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Evaluating Rural Consumers' Knowledge and Attitudes toward Digital Service VAT: Evidence from a Philippine Countryside Market

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ABSTRACT

This study examines the impact of online customers' knowledge on their attitudes and perceptions towards Republic Act No. 12023, focusing on Value-Added Tax (VAT) for digital services in online sales transactions. Through a causal research design, socio-economic profiles were determined, online customers' knowledge of R.A. No. 12023 was evaluated, attitudes and perceptions were analyzed, and the influence of knowledge on attitudes and perceptions was assessed. Surveys were conducted online and face-to-face with buyers in a selected municipality in the Partido Area, with data analyzed using an ordinal regression model. Results indicate that a majority of online buyers in the Partido Area possess knowledge of the Digital Services Tax Law, with a higher proportion acknowledging awareness. The study reveals a positive attitude among online buyers towards continuing online purchases despite the Value-Added Tax (VAT) imposition, with most displaying a favorable perception of the Digital Services Tax. Statistical analysis demonstrates that online customers' knowledge significantly influences their purchasing behavior and perceptions of the VAT on Digital Services Law. In conclusion, this research underscores the crucial role of knowledge in shaping customers' behaviors and acceptance of VAT on Digital Services. Clear communication and public education efforts are recommended to ensure users understand the law accurately, potentially increasing their acceptance of the policy.

Keywords: Online Customers; Republic Act No. 12023; VAT on Digital Services; Attitudes; Perceptions; Knowledge; Online Sales Transactions

1. Introduction

The first case of COVID-19 in the Philippines was reported on January 30, 2020 [1]. The pandemic accelerated digital adoption across businesses and consumers, as lockdowns and mobility restrictions increased reliance on online platforms, digital services, and e-commerce transactions. In response to the rapid expansion of the digital economy and the need to strengthen public revenue, the Philippine government pursued digital taxation measures [2], resulting in several proposed bills, including House Bill Nos. 6765, 7425, and 4122, and Senate Bill No. 2528. These efforts culminated in the enactment of Republic Act No. 12023, or the Value-Added Tax (VAT) on Digital Services Law, signed into law on October 2, 2024, which imposes a 12% VAT on electronically supplied services such as online marketplaces, digital goods, cloud services, online media, search engines, and advertising [3,4].

Under Republic Act 7716, VAT is defined as a consumption tax levied on the sale or exchange of goods and services and may be passed on to buyers (Bureau of Internal Revenue, 2017). With approximately 47.27 million e-commerce users in the Philippines as of 2022 [5], consumer awareness, knowledge, and attitudes toward digital taxation are critical determinants of policy acceptance and effectiveness.

Beyond fiscal objectives, the growth of e-commerce also raises environmental concerns. Increased packaging waste, particularly plastics, threatens marine and terrestrial ecosystems [6], while logistics and delivery activities contribute to carbon emissions, land degradation, and habitat fragmentation [7]. In this context, digital taxation may indirectly support sustainability goals by promoting responsible consumption and potentially channeling revenues toward conservation initiatives aligned with Sustainable Development Goals 14 (Life below Water) and 15 (Life on Land).

Given these developments, this study examines how online customers' knowledge of Republic Act No. 12023 influences their attitudes and perceptions toward the VAT on digital services, particularly their purchasing behavior and policy acceptance. Specifically, the study profiles respondents' socio-economic characteristics, measures their factual knowledge of the law, evaluates their attitudes and perceptions, and estimates the effect of knowledge on these outcomes. The findings aim to inform consumers, digital service providers, and policymakers by providing evidence-based insights into how awareness shapes behavioral responses to digital taxation and how public education may enhance policy implementation [8,9].

2. Review of Related Literature

2.1. Digital Taxation

During the COVID-19 pandemic, mobility restrictions accelerated reliance on digital platforms, with business resilience increasingly dependent on online services and market connectivity [10–12]. The rapid expansion of e-commerce prompted governments to consider digital taxation as a means of revenue recovery and fiscal sustainability [2]. Globally, digitization has enabled firms to operate beyond physical borders, creating challenges in tax administration, transparency, and jurisdictional enforcement. Mpofu (2022) highlights that while digital service taxes can mobilize revenue, broaden tax bases, and enhance compliance, they also present administrative costs, risks of double taxation, reduced affordability, and potential regressivity, particularly among vulnerable and rural populations. These findings underscore the need for digital tax policies that balance efficiency, fairness, transparency, and simplicity [13].

In the Philippine context, policy discussions have focused on applying value-added tax (VAT) to electronically supplied services to ensure parity between traditional and digital businesses. Carpo Law & Associates (2022) notes that the imposition of VAT on digital transactions was intended to equalize tax treatment, with the Department of Finance estimating that a 12% VAT could generate approximately ₱13.2 billion annually from online advertising and digital service providers. Several legislative proposals, including House Bill Nos. 6765, 7425, and 4122, and Senate Bill No. 2528, sought to operationalize digital taxation [14–16].

House Bill 6765, or the Digital Economy Taxation Act, introduced withholding taxes and VAT on digital services and platform-based transactions. House Bill 7425 similarly proposed a 12% VAT on electronically rendered services (Laforteza [4]), consistent with the definition of

VAT under Republic Act 7716 as a consumption tax that may be passed on to buyers (Bureau of Internal Revenue, 2017). These earlier proposals were eventually consolidated into House Bill 4122, which clarified VAT coverage for digital advertising, subscription services, and other ICT-enabled transactions while exempting certain educational services [15]. After Senate deliberations [2], these efforts culminated in the enactment of Republic Act No. 12023, or the VAT on Digital Services Law, signed on October 2, 2024, covering online marketplaces, digital goods, cloud services, search engines, media, and online advertising [3].

The growth of e-commerce in the Philippines has also necessitated complementary legal frameworks. Attorneys of the Philippines (2018) emphasize the importance of regulatory compliance for digital entrepreneurs as online transactions expand. Relevant statutes include the Electronic Commerce Act of 2000 (Republic Act 8792), which defines and governs electronic transactions [17,18]; the Consumer Act of the Philippines (Republic Act 7394), which protects consumers in both physical and online markets; the Data Privacy Act (Republic Act 10173), which safeguards personal information; and the Cybercrime Prevention Act (Republic Act 10175), which penalizes online offenses and anomalies [19,20]. Together, these laws establish the legal and institutional environment within which digital taxation policies are implemented.

2.2. Knowledge

Tax knowledge has been widely recognized as a key determinant of tax attitudes and compliance behavior. Azaka and Balogun (2022) examined tax attitudes, perceptions of fairness, and tax knowledge among SME owners, finding that positive tax attitudes significantly predicted compliance and that knowledge strengthened the relationship between attitudes and compliance, although it did not mediate perceptions of fairness [21]. Complementary quantitative evidence further supports the central role of knowledge. Survey and econometric analyses show that higher tax knowledge increases voluntary compliance and acceptance of tax policies even when taxes raise consumer prices [22,23]. Structural equation modeling likewise indicates that knowledge exerts both direct and indirect effects on attitudes through perceptions of fairness and institutional trust [24], while experimental and survey-based research

finds that informed taxpayers are more likely to perceive consumption taxes as legitimate and less likely to engage in avoidance behavior [25].

2.3. Attitude and Perception

Attitudes and perceptions toward taxation are shaped not only by legal obligations but also by awareness, trust, and perceived fairness. Yeo et al. (2019), using exploratory interviews with students engaged in online businesses, reported limited understanding of e-commerce taxation and generally unfavorable attitudes toward compliance, with respondents citing low perceived income, procedural complexity, and low enforcement risk as reasons for non-declaration. These findings suggest that insufficient knowledge may foster resistance to digital tax policies [26].

Studies in other developing contexts report similar implementation challenges. Etim et al. (2020), examining VAT on e-transactions in Nigeria, identified weaknesses in legal frameworks and taxpayer education, recommending clearer regulations and sustained information campaigns to enhance compliance [27]. Evidence on consumer behavior, however, is mixed. Reddick (2006) found that the introduction of sales taxes could reduce online purchases [28], whereas Fathur et al. (2020) observed that clear VAT policies and transparent information increased consumer trust and did not significantly discourage online buying [29]. These contrasting results indicate that attitudes toward digital taxation depend largely on how well policies are communicated and understood.

Existing scholarship consistently shows that tax knowledge, perceived fairness, and institutional trust are central to shaping compliance and behavioral responses. International studies [21,26–28] demonstrate that limited awareness often leads to negative attitudes or avoidance, whereas informed consumers are more likely to accept tax policies. Moreover, digital taxation research highlights the importance of balancing revenue generation with fairness, transparency, and administrative feasibility [13].

Despite these contributions, most studies focus on business owners, students engaged in online selling, or taxpayers in non-Philippine contexts, and few explicitly model the role of knowledge in shaping consumer attitudes toward VAT on digital services. Empirical evidence on rural online buyers remains particularly limited.

To address these gaps, the present study investigates how online customers' knowledge of Republic Act No. 12023 influences their attitudes, perceptions, and purchasing behavior in digital transactions. Unlike prior research centered on general taxation or online sellers, this study focuses specifically on rural online buyers in the Philippine countryside, where digital adoption is increasing but policy awareness may be uneven. By quantitatively modeling the relationship between knowledge and behavioral responses, the study contributes localized evidence to inform digital tax implementation, consumer education, and policy design.

2.4. Theoretical Framework

Figure 1 presents the theoretical framework of the study, illustrating how online customers' knowledge of Republic Act No. 12023 (VAT on Digital Services Tax Law) influences their attitudes and perceptions toward digital taxation. The framework is anchored in Behavioral Economics Theory and Rational Choice Theory, which jointly explain how information shapes economic decision-making.
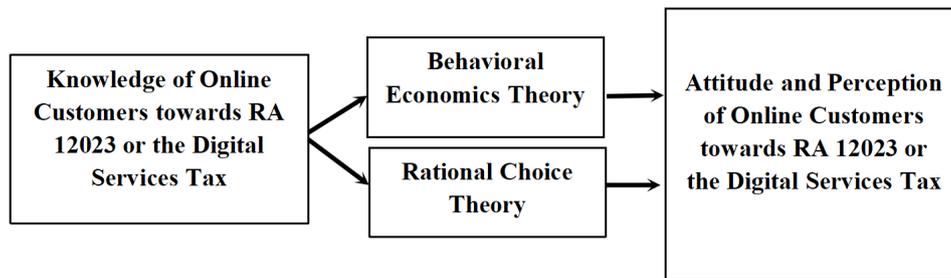
Figure 1. Theoretical Framework.

Behavioral Economics Theory emphasizes that financial decisions are influenced not only by rational calculation but also by psychological, cognitive, and emotional factors, particularly in contexts involving taxes and perceived financial burdens [30]. In the case of digital taxation, limited understanding of the law may heighten uncertainty or fear of additional costs, potentially leading to resistance or negative attitudes toward online purchases. Conversely, clearer knowledge may reduce misconceptions and promote greater acceptance of the policy.

Complementing this view, Rational Choice Theory posits that individuals evaluate costs and benefits and choose actions that maximize their welfare [31]. Applied to digital services taxation, knowledge serves as a critical input for rational evaluation, enabling consumers to weigh the continued benefits of online transactions against the additional VAT. Better-informed buyers are therefore more likely to make deliberate adjustments, such as accepting higher prices, prioritizing essential purchases, or modifying consumption patterns, based on calculated trade-offs rather than uncertainty. These theories suggest that knowledge plays a central role in shaping both behavioral responses (attitudes) and evaluative judgments (perceptions), thereby providing the conceptual basis for examining the influence of knowledge on online customers' acceptance of the Digital Services Tax.

2.5. Conceptual Framework

Figure 2 illustrates the Conceptual Framework used in the study, showing how online buyers' knowledge of the specific features of Republic Act No. 12023 or the VAT on Digital Services Tax Law can influence both their purchasing behavior and agreement with the Digital Services Tax.

Conceptual Paradigm

The conceptual paradigm operationalizes the key constructs examined in the study and clarifies their relationships within the proposed framework.

- **Online Customers' Knowledge** refers to respondents' factual understanding of the provisions, scope, and application of Republic Act No. 12023 (Digital Services Tax Law).
- **Online Customers' Attitude** denotes consumers' behavioral intentions and purchasing responses toward online transactions following the imposition of the VAT on digital services.
- **Online Customers' Perception** captures respondents' evaluative judgments or levels of agreement

and acceptance regarding the fairness, necessity, and implications of the Digital Services Tax.

● **Republic Act No. 12023/Digital Services Tax** refers to the legislation imposing a 12% value-added tax on digitally supplied goods and services in online transactions.

2.6. Locale of the Study

Figure 3 presents the map of the selected study sites in the Partido area, the 4th congressional district of Cama-

rines Sur, Philippines [32,33]. The research was conducted in five municipalities, Lagonoy, San Jose, Goa, Tigaon, and Sagñay, to examine how online customers' knowledge influences their attitudes and perceptions toward the Digital Services Tax in a rural setting. Although the district comprises ten municipalities, the coverage was limited to five due to time and fieldwork constraints. The area was selected because the policy under Republic Act No. 12023 is implemented nationwide, making the district an appropriate local context for assessing consumer responses to digital taxation.
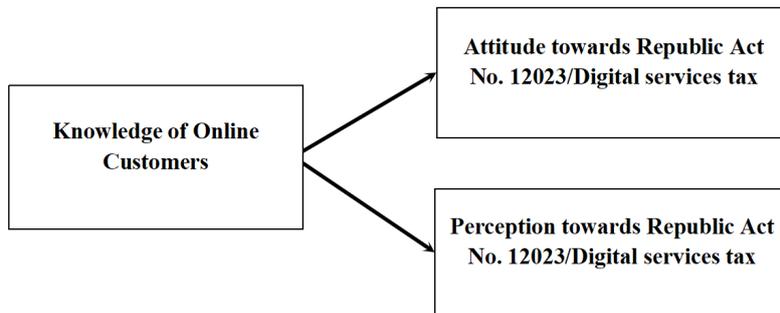
Figure 2. Conceptual Framework.

Figure 3. Map of Lagonoy, San Jose, Goa, Tigaon and Sagñay.

Source: Google photos.

3. Research Methodology

3.1. Research Design

This study employed a causal (explanatory) research design to examine the influence of online customers' knowledge on their attitudes and perceptions toward the VAT on Digital Services Law. Knowledge served as the independent variable, while attitude and perception were treated as dependent variables [34]. The design enabled the assessment of relationships between these variables using structured quantitative analysis.

3.2. Sampling Design

Simple random sampling was used to ensure that each eligible respondent had an equal probability of selection. The target population comprised rural residents who actively engage in online purchasing within the Partido area [35]. Although the resulting sample was dominated by younger female students, reflecting the demographic profile of digitally active rural consumers, the analysis focused on behavioral relationships rather than population-level representation. Consequently, findings are most applicable to active rural online buyers and should be interpreted cautiously for older or occupationally diverse groups. Future studies may expand demographic coverage to improve external validity.

3.3. Respondents of the Study

Because the total number of online buyers in the Partido area was unknown, Cochran's sample size formula was applied using a 95% confidence level and 5% margin of error, yielding a required sample of 384 respondents.

3.4. Data Gathering Procedures

Participants provided informed consent prior to participation and were informed of the study's purpose, voluntary nature, and confidentiality safeguards. Respondents could withdraw at any time without penalty. Data were used solely for academic purposes and reported anonymously.

3.5. Data Gathering Instruments

Data were collected using a structured questionnaire administered to 384 respondents. The instrument consisted of three sections: (1) socio-economic profile (age, sex, educational attainment, occupation, and monthly income); (2) factual knowledge of the Digital Services Tax provisions; and (3) measures of attitudes and perceptions toward Republic Act No. 12023. The questionnaire was initially based on House Bill No. 4122 and subsequently updated to reflect the final provisions of Republic Act No. 12023 to ensure alignment with the enacted law.

3.6. Data Analysis

To facilitate the analysis of the data gathered, the researchers used frequency count, percentage techniques, and weighted mean to summarize the dataset. Ordinal Logistic Regression was also employed to further understand the relationships among variables in the dataset.

Frequency Count, Percentage, and Ranking Techniques. These techniques were used to obtain proportions, ratios, or fractions in relation to the whole, particularly for describing the socio-economic profile of the respondents. The ranking technique was applied to arrange responses accordingly and determine their relative frequency.

Formula:

$$\frac{f}{n} \times 100$$

Where:

f = frequency
n = population

Weighted Mean. The weighted mean was used to assign weights to the data obtained in assessing the level of attitudes and perceptions of the respondents.

Formula:

$$Wm = \frac{\sum fx}{n}$$

Where:

Wm = weighted mean
$\sum fx$ = sum of the products of the frequency and weights
n = sample size

The researcher used a 5-point Likert Scale, where each point and range was given a corresponding verbal interpretation, such as follows (**Table 1**):

Table 1. 5-point Likert Scale.

Point	Range	Verbal Interpretation	
5	4.20–5.00	Very likely	Strongly Agree
4	3.40–4.19	Likely	Agree
3	2.60–3.39	Neutral	Uncertain
2	1.80–2.59	Unlikely	Disagree
1	1.00–1.79	Very Unlikely	Strongly Disagree

3.7. Ordinal Logistic Regression

To examine the influence of online buyers' knowledge of Republic Act No. 12023 (VAT on Digital Services Tax Law) on their attitudes and perceptions, the study employs ordinal logistic regression. This method is appropriate because the dependent variables are measured on ordered Likert-type scales, where the categories reflect increasing levels of attitude or perception but the distances between categories are not assumed to be equal. Two separate ordinal logistic regression models are estimated [34,36].

Model 1: Effect of Knowledge on Overall Attitude toward the DST Law

$$\text{logit}[P(\text{OverAt}_i \leq j)] = \alpha_j - \beta_1 \text{ OverKnow}_i, j = 1,2,3,4$$

where:

- OverAt_i is the overall attitude of respondent i, measured on a 5-point Likert scale;
- OverKnow_i is the respondent's overall knowledge of the DST law;
- α_j are the threshold (cut-point) parameters; and
- β_1 captures the effect of knowledge on the likelihood of expressing higher attitude levels

Model 2: Effect of Knowledge on Overall Perception toward the DST Law

$$\text{logit}[P(\text{OverPer}_i \leq j)] = \alpha_j - \beta_1 \text{ OverKnow}_i, j = 1,2,3,4$$

where:

OverPer_i represents the overall perception of respondent i, measured on a 5-point Likert scale;

OverKnow_i remains the key explanatory variable, and

Other terms are defined analogously to Model 1.

A positive and statistically significant coefficient for indicates that higher knowledge of the DST law increases the probability of respondents expressing more favorable attitudes or perceptions.

To address potential measurement bias associated with self-reported legal awareness, this study operationalizes knowledge of Republic Act No. 12023 (Digital Services Tax Law) using objective, factual comprehension items rather than perceptual self-assessment alone. The dependent and independent variables used in the analysis, including overall attitude, overall perception, and overall knowledge of the Digital Services Tax, are defined and described in **Table 2**. Respondents were asked to evaluate a series of statements covering the law's legal basis, scope, liable entities, tax rate, and application mechanisms, including VAT applicability to digital services, platform providers, intermediaries, subscription-based services, and non-resident foreign service providers. The questionnaire was translated into the local Bicol dialect to ensure clarity, cultural appropriateness, and accurate comprehension among respondents. The translation was conducted by the researchers, who are native speakers of the dialect, and was reviewed for semantic consistency to preserve the original legal meaning of each item. The knowledge scale consists of ten statements reflecting core provisions of the law (VAT rate, liable persons, covered transactions, and implementation timeline). Responses were coded dichotomously (correct = 1, incorrect or unsure = 0) and aggregated to form a composite knowledge score. This approach reduces social desirability and overconfidence bias by measuring actual factual understanding rather than perceived awareness. While scenario-based questions could further strengthen construct validity, the current design provides a reliable baseline assessment of legal comprehension suitable for large-sample survey analysis. Future research may extend this framework by incorporating vignette-based scenarios to capture applied legal reasoning in digital transaction contexts [37].

Table 2. Variable descriptions.

Variable Type	Variable	Code	Description
Dependent	Overall Attitude	OverAt	Five-point Likert scale measuring the likelihood of respondents' attitude toward the Digital Services Tax (1 = very unlikely, 5 = very likely)
Dependent	Overall Perception	OverPer	Five-point Likert scale measuring the level of agreement with the Digital Services Tax (1 = strongly disagree, 5 = strongly agree)
Independent	Overall Knowledge	OverKnow	Binary indicator of factual knowledge of the DST law (0 = without knowledge, 1 = with knowledge)

4. Results and Analysis

4.1. Socio-Economic Profiles of Online Buyers

Table 3 summarizes the socio-economic characteristics of the 384 online buyers. The sample is predominantly young (68.5% aged 11–21), female (64.8%), and student-based (83.3%), with most respondents reporting monthly allowances below PhP10,000 (89.6%). Educational attainment is likewise concentrated among college undergraduates (50.5%) and high school undergraduates (27.9%).

This demographic profile suggests that digital transactions in the Partido area are largely driven by younger, digitally active consumers with limited disposable income. From a behavioral economics perspective, such groups may be more price-sensitive and more responsive to perceived increases in transaction costs, including VAT. At the same time, their high digital engagement makes them a critical target population for policy communication. Consequently, understanding how knowledge shapes their attitudes toward digital taxation is particularly relevant for designing effective public education and compliance strategies.

Table 3. Frequency distribution of age, sex, occupation, educational attainment and monthly income of the respondents.

Socio-Economic Profile	Frequency (f)	Percentage (%)	Rank
A. Age			
11–21	263	68.5	1
22–32	100	26.04	2
33–43	9	2.34	3
44–54	8	2.08	4
55–65	4	1.04	5
Total	384	100	
B. Sex			
Male	135	35.2	2
Female	249	64.8	1
Total	384	100	
C. Occupation			
Student	320	83.3	1
Unemployed	21	5.5	2
Employed	30	7.8	3
Self-Employed	13	3.4	4
Total	384	100	
D. Educational Attainment			
Elementary Undergraduate	6	1.6	5
Elementary Graduate	2	0.5	7
High School Undergraduate	107	27.9	2
High School Graduate	34	8.9	4
College Undergraduate	194	50.5	1
College Graduate	38	9.9	3
Technical Education and Skills Development Authority	3	0.7	6
Alternative Learning System	0	0	8
Total	384	100	

Table 3. *Cont.*

Socio-Economic Profile	Frequency (f)	Percentage (%)	Rank
E. Monthly Income			
Below PhP 10,000	344	89.6	1
PhP 10,001–PhP 20,000	28	7.3	2
PhP 20,001–PhP 30,000	8	2.1	3
PhP 30,001–PhP 40,000	3	0.8	4
PhP 40,001–PhP 50,000	1	0.2	5
Above 50,001	0	0	6
Total	384	100	

4.2. Knowledge of Online Buyers towards Value-Added Tax on Digital Services Law

Table 4 presents the frequency distribution of online buyers' knowledge regarding the Digital Services Tax (DST) Law, showing varying levels of awareness across the ten knowledge statements (see **Table 4**). Results indicate moderate overall awareness of the VAT on Digital Services Law. Across all knowledge items, correct responses slightly exceeded incorrect ones (52% vs. 48%), suggesting that while basic familiarity exists, substantial knowledge gaps remain. Respondents were relatively more aware of general provisions, such as the 12% VAT rate and covered transactions, but demonstrated limited understanding of specific legal details, including the law's implementation status and the taxation of non-resident foreign providers.

Table 4. Frequency distribution of Online Buyers' Knowledge towards Digital Services Tax (DST) Law.

Statements	Yes		No	
	f	%	f	%
1. There is a Republic Act No. 12023 or VAT on Digital Services Tax (DST) Law proposed by Salceda from the House of Representatives, Cayetano from the Senate, and signed by the President	177	46%	207	54%
2. The bill was proposed in 2022 and was later signed by the President on October 2, 2024	148	39%	236	61%
3. The DST law imposes 12% VAT on online transactions in the Philippines that may be shifted or passed on to the buyer	215	56%	169	44%
4. The persons liable in this bill are any person who, in the course of trade or business, sells, barters, exchanges, leases goods or properties, including those rendered electronically, and any person who imports goods shall be subject to 12% VAT	226	59%	158	41%
5. The law also includes services rendered in the Philippines by non-resident foreign persons, which shall be considered as being rendered in the course of trade or business	191	50%	193	50%
6. The DST law also imposes 12% VAT on a third party, one who acts as an intermediary between the supplier and buyer of goods and services, who collects or receives payment through information-based technology or the internet	211	55%	173	45%
7. The DST law imposes 12% VAT on a platform provider for promotion that uses the internet to deliver marketing messages to attract buyers	205	53%	179	47%
8. The DST law imposes 12% VAT on a host of online auctions conducted through the internet	194	51%	190	49%
9. The DST law imposes 12% VAT on a supplier of digital services to a buyer in exchange for a regular subscription fee for the use of the said product or service	197	51%	187	49%
10. The DST law imposes 12% VAT on a supplier of goods or online services that can be delivered through the internet	218	57%	166	43%
Total	1982	52%	1858	48%

These findings highlight an important distinction between general awareness and factual comprehension. From both behavioral economics and rational choice perspectives, incomplete knowledge may increase uncertainty and

perceived risk, potentially influencing consumer responses more strongly than the tax itself. The results, therefore, underscore the importance of clearer dissemination of policy information, as misconceptions or limited understanding may hinder acceptance even when the actual tax burden is modest.

4.3. Attitude of Online Buyers towards Value-Added Tax on Digital Services Law

As shown in **Table 5**, respondents generally reported favorable or neutral attitudes toward the VAT on digital services (grand mean = 3.42, "Likely"). Participants expressed support for the tax's contribution to government revenue (WM = 3.86) and fairness between traditional and digital businesses (WM = 3.51–3.68). Most indicated they would continue purchasing online despite the additional VAT. Neutral responses were observed primarily in statements related to price sensitivity and purchasing power.

These results suggest that the imposition of VAT is not expected to substantially deter online consumption. Instead, respondents appear willing to adjust spending patterns while maintaining digital participation. This behavior aligns with Rational Choice Theory, which posits that consumers evaluate trade-offs and continue activities that provide net benefits. Even with higher prices, the convenience and accessibility of online platforms may outweigh the added tax cost. Thus, digital taxation may not significantly reduce demand, particularly among habitual online users.

From a policy standpoint, this implies that the Digital Services Tax can potentially generate revenue without severely disrupting consumer behavior, provided that the tax is perceived as fair and transparently implemented.

Table 5. Attitude of online buyers towards Republic Act No. 12023 or Value-Added Tax on Digital Services Law.

	Statements	WM	Verbal Interpretations
1.	I will support the Digital Services Tax and positively contribute to government revenue and public services.	3.86	Likely
2.	I am not worried that the 12% VAT will make the products I buy online become more expensive	3.07	Neutral
3.	I will end up buying more products or services because it will not affect my purchasing power	3.09	Neutral
4.	I will quickly adapt to the new pricing of online sellers and still continue my usual purchasing behavior despite the tax.	3.15	Neutral
5.	The Digital Services Tax or 12% VAT on goods, products or services will make me prioritize essential goods over non-essential goods.	3.68	Likely
6.	I will still purchase online products or services with 12% VAT to make it fair for the traditional businesses.	3.51	Likely
7.	I will still purchase from other platforms that promote products.	3.58	Likely
8.	I will still participate in online auctions conducted through the internet.	3.28	Neutral
9.	I will still purchase a regular subscription fee over the usage of the said product or service.	3.37	Neutral
10.	I will use other platforms through the use of the internet that can conduct online transactions.	3.60	Likely
	Grand Mean	3.42	Likely

Note: 4.20–5.00 (Very Likely), 3.40–4.19 (Likely), 2.60–3.39 (Neutral), 1.80–2.59 (Unlikely) and 1.00–1.79 (Very Unlikely).

4.4. Perception of Online Buyers towards Value-Added Tax on Digital Services Law

As shown in **Table 6**, perceptions toward the policy were generally positive (grand mean = 3.71, "Agree"). Respondents acknowledged that the VAT would increase transaction costs and require budget adjustments (WM = 3.71–3.83), yet still agreed that the policy promotes equity and fairness (WM = 3.54).

This combination of cost awareness and policy acceptance indicates pragmatic rather than resistant behavior. Consumers recognize the financial implications but view

the tax as legitimate. Such perceptions are consistent with behavioral economics research suggesting that fairness and legitimacy strongly influence compliance attitudes. When taxes are perceived as equitable, individuals are more likely to accept them even when they entail personal costs.

For policymakers, these findings highlight that perceived fairness may be as important as the tax rate itself in shaping public acceptance.

Table 6. Perception of online buyers towards Republic Act No. 12023 or Value-Added Tax on Digital Services Law.

Statements	WM	Verbal Interpretation
1. There will be adjustments to my online budget to accommodate the additional cost imposed by a 12% VAT under a Digital Services Tax.	3.71	Agree
2. The DST law will have a potential impact on the affordability of goods purchased online.	3.78	Agree
3. The DST law will have a potential impact on the overall cost of online transactions.	3.83	Agree
4. The implementation of the DST law will create equity and fairness by imposing 12% VAT.	3.54	Agree
Grand Mean	3.71	Agree

Note: 4.20–5.00 (Strongly Agree), 3.40–4.19 (Agree), 2.60–3.39 (Uncertain), 1.80–2.59 (Disagree) and 1.00–1.79 (Strongly Disagree).

4.5. Influence of Online Buyers' Knowledge towards Their Overall Attitude on Republic Act No. 12023 or VAT on Digital Services Tax Law

Ordinal logistic regression results (**Table 7**) show that knowledge has a statistically significant and positive effect on overall attitude ($\beta = 0.3983$, $p = 0.035$). Respondents with higher knowledge levels were more likely to express favorable attitudes toward the VAT on digital services.

This finding supports both theoretical foundations of the study. Consistent with Behavioral Economics Theory, better-informed individuals experience reduced uncertainty and are less likely to react negatively to new policies. Similarly, Rational Choice Theory suggests that knowledge enables consumers to more accurately evaluate costs and benefits, leading to more deliberate and less emotionally driven responses.

The result also aligns with prior evidence [21,29], reinforcing the view that information and education are critical determinants of policy acceptance. Practically, this implies that awareness campaigns, simplified explanations, and transparent communication may be effective tools for improving attitudes toward digital taxation.

Table 7. Influence of online buyers' knowledge on their overall attitude to Republic Act No. 12023 or VAT on Digital Services Tax Law.

Overall Attitude	Coef.	Std. Err.	z	$p > z$	Prob > Chi^2	Interpretation
Overall Knowledge	0.3983	0.1888	2.11	0.035**	0.0345**	Significant

Note: OverKnow (Overall Knowledge), ** significant at 5%.

4.6. Influence of Online Buyers' Knowledge towards Their Overall Perception of Republic Act No. 12023 or VAT on Digital Services Tax Law

Knowledge likewise exerts a significant positive influence on overall perception ($\beta = 0.3949$, $p = 0.036$) (**Table 8**). Informed respondents were more likely to agree with statements regarding the necessity, fairness, and implications of the law.

This suggests that factual understanding shapes not only behavioral intentions but also evaluative judgments. Unlike previous findings where knowledge did not mediate fairness perceptions, the present study demonstrates that knowledge plays a direct role in forming perceptions in the context of digital taxation [21,22]. This may reflect the novelty and complexity of VAT on digital services, where misunderstandings can easily distort opinions.

From a policy perspective, these results emphasize that improving legal literacy is essential for successful implementation. Clear communication through government agencies, digital platforms, and local institutions may help align consumer perceptions with the policy's objectives, thereby strengthening voluntary compliance.

Table 8. Influence of online buyers' knowledge on their overall perception of Republic Act No. 12023 or VAT on Digital Services Tax Law.

Overall Perception	Coef.	Std. Err.	z	$p > z$	$Prob > Chi^2$	Interpretation
Overall Knowledge	0.3949	0.1884	2.10	0.036**	0.0357**	Significant

Note: OverKnow (Overall Knowledge), ** significant at 5%.

5. Discussion

5.1. Implications

The findings provide several theoretical and policy insights regarding the implementation of the VAT on Digital Services Law in rural contexts.

First, the demographic profile indicates that digital commerce in the Partido area is largely driven by younger, female, and student consumers with limited disposable income. Despite their price sensitivity, this group remains highly engaged in online transactions, suggesting that convenience and accessibility outweigh modest increases in transaction costs. This implies that digital taxation is unlikely to substantially suppress demand among habitual users, particularly in digitally connected youth markets.

Second, although respondents demonstrated only moderate factual knowledge of Republic Act No. 12023, their overall attitudes and perceptions toward the policy were generally favorable. Most expressed willingness to continue online purchases and acknowledged the tax's potential contribution to government revenue and fairness between traditional and digital businesses. This suggests that acceptance of digital taxation is influenced not only by economic cost considerations but also by perceived legitimacy and equity.

More importantly, the regression results confirm that knowledge significantly predicts both attitudes and perceptions. Consumers with a greater understanding of the law were more likely to express support and acceptance. This finding directly supports Behavioral Economics Theory, which posits that reduced uncertainty and clearer information mitigate negative emotional reactions to policy changes. It also aligns with Rational Choice Theory, where informed individuals are better able to weigh costs and benefits and make deliberate consumption decisions rather than avoid transactions due to misinformation.

From a policy perspective, these results highlight that information dissemination is as critical as the tax policy itself. Public education campaigns, simplified explanations of the law, and clear communication through digital platforms may improve acceptance and voluntary compliance. Government agencies, local government units, and e-commerce platforms could collaborate to provide accessible materials, such as infographics, online advisories, or point-of-sale notifications, to enhance consumer awareness. Strengthening knowledge may therefore serve as a low-cost strategy to increase policy effectiveness without imposing additional enforcement burdens.

5.2. Limitations

Several limitations should be considered when interpreting the findings. First, the study was geographically confined to five municipalities in the Partido District; thus, results may not fully generalize to other rural or urban areas with different demographic and digital usage patterns. Second, the sample is concentrated among younger, student, and female consumers, reflecting the profile of active online buyers in the area but limiting broader population representativeness. Third, the cross-sectional survey design captures perceptions at a single point in time and does not assess how attitudes may evolve as consumers gain more experience with the tax policy.

Additionally, the study focuses exclusively on online buyers and does not examine the perspectives of online sellers or businesses, who may experience different compliance and cost considerations. The analysis is also limited to selected provisions of Republic Act No. 12023, particularly those related to digital sales transactions, and

does not evaluate other components of the law.

Future research may address these limitations by expanding the geographic scope, incorporating more diverse demographic groups, including sellers and platform operators, and employing longitudinal or mixed-method approaches to capture changes in behavior over time.

6. Conclusions

This study demonstrates that knowledge of the VAT on Digital Services Law (Republic Act No. 12023) plays a statistically significant role in shaping online customers' attitudes, perceptions, and purchasing behavior. Consumers with greater factual understanding of the law's provisions are more likely to exhibit favorable attitudes and rational evaluations toward its implementation. These findings support Behavioral Economics Theory and Rational Choice Theory, suggesting that informed individuals respond less to uncertainty and more to deliberate cost–benefit considerations.

However, knowledge alone does not fully explain behavioral responses. Attitudes toward digital taxation are also influenced by broader contextual and psychological factors, including trust in government, perceived fairness, digital literacy, and perceived financial burden. Recognizing these factors provides a more comprehensive understanding of how consumers adapt to new digital tax policies. The study highlights that improving public awareness is a critical mechanism for increasing acceptance and voluntary compliance with digital taxation reforms, particularly among rural and digitally active populations. Based on the findings, the following recommendations are proposed:

For government agencies (DOF, BIR, and LGUs):

1. Develop sustained taxpayer education campaigns that clearly explain the purpose, scope, and benefits of Republic Act No. 12023 using simplified and locally understandable materials.
2. Disseminate information through multiple channels, including social media, community orientations, schools, and local government information drives, to reach younger and rural consumers.
3. Provide transparent reporting on how DST revenues are allocated to public services to strengthen perceptions of fairness and legitimacy.

For digital platforms and online marketplaces:

4. Integrate clear VAT breakdowns and explanatory notices at checkout pages to help consumers understand how the tax is applied.
5. Provide in-app guides or FAQs regarding digital taxation to reduce misinformation and uncertainty during transactions.

For policymakers:

6. Consider fairness and affordability when implementing digital tax policies to avoid disproportionate burdens on low-income and student consumers.
7. Pair tax implementation with education and transparency measures, recognizing that knowledge significantly improves acceptance and compliance.

For future researchers:

8. Incorporate additional behavioral and institutional variables such as trust in government, perceived fairness, and digital literacy to better explain consumer responses.
9. Expand samples to include older adults, working populations, and online sellers to enhance representativeness.
10. Employ longitudinal or mixed-method approaches to examine how attitudes evolve over time after policy implementation.

Author Contributions

Conceptualization, J.M., Y.C.H. and E.A.O.; methodology, E.A.O.; software, E.A.O.; validation, E.A.O.; formal analysis, J.M. and Y.C.H.; investigation, J.M. and Y.C.H.; resources, J.M. and Y.C.H.; data curation, J.M. and Y.C.H.; writing—original draft preparation, J.M., Y.C.H. and E.A.O.; writing—review and editing, J.M., Y.C.H. and E.A.O.; visualization, J.M., Y.C.H. and E.A.O.; project administration, E.A.O. All authors have read and agreed to the published version of the manuscript.

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Institutional Review Board Statement

The research project, identified as PARSU-CBM-ACCT-2024-9, was authorized by the College of Business and Management at Partido State University. Approval for data collection, processing, and usage was sanctioned by the Local Government Unit of Partido district, Camarines Sur. Researchers independently carried out data analysis and procedures in a non-laboratory setting. The study focused solely on socioeconomic data, thereby obviating the need for ethical clearances, as it did not involve laboratory experiments, animal testing, or data sourced from social media platforms.

Informed Consent Statement

Prior to data collection, all participants provided informed consent after receiving comprehensive explanations about the study's objectives, potential risks, and benefits. Participants were assured of confidentiality and their right to decline participation. Formal authorization to access agency data was sought through the submission of a letter endorsed by research specialists and the relevant department.

Data Availability Statement

The data will be made available upon request.

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Conflicts of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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