



TaXavvy

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Implementation of e-Invoicing



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Implementation of e-Invoicing

The Inland Revenue Board (IRB) had earlier announced that the e-Invoicing initiative will be implemented in phases beginning from June 2024. Following that, the IRB issued a media release on 21 July 2023 announcing the publication of the E-Invoice Guideline Year 2023 (“Guideline”).

The media release is available on the IRB’s website www.hasil.gov.my (Home > Media Release > 21 July 2023).



What is e-Invoice?

Electronic invoice or e-Invoice is a digital representation of a transaction between a supplier and a buyer. It is **envisaged to replace** paper or electronic documents for invoices, credit notes, debit notes and refunds. It is a file created in the format either in the Extensible Markup Language (XML) or JavaScript Object Notation (JSON), that can be automatically processed by relevant systems. It is not invoice data in PDF or Word formats, or images of the invoice as JPG or TIFF, or HTML on a webpage.

What type of transactions are covered under the e-Invoicing requirements?

e-Invoicing applies to all taxpayers undertaking commercial activities in Malaysia, which includes businesses engaged in the provision of goods and services, and certain non-business transactions between individuals (*further guidance on the e-Invoice requirements will be provided in due course*). It applies to both local and international transactions (*further details on the treatment will be provided in a separate guideline*). It will typically cover Business-to-Business (B2B), Business-to-Consumer (B2C) and Business-to-Government (B2G) transactions as summarised below:

Transaction Types	Applicable (Yes / No)	Remarks
B2B	Yes	N/A
B2C	Yes	Certain B2C transactions where e-Invoices are not required by the end consumers to support the said transactions for tax purposes, suppliers will be allowed to issue an invoice in accordance with current practices adopted by suppliers. After a certain period or timeframe, suppliers would be required to aggregate such receipts or invoices issued to end consumers and issue a consolidated e-Invoice (<i>guidance on this will be provided in due course</i>).
B2G	Yes	The e-Invoice flow will be similar to B2B transactions.

Who must comply with the e-Invoicing requirements?

All individuals and legal entities, including associations, body of persons, branches, corporations, regional/representative offices, partnerships, trusts, societies, etc. as listed under section 1.3 of the Guideline must comply with the e-Invoicing requirements.

When to implement the e-Invoicing requirements?

To ensure a smooth transition and provide businesses sufficient time to adapt, the IRB will implement e-Invoicing in phases as follows:

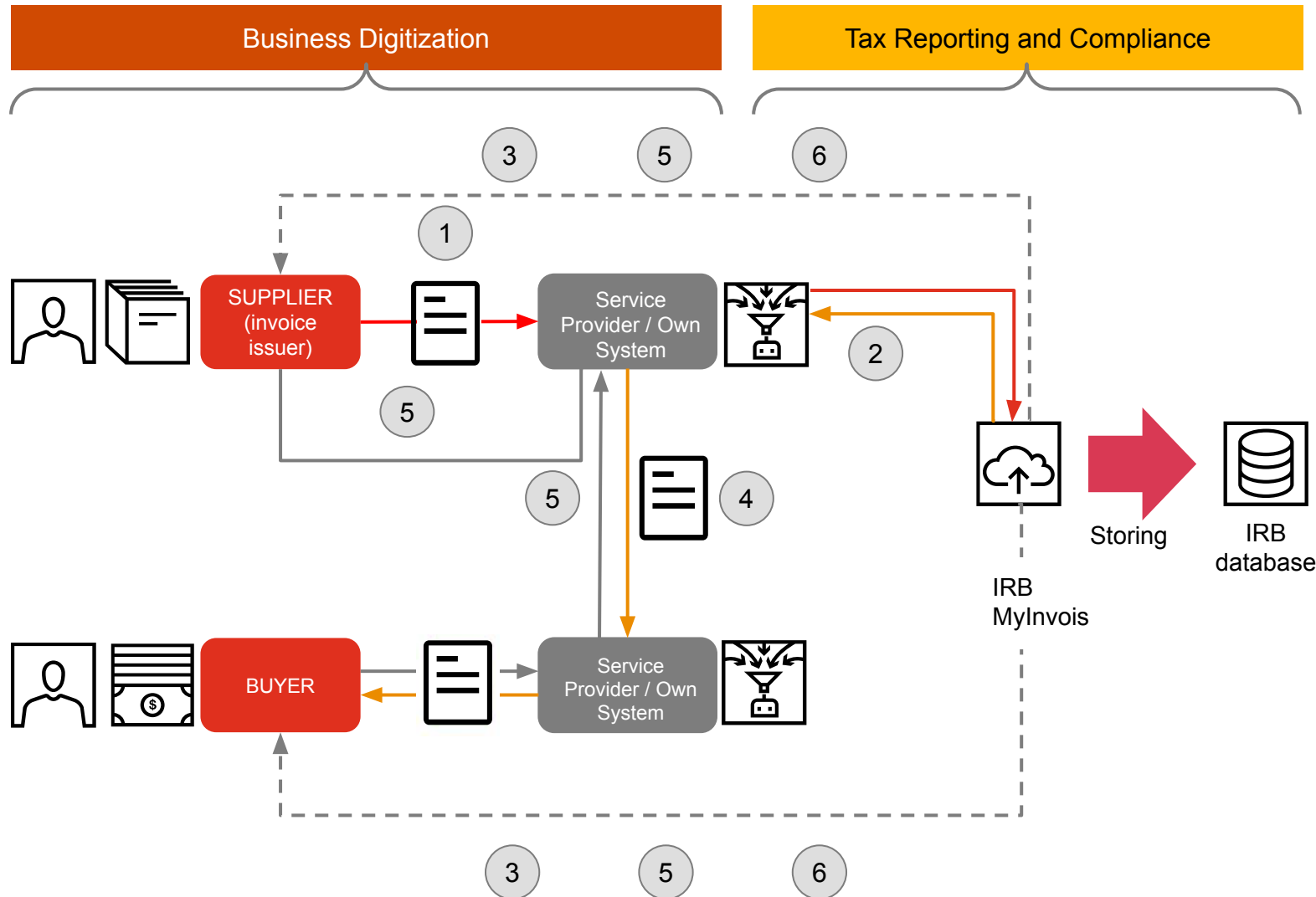
1 June 2024	1 January 2025	1 January 2026	1 January 2027
Mandatory implementation for taxpayers with an annual turnover or revenue in excess of RM100 million	Mandatory implementation for taxpayers with an annual turnover or revenue of more than RM50 million and up to RM100 million	Mandatory implementation for taxpayers with an annual turnover or revenue of more than RM25 million and up to RM50 million	Mandatory for all taxpayers and certain non-business transactions
Taxpayers can opt to voluntarily participate in the implementation at an earlier date, regardless of their annual turnover or revenue			

The annual turnover or revenue for the e-Invoicing implementation will be determined based on the following:

Taxpayers with audited financial statements	Taxpayers without audited financial statements	If there is a change in the accounting year end for financial year 2022
Based on annual turnover or revenue stated in the audited financial statements for financial year 2022	Based on annual revenue reported in the tax return for year of assessment 2022	The taxpayer's turnover or revenue will be pro-rated to a 12-month period for purposes of determining the e-Invoice implementation date

For new businesses or operations commencing from the year 2023 onwards, the e-Invoice implementation date is 1 January 2027 (*guidance will be provided in due course*).

How does e-Invoicing work (diagrammatically)?



1 Issuance of e-Invoice

When a sale or transaction is made (including e-Invoice adjustments, e.g. credit note, debit note or refund). Taxpayers may be required to self-issue e-Invoice in cases where they acquire services and receive invoices from foreign suppliers. There are 53 data fields, grouped into 9 categories, that are required to issue an e-Invoice (refer to Appendix 1 for details). A key component of the e-Invoice data is the Tax Identification Number (TIN), which should be pre-validated by the issuer to ensure accuracy and invoice clearance. E-invoice can be transmitted through MyInvois Portal or Application Programming Interface (API).

2 Validation of e-Invoice

The IRB will validate the e-Invoice and the supplier will receive cleared invoice via MyInvois Portal or validated link/QR code via API. The IRB Unique Identifier Number will also be provided.

3 Notification of validated e-Invoice

Once the validation has been done by the IRB, both the supplier and buyer will receive a notification of validated e-Invoice via MyInvois Portal or API.

4 Sharing of e-Invoice

Upon validation, the supplier is obliged to share the cleared e-Invoice (embedded with QR code) with the buyer. QR code will be used to validate the existence or status of the e-Invoice.

5 Rejection or cancellation of e-Invoice

The supplier/buyer are allowed to cancel/reject the e-Invoice, with justifications, within 72 hours. Both the supplier and buyer will receive a notification to request for cancellation or rejection respectively.

6 MyInvois Portal

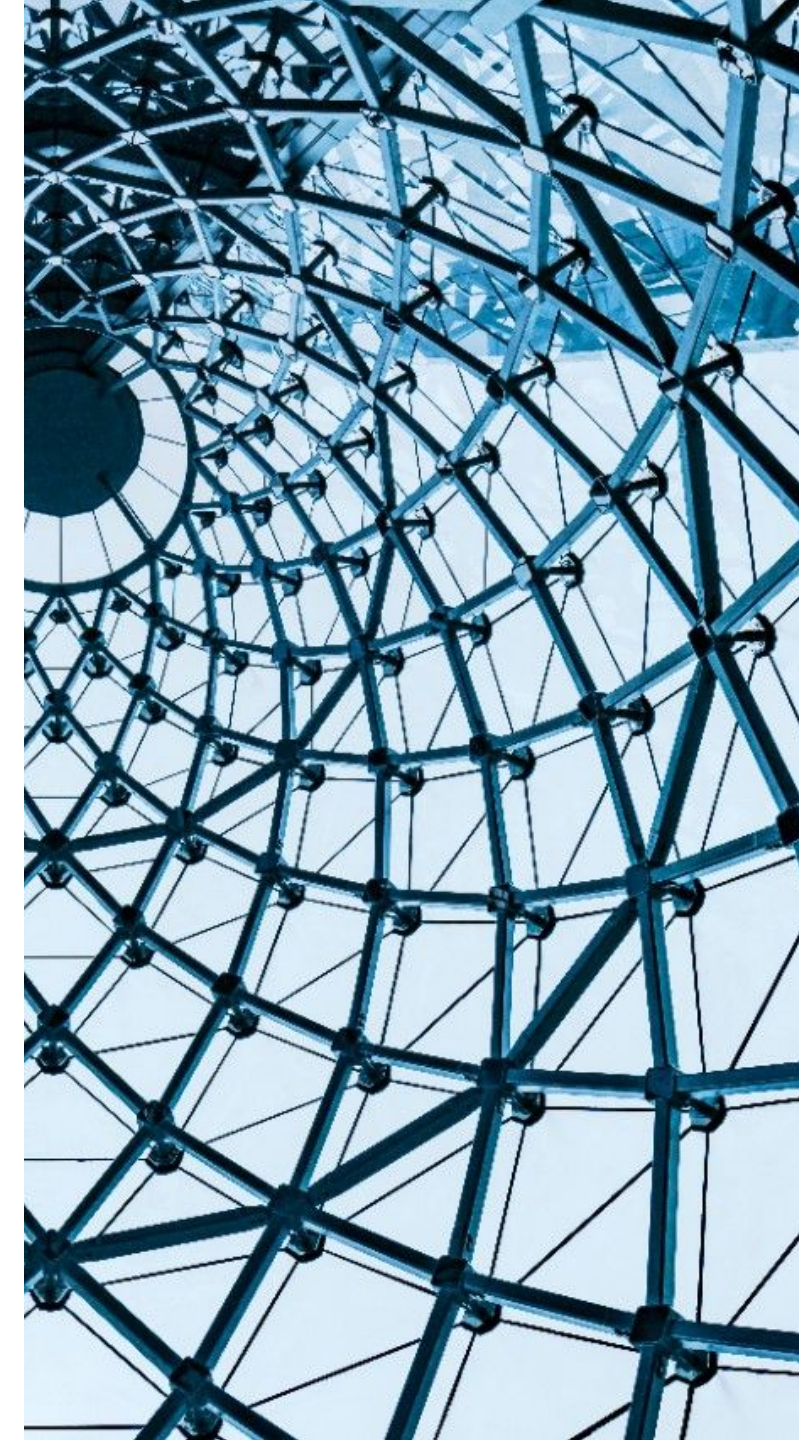
Both supplier and buyer will have the option to request and retrieve the e-Invoice data from the IRB through the MyInvois Portal.

Data fields required to issue an e-Invoice

There are 53 data fields (based on Appendix 1) required to issue an e-Invoice, which can be summarised in nine categories as below:

No.	IRB Categories	Supplier data (no. of data fields)	Buyer data (no. of data fields)
1.	Address	Yes (1)	Yes (1)
2.	Business Details	Yes (3)	Yes (1)
3.	Contact Number	Yes (2)	Yes (2)
4.	Invoice Details	Yes (7)	N/A
5.	Parties	Yes	Yes
6.	Party Details	Yes	Yes (3)
7.	Unique ID Number	Yes (7)	Yes (3)
8.	Payment Information	Yes (6)	N/A
9.	Products/ Services	Yes (17)	N/A

For more details, please refer to IRB's Guideline, under Appendix 1 and Appendix 2. This is subject to further confirmation.



Points of consideration

No	Aspect	Considerations
1.	Timing of issuance of e-Invoice	Some industries issue proforma invoices and followed by final invoice after the payment. There are instances where there is a timing gap between completion of “sale” and issuing e-Invoice. The Guideline refers to completion of the transaction.
2.	Types of transactions	<p>Under the Guideline, all types of transactions will be covered under e-Invoice - B2B, B2C and B2G. There may be challenges in obtaining TIN numbers from government agencies and individuals.</p> <p>There are industries e.g. insurance and financial institutions, where there is no invoice issued on instalment payments, and this will require significant changes in process.</p>
3.	Disbursements / reimbursements / intergroup transactions	It is common for many organisations to have disbursements / reimbursements / intergroup transactions (payment of behalf) incorporated into the invoice. These amounts may be material. It is not clear from the data field list that such amounts will be segregated.
4.	List of required fields for e-invoice	There are 53 data fields required, it is not clear whether some information is auto-generated by MyInvois system (e.g. e-Invoice version, type, date and time of validation) or does it have to go through internal process or system changes to collect the data (e.g. buyer’s SST registration number, tariff codes, details of tax exemption, amount exempted from tax, etc.)
5.	Rejection of the e-Invoice by Buyer	There is a possibility that such flexibility may result in disputes.
6.	Remediation action when systems are down	The use of conventional invoices in such scenarios.
7.	Impact on Buyers with revenue threshold below RM100m	There is a requirement on Buyers below the revenue threshold of RM100m to either validate or reject the e-Invoice, possibly using APIs. Possibly would also have to consider some system changes from a Buyer perspective instead of only from a Seller perspective.

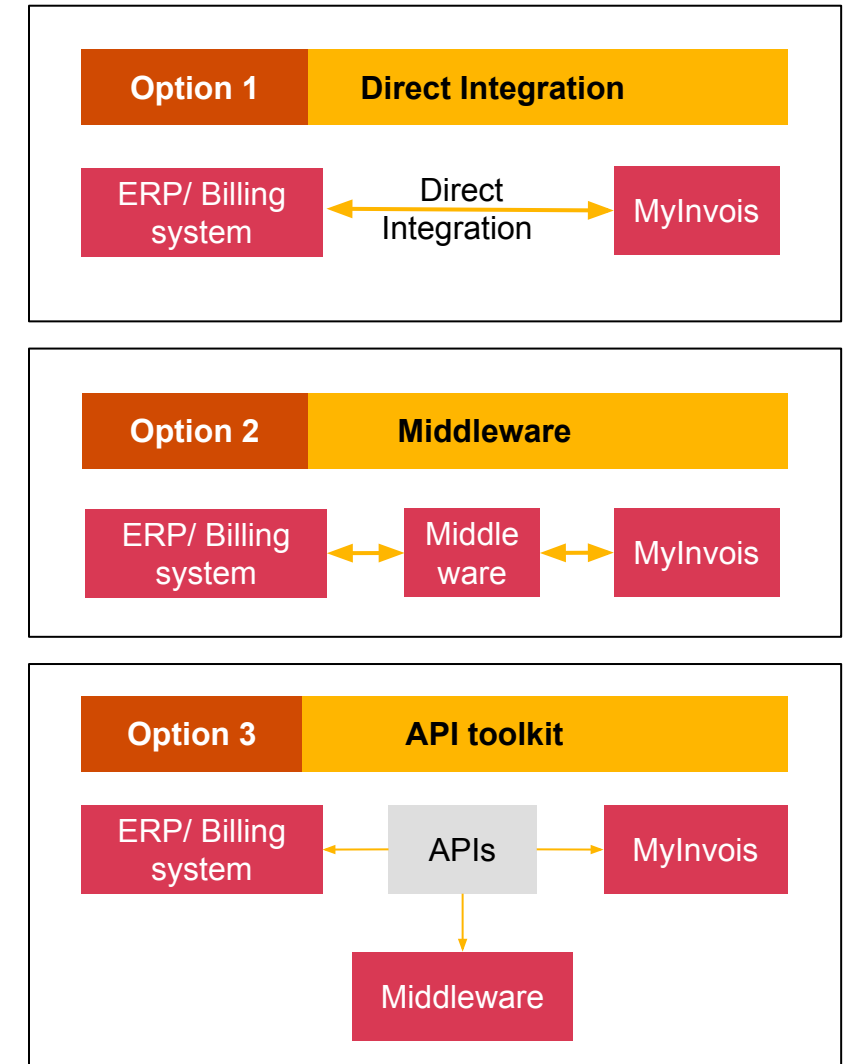
Getting ready for e-Invoicing

In our previous [TaXavvy Issue 7-2023 dated 27 April 2023](#) on e-Invoicing, we have shared the benefits of e-Invoicing and some considerations of e-Invoicing.

The IRB's Guideline stated that the Software Development Kit (SDK) will be available in the *4th quarter of 2023*. Pending the SDK, taxpayers should consider the following:

- **Impact assessment and analysis** to determine the business and system requirements, and corresponding cost importantly as this is not a “plug and play” exercise.
- **Determine a suitable model** to transmit the e-Invoice to IRB (see diagram on three options for details). To take into account future system changes that are expected due to refinement of the e-Invoicing requirements.
- **Collation of data from Buyers** such as TIN and SST registration number details.
- **The timing of issuance of e-Invoice** may impact some industry and whether there is a need for process or business changes to comply with the e-Invoice reporting requirements. This may have impact on the organisation's cashflow.
- **Formation of a project team** involving the relevant stakeholders as well as the relevant resources to undertake the exercise, where there is a requirement for human checks and balances, e.g. self e-Invoice for taxpayers who acquire services and receive invoices from foreign suppliers.
- To **assess options on data storage and archiving of validated e-Invoices**. To incorporate this change into the organisation's Business Continuity Plan (BCP).
- As part of the digital initiatives, many organisations have planned or currently undergoing major system upgrades or ERP migration projects on going. Due to the tight timeline for e-Invoice implementation, organisations should **re-prioritise projects or consider to extend some projects which may include e-Invoice requirements**, e.g. ERP migration or Pillar 2 reporting.

Diagram: Possible models that can be considered



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