

Public Trust in Tax Institutions and Its Effect on Individual Willingness to Pay Taxes

Jamilee I. Casquejo

<https://orcid.org/0009-0009-6995-8309>

jamileecasquejo@gmail.com

University of Perpetual Help System DALTA

Las Piñas City, Manila, Philippines

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Abstract

This study examines the relationship between taxpayer trust in the tax institutions and the willingness to pay tax in the context of transparency, fairness, and accountability. The data was sampled from a representative sample of respondents depending on their demographic variables, including age, sex, education, and occupation. Descriptive-correlational research was utilized in the study. The findings reflect that trust in transparency in the tax process and fairness in enforcement enhances the willingness to conform to the tax obligation for taxpayers. However, suspicion regarding the absence of accountability in the tax institutions and the lack of limited government expenditure transparency diminishes trust and compliance. The study also determines the need to construct civic responsibility in tax and mandated taxpayer-education campaigns to reduce the gaps. The research output concludes that enhanced transparency, fairness assurance, and improved accountability structures are measures to construct heightened taxpayer compliance. Educational campaigns regarding civic responsibility in taxes and the direct benefits of tax contributions are the immediate needs to increase voluntary tax contributions. The study provides recommendations for the construction of taxpayer trust in extensive campaigns for educating the public, fairness in tax enforcement, and transparent structures of accountability.

Keywords: Public Trust, Tax Institutions, Willingness to Pay Taxes

Introduction

Taxation has come to be considered the pillar of governance so that the state may finance infrastructure, healthcare, education, and social protection schemes. In the absence of functional tax systems, governments fail to supply basic public goods, which compromises economic stability and social cohesiveness (Bird & Zolt, 2020). In the Philippines, taxation continues to be key to financing nation-building, especially in the National Capital Region (NCR), which, by virtue of population density and economic activity, requires strong fiscal capacity. Beyond the legal and institutional arrangements by which tax collection is enforced, public confidence in tax institutions continues to be decisive in the formation of compliance behavior (Byaro & Kinyondo, 2020).

Trust functions as the psychological and moral bridge linking citizens to the state. When individuals perceive tax authorities as transparent, fair, and accountable, they are more inclined to comply voluntarily (Williams, 2020). Conversely, distrust—whether stemming from perceptions of corruption, selective enforcement, or inefficiency—undermines legitimacy and fosters tax evasion or avoidance (Gebrihet et al., 2023). Thus, trust is not only an ethical issue but also a strategic necessity for effective fiscal management (Prichard, 2022).

The Bureau of Internal Revenue (BIR) is the Philippines' chief tax agency, responsible for enforcing compliance and maintaining fiscal integrity. Reforms, such as the implementations of e-filing platforms, anti-corruption initiatives, and digitization initiatives, have been enacted over the years (Olaivar & Aquino, 2022). However, public sentiment toward the BIR continues to be split. Some see these reforms as movements toward the improvement of BIR processes, while others identify the institution strongly with bureaucratism and differential enforcement (ACCA Global, 2022). These contrasting perceptions reflect the vulnerability of institutional confidence even in the face of advances in technology.

The NCR offers a particularly apt setting to investigate these dynamics. As the economic center of the country, it hosts a heterogeneous taxpayer base of varied incomes, occupations, and educational attainment. These segments engage tax institutions differentially, which in turn influences their views of fairness, transparency, and accountability (Maquiling et al., 2023). Due to the NCR's prominence and impact on the national system of governance, taxpayer sentiment in this area profoundly influences larger fiscal outcomes.

Scholarship has pointed to several theoretical frameworks through which to grasp tax compliance. The deterrence approach centers on sanctions and audits, but researchers now contend that long-term compliance relies more heavily on trust than coercion (Hassan et al., 2021). Kirchler et al.'s (2008) Slippery Slope Framework (SSF) describes compliance as a function of both an individual's faith in authorities and the enforcers' power. When the public trusts institutions, they internalize the moral obligation to pay taxes as a civic responsibility, and when they do not, willingness to pay typically relies on fear of punishment (Surugiu et al., 2023). The SSF therefore offers an insightful frame through which to examine the role of perceptions of transparency, fairness, and accountability in determining willingness to pay.

Additionally, compliance is connected to larger concepts of fiscal exchange and tax morale. Fiscal exchange theory argues that people are more likely to comply if they believe the revenues are used responsibly and distributively (Ibrahim et al., 2023). Recent research confirms that voluntary compliance is induced by perceptions of fairness and effectiveness of the service delivery, while evident corruption or mismanagement destroys it (Zahoor et al., 2023). Institutional trust has been demonstrated, in particular, to be an essential determinant of the compliance of younger taxpayers (Ciziceno, 2023).

Despite global evidence, there are voids in the Philippine context. Scant empirical research investigates the role of institutional trust, in this instance, on the willingness of people to pay taxes. Even when processes are reformed and brought up-to-date, the public remains skeptical of the tax institution's fairness and accountability (DOF Tax Academy, 2024). Similarly, despite existing initiatives of education about taxes, there are no systematic surveys of their impact on changing perception or practice (Putra et al., 2024). Filling these voids is imperative in solidifying compliance and ensuring sustainable fiscal governance. This study, therefore, investigates the relationship between public trust in tax institutions—measured through perceptions of transparency, fairness, and accountability—and taxpayers' willingness to pay in the NCR. By applying the Slippery Slope Framework and integrating insights from fiscal exchange and tax morale theories, this research seeks to provide evidence-based recommendations for enhancing trust, shaping education strategies, and improving voluntary compliance. Ultimately, the findings aim to

inform policymakers and tax authorities about how institutional behavior can either reinforce or weaken the social contract between citizens and the state.

Objectives of the Study

This study aims to:

1. Describe the demographic characteristics of the respondents in terms of age, gender, educational attainment, employment sector, and income.
2. Assess the level of public trust in the Bureau of Internal Revenue (BIR) in terms of transparency, fairness, and accountability.
3. Determine the level of willingness to pay taxes in terms of moral obligation, voluntary filing behavior, and institutional confidence.
4. Examine the significant relationship between public trust in tax institutions and the willingness to pay taxes.
5. Develop taxpayer education strategies that strengthen public understanding of transparency, fairness, and accountability.

Methodology

Research Design. This study employed a descriptive–correlational research design to examine the relationship between public trust in tax institutions and taxpayers’ willingness to pay. The design was appropriate because it allowed the description of levels of trust and willingness while identifying associations between the variables without manipulating them (Kirchler et al., 2008).

Research Setting and Participants. The study population consisted of registered individual taxpayers residing or working in the National Capital Region (NCR), Philippines. Inclusion criteria required respondents to be at least 18 years old, have been NCR residents for at least one year, and to have filed or paid taxes within the past year. Using purposive sampling, 100 respondents were selected from diverse employment sectors (e.g., private employees, self-employed professionals, small business owners). This ensured participants had direct interaction with the Bureau of Internal Revenue (BIR) and relevant tax obligations.

Research Instruments. Data were collected using a structured survey questionnaire divided into three parts:

1. *Demographic profile*—age, gender, educational attainment, employment sector, and income category.
2. *Public trust in tax institutions*—20 items adapted from governance and trust literature, covering three subscales: Transparency (clarity of tax procedures, reporting of government spending, timely information), Fairness (equal application of laws, impartial audits, respectful treatment), and Accountability (responsibility for misconduct, reporting mechanisms, audit reports).
3. *Willingness to pay taxes*—20 items measuring Moral obligation and civic responsibility, Voluntary filing and payment behavior, and Institutional confidence.

All items were rated on a 4-point Likert scale (1 = Very Low, 4 = Very High). Content validity was established through expert review by taxation and public administration specialists, while a pilot test with 15 taxpayers confirmed clarity. Cronbach's alpha was computed to ensure reliability, with all subscales meeting the acceptable threshold of ≥ 0.70 .

Data Gathering Procedure. Before data collection, approval from the academic institution and informed consent from participants were secured. Surveys were distributed both online (via secure Google Forms) and in printed form to maximize accessibility. Respondents were briefed on the purpose of the study, voluntary participation, and data confidentiality. Completed questionnaires were collated and encoded for statistical analysis.

Data Analysis. Data were analyzed using the Statistical Package for the Social Sciences (SPSS). Frequency and percentage distribution were employed to describe the demographic characteristics of the respondents, while weighted mean and standard deviation were computed to determine the levels of public trust and willingness to pay. Pearson's correlation coefficient (r) was used to examine the strength and direction of the relationships between the trust dimensions—transparency, fairness, and accountability—and willingness to pay. Statistical significance was tested at the 0.05 level (two-tailed). Through these procedures, the study ensured a systematic and reliable analysis of how public trust in tax institutions influences individual taxpayers' willingness to comply in the NCR.

Ethical Consideration. The study followed ethical standards by ensuring voluntary participation, anonymity, and confidentiality. No personally identifiable information was collected. Respondents were informed of their right to withdraw at any point without consequences. The research protocol adhered to institutional review guidelines and the principles of the Data Privacy Act of 2012.

Results and Discussion

1. Profile of the Respondents

Table 1 shows that most respondents were between 26 and 32 years old (35%), followed by those aged 33–39 (21%), 40–47 (17%), 54 and above (15%), and 47–53 (12%). The sample was almost evenly split by sex, with 50% male, 49% female, and 1% non-binary. In terms of education, the majority were high school graduates (60%), while smaller proportions had attained a master's degree (20%), were at the college level (12%), held doctoral degrees (5%), or were college graduates (3%). Employment was equally divided between the services sector (50%) and the private sector (50%). These results suggest that the respondents represented a relatively young, gender-balanced, and educationally diverse population, consistent with findings that demographic factors such as age and education shape tax behavior and trust in institutions (Appiah et al., 2024; Ciziceno, 2023; Maquiling et al., 2023).

Table 1
Profile of the respondents

Age	Frequency	Percentage
26 years old – 32 years old	35	35
33 years old – 39 years old	21	21
40 years old – 47 years old	17	17
47 years old – 53 years old	12	12
54 years old and above	15	15
Sex		
Female	49	49
Male	50	50
Non-binary	1	1
Educational Attainment		
High School Graduate	60	60
College Level	12	12
College Graduate	3	3
Masters Graduate	20	20
Doctoral Graduate	5	5
Employment Sector		
Services	50	50
Private	50	50

2. Perceived level of public trust in tax institutions

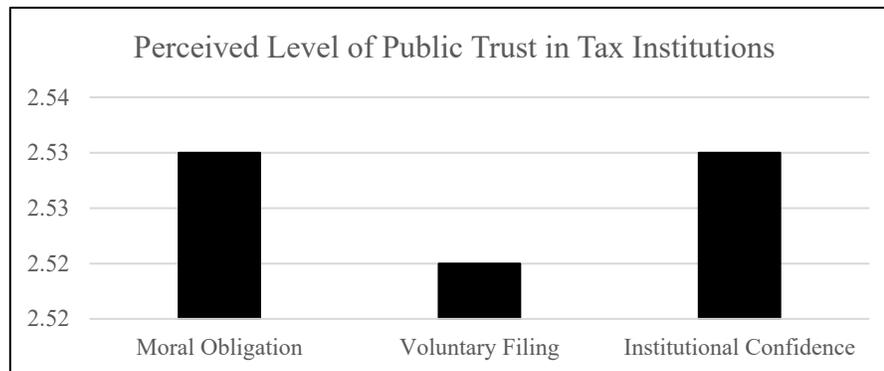


Figure 1. Perceived level of public trust in tax institutions showed that respondents rated transparency ($M = 2.99$), fairness ($M = 2.82$), and accountability ($M = 2.85$) at generally high levels, with transparency receiving the highest mean scores

The results show that respondents rated the overall level of public trust in tax institutions as high across the three dimensions. Transparency of tax processes and government spending obtained the highest mean ($M = 2.99$, $SD = 0.82$), indicating that taxpayers generally perceive clarity in tax procedures, availability of information, and reporting mechanisms to be satisfactory. Fairness in tax enforcement and

treatment of taxpayers was slightly lower ($M = 2.82$, $SD = 0.81$), suggesting that while respondents recognize respectful treatment and impartial audits, concerns remain about equal application of tax laws. Accountability of tax institutions and personnel also received a high rating ($M = 2.85$, $SD = 0.84$), showing that respondents acknowledge existing mechanisms for responsibility and reporting, but still perceive gaps in anti-corruption procedures and institutional performance monitoring.

These findings are consistent with global evidence that transparency and accountability enhance perceptions of legitimacy, but fairness in enforcement is often the most critical driver of voluntary compliance (Williams, 2020; Surugiu et al., 2023). The relatively higher score for transparency suggests that reforms such as digitalization and public reporting have improved visibility of tax processes in the Philippines (Olaivar & Aquino, 2022). However, the slightly lower score for fairness indicates that issues of selective enforcement and unequal treatment may continue to affect taxpayer confidence (ACCA Global, 2022). The results affirm that while progress has been made in improving institutional trust, strengthening fairness and accountability mechanisms remains essential for building long-term taxpayer confidence and compliance.

3. Willingness to Pay Taxes

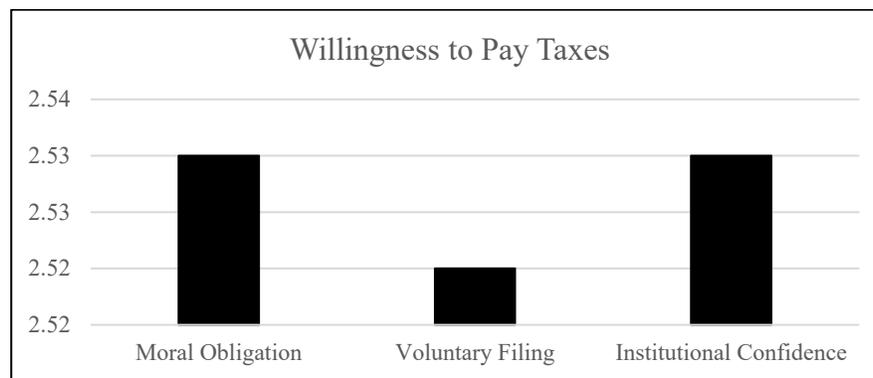


Figure 2. Willingness to Pay Taxes, where moral obligation ($M = 2.53$), voluntary filing ($M = 2.52$), and institutional confidence ($M = 2.53$) were all rated high, reflecting a consistent yet moderate willingness among taxpayers to comply.

The results indicate that the respondents reported a generally high level of willingness to pay taxes across all three dimensions. Moral obligation and civic responsibility obtained a mean of 2.53 ($SD = 0.28$), reflecting that taxpayers recognize tax payment as both a moral duty and a civic responsibility that supports national development.

Voluntary filing and payment behavior yielded a mean of 2.52 ($SD = 0.23$), suggesting that respondents are inclined to file and pay taxes honestly and on time, though compliance may still depend on perceived enforcement. Confidence in the effectiveness of tax institutions also registered a mean of 2.53 ($SD = 0.28$), showing that respondents trust, to some extent, that their contributions are used appropriately and lead to improvements in public services.

These findings demonstrate that willingness to pay is moderately strong, but not yet at the highest possible level. Similar studies emphasize that moral obligation and civic responsibility often underpin

voluntary compliance, particularly when citizens internalize taxpaying as a contribution to the common good (Prichard, 2022). The results further suggest that voluntary filing behavior, while positive, could be influenced by perceptions of enforcement and audit risks, consistent with deterrence and behavioral compliance literature (Hassan et al., 2021). The relatively stable confidence in institutional effectiveness indicates cautious optimism among taxpayers but also highlights the need for greater visibility of how taxes directly benefit society, as taxpayers' belief in the tangible impact of their contributions remains limited (Zahoor et al., 2023).

Overall, the findings imply that strengthening civic values through education, ensuring fair enforcement, and improving transparency in public spending can further enhance taxpayers' willingness to comply. By addressing gaps in institutional confidence and sustaining moral and voluntary motivations, tax authorities can build a more cooperative compliance culture in the Philippines.

4. Relationship between Public Trust in Tax Institutions and Willingness to Pay Taxes

Table 2

Relationship between public trust in tax institutions and willingness to pay taxes

Variables	r-value	Sig. value	Decision on H ₀	Interpretation
Transparency of tax processes and government spending	-0.43	0.01	Reject H ₀	Significant
Fairness in tax enforcement and treatment of taxpayers	0.80	0.01	Reject H ₀	Significant
Accountability of tax institutions and personnel	-0.59	0.01	Reject H ₀	Significant

The correlation analysis in Table 2 shows that perceptions of fairness in tax enforcement and treatment of taxpayers have the strongest and most positive effect on willingness to pay ($r = 0.80$, $p = 0.01$). This indicates that when taxpayers believe tax laws are applied equally, audits are impartial, and personnel treat them respectfully, they are more inclined to comply voluntarily. Such findings reinforce the principle of procedural justice, where fair processes and respectful treatment legitimize institutions in the eyes of citizens, leading to stronger tax morale and compliance (Williams, 2020; Surugiu et al., 2023). In practice, this means that fairness is not only a legal matter but also a relational factor that directly influences the taxpayer–state relationship.

Interestingly, the results show significant negative correlations for transparency ($r = -0.43$, $p = 0.01$) and accountability ($r = -0.59$, $p = 0.01$). At first glance, this appears counterintuitive, since prior studies often report that transparency and accountability build confidence in tax systems (Bird & Zolt, 2020). However, these inverse relationships may be explained by several contextual realities. First, when transparency mechanisms expose inefficiencies, waste, or corruption, greater awareness may reduce rather than enhance trust, particularly if corrective actions are absent (ACCA Global, 2022). Second, accountability structures may be perceived as ineffective or performative, where reporting systems exist but enforcement against misconduct is weak, creating disillusionment among taxpayers. In these cases, the visibility of problems without effective resolution can undermine, rather than strengthen, willingness to comply.

These results align with recent scholarship that suggests transparency and accountability must be substantive, not symbolic. For instance, Olaivar and Aquino (2022) note that digital systems in the BIR

improved access to information but did not fully resolve underlying service issues, leaving some taxpayers frustrated. Similarly, studies in developing economies highlight that when accountability frameworks lack credibility, citizens perceive them as “cosmetic” reforms, which can weaken rather than build fiscal legitimacy (Gebrihet et al., 2023).

The findings also resonate with the Slippery Slope Framework (SSF), which posits that trust and power interact to shape compliance (Kirchler et al., 2008). While enforcement power (e.g., audits and penalties) ensures minimal compliance, long-term sustainability depends on institutional trust. In this study, fairness strongly contributes to trust, but transparency and accountability appear not to function as intended trust-building mechanisms, possibly due to gaps between institutional claims and citizens’ lived experiences.

From a governance perspective, these results highlight both opportunities and risks. The opportunity lies in reinforcing fairness in enforcement, which directly fosters voluntary compliance. The risk lies in transparency and accountability practices that, if poorly executed, may backfire by eroding confidence. Thus, institutional reforms should focus not only on disclosure but also on demonstrating tangible results, such as the visible use of revenues for public services, consistent enforcement of penalties against misconduct, and clear communication of corrective actions taken when lapses occur.

Thus, the results suggest that for taxpayers in the NCR, fairness is the most decisive predictor of willingness to pay taxes, while transparency and accountability require deeper reform to avoid reinforcing skepticism. This underscores the need for the BIR and related institutions to strengthen procedural fairness while ensuring that transparency and accountability are meaningful, credible, and visibly connected to improved governance outcomes.

Conclusions

The findings of the study confirm that public trust in tax institutions significantly shapes taxpayers’ willingness to pay, with fairness in enforcement emerging as the strongest positive predictor, while transparency and accountability demonstrated inverse relationships. Theoretically, this supports the Slippery Slope Framework by highlighting fairness as a trust-building mechanism central to voluntary compliance, while also extending the discourse by showing that transparency and accountability, if perceived as ineffective or superficial, may erode rather than strengthen tax morale. Practically, the results suggest that institutional reforms must go beyond procedural disclosure toward demonstrable fairness and credible accountability, as citizens respond not only to information but to its alignment with just and consistent governance practices.

Recommendations

In light of these findings, it is recommended that tax authorities prioritize measures that strengthen fairness in enforcement, such as impartial audits, respectful taxpayer interactions, and consistent application of tax laws. At the same time, transparency and accountability initiatives should be redesigned to emphasize clarity, accessibility, and demonstrable outcomes, ensuring that disclosures are paired with corrective actions and visible improvements in public service delivery. Taxpayer education programs must also be tailored to communicate both the civic value of taxation and the tangible benefits of tax contributions, thereby fostering trust and encouraging voluntary compliance in the long term.

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