

## **MSME Business Owners: Determining and Differentiating Their Perceived Quality of Tax Services Rendered by Accounting Firms**

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### **Abstract**

Even at the time of pandemic, tax services rendered by accounting firms remain essential in every country as it facilitates business owners comply with the strict requirements set by tax regulatory agencies. While most studies involve large and complex business organizations in determining the prescribed factors that affect the quality of tax services (Dinh and Do, 2020), the perceptions of Micro, Small and Medium enterprises (MSMEs) are as equally important. With thirty-one (31) selected MSMEs in Angeles City, Central Luzon, Philippines as respondents, it was found out that effectiveness yielded the highest tax service quality component, followed by professionalism, tangibles and lastly, empathy. Further, annova tests revealed that there is no significant difference on the perceptions of MSMEs based on their profile except on the quality component of effectiveness (.05>.049) where there is a significant difference based on the form of business organization with higher level of perceptions coming from corporations compared to sole proprietors. Likewise, significant differences were found in terms of the number of years having tax engagement with an accounting firm. Those with more than five years of engagement have slightly lower perception on both professionalism (.05>.029) and effectiveness (.05>.012) compared to those having five years or less. Business owners who also perform administrative functions perceived both professionalism (.05>.002) and empathy (.05>.000) higher compared to those who are only owners. As suggested, effectiveness can be further demonstrated through establishing strategic busy season plans and maintaining clear and consistent communication lines with clients. Tax practitioners must also be able to empathize with their clients specially in difficult times such as the pandemic such that accounting firms must also invest in virtual platforms and latest software technology, while occupying a physical office fosters legitimacy of the firm.

**Keywords:** *accounting firms, MSMEs, quality of tax services, perceived quality, accounting firms*



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### **INTRODUCTION**

Ellrich et al. (2017) asserted that choosing the right firm and the quality of service can make or break an organization. As public and private companies expand, the need for selecting the right accounting firm becomes indispensable. Given that every company's needs are different, far too many organizations, particularly micro small and medium sized entities (MSMEs), underestimate the role that an accounting firm plays in the overall business growth. Because of this, it is critical to recognize the value of selecting the right tax or accounting firm when it comes to tax services.

At this time of pandemic, several countries in the Asia and Pacific including the Philippines, are experiencing a decline in economic growth which is 2.2% creating a significant impact on tax policies across the region, tax agencies and firms should continue to support the operations of businesses in terms of taxpayer registration, tax services, tax return filing and payment processing, together with data and cyber security (Suzuki, 2021).

For a business taxpayer, choosing the wrong firm without a proper basis or retaining a firm with poor quality service might result to inferior or no results coupled with unnecessary cost and expenses; that is why it is essential to make sure that the chosen firm reputable and results oriented. Identifying the factors for choosing the right firm will help serve as a guide among individuals and business organizations (Huckleberry Branding, 2019). The need to address the research gap that MSMEs do not recognize the value of accounting and auditing firm in terms of quality of services they provide remains imperative.

In Kenton (2018), one of these service firms are audit and accounting firms and across the globe, there are big four globally recognized firms - Deloitte Touche Tomatsu Limited, PricewaterhouseCoopers (PWC), Klynveld Peat Marwick Goerdeler (KPMG) and Ernst & Young. These firms are also present in the firm with local affiliates. There are also those small-business audit and accounting firms present in every locality. In Ogunjimi (2018), audit and accounting firms provide different types of services, which are basic financial statements preparation, auditing, management consultancy and taxation services. One of the outputs of these firms provide are financial statements, which means they may assist companies in the generation of financial statements, such as the income statement, balance sheet, statement of changes in retained earnings, cashflow statement and with the notes to financial statements that gives a picture of the financial health of the company.

In addition, in Dhillion & Associates (2020), accounting firms can also conduct audit by examining not only the financial records, but also the processes and controls in place to ensure that records are being properly kept, policies are being conformed with, and established financial practices are followed to ensure operations are running efficiently. The goal of an audit is to form an opinion on whether the financial statements are presented fairly and accurately, and in accordance with generally accepted accounting practices. Further, in Boyd (2020) another area of service is management consulting where audit and accounting firms offer are business advisory services to help run their businesses effectively. This is where firms provide advice, that will help businesses analyze the environment and financial standing. This is achieved by helping them with the development of business plans, evaluate current operations, identify new opportunities, respond to changes in the business or regulatory environments, and by offering practical advice to make better financial decisions.

Other services also include business registration for newly established businesses and business valuation, which helps determine the worth of a business before considering a merger, acquisition, or sale. Nowadays, accounting firms also offer information system services, which examine the integrity and security of computer systems and the practices of the organization to process and protect information. Fraud and forensic accounting services can also be offered to investigate complicated financial documents to uncover any illegal or fraudulent activity to settle legal disputes (Ogunjimi, 2018).

Despite the presence of technology, some taxpayers in Afolabi (2010) still prefer the use of manual filing system rather than the online tax payment. To encapsulate, the tax services of accounting or audit firms are needed. In Hothx (2019), one of the accounting firms' purposes is to help with tax returns and act as tax agents. While the quality of tax services is certainly an important aspect, accounting firms often assist in long-term tax planning, facilitate networking opportunities, provide business planning, and in some cases, help with personal tax planning. Tax filing and tax planning in Martinez (2014) are services in which the firm helps in interpreting current and new tax laws to help ensure that financial reporting practices follow the current internal revenue regulations. Computing and determining company's tax liability, and filing requirements and deadlines are also added services. Firms also assist in the preparation of national and local tax returns and assist in the legal minimization of tax payments to regulatory bodies.

Failure to comply to tax authorities may result to imposition of surcharges, compromise penalties, and interests.

The Department of Trade and Industry [DTI] (2018) provided a list of establishments totaling to 1,003,111 business enterprises that are operating in the country. This is composed of 998,342 (99.52%) are MSMEs and 4,769 (0.48%) are large enterprises. The micro enterprises constitute 88.45% (887,272) of total MSME establishments, followed by small enterprises at 10.58% (106,175) and medium enterprises at 0.49% (4,895). In terms of industry sector, MSMEs in the Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles sector generated the greatest number of jobs with 2,040,774 followed by Accommodation and Food Service Activities (882,455), Manufacturing (767,831), Financial and Insurance Activities (316,226), and Education (301,970). This can be further broken down into MSME sector contributing 35.7% of the total with manufacturing contributing the largest share of 6.87%. While wholesale and retail trade and repair contributed 6.58% followed by financial intermediation with a share of 6%. Region 3 or Central Luzon contributes with 605,056 of these MSMEs. The Mico-Small-Medium Development [MSMED] (2019), reported that registered businesses in the country have increased from 1.39 million in December 2018 to 1.42 million in May 2019 which is a good timing indicator to do business in the Philippines now that the country is considered as the second fastest growing economy in the ASEAN region.

This study aims to benefit several stakeholders as it intends to contribute to the existing body of knowledge in the accountancy profession. Accounting firms, being the service providers while micro, small and medium enterprises, as clients will now both have the criteria, that may serve as a guide in measuring the quality of the services being provided. Organizations that regulate the registration and activities of MSMEs, such as Department of Trade and Industry and Bureau of Internal Revenue may also use this study as a reference. The professional accountants among different sectors such as public practice, academe & education, commerce & industry and government may use the results as a guide in assessing the current and prospective services tax firms. The Professional Regulation Commission particularly the Board of Accountancy can be provided with meaningful information on how the practice of the profession can be strengthened by improving by incorporating the results of the study standards of tax quality. Lastly, this research may benefit future researchers by having it as an additional source of data in conducting the same or related study.

## **LITERATURE REVIEW**

### **Service Quality and Quality of Tax Service**

A lot of studies have revealed the major factors influencing from individuals up to the biggest companies with their decision to select firms, that will serve their personal and business needs for the first time, if not for the long term. These decisions are determined by the quality of services that may be provided by several accounting firms. These major decisions are also mostly heavily affected by the ability of a firm's personnel to deliver such services, as well as the technical abilities of the firm and many other factors. Availing these services could either be individuals or businesses.

One of the challenges of a business aside from earning a profit is to ensure that the services it offers to its clients are considered of high quality. As stressed in the American Society for Quality [ASQ] (2020), this special challenge is to be able to meet customers' or clients' needs, while remaining economically competitive. While it is true that there are already automated processes, the provision of some services is still labor-intensive. That is why, there can be no substitute for high-quality personal interaction between

firm personnel and customers or clients. Results of empirical studies suggest that improved service quality contributes to the increased profitability and long-term economic competitiveness.

In Yarimoglu (2014) agrees that service quality is the ability to coordinate with, match, or override the desires of customers or clients which leads to improved customer satisfaction and increased profit-making quality of tax service should be a priority. Typically, accounting firms provide various services such as accounting, audit, bookkeeping, consultation, and tax services. The quality of tax services may raise expectations from clients or customers. In Bojuwon and Normala (2015), the quality of tax service has been defined as the gap between the taxpayer's expectations and outcome of these expectations if they are met.

In Zeithaml, Parasurama, and Malhotra (2002) also defined quality as the ability of an organization to meet or exceed customer expectation. Some researchers also define tax service quality of tax service as entire taxpayers' perceptions or evaluation relating to an electronic service connection with the internet (Zeithaml, Parasuraman & Malhotra, 2002). However, not all taxpayers can do the online tax system alone and will still need the assistance or services of accounting firms. Burgess & Stern, (1993) also explained that tax service quality is more than the just the effectiveness of the internet online tax system, instead these may refer to the taxpayer's assessment of the level of tax services administration.

Quality of tax service in Caroko, Heru and Dan Zahroh (2015) which is a process of assistance to taxpayers that may require sensitivity and interpersonal relationships to create satisfaction and success. Service quality helps in the implementation of services that can provide optimal satisfaction for taxpayers. In Rauch et al. (2015), companies must be able to assess its performance with customers' expectations and including its performance with other companies in the same industry. The challenge is on how tax or accounting firms meet or exceed customers or client's expectations.

In Chen (2010), service quality antecedents strongly influenced taxpayer satisfaction with the online tax-filing system. Moreover, factors of information and system quality are found to be more important than service quality in measuring taxpayer satisfaction, demonstrating the importance to taxpayers of system outputs and processing ability.

### **Service Quality Models**

There are various service quality models being used as a frame of reference nowadays particularly for marketing purposes. And it can be said that SERVQUAL was the most used model when measuring service quality. In Parasuraman, Berry and Zeithaml (1985) and as recommended in Parasuraman, Berry and Zeithaml (1988) that SERVQUAL model, is a service quality model that measures the scale of difference between consumers' expectation and consumers' perceptions. Parasuraman et al. (1988) also proposed the ten (10) dimensions for service quality which are tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customer. Since service quality is considered to have several dimensions the SERVQUAL model has been used to measure service quality and customer satisfaction. Siddiqi (2011) further stated that the SERVQUAL model is still an appropriate assessment tool to measure service quality perceptions.

According to Parasuraman et al. (1985) in Awaluddin and Tamburaka (2017), service quality in the SERVQUAL model consists of five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Tangibles or physical evidence focus on goods or services, which concern the appearance of physical facilities, equipment, personal, and communication tools used in the business while reliability refers to the fulfillment of prompt and satisfactory service, delivering the service accurately as promised.

Responsiveness refers to the ability of employees to help consumers provide services immediately in accordance based on the requests and desires of clients and customers. Assurance refers to the knowledge given to and ability of employees to serve the customers or clients in a cordial and polite manner and lastly, empathy refers to the attention given by employees to consumers and the level of understanding the needs of consumers. The original SERVQUAL mode used a Likert-type item scale that will measure the perceived level of service provided against the expected level of service quality. The SERVQUAL model, however, underwent several changes from the which the original ten (10) dimensions were reduced to five (5) (Parasuraman et al., 1985).

As highlighted in Parasuraman, Berry and Zeithaml (1991), these five dimensions are being used as a basis to address the service quality gap, which implies that for some businesses there is a difference between the expectations of customers and perception of services. In other words, as described in Mauri, Minazzi and Muccio (2013), service quality is a multi-dimensional concept, assessed and perceived by consumers, pertaining to a set of essential parts, and grouped based on the five categories. According to Yarimoglu, (2014) the SERVQUAL has received a lot of criticisms in the past years, however, it has become the most widely applied scale in various research.

Another variation of the model is in Frost and Kumar (2000) who developed INTSERVQUAL which is an internal service quality model, an adaptation from the GAP Model (Parasuraman et al., 1985) and the SERVQUAL (Parasuraman et al., 1988). The model focused on the service quality based on the assessment of internal customers that included front-line staff and support staff in the airline industry. Based on the model, it was found out that internal service quality was affected by responsiveness while reliability was found as the most important influencer using the SERVQUAL. These service quality models are still found to be useful and will be used as a frame of reference for this study.

### **Related Studies**

There are a few related studies that focus on the factors or determinants affecting the service quality when it comes to the possible various services that could be provided by accounting firms. Dinh and Do (2020), investigated the impact of determinants of accounting service quality. With data collected from accounting service firms in Hanoi from 2017 to 2018 the results of the study through the implementation of multiple regression method showed that four determinants: tangibles, effectiveness, empathy, and professionalism have positive correlations at different levels with the quality among accounting service firms in Hanoi, Vietnam.

Aside from audit, there are literatures that specifically refer to tax service quality. The citizens' tendency to use e-governmental based website services was examined in Chen et al. (2015). Using the Information System Success Model as a quality framework within the Philippine context and the online tax filing system as the subject of the study. Attributes such as trust in technology, trust in government, trust in e-government websites, and prior experience with government services were considered as the antecedents in the study. Based on the results, the three antecedents directly influence the trust in e-government websites. Information quality was found to be the most consistently and renders significant influence on the three dimensions.

In Mustapha (2017) the perceptions of the self-employed taxpayers on tax service quality for tax administration effectiveness in Nigeria are analyzed. With one hundred eighty-one (181) respondents assessing the five-tax service quality factor for tax administration effectiveness: responsiveness, reliability, informativeness, assurance and usability. The results explained that tax service provided by the tax authority for tax administrative effectiveness are influenced by reliability, informativeness, assurance and

usage of the online tax system. Moreover, the presence of these factors will lead to increase in tax administrative effectiveness.

In Mustapha and Obid (2015), the mediating effect of the perceived ease of use on the relationship between tax service quality and online tax system focused on two-hundred six (206) self-employed taxpayers coming from the Corporate Affairs Commission (CAC) and the Federal Inland Revenue Service Board (FIRSB) in Nigeria as respondents. It revealed that the perceived ease of use has a significant mediating effect on the relationship between tax service quality and online tax system. Moreover, the tax service quality has a significant positive relationship on the online tax system. It is suggested that by understanding the effective usage of the online tax system through self-employed taxpayers may lead to an increase in tax compliance and revenue generation in the country of Nigeria.

Some studies tried to relate other variables with tax service quality specifically in Fadlilah et al. (2017), that examined the possible effects of the level of tax understanding, awareness to pay taxes, tax services quality and tax penalties among sixty (60) SMEs level of tax compliance. The research found out that the level of tax understanding, awareness to pay taxes, tax services quality and tax penalties have both positive and significant effects on SMEs tax compliance. Closely in Qian and Qing (2017) also considered the tax service quality and efficiency of tax collection and administration in Aksu, China. By analyzing how to improve the efficiency of tax collection across China, it is suggested in the study that tax authorities should take actions to improve tax service quality. These could be attained by optimizing the tax service environment, changing the concept of tax services among clients, innovating tax services, diversifying modes of tax payments, simplifying accessibility, and widening the tax consultation channels.

The service quality in Alabede, Affrin and Idris (2011) is critical given the numerous services tax firms provide to the Nigerian taxpayers. Ironically, prior statistical evidence is revealed that tax compliance level in Nigeria is dropping. Investigating on the influence of perceived tax service quality and the moderating effect of financial condition and risk preference on taxpayer's compliance which are composed of perception, opinion, and behavior. It was indicated that the perceived tax service quality is positively and significantly related with tax compliance behavior. In addition, both taxpayer' financial condition and risk preference moderate the relationship between perceived tax service quality and compliance behavior among taxpayers

### **Research Questions and Hypotheses**

Currently, most of the studies on quality-of-service focus on the perspective coming from external or internal auditors, while there are only few studies that tackle the perceived quality being provided by accounting firms based on the assessment of clients. Given the local context, it is in the interest of this study to focus on determining and differentiating the perceived quality of tax services rendered by accounting firms factors among clients particularly Micro Small and Medium Entities (MSMEs). The study also aims to answer the following questions:

1. How may the business owners be described in terms of the following:
  - a. Position in the Business other than the being the Owner;
  - b. Size of Business;
  - c. Type of Business;
  - d. Form of Organization; and,
  - e. Number of years Having Tax Engagement with the Accounting Firm?

2. How may the business owners describe the perceived quality of services rendered by an accounting firm in terms of:
  - a. Tangibles;
  - b. Effectiveness;
  - c. Empathy; and,
  - d. Professionalism?
3. Is there a significant difference on the perceived quality of services rendered by an accounting firm based on the profile of business owners?

Consequently, the study would like to test the following:

**Ho:** There is no significant difference on the perceived quality of services rendered by an accounting firm based on the profile of business owners.

**Ha:** There is a significant difference on the perceived quality of services rendered by an accounting firm based on the profile of business owners.

## **RESEARCH METHOD**

Purposive sampling method was employed which means a target of thirty-one (31) Micro Small and Medium Entities (MSMEs), based in Angeles City, Central Luzon, Philippines as of June 2020 willing to disclose information and to float the instrument directly to them. These MSMEs are those that have hired or are currently engaged with the tax services accounting firms. The participants of the study aside from being business owners, hold other positions and engage and interact with the accounting firms in terms of tax services, representing the business can assess the factors or determinants of the quality of tax services.

Since the instrument used is adapted and has already undergone reliability test passing the Cronbach Alpha Test (Dinh & Do, 2020), that all Cronbach's Alpha coefficients of population are above 0.6; with the total correlation of observed variables are above 0.3. This means, all variables of research model are reliable and can be used for further analyses (Hair, Anderson, Tatham and Black, 2006).

The results of the study also have undergone a test of variation on the quality of tax services in which the Analysis of Variance (ANOVA) statistical test was utilized. As such, predictors such as tangibles, effectiveness, empathy, and professionalism, were used to check if the total variation could be explained by the ANOVA results.

## **FINDINGS AND DISCUSSION**

The results of the study show that most of the participants are sole owners of the business, while some are in the form of corporation as shown on Table 2. This means that most of the respondents are into small businesses with annual revenue not exceeding P10 million pesos.

Presented on Table 3 are the positions held by the respondents who participated in the survey where more than half occupy management positions aside from being owners. This means that the respondents of the study are likewise hands on in managing the business as business owners or by performing administrative tasks.

**Table 2. Frequency as to Form of Business Organization**

Form of Business	Frequency	Percent	Percent	Cumulative Percent
Sole Proprietor	18	58.1	58.1	58.1
Valid Corporation	13	41.9	41.9	100.0
Total	31	100.0	100.0	

**Table 3. Frequency as to Other Position in The Business Aside from Being A Business Owner**

Position	Frequency	Percent	Percent	Cumulative Percent
Valid Managing Owner	6	19.4	19.4	19.4
CEO / COO	9	29.0	29.0	48.4
Senior Management	16	51.6	51.6	100.0
Total	31	100.0	100.0	

Most of the participants are small and micro businesses as shown on Table 4, while most respondents are under the service business type as presented on Table 5. Such services include restaurants and fast food.

**Table 4. Frequency as to Size Of the Business**

Business Size	Frequency	Percent	Percent	Cumulative Percent
Valid Micro	11	35.5	35.5	35.5
Small	17	54.8	54.8	90.3
Medium	3	9.7	9.7	100.0
Total	31	100.0	100.0	

Another important profile of the participants is presented on Table 6. About one third of respondents have tax engagements with accounting or audit firms for one year. This means that most of the business are initially starting up when they hired the services of an accounting or audit firm. Other businesses have engaged tax the services of accounting firms and may have changed or extended their contracts during the life of the business.



**Table 5. Frequency as to Type of Business**

Type of Business	Frequency	Percent	Percent	Cumulative Percent
Service	14	45.2	45.2	45.2
Merchandising	5	16.1	16.1	61.3
Gaming and Amusement	4	12.9	12.9	74.2
Wholesaling and Retailing	4	12.9	12.9	87.1
Lending	1	3.2	3.2	90.3
Engineering	1	3.2	3.2	93.5
Leasing	2	6.5	6.5	100.0
Total	31	100.0	100.0	

**Table 6. Frequency as to Number of years Having Tax Engagement with the Accounting Firm**

No of Years	Frequency	Percent	Percent	Cumulative Percent
1	10	32.3	32.3	32.3
2	4	12.9	12.9	45.2
3	2	6.5	6.5	51.6
4	3	9.7	9.7	61.3
5	2	6.5	6.5	67.7
6	1	3.2	3.2	71.0
10	5	16.1	16.1	87.1
11	1	3.2	3.2	90.3
15	1	3.2	3.2	93.5
20	1	3.2	3.2	96.8

26	1	3.2	3.2	100.0
Total	31	100.0	100.0	

Looking closely at the various components of service quality found on Table 7 (Dinh and Do, 2020). Based on the perceptions of MSMEs effectiveness (mean = 5.65) yielded with the highest service quality component in terms of assessment, followed by professionalism (mean = 5.53) tangibles (mean = 5.50), and finally empathy (mean = 5.35) at these times of pandemic.

Company's profile looking at Tables 9 and 10, except on the component of effectiveness where there is a significant difference (.05>.049) based on the form of business organization as shown on Table 8 and based on the number of years as tax agent (.05>.012) also presented on Table 11.

**Table 7. ANOVA Results Based on Form of Business Organization**

Service Quality Component		Sum of Squares	df	Mean Square	F	Sig.
MEAN TANGIBLES	Between Groups	.098	1	.098	.574	.455
	Within Groups	4.932	29	.170		
	Total	5.030	30			
MEAN EFFECTIVENESS	Between Groups	.352	1	.352	4.203	.049
	Within Groups	2.426	29	.084		
	Total	2.777	30			
MEAN EMPATHY	Between Groups	.296	1	.296	1.453	.238
	Within Groups	5.899	29	.203		
	Total	6.194	30			
MEAN PROFESSIONALISM	Between Groups	.277	1	.277	1.816	.188
	Within Groups	4.419	29	.152		
	Total	4.695	30			

**Table 8. ANOVA Results Based on the Size of Business**

Service Quality Component		Sum of Squares	df	Mean Square	F	Sig.
MEAN TANGBILES	Between Groups	.038	2	.019	.108	.898
	Within Groups	4.991	28	.178		
	Total	5.030	30			
MEAN EFFECTIVENESS	Between Groups	.048	2	.024	.247	.783
	Within Groups	2.729	28	.097		
	Total	2.777	30			
MEAN EMPATHY	Between Groups	.483	2	.242	1.184	.321
	Within Groups	5.711	28	.204		
	Total	6.194	30			
MEAN PROFESSIONALISM	Between Groups	.709	2	.355	2.492	.101
	Within Groups	3.986	28	.142		
	Total	4.695	30			

**Table 9. ANOVA Results Based on the Type of Business**

Service Quality Component		Sum of Squares	df	Mean Square	F	Sig.
MEAN TANGBILES	Between Groups	1.068	6	.178	1.078	.403
	Within Groups	3.962	24	.165		
	Total	5.030	30			
MEAN EFFECTIVENESS	Between Groups	.368	6	.061	.611	.719
	Within Groups	2.409	24	.100		
	Total	2.777	30			
MEAN EMPATHY	Between Groups	1.798	6	.300	1.635	.181

	Within Groups	4.397	24	.183		
	Total	6.194	30			
	Between Groups	1.345	6	.224	1.606	.189
MEAN PROFESSIONALISM	Within Groups	3.351	24	.140		
	Total	4.695	30			

**Table 10. ANOVA Results Based on Number of years Having Tax Engagement with the Accounting Firm**

Service Quality Component		Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	2.239	10	.224	1.605	.177
MEAN TANGBILES	Within Groups	2.791	20	.140		
	Total	5.030	30			
	Between Groups	1.715	10	.171	3.227	.012
MEAN EFFECTIVENESS	Within Groups	1.063	20	.053		
	Total	2.777	30			
	Between Groups	2.624	10	.262	1.470	.222
MEAN EMPATHY	Within Groups	3.570	20	.178		
	Total	6.194	30			
	Between Groups	2.687	10	.269	2.675	.029
MEAN PROFESSIONALISM	Within Groups	2.009	20	.100		
	Total	4.695	30			

**Table 11. ANOVA Results Based on Position Held other than Being the Business Owner**

Service Quality Component		Sum of Squares	df	Mean Square	F	Sig.
MEAN TANGBILES	Between Groups	.310	2	.155	.919	.411
	Within Groups	4.720	28	.169		
	Total	5.030	30			
MEAN EFFECTIVENESS	Between Groups	.487	2	.244	2.980	.067
	Within Groups	2.290	28	.082		
	Total	2.777	30			
MEAN EMPATHY	Between Groups	2.762	2	1.381	11.264	.000
	Within Groups	3.432	28	.123		
	Total	6.194	30			
MEAN PROFESSIONALISM	Between Groups	1.709	2	.855	8.012	.002
	Within Groups	2.986	28	.107		
	Total	4.695	30			

Also a significant difference is apparent on the component of professionalism (.05>.029) if the respondents are grouped according the number of years of tax agent. Likewise, there is a significant difference on the components of empathy (.05>.00) and professionalism (.05>.002) based on the position held other than being the business owner as presented on Table 11.

With the results presented it is very clear that clients whether micro, small or medium enterprises set very high expectations to the services being rendered by tax firms. Likewise, tax services rendered by accounting and audit firms remain essential among businesses big or small. In the case of micro, small and medium enterprises, it is very important that the tax firms look closely on the components of service quality to ensure customer satisfaction.

In summary, the quality component of effectiveness (.05>.049) based on the form of business organization presented higher level of perceptions coming corporations compared to sole proprietors. Likewise, a significant difference was found on the component of professionalism (.05>.029) as they are grouped according to the number of years engaged with an accounting firm. Those with more than five years engagement have slightly lower perception on professionalism compared to less than five-year engagements. Business owners who also perform administrative functions perceived both factors professionalism (.05>.002) and empathy (.05>.000) higher compared to those who are only owners.

## **CONCLUSION & FURTHER RESEARCH**

### **Conclusion**

Quality accounting services are those that customers use frequently as a measure and consider as important because quality service is equivalent to high level customer satisfaction (Walker & Johnson, 2006). With the right service quality component(s) in mind, tax service firms will be able to change its strategies to better serve their clients. With very minimal differences, the four components (Dinh & Do, 2020) as perceived by the MSMEs are found to be very essential components of tax service quality which must be carefully considered by tax firms at these changing times. While effectiveness remains the most important study, professionalism, tangibles, and empathy are as equally important. The following recommendations can be applied to tax firms.

Since accountants deal with the nation's lifeblood of various clients' businesses – their clients finances, including tax compliances– professional accountants owe a sense of responsibility or fiduciary duty to act professionally to balance the interests of their clients (Ingram, 2021). To meet the quality of professionalism, tax firms must abide by and adopt the professional code of ethics for professional accountants as set forth by the Professional Regulation Commission [PRC] (2018) that provides guidance among professional accountants to ensure that ethical dilemmas are likewise resolved when dealing with tax clients particularly MSME's. This can be further demonstrated by sticking to tax practices and applications that will create reliable tax filings and tax submissions for clients. Due diligence, likewise, comes into play in tax accounting as tax firms are expected to be proactive in the tax planning of the clients to minimize tax liabilities without defrauding taxing authorities through tax evasion. To be a consummate professional in the field of tax, firms must be updated with latest tax rulings set by the national and local tax authorities to be able to offer top quality, fully informed tax services to clients. This can be achieved through continuing education and professional development by reading tax pronouncements and publications, attending industry seminars or webinars, and reading books and memos on tax and other related matters (Ingram, 2021).

The pandemic somehow has changed how service firms render their services in consideration of the health and safety protocols set by various regulatory bodies. Tax firms must be able to empathize with their clients most especially during difficult times such as pandemic. Khanna (2020) enumerated how to practice empathy wherein one must be able to stay calm and be able to find peace which will help continue the conversation with the client and become fully devoted to their needs. Likewise, it is important to keep in touch and have a consistent communication with the clients. It is very important to take imitative and reach out personally to clients that is why online communication platforms such as Zoom, Google Meet and Facebook are other venues for online meetings and conversations with the clients. In as much as the tax firms are expected to be accommodating to answer all the queries and concerns of their clients, it is also very important to acknowledge some questions that cannot be answered by tax firms such as the possible impact of the pandemic to businesses that will need verification from regulatory bodies, other professionals, or resource persons. Being empathic is achieved by having the ability to listen to difficult clients, acknowledging their issues or concerns, thoroughly understanding by asking questions, coming up with creative solutions and engaging through follow ups (Satish, 2021). Tax firms' personnel may also be engaging and enthusiastic because other MSMEs owners are looking for amicable instead of intimidating encounters.

In terms of tangibles, having a clean, adequately furnished and professionally interioered office space for tax firms creates a good impression for clients as it gives a sense of image and creates a sense of

legitimacy for the business. For younger tax practitioners, it is also very important to invest in new tools i.e. tax apps or software to better serve clients (Satish, 2021). Procuring third generation computers with strong wifi connection may also help tax firms efficiently render tax services real time and anywhere. To reiterate, online platforms can be used as alternative venues for meetings and conversations and can be very helpful during pandemic and in case of emergency.

On a final note, for tax service firms, the best measure of service quality are happy and satisfied clients because it is easier to retain clients than lose them and acquire new ones (Gallemard, 2021).

### **Limitations and Further Research Directions**

This study is only limited on measuring the quality of tax services rendered by accounting or audit firms during the period of pandemic and the participants are only MSMEs. Further studies on can shed light on the perspective of large corporations, non-profit and service organizations if the study will yield to the same results.

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