Annals of Studies in Science and Humanities
Volume 6 | Issue 1 | June 2025
PRINT ISSN: 2408-3623 | ONLINE ISSN: 2408 3631

Income Tax Rates (TRAIN Law) Level of Understanding and the Spending Preferences of Millennial Employees in Caraga State University

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ABSTRACT

The study determined the effects of the change in income tax rates brought by the TRAIN law on the millennial employees of Caraga State University. Specifically, this study determined the level of awareness of the employees regarding the income tax policy amendments, their spending preference where increased take-home pay is appropriated, and the relationship between the two variables. The study used a descriptive-correlational research design to determine the level of awareness, spending preference rank, and the relationship between the variables. Among the income tax provisions indicators, only tax exemption provisions were interpreted as moderately understood. On the other hand, the top-ranked expenditures are food, clothing, and medicines. The test for the relationship among the variables failed to reject the null hypothesis. Based on the descriptive results, the study recommends mainstreaming financial and taxation literacy seminars among millennial employees.

Keywords: *TRAIN law, income tax rates awareness, increased take-home pay, spending preference, millennial employees*

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Received: May 30, 2024
Revised: June 18, 2025
Accepted: June 30, 2025
Released Online: June 30, 2025

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Cite this article: Quijano, J.A.M., Tindoy L.P. (2025). Income Tax Rates (TRAIN Law) Level of Understanding and the Spending Preferences of Millenial Employess in Caraga State University , *Annals of Studies in Science and Humanities,* **6**(1):31-45.

1 Introduction

Background of the Study

Bureaucratic processes are inherent and significant to societal structures. These different systems home individuals that contribute to the total structural and organizational functioning. Among these processes are the policy amendments that affect workers within the institution. In the Philippine context, the Republic Act 8424, also known as the Tax Reform Act or the National Internal Revenue Code (NIRC), was amended by Former President Rodrigo R. Duterte based on the Comprehensive Tax Reform Program. The first package of the law was implemented in January 2018, covered in Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Law (Department of Finance – National Tax Research Center, 2018). The law provides new graduated income tax rates, which exempt the low-income earners from the tax burden, therefore increasing their take-home pay and purchasing power.

The need for studying income tax promulgations emphasized the role of the individual as a worker and a consumer. Understanding the influences on income change determines one's ability to adapt to economic fluctuations. In the Philippines, families have an average annual income of approximately two hundred sixty-seven thousand pesos (P267, 000.00), while their average annual expenditure is two hundred fifteen thousand pesos (P215, 000.00) (Philippine Statistics Authority, 2017). The law changed the Philippine economic and political system. This influenced various institutions, including Higher Education Institutions (HEIs), emphasizing the importance of the inquiry. Caraga

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State University is one of the HEIs located in the Caraga region. The University houses 506 teaching and nonteaching employees who served as the main respondents of the study. Another key variable in understanding income and spending is by looking at different generation cohorts. In 2050, millennials or generation Y (1981-2000) will comprise 50 percent of the world's population of consumers. This piques the question of determining the spending capacity of millennials contemporarily. This group can be used as a baseline for future studies in comparing generational cohorts.

The study particularly inquired about the different levels of income, take-home pay, spending preferences of the CSU millennial employees, and their level of understanding of the income tax provisions of the TRAIN law. The end purpose of the study is to come up with recommendations to the Human Resource and Management Office (HRMO) for possible financial literacy intervention programs for the employees of Caraga State University (CSU).

Theory

The study used a combination of two (2) theories, namely the need theory and the permanent income theory by Friedman (1957). The need theory presents the psychological dimension of the individual, which states that an increase in income and wealth will lead to an increase in subjective well-being. This theory is based on the hierarchy of needs by Maslow (1943). The theory was connected to its significance to people's income and how disparities in income influence satisfaction levels and various needs. The consumers' desire and ability to buffer income shocks will determine the extent to which they will smooth fluctuations in consumption relative to income. On the other hand, the permanent income theory presents the economic dimension, which posits that the greater the income, the greater the purchasing power. Theory also emphasized that consumers behave as if their budget must be met on a period-by-period basis, but on a lifetime basis. The theory implies that the changes in consumer behavior are not predictable. This behavior is based on the individual's expectations. Thus, the Income and Need theory proposes that an increase in income and wealth leads to accessing needs that, in turn, leads to an increase in well-being. This is because money is utilized to satisfy basic psychological needs (Howell et al. 2012, p. 6).

In the study context, the study only applied the income increase and purchasing power variables, or the ability to meet needs. This means that this study did not measure the effects of income on subjective well-being, but instead only on accessing commodities. However, the well-being as a concept will still be used to support discussion on the needs theory in the rank expenditure data. The income increase is assessed through their level of understanding of the change in income tax rates, while the purchasing power or ability to meet their needs is measured through their ranked spending preference. Further, the generation cohort (Generation Y or Millennials) theory supplemented the prior theories in setting the study group. The cohort recognized the interplay between the individual and the environment. This further materialized their collective consciousness given the thriving disparities in the set strata of the study. With the millennials constituting more than half of the university employees' population, it is imperative to evaluate the economic and bureaucratic interplay between them and their institution.

2 Conceptual Framework

The framework's variables are as follows: TRAIN Law, Demographic profile, spending preference, and the program recommendation for CSU-HRMO.

The framework presented a directional relationship among the variables. The first variable is the level of understanding of income tax provisions, with an arrow-headed line pointing to the spending preference, connoting a relationship tested for significance. Between these two variables is the demographic profile set as the intervening variable. The final variable is presented with a bold arrow connoting the output of the study, namely the program recommendations to the CSU-HRMO. The theory application is also indicated in the relationship assessed in the study. As mentioned above, the permanent income needs theory determines the capacity of the consumer to respond to economic fluctuations. This posits that the higher the income, the higher the purchasing power, which could be determined based on the level of income. This is represented by the intention of the policy (TRAIN Law) to increase the take-home pay of the workers by reducing their income tax. On the other hand, the need theory emphasizes that needs are met when there is a permanent income. This is represented by the ranked spending preference of the study respondents. Specifically, the study hypothesizes

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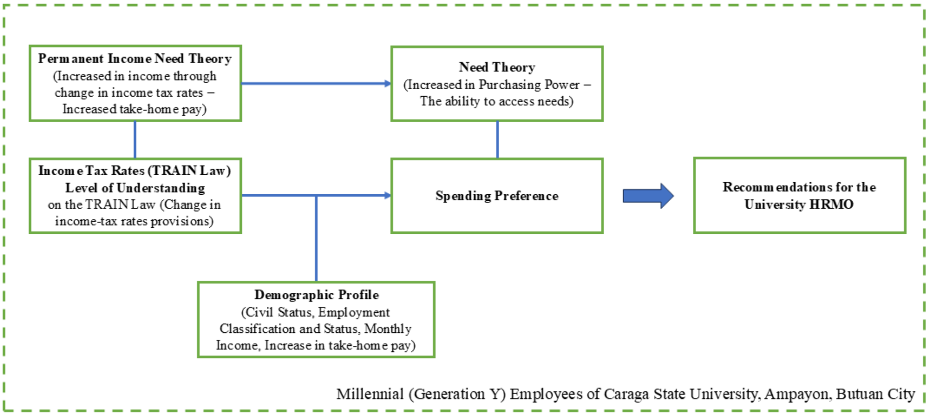

Figure 1. Research Paradigm

that the understanding of income tax amendment provisions influences the spending preference of the millennials, ceteris paribus (Need).

Research Objectives

The study determined the influence of change in income tax rates (TRAIN Law) through the level of understanding of the policy provisions and its effects on the spending preference of the millennial employees.

1. To determine the demographic profile of the respondents in terms of the following:
   a. civil status;
   b. employment classification;
   c. employment status;
   d. range of monthly income; and
   e. range of the increase in take-home pay

2. To determine the level of understanding of the millennial employees to the provisions of the TRAIN law?

3. To rank the spending preference of millennials from the increase in take-home pay, considering the following:
   a. food;
   b. clothing;
   c. household bills;
   d. medicines and other health expenses;
   e. educational expenses;
   f. entertainment and other recreational activities;
   g. payment of loans and borrowings;
   h. savings;
   i. investment; and
   j. insurance

Hypothesis

This study is guided by one (1) hypothesis, tested at a 0.05 level of significance.

H_{A1}. There is a significant relationship between the level of understanding of change in income tax rates (TRAIN Law) and the spending preferences of the millennial employees

3 Materials and Methods

This section includes a discussion on research design, research environment, sampling technique, ethical considerations, data gathering procedure, and statistical treatment.

Research Design

This study utilized a descriptive-correlational research design, which is based on its appropriateness to the study objectives and allowed the researcher to employ descriptive statistics tools and test relationships among the variables.

Sampling Technique

The study utilized two formulas for sample derivation; the first was getting the sample size with the unknown population, and the second was equating the number of samples with a known population based on the first formula.

$$n = \frac{Z^2 p(1-p)}{E^2}$$

Formula 1: Determining sample size with an unknown population
Where:
Z = Z-score (based on confidence level, e.g., 1.96 for 95% confidence) ρ

p = Estimated proportion of the population
E = Margin of error

$$n = \frac{NZ^2p(1-p)}{E^2(N-1)+Z^2p(1-p)}$$

Formula 2: Determining sample size with an unknown population
N = Population Size
Z = Z-score (based on confidence level, e.g., 1.96 for 95% confidence) ρ
p = Estimated proportion of the population
E = Margin of error

The university employs a total of 506 employees, whose work spans from administrative to teaching. There are 210 permanent workers and 296 nonpermanent workers. Among the 210 permanent workers, 45 were on non-teaching jobs, while the remaining 165 were working as faculty. On the other hand, 174 of the 296 nonpermanent employees were working as administrative staff, while the remaining 122 were working as faculty. Out of the 506 employees, there are 293 millennials; this was set as the study population.

The study utilized stratified sampling technique. From the set number of samples, the strata were specified. Specifically, these include permanent teaching personnel, nonpermanent teaching personnel, permanent administrative workers, and nonpermanent administrative workers. For each stratum, the total number of workers was specified, and the required number of samples was distributed based on the appropriate number for representation by using proportionate probability sampling (PPS).

Ethical Statement and Declaration

The study assessed and followed all the measures to conform to the ethical principles of research. In terms of beneficence and non-maleficence, the respondent's participation was based on their willingness. The respondents were oriented about the rationale and the intended output of the study. The researcher also emphasized the importance of non-disclosure of personal information, guided by the ethical principles of not providing incorrect, inadequate, and misguided information to reach the desired outcome of the research, and at the expense of the respondents. Possible risks were also discussed and included in the introductory clause of the instrument. In terms of the validity and reliability of the tool and data, validation was conducted by experts in the field and a study statistician.

An ethics clearance was not secured prior to the conduct of the study, however, the research study adhered to minimum ethical standards, including voluntary participation, anonymity, and the collection of signed Free, Prior, and Informed Consent forms, with all authors agreeing to these provisions prior to the manuscript's submission.

Data Gathering Procedure

The data gathering procedure was undertaken through the following steps: (1) In conformance to Data Privacy Act (RA No. 10173), the researcher filled up the Freedom of Information (FOI) request form to access data, (2) after data retrieval, names were randomized following simple random sampling technique, (3) the names were stratified based on employment status and classification. This served as the basis for visiting offices for data gathering.

The data gathering process was undertaken through the following steps: (1) discussion of the rationale and ethical considerations, and (2) questionnaires were provided after approval. Refusal to participate will result in the succeeding name being placed in the list.

Statistical Treatment

The gathered data, dependent on the statement of the problem, were analyzed and interpreted by the following methods. Most of the data are categorical, which failed to satisfy the assumptions

Table 1. Sample size distribution

Employment Status	Employment Classification	Population	Sample Size
Permanent	Teaching	165	32
	Non-teaching	45	9
	Subtotal	**210**	**41**
Nonpermanent	Teaching	122	43
	Non-teaching	174	69
	Subtotal	**296**	**112**
	Total	**506**	**153**

Legend: *N=506, Millennial N=293, n=153*

Table 2. Descriptive Interpretation

Scale Ranges	Descriptive Interpretation	Defintion
1.0-1.80	No understanding	The respondent has no knowledge or awareness of the provision. This may include, but not be limited to, basic taxation terms, i.e., taxable income, exemption, tax rates, filing, etc.
1.81-2.60	Slightly understood	The respondent has minimal awareness of the tax provisions. The respondent may be able to recognize terms but may be unable to explain or apply them.
2.61-3.40	Somewhat understood	The respondent has a basic and partial understanding of income tax provisions. The respondent may be able to explain and apply them, but lacks depth.
3.41-4.20	Moderately understood	The respondent has a fairly clear grasp of the provisions and can explain and apply most of the key concepts correctly.
4.21-5.0	Fully understood.	The respondent shows a strong and accurate understanding of the provision and including technical aspects. The respondents can apply the policy provision correctly in real-life situations.

for normally distributed data. This means that the study has utilized a nonparametric statistical test. (1) Frequency and percentages were used to present the demographic profile of the respondents. (2) The weighted mean was utilized in presenting the data. The last method used was (3) Spearman's test for correlation, which would determine the relationship between the understanding of TRAIN law and their spending preferences.

The second statement of the problem was analyzed through scales. The scale ranges are as follows: (See Table 2)

The indicated definitions for each of the descriptive interpretations generally cover the astuteness of the respondent to the specific provisions of the change in income tax policy. This generally varies on the understanding and awareness about taxation terminologies, the capacity to explain and apply concepts, understanding its technical aspects, and applying it in real-life situations.

Further, the elaborate meaning of the remarks are as follows: Fully understood means the respondents have complete knowledge of the provision, have encountered, practiced, and are astute to its process; moderately understood means that the respondent is aware of the provision, have encountered, and experienced but not fully astute to the related processes; somewhat understood means that the respondent is aware of the provision, have encountered, experienced its processes; slightly understood means the respondents have encountered and experienced the provision but not akin to the process, and no understanding means the respondent knows the provision but have no idea about its processes.

The third statement of the problem, on the other hand, was analyzed based on the ranking. The procedure was referred to as the forced rank scale undertaken through the forced ranked questions. The ranked expenditures were arranged based on their sequence of presentation. Inversely, the first expenditure on the list was multiplied by ten (10), as the list increased, the multiplier decreased. The highest product served as the top-ranking expenditure and was followed by the second least to the least expenditure.

For the hypothesis testing, this was tested with a significant level of P-value less than 0.05, which is commonly used in social science. The test and analysis in the study utilized the Statistical Package for Social Science (SPSS). The researcher also consulted with the statistician, who validated and aided the findings of the study.

4 Results and Discussions

This section discusses and presents the findings of the study. This includes presentations on the respondent's demographic profile, level of understanding of the income tax provisions of the TRAIN law, and their spending preferences. This also covers the analysis of data that determines the significance of the variables tested.

Demographic Profile

Table 3 presents the demographic profile of the respondents. This shows the percentage and frequencies of the civil status, employment classification, employment status, income level, and take-home pay increase.

The specified income is already far beyond the current poverty threshold in the Philippines. According to PSA (2019), a family of five (5) would need a P10,481 income average to meet the household's basic food and non-food needs in a month. Concerning millennial earning income, a study comparing millennial spending preferences with other cohorts states that compared with the other employed generations, millennials have the lowest levels of income before taxes and the lowest

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Table 3. Demographic Profile of the Respondents

	Indicators	Population	Sample Size
Civil Status	Single	114	74.50
	Married	39	25.50
	Total	**153**	**100**
Employment Classification	Teaching	75	49.02
	Nonteaching	78	50.98
	Total	**153**	**100**
Employment Status	Permanent	41	26.80
	Nonpermanent	112	74.20
	Total	**153**	**100**
Income Range	P18,000 and below	59	38.60
	P18,001 – P20,000	3	2.00
	P20,001 – P22,000	3	2.00
	P22,001 – P24,000	19	12.40
	P24,001 – P26,000	7	4.60
	P26,000 above	62	40.50
	Total	**153**	**100**
Take-home Increase	P1,000 and below	34	22.22
	P1,001 – P2,000	44	28.76
	P2,001 – P3,000	63	41.18
	P3,001 – P4,000	10	6.54
	P4,001 – P5,000	2	1.31
	Total	**153**	**100**

average annual expenditures. This highlights the influence the income level of millennials has on their spending preference. Common ranges among the employees cover the salary grades 7-1 to 15-1. This was used as the basis of the income range presented in the study (See Appendix, Table 8). In the Family Income and Expenditure Survey (FIES) conducted in 2017, representing the year 2015, the average annual income of the Filipino family would be P189,000 and the average annual family expenditure would be P152,000 compared to 2012, the average annual income was P180,000 and the average annual family expenditure was P148,000 (PSA, 2017). The data present that there has been an increase in income in the succeeding years, which would direct consumers with their purchasing power and their spending preference (See Appendix, Figure 2).

In terms of the take-home increase brought by the TRAIN law to the millennial employees, there are five (5) ranges of income increase set in the study. Similar to the ranges set in income, which were based on the income schedule of the university employees, the take-home pay ranges were also fixed closely to those ranges. This also provided an efficient income and take-home increase presentation. These changes were directly a product of the change in the Tax schedule stipulated in the TRAIN law. In a message given by Briones (2018), the "Tax Reform for Acceleration and Inclusion" covers the policy objectives of TRAIN. The "inclusion" part refers to affording most of our income earners with tax relief through the new income tax schedule. Imposing a zero tax rate for taxable income up to P250,000.00 per year immediately benefits 83% of income taxpayers in the country. Recovery from the revenue loss due to the exemption, lesser tax liabilities, and an increase in net revenue, emphasize "acceleration."

These data imply that during this period, most of the millennial age range is on the entry level of employment, which explains the income level and working status. The increase in take-home pay is supported by the aforementioned literature, which suggests that policy amendments aim to improve accessibility to commodities for middle-class workers. This is reflected in the increased take-home pay among the workers. Further, the literature also supports that the compensation income earners

(CIE) are moving farther from the poverty threshold, given the increasing annual average income, annual average expenditure, and the additional funding from increased take-home pay for their discretionary spending or savings. This also classifies the workers within the different hierarchies of middle-class income earners as classified by the FIES of PSA (PSA, 2017). This descriptive result aligns with the income need theory, as it stipulates that the greater the income, the greater the purchasing power. Given the additional take-home pay, consumers can have the desire and ability to buffer income shocks and maintain their spending on their needs. These needs will further be discussed regarding the ranked, prioritized expenditures of millennial employees.

a. Level of understanding of the millennial employees on the change in income tax rates (TRAIN Law)

This section discusses the level of understanding of the millennial employees to the provisions of the TRAIN law, which was enacted in 2018. In the report provided by the Department of Finance (2018), mentioned that to further capacitate the nation and achieve the needed funds, the following means were determined; tax policy reform to create a fairer, simpler, and more efficient tax system manifesting in low rates and a broad base that can promote job creation, investment, and poverty reduction; Tax administration reforms that cover BIR and BOC; and budget reforms to improve pace, efficiency, and transparency of spending. These highlighted goals that impinged its implementation. There are multitudes of aspects the TRAIN law covers, but this study solely focuses on the income earnings, tax derivations, exemptions, and benefits indicated in Table 4.

The mean result (3.25) for provision 1 covers the respondents' understanding of the change in income tax liability derivation, which is interpreted as somewhat understood. Income tax liability derivation is the process of determining the tax liability of employees from the gross income received. In the National Internal Revenue Code (1997), it is derived based on deducting the individuals' allowable exemptions from their annual income before determining which bracket their taxable income is in the ranges of the tax schedule to determine their tax liability. This tax liability is generally based on the tax schedule present in the tax form.

This leads to the mean result (2.98) of the level of understanding of employees to provision 2 stipulated in the study. The tax schedule or tax table is a set of brackets that stipulates the income of a citizen of a country and the corresponding amount of tax liability. With the implementation of the TRAIN law, these brackets were changed and updated. In 2018, DOF reported that they are redesigning the tax system and the goal is to correct the tax system's problems to become simpler, fairer, and more efficient. The system will lessen the overall tax burden on the poor and middle class (Department of Finance, 2018, p. 10). According to the Department of Finance – National Tax Research Center (2018), the tax schedule was changed from 7

Table 4. Level of Understanding of the CSU millennial employees to the provisions of TRAIN Law

Indicator	Mean	Verbal Description
Change in income tax liability derivation	3.25	Somewhat understood
Change in income tax Schedule	2.98	Somewhat understood
The highest taxable income on the schedule is 8 million, and is subject to a 35% marginal rate	2.75	Somewhat understood
Tax exemption for 250,000 annual income	4.07	Moderately understood
Repeals BPE, AE, and PHHI	2.89	Somewhat understood
Retains income tax exemption for minimum wage earners	3.83	Moderately understood
Tax exemption to de minimis benefits/ contributions (GSIS, SSS, Philhealth, and Pag-IBIG)	3.12	Somewhat understood
An optional 8% tax on gross receipts/sales for SEPs	3.11	Somewhat understood
Increase the amount of the tax-exempt benefits ceiling	2.93	Somewhat understood
A decrease in the income tax percentage after the first five years of implementation	2.76	Somewhat understood
Overall Mean	**3.17**	**Somewhat understood**

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brackets based on NIRC (1997) to 6 brackets under the TRAIN law. Its minimum bracket changed from an income of P10,000 subject to 5% tax liability in NIRC (1997) to P250,000 with 0% tax in TRAIN law (See Appendix A, Tables 9 and 10). Provisions 2 and 3 discuss similar provisions, which are the tax table changes, but they are different in terms of specification. Provision 2 discusses the general change in the tax schedule, while Provision 3 talks about the change within the table. Its focus is the change in the highest bracket of the tax schedule, where taxable income worth 8 million is subject to a 35% marginal rate. Compared with the previous regime of tax, there are seven (7) brackets, with the highest amount of taxable income being only P500,000 and is subject to a P125,000 tax with a 32% marginal rate (See Appendix, Tables 9 and 10).

Provision 4 has the highest mean result (4.07). The provision pertains to the change in the level of tax exemption for an individual with an annual income of P250,000. Before the implementation of the TRAIN law in 2018, the National Internal Revenue Code (NIRC) of 1997 had the following promulgations for those who are not required to pay the annual tax and who are exempted from income tax.

The following individuals are not required to file an annual 'income tax return':

- *An individual whose gross income does not exceed his total personal and additional exemptions for dependents (supra), except if engaged in business or practice of a profession, regardless of the amount of gross income.*
- *An individual earning from 1) a single employer, 2) pure compensation income, 3) derived from sources within the Philippines, and 4) the income tax which has already been correctly withheld by the employer.*
- *An individual whose income consists solely of interest, prizes, royalties, etc., subject to the payor and paid by him to the Bureau of Internal Revenue; and*
- *A minimum wage earner or an individual who is exempt from tax under the Tax Code or other laws.*

In the current law, DOF (2018) highlighted that those with a net taxable income of P250,000 are exempt from income tax. These effective tax rates will be lowered for 99% of taxpayers except the richest with taxable income above P8 million, who will face a tax rate of 35%. Manasan (2017) further stipulated that the PIT liability of an entry-level DepEd teacher who earns around P20,000 per month will become zero under HB 4774 or the current TRAIN law, compared with P22,500 under the old PIT regime (if she/he has two children) or P35,000 (if she/he has no children).

Provision 5 discusses the repealing of BPE, AE, and PHHI. The mean result (2.89) is interpreted as somewhat understood. In the National Internal Revenue Code (1997), there are allowable exemptions or deductions to lessen the taxable income. The following are the basic personal exemptions (BPE), AE (Additional Exemptions), and Premium on Health and Hospitalization Insurance (PHHI). The NIRC has the following promulgations and definitions for the allowable exemptions;

There is also allowed like a deduction from the amount of taxable income, whether compensation or not, the basic personal exemption of 50,000 for each taxpayer, regardless of status (i.e. that married or single, with or without qualified dependent):

The additional exemption of 25,000 for each qualified dependent but not exceeding four (4) dependents may be claimed by one of the spouses in the case of married individuals.

A dependent means a legitimate, illegitimate, or legally adopted child chiefly dependent for support upon and living with the taxpayer if such is dependent is (a) not more than 21 years of age, (b) not married, and (c) not gainfully employed except in the case of children, even if more than 21 years of age, when they are incapable of self-support because of mental or physical defects.

These exemptions were all removed in the TRAIN law. This means that the amount stipulated in the tax schedule for a specified annual income and its corresponding tax liability is already derived in itself. Compared to the previous NIRC, there are still deductions that is needed to be applied to arrive at the actual taxable income. All these complex derivations were simplified and included in the concept of exempting employees with an annual income of P250,000.

Provision 6 covers the stipulation on retaining the tax exemption for the minimum wage earner. Its mean result (3.83) is interpreted as moderately understood. In NIRC, tax exemption is for those individuals whose gross income does not exceed the sum of their BPE and AE. The TRAIN law generally applies the concept of income tax exemptions used in NIRC, which are exemptions for minimum wage earners and individuals with income below the total of their BPE and AE. In addition, it increased the maximum annual income exemption from Php 150,000 as the sum of BPE and AE with four (4) dependents, to Php 250,000 in TRAIN Law.

Provision 7 covers the understanding of Tax exemption to de minimis benefits and mandatory contributions, i.e., GSIS, SSS, Philhealth, and Pag-IBIG. According to the Department of Finance – National Tax Research Center (2018), the TRAIN law retains the exemption on the tax benefits as well as the non-taxability of mandatory contributions such as those made to the GSIS, SSS, PhilHealth, PAG-IBIG fund, and union duties. This specifies that the following promulgations were already present in NIRC and retained on TRAIN law. Provision 8 covers the understanding of an optional 8% tax on gross receipts/sales for SEPs. Self-employed and professionals or SEPs are individuals earning income not dependent on compensation income which is provided by the employers to employees, received on a monthly basis but rather based on business or by the practice of a profession, e.g., doctors and lawyers. In the TRAIN law, the SEPs could either opt to be taxed based on regular PIT rates or 8%. However, according to DOF-NTRC (2018), the optional 8% tax is only permitted for those SEPs with annual gross sales/receipts of P3 million and below. Those SEPs with higher annual gross sales/receipts are taxed based on the regular PIT rates.

Provision 9 specifies the provision for increasing the tax-exempt benefit ceiling and other benefits. According to DOF-NTCR (2018), the first PHP 90,000 of the 13th-month pay and other bonuses will be exempt from income tax. This is compared to the previous tax-exempt ceiling of P82,000. Lastly, provision 10 covers the discussion on the tax per income based on the tax schedule. In the first five years of the TRAIN law, the tax schedule had higher tax percentages on income compared to the year 2023. This is based on the adjustment of taxes after being able to reach the government revenue needed to finance its multifarious activities, which was named by the current administration as the "Build Build Build program."

All the provisions except Provisions 4 and 6 are interpreted as somewhat understood and operationally defined, as the respondent has a basic and partial understanding and may be able to explain and apply them, but lacks depth. In terms of provision 1, which covers changes in income tax liability derivations, respondents may have an idea about the concept but do not fully grasp the process of its derivations, which may include tax exemptions and deductions, which were later changed in the new policy. This is also similar to the rationale behind the change in the tax schedule and percentages of its marginal rates, which supplemented the intention to reduce the burden of taxation to the lowest brackets of income earners and put higher liabilities on the higher brackets of income earners (Provisions 2 and 3). The result of provision 5 implies that employees have a partial and basic understanding of the concepts for deriving taxable income, tax liability, and tax due, which uses allowable deductions.

This operationalized middle level of understanding and technical know-how can also be attributed to the typical process of income tax derivation in an organization within the Philippines' systems, which is not typically done by the employee, leading to a lack of indispensability and obligation of knowing its nature and dynamics. In provision 7 and 9, the level of understanding of tax exemption of de minimis benefits and increasing the ceiling of benefits (13th month pay and other bonuses) can also be linked to the nonpermanent employment status of workers, who do not have an employer-employee relationship, leading to either personal acquisition or no de minimis benefits and benefits at all. While those who are recent in the permanent status may have been in the process of orienting themselves to the nature of de minimis benefits. While provision 8 level of understanding can also be linked to the nature of income. Employees are classified as compensation income earners (CIE); the optional 8% is solely applicable to self-employed and professionals (SEP). However, the knowledge of this alternative percentage for taxation is still applicable to individuals who are both CIE and SEP. Lastly, provision 10 covers the knowledge of policy implementation itself. Similar to provisions 1 and 2, which mentioned changes in tax schedule marginal rates, this change will also decrease after the first five years of implementation. The level of understanding can be similarly attributed to the aforementioned implications.

In terms of provisions 4 and 6, both are interpreted as moderately understood. This is operationally defined as the respondent having a clear grasp of the provisions and capable in explaining and applying most of the key concepts correctly. This implies that among the provisions mentioned in the policy amendment, these are most clearly communicated and understood by the employees. This also means that the employees can apply to their context in comparison to various organizational income levels and the local policies on minimum wage. Though all of the provisions have usability among the employees, these provisions are the most likely to be applicable given that this information is applicable to those with income who are in the entry level and regardless of employment status, which is common among millennial employees. In its entirety, it is imperative that as an employee whose relationship to taxation is inherent, there is a need for improvement in understanding the nature and dynamics of income tax. Having a good understanding of the processes of taxation can be useful in various economic decisions.

b. Spending preference of the millennial employees from the increase in take-home pay

This section covers the discussion on the spending preference of millennial employees from their increase in their take-home pay. Specifically, this tells the ranking of expenditures where the increase in take-home pay was appropriated. These expenditures were then ranked from 1 to 10 based on the respondents' priorities. Rank 1 represents the most prioritized expenditure, while rank 10 represents the least prioritized expenditure. In a discussion connecting consumption and generation cohorts, the millennial generation is a highly significant group that contributes to a great number of consumer populations. With the population reflecting purchasing power, this impinged on the attraction of many consumer industries. It escalated the importance of studying the group, for they have different behaviors compared to previous generations. (Smith 2011). Orozpe (2014) highlighted that it is imperative to study the generation. It has been posited that in the year 2017, millennials will represent 50% of global consumption. Furthermore, Meister (2012) claims that Generation Y "will be roughly 75% of the global workforce by 2030." The environment where millennials have grown provides technology with a platform for personalization and immediate gratification in all aspects of life (Moreno et al., 2017, p. 140). With the relationship between millennials and consumption elucidated, Table 5 presents the simplified distribution of frequency and percentages of expenditures ranked by millennial employees. The ranks on each expenditure were the highest scored rank out of 153 respondents. These numbers were also set as the basis for its ranking.

Food (Expenditure 1) is the most prioritized expenditure in which the increase in take-home pay was appropriated among the CSU millennial employees. According to FIES, 41.9 percent of the average annual income of a family was spent on food, and this is true for all families in the Philippines (PSA, 2017). Household bills (expenditure 3) were the second most prioritized expenditure of millennial employees. In the study, these include the following: house rent, electricity, water, and telecommunication bills. In FIES, Housing, Water, Electricity, Gas, and Other Fuels refers to the total family expenses for actual and imputed rentals of housing and consumption of water, electricity, gas, and other fuels during the reference period. Also, Filipino family expenditures ranked rental, or house rent, as the second-highest item, accounting for 12.2%. The third highest is 7.9%, expenditures on water, electricity, gas, and other fuels (PSA 2017).

Table 5. Distribution of the spending preference of millennial employees from the increase in take-home pay

Expenditures	Rank	Frequency (n=153)	Percentage
Food	1	111	72.54
Clothing	6	27	17.64
Household bills	2	67	43.79
Medicines and other health expenses	3	34	22.22
Educational expenses	4	26	17.00
Entertainment and Recreational Activities	8	33	21.57
Payment of loans and borrowings	5	24	15.68
Savings	7	34	22.22
Investment	9	39	25.50
Insurance	10	45	29.41

The third rank is Expenditure 4, the medicines, and other health expenses. In a generation cohort study, both Generation Xers and Millennials allocate about seven-tenths of their healthcare budgets to health insurance. Further similarities are also reflected in their expenditures on medical services, drugs, and medical supplies (Paulin 2018). The fourth most prioritized expenditure by the millennial employees is educational expenses (Expenditure 5). In the study by Paulin (2018), millennials are mostly educated compared to the prior generations. This reflects their attendance and completion of a college-level program. Further, the farthest observable gap is with the oldest generation. Millennial college attendance almost doubled in percentage as compared to the GIs (72% compared with 40%).

The fifth-ranked priority is the expenses on payment of loans and borrowings (Expenditure 7), while the sixth-ranked priority is clothing (Expenditure 2). In a study on millennials and their expenditure on clothing, it is stated that the consumption of luxurious brands is highly observable to this generation, for they are inclined to use consumption to acquire status, personality, and a sense of rebellion. The identity of this generation is highly tied to the concept of fun and rebellion (Francis & Burgess, 2015). Another study presented that common purchases made by the generation are clothing, shoes, sports equipment, jewelry, health and beauty, entertainment, and food (Valentine & Powers, 2013). In the case of luxurious products, the group is more oriented to the consumption of specific products in support of status, which shows wealth and purchasing power (Lissitsa & Kol, 2016). Millennials tend to spend their income faster compared to previous generations. This highlights their life philosophy of living in the moment and mediating work life with personal life. Thus, the group is a regular traveler, and they like collective learning, simultaneous giving of opinions, in a way that they influence their peers and like to be considered as experts (Moreno et al., 2017).

The seventh-ranked priority is the savings (Expenditure 8), while entertainment and recreational activities (Expenditure 6) were ranked eighth. In a study of generation cohorts and their expenses concerning the entertainment budget across the other generations, spending on entertainment does not exhibit any discernible patterns. For example, shares for fees and admissions are substantially larger for Generation Xers (29%) than for the other groups (19 to 22%). However, Millennials spend more than Generation Xers or Baby Boomers on audio and visual equipment, perhaps because that category includes video games (software, hardware, and accessories) in addition to the aforementioned cable and satellite television (Paulin 2018). The ninth-ranked expenditure was the investment (Expenditure 9), and the last-ranked expenditure was insurance (Expenditure 10).

The study provided information on which areas of expenditure the millennials are associated with in terms of the satisfaction of the need. The spending preference reflects the spending behavior of an individual. As presented, the most prioritized were food, household bills, and medicines and other health expenses, while the least prioritized were savings, investment, and insurance. In relation to the need theory, the spending decisions by the employees can be based on the most immediate need of the employees. In their contexts, any additional income will be appropriated to the essential needs. Though savings, investment, and insurance are classified as essentials in financial planning and security dimensions, in terms of ranking, which needs must be satisfied, a more objectively identified need will be chosen. The age group classification mentioned in the discussion above also places importance on the rank, given that clothing and recreational activities also ranked higher than investments and insurance. The theory further supports this context as it asserts that as the income and wealth of an individual increase, there will also be an increase in well-being. This is justified by the idea that money is used to satisfy an individual's basic psychological and physiological needs. Howell and Howell (2008) pointed out that money fulfills certain higher-order needs if it is properly spent. Money is utilized to satisfy higher-order needs, which can be associated with well-being in opulence. The implication of higher-order needs and financial security on subjective well-being is partly analogous to Cummins' control, internal buffer, and the second level of Maslow's hierarchy (1943) that is defined by the drive to be free from fear, unpredictability, and danger, whether psychological or physical. This means that as the millennial employees met the indispensable needs, they will proceed with spending money on what is likely significant to their context, i.e., educational expenses, payment of loans, recreational, and savings.

Table 6. Relationship between the level of understanding and spending preferences of millennial employees

Understanding of TRAIN Law	Prioritization of expenditure	Correlation coefficient (r)	P-Value	Remarks
Level of Understanding	Food	-.072	.377	not significant
	Clothing	.057	.481	not significant
	Household bills	.038	.640	not significant
	Medicines and other health expenses	.052	.523	not significant
	Educational Expenses	.001	.994	not significant
	Entertainment/ recreational activities	.012	.886	not significant
	Payment of Loans and borrowings	.013	.869	not significant
	Savings	-.034	.676	not significant
	Investment	-.082	.312	not significant
	Insurance	.088	.277	not significant

*Spearman Correlation **tested at 0.05 level of significance
***0.00-.020 Very Weak; 0.21-0.40 Weak; 0.41-0.60; 0.61-0.80 Strong; 0.81-1.00 Very Strong

c. Test of the significant relationship between the level of understanding to TRAIN law and the spending preference of the millennial employees

This section presents the correlation between the level of understanding and the spending preference of millennial employees. The variables tested are under the categorical data, which have not fulfilled the assumptions for normally distributed data. Hence, the data tested were not normally distributed, which required the nonparametric tests. The level of understanding presents categorical data and is tested with the respondents' prioritization of expenditures, which are the ranked data. The level of understanding is tested with each of the ranked expenditures to get the correlation coefficient.

Table 6 presents the results of the correlation between the stated variables. All the ranks tested with the level of understanding have a p-value higher than the level of significance. This means that the test failed to reject the null hypothesis, which failed to prove the alternative hypothesis. This means that currently and contextually, the level of understanding and the prioritization of expenditure of the employees are not significantly correlated. The non-significant result can be linked to various reasons. First, the overall mean level of understanding is interpreted as somewhat understood. This implies that a neutral mean score does not directly affect the spending decisions and behavior of the employees. It can also be a good exploration if the age group is not homogeneous. Second, most of the respondents are on the entry-level income, which does not provide a significant amount of take-home pay that will alter their spending behavior and decision. This means that regardless of the additional take-home pay of the millennial employees, the priority expenditure will still be similar. This is unless a significant amount of additional take-home is added to the employee's disposable income. Lastly, multiple factors may alter ranked decision making, this may include individual goals, family arrangement, work setup, and other social and economic factors. This may limit change in income tax rates as a stand-alone factor that alters prioritized ranked expenditure among the millennial employees. Supplemented by the income need theory, economic behavior persists and fluctuates depending on the stimulus provided by the very milieu an individual is conditioned, in this context, the millennial workers of CSU.

Despite the result, it is important to note that a failure to reject does not mean that the null hypothesis is true. Rather, it pertains that the test failed to prove that the alternative hypothesis is true. With this, the descriptive and inferential results can still be used for future policy analysis, organization studies, and other related variables for future studies. Key recommendations include increasing platforms for the development of taxation literacy, financial literacy, and responsible spending behavior, and access to various forms of economic support for employees regardless of employment status.

5 Conclusion

The study revealed that millennial employees have a middle-level understanding of the change in income tax rate provisions of the TRAIN law. Given the additional increase in take-home pay due to restructured income tax rates, the millennial employees' prioritized expenditures revolved around food, household bills, and medical expenditures, which are classified as physiological and security needs in the need theory classification, while the least prioritized are investments and insurance, which are under financial planning and security dimension. This further emphasizes that once the millennial employees receive additional funds, this will be appropriated towards physiological and security needs. Further, the test for the relationship between the two variables showed no significant relationship, which can be attributed to various factors, i.e., middle-level understanding of change in income tax provisions (TRAIN Law), entry-level income of millennials, which has a low change in take-home pay, and various contextual individual and filial factors that may not alter ranked prioritized expenditures.

Declaration of interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence

Appendices

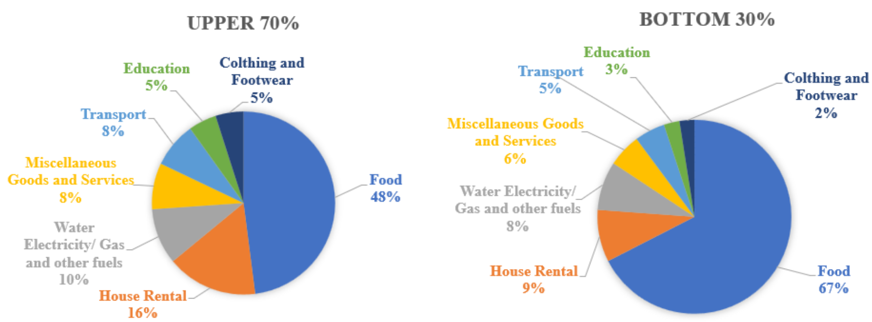

Figure 2. Expenditure Pattern of the bottom 30 percent and upper 70 percent per capita income groups: 2015
Source: Philippine Statistics Authority - FIES 2017

Table 7. Salary Standardization Law (Effectivity: January 1, 2019)

Salary Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8
1	11,068	11,160	11,254	11,348	11,443	11,538	11,635	11,732
2	11,761	11,851	11,942	12,034	12,126	12,219	12,313	12,407
3	12,466	12,562	12,658	12,756	12,854	12,952	13,052	13,152
4	13,214	13,316	13,418	13,521	13,625	13,729	13,835	13,941
5	14,007	14,115	14,223	14,332	14,442	14,553	14,665	14,777
6	14,847	14,961	15,076	15,192	15,309	15,426	15,545	15,664
7	15,738	15,859	15,981	16,104	16,227	16,352	16,477	16,604
8	16,758	16,910	17,063	17,217	17,372	17,529	17,688	17,848
9	17,975	18,125	18,277	18,430	18,584	18,739	18,896	19,054
10	19,233	19,394	19,556	19,720	19,884	20,051	20,218	20,387
11	20,754	21,038	21,327	21,619	21,915	22,216	22,520	22,829

Source: GovernmentPH

Table 8. Tax Schedule based on NIRC

National Internal Revenue Code (NIRC) Republic Act 10653		
Over	**But Not Over**	**Rate**
	₱10,000	5%
₱10,000	₱30,000	₱500 + 10% of the excess over ₱10,000
₱30,000	₱70,000	₱2,500 + 15% of the excess over ₱30,000
₱70,000	₱140,000	₱8,500 + 20% of the excess over ₱70,000
₱140,000	₱250,000	₱22,500 + 25% of the excess over ₱140,000
₱250,000	₱500,000	₱50,000 + 30% of the excess over ₱250,000
₱500,000		₱125,000 + 32% of the excess over ₱500,000

Table 9. Tax Schedule based on TRAIN law

Tax Reform for Acceleration and Inclusion Law (TRAIN Law) Republic Act 10963		
**For the taxable year 2018-2019*		
Over	But Not Over	Rate
	₱250,000	0%
₱250,000	₱400,000	20% of the excess over ₱250,000
₱400,000	₱800,000	₱30,000 + 25% of the excess over ₱400,000
₱800,000	₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
₱2,000,000	₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
₱8,000,000		₱1,450,000 + 35% of the excess over ₱8,000,000

**note that deductions or exemptions are not allowed in the TRAIN Law*

the work reported in this paper.

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