

E-INVOICING GUIDELINE

AUGUST 2023



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Following the Inland Revenue Board of Malaysia’s (“IRBM”) announcement on 22 May 2023 on the implementation of e-invoicing in 2024, the IRBM has issued the e-Invoice Guideline Year 2023 (“Guideline”) on their website at <https://www.hasil.gov.my/en/e-invoice/>.

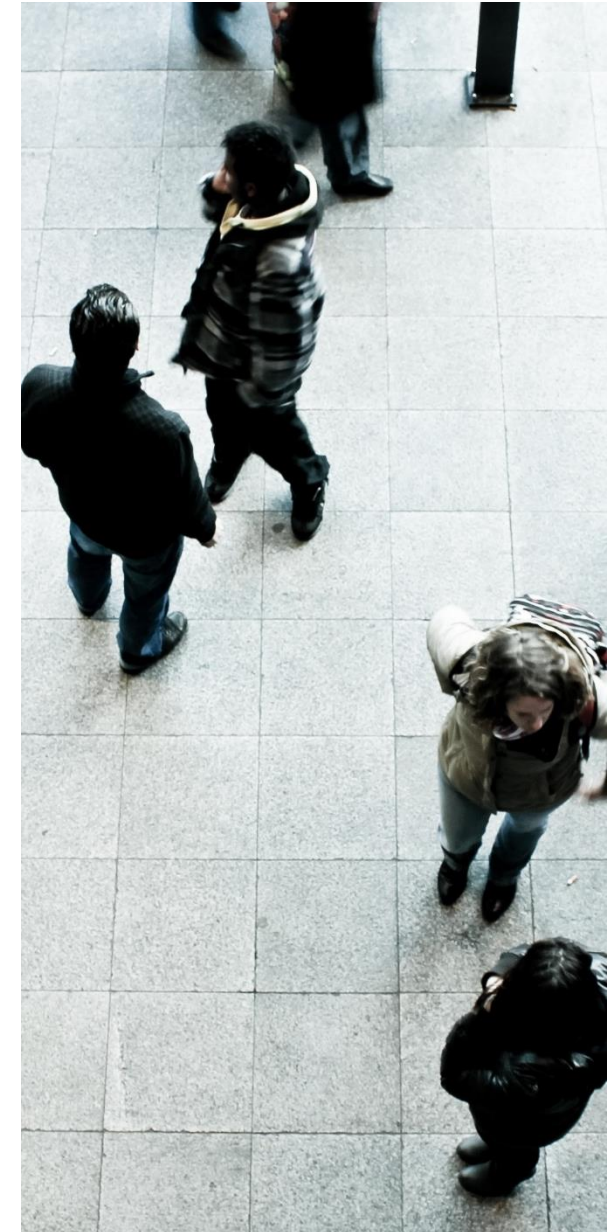
BDO in Malaysia is pleased to provide an overview of the Guideline and outline the matters that businesses need to take note of for the implementation of e-invoicing in Malaysia.

INTRODUCTION

The Guideline discusses the implementation of e-invoicing in Malaysia, aimed at enhancing the efficiency of tax administration and supporting the growth of the digital economy. The Guideline covers various aspects of e-invoicing implementation, including its benefits, transaction types and scenarios.

E-invoicing will facilitate instant validation and storage of Business-to-Business (“B2B”), Business-to-Consumer (“B2C”) and Business-to-Government (“B2G”) transactions.

The Guideline provides taxpayers with step-by-step guidance on the key aspects of e-invoicing, practical examples to illustrate real-life scenarios, guidance to assist taxpayers to assess their readiness for e-invoicing and addresses common questions and concerns that taxpayers may have regarding e-invoicing.



What is e-invoicing?



An e-invoice is a digital representation of a transaction between a supplier and a buyer, replacing paper or electronic documents like invoices, credit notes and debit notes. It contains the same essential information as the traditional documents.

(Figure 1.1 of the Guideline explains what is and isn't an e-invoice.)



An e-Invoice is a file created in the format specified by IRBM that can be automatically processed by relevant systems:



The format of e-Invoice is **not** a:



etc.

Figure 1.1 - What an e-Invoice is and what an e-Invoice is not

Transaction types

E-invoicing applies to all taxpayers undertaking commercial activities in Malaysia. It will also apply to certain non-business transactions between individuals *(further guidance to be provided in due course)*.

For certain B2C transactions where the end consumer does not require the e-invoices to support the transactions for tax purposes, suppliers are allowed to issue normal receipts/invoices based on current practices. After a certain period or timeframe, suppliers would be required to aggregate the normal receipts/invoices issued to end consumers and issue a consolidated e-invoice to support the transactions made with end consumers *(further guidance to be provided in due course)*.

Who is required to comply?

All individuals and legal entities are required to comply with the e-invoicing requirement, including:

1. Associations;
2. Body of persons;
3. Branches;
4. Business trusts;
5. Co-operative societies;
6. Corporations;
7. Limited liability partnerships;
8. Partnerships;
9. Property trust funds;
10. Property trusts;
11. Real estate investment trusts;
12. Representative offices and regional offices;
13. Trust bodies; and
14. Unit trusts.

Scenarios requiring e-invoice to be issued:

▶ **Proof of Income:**

Issued whenever a sale or other transaction takes place to recognise the income of taxpayers.

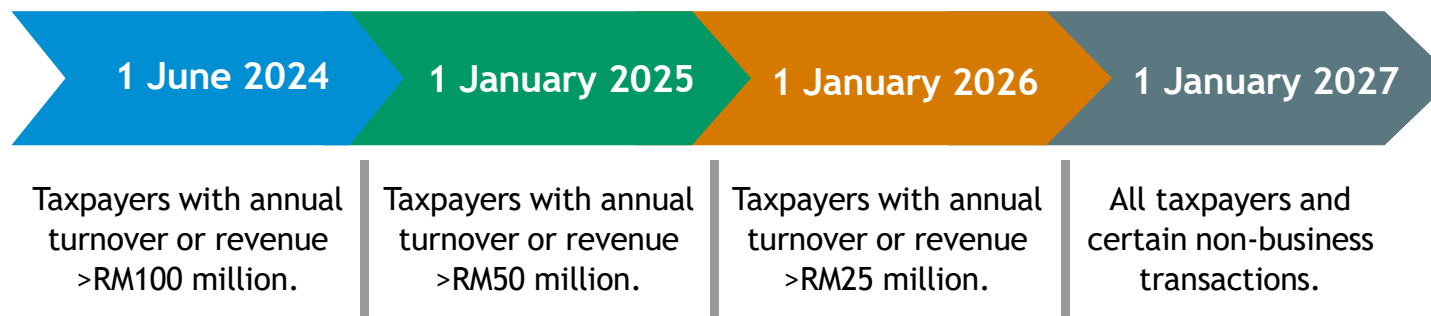
▶ **Proof of Expense:**

Purchases made or other spending by taxpayers, including returns and discounts. It can also be used to correct or subtract an income receipt in terms of the amounts documented. In certain cases, taxpayers may need to issue a self e-invoice to document an expense such as foreign transactions.



E-INVOICING IMPLEMENTATION TIMELINE

The targeted timeline for implementation of e-invoicing is as follows:



Determination of annual turnover or revenue

- ▶ Taxpayers with audited financial statements: annual turnover or revenue stated in audited financial statements for FY 2022.
- ▶ Taxpayers without audited financial statements: annual revenue reported in tax return for YA 2022.
- ▶ In the event of a change of accounting year end for FY 2022, taxpayer's turnover or revenue will be pro-rated to a 12-month period.
- ▶ For new businesses or operations commencing from the year 2023 onwards, the e-invoicing implementation date is 1 January 2027 and further guidance will be provided in due course.
- ▶ Notifications will be sent to taxpayers that are mandated to adopt e-invoicing, in phases.

E-INVOICING MODELS

Two distinct e-invoice transmission mechanisms are available:

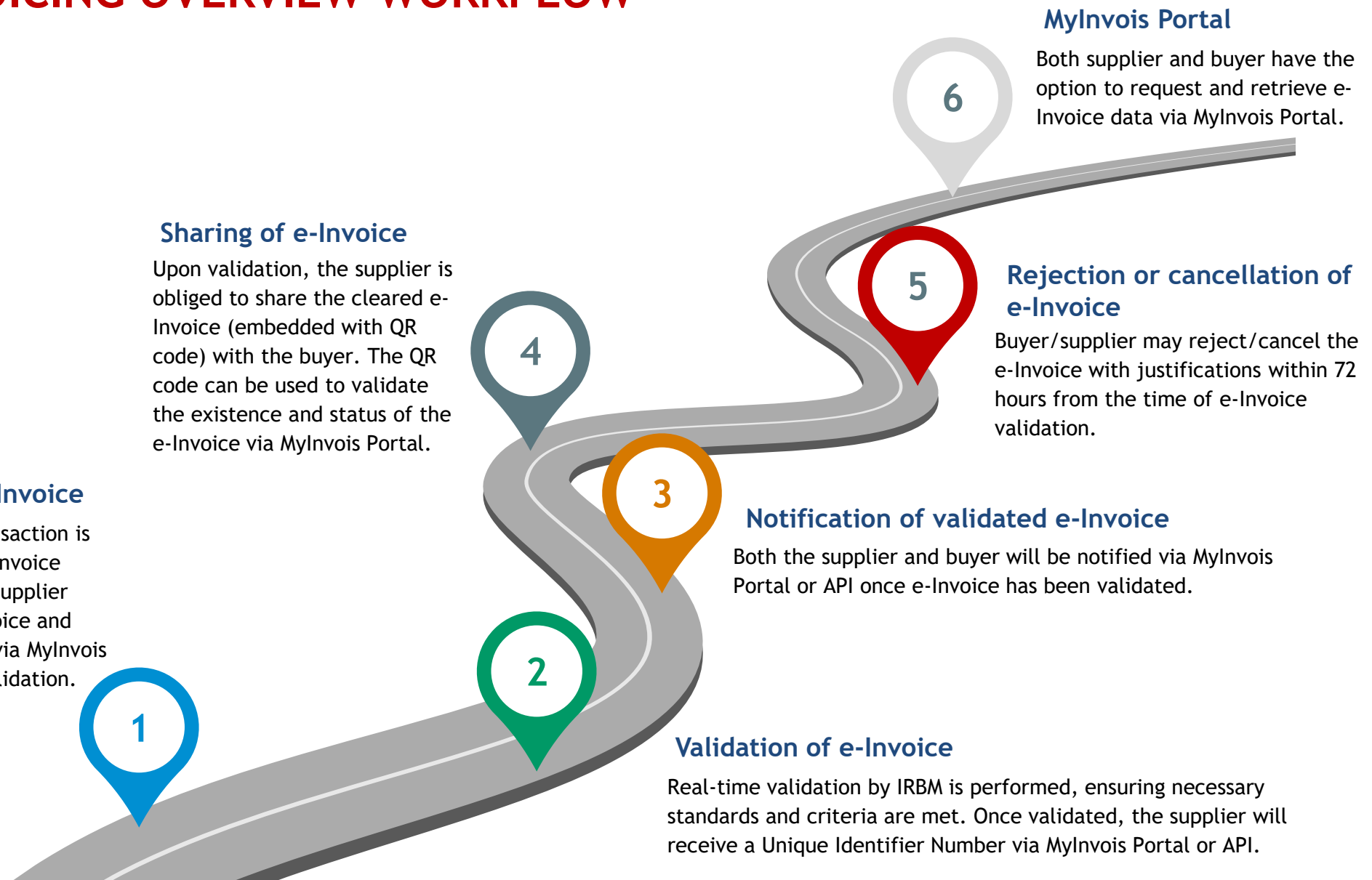
- a) A portal (“MyInvois Portal”) hosted by IRBM; and
- b) Application Programming Interface (“API”) into IRBM’s related systems.

Taxpayers can select the most suitable mechanism to transmit e-invoice to IRBM, based on their specific needs and business requirements.

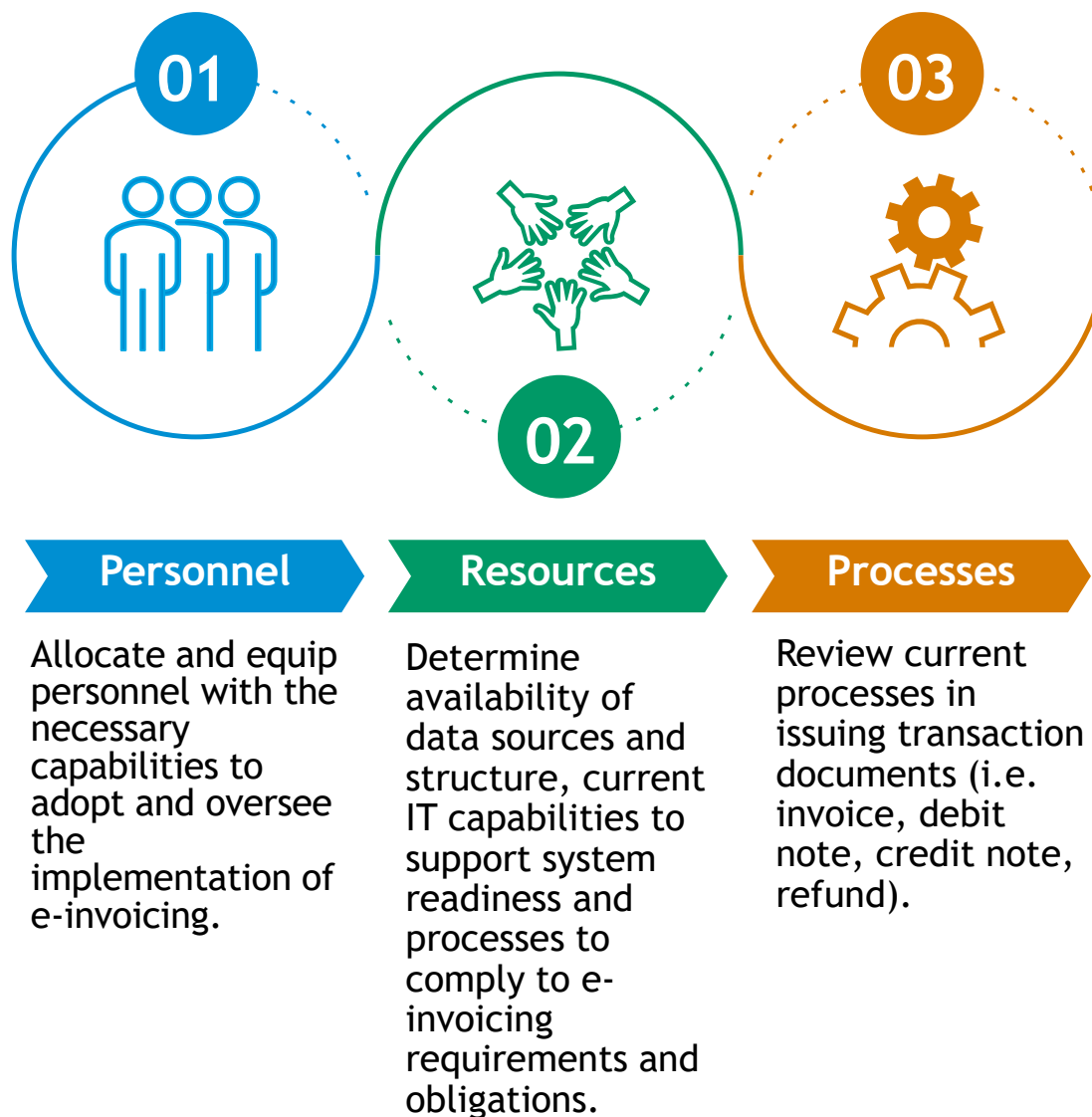
The key features of and considerations for each option are outlined below:

No	Mechanism	Key Features	Considerations
1.	MyInvois Portal	Enables individual generation through a comprehensive form and the option for batch generation through spreadsheet upload for processing multiple transactions	<ul style="list-style-type: none"> ▶ Accessible to all taxpayers ▶ Suitable for MSMEs ▶ May not be efficient for large volume of data ▶ Businesses that need to issue e-invoice but API connection is unavailable
2.	API	Enables businesses to conveniently transmit high volume of transactions	<ul style="list-style-type: none"> ▶ Requires upfront investment in technology and adjustments to existing systems. API connection may be made directly to IRBM or through intermediary technology providers ▶ Ideal for large taxpayers or businesses with substantial transaction volume

E-INVOICING OVERVIEW WORKFLOW



ASSESSING READINESS FOR E-INVOICING



HOW BDO CAN ASSIST TECHNOLOGY ADVISORY AND TAX ADVISORY SERVICES

CUSTOMISATION CONSULTING

- ▶ We will consult with your Management, tax compliance and technology teams to ensure the required data points and taxonomy are built into your systems in a manner that allows for easy export or feed into APIs for submission to IRBM.

PROJECT MANAGEMENT

- ▶ BDO is equipped with Certified Project Managers to help you realise your project objectives and benefits in developing and deploying the requisite systems modifications to meet IRBM filing requirements. The approach and principles applied throughout the project lifecycle will ensure that risks are kept in check and that fit for purpose outputs are delivered.

PROJECT ASSURANCE

- ▶ We will work with your business process and technology teams to provide assurance over the management of your customisation project through testing key project controls and/or assisting with the design and/or execution of User Acceptance Testing.

TAX ADVISORY

- ▶ Assess the tax treatment of your transactions.
- ▶ Provide comments from a tax perspective in relation to the systems requirements for the project.
- ▶ Impact study for transitional period to be in compliance with tax legislations for the new e-invoicing implementation.

BDO TAX SERVICES SDN BHD (198401002347 (114863-K)) & BDO GOVERNANCE ADVISORY SDN BHD (199701018781 (434278-K))

Level 8
BDO@Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur, Malaysia

T: +603 2616 2888
F: +603 2616 2970
E: marcomms@bdo.my

For further information, we welcome you to speak to any of our tax specialists below:

BEH TOK KOAY
Senior Advisor
tkbeh@bdo.my

DAVID LAI
Executive Director
davidlai@bdo.my

NG SWEE WENG
Senior Advisor
swng@bdo.my

CHRISTOPHER LOW
Executive Director
chrislow@bdo.my

SANJAY SIDHU
Executive Director
sanjay@bdo.my

ONG ENG CHOON
Senior Advisor
ongec@bdo.my

WOON YOKE LEE
Executive Director
woonyl@bdo.my

KOO KIAN MING
Executive Director
kookm@bdo.my

LEE BOON HOOI
Executive Director
leebh@bdo.my

RAYMOND LIM
Executive Director
raymondlim@bdo.my

ON BEE YEE
Executive Director
onby@bdo.my

SOH PIN TAU
Executive Director
sohpt@bdo.my

YAP MEI SEI
Executive Director
yapms@bdo.my

TAN CHIN TECK
Executive Director
tanct@bdo.my

YONG MEE THING
Executive Director
yongmt@bdo.my

YEAP LAY SUAT
Executive Director
yeapls@bdo.my

CHAN KWAN YEE
Executive Director
chanky@bdo.my

TAN SIN HUAT
Advisor
shtan@bdo.my

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