

MEDIATING ROLE OF PERCEIVE EASE OF COMPLIANCE IN SMEs' SST COMPLIANCE BEHAVIOUR

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Abstract. This study examines the Sales and Service Tax (SST) compliance behaviour of Malaysian Small and Medium Enterprises' (SMEs) by integrating social-psychological (Tax morale, Capability to manage, Perceived ease of compliance) and economic factor (Compliance Cost) within a conceptual framework grounded in established behavioural theories. Survey data from 103 SMEs, analysed using SmartPLS 4, reveal that tax morale, compliance cost, and perceived ease of compliance significantly influence SST compliance, whereas capability to manage tax does not. Perceived ease of compliance fully mediates the effect of managerial capability on compliance. This finding offers a valuable theoretical foundation for future research across diverse contextual settings. Given its status as a newly established relationship, it is poised to make a significant contribution to the existing body of literature on tax compliance behaviour, particularly within the Malaysian cultural context. The findings underscore the central importance of perceived ease of compliance in shaping SMEs' SST compliance behaviour.

Keywords: *compliance cost, tax morale, capability to manage, perceived ease of compliance, tax compliance behaviour*

Introduction

Tax compliance among Small and Medium Enterprises (SMEs) remains a persistent challenge in Malaysia's fiscal landscape, particularly under the Sales and Service Tax (SST) regime. SMEs act as intermediaries in tax collection, serving as "unpaid tax collectors" responsible for remitting SST on behalf of the government. Yet, they frequently face structural and behavioural constraints such as inadequate tax knowledge, high compliance costs, and limited administrative capacity. This phenomenon is further reflected in Malaysia's sizeable shadow economy, estimated at 21% of Gross Domestic Product (GDP) in 2022 (Pfordten, 2024), which undermines fiscal stability and the efficiency of the tax system. Although the literature on tax compliance is extensive, existing research has largely concentrated on individual taxpayers or general compliance behaviour, with limited focus on SMEs' indirect tax obligations. Furthermore, studies examining the behavioural and contextual drivers of SST compliance among SMEs in Malaysia remain scarce. The Theory of Planned Behaviour (TPB) provides a foundation for understanding how attitudes, subjective norms, and perceived behavioural control influence compliance behaviour. The Technology Acceptance Model (TAM) highlights the importance of perceived ease of use, which conceptually aligns with the notion of perceived ease of compliance in tax administration. In addition, Attribution Theory offers valuable insights into how SMEs assign responsibility for compliance outcomes in contexts characterised by regulatory complexity and resource constraints. Together, these theories provide a

multidimensional lens through which SME compliance behaviour can be better explained and predicted.

This study is among the first to integrate TPB, TAM, and Attribution Theory in examining SMEs' SST compliance behaviour in Malaysia. By investigating the determinants of compliance and the mediating role of perceived ease of compliance, it advances theoretical understanding while addressing a critical gap in the literature on indirect tax compliance. Beyond its theoretical contributions, the study also provides practical implications for policymakers and tax authorities seeking to strengthen voluntary compliance and reduce tax leakages in Malaysia's fiscal system.

Research Questions (RQs) and Research Objectives (ROs)

This study addresses the limited understanding of the factors influencing SMEs' tax compliance behaviour in Malaysia, particularly under the SST framework. Gaining insight into these behavioural aspects is essential for policymakers and tax authorities to design effective compliance strategies that strengthen regulatory sustainability. Accordingly, the study seeks to answer the following questions: Research Questions (RQs): (RQ1): What is the impact of the compliance cost, tax morale and capability to manage on SST compliance behaviour among top management of SMEs in Malaysia? (RQ2): What is the mediating effect of perceived ease of compliance on these relationships? (RQ3): Does the data support the proposed compliance behaviour model with perceived ease of compliance as mediator? Research Objectives (ROs): (RO1): To assess the influence of compliance cost, tax morale, and capability to manage on SMEs' SST compliance behaviour; (RO2): To examine the mediating role of perceived ease of compliance; (RO3): To validate the proposed compliance behaviour model.

Literature review

Determinants of tax compliance

Today, there exists a 'cobweb' of factors that are considered as affecting tax compliance behaviour, but this study focuses on a set of determinants that are both theoretically grounded and empirically relevant to SMEs in Malaysia. Drawing on the Theory of Planned Behaviour, Technology Acceptance Model, and Attribution Theory, the following variables are emphasized.

Compliance cost

Prior studies consistently show that high compliance costs discourage SMEs from adhering to tax obligations. These costs include administrative burdens, record-keeping, and professional fees. For instance, Bruce-Twum and Schutte (2021) reported that Ghanaian SMEs with higher compliance costs were significantly less likely to comply, while similar evidence from Vietnam (Trang, 2024) confirmed that internal compliance costs exert the heaviest burden on SMEs. In Bosnia and Herzegovina, compliance costs were estimated to average 8.3% of firm revenue, disproportionately affecting smaller enterprises (Lavic, 2022). Such findings highlight the salience of compliance cost as a determinant of tax behaviour. (H1): There is a negative and significant impact of cost of compliance on SMEs' SST compliance behaviour.

Tax morale

Tax morale; the intrinsic motivation to pay taxes, has been shown to strongly predict voluntary compliance. In Malaysia, tax morale was found to significantly influence SME compliance behaviour (Lee and Nair, 2024), while other studies confirmed its role in shaping both SME and individual taxpayer compliance (San et al., 2023; Aziz et al., 2022; Mat Jusoh et al., 2021). These studies reinforce that beyond economic costs; compliance is shaped by taxpayers' ethical orientation and perceptions of fairness. (H2): There is a positive and significant impact of tax morale on SMEs' SST compliance behaviour.

Capability to manage taxes

The ability of SME managers to understand and effectively manage tax obligations also plays a critical role in compliance. Limited knowledge, inadequate systems, or lack of professional advice often result in unintentional non-compliance. Malaysian studies have shown that tax knowledge and education are positively associated with compliance (Lee and Nair, 2024; Aziz et al., 2022), while inefficiencies in internal controls further increase compliance costs in Vietnam (Lee and Nair, 2024). Thus, managerial capability can determine whether SMEs comply correctly and on time. (H3): There is a positive and significant impact of capability to manage on SMEs' SST compliance behaviour.

Perceived ease of compliance (Mediator)

Perceived ease of compliance refers to how simple or complex taxpayers find the process of fulfilling their obligations. As a mediating factor, it links structural determinants (such as cost, morale, and capability) to actual compliance outcomes. Evidence from Malaysia suggests that tax simplicity significantly improves compliance, while complexity discourages it (San et al., 2023; Kon et al., 2022). At the policy level, the European Commission in year 2022 similarly highlights simplification and digitalisation as strategies to reduce burdens and improve SME compliance (Di Legge et al., 2022). Hence, perceived ease of compliance not only directly shapes behaviour but also mediates the impact of other determinants, making it central to this study's framework. By focusing on these four determinants: compliance cost, tax morale, capability to manage, and perceived ease of compliance, this study refines prior models and responds to inconsistencies in the literature. It further extends theory by testing perceived ease of compliance as a mediator, offering a more nuanced explanation of SMEs' compliance behaviour under the Malaysian SST framework.

The following hypotheses were tested: (H4): There is a positive and significant impact of compliance cost on SMEs' perceived ease of compliance; (H5): There is a positive and significant impact of tax morale on SMEs' perceived ease of compliance; (H6): There is a positive and significant impact of capability to manage on SMEs' perceived ease of compliance; (H7): There is a positive and significant impact of perceived ease of compliance on SMEs' SST compliance behaviour; (H8): The perceived ease of compliance among top management will mediate the association between compliance cost and SMEs' SST compliance behaviour; (H9): The perceived ease of compliance among top management will mediate the positive association between tax morale and SMEs' SST compliance behaviour; (H10): The perceived ease of compliance among top management will mediate the positive association between capability to manage and SMEs' SST compliance behaviour.

Research framework

The integration of the Theory of Planned Behaviour (TPB), Technology Acceptance Model (TAM), and Attribution Theory provides a multidimensional framework for analysing tax compliance behaviour among SMEs. TPB highlights behavioural intentions shaped by attitudes, social norms, and perceived control, while TAM explains the influence of system usability and user capability on technology-enabled compliance. Attribution Theory adds explanatory power by examining how SMEs attribute causes to their compliance outcomes. An explication of research conceptual framework of SMEs' SST compliance behaviour is presented in *Figure 1*.

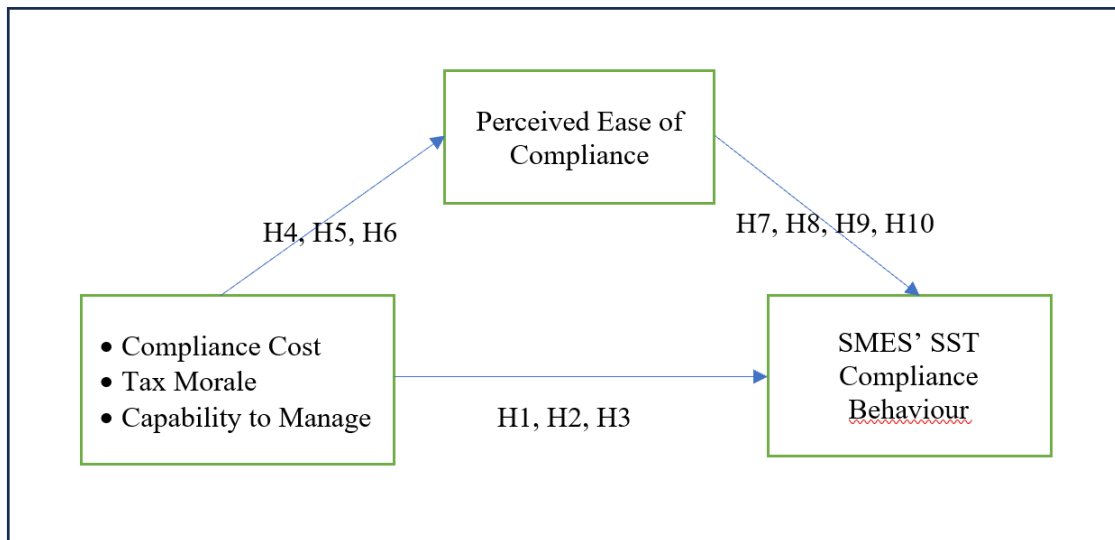


Figure 1. . Research framework of SMEs' SST compliance behaviour.

Materials and Methods

This study adopted a quantitative approach using a structured, closed-ended questionnaire to examine the relationship between compliance cost, tax morale, capability to manage tax, perceived ease of compliance, and SMEs' SST compliance behaviour. Purposive sampling was employed to ensure alignment between the sample and research objectives (Campbell et al., 2020). A total of 696 questionnaires were distributed via email to SST-registered SMEs in Selangor, Kuala Lumpur, Penang, and Sarawak, with a minimum required sample size of 85 determined using G*Power (Sarstedt et al., 2021; Hair Jr et al., 2017; Richter et al., 2016). The questionnaire, accompanied by a cover letter assuring confidentiality, was completed by respondents online. A total of 103 valid responses were obtained, representing a 15.35% response rate. Although modest, this rate is considered satisfactory given the sensitivity of tax-related questions and limited access to SME owners and top management. The achieved sample size exceeded the minimum threshold of 80 based on the "10-times rule" (Hair Jr, 2014). The instrument was adapted from established studies with modifications to fit the research context, and its source materials are listed in *Table 1*.

Table 1. Constructs and sources of questionnaire items.

Research Constructs/Operational definition	Measurement items and descriptions	Sources
[1] Cost of Compliance: Costs incurred by	CC1: Keeping the cost of administering the tax system	Faridy et al.

taxpayers (SMEs) in meeting the requirements of tax system or complying with tax regulations.	down is important in encouraging compliance with the tax laws. CC2: Complying with tax laws is costly. CC3: SST is my business burden and cost. CC4: Compliance with SST law is excessively burdensome for SME. CC5: The SST compliance costs of our business are insignificant. CC6: The burden of compliance costs discourages the owners to fulfil SST obligations. CC7: <u>Complying with tax law is time consuming.</u>	(2014)
[2] Capability to manage SST: The managerial experience and tax knowledge.	CTM1: My business has sufficient experience to share tax' knowledge. with Royal Malaysian Customs Department/Inland Revenue Board. CTM2: My business has the required expertise to share tax knowledge's with Royal Malaysian Customs Department/Inland Revenue Board. CTM3: My business has proper record keeping and tax filing processes. CTM4: My business has social interaction with public accountants and tax agents. CTM5: My business has no constraint on cash flow and liquidity problems to meet tax obligations. CTM6: My business has employed staff to help with meeting tax obligations.	Battisti and Deakins (2021)
[3] Tax morale: The willingness to pay tax or to comply with tax law.	TM1: It is important to report my sales in my next SST-02 form or Form K1. TM2: I feel guilty for underreporting my income/ sales and services amount. TM3: I believe I have a moral obligation to report all my sales tax in my next SST-02 form. TM4: Ensuring that I comply with my moral obligations is important. TM5: I feel good that I have made a positive contribution to society through my taxes. TM6: Under reporting my sales/services/import amount in my next SST-02 form or Form K1 would be harmful to our society as a whole.	Smart (2013)
[4] Perceived ease of compliance/Perception of SST: The degree to which the taxpayers expect the compliance of taxation regulation to be effortless.	PEOC1: Paying SST is the necessary part of doing business. PEOC2: Comply with SST regulations is driver of good management. PEOC3: SST is my not a burden and cost to my business. PEOC4: SST system is straight forward. PEOC5: The custom officials are generally helpful. PEOC6: SST system is not complicate. PEOC7: SST registration process is not complicate. PEOC8: A easier to understand tax system will encourage more compliance. PEOC9: A simpler to understand tax system will encourage more compliance.	Battisti and Deakins (2021)
[5] Tax Compliance: The reporting and paying of SST liabilities to comply with the laws	TC1: I am sure I am doing the right thing. TC2: I like to contribute to everyone's good. TC3: It is the natural thing to do for me. TC4: I regard it as my duty as a citizen.	Kirchler and Wahl (2010)

Three independent variables were examined, compliance cost, tax morale, and capability to manage tax with SMEs' SST compliance behaviour as the dependent variable and perceived ease of compliance as a mediator. Participants rated their agreement on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Data were analysed using SPSS and SmartPLS 4 software version 4.0.9.5 was engaged to perform the Partial Least Squares Structural Equation Modelling (PLS-SEM) analysis (Hair Jr et al., 2017). The statistical technique allows the researchers to test the set of interrelated hypotheses concurrently by appraising the relationships among multiple exogenous and endogenous variables in a theoretical model. Descriptive statistics (mean and standard deviation) were first computed, followed by a

two-step approach in conducting PLS-SEM that was strictly followed for the outer measurement and inner structural model evaluation.

Results and Discussion

Descriptive statistic

Table 2. Demographic characteristics of the respondents.

Nature of Business	Frequency [N=103]	Percent (%)
Hospitality	6	5.8
Import	17	16.5
Manufacturing	27	26.2
Plantation and Mill	1	1.0
Professionals/Services	52	50.5
Age		
25 - 29 years old	15	14.6
30 - 34 years old	14	13.6
35 - 39 years old	13	12.6
40 -44 years old	17	16.5
45 - 49 years old	10	9.7
50 and above years old	34	33.0
Form of Business		
A limited liability partnership/PLT	10	9.7
A partnership	11	10.7
A private company	59	57.3
A sole proprietorship	23	22.3
Annual Turnover		
More than RM500,000	40	38.8
More than RM1.5 million	12	11.7
RM1.6 million to RM 3 million	18	17.5
RM3.1 million to RM15 million	12	11.7
RM15.1 million to RM30 million	12	11.7
RM30.1 million to RM50 million	9	8.7
Position in the company		
Accountant	21	20.4
Manager	22	21.4
Others	20	19.4
Owners	25	24.3
Partner	15	14.6
Highest level of education		
Degree	32	31.1
Diploma	16	15.5
Master or above	9	8.7
professional	35	34.0

The results suggest that the samples are adequately representative of all categories established for the study and no serious problems are apparent in the data set that may compromise the results of this study.

Table 3. The mean, median and standard deviation of items under each construct.

Construct	Item	No.	Mean	Median	Standard Deviation
Compliance cost	CC1	1	5.252	5	1.342

	CC2	2	5.117	5	1.256
	CC3	3	4.631	5	1.514
	CC4	4	4.845	5	1.378
	CC5	5	4.175	4	1.417
	CC6	6	4.621	4	1.429
	CC7	7	5.233	5	1.301
	Overall mean		4.839		
Capability to Manage	CTM1	8	4.252	4	1.440
	CTM2	9	4.350	4	1.599
	CTM3	10	5.602	6	1.280
	CTM4	11	5.097	5	1.425
	CTM5	12	4.748	5	1.419
	CTM6	13	4.971	5	1.390
	Overall mean		4.837		
Tax Morale	TM1	14	5.456	6	1.399
	TM2	15	4.718	5	1.867
	TM3	16	5.476	6	1.406
	TM4	17	5.612	6	1.301
	TM5	18	5.243	5	1.376
	TM6	19	4.903	5	1.485
	Overall mean		5.235		
Perceived ease of Compliance	PEOC1	31	4.961	5	1.400
	PEOC2	32	4.738	5	1.576
	PEOC3	33	4.010	4	1.592
	PEOC4	34	4.495	5	1.447
	PEOC5	35	4.330	4	1.403
	PEOC6	36	4.427	4	1.251
	PEOC7	37	4.806	5	1.359
	PEOC8	38	5.466	6	1.276
	PEOC9	39	5.456	6	1.283
	Overall mean		4.746		
Tax Compliance	TC1	40	5.553	6	1.252
	TC2	41	4.913	5	1.482
	TC3	42	5.097	5	1.340
	TC4	43	5.330	5	1.265
	Overall mean		5.223		

Note: CC=Cost of Compliance, TM=Tax Morale, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TC=Tax Compliance.

Descriptive results indicate relatively high tax compliance behaviour (5.223) among SMEs, with mean scores ranging from 4.746 (perceived ease of compliance) to 5.235 (tax morale). Tax morale emerged as the strongest construct, while perceived ease of compliance was the weakest, though still above the scale midpoint, suggesting it remains an influential factor in compliance behaviour. These findings align with the Theory of Planned Behaviour and Attribution Theory, as the strong role of tax morale reflects attitudinal drivers of compliance, while the relatively weaker perceived ease of compliance underscores the importance of system usability and capability as highlighted in the Technology Acceptance Model.

Assessment of measurement model

The outer model was evaluated for reliability and validity. The initial model contained eight constructs with 48 indicators. Following Hair Jr et al. (2017), indicators with outer loadings below 0.70 were removed through an iterative process, resulting in 14 rounds of analysis and the deletion of 11 indicators across five constructs. As the questionnaire items were adapted from established studies, some weaker loadings were expected due to contextual differences. The final measurement model as shown in Figure 2 below met the required thresholds, confirming acceptable reliability and validity for subsequent analyses.

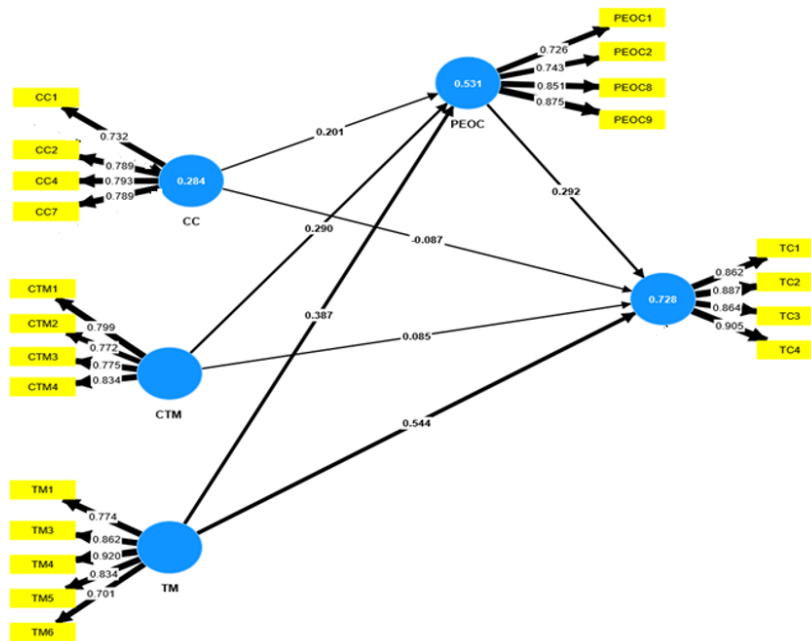


Figure 2. Outer loadings of indicators in the final measurement model.

Table 4. Summary of final measurement model quality.

Construct	Items	IROL	CV	Internal Consistency		
				CA	CRA	CRC
Cost of compliance (CC)	CC1	0.732	0.602	0.788	0.805	0.858
	CC2	0.789				
	CC4	0.793				
	CC7	0.789				
Capability to manage (CTM)	CTM1	0.799	0.633	0.814	0.833	0.873
	CTM2	0.772				
	CTM3	0.775				
	CTM4	0.834				
Perceived ease of compliance (PEOC)	PEOC1	0.726	0.642	0.812	0.820	0.877
	PEOC2	0.743				
	PEOC8	0.851				
	PEOC9	0.875				
	RTA2	0.809				
	RTA3	0.766				
Tax compliance (TC)	TC1	0.862	0.774	0.903	0.906	0.932
	TC2	0.887				
	TC3	0.864				
	TC4	0.905				
Tax morale	TM1	0.774	0.675	0.877	0.884	0.911
	TM3	0.862				
	TM4	0.920				
	TM5	0.834				
	TM6	0.701				

Note: IROL=Indicator Reliability Outer Loading [Threshold>0.708]; CV=Convergent Validity AVE [AVE>0.50]; CA=Cronbach Alpha [>0.70]; CRA=Composite Reliability (rho_a) & CRC=Composite Reliability (rho_c) [CR>0.70 Satisfactory; CR>0.90 Not Desirable]; CC=Cost of Compliance, CCTA=Cost of Compliance Tax Audit, CCTP=Cost of Compliance Tax Penalty, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TM=Tax Morale, TC=Tax Compliance.

The measurement model demonstrated satisfactory reliability and validity. All constructs achieved composite reliability values above 0.70, indicating strong internal

consistency. Item loadings were significant at the 0.001 level and within the recommended thresholds, confirming indicator reliability. Convergent validity was established as the average variance extracted (AVE) values met the recommended criteria, while discriminant validity was confirmed through the Fornell–Larcker criterion, cross-loadings, and the Heterotrait–Monotrait (HTMT) ratio. As shown in Table 5, 6, 7, below each indicator loaded more strongly on its respective construct than on others, further supporting discriminant validity.

Table 5. The Results of Fornell-Larcker Criterion.

Category	CC	CTM	PEOC	TC	TM
CC	0.776				
CTM	0.367	0.795			
PEOC	0.478	0.615	0.801		
TC	0.380	0.633	0.724	0.880	
TM	0.442	0.65	0.663	0.807	0.822

Note: CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TA=Tax Morale, TC=Tax Compliance.

Table 6. The results of cross loadings.

Category	CC	CTM	PEOC	TC	TM
CC1	0.732	0.371	0.568	0.470	0.482
CC2	0.789	0.256	0.302	0.146	0.256
CC4	0.793	0.250	0.245	0.207	0.224
CC7	0.789	0.207	0.239	0.240	0.307
CTM1	0.248	0.799	0.394	0.39	0.457
CTM2	0.210	0.772	0.354	0.388	0.323
CTM3	0.406	0.775	0.604	0.640	0.655
CTM4	0.248	0.834	0.520	0.508	0.535
PEOC1	0.186	0.499	0.726	0.526	0.434
PEOC2	0.321	0.483	0.743	0.580	0.538
PEOC8	0.474	0.511	0.851	0.622	0.597
PEOC9	0.514	0.481	0.875	0.585	0.544
TC1	0.459	0.648	0.681	0.862	0.778
TC2	0.257	0.475	0.619	0.887	0.637
TC3	0.288	0.518	0.572	0.864	0.691
TC4	0.315	0.569	0.662	0.905	0.720
TM1	0.386	0.569	0.537	0.570	0.774
TM3	0.235	0.525	0.451	0.613	0.862
TM4	0.406	0.628	0.599	0.745	0.920
TM5	0.311	0.525	0.600	0.723	0.834
TM6	0.468	0.409	0.515	0.635	0.701

Note: CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TA=Tax Morale, TC=Tax Compliance.

Table 7. Heterotrait-Monotrait Ratio (HTMT).

Category	CC	CTM	PEOC	TC	TM
CC					
CTM	0.406	0.406			
PEOC	0.538	0.538			
TC	0.395	0.395	0.406		
TM	0.488	0.488	0.538	0.898	

Note: CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TA=Tax Morale, TC=Tax Compliance.

Assessment of structural model

Prior to assessing the inner structural model, collinearity test was assessed for the presence of highly correlated constructs. The results showed that the variance inflation

factors (VIF) values of all constructs ranged from 1.260 to 2.265, well below the cut-off threshold of 5.0 (Hair Jr et al., 2017), indicating the absence of multicollinearity.

Table 8. Inner VIF Values.

Category	VIF
CC -> PEOC	1.260
CC -> TC	1.495
CTM -> PEOC	1.755
CTM -> TC	1.942
PEOC -> TC	2.265
TM -> PEOC	1.886
TM -> TC	2.226

Note: CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TA=Tax Morale, TC=Tax Compliance.

The inner structural model was performed using 5,000 bootstrapping subsamples with no sign change option and bias-corrected and accelerated (BCa) bootstrap at 95 percent confidence intervals (Hair et al., 2019). The t-value of each path coefficient in which a value of 1.96, 2.56 and 3.29 shows a significance level of 0.05, 0.01 and 0.001 respectively was adopted to verify the hypotheses developed. Recently, scholars have started to adopt the bias corrected confidence interval as part of their reporting apart from the t-value (Hair Jr et al., 2017). Hair Jr et al. (2017) explained that if the "confidence interval does not contain the value zero, the path coefficient is significant". The hypotheses testing results from PLS-SEM are reported in Table 9 below.

Table 9. Outcome of structural model examination.

Hypothesis	O	T-Sta	P-Val	CIBC		Results
				5.0%	95.0%	
H1 CC -> TC	-0.114	1.695	0.045*	-0.225	-0.005	Supported
H2 TM -> TC	0.563	5.421	0.000**	0.371	0.719	Supported
H3 CTM -> TC	0.079	1.113	0.133	-0.041	0.189	Not supported
H4 CC -> PEOC	0.201	2.196	0.014*	0.047	0.347	Supported
H5 TM -> PEOC	0.387	3.695	0.000**	0.207	0.551	Supported
H6 CTM -> PEOC	0.290	2.773	0.003**	0.114	0.459	Supported
H7 PEOC -> TC	0.315	3.119	0.001**	0.166	0.500	Supported
H8 CC -> PEOC -> TC	0.063	1.959	0.025*	0.022	0.136	Supported
H9 TM -> PEOC -> TC	0.122	2.271	0.012*	0.053	0.240	Supported
H10 CTM -> PEOC -> TC	0.091	1.906	0.028*	0.032	0.205	Supported

Note: O=Original sample; T-Sta=T-statistic; P-Val=P-value; CIBC=Confidence Interval Bias Corrected; CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TM=Tax Morale, TC=Tax Compliance; Significance levels: $p < 0.05^*$, $p < 0.01^{**}$

The results show that nine of the ten proposed paths in the structural model were supported. Compliance cost, tax morale, and perceived ease of compliance significantly predict tax compliance behaviour, while perceived ease of compliance is itself influenced by tax morale ($\beta = 0.387$), capacity to manage tax ($\beta = 0.290$), and compliance cost ($\beta = 0.201$), supporting H1, H2, H4–H7. In contrast, the bias-corrected confidence interval (LL = -0.041, UL = 0.189) indicates that capability to manage tax (H3) is not a significant predictor. Three specific indirect effects, $\beta=0.063$, $\beta=0.122$ and $\beta=0.091$ are significant with t-values of 1.959, 2.271, 1.906 and $p < 0.05$ are significant. The specific indirect effects report at 95% bootstrapping confidence interval bias corrected indicate that hypothesis H8 [LL=0.022, UP=0.136], H9 [LL=0.053,

UP=0.240] and H10 [LL=0.032, UP=0.205], do not straddle a zero in between indicating there is mediation. We can conclude that zero is not in the 95% confidence interval and the mediation effects are indeed statistically significant. Therefore, this could relate to how SMEs perceive the ease of adhering to SST regulations and how this perception affects their actual compliance behaviour. The structural model exhibited three significant mediating relationships. Perceived ease of compliance had a full mediation effect on the relationship between capability to manage tax and tax compliance behaviour among SMEs. While perceived ease of compliance had a partial mediation effect on the relationship between compliance cost and tax compliance behaviour among SMEs as well as tax morale and tax compliance behaviour among SMEs.

The predictive relevance and effect size

SmartPLS 4.0.9.5 was used for data analysis, with PLSpredict applied to assess predictive relevance (Hair et al., 2019; Hair, 2014). The results confirm adequate predictive power of the model as shown below in Table 10.

Table 10. Summary of predictive relevance of endogenous variable.

Endogenous	R-square	Q ² predict	Size
PEOC	0.531	0.494	substantial
TC	0.728	0.616	substantial

Note: PEOC=Perceived ease of Compliance, TC=Tax Compliance.

The model explains 72.8% of the variance in tax compliance behaviour and 53.1% in perceived ease of compliance, indicating substantial predictive ability (Chin, 1998). The Q² values (0.494 for PEOC; 0.616 for TC) further confirm strong predictive relevance of the exogenous variables. Effect size analysis shows that tax morale exerts the strongest influence (large on tax compliance and medium on perceived ease of compliance), followed by perceived ease of compliance (medium on tax compliance), while compliance cost and capability to manage tax exhibit only small effects (Table 11).

Table 11. Effect size.

Category	f-square
CC -> PEOC	0.068
CC -> TC	0.033
CTM -> PEOC	0.102
CTM -> TC	0.012
PEOC -> TC	0.166
TM -> PEOC	0.169
TM -> TC	0.516

Note: CC=Cost of Compliance, CTM=Capability to Manage, PEOC=Perceived ease of Compliance, TM=Tax Morale, TC=Tax Compliance.

The study confirms the significant mediating role of perceived ease of compliance in shaping SMEs' tax compliance behaviour. First, it exerts a partial mediation effect between compliance cost and compliance behaviour, showing that while high costs reduce compliance, this relationship is partly absorbed when tax obligations are perceived as easier to fulfil. With the mediator included, the direct effect became

positive and significant, suggesting that reducing compliance costs can improve compliance, but perceived ease of compliance partly absorbs this effect. This offers new theoretical evidence that compliance behaviour is shaped not only by costs but also by how manageable the system is perceived to be. Second, perceived ease of compliance also mediates the effect of tax morale on compliance, where strong moral commitment enhances compliance but is reinforced when taxpayers view the process as manageable. This aligns with prior research (Hendra et al., 2022; Hardika et al., 2021) confirming that moral commitment enhances compliance but requires supportive compliance systems to be fully effective. Finally, the analysis reveals a full mediation effect between capability to manage and compliance behaviour, as managerial ability alone does not predict compliance unless coupled with the perception of ease. These findings provide novel empirical evidence from the SME context, highlighting that compliance behaviour is not determined solely by costs, morale, or managerial capacity, but critically depends on the perception of ease in fulfilling tax obligations. This offers fresh theoretical insights and extends the literature on tax compliance, particularly in developing countries.

Implications

This study develops and validates an integrated model of SMEs' SST compliance behaviour by combining behavioural, attribution, and technology acceptance theories. Findings highlight the critical mediating role of perceived ease of compliance and confirm new relationships among compliance cost, tax morale, capability to manage, and compliance behaviour. Conducted in Malaysia, the study extends compliance theory to a developing-country context and offers cross-cultural insights. The model explains 72.8% of variance in compliance behaviour, providing strong theoretical and practical implications for enhancing SME tax compliance. This study contributes methodologically by developing and validating a measurement instrument for SMEs' SST compliance behaviour, integrating the Theory of Planned Behaviour and the Technology Acceptance Model. This validated instrument strengthens methodological rigor and supports the integration of behavioural and technology acceptance perspectives in predicting SMEs' perceived ease of compliance and tax compliance behaviour. From a policy perspective, the findings suggest that simplifying compliance procedures, reducing administrative burdens, supporting initiatives such as e-invoicing can strengthen voluntary compliance and improve revenue collection. The findings provide valuable input for tax reform in Malaysia and offer insights relevant to other developing countries facing similar SME compliance challenges. Additionally, promoting tax morale through education and awareness campaigns, while ensuring that compliance costs remain manageable, can further strengthen voluntary compliance. Together, these measures can help tax authorities close compliance gaps, reduce the shadow economy, and improve SST revenue collection.

Limitations and future of the study

This study is subject to several limitations that open avenues for future research. First, its generalizability is restricted as data were drawn only from Malaysian SMEs in the manufacturing and service sectors. Future studies should extend the scope to multinational firms, other Southeast Asian economies, or developed countries for cross-country comparisons using probability sampling and multi-group analysis. Second,

although the response rate and sample size exceeded minimum requirements, the relatively small sample may limit representativeness; larger samples are recommended to strengthen generalisability. Third, the survey-based approach may have introduced response bias due to unclear questions, sensitivity of tax issues, or technostress from online surveys. Complementary methods such as case studies, interviews, or field observations could provide richer insights. Fourth, the cross-sectional design restricts causal inference and fails to capture the dynamic nature of compliance behaviour. Longitudinal research would better assess how relationships among constructs evolve over time and clarify the mediating role of perceived ease of compliance. Finally, as most prior tax compliance research has focused on developed and emerging economies, more studies in developing countries are needed to address this imbalance. Despite these limitations, the study makes meaningful contributions to theory and practice, offering insights that can assist developing countries in strengthening tax administration systems and improving compliance among SMEs.

Conclusion

This study addresses the persistent challenge of SST compliance behaviour among SMEs in Malaysia by developing a conceptual model that integrates compliance cost, tax morale, capability to manage, perceived ease of compliance, and tax compliance behaviour, grounded in three theoretical perspectives. The findings demonstrate that compliance cost and tax morale significantly influence compliance behaviour, whereas capability to manage tax does not exert a direct effect. However, all three determinants namely compliance cost, tax morale, and capability to manage are positively associated with perceived ease of compliance. Importantly, the analysis confirms the mediating role of perceived ease of compliance: it fully mediates the link between capability to manage tax and compliance behaviour and partially mediates the effects of both compliance cost and tax morale on compliance behaviour. These results underscore the critical role of perceived ease of compliance in shaping SMEs' tax behaviour and provide new theoretical insights into the mechanisms driving compliance in developing economies.

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Conflict of interest

The authors confirm that there is no conflict of interest involved with any parties in this research.

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