

IMPLEMENTATION OF E-INVOICE IN MALAYSIA

The Malaysian Government has implemented the requirement for e-invoice, a digital representation of a transaction between a supplier and a buyer for goods and services rendered, which is applicable to all taxpayers undertaking commercial activities in Malaysia, including Labuan.

E-invoicing enables near real-time validation and storage of transactions, and the scope of e-invoicing encompasses Business-to-Business (B2B), Business-to-Consumer (B2C) and Business-to-Government (B2G) transactions.

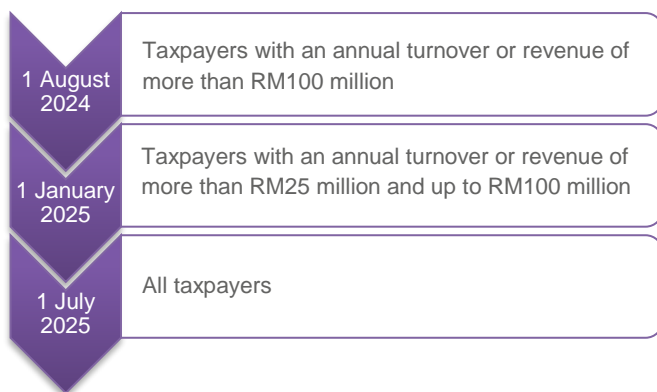
About e-invoice

An e-invoice is a digital proof of a transaction between a supplier and a buyer. E-invoice replaces paper or electronic billing documents such as invoices, credit notes, debit notes and refund notes.

An e-invoice contains almost similar information as a traditional invoice, which includes but not limited to details of supplier and buyer, item description, quantity, price excluding tax, tax and total amount.

Implementation timeline

E-invoice will be implemented in phases to ensure smooth adaption and compliance.



Applicability

E-invoice applies to all taxpayers undertaking commercial activities in Malaysia. E-invoice is not limited to only transactions within Malaysia but also applicable for cross-border transactions.

Certain persons and types of income and expense, are exempted from e-invoice implementation.

Systems

There are two (2) options for issuance of e-invoice:

a. via MyInvois Portal

- > A portal hosted by IRBM
- > Accessible to all taxpayers at no cost
- > Offering a comprehensive end-to-end e-invoicing compliance

b. Application Programming Interface (API)

- > An in-house solution integrator
- > A set of programming code enables direct data transmission between the taxpayers' internal ERP or billing system to MyInvois system
- > Requires upfront investment in technology and adjustments to taxpayers existing systems
- > Ideal for large taxpayers or businesses with substantial transaction volumes

Type of e-invoice documents

- > **Invoice** - A commercial document that itemises and records a transaction between a Supplier and Buyer, including issuance of self-billed e-Invoice to document an expense.
- > **Credit note** - A document issued by suppliers to correct errors, apply discounts, or account for returns in a previously issued e-Invoice with the purpose of reducing the value of the original e-Invoice. This is used in situations where the reduction of the original e-Invoice does not involve return of monies to the Buyer.
- > **Debit note** - A document issued to indicate additional charges on a previously issued e-Invoice.
- > **Refund Note** - A document issued by a supplier to confirm the refund of the buyer's payment. This is used in situations where there is a return of monies to the Buyer.

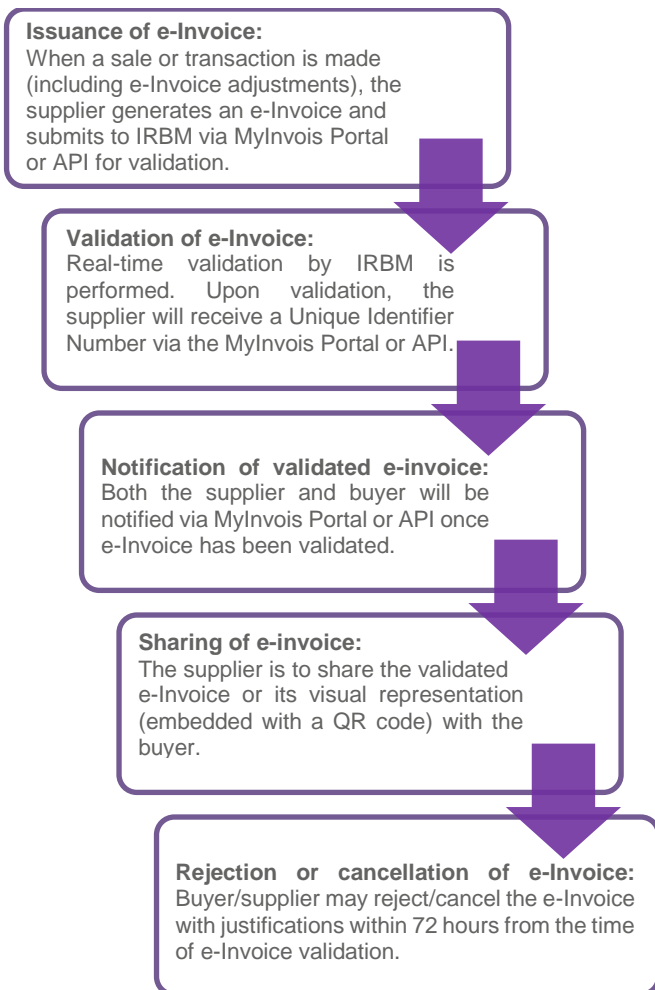
**A supplier / seller needs to issue e-Invoices for its sales to local buyers (domestic sales) as well as foreign buyers (international sales).*

*** A Malaysian Company (including a Labuan Entity) is required to issue self-billed invoices if it acquires any goods from foreign suppliers or enjoys any services rendered by foreign service providers.*



Workflow

An overview of the relevant steps are summarised below:



> Both supplier and buyer have the option to request and retrieve e-Invoice data via MyInvois Portal.

Penalty for failure to comply with the e-Invoicing regime

Failure to issue e-Invoice is an offence under Section 120(1)(d) of the Income Tax Act 1967 and will result in a fine of not less than RM200 and not more than RM20,000 or imprisonment not exceeding 6 months or both, for each non-compliance

Tax Incentives to taxpayers

The Malaysian government has announced the following tax incentives or grants in relation to implementation of e-Invoice during Budget 2024.

Tax deduction of up to RM50,000 for each year of assessment given on environmental, social and governance related expenditure, including consultation fee for the implementation of e-Invoice incurred by Micro, Small and Medium Enterprises (MSME), effective from year of assessment 2024 to year of assessment 2027.



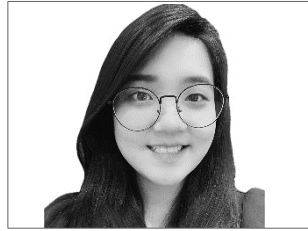
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