



## The Effect of Tax Reform for Acceleration and Inclusion (TRAIN) Law on the Operational Performance of Food Franchises and Stalls in Cabugao, Ilocos Sur

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### Abstract

This research aims to investigate the effect of the Tax Reform for Acceleration and Inclusion Law on small food businesses, specifically franchises and food stalls, in Cabugao, Ilocos Sur. The study focuses on businesses that have been in operation for at least five years, as their longer existence allows for a comprehensive understanding of the effects of the Tax Reform for Acceleration and Inclusion Law on their operations. The researchers developed questionnaires to determine the level of operating performance and the effectiveness of the Tax Reform for Acceleration and Inclusion Law. The majority of respondents aged 40-49 are college graduates who have attended 1-3 seminars. Most small business owners have been in operation for over 10 years and have hired 1-3 employees, usually family members. The study found that small business owners do not believe the tax reform has a positive impact on income generation, and that the increase in purchasing power has not significantly affected their businesses. However, businesses use incentives to optimize their income and have lower personal income tax rates. The increase in operating costs does not lead to cost-saving measures, and marketing expenses do not contribute to profitability. Lastly, in 2018 and 2019, small business owners reported sales above P300,000 and had expenses below P50,000. Over the subsequent years, the pattern varies. Notably, in 2020 and 2021, small business owners reported sales below P50,000 and expenses also below P50,000. In 2022, reported sales were between P50,000 and P100,000, and the expenses were below P50,000. Hence, the business's operating performance was not affected by the implementation of the Tax Reform for Acceleration and Inclusion Law.

**Keywords:** *Tax Reform for Acceleration and Inclusion Law; Operating Performance; Small Food Businesses*

### INTRODUCTION

Taxation is a fundamental aspect of any economy, as it is how governments collect revenue from citizens to finance public goods and services, redistribute wealth, and regulate economic activity. According to [Banggawan \(2021\)](#), every government provides a wide range of public services, including defense, public order and safety, health, education, and social protection, and every society requires a government. Without it, people will not be able to enjoy the benefits of a civilized and well-run society. However, a government cannot exist without a way to pay for itself. Taxation is based on the idea that governments need money to run. Tax is a vital source of revenue for most governments, enabling them to fund essential services and infrastructure for their citizens. Taxes help raise a country's standard of living. The higher the standard of living, the higher the level of consumption is likely to be. With a higher standard of living, businesses would also be assured of higher domestic consumption. Taxes are essential, and every citizen is meant to benefit from them. This is why citizens must endeavor to pay taxes and understand that it is intended to be more than just a "money grab" from the government.

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In recent years, the Philippine government has implemented several tax reform measures to increase revenue, simplify the tax system, and promote economic growth. In 2018, the Tax Reform for Acceleration and Inclusion (TRAIN) law was enacted, which lowered personal income tax rates while increasing taxes on certain goods and services. According to [Murillo \(2021\)](#), this tax reform aims to simplify the tax system, increase investment, create more job opportunities, and reduce poverty. Moreover, these tax reforms aim to increase revenue to fund infrastructure that will enhance education, health, and public services. However, [Punongbayan \(2019\)](#) argued that there is substantial evidence, both anecdotal and factual, indicating that the TRAIN Law has worsened poverty and income inequality, casting doubt on some of the perceived improvements it has brought to the welfare system.

As [Suan and Bayod \(2021\)](#) state, the TRAIN law is already in effect. Wage earners are already reaping the benefits of higher take-home pay. In contrast, the poorest of the poor, who are also non-wage earners, have already received an unconditional cash transfer to help them cope with the price increases in necessities. In the meantime, the study by [Carcido-Damasig and Damasig \(2022\)](#) indicates that the TRAIN law is the government's first move toward a comprehensive tax overhaul. It may have lowered Filipinos' income taxes, but it has also increased the cost of living in the Philippines. According to [Litonjua \(2018\)](#), the TRAIN law led to a significant increase in the inflation rate of essential goods. Moreover, the TRAIN Law truly reforms and improves collection efficiency, influences government tax income, and helps boost the take-home pay of Filipino citizens, even though increasing excise taxes, which cause inflation, has a fluctuating effect on the market and economy.

In every country, the food industry is indisputably vital compared to other industries. One sector that may have been significantly affected by the TRAIN Law is the food industry. The food industry is a crucial sector in the Philippines, contributing to the country's economic growth and providing employment to a significant portion of the population. According to [Ritchie et al. \(2022\)](#), changes in the tax structure brought about by the TRAIN Law may have had both positive and negative impacts on the food industry. The food industry is the economic sector responsible for the production, processing, and distribution of food products. This industry encompasses agricultural production, food manufacturing, and retail food sales. The food business is a key contributor to global economic growth and serves a critical role in feeding the world's population.

Food stalls and franchises play a crucial role in the food industry, contributing to employment generation, entrepreneurship, and economic growth. The implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law has had notable implications for these businesses. The term "food stall" is a small eating establishment that offers a selection of ready-to-eat foods. It can be found in public places such as open markets or outdoor locations, and it may be mobile or fixed in place. Small food stalls in many Philippine communities function as important entry points for micro-entrepreneurship and local economic activity, often becoming a primary means of income—especially for women. These stalls also tend to feature a diverse range of regional dishes, helping transmit local cooking traditions and giving the public opportunities to experience the country's rich culinary heritage. In addition, tax reforms such as the TRAIN Law have influenced how these small businesses operate, prompting many vendors to reconsider their pricing approaches in order to remain competitive while meeting new tax-related requirements. They might have to raise prices or cut portion sizes to offset higher costs. Finding the ideal balance is essential, though, since steep price increases may turn clients away.

Operating performance is a crucial aspect of any business, and understanding its impact on the company's overall financial performance is important. According to [Rojo \(2021\)](#), operating performance refers to a company's ability to generate profits from its core business operations. This is typically measured using metrics such as revenue, gross margin, operating income, and net

income. Operating performance is a key indicator of a company's financial health and can help investors and stakeholders make informed decisions about the company's prospects. In the Philippine food industry, understanding companies' operating performance is crucial for assessing the impact of tax reforms, such as the TRAIN Law, on industry financial performance.

According to [Murillo \(2021\)](#), the implemented tax adjustment is designed to increase revenue, create more employment opportunities, and reduce poverty. [Punongbayan \(2019\)](#) argued, however, that the tax adjustment implemented that year had worsened poverty and economic inequality, casting doubt on some of the claimed benefits it had brought to the welfare system. Furthermore, several researchers have concluded that tax reform is detrimental to the food industry, particularly for food vendors near schools.

This research study investigates the effect of the Tax Reform for Acceleration and Inclusion Law on the operating performance of small food businesses in Cabugao, Ilocos Sur. Specifically, it looks at the effects on franchises and food stalls. In addition, it intended to reach out to franchisees and food stall owners as its respondents to explore the specific effects of the Tax Reform for Acceleration and Inclusion Law on the food industry and to provide findings on the effectiveness of the Tax Reform for Acceleration and Inclusion Law on their businesses' operating performance and its vital role in the growth and development.

## LITERATURE REVIEW

### Keynes Theory

The Trickle theory of John Locke in 1930 emphasizes the "fountain effect" of economic advancement, which begins with the poorest and ascends to the richest. Researchers will employ this theory to underscore the significance of favorable policies regarding food stands and franchises in Cabugao, Ilocos Sur. During periods of economic recession, governments should reduce income tax rates for both individuals and businesses, consistent with Keynesian economic theory. Consequently, greater funds would be available to the private sector for investment in initiatives that foster economic growth. The plan is to use currency reserves amassed during an economic downturn to aid the government. An illustration of equity is the provision of tax reductions to financially vulnerable individuals; this promotes efficiency, enhances quality of life, and fosters economic advancement. The study's objective is to determine whether the TRAIN Law effectively promotes fairness, benefits, and development for small-business owners, with a specific focus on food stands and franchises. This analysis aims to illuminate any concerns or inadequacies as perceived by the participants. Keynesian economic theory emphasizes macroeconomic forces and explicitly holds the government responsible for ensuring financial security, especially for the impoverished. The trickle-up principle in taxation seeks to increase society's aggregate income by benefiting individuals through lower payments.

### Fiscal Psychology Theory

[Damayanti et al. \(2015\)](#) posit that taxpayers' perceptions of the government are a significant determinant, as supported by fiscal psychology theory. This theory provides a more comprehensive comprehension of human behavior in economic circumstances. It emphasizes the utility of government-formulated, constructive policies to enhance taxpayer cooperation. The present theory will be employed to determine whether participants' viewpoints influence their assessments of the impact the implemented tax reform had on their organizations. Furthermore, Fiscal Psychology Theory will be considered as it emphasizes the significance of the public's perception of the government. As [Lewis \(1982\)](#) stated, this approach places considerable importance on government-formulated policies that foster greater taxpayer and government participation. Given the circumstances, the existence of governmental initiatives and the diverse

perspectives they elicit from a subset of common laborers are pertinent to the subject matter under investigation.

### **Tax Reform for Acceleration and Inclusion Law**

According to [Manasan \(2017\)](#), after 20 years of unadjusted tax rates and brackets, the tax reform for the Acceleration and Inclusion Bill reduces personal income taxes for 99 percent of taxpayers, giving much-needed relief. It simplifies the tax system so that ordinary Filipinos can comprehend and use it, and it enhances tax efficiency to increase government revenue collection. TRAIN law altered the personal income tax, the value-added tax, and the excise tax on gasoline, cigarettes, automobiles, sugary drinks, coal and coke, and mineral products. As a result, the train law affected many individuals, especially low-income families, as well as hundreds of businesses. The implementation has a significant impact on personal exemptions in the personal income tax and not only to tax rates such as An increase in the amount to be exempted from personal income tax from ₱10,000 to ₱250,000; It removes the personal and additional exemptions and premiums paid on health or hospitalization insurance; Exemption from tax of de minimis benefits, mandatory contributions such as GSIS, SSS, PhilHealth, Pag-Ibig Fund, and other union dues remain ([Murillo, 2021](#)).

To offset the reduction in government revenue from lower personal income tax rates, the TRAIN Law introduced higher excise taxes on a range of goods. These taxes are applied during production rather than at the point of sale, which contributes to higher market prices once products reach consumers. While the reform aimed to provide tax relief, it placed financial strain on many low-income households, as the higher cost of necessities, such as fuel and essential commodities, further constrained their already constrained budgets. The yearly rise in excise taxes on gasoline, in particular, has not been matched by the income tax reductions, resulting in a net burden for many workers. Higher fuel prices have also triggered ripple effects across the transportation sector, affecting fares and operating costs. As global oil prices rose, transport groups advocated fare increases, a move that would disproportionately affect low-income families who depend heavily on public transportation.

Also, many firms are affected by the TRAIN Act. The introduction of the TRAIN Law has affected the merchandising industry's sales and pricing. Some individuals increase their selling prices, resulting in a decline in sales due to a fall in demand for the items they offer. Small and medium-sized businesses are also affected. Increasing petroleum prices increase transportation and delivery costs, raising the product's current price, reducing the client base, and, regardless of the price level, decreasing profits ([Carcido-Damasig & Damasig, 2022](#)). In contrast, as a result of the Tax reform for acceleration and inclusion, micro, small, and medium-sized businesses will find it less burdensome to disclose their income and pay the correct taxes under the new law, due to the reduction in tax rates.

Overall, higher revenues from the TRAIN law have enabled the government to implement measures such as personal income tax (PIT) cuts, unconditional cash transfers (UCTs), and transportation subsidies. The reforms were designed to increase disposable income for many individuals, helping offset the modest price increase that followed. Small enterprises were likewise given more flexibility under the TRAIN Law by being allowed to opt for a simplified flat tax rate of 8% on gross earnings in place of the usual income and business tax requirements. The package also introduced changes to streamline tax administration, enabling taxpayers to submit and settle their income and business taxes annually or quarterly, rather than the previously required monthly or bimonthly filing schedule.

## Operating Performance

Each business relies on operating performance. Therefore, it is crucial to understand how it affects a company's overall financial performance. Rojo (2021) defines operating performance as a company's ability to generate income from its primary business operations. Metrics such as revenue, gross margin, operating income, and net income typically assess this. Analyzing operating performance can provide insights into a company's financial health, helping stakeholders and investors evaluate its prospects. Understanding how tax measures such as the TRAIN Law may affect the financial performance of the Philippine food industry requires an understanding of corporate operating performance.

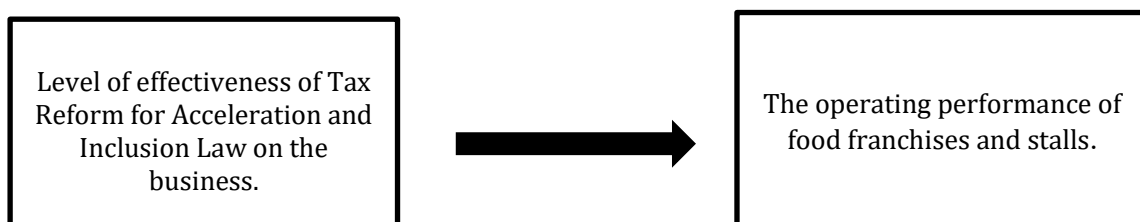
One commonly used metric of operational effectiveness is return on assets (ROA), which measures a company's profitability relative to its assets. Businesses with higher ROA are generally more profitable, have better liquidity, and face lower financial risk, according to Mendoza and Rivera (2017). The operating margin, which contrasts operating income with net sales, is another critical metric. According to studies, businesses often experience greater profitability and financial stability when operating margins are higher. Additionally, they frequently use superior management techniques and have more satisfied customers.

Operating performance is significantly impacted by operational efficiency. Efficient operations enable companies to produce goods or services at a lower cost without compromising quality. Research indicates that factors such as supply chain management, inventory control, and production technology significantly affect operating performance (Kumar & Goyal, 2019).

Operational performance is also significantly influenced by strategic planning. A well-planned strategy ensures that a company's objectives align with its resources and capabilities, resulting in practical operations. According to studies, businesses that successfully apply strategic planning frequently experience improved profitability, growth, and overall performance (Erdil, 2020). Market conditions can significantly impact a corporation's operational success. Businesses in highly competitive industries typically exhibit lower profitability and operating margins (Wu & Chen, 2019). Due to legislative frameworks and resource constraints, businesses operating in emerging markets may encounter significant difficulties.

To summarize, operating performance is crucial to a company's success and sustainability. Companies can achieve their strategic objectives and enhance financial performance by assessing and improving key indicators, including ROA, operating margin, strategic planning, and efficiency measures. Understanding the impact of market conditions is also essential for effectively managing operating performance.

Based on studies by other researchers, there is strong evidence that the implementation of the tax reform played a significant role in our economy. Thus, this study will focus on gathering the perspectives of owners of food stalls and franchises and relating the results to the "Trickle Up" theory, which emphasizes the fountain effect in which economic progress should start from the lower class and reach the wealthiest. Also, the fiscal psychology theory highlights that citizens' perspectives affect compliance with regulations.



**Figure 1.** Research paradigm

Figure 1 shows the independent variable, the level of effectiveness of the Tax Reform for Acceleration and Inclusion Law, and whether this factor affects the food stalls and franchises. Otherwise, the figure also shows the dependent variable, the operating performance of food franchises and stalls. Thus, the two variables are correlated to determine whether there is a significant relationship.

### **Research Problem**

The study aims to determine the effects of the Tax Reform for Acceleration and Inclusion Law on the food business industry in Cabugao, Ilocos Sur.

Specifically, it seeks to answer the following questions:

1. What is the level of effectiveness of the Tax Reform for Acceleration and Inclusion Law on the business in terms of;
  - a. Income Generation, and
  - b. Cost?
2. What is the level of operating performance of food franchises and stalls in terms of;
  - a. Sale, and
  - b. Expenses?
3. Is there a significant relationship between the level of effectiveness of Tax Reform for Acceleration and Inclusion Law and the operating performance of the business?

### **RESEARCH METHOD**

This section represents the participants, research instrument, data analysis, and ethical considerations.

#### **Participants of the Study**

The study participants were food franchise and food stall owners in Cabugao, Ilocos Sur, selected using a total enumeration technique. These food franchise and food stall owners were ages 25-55. The registered food franchises and food stalls in Cabugao, Ilocos Sur, totaled 57 establishments. In getting the sample size, the researchers included all 57 respondents. Regarding inclusion, the researchers required businesses to have existed for at least 5 years and excluded those with 4 years or less, as these were not considered relevant to the study. However, only 50 of 57 respondents could participate in this study, as the other seven business owners declined because they could not disclose their financial information due to its sensitivity to exposure.

#### **Research Procedure**

The researchers gathered quantitative data through a survey questionnaire distributed to owners of food franchises and stalls in Cabugao, Ilocos Sur, starting on October 7. The survey questionnaire comprises closed-ended questions, facilitating the collection of numerical data. To ensure participant anonymity and encourage honest responses, the survey remains available until October 31.

Once data collection concludes on October 31, the researchers employ statistical methods, such as descriptive statistics and correlation analysis, to analyze numerical data and draw conclusions about the effects of the Tax Reform for Acceleration and Inclusion Law on the food business.

#### **Research Instrument**

The research instrument used in the study was a researcher-developed survey checklist. The questionnaire was distributed to business owners in Cabugao, Ilocos Sur, via face-to-face

paper-and-pencil surveys, thereby highlighting the primary purpose of this study. The questionnaire consists of two parts. The first part focuses on the effectiveness of tax reform in accelerating and promoting inclusion, and the second part examines the operational performance of food franchises and stalls.

A pilot test was conducted to validate the questionnaire. Cronbach's alpha was used to assess the scale's internal consistency and determine whether it is reliable, valid, and ready for use.

### Statistical Treatment

The mean was used to assess the effectiveness of the Tax Reform for Acceleration and Inclusion Law. To determine the level of operating performance of the business. The Likert scale shown below was used to analyze and interpret the results:

**Table 1.** Likert Scale

Point Value	Range of the Means	Descriptive Interpretation
4	3.26 – 4.00	Strongly Agree
3	2.51 – 3.25	Agree
2	1.76 – 2.50	Disagree
1	1.00 – 1.75	Strongly Disagree

The Pearson  $r$  correlation coefficient was used to determine the significant relationship between the effectiveness of the Tax Reform for Acceleration and Inclusion Law and the business's operating performance. Data analysis was undertaken using the International Business Machines' Statistical Package for the Social Sciences version 26.0. P-values  $<.05$  were considered statistically significant.

### Ethical Consideration

Respondents to this research, entitled The Effect of the Tax Reform for Acceleration and Inclusion (TRAIN) Law on the Operational Performance of Food Franchises and Stalls in Cabugao, Ilocos Sur, will be asked for their full consent before participating in the survey. No respondent should be subjected to harm in any way. The participants were provided with thorough information about the research's goal and their significant contributions. Informed consent is obtained after presenting and discussing the research inquiry's goal. Additionally, the researchers invite people to participate in the study, and participants may withdraw at any time during the study. All respondents' questions were answered comprehensively and truthfully.

In addition, the researchers adhere to all requirements outlined throughout the research endeavor. The researcher goes to a great extent to ensure that the respondents receive only the best, benefit from the study's findings, contribute to the advancement of the teaching and learning process, and are never physically, psychologically, or emotionally harmed. In addition, informed consent included the following: (a) a contract between the researchers and the participants in which the participants agree to take part in the study. Adequate information is presented and clarified to participants at their level of understanding, (b) information from which respondents can cancel at any time, ask questions, and refuse to answer questions if they disagree or are uncomfortable with the questions, (c) an explanation of the study's potential risks so that participants can make informed decisions about whether or not to participate, and (d) a description of the participants' before the complication. The researchers ensure participants' confidentiality and anonymity by assigning a code based on each participant's relationship to them and including it in the survey questionnaire. When submitting the data collected from respondents, the researcher omitted participants' identities. To assure anonymity, the researcher assigns each



participant a unique numerical code. Everyone, except the researcher, is unaware of the statement's origin.

Participants are informed that they have the right to withdraw from the study at any time, whether they choose to do so or if their participation becomes uncomfortable. Before data collection begins, participants are informed. Because they are locals and do not belong to vulnerable groups, the research participants are protected from physical, psychological, and mental abuse. The elderly, pregnant women, indigenous people (IP), homeless people, patients with terminal or incurable diseases, and even powerless individuals because of poverty, as well as minors who are dependent on their parents, are all vulnerable members of the population, none of whom are the respondents.

Once the number of respondents is determined, the appropriate authorities are contacted through official channels to obtain permission for respondents to participate in the study. Respondents may pose queries, to which the researchers are expected to provide adequate responses. In addition, after providing all necessary information, the researchers will obtain the prospective subject's signed informed consent. No risk will be posed to respondents, as only a survey questionnaire will be used to collect data. Similarly, the respondent would be asked to indicate the most convenient time to complete the questionnaire during the study. Once the study is complete, the data collected from respondents will be discarded because it has served its purpose: assisting the researchers with their study. Data will be disposed of by shredding or burning physical copies and deleting digital copies.

## FINDINGS AND DISCUSSION

### Findings

This section presents the results of the data gathered by the researchers. This includes the demographic and organizational profile of the respondents, the level of effectiveness of train law, and the relationship between the profiles and the effectiveness of train law.

**Table 2.** Profile of the Respondents

	Frequency	Percentage (%)
<b>Age</b>		
< 29	5	10
30 – 39	13	26
40 – 49	18	36
50 – 59	14	28
>59	0	0
<b>Highest Educational Attainment</b>		
Elementary level	1	2
Elementary graduate	1	2
High School level	0	0
High School graduate	16	32
College Level	14	28
College Graduate	18	36
<b>Number of Seminars Attended</b>		
N/A	16	32
1 – 3	24	48
4 – 6	4	8
7 – 9	1	2



	Frequency	Percentage (%)
$\geq 10$	5	10

As seen in Table 2. The data reveals insights into the surveyed population's demographics, educational background, and seminar attendance patterns. Among the respondents, the largest age group is 40-49, accounting for 36% of the sample, followed by 50-59 at 28%. The 30-39 age group comprises 26% of respondents, while 10% are under 29, with no respondents above 59. Regarding educational attainment, 36% hold college degrees, and 32% are high school graduates. Additionally, 28% have attended college but did not graduate, while 2% have an elementary education, and 2% are elementary graduates. Regarding seminar attendance, 48% of respondents have attended 1-3 seminars, while 32% have not attended any. A smaller proportion, 10%, have attended more than 10 seminars; 8% have attended 4-6 seminars; and 2% have attended the fewest seminars, 7-9.

**Table 3.** Organizational profile of the respondents

	Frequency	Percentage (%)
<b>Years of Existence</b>		
1 – 3	0	0
4 – 6	10	20
7 – 9	12	24
$\geq 10$	28	56
<b>Number of Employees</b>		
1 – 3	35	70
4 – 6	10	20
7 – 9	3	6
$\geq 10$	2	4

In terms of years of existence, none of the surveyed entities have been established for 1-3 years, indicating a lack of very new entities in the sample. Instead, a significant proportion (56%) of the entities have a long-standing presence, having existed for 10 or more years. Additionally, 24% of the entities have been operational for 7-9 years, while 20% have been established for 4-6 years. This distribution of years of existence highlights the experience and maturity of the entities in the sample, with a strong representation of well-established ones.

When examining the number of employees, it is evident that most entities have a relatively small workforce, with 70% falling into the 1-3 employee category. This suggests that a significant portion of the surveyed entities are small businesses or startups with limited staff. Moreover, 20% of entities have 4-6 employees, indicating a moderate-sized group, while 6% have 7-9 employees. A smaller fraction (4%) of entities has a larger workforce of 10 or more employees, indicating a minority of larger organizations in the sample.

**Table 4.** The level of effectiveness of tax reform for the acceleration and inclusion of laws in business

Indicators	Mean	Interpretation
<b>Income Generation</b>		
The tax reform has a positive effect on the generation of income.	2.46	Disagree
The tax reform has made it easier for the business to generate	2.44	Disagree

Indicators	Mean	Interpretation
income.		
The business has effectively utilized tax incentives or deductions introduced through the tax reform to optimize its income.	2.62	Agree
The increased purchasing power led to higher demand for the product offered by the business resulting in a higher income.	2.28	Disagree
The reduction in personal income tax rates has a positive effect on the business.	2.56	Agree
<i>Composite mean</i>	2.47	Disagree
<b>Cost</b>		
The tax reform has increased the overall operating cost of the business.	2.64	Agree
Cost-saving measures have been implemented in the business without compromising the quality of its products.	2.42	Disagree
The expenses incurred for marketing and advertising activities contribute positively to the profitability of the food stall/franchise.	2.32	Disagree
The expenses associated with sourcing ingredients and supplies for the business are reasonable and justifiable.	2.68	Agree
The assistance and support provided upon the implementation of tax reform help to mitigate cost pressure.	2.58	Agree
<i>Composite mean</i>	2.53	Agree
<b>Overall Mean</b>	<b>2.50</b>	<b>Disagree</b>

Note: 1:00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

The data reflect respondents' perceptions of the impact of tax reform on income generation and business costs. On the income-generating front, the respondents seem to disagree that the tax reform generally had a positive effect. The mean score for various statements related to income generation is around 2.47, indicating disagreement. Conversely, when assessing the cost aspect, the respondents also generally agree that the tax reform has influenced their business operations. The mean score for cost-related statements is around 2.53, indicating agreement.

**Table 5.** The level of operating performance of food franchises and stalls

Years	Sales		Expenses	
	f	%	f	%
<b>2018</b>				
below 50,000	11	22	22	44
50,000-100,000	11	22	8	16
101,000-150,000	5	10	3	6
151,000-200,000	3	6	4	8
201,000-250,000	3	6	2	4
251,000-300,000	2	4	3	6
above 300,000	15	30	8	16
<b>2019</b>				
below 50,000	10	20	21	42

Years	Sales		Expenses	
	f	%	f	%
50,000-100,000	13	26	7	14
101,000-150,000	4	8	5	10
151,000-200,000	3	6	3	6
201,000-250,000	3	6	4	8
251,000-300,000	3	6	2	4
above 300,000	14	28	8	16
<b>2020</b>				
below 50,000	21	42	30	60
50,000-100,000	10	20	8	16
101,000-150,000	5	10	2	4
151,000-200,000	2	4	1	2
201,000-250,000	2	4	2	4
251,000-300,000	3	6	4	8
above 300,000	7	14	3	6
<b>2021</b>				
below 50,000	21	42	32	64
50,000-100,000	11	22	6	12
101,000-150,000	4	8	2	4
151,000-200,000	2	4	3	6
201,000-250,000	1	2	0	0
251,000-300,000	4	8	4	8
above 300,000	7	14	3	6
<b>2022</b>				
below 50,000	8	16	22	44
50,000-100,000	14	28	6	12
101,000-150,000	4	8	6	12
151,000-200,000	5	10	3	6
201,000-250,000	3	6	1	2
251,000-300,000	5	10	4	8
above 300,000	11	22	8	16

The table presents data from 2018 to 2022, categorizing sales and expenses by income bracket. In 2018, the highest percentage of businesses (30%) reported sales above P300,000, with 22% reporting sales between P50,000 and P100,000, and 10% reporting sales between P101,000 and P150,000. On the expense side, 44% had expenses below P50,000, and 4% had the lowest frequency of expenses in the P251,000 to P300,000 category.

Over the subsequent years, the pattern varies. Notably, in 2020 and 2021, there was a significant increase in businesses reporting sales below P50,000 (42%), possibly influenced by the economic conditions of that year. In the same year, expenses also increased, with 60% of businesses reporting expenses in the same income bracket. In contrast, 2019 saw more businesses with higher sales, especially in the above \$300,000 category.

In 2022, the data suggests a return to a more balanced distribution of sales and expenses across various brackets. Notably, 28% of businesses reported sales between P50,000 and P100,000, while 6% had the lowest frequency of 3 in the P201,000 to P250,000 category. On the expense side, 44% reported the highest expenses between \$50,000 and \$100,000, and 2% had the lowest

expenses of P201,000-P250,000.

**Table 6.** Relationship between the level of effectiveness of tax reform for acceleration and inclusion law, and the operating performance of the business

Operating Performance of Food Franchises and Stalls			Effectiveness of TRAIN Law	
			Income Generation	Cost
2018	Sales	<i>r</i>	-.132	.000
		<i>p-value</i>	.362	.997
	Expenses	<i>r</i>	-.192	-.035
		<i>p-value</i>	.182	.810
2019	Sales	<i>r</i>	-.192	.007
		<i>p-value</i>	.182	.960
	Expenses	<i>r</i>	-.175	-.007
		<i>p-value</i>	.223	.960
2020	Sales	<i>r</i>	-.015	.094
		<i>p-value</i>	.917	.518
	Expenses	<i>r</i>	-.072	.132
		<i>p-value</i>	.619	.362
2021	Sales	<i>r</i>	-.047	.106
		<i>p-value</i>	.748	.464
	Expenses	<i>r</i>	-.117	.106
		<i>p-value</i>	.417	.464
2022	Sales	<i>r</i>	-.072	.015
		<i>p-value</i>	.618	.918
	Expenses	<i>r</i>	-.087	.029
		<i>p-value</i>	.550	.844

\*Correlation is significant at the 0.05 level (2-tailed)

The table shows that none of the relationships were statistically significant. Based on the direct effects, the hypothesized relationships were not supported at the 95% confidence level. Table 5 summarizes the conclusions of the hypotheses. The relationship between the effectiveness of tax reform in accelerating and including law and the business's operating performance was not statistically significant ( $p > 0.05$ ). Hence, the business's operating performance was not affected by the implementation of the Acceleration and Inclusion Law.

## Discussions

The researchers found that among the 50 food franchise and stall owners, the largest age group was 40-49, whereas the smallest was 29. 36% of the owners hold college degrees, while 2% are elementary graduates, and 2% have an elementary education. Among the owners who attended the seminar, most attended 1-3 seminars, and a few attended 7-9. Regarding the business's existence, the researchers found that most entities have a long-standing presence, with 10 or more years in the industry, while a few have been established for 4-6 years. After examining the number of employees, the researchers found that the majority of the entities have a small workforce, with 1-3 employees. On the other hand, a smaller fraction of entities has a larger workforce of 10 or more employees.

Regarding the effectiveness of the Tax Reform for Acceleration and Inclusion Law for businesses in terms of Income Generation and Costs, the researchers found that respondents did

not believe the tax reform had a positive impact on income generation and did not make it easier for them to generate income. The increase in purchasing power led to higher income, but it had little effect on their business. This suggests that the tax reform does not have a positive impact on businesses' income-generating abilities. The researchers also found that businesses use incentives to optimize their income, which aligns with Keynes' Trickle-Down theory, which highlights the "fountain effect" of economic progress, starting with the lower classes and reaching the wealthiest. This theory emphasizes the importance of beneficial policies for food stalls and franchises. Based on Keynesian economic theory, governments should reduce income tax rates for both individuals and businesses during economic recessions. The researchers also discovered that having lower personal income tax rates contributed positively. A study by [Bonghanoy et al. \(2019\)](#) shows that lower personal income taxes are beneficial because they make purchases more manageable.

Operating performance is significantly impacted by operational efficiency. Because of efficient operations, companies can produce goods or services at lower cost without compromising quality ([Kumar & Goyal, 2019](#)). However, this research shows that, even with increased overall operating costs, businesses do not implement cost-saving measures. It also indicates that marketing expenses did not contribute positively to the business's profitability. On the other hand, they agreed that the increase in ingredient sourcing and supply is justified. This suggests that businesses need to adapt to higher costs to maintain quality and profitability. The assistance and support provided during the implementation of tax reform have helped mitigate cost pressures. A study by [Litonjua \(2018\)](#), entitled *The Effects of TRAIN Law on Selected Variety Stores in Mandaluyong City*, argued that respondents strongly agreed that businesses had to raise product prices to improve sales management. However, the respondents stated they are having trouble pricing their items because they cannot add a small markup due to the increase in product prices. As part of cost control, most respondents agreed that they had to minimize their inventory, stating that when they purchase items for resale, they spend only within their operating profit and not from borrowings or their own pockets.

At the level of operating performance of food franchises and stalls, sales and expenses are crucial. Operating performance is a key aspect of any business because it measures the company's ability to generate profits from its core operations and is an essential indicator of its financial health, according to [Rojo \(2021\)](#). In this regard, the government stated that the tax system has been adjusted to boost revenue. Based on the researchers' findings, the highest reported sales at the start of TRAIN Law implementation were above 300,000, while most businesses had expenses below 50,000. Conversely, during 2020 and 2021, there was a significant decrease in the reported sales of most business owners with expenses below 50,000, possibly influenced by the economic conditions of those years. In subsequent years, the pattern varies due to factors such as COVID-19, which has had a significant impact across all industries. Despite this, there is a return to a more balanced distribution of sales and expenditures across various brackets during 2022. Nevertheless, this study shows that business owners' revenue during the implementation of the TRAIN Law did not align with their aim of boosting it.

The findings of the study, as indicated by the statistical analysis presented in Table 5, suggested that the hypothesized relationship between the effectiveness of the Tax Reform for Acceleration and Inclusion Law and the business's operating performance was not statistically significant at the 95% confidence level. This indicates that the business's operating performance is not significantly related to the implementation of the Tax Reform for Acceleration and Inclusion Law.

## CONCLUSION

This study gives clarification and relevant insights into the effect of the Tax Reform for

Acceleration and Inclusion law on the operational performance of food franchises. The findings of this research indicate that tax reform does not have a favorable effect on businesses' revenue-generating capabilities, and the expectation that it will augment consumers' purchasing power does not materialize. In addition, the surge in commodity prices leads to higher operational expenses and lower revenue. [Carcido-Damasig and Damasig's \(2022\)](#) study indicates that the TRAIN law potentially reduced personal income taxes for Filipino citizens while simultaneously increasing the cost of living, leading to decreased sales and revenue for enterprises and increased expenditures for their proprietors. Therefore, this analysis demonstrates that the operating performance of a business is not significantly correlated with the level of effectiveness of the Tax Reform for Acceleration and Inclusion Law. This aligns with [Punongbayan's \(2019\)](#) study, which finds that the tax adjustment implemented worsened poverty and economic inequality, casting doubt on some of the claimed benefits it brought to the welfare system. Furthermore, several researchers concluded that the tax reform is detrimental to the food business, particularly for the food vendors near schools.

### LIMITATION AND FURTHER RESEARCH

The complexity of the data underscores the need for strategic guidance to help businesses navigate the changing landscape. The researchers distill insights from the analysis and propose recommendations to empower businesses, policymakers, and stakeholders.

1. It is critical to support the implementation of adaptive strategies because they can help firms withstand the unpredictability of economic fluctuations. These strategies should be sufficiently flexible to accommodate changes in sales and expenses. Businesses can better manage challenges and seize opportunities in dynamic markets by encouraging proactive adaptation of their strategies.
2. Further research into the impact of tax measures on business performance is also crucial. To fully understand the complex interactions between general economic trends and specific industry dynamics, more research is necessary. A thorough understanding of these variables not only helps to guide the creation of efficient tax laws but also provides companies with strategic knowledge. Thus, this fosters an environment in which businesses can prosper regardless of changing economic conditions.
3. Lastly, it would be beneficial for future researchers to investigate areas with higher populations or higher proportions of franchises and business stalls. This method can lead to a richer, more detailed study by offering a greater understanding of the dynamics that occur across a variety of populated and diverse situations.

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