yung way namin not just to cope up with TRAIN Law but also to

cope up with the decrease in sales last 2017. Kaya nga bumaba man ang sales ko last 2018, yung pagbaba niya hindi na kagaya ng dati.” *[There is a decrease in total purchases last 2018 because last 2017, we started experiencing a decline in sales as well as in purchases. That is why last 2018, we decided to decrease the volume of products we buy because we are afraid that our business will suffer more especially that the prices under TRAIN Law are too high. Well, we increase our selling price. This is our way not just to cope up with TRAIN Law but also to cope up with the decrease in sales last 2017. That is why we might experience decrease in sales last 2018 but the decrease is not as high as what we experienced last 2017.]*

R24: “Bumaba ang total purchases ko dahil na din sa mas pinababang sales ko. Hindi naman kasi maaaring bumili ako ng maramihan pero at the end of the day pahirapan din itong ibenta dahil na nga sa mababang demand ng consumers. Ang initial action talaga kasi namin is ang pagtaas ng presyo namin at wala kaming choice. In fact ito ang isang dahilan kung bakit mas mababa ang sales naming noong 2018.” *[There is a decrease in purchases because of the decrease in sales. I cannot afford to buy higher quantity of product if at the end of the day, it cannot be sold because of the lower demand of consumers. Our initial action is to increase our selling price since we do not have any choice. In fact, this is one of the reasons why there is also a decrease in sales last 2018.]*

R29: “Bumaba ang purchases namin dahil na din nagcut kami ng budget for 2018. Struggling kasi ang business namin tapos dumagdag pa ang TRAIN Law kaya nahihirapan kami. Ang pagtaas lang talaga ng presyo ang dapat kong gawin. Kaya nga nahihirapan din kami na pataasin ang sales namin. Hindi din naman kami pwedeng humanap ng ibang supplier kasi kahit saan ka naman bumili ngayon, lahat naman nagsitaasan ang presyo para makacope-up.” *[There is a decrease in total purchases because we decided to cut our budget for 2018. Aside from that, our business is also struggling and the implementation of TRAIN Law had worsened it. The only thing I need to do is to increase the selling price to cope up. This is the reason why we are having a hard time increasing our sales. We also cannot change suppliers since everybody tends to increase their selling prices.]*

Theme 5: Increase in tax expenses

R13: “Mas tumaas ang tax expenses ko ng 2018. Pero yung percentage increase niya is not as high as the previous years, so it is beneficial to my business.” *[There is a higher tax expenses in 2018. But, the percentage*

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increase is not as high as the previous years so it is beneficial to my business.]

R22: “Yung tax expenses na binabayaran ko is nakadepende pa rin naman sa sales ko kaya tumaas ito.” *[The tax expenses I am paying are dependent in my sales that is why there is an increase in tax expenses.]*

R28: “Mas tumaas ang binabayaran kong taxes sa business ko. Dahil na din sa pagtaas ng sales at cost of purchases. Natural lang naman na sa business ang pagtaas ng tax kapag ganitong tumataas ang sales ko.” *[I experience an increase in my business tax expenses. This is because of the increase in my sales and cost of purchases. It's natural for businesses to experience an increase in tax expenses when my sales increase.]*

Theme 6: Decrease in tax expenses

R07: “Bumaba yung taxes ko pero yung pagbaba niya naman kasi is nakadepende sa sales performance ko.” *[There is a decrease in tax expenses but the decrease is dependent on our sales performance.]*

R18: “Kumpara noong mga nakaraang taon, yung tax expenses ko bumaba ito dahil na din siguro sa biglaang pagbaba ng sales. Wala naman kasing pagbabago under TRAIN Law so I think nakadepende pa rin ito sa total sales ko.” *[Compared to the previous years, there is a decrease in tax expenses because of the sudden decrease in sales. There are no changes under TRAIN Law so I think tax expenses are still dependent on total sales.]*

R29: “Yung pagbaba at pagtaas naman ng mga tax ay nakadepende sa sales ko. Kumbaga may direct relationship sila, pag tumataas ang sales, tumataas din ang binabayaran kong tax kaya ngayong bumaba ang sales, bumaba ang taxes.” *[The increase and decrease of my tax expense depends on my sales. There is a direct relationship between these two. If there is an increase in sales, there is an increase in tax expense that is why now that there is a decrease in my sales, there is also a decrease in my taxes.]*

Theme 7: Easier filing of taxes

R02: “Pero pagdating sa pagffile I think they are aiming now for a paperless filing since there are less papers to be filled up kaya mas madali na siya.” *[When it comes to filing, I observed that maybe they are now aiming for a paperless filing because there are less papers to be filled up that is why it is now easier.]*

R19: “Yung pagfafafile naman, mas madali na siya ngayon kasi pwede na itong gawin online.” *[In filing of tax returns, it is now easier since we can now do it online.]*

R29: “Pagdating sa filing, napansin kong mas kumonti yung papers na finifill-up’an. Ito na din siguro yung unang hakbang para sa mga susunod na taon paperless na ang pagfafafile at mas madali na din para sa aming mga tax payers.” *[When it comes to filing, I observed that I fill-up lesser papers now. I think this is their first step so that for the next few years, filing will be paperless and it will be easier for us tax payers to file.]*

Theme 8: More difficult filing of taxes

R06: “Yung sa filing naman, kulang kami ng knowledge kung paano ito gawin so dapat may proper training din kami kahit papano.” *[In terms of filing, we do not have enough knowledge on how to do it that is why we should have proper training.]*

R15: “Mas nahirapan ako sa pagfafafile last year dahil na din siguro sa mas dumaraming requirements na kailangan.” *[Compared to previous years, I had a difficulty in filing for tax returns last year. Maybe because of increased number of requirement needed.]*

R20: “Sa pagfafafile mas mahirap na ngayon dahil online filing na at hindi pa naming ito masyadong alam.” *[In terms of filing, it is more difficult now because of online filing and we are not yet used to it.]*

Theme 9: No significant changes in filing of taxes

R11: “Pagdating sa pagfafafile, wala namang nagbago kung paano yung process noon ganun pa din ngayon.” *[When it comes to filing, there are no changes; the process is still the same.]*

R21: “Mahirap pa rin ang pagfafafile ng tax returns kasi wala namang masyadong nagbago sa process nito.” *[It is still difficult to file tax return because nothing has changed much in the processes.]*

R27: “Pagdating sa pagfafafile, walang pagbabago. Kung paano ako magfile the previous years ganun pa rin naman.” *[When it comes to filing, there are no changes I think. The way I file the previous years is the same.]*

DISCUSSION

This study determined that TRAIN Law affected the sales price of most merchandising businesses to increase. This is mostly due to the surge in inflation, which as other studies discussed as regards the inflationary effects. The additional taxes had increased the inflation rates more than the projected calculations which caused much uproar and objections. (Cororaton, Tionco, & Eloriaga, 2019) This was specifically estimated by the Department of Finance in October 2018 that inflation will rise up to 6.7% percent compared the Bangko Sentral ng Pilipinas (BSP) ceiling of 4 percent. Consequently, the increase in their sales price of merchandising businesses has caused their sales volume to decrease since together with the increase inflation and sales price, ability to purchase of consumers to purchase also decreases. This is true to the law of demand which states that as the price of good increases, quantity demanded of that good also decreases. Another determined factor that affected the increase in the sales price is the increase of the cost of businesses in their purchases and transportation cost. This was brought about by the increase in taxes of other goods, like gasoline and sweetened products, affected by TRAIN law which led to higher cost of production, distribution, and selling of manufacturers (Tee, 2016) and it concurrently affects the cost of merchandising businesses. This is also found in the study of Bonghanoy, Etcuban, Bueno, etc. (2019) wherein it was identified that the burden on taxes to other goods like fuel causes the prices of all manufactured essential commodities sold in the market to increase. Another is, though the regulation has set the tax rates which is beneficial, higher taxes on other goods and other services increased their cost and some cannot cope with the increased cost which will eventually be the cause of their problem (Charle, McLure & Zodrow, 1987). Thus, the increase in the sales price of merchandising businesses is affected since these manufactured goods will serve as their inventory. This indicates, therefore, that the increase in selling price is to counterbalance the lost in units sold. Some merchandising businesses were also affected beneficially since there is an increase in sales price and units sold. This is true to businesses selling essential and elastic goods like rice, medicine and others. Some merchandising businesses have also experienced an increase in their units sold. However, it is lower than the expected sales performance of the business. As supported, the sales performance of businesses and its productivity decreased due to the inflation rate caused by the new tax regulation. The products they sell are still affordable but there is a change in its pricing (Mangudadatu et. al., 2018).

Merchandising businesses at the time of research were aware and experienced the increase in the price of goods in the general market. The law of demand and supply has stated that if there is a high demand of goods in the market, the prices of which will increase because this will encourage the suppliers to produce such products. As the products in the market increase, the goods that the merchandising business sell also increase; however, that is not the only

problem that merchandising businesses face. The amount of other expense attached in the acquisition of their inventory like freight or transportation has also increased. This increase in freight was brought by the price hike in the gasoline. The hike was due to additional excise tax on petroleum products. This was in agreement to the findings of the study conducted by Castillo (2018) which claims that the increase in the excise tax of petroleum and coal products, increase energy prices cause production costs to increase, pushing fuel-intensive goods such as manufactured goods and transportation services to spike up. Increase in the prices of goods to be sold resulted to the change in attitude of the merchandising businesses in buying. Some merchandising businesses opted to decrease the volume of the goods they are buying, while others tried to change their supplier or the brand of goods they are selling. Such changes in attitude were also found out in the study of Tee (2018). The increase in tax rates resulted to higher production, distribution and selling costs which leads to higher prices. As a result of higher prices, consumers change their buying behavior. As a response to this, the merchandising businesses increased their selling price because this is the only way they see to avoid incurring losses as well as to cover also the increase in their operating expenses.

In the study of Manasan (2018), it suggested that TRAIN Law had benefited the small businesses in the country too, because the VAT threshold had increased to 3 million from 1.9 million. So, those who were VAT registered prior to TRAIN law but didn't exceed the 3 million thresholds has an option to be taxed for 8% in lieu of the graduated income tax and percentage tax. However, basing on the results, merchandising businesses didn't really feel these benefits since merchandising businesses do not consider TRAIN law as a factor that directly influences the changes in their tax expenses because the changes in their sales performance is what greatly affects it. Since the tax system in the Philippines is progressive in nature, the higher the tax basis, the higher the taxes they will pay. Through the TRAIN law, income tax return paperwork for businesses has gone from 12 pages to four pages, making it more manageable for businesses to meet its obligations to the government (CNN, 2018). However, not all merchandising businesses are aware of the changes in the filing of taxes because there are still merchandising businesses who do not notice any changes in the filing of their tax returns. For those who are informed by the changes in compliance requirement, they experienced easier filing of taxes because there is an increase number of businesses that are mandated for online filing. It can be inferred that the government needs to increase its efforts to disseminate to the public the changes attached in the implementation of TRAIN law.

CONCLUSION

The implementation of TRAIN Law affects the merchandising businesses in terms of its impact on sales and selling price, purchases and purchase price, tax expenses and filing of taxes. Merchandising businesses experienced increase in selling price and increase in sales. There are also those who even increase their selling price. As a result, there is a decrease in sales because of the lower demand in products they are selling. In purchases and purchase price, the increase in purchase price resulted to an increase in the total purchases. TRAIN Law does not directly affect the tax expenses of merchandising businesses since their tax expenses is directly affected by the changes in their sales. Lastly, the filing of taxes was made easier because of the online and paperless filing.

RECOMMENDATION

The researchers recommend to the merchandising businesses to be knowledgeable about the changes brought about by TRAIN Law to assess and gauge their performances. Since TRAIN Law is just the first package of Comprehensive Tax Reform Program (CTRP) of the government, the researchers recommend to the future studies to test the awareness, to assess expectations and to evaluate the preparedness of the merchandising businesses regarding the impact of the upcoming implementation of the next packages of comprehensive tax reform program. It is highly recommended to increase the number of participants and group them according to their line of merchandise. Lastly, it is recommended to identify the issues and challenges that the merchandising businesses are facing on a yearly basis and to determine the differences on the succeeding packages of comprehensive tax reform program.

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