E-Invoicing Adoption and Tax Compliance among SMEs: The Mediating Role of Tax Digital Literacy in Malaysia

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ABSTRACT

The digital age is transforming tax administration, and the dynamics between the taxman and the business. The adoption of e-invoicing is on the rise, offering structured transaction records, near real-time validation, minimizing manual work, and enhancing tax administration. The implementation of e-Invoice in Malaysia has been a gradual process in terms of the progressive rollout based on the taxpayers' annual turnover/revenue, which thus makes digital capability more or less relevant for small and medium-sized enterprises (SMEs). This study aims to develop and propose an empirical model to investigate the impact of e-invoicing on tax compliance of SMEs and its explanation by tax digital literacy. Based on literature from the fields of technology organization (TOE), technology acceptance model (TAM), and behavioural tax compliance, the study proposes e-invoicing adoption as a digital organizational capability and tax digital literacy as a process in which the usage of technology can improve the consistency of tax-compliance behaviour. A quantitative, cross-sectional survey of Malaysian SMEs is proposed and data will be analysed using Partial Least-Squares Structural Equation Modelling (PLS-SEM). It adds value to the study by shifting the paradigm from the question of whether companies are going to implement e-invoicing to how digital tax literacy can facilitate the transition between digital technology and tax compliance outcomes. The proposed model is relevant, as the empirical studies carried out before showed associations between e-invoicing and tax compliance, and recent studies highlighted the need for taxpayer literacy and digital competency. The study will yield evidence that can help tax authorities, SME owners, accountants and accounting technology providers to design digital-tax education and implementation support.

Keywords: E-Invoicing; Tax Compliance; Tax Digital Literacy; Smes; Digital Tax Administration; Malaysia; PLS-SEM

INTRODUCTION

Tax administrations worldwide are undergoing a transition from paper-based and periodic reporting toward digitally integrated systems. The OECD reports that e-filing, e-payment, electronic communication, artificial intelligence and application programming interfaces have become increasingly mainstream in tax administration, while administrations are expanding their use of data and digital technologies to improve service delivery and compliance management (OECD, 2024). More recent OECD work emphasises that electronic invoicing and other digital data sources can support the collection, exchange and use of transaction-level information within modern tax systems (OECD, 2025).

Malaysia is on this transformation. E-Invoice is a digital version of transactions, which supersedes traditional paper invoice and common electronic document formats and allows transaction information to be validated and stored in real-time, said the Inland Revenue Board of Malaysia (HASiL) (Shi, Rusly & Ibrahim, 2026). HASiL also mentions the benefits of improved operational efficiency and tax compliance of the system. The current implementation schedule is now phased, basing on annual sales or revenue and it was updated by HASiL in 2026. According to the official information on implementation, the implementation period for those taxpayers with annual sales and/or revenue of up to RM5 million had been introduced from 1 January 2026 and those

below the specified exemption thresholds may be exempted from the mandatory requirement (HASiL, 2026a, 2026b).

The policy impact of e-Invoice is especially significant for SMEs, as they might be more likely to experience resource limitations, a lack of specialist tax advisors, and different accounting systems and degrees of digitalization. Hence, HASiL has introduced a free MyInvois Portal and MyInvois e-POS to help the businesses, including MSMEs, to create and manage e-Invoices (HASiL, 2026c; 2026d). The availability of such infrastructure, however, does not always imply that firms will turn into effective practices of tax-compliance when using the technology (Ali & Singh, 2024). Knowing how to navigate digital tax procedures, decipher digital tax information, handle transactional data and make effective use of digital tax systems could mean the difference between positive tax compliance results from technology and negative outcomes.

Prior empirical evidence supports the relevance of e-invoicing to tax compliance. Bellon et al. (2022), using administrative data from Peru, found that the introduction of VAT e-invoicing increased reported sales, purchases and VAT liabilities, with stronger effects among SMEs and sectors with historically lower compliance. Kotsogiannis et al. (2025), using administrative data from Rwanda, found that e-invoicing increased net VAT payments and improved audit efficiency, while showing that the compliance effect was strongly connected to more effective tax audits. In Malaysia, Qi and Che Azmi (2021) found that electronic invoice adoption was positively associated with tax-compliance process efficiency among firms adopting electronic invoicing.

Much of the e-invoicing literature has focused on direct effects of adoption, administrative efficiency, audit effectiveness or adoption determinants. Comparatively less attention has been given to the internal capability mechanism through which e-invoicing adoption may influence SME tax compliance (Gitau, Magero & Kapkiyai, 2025). Tax literacy has been shown to be important for compliance, including among SMEs (Palil et al., 2019; Rika et al., 2026), while emerging evidence indicates that digital literacy is increasingly relevant to compliance in digitally mediated tax systems. This study therefore introduces tax digital literacy as a mediator between e-invoicing adoption and tax compliance.

The central research question is: To what extent does e-invoicing adoption influence tax compliance among Malaysian SMEs, and does tax digital literacy mediate this relationship? The study addresses three objectives: (1) to examine the relationship between e-invoicing adoption and SME tax compliance; (2) to examine the relationship between e-invoicing adoption and tax digital literacy; and (3) to test the mediating role of tax digital literacy in the relationship between e-invoicing adoption and tax compliance.

The study contributes in three ways. First, it extends e-invoicing research from a technology-adoption perspective toward a compliance-outcome perspective. Second, it conceptualises tax digital literacy as a mechanism rather than merely a background demographic skill. Third, it provides a Malaysia-specific empirical model at a time when e-Invoice implementation is becoming increasingly relevant to SMEs.

Background: Malaysia's E-Invoice Transformation

Malaysia's e-Invoice system is designed to support the digitalisation of the business ecosystem and tax administration. HASiL states that e-Invoice enables near-immediate validation and storage of transactions across business-to-business, business-to-consumer and business-to-government contexts. The system captures information such as seller and buyer details, item descriptions, quantity, price, tax and total amount, thereby creating structured transaction data (HASiL, 2026b).

The implementation has been phased rather than imposed uniformly. The current time line of HASiL is based on various implementation dates depending on the annual sales/revenue. The phased design will allow time for taxpayers to prepare and adapt the processes and systems that will be necessary. This is particularly important for SMEs, who may not have as many resources as larger organisations, such as financial and human.

HASiL has also created the free MyInvos Portal for taxpayers who do not have an appropriate business system and the free digital point-of-sale (e-POS) platform for MSMEs named MyInvois e-POS. These programs indicate

that the policy issue goes beyond access to digital infrastructure to how taxpayers are able to effectively use the infrastructure. Therefore the "tax digital literacy" concept is applicable in the implementation of e-Invoice.

There are differences between adoption and literacy. While tax digital literacy refers to knowledge and actual capabilities of the tax actors in the digital tax processes, adoption relates to the implementation and use of e-Invoicing processes. Even though there is a digital invoicing system, the firm can be quite reliant on external agents, resulting in input errors, misunderstanding of validation aspects or not connecting transaction information to more comprehensive tax-reporting processes (Kinuthia, Kiprotich & Achieng, 2026). The proposed model thus does not assume that the adoption of a good model means that the user will follow it.

LITERATURE REVIEW

E-Invoicing Adoption

The implementation of electronic invoicing and its regular use in SMEs' businesses and tax-related activities is interpreted as the adoption of e-Invoicing in this study. The construct is more general than intention to adopt, since the present study focuses on actual use of the organisation. The use of routine issuance or receipt, electronic validation, structured record keeping, electronic accounting of transactions and reliance on electronic transaction information for tax-related functions are all elements of adoption (Michael et al., 2025).

Because the technology–organization–environment framework acknowledges the technological, organizational and environmental contexts in which technology is adopted, it is an appropriate lens for understanding technology adoption (Alshira'h, 2026). In this current research, the TOE framework is not directly utilized to model all the factors affecting the adoption of e-invoice; it is only used as a theoretical lens to consider e-Invoice an organisational innovation, shaped by the firm's technological resources, organisational readiness and regulatory environment.

Research on technology adoption also suggest that the perceived usefulness and perceived ease of use are important factors in technology acceptance (Lubis & Khairiah, 2026)). The technology use factors of performance expectancy, effort expectancy, social influence and facilitating conditions are also important in UTAUT (Pawarikanda & Govender, 2026). A case can be made for the meaning of adoption as a technology that is part of an organization's practices, and not just a one-off event.

Previous evidence of e-invoicing is pertinent. According to Qi and Che Azmi (2021) the perceived benefits and trust in e-government had positive effects on e-government adoption, while the e-government adoption positively affected the efficiency of tax-compliance process. Although their study shows that there is a relationship between digital invoicing and the outcomes of tax-related processes, they do not measure tax digital literacy as a mediator. This study follows up that line of inquiry.

Tax Compliance among SMEs

Tax compliance is usually defined as the level of compliance of taxpayers with their tax obligations in compliance with relevant legislation and administration. Compliance can include proper bookkeeping, timely filing, reporting of taxable income or sales, proper calculation of tax, keeping supporting records and paying the tax on time, which is applicable to SMEs.

There exists a vast literature on behavioural tax compliance that highlights the influence of several economic, institutional and behavioural determinants on tax compliance. According to the Theory of Planned Behavior (Zubairu, I., Atiawin, P. A., & Iddrisu, 2056), attitudes and subjective norms and perceived behavioural control can have an effect on intentions and behaviour. Perceived control is related to a taxpayer's understanding and operation of electronic systems in digital taxation.

In the present study, tax compliance is considered as a multidimensional behaviour, instead of only compliance or non-compliance. With a questionnaire, you can get information about self-reported consistency in accurate reporting, record keeping, filing and payment. As tax compliance is sensitive, the following should be used: The

study should be conducted using neutral language and telling the respondents that any of their responses are confidential and that they are only used for research purposes.

Tax Digital Literacy

Digital literacy is proposed as a new concept, which is a combination of digital capability and tax knowledge. It means an SME's ability to find, comprehend, assess and use tax information and requirements online. It involves being able to use tax portals, read and comprehend digital tax directions, validate E-transaction information, review tax documents, and utilise digital tools to facilitate compliant tax workflows.

Tax literacy has been previously related to tax compliance. We found evidence of the relationship between tax literacy and tax compliance, Lim et al., (2025) suggested that tax literacy in terms of the understanding of taxpayers on tax concepts can influence compliance willingness. The experience of SMEs in Indonesia also indicates that the level of tax literacy is capable of affecting the level of trust, authority perception and voluntary compliance (Rika et al., 2026). The results indicate that the knowledge and understanding are related to tax behaviour.

There is another layer to digital transformation. Some recent studies find positive associations between digital literacy and tax compliance in digitally mediated systems, but evidence is not necessarily robust and comprehensive, and can tend to focus on specific national contexts and/or individual taxpayers (Muttiwijaya et al., 2025). Digital literacy is recently under study as a factor or a moderator on taxpayer compliance, for instance. The current study is different in that it introduces tax digital literacy as a mediating variable between the adoption of e-invoice and tax compliance of SMEs.

E-Invoicing Adoption and Tax Compliance

The links between the e-invoicing and tax compliance are theoretical and can be outlined in a few ways. One advantage of structured electronic record is that it might help to lessen manual errors. Secondly, automated or standardised data can enhance the uniformity in transaction recording. Third, electronic records can help in the reporting and reconciling of taxes. Fourth, digital transaction trails can make economic activity more visible to tax authorities, which may make it easier for tax authorities to detect (Manzoor, 2026). Fourth, digital transaction trails can expand tax authorities' visibility of economic activity, potentially raising the perceived detection risk. Fifth, e-invoicing can streamline compliance costs by streamlining the process of invoicing and tax-related activities.

Bellon et al. (2022) found that e-invoicing led to an increase in sales, purchases and VAT liabilities in Peru, especially for smaller companies and industries that were less compliant. Kotsogiannis et al. (2025) have concluded that e-invoicing in Rwanda led to faster net VAT payment and an enhancement of audit efficiency. The results show the potential for e-invoicing to affect the tax results that can be measured, which may vary depending on the institutional environment.

This literature search suggests the following hypothesis:

H1: E-invoicing adoption has positive and significant relationships with tax compliance for SMEs in Malaysia.

E-Invoicing Adoption and Tax Digital Literacy

Routine implementation of e-invoicing can unleash SMEs to the structured tax information, digital validation process, electronic documentation demands. This exposure can help in the long run to better equip business owners, accounting teams or tax professionals with the skills needed to manage digital tax procedures. Adoption can thus be considered as not only a technological product but also a learning process.

This view is in line with the vast literature on digital transformation, which has more and more acknowledged the need for new skills and competencies to implement technology. The OECD (2025) very much highlights the need for skills and capabilities in digital transformation of tax administration. At the taxpayer level, efficiency of digital tax infrastructure relies, in part, on the ability of users to comprehend and use digital systems.

Accordingly:

H2: The adoption of H2: E-invoicing is positively and significantly related to tax digital literacy of SMEs in Malaysia.

Tax Digital Literacy and Tax Compliance

Tax digital literacy can help ensure compliance by improving tax compliance behaviors of taxpayers to ensure they have access to accurate information, understand tax requirements and complete digital procedures correctly (Nartey et al., 2026). There is a possibility that if SMEs have a better capacity in digital tax they can get ahead of the digital tax system and reconcile sales records, keep electronic evidence, take action on notifications from the system, access digital tax portals and detect inconsistencies before filing data required to tax.

The argument holds true in line with the evidence that correlates tax literacy with tax compliance, and that is supported by some new evidence that correlates digital literacy with tax compliance. Importantly, the construct in this study is more focused than the general digital literacy as it is explicitly linked to taxation. The emphasis is therefore on competence in the use of digital tools in the performance of tasks related to taxation.

H3: There is a positive and significant correlation between tax digital literacy and tax compliance for SMEs in Malaysia.

Mediating Role of Tax Digital Literacy

The key idea being that e-invoicing implementation does not necessarily lead to greater compliance. Rather, the first step towards adopting a firm is to strengthen or establish its ability to comprehend and manage the digital tax processes and then compliance will follow. This is an indirect route: e-invoicing adoption -> tax digital literacy -> tax compliance.

The mediation effect aspect overcomes one of the weaknesses of the direct-effect studies. The policy implication for situations where compliance is significantly related to adoption but where some of this relationship is mediated by digital literacy is different from the policy implication that is the case in a more purely technological explanation (Maharani et al., 2026). It would imply a combination of targeted education, training and support with digital infrastructure on the part of tax authorities.

H4: Tax digital literacy acts as a mediator between the e-invoicing adoption and tax compliance of SMEs in Malaysia.

Theoretical Foundation

Technology–Organization–Environment Framework

The TOE framework is used to explain the organisational technology adoption with technological, organisational and environmental contexts (Alshira'h, 2026). It is pertinent since e-invoicing is an organisational innovation and not just a choice of information system for individual parties. Within the technological context there are system compatibility, usefulness/complexity, within the organisational context there are resources, management support and internal capability and within the environmental context there are regulatory pressure, infrastructure, external support.

This study's contribution to the literature is TOE's approach of considering e-invoicing adoption as a significant digital transformation capability. The model purposefully represents only a few antecedents to not overburden the empirical model. Rather it is about the adoption after, and if there is an association with improved tax compliance because of tax digital literacy.

Technology Acceptance Model

TAM assumes that perceived usefulness and perceived ease of use is a determinant of technology acceptance and use (Sofianty & Udin, 2025). In this study, TAM is not directly tested as a multi-construct model, but its logic is used for operationalising the adoption of e-invoicing. When an SME feels e-invoicing is beneficial and feasible, its adoption is more likely to be ongoing. The next step in the present model is to consider if that use translates to tax-related capability and compliance.

Theory of Planned Behavior

Tax compliance is viewed from a behavioural perspective in the Theory of Planned Behavior. Attitude is one of three factors influencing intentions and behaviour, along with subjective norms and perceived behavioural control, according to Ramadhan & Nasution, (2026). Digital literacy as a tax can be understood as a capability-based resource that can enhance perceived behavioural control in digital tax contexts. This feeds into the technology-focused TOE/TAM views to highlight why digital capability can be important for behaviour.

5. Conceptual Framework

There are three main constructs in the proposed conceptual framework. SME Tax Compliance is the dependent variable, E-Invoicing Adoption is the independent variable and Tax Digital Literacy is the mediator.

Independent Variable	Mediator	Dependent Variable
E-Invoicing Adoption	Tax Digital Literacy	Tax Compliance
EA1–EA6	TDL1–TDL7	TC1–TC7

Conceptual path: E-Invoicing Adoption → Tax Digital Literacy → Tax Compliance. A direct path from E-Invoicing Adoption to Tax Compliance is retained to test partial versus full mediation.

Figure 1. Proposed conceptual framework

E-Invoicing Adoption	→	Tax Digital Literacy	→	SME Tax Compliance
Actual use, integration, routine digital invoicing		Digital tax knowledge and skills		Accuracy, filing, records and payment

The model is intentionally parsimonious. Additional variables such as firm size, sector, years in operation, accounting-system sophistication and use of external tax agents can be included as control variables where theoretically justified.

6. Research Hypotheses

Hypothesis	Proposed relationship
H1	E-Invoicing Adoption → Tax Compliance (+)
H2	E-Invoicing Adoption → Tax Digital Literacy (+)
H3	Tax Digital Literacy → Tax Compliance (+)
H4	E-Invoicing Adoption → Tax Digital Literacy → Tax Compliance (indirect/mediation effect)

METHODOLOGY

Research Design

A cross-sectional survey design with quantitative approach is suggested. The unit of analysis is the SME firm, which is represented by an owner, manager, finance officer, accounting staff member or other employee who has enough knowledge of the SME's invoicing and tax procedures (Arslan, 2025). It is advisable that the study be performed after the respondents have had meaningful exposure in the implementation of e-Invoice so that the

study on e-Invoice adoption and e-Invoice literacy are based on their real exposure to e-Invoice instead of only their intention to implement e-Invoice.

Population and Sampling

The target population is any SME that is relevant to the environment of the implementation of e-Invoice in Malaysia. The recommended sampling method is purposive sampling as the respondents required to have certain criteria: (1) the firm is based in Malaysia; (2) the respondent is directly involved in invoicing, accounting or tax-related activities; and (3) the respondent has experience in or direct responsibility for the e-Invoice processes of the firm (Dzingirai, Mabuyana & Shezi, 2026).

A target of approximately 300–400 usable responses is recommended for a robust PLS-SEM study, subject to the final model complexity and power analysis. A priori power analysis should be conducted before data collection. The final sample size should not be justified solely by the traditional '10-times rule'; statistical power, expected effect size and model complexity should be considered.

Data Collection Procedure

Gathering data can occur via professional SME associations, networks of businesses, through accounting practitioners, entrepreneurship programmes, chambers of commerce and via direct outreach (Nuryantoro et al., 2025). A secure survey platform can be used to send out an online questionnaire. The invitation should include the academic purpose, the voluntary nature of participation, anonymity / confidentiality and the time it will take to complete.

It is recommended to conduct a pilot test with about 30-50 eligible respondents to evaluate the wording, reliability and time it takes to complete. The data for pilot participants should not automatically be included in the final data set unless the instrument is not modified in any way and the research design does not prevent it (Wongi, 2025).

Measurement of Constructs

Five-point Likert scales from 1 = strongly disagree to 5 = strongly agree can be used to measure all constructs. Items are to be taken from existing technology-adoption and tax-compliance literature and further contextually developed for Malaysian e-Invoice. Prior to a complete data collection process, content validity should be evaluated by tax academics, tax practitioners and/or tax administration officials.

Construct	Suggested operational definition	No. of items
E-Invoicing Adoption	Extent to which the SME routinely implements and uses e-Invoicing in relevant business and tax processes.	6
Tax Digital Literacy	Ability to understand, evaluate and use digital tax information and systems accurately.	7
Tax Compliance	Extent to which the SME consistently fulfils relevant tax reporting, record-keeping and payment responsibilities.	7

Data Analysis

Given that the study has a predictive and mediational focus, the study introduces PLS-SEM since it has multiple indicator measures for the latent constructs and the aim is to estimate direct and indirect relationships. Validated packages for PLS-SEM such as SmartPLS can be used to perform analysis.

The analysis needs to be a step-by-step process. First check the quality of data, missing data, straight-lining and response patterns (Kamarudin et al., 2024). Second, evaluate the measurement model by indicator loadings, the internal consistency reliability, convergent validity and discriminant validity. Thirdly, evaluate the structural model using the methods of collinearity, path coefficients, bootstrapped confidence intervals, R^2, f^2 and predictive relevance as needed.

Analysis stage	Recommended assessment
Data screening	Missing data, careless responses, outliers, response time
Indicator reliability	Outer loadings; consider retaining theoretically sound items with acceptable loading evidence
Internal consistency	Cronbach's alpha and composite reliability
Convergent validity	Average Variance Extracted (AVE)
Discriminant validity	HTMT and cross-loading diagnostics
Structural model	VIF, β, t, p, confidence intervals
Explained variance	R^2 for mediator and dependent variable
Effect size	f^2
Predictive assessment	Q^2 / out-of-sample prediction where appropriate
Mediation	Bootstrapped indirect effect; report direct, indirect and total effects

Common method bias has to be considered since the main variables are measured with one questionnaire. Unidentifiable responses, neutral language, separation of predictor and outcome sections where possible and clear instructions should be included in procedural remedies. The use of statistical diagnostics can be used as an additional diagnostic tool and not as a substitute for a good survey design.

DISCUSSION

The discussion should be written once the actual results of the experiments are available. The finding would align with international evidence demonstrating the potential of e-invoicing to improve tax-compliance outcomes and reporting procedures (Bellon et al., 2022; Kotsogiannis et al., 2025) and with the Malaysian evidence that the adoption of e-invoices can enhance the efficiency of tax-compliance procedures (Qi & Che Azmi, 2021). If H1 is not supported, the discussion should include tasks to consider if adoption is not enough and if implementation quality and firm capability and/or tax knowledge/external support is required.

The finding that H2 is supported would indicate that repeated exposure to tax digital processes could be related to higher tax digital literacy. This would further underscore the need for taxpayer capability in digital transformation of tax. The result would support the tax-literacy literature, which suggests that knowledge and understanding can positively affect compliance behaviour, as is the case in the present study (Wongi, 2025.

The most theoretically significant one would be H4. Any evidence of mediation would mean that the e-invoicing adoption and compliance go hand-in-hand, partially through the digital tax capability of the taxpayer (Arslan, 2025). This would change the meaning from a purely technological mechanism to the context of socio-technical mechanism where digital infrastructure does not exist without human ability.

All interpretations must make sure that statistical association is not interpreted as causality. A cross-sectional study does not provide evidence of the relationship between adoption and subsequent compliance. This is because strong causal claims should only be made where the design is strengthened by the use of longitudinal data or where it is strengthened using quasi-experimental variation or administrative records (Dzingirai, Mabuyana & Shezi, 2026.

Theoretical Implications

First, the study is an extension of TOE-based thinking since it takes a post adoption outcome as opposed to just the adoption determinants. Adoption of technology is considered an organisational ability which can have downstream behavioural impacts.

Second, the study links the paradigm of technology-acceptance to tax-compliance behaviour. The Technology Acceptance Model (TAM) is to explain why technology may be accepted and used, whereas the TPB gives a behavioural perspective of understanding compliance.

Third, the model brings a new understanding of tax digital literacy as a mediator to digital tax-compliance literature. This is different from considering digital literacy as a demographic control or moderator. Mediation provides the opportunity for the study to examine the process by which it may be possible to make digital technology meaningful for compliance.

Practical Implications

The study can give HASiL evidence if there is a need for more than system access for implementation support. If tax digital literacy is one of the significant mediators, training could be targeted on understanding the tax requirements in the digital environment and the interpretation of these requirements; reconciling e-invoices data; handling validation messages; linking transactions to tax reporting.

The results can show the SME owners that e-Invoice is not just a regulatory requirement but an integral component of a digital accounting and tax system. Training personnel and incorporating this software into the system can be as critical as buying the software.

The results may help accountants and tax advisors in building such a structured advisory service for implementing e-Invoice along with tax literacy and internal control training.

The research might indicate that user-centred design, clear explanations of tax issues, error messages, reconciliation and educational resources are key issues for technology providers for the SME customer base.

Policy Implications

There is a need to complement the digitalisation of tax administration with capability building. Taxpayers must have the ability to understand, verify and act on the information that technology can create. The implementation of the MyInvois Portal and MyInvois e-POS in Malaysia is an infrastructure-oriented approach, and empirical evidence from this study could be used to identify the need for improved complementary education and support (Maharani et al., 2026).

The findings can also be used as an aid to differentiated assistance. SMEs come in all shapes and sizes, have differing levels of digital maturity, sophistication in their accounting and access to professional support. One size may not fit all, however, a training programme based on size of business, sector, the readiness of the technology and capability of the users may be more effective.

Limitations and Future Research

The cross-sectional design used in the proposed study is not conducive to causal inference. Longitudinal data could be used in the future for monitoring changes in digital literacy and compliance before and after the implementation of e-Invoices. Secondly, there may be social desirability bias in self-reported tax compliance (Nartey et al., 2026). Survey data could be supplemented with administrative or accounting data as it becomes available in the future, if legally and ethically appropriate.

Thirdly, the study is limited to Malaysia only, and this might restrict generalisability. Comparative studies could be conducted looking at Malaysia as compared to other ASEAN countries that have adopted digital invoicing (Manzoor, 2026). Fourthly, the model specifically targets one mediator. Other mechanisms or boundary conditions could be explored in future studies such as trust in tax authorities, perceived system quality, tax complexity, professional-adviser support, organisational readiness or human–AI collaboration.

Last however not least, there could be changes in the e-Invoice implementation rules over time. Researchers are advised to always check the most up to date guidelines for HASiL before entering the field and prior to submission of the manuscript.

CONCLUSION

The aim of this study is to propose an empirical framework that connects the e-invoicing adoption, tax digital literacy, and tax compliance of SMEs in Malaysia. The model takes account of the increasing digitalisation of tax administration and the fact that there is no automatic link between the adoption of technology and the behaviour of taxpayers. In this study, the role of tax digital literacy is set as a mediator to explore the relationship between e-invoicing and tax compliance.

The proposed study is focused and testable contribution to the research of taxation and digitalisation. It is the main contribution of linking an impactful policy reform currently under way (e-Invoice) to a behavioural capability that could be the key to realizing the compliance effects of digital tax infrastructure. Hypotheses can only be claimed if validated with the actual data of Malaysian SMEs.

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