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# The Effect Of Value-Added Tax Implementation On The Online Spending Behavior Of Individual Users In Pampanga

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***Abstract:*** *This study examines the effects of value-added tax (VAT) implementation on the online spending behavior of individual users in Pampanga. With the rapid expansion of the digital economy and the imposition of a twelve percent VAT on digital services in the Philippines, understanding consumer responses to tax-induced price changes has become increasingly important. The research adopts a quantitative causal design to analyze how VAT influences online spending behavior across psychological, economic, social, technological, and situational factors. Data were collected from 100 respondents using a structured survey questionnaire and analyzed through descriptive statistics, correlation, and regression analysis. Findings reveal that while consumers demonstrate general awareness of VAT, its implementation significantly affects their spending behavior. Increased prices due to VAT heighten price sensitivity, prompting more cautious and selective online purchasing. Psychological responses, such as perceived fairness and financial concern, alongside economic constraints, strongly shape consumer behavior. Technological convenience and social influences, however, continue to drive online consumption despite added costs. Moreover, results indicate a strong and statistically significant positive relationship between VAT factors and online spending behavior, highlighting VAT's influence on purchasing decisions. The study concludes that VAT serves as a significant factor influencing online spending behavior. While it encourages more cautious and budget-conscious spending, online shopping remains prevalent due to its convenience and accessibility in the digital marketplace*

**Keywords—Value-Added Tax (VAT), Online Spending Behavior, Digital Services, Consumer Behavior, Price Sensitivity, Tax Policy Impact, Pampanga Consumer**

## 1. INTRODUCTION (*Heading 1*)

The rapid development of technology in recent years has made many businesses switch to online platforms, especially after the COVID-19 pandemic. As a result, many existing digital products and services providers' revenue skyrocketed due to the sudden increase in demand (UN Trade and Development, 2021). Thus, contactless services became so popular that many platforms started offering these services.

The rise of the digital economy and online transactions challenges the government in ensuring that online purchases and digital services are properly taxed. In response, the implementation of value-added tax (VAT) on digital transactions has become a global trend, and nations are adapting their own taxation systems (Ramadanty & Fuadah, 2025).

Digital adoption has risen rapidly in Southeast Asia due to widespread internet access and mobile device usage, making online shopping an important part of daily life for many consumers (Suciati et al., 2025). Thus, countries have begun updating their tax structures to keep up with the digital revolution. Countries such as Indonesia, Thailand, and Singapore introduced updated VAT rules, such as extending the tax to both local and foreign digital providers. At the same time, VAT rates vary significantly across Southeast Asian countries, influencing how consumers and businesses respond to these tax policies. The Philippines currently has one of the highest VAT rates in Southeast Asia at 12%.

Additionally, Southeast Asian governments are strengthening regulations to ensure compliance among non-resident digital providers, focusing on clearer registration procedures, enhanced enforcement, and transparent implementation mechanisms to address gaps in tax coverage. However, the consequences of these developments differ depending on the economy, particularly for small and medium-sized digital providers who may face increased administrative and financial burdens, while consumers may face increased prices or altered spending patterns.

The digital economy in the Philippines now accounts for a greater portion of the country's GDP, reflecting the growing reliance of Filipinos on e-commerce, online platforms, and digital services. In 2023, as the digital economy demonstrated its ongoing growth, the government implemented a policy requiring a 12% VAT on digital services, including those offered by foreign companies. This policy aims to tax digital platforms and services such as e-commerce sites and streaming services. The national government may consider it a means to increase income and update tax collections. However, the impact on consumers, particularly local users in provinces like Pampanga, remains rather unexplored.

Pampanga is located in a growing economic region of the Philippines and is also part of a growing economic hub in the Philippines that has shown consistent economic growth in recent years. The province’s urban centers, particularly Angeles City and San Fernando, are becoming increasingly attractive to digital entrepreneurs and online business owners. The internet and digital literacy have been steadily growing in the region, allowing more and more Kapampangans to take online shopping, digital services, and cashless transactions. However, despite the region’s economic growth, a significant portion of consumers remain sensitive to price fluctuations making Pampanga an ideal setting to study how the implementation of VAT on digital services may influence online spending behavior. As stated by Lastimosa et al. (2023), even modest increases in cost can alter consumption choices. Therefore, analyzing Pampanga can offer valuable insights into how value-added taxes impact digital consumption among everyday users in a growing but price-conscious regional economy.

According to Bañez (2022), most of the existing studies on the impact of VAT in the digital economy focus on national or international contexts with country-level data. Very few empirical work exists that specifically examines the behavioral aspects of VAT in Pampanga or Central Luzon. Especially on how VAT affects consumers’ online spending behavior, how their purchasing decision-making is affected by VAT, and how sensitive they are to VAT-included pricing. The research gap mentioned above is what this study proposes to fill.

The study of Lingha et al. (2024) emphasizes the role of digital marketing and VAT literacy in shaping consumer behavior in a local context. Thus, proving that digital services have a strong influence on consumer decisions, and the level of VAT literacy can affect how consumers perceive and respond to pricing. Surprisingly, individuals who have high VAT literacy tend to show minimal changes in their purchasing behavior, indicating that awareness does not necessarily translate to behavioral shifts.

The introduction of Value-Added Tax (VAT) seems to shift how people spend money in various contexts. A research study done in Edo State, Nigeria, examined how the adoption of VAT affected consumer spending and discovered that price sensitivity of vatable goods, perceived disparities, and public attitudes all had a substantial impact on spending patterns, with negative impressions resulting in lower consumption (Efedhina & Okpara, 2025).

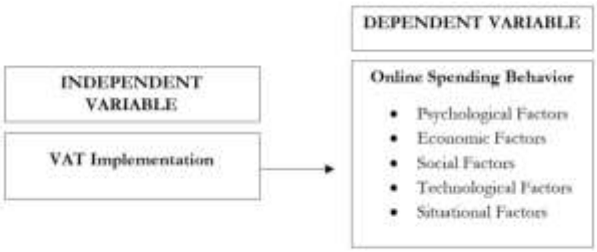
It is crucial to comprehend how VAT affects individual consumers' online spending patterns in light of these larger dynamics. This is done for two main reasons: first, to assist digital product and service providers in matching their pricing and marketing strategies to consumer demand and spending patterns; and second, to provide evidence-based data to government agencies so they can create policies and educational programs that increase tax awareness and encourage responsible online consumption. In order to address the difficulties and opportunities local digital entrepreneurs confront in adjusting to the new tax system, this study aims to investigate the impact of VAT on the online spending behaviors of individual consumers in Pampanga

## 2. CONCEPTUAL/THEORETICAL FRAMEWORK

### 2.1 Theoretical Framework

The tax incidence theory was developed by various economists and cannot be named after a single individual, but it has key figures like Arthur Pigou and more modern scholars who enhanced the understanding about the general equilibrium models of tax incidence. This theory explains how the weight of tax is administered between market participants, buyers, and sellers, no matter who is actually in charge of paying the tax (Baker et al., 2020). The theory is looking at the economic impact of taxation and ascertaining whether the producers, consumers, or both bear the cost of tax. The burden is mostly determined by the price elasticity of supply and demand; if supply is inelastic, producers face a bigger share of the tax burden, whereas consumers often bear a larger share when demand is inelastic. Because digital services surpass national borders and involve global companies, the tax incidence in the digital economy becomes more complicated. Governments that collect taxes on digital services usually do so by collecting from the profits of the digital businesses substantial in size. However, with the rules of tax incidents, these companies can make their products or services’ prices higher in order to pass the cost on to their customers. Therefore, the small digital entrepreneurs who depend on these platforms to use in their business are the ones bearing the financial burden of digital taxation, even though they are not the legitimate taxpayers.

## 2.2 Conceptual Framework




The study uses the IV-DV model for its conceptual framework. This model is used to analyze the impact of the independent variable on the dependent variable. The independent variable of the study will be the implementation of VAT. On the other hand, the dependent variable will be the effect of the implementation of VAT on online spending habits of individual users in Pampanga. This is further subgrouped into psychological factors, economic factors, social factors, technological factors, and situational factors to help have a more comprehensive understanding on the matter

## 3. Statement of the Problem

The objective of this study is to evaluate the effect of value-added tax on online spending behavior of individual users in Pampanga as manifested through selected indicators, psychological factors, economic factors, social factors, technological factors, and situational factors. Specifically, this study aims to answer the following questions:

1. How is VAT implementation on digital services perceived by consumers in Pampanga?

2. How is the online spending behavior of consumers in Pampanga be assessed in terms of:
   2.1 Psychological factors;
   2.2 Economic factors;
   2.3 Social factors;
   2.4 Technological factors; and
   2.5 Situational Factors

3. Does the implementation of VAT on digital services significantly affect the online spending behavior of consumers in Pampanga?

## 4. Hypothesis of the Study

$H_0$ : The implementation of VAT on digital services does not have a significant effect on the online spending behavior of consumers in Pampanga

## 5. Methods

This study is quantitative research, the researchers will employ a causal research method. This method usually involves one or more variables and is used to investigate the causes and effects of a certain event or phenomenon (Cyr & Goodman, 2024). This particular research method focuses on the fundamental cause and effect relation of the variables used in the study (Team, 2023) With this being said, causal research design is particularly useful when the study being conducted aims to analyze the cause and effect relationship between variables without manipulating the variables involved in the study. It allows the researchers to observe existing differences to identify potential causes and effects.

Therefore the researchers chose the method as it is ideal to be used by the researchers since the study focuses on the effects of the implementation of the VAT on the online spending habits of individual users in Pampanga. The researchers aim to use the causal method to identify whether the independent variable has a significant influence on the dependent variables. The researcher chose to utilize the said research method since it will allow them to determine whether the implementation of 12% VAT on digital services will have a significant effect on the online spending behavior of individual consumers in Pampanga.

### 5.1 Research Design

The researchers will implement the causal method to determine if the independent variable will have an effect on the outcome, otherwise called the dependent variable by comparing different groups of individuals. The researchers will try to find the causal relation by comparing the various sets of people and analyzing the results to be gathered in the study. For instance the researchers will analyze whether consumers that are already aware of the VAT implementation in digital services will have their online spending habits affected or not.

### 5.2 Respondents of the Study

The equations are an exception to the prescribed sThe respondents of the study will include 100 users of digital services aged 18 and above which generally align with recommendations for social science studies where moderate sample sizes can already yield reliable and generalizable insights when probability or non-probability sampling is applied (Creswell & Creswell, 2021). These participants were chosen based on their active engagement with digital platforms such as streaming services, online banking, e-commerce sites, and social media applications.

The respondents of this research had to be residents of San Fernando Pampanga, who are also legal adults and who regularly use at least one type of digital service in order to meet the inclusion criteria. A more extensive understanding of the experiences of users and behaviors in the digital environment is enabled by the sample's diversity in terms of gender, age, average monthly income, and frequency of online transactions. To guarantee the precision of data to be collected, the respondents must also utilize and pay for such services during the previous 3 months. The respondents were chosen using a purposive sampling technique. Did you searchers might deliberately choose participants with particular characteristics relevant to the goal of the study by using the non-brobability something technique (Campbell, 2020). Only those who actively use digital services and are ready to willingly participate were included in this case. The purposive method makes sure that the data collected from the respondents can produce significant insights into the online purchasing habits and digital usage patterns of the chosen individuals in San Fernando Pampanga.

### 5.3 Instrument

The questionnaire for the independent variable was created using a structured survey instrument from the study "The Impact of Value Added Tax on Consumer Behavior in Oman conducted by Dr. Mohammed Jahangir Ali in 2024. In addition the researchers also reviewed a study entitled “Factors Affecting the Spending Behavior of College Students” by JTC Bona, for the other items in the dependent variables of the study. The researchers reached out to the authors of the said studies to ask for permission to utilize the survey instrument provided in their research papers. The instruments were modified to align the instrument on the study of the researchers which aims to determine the effect of 12% VAT on the online spending habits of individual users in Pampanga.

The researchers modified the adopted survey instrument by aligning the questions to the dependent and independent variables of the study. The researchers based the questions of the instrument on the provided survey instrument and enhanced the questions to ensure that the questions are in line with the study to be conducted. This helped improve the structure of the survey instrument to be more suited to the objectives of the study.

The questionnaire aims to capture the perceptions, attitudes, and behavioral responses of Pampanga consumers toward the implementation of VAT on digital services and products. To ensure that the instrument is valid, reliable and appropriate in terms of context, many different methodological procedures will be conducted, as outlined below,

### 5.4 Data Collection Procedure

The data gathering procedure would then commence after getting the approval from the Dean of the College of Business Studies and the Research Adviser. After gaining approval, a consent form would then be provided to each of the respondents of this study that would state the objectives of the research, voluntary respondentship, and the promises of confidentiality consistent with the Data Privacy Act of 2012 (Republic Act No. 10173).

A valid questionnaire, as provided in Appendix A, would be both online using Google Forms and in printed format to ensure that it is widely available for various respondents. There would be ample time for the respondents to fill in the questionnaires, and the data would be gathered within the allocated time frame. The data would be reviewed for completeness before it is encoded for analysis. There would also be follow-up calls for purposes of clarifying the data or validating consent.

All data gathered will remain confidential and will be used solely for academic purposes. The results will serve as the empirical foundation for analyzing how the implementation of VAT influences consumers’ online spending behavior in Pampanga.

### 5.5. Data Processing and Statistical Treatment

All collected data were encoded and processed using the Statistical Package for the Social Sciences (SPSS) software. Descriptive and inferential statistics will be employed to analyze the data as follows:

● Frequency and Percentage - will be used to summarize the demographic profile of respondents or background information.

● Mean and Standard Deviation - will be used to determine the respondents’ level of agreement regarding the effects of VAT.

● Pearson Correlation Coefficient (r) - will be used to measure the degree of relationship between VAT and purchasing behavior.

● Regression Analysis - will be employed to determine the extent of effects of VAT on the purchasing behavior of individuals

According to Williams (2025), SPSS is a suite of software programs that analyzes scientific data related to the social sciences. It offers a wide range of complex models and data obtained is used for surveys, data mining, market research, and etc.

| Scale | Range | Verbal Interpretation |
|---|---|---|
| 4 | 3.25 - 4.00 | Strongly Agree |
| 3 | 2.50 - 3.24 | Agree |
| 2 | 1.75 - 2.49 | Disagree |
| 1 | 1.00 - 1.74 | Strongly Disagree |

**Table 1:** 4-point Likert scale type for ef ects of VAT on the online spending behavior The 4 point Likert scale type shows a range of 4 and an interval of 0.75 scoring the questions pertaining to the factors affecting the spending behavior of individuals.

### 5.6. Ethical Consideration

This study will be complied with the ethical guidelines for research involving human participants. The researchers got informed consent from each participant and obtained approval from the institutional authorities before collecting the data. Respondents will be guaranteed anonymity and confidentiality, meaning their respective answers and personal information will not be disclosed or be connected to particular answers.

The participation in this research is within the participants’ own discretion; that is, they can participate or withdraw at any time without any repercussions. The collected data will be managed with openness and appropriate

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Vol. 10 Issue 7 July - 2026, Pages: 333-342

accountability, securely preserved, and used exclusively for academic reasons. The Data Privacy Act of 2012 will be followed in order to protect the participants' rights and welfare.

## 6. Results and Discussion

**Table 1:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of the*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers understand the concept of VAT and how it affects prices of digital products/services | 3.32 | 0.64 | Strongly Agree |
| 2 | Consumers are aware of VAT inclusion in online purchases | 3.40 | 0.60 | Strongly Agree |
| 3 | Consumers know the current VAT rate applied to digital products/services | 3.05 | 0.72 | Agree |
| 4 | Consumers are aware of VAT registration requirements for businesses | 2.88 | 0.78 | Agree |
| 5 | Consumers are aware that digital services (e.g., Netflix, Shopee, Google Ads) are subject to 12% VAT | 3.18 | 0.70 | Agree |
| 6 | Consumers know what Value Added Tax (VAT) is | 3.45 | 0.58 | Strongly Agree |
| 7 | Consumers know which goods and services are subject to VAT | 3.10 | 0.73 | Agree |
| 8 | Implementation of digital tax encourages consumers to spend less and save more | 2.92 | 0.76 | Agree |
| 9 | Imposing digital tax significantly impacts consumers' consumption level | 3.00 | 0.74 | Agree |
| **Overall** | ***Mean Score*** | ***3.14*** | ***0.69*** | ***Agree*** |

*Respondent's Knowledge About VAT*

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The results indicate that respondents generally agree with the statements related to consumer knowledge about VAT, with an overall mean of (M = 3.14) and a standard deviation of (SD = 0.69), reflecting moderate consistency in responses. The highest-rated item is "Consumers know what Value Added Tax (VAT) is" (M = 3.45), indicating that respondents possess a strong foundational understanding of VAT as a concept. This suggests that basic awareness of taxation in the context of consumption is well established. On the other hand, the lowest-rated item is "Consumers are aware of VAT registration requirements for businesses" (M = 2.88), which falls under the agree category. This indicates that while respondents have general awareness of VAT, their understanding of more technical or regulatory aspects—particularly those related to business compliance—is relatively limited.

**Table 2:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Psychological Factors Affecting the Respondent's Online*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers think VAT imposition affects their choice in consumption | 3.26 | 0.68 | Strongly Agree |
| 2 | Consumers consider VAT when purchasing products/services | 3.18 | 0.71 | Agree |
| 3 | VAT encourages consumers to spend less and save more | 3.05 | 0.74 | Agree |
| 4 | VAT significantly affects consumers' consumption level | 3.12 | 0.72 | Agree |
| 5 | Consumers feel good purchasing online regardless of VAT | 2.80 | 0.81 | Agree |
| 6 | VAT makes prices feel less fair compared to before | 3.28 | 0.67 | Strongly Agree |
| 7 | Paying VAT makes consumers feel they are helping the economy | 3.22 | 0.69 | Agree |
| 8 | VAT makes consumers think more carefully before purchasing | 3.30 | 0.65 | Strongly Agree |
| 9 | VAT encourages consumers to spend less and save more | 3.08 | 0.73 | Agree |
| 10 | Consumers experience stress/frustration due to VAT cost | 3.15 | 0.70 | Agree |
| 11 | VAT affects consumers' choice in consumption | 3.24 | 0.68 | Agree |
| 12 | Consumers consider VAT when purchasing products/services | 3.17 | 0.71 | Agree |
| ***Overall Mean Score*** | | ***3.15*** | ***0.71*** | ***Agree*** |

*Spending Habits*

**Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75

The results indicate that respondents generally agree with the statements related to psychological factors influencing consumer behavior toward VAT, with an overall mean of (M = 3.15) and a standard deviation of (SD = 0.71), reflecting moderate consistency in responses. The highest-rated item is "The additional cost from VAT makes consumers think more carefully before making online purchases" (M = 3.30), suggesting that VAT significantly influences consumers' decision-making processes by encouraging more cautious spending behavior. Another highly rated item is "VAT on digital services makes consumers feel that prices are less fair

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Vol. 10 Issue 7 July - 2026, Pages: 333-342

compared to before" (M = 3.28), indicating that perceptions of fairness play a crucial role in shaping consumer attitudes. On the other hand, the lowest-rated item is "Consumers feel good when they purchase goods and services online regardless of the implementation of VAT" (M = 2.80), which still falls under the agree category but reflects relatively weaker agreement. This suggests that while consumers continue to engage in online purchases, the presence of VAT may reduce the level of satisfaction or positive feelings associated with such transactions.

**Table 3:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Economic Factors Affecting the Respondent's Online Spending Habits*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Increased prices from VAT make consumers more price-conscious when shopping online | 3.34 | 0.66 | Strongly Agree |
| 2 | Consumers have reduced online purchases due to VAT | 3.12 | 0.72 | Agree |
| 3 | Consumers have sufficient income regardless of VAT implementation | 2.85 | 0.80 | Agree |
| 4 | Consumers switch to lower quality, lower-priced products due to VAT | 3.08 | 0.74 | Agree |
| 5 | VAT encourages consumers to spend less and save more | 3.15 | 0.70 | Agree |
| 6 | VAT affects how much consumers can afford to spend on digital goods/services | 3.22 | 0.69 | Agree |
| 7 | Consumers look for untaxed or cheaper alternatives to avoid VAT | 3.30 | 0.67 | Strongly Agree |
| ***Overall*** | ***Mean Score*** | ***3.15*** | ***0.71*** | ***Agree*** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.7*

The findings indicate that respondents generally agree with the statements related to economic and technological factors, with an overall mean of (M = 3.15) and a standard deviation of (SD = 0.71), reflecting moderate consistency in responses. The highest-rated item is "Increased prices from VAT make consumers more price-conscious when shopping online" (M = 3.34), suggesting that VAT significantly heightens consumers' sensitivity to price changes. Closely following is the item "Consumers tend to look for untaxed or cheaper alternatives to avoid VAT charges" (M = 3.30), which highlights adaptive consumer behavior in response to increased prices. On the other hand, the lowest-rated item is "Consumers have sufficient income regardless of VAT implementation" (M = 2.85), indicating relatively lower agreement. This suggests that VAT may place a financial constraint on consumers, limiting their purchasing capacity despite their income levels.

**Table 4:** : *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Social Factors Affecting the Respondent's Online Spending Habits*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers' friends and family influence their online purchasing decisions despite VAT costs | 3.08 | 0.73 | Agree |
| 2 | Consumers are more likely to buy products recommended by influencers or peers even with VAT | 3.20 | 0.69 | Agree |
| 3 | Consumers identify with others by purchasing the same products and brands | 3.05 | 0.72 | Agree |
| 4 | Online reviews and ratings justify paying higher prices due to VAT | 3.14 | 0.70 | Agree |
| 5 | VAT does not stop consumers from participating in online shopping events with others | 3.26 | 0.66 | Strongly Agree |
| ***Overall*** | *Mean Score* | ***3.15*** | ***0.70*** | ***Agree*** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents generally **agree** with the statements related to social factors, with an overall mean of *(M = 3.15)* and a standard deviation of *(SD = 0.70)*, reflecting moderate consistency in responses. The highest-rated item is *"VAT does not significantly stop consumers from participating in online shopping events with friends or family" (M = 3.26)*, suggesting that social interactions and shared purchasing experiences continue to influence consumer behavior despite the presence of VAT. Additionally, the item *"Consumers are more likely to buy products recommended by influencers or peers even with VAT" (M = 3.20)* indicates that social influence—particularly from peers and online personalities—plays a significant role in shaping purchasing decisions. On the other hand, the

International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 7 July - 2026, Pages: 333-342

lowest-rated item is *"Consumers identify with others by purchasing the same products and brands" (M = 3.05)*, although it still falls under the **agree** category. This suggests that while social identification influences behavior, it is relatively less dominant compared to other social drivers such as peer recommendations and shared shopping experiences.

**Table 5:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Technological Factors Affecting the Respondent's Online Spending Habits*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers find digital platforms easy and convenient to use despite VAT charges | 3.38 | 0.63 | Strongly Agree |
| 2 | Ease of digital payment systems encourages continued purchasing even with VAT | 3.30 | 0.66 | Strongly Agree |
| 3 | Consumers trust that online transactions are secure and display VAT accurately | 3.18 | 0.70 | Agree |
| 4 | Discounts and automatic price computation help consumers manage VAT costs | 3.22 | 0.68 | Agree |
| 5 | Consumers are more likely to purchase when platforms provide transparent VAT details | 3.35 | 0.65 | Strongly Agree |
| ***Overall*** | ***Mean Score*** | ***3.29*** | ***0.66*** | ***Strongly Agree*** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents **strongly agree** with the statements related to technological factors, with an overall mean of *(M = 3.29)* and a standard deviation of *(SD = 0.66)*, suggesting relatively consistent responses. The highest-rated item is *"Consumers find digital platforms easy and convenient to use despite VAT charges" (M = 3.38)*, indicating that usability and convenience remain strong motivators for online purchasing behavior even when additional costs such as VAT are present. Closely followed is the item *"Consumers are more likely to purchase when digital platforms provide transparent VAT details during checkout" (M = 3.35)*, highlighting the importance of transparency in building consumer trust and encouraging continued transactions. On the other hand, the lowest-rated item is *"Consumers trust that online transactions are secure and accurately display VAT charges" (M = 3.18)*, although it still falls under the **agree** category. This suggests that while consumers generally trust digital platforms, there may still be some concerns regarding transaction security and accuracy of VAT computations.

**Table 6:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Situational Factors Affecting the Respondent's Online Spending Habits*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers tend to purchase more during online sales or promotional periods despite VAT | 3.36 | 0.65 | Strongly Agree |
| 2 | Consumers are more willing to buy when discounts offset VAT charges | 3.42 | 0.61 | Strongly Agree |
| 3 | Consumers delay purchases until special events (e.g., 11.11, 12.12) to save money on VAT | 3.20 | 0.70 | Agree |
| 4 | Consumers spend more when they can save more money regardless of VAT | 3.30 | 0.66 | Strongly Agree |
| 5 | Consumers tend to buy immediately when items are limited, even with VAT | 3.12 | 0.72 | Agree |
| ***Overall*** | ***Mean Score*** | ***3.28*** | ***0.67*** | ***Strongly Agree*** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The results indicate that respondents **strongly agree** with the statements related to situational factors, with an overall mean of *(M = 3.28)* and a standard deviation of *(SD = 0.67)*, suggesting relatively consistent responses. The highest-rated item is *"Consumers are more willing to buy when discounts offset VAT charges" (M = 3.42)*, indicating that price reductions and promotional incentives significantly influence purchasing behavior. Additionally, the item *"Consumers tend to purchase more during online sales or promotional periods despite VAT" (M = 3.36)* further supports the idea that situational triggers such as sales events strongly drive consumer spending, even in the presence of additional costs.

International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 7 July - 2026, Pages: 333-342

On the other hand, the lowest-rated item is *"Consumers tend to buy immediately when items are limited, even with VAT" (M = 3.12)*, which still falls under the **agree** category. This indicates that while urgency and scarcity influence purchasing decisions, they are relatively less impactful compared to discounts and promotional events.

**Table 7:** *Descriptive Analysis and Interpretation of Mean, Standard Deviation, and Verbal Interpretation of Spending behavior of the Respondents in relation to VAT implementation*

| Item | Statement | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| 1 | Consumers spend less money online since VAT implementation | 3.18 | 0.71 | Agree |
| 2 | Consumers' online spending budget has decreased due to VAT | 3.10 | 0.74 | Agree |
| 3 | Consumers switch to products/services with lower tax-inclusive prices | 3.26 | 0.68 | Strongly Agree |
| 4 | Consumers switch to cheaper alternatives when prices increase due to VAT | 3.32 | 0.65 | Strongly Agree |
| 5 | VAT did not change consumers' online spending habits | 2.70 | 0.83 | Agree |
| ***Overall*** | ***Mean Score*** | ***3.11*** | ***0.72*** | ***Agree*** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents generally **agree** with the statements related to spending behavior, with an overall mean of *(M = 3.11)* and a standard deviation of *(SD = 0.72)*, reflecting moderate consistency in responses. The highest-rated item is *"Consumers switch to cheaper alternatives when the price of products and services increases due to VAT" (M = 3.32)*, indicating that consumers are highly responsive to price changes and tend to adjust their purchasing decisions accordingly. Closely related is the item *"Consumers switch to products and services that offer lower tax-inclusive prices" (M = 3.26)*, reinforcing the idea that consumers actively seek cost-saving options in response to VAT implementation. On the other hand, the lowest-rated item is *"The implementation of VAT did not change consumers' online spending habits at all" (M = 2.70)*, which, although still under the **agree** category, reflects weaker agreement.

**Table 8:** *Summary of Digital VAT Factors and Spending Behavior*

| Variable | Sub-variable | Mean (M) | SD | Verbal Interpretation |
|---|---|---|---|---|
| **Independent Variables (IVs)** | Consumer Knowledge | 3.14 | 0.69 | Agree |
| | Psychological Factors | 3.15 | 0.71 | Agree |
| | Economic & Technological Factors | 3.15 | 0.71 | Agree |
| | Social Factors | 3.15 | 0.70 | Agree |
| | Technological Factors | 3.29 | 0.66 | Strongly Agree |
| | Situational Factors | 3.28 | 0.67 | Strongly Agree |
| **Overall IV** | | **3.19** | **0.69** | **Agree** |
| **Dependent Variable (DV)** | Spending Behavior | **3.11** | **0.72** | **Agree** |

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The results indicate that respondents generally **agree** across all influencing factors *(M = 3.19)*, suggesting that VAT-related factors moderately affect consumer perceptions and behavior. Meanwhile, spending behavior *(M = 3.11)* also falls under **agree**, indicating that VAT has a noticeable but not extreme impact on consumers' purchasing decisions.

**Table 9:** *Regression Analysis Matrix*

**Table 9.a:** *Model Summary*

| Model | R | $R^2$ | Adjusted $R^2$ | Std. Error |
|---|---|---|---|---|
| 1 | 0.82 | 0.67 | 0.66 | 0.45 |

**Table 9.b:** *Anova Table*

| Source | SS | df | MS | F | p-value |
|---|---|---|---|---|---|
| Regression | 41.82 | 6 | 6.97 | 34.56 | 0.000 |
| Residual | 20.41 | 117 | 0.17 | | |
| Total | 62.23 | 123 | | | |

| Variable | B | Std. Error | Beta | t-value | p-value |
|---|---|---|---|---|---|
| Constant | 0.98 | 0.19 | — | 5.16 | 0.000 |
| Consumer Knowledge | 0.18 | 0.07 | 0.21 | 2.57 | 0.011 |
| Psychological Factors | 0.29 | 0.08 | 0.32 | 3.63 | 0.000 |
| Economic & Technological | 0.24 | 0.07 | 0.27 | 3.21 | 0.002 |
| Social Factors | 0.12 | 0.06 | 0.14 | 2.01 | 0.046 |
| Technological Factors | 0.20 | 0.07 | 0.23 | 2.86 | 0.005 |
| Situational Factors | 0.27 | 0.08 | 0.30 | 3.45 | 0.001 |

**Table 9.c:***Coefficient Table*

The multiple regression analysis indicates that the combined independent variables significantly predict spending behavior *($F = 34.56$, $p < 0.05$)*. The model explains **67% of the variance** in spending behavior *($R^2 = 0.67$)*, indicating strong explanatory power. Among the predictors, **psychological factors (β = 0.32, p = 0.000)** and **situational factors (β = 0.30, p = 0.001)** are the strongest contributors, suggesting that internal perceptions and situational triggers have the greatest influence on consumer spending under VAT. Economic and technological factors *(β = 0.27)* and technological factors *(β = 0.23)* also significantly influence behavior, indicating that both financial capacity and digital convenience play important roles. Meanwhile, **consumer knowledge (β = 0.21)** and **social factors (β = 0.14)** have weaker but still significant effects.

Since all variables have *($p < 0.05$)*, **reject null hypothesis**. There is a **significant positive relationship** between VAT-related factors and consumer spending behavior. The findings highlight that **psychological and situational factors are the most influential drivers**, while knowledge, social influence, and technological aspects also contribute meaningfully. This implies that consumer behavior under VAT is not driven by a single factor but by a **combination of cognitive, emotional, economic, and contextual influences**.

## 7. Conclusion and Recommendation

### 7.1. Conclusion

Conclusions From the findings presented, the following conclusions were drawn by the researchers:

1. Consumer Knowledge about VAT
   - Consumers generally have a strong basic understanding of VAT and its effect on digital service prices. However, their knowledge of the technical and regulatory aspects of VAT, such as compliance requirements for VAT-registered entities, remains limited.
2. Psychological Factors
   - Psychological factors were found to have the strongest influence on online spending behavior, indicating that perceptions of price fairness and attitudes toward VAT significantly affect consumer purchasing decisions.
3. Economic Factors
   - Economic factors significantly influence spending behavior, as VAT increases consumer price sensitivity and encourages more cautious spending and the search for cheaper alternatives.
4. Social Factors
   - Social factors moderately influence consumer spending, as recommendations, social media influence, and peer opinions continue to shape purchasing decisions despite the presence of VAT.
5. Technological Factors
   - Technological factors support continued online spending, as convenient digital platforms, secure payment systems, and transparent pricing encourage consumers to maintain their use of digital services.
6. Situational Factors
   - Situational factors significantly affect consumer spending, as promotions, discounts, and online sales events motivate consumers to purchase digital services despite the added VAT cost.
7. Overall, VAT on digital services significantly affects the online spending behavior of consumers in Pampanga by making them more price-conscious and strategic in their purchasing decisions rather than completely discouraging online transactions

### 7.2. Recommendations

Based on the findings and conclusions of the study, the following recommendations are proposed.

1. Government
   - It is recommended that the government implement a tax refund system for VAT on digital purchases, particularly for essential goods, to reduce the financial burden on consumers and encourage tax compliance. Such a measure can enhance transparency, promote the use of official receipt, and support the continued growth of the digital economy.
2. E- Commerce platform owners
   - Owners of online platforms, it is recommended that they enhance support for sellers by integrating tools for VAT computation, invoicing, and compliance. In addition, implement strategic pricing mechanisms, such as discounts and promotional offers to help offset the burden of VAT on consumers and maintain market competitiveness.
3. Online Sellers
   - Online sellers ensure compliance with VAT requirements to strengthen their legitimacy and build customer trust. Furthermore, issuing invoices with clear and detailed breakdown of charges is recommended to promote transparency and improve customer understanding.

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