

The new audit reality: Elevating corporate tax governance through e-invoicing

By NG WEI WEI

THE Inland Revenue Board's (IRB) progressive rollout of e-invoicing, together with the introduction of Tax Corporate Governance Framework (TCGF), is fundamentally reshaping Malaysia's tax compliance landscape.

More than just a technological upgrade, this transformation underscores the government's commitment to digitalisation and good governance – key agendas highlighted in the Finance Ministry's pre-Budget 2026 statement as part of efforts to broaden the revenue base, minimise leakages, and promote compliance for value-based economic growth.

Crucially, while the mandatory implementation of e-invoicing are progressing, the TCGF is being introduced on a voluntary basis first. This allows companies to participate without fear of penalties or heightened scrutiny.

Think of this phase as a beta test: by voluntarily participating, businesses can utilise this opportunity to refine their internal processes, enhance governance, and build trust with the IRB before mandatory requirements take hold.

Transforming compliance through e-invoicing

The move to e-invoicing is not simply about digitising existing processes. It compels companies to rethink and re-engineer their operational frameworks, driving deeper integration across functions. This includes:

- > Updating standard operating procedures (SOPs): Traditional protocols often fall short in the new digital environment. Companies should revisit and redesign their SOPs so that they remain agile, resilient, and in step with the current regulatory expectations and digital capabilities.

- > Fostering collaboration across functions: implementing e-invoicing extends well beyond finance or information tech-

nology (IT), requiring input from multiple departments. It necessitates seamless collaboration across procurement, finance, tax, human resources and IT.

This interconnectedness ensures compliance obligations are met and that data flows accurately and efficiently between departments.

- > Ensuring departmental alignment: Organisations must cultivate a shared understanding of compliance and governance objectives.

Training programmes, regular communication and clearly defined roles and responsibilities are critical to breaking down silos and fostering an integrated compliance culture.

Rather than viewing this transition as a regulatory burden, business should seize it as a strategic window opportunity to strengthen governance, enhance business resilience, and build competitiveness in a digitally driven economy.

Shifting tax audit paradigms

Traditionally, audits relied on extensive documentation, manual checks and reactive enforcement.

Today, government policy prioritises the integration of technology into the core of tax compliance, positioning e-invoicing as a pivotal element of this transformation.

The adoption of e-invoicing revolutionises the tax audit process. Through e-invoicing, the IRB can monitor transactional information as it happens, which allows them to:

- > Instant monitoring of transactions.
- > More targeted audit checks instead of blanket reviews.
- > Reduce manual intervention and faster resolution of discrepancies.

This shift underscores why robust internal controls and procedures are critical, not because the IRB aims to penalise, but because its data-driven audit methodologies demand comprehensive and transparent documentation.

Organisations that demonstrate readiness will benefit from smoother compliance experiences, reduced audit exposure, and the ability to leverage e-invoicing as a strategic instrument for sustained compliance and long-term value creation.

Elevating the TCGF

Transitioning to e-invoicing presents a timely opportunity for organisations to enhance their TCGF.

In its current voluntary phase, the framework is a clear signal that the IRB is extending an open hand to businesses.

A robust TCGF embeds compliance, increases transparency and accountability, and aligns with both IRB expectations and international best practices. This is critical for mitigating tax risks while showcasing transparency and strong governance to both regulators and investors.

Currently, participation in the IRB's TCGF programme is voluntary and open to:

- > Large companies, public listed companies, government-linked companies, and state-owned enterprises with annual turnover of RM100mil and above.

- > Businesses with a proven history of submitting tax returns and making payments on time.

- > Companies with established tax control frameworks.

The application excludes investment holding and dormant companies. For eligible participants, early engagement provides the opportunity to:

- > Review and update SOPs.
- > Engage stakeholders across key departments.
- > Integrate tax compliance with broader governance principles.

Key benefits of participation include:

- > Reduced scrutiny of compliance activities. Organisations will be subject to fewer or no tax audits, with either increased materiality thresholds or reduced sample sizes.

- > Accelerated processing of tax refunds, improving cash flow.

- > Assignment of a dedicated tax officer, serving as a single point of contact with the IRB.

- > Priority consideration for compliant participants, with no penalties imposed.

Upon successful review and assessment, a confirmation letter of participation is issued, which secures these benefits for three years while signalling to investors and regulators that the company is transparent, accountable, and committed to sound governance.

By participating now, companies can refine their frameworks while the stakes are lower, making early participation a trust-building exercise rather than a compliance risk.

With Budget 2026 on the horizon, the government's direction is clear: accelerate digitalisation, strengthen governance, and expand the revenue base by minimising leakages and enhancing compliance.

Within this broader policy arc, the voluntary phase of TCGF represents more than a regulatory exercise – it is an invitation to foster open collaboration between businesses and the IRB.

By viewing compliance as a driver of business value and embedding tax governance into every transaction, Malaysian businesses can transform regulatory reform into sustainable competitive advantage.

As Malaysia transitions toward a fully digital tax ecosystem, those who embrace these reforms early are not merely complying with new rules.

They are actively shaping a tax culture grounded in trust, resilience, and shared responsibility, one that will ultimately define the competitiveness of Malaysian businesses in the digital economy.

Ng Wei Wei is partner, e-invoicing lead, KPMG in Malaysia. The views expressed here are the writer's own.