

Malaysia e-Invoice

Trusted. Transformational. Together.



e-Invoicing

Concept of e-Invoicing

e-Invoicing

Refers to the process of issuing and receiving invoices in an electronic format, where transactional data is sent from one system to another.

Global tax digitalization initiative

Part of a global trend in digitalizing tax where many countries have implemented or plan to implement e-Invoicing

Different models adopted across the globe

e-Invoicing can be implemented via the clearance method or the post-audit method.

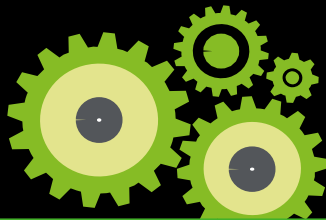
e-Invoicing and potential models

Overview of models

- A **Direct Model** allows business to customer connection. It is a peer to peer (P2P) process where the supplier and buyer directly share e-documents with each other's systems, typically sending/receiving EDI or XML file structures
- Tax authorities are required to design and introduce a standard (such as open PEPPOL). An example is Estonia



Direct Model



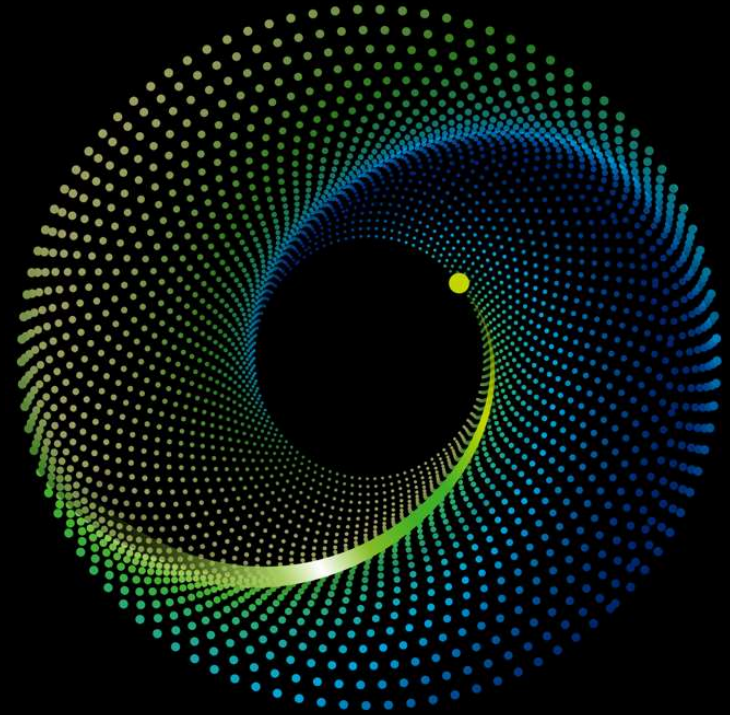
Hard Clearance Model

- A **Hard Clearance Model** is where a central entity (often a government agency) acts as the hub by which all transactions flow between Access Points
- This model is often used in government sponsored initiatives where central government wants to track tax commitments
- Latin America, Asian and some European countries implemented the Hard Clearance Model. Examples are Philippines and Indonesia

e-Invoicing in APAC



Malaysia model



Trusted. Transformational. Together.

Malaysia Model

Malaysia's e-Invoicing current state



LHDN's intention - address tax leakages and the shadow economy. It also has plans to use the data to pre-populate tax returns



Other countries that have implemented e-Invoicing clearance models - indirect tax is the driver. In Malaysia, direct and indirect tax are in focus



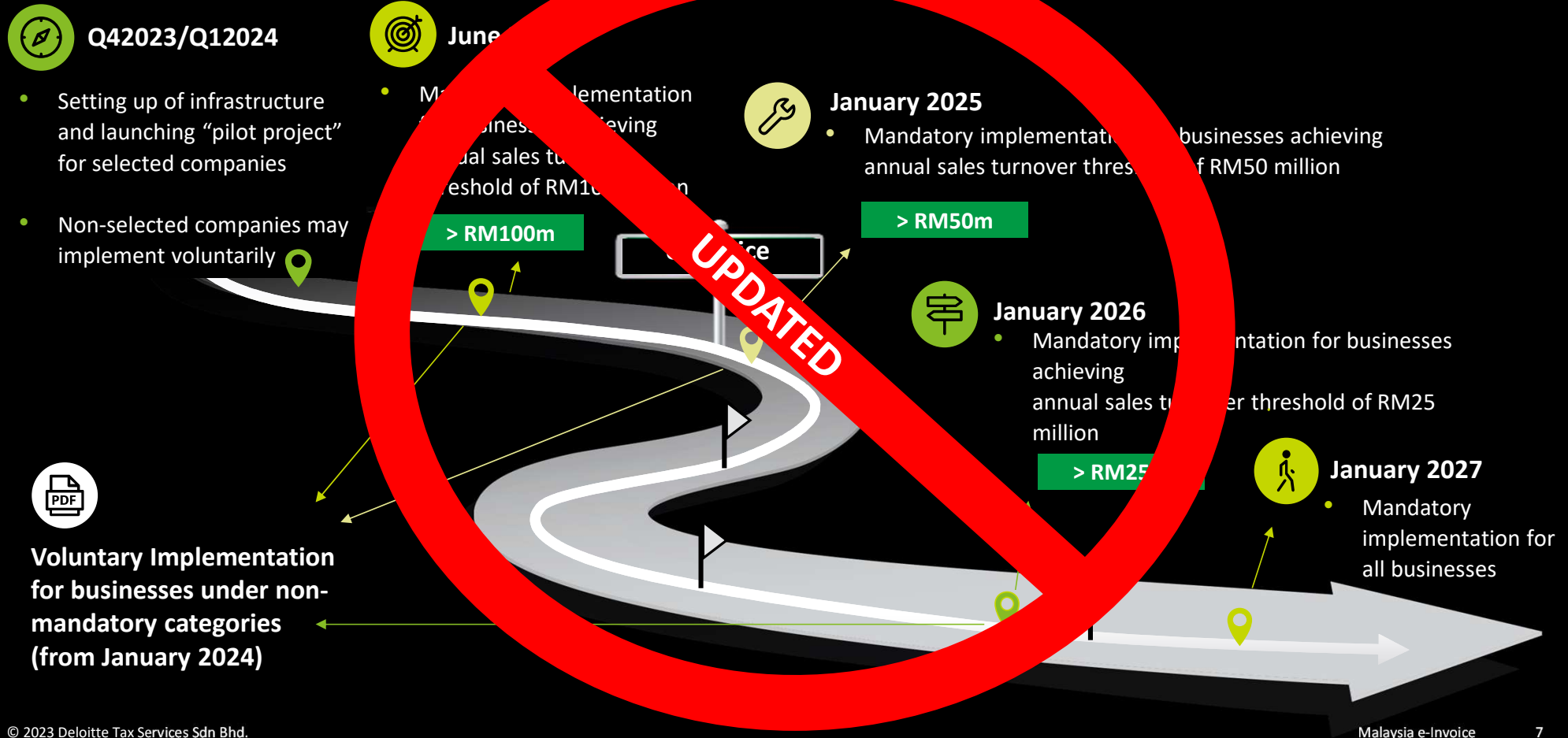
Guidelines released in July and September; **Software Development Kit** with technology requirements by Q424.



e-Invoicing requirements to be embedded in income tax laws - to be in the Budget Finance Bill in October/November.

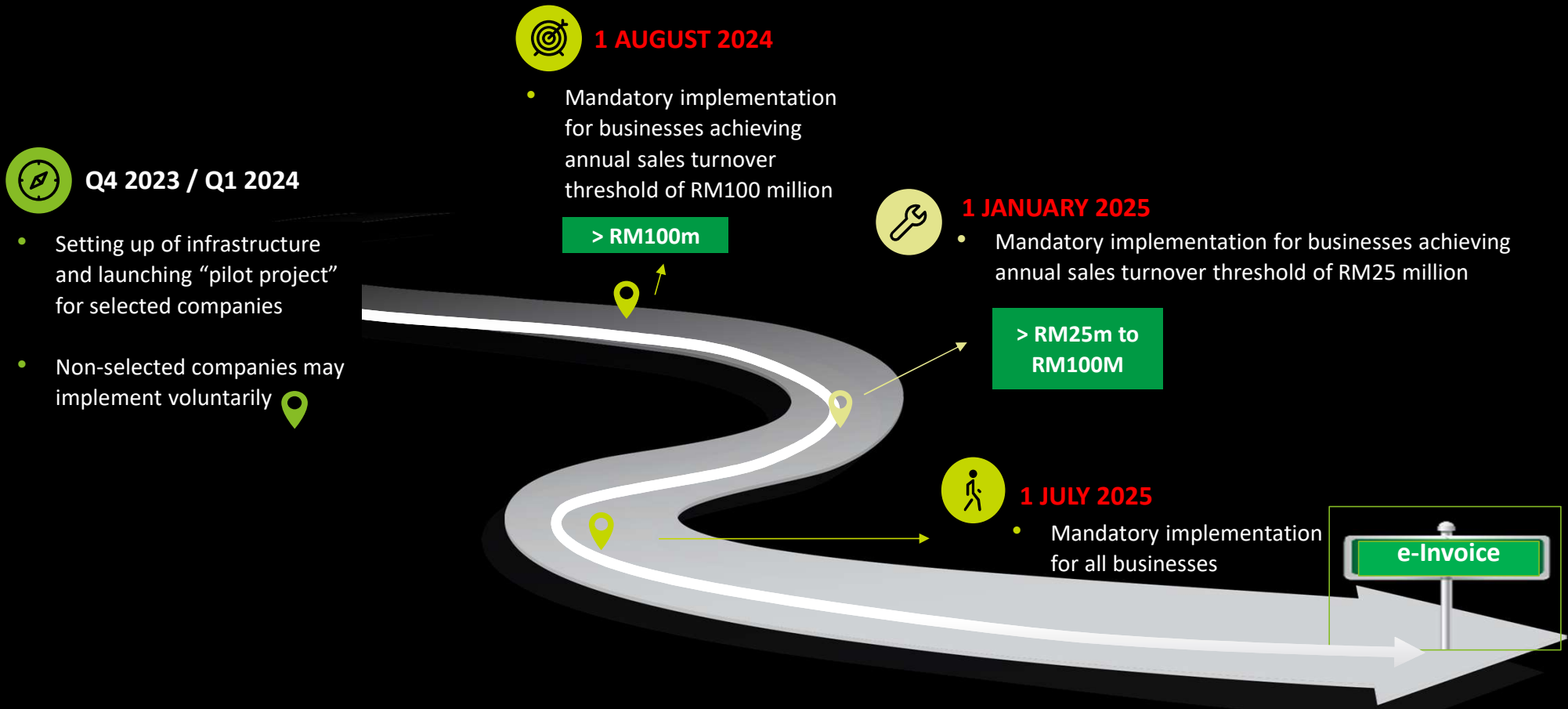
Tax administration—empowering tax administration\initiatives

e-Invoice Implementation in stages (INITIAL)



Tax administration—empowering tax administration\initiatives

e-Invoice Implementation in stages (UPDATED)



The Malaysian Model



Malaysia adopting a **Hard Clearance** model - LHDN to act as the clearance hub for all transactions.



Continuos Transaction Control (CTC) Model

*A model that enables a **high level of control** through **validation of invoice data** received by IRBM as well as allowing **flexibility** to taxpayers to decide on their preferred ways to transmit e-Invoice data to IRBM for near **real-time validation***



E-Invoice to cover all types of transactions

- **B2B**
- **B2C**
- **B2G**



E-Invoice Includes:

- Invoice
- CN/DN
- Refund

The Malaysian Model



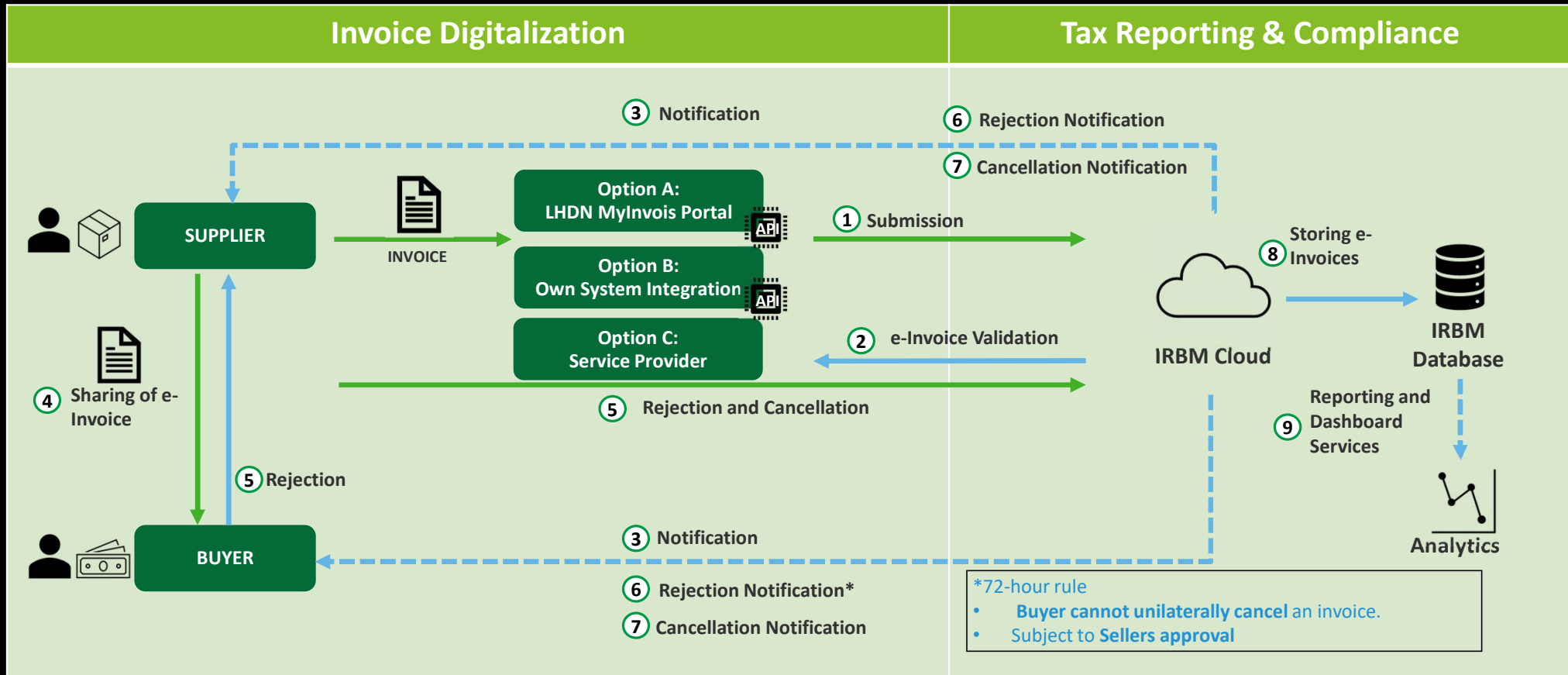
3 options to connect to LHDN:

- (i) LHDN MyInvois Portal
- (ii) Own System Integration
- (iii) Service Provider (Middleware)

Connect with LHDN
via Application Programming Interface (API)

IRB has re-affirmed that there is **no pre-approval or certification process** for middleware vendors in Malaysia.

LHDNM e-INVOICE – CENTRALISED CTC MODEL



e-Invoice data requirements

PARTIES		ADDRESS		UNIQUE ID NUMBER		PAYMENT INFO	
1.	Supplier's Name	14.	Supplier's Address	29.	IRBM Unique Identifier Number	45.	Payment Mode
2.	Buyer's Name	15.	Buyer's Address			46.	Supplier's Bank Account Number
SUPPLIER DETAILS		CONTACT NUMBER		PRODUCTS / SERVICES		47.	Payment Terms
3.	Supplier's Tax Identification Number (TIN)	16.	Supplier's Contact Number	30.	Classification	48.	Payment Amount
4.	Supplier's Registration / Identification Number / Passport Number	17.	Buyer's Contact Number	31.	Description of Product or Service	49.	Payment Date
5.	Supplier's SST Registration Number	INVOICE DETAILS		32.	Unit Price	50.	Payment Reference Number
6.	Supplier's Tourism Tax Registration Number	18.	e-Invoice Version	33.	Tax Type	51.	Bill Reference Number
7.	Supplier's e-mail	19.	e-Invoice Type	34.	Tax Rate		
8.	Supplier's Malaysia Standard Industrial Classification (MSIC) Code	20.	e-Invoice Code / Number	35.	Tax Amount		
9.	Supplier's Business Activity Description	21.	Original e-Invoice Reference Number	36.	Details of Tax Exemption		
BUYER DETAILS		22.	e-Invoice Date and Time	37.	Amount Exempted from Tax		
10.	Buyer's TIN	23.	Date and Time of Validation	38.	Subtotal		
11.	Buyer's Registration / Identification Number / Passport Number	24.	Supplier's Digital Signature	39.	Total Excluding Tax		
12.	Buyer's SST Registration Number	25.	Invoice Currency Code	40.	Total Including Tax		
13.	Buyer's e-mail	26.	Currency Exchange Rate	41.	Quantity		
		27.	Frequency of Billing	42.	Measurement		
		28.	Billing Period	43.	Discount Rate		
				44.	Discount Amount		

Legend:

Optional field

Annexure to e-Invoice Requirements


Applicable to transactions where goods are shipped to a different recipient and/or address (i.e., different from the buyer's details)

1.	Shipping Recipient's Name
2.	Shipping Recipient's Address
3.	Shipping Recipient's TIN
4.	Shipping Recipient's Registration / Identification Number / Passport Number

Applicable to import and export of goods

5.	Reference Number of Customs Form No. 1, 9, etc.
6.	Incoterms
7.	Product Tariff Code
8.	Free Trade Agreement (FTA) Information
9.	Authorisation Number for Certified Exporter
10.	Reference Number of Customs Form No.2
11.	Country of Origin
12.	Details of other charges

Legend:

 Optional field

4 Key Avenues to provide support to taxpayers in successfully adopting e-Invoice

e-Invoice Microsite

Access e-Invoice microsite via IRBM's official portal at <https://www.hasil.gov.my>

e-Invoice General Guideline

Published Version 1 on 21 Jul 2023
Published Version 2 on 29 Sep 2023

- **Simplified** concept of e-Invoice for taxpayers
- Guidance to assist taxpayers in **determining and assessing readiness for implementation** timeline
- **Step-by step guidance** on the process of issuing and submitting e-Invoice to IRBM
- **Data fields required** for an e-Invoice

e-Invoice Specific Guideline

Published on 29 Sep 2023

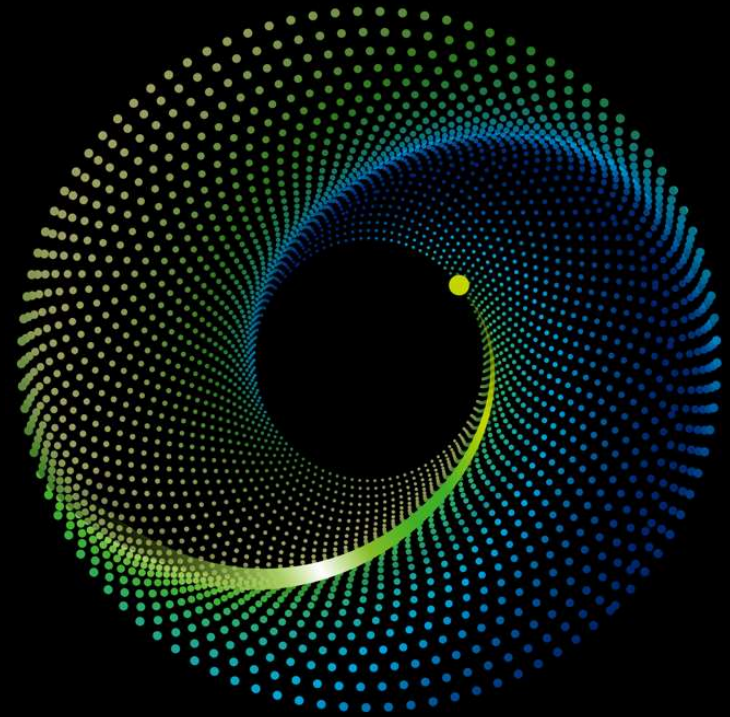
- Additional guideline to the e-Invoice Guideline that provides **further guidance on specific areas** of e-Invoice
- A guide for taxpayers across various industries on **specific changes required** to business processes and data
- Includes **scenarios to explain the different treatments** of e-Invoice issuance (e.g. consolidated e-Invoice, cross-border transactions, interest)

Technical Software Development Kit (SDK)

To be published in Q4 2023

- Technical document detailing **how systems can connect to the API** (i.e. information on input and output responses, message format, validation criteria, error handling, etc.)
- A **guide for technology providers** to simplify the integration process.
- Includes a **range of options and functionalities**, allowing technology providers to seamlessly issue and submit e-invoices via API.

Specific Focus Areas - Guidelines



Trusted. Transformational. Together.

Specific Transactions

1. Transactions with Buyers – B2C transactions

Requirements for **B2C transactions**

- Not as comprehensive as B2B
- Consolidated monthly reporting
- Excludes transactions where the **customer requires invoice to claim an income tax deduction** (including personal income tax deductions).
- Specific exclusions – e-Invoice required for all transactions (no consolidation):
 - i. Automotive
 - ii. Aviation
 - iii. Luxury Goods and Jewelry
 - iv. Construction
 - v. Wholesalers and Retailers of Construction Materials
 - vi. Licensed Betting and Gaming
 - vii. Payments to Agents/Dealers/Distributors

2. Statement / bills on a periodic basis

Industries/ sectors that issue statements/ bills for multiple transactions periodically

Examples: Telecommunications, Financial Services, Stockbroking, Insurance.

- Submit e-Invoice for LHDN validation and issue validated invoice to Customers in accordance with businesses respective billing frequency
- Where no e-Invoice required by Buyers, can issue consolidated e Invoice in accordance with current issuance period (within 7 calendar days after the end of billing period)

3. Disbursement and reimbursement

Disbursement

- Supplier 1 issues e-invoice to buyer
- Payment made by Supplier 2 on behalf of Buyer and recovered from Buyer – Supplier 2 should not include the payment on behalf in e-invoice to buyer

Reimbursement

- Supplier 1 Issue e-invoice to Supplier 2
- Supplier 2 to include payment to Supplier 1 in e-invoice to Buyer

4. Employment perquisites and benefits; and 5. Certain expenses incurred by employee on behalf of the employer

General Rule: Employees required to request for e Invoices to be issued under Employer's name (where possible)

Concessions:

- Businesses / Employers allowed to use e-Invoice issued in the name of employee for proof of expense
- Foreign suppliers' bills / receipts will be accepted as proof of expense i.e., no self-billed e-Invoice required for proof of expense
 - in the event where employees paid for expenses incurred overseas
 - for payments to foreign suppliers if perquisites and benefits are stated in employer's policy

6. Treatment for self-billed e-Invoice

Circumstances where self-billed e-invoice is allowed:

No.	Transaction	Supplier	Buyer (assumes the role of Supplier to issue self-billed e-Invoice)
1	Payment to agents, dealers, distributors, etc.	Agents, dealers, distributors, etc.	Taxpayer that makes the payment
2	Goods sold or services rendered by foreign suppliers	Foreign seller	Malaysian purchaser
3	Profit distribution (e.g., dividend payments)	Recipient of the distribution	Taxpayer that makes the payment
4	e-Commerce	Merchant, service providers (e.g., driver, rider)	e-Commerce / Intermediary platform
5	Pay-out to all betting and gaming winners	Recipient of the pay-out	Licensed betting and gaming provider
6	Acquisition of goods or services from individual taxpayers who are not conducting a business	Individual taxpayer providing goods or services	Person acquiring goods or services

Under self-billed e-Invoice, **Buyer will assume the role of the Supplier** to be the issuer of e-Invoice

CROSS-BORDER TRANSACTIONS

Import of goods/services from Foreign Suppliers

- Upon receiving the invoice / receipt / bill from the Foreign Seller, the Malaysian Purchaser assumes the Supplier role and **issue a self-billed e-Invoice** to document the expense for tax purposes.
- Extract the details of the Foreign Seller from the invoice / receipt / bill issued by the Foreign Seller or request for the relevant details from the Foreign Seller

Income received in Malaysia from outside of Malaysia

- All foreign income requires an e-Invoice for tax purposes
- Recipient of foreign income to issue an e-Invoice to person who makes payment to recipient
- The Malaysian Seller is required to issue the e-Invoice within the same month of receiving the income

Summary of tax incentives / grant in relation to implementation of e-Invoice as announced in Budget 2024



Digitalisation grant

Digitalisation grant of up to RM5,000 for MSME (total allocation of RM100 million) for the upgrade of:

- sales system
- inventory system
- digital accounting system



Capital allowance

Reduction in the capital allowance claim period from 4 years to 3 years, where the capital allowance rate will be revised to 40% initial allowance and 20% annual allowance for:

- Purchase of ICT equipment and computer software packages
- Consultation, licensing and incidental fees related to customised computer software development

Effective from YA2024



Tax deduction

Tax deduction of up to RM50,000 for each YA be given on ESG-related expenditure, including consultation fee for the implementation of e-Invoice incurred by MSMEs

Effective from YA2024 to YA2027

The Road Ahead

The Next Step

1. Discovery

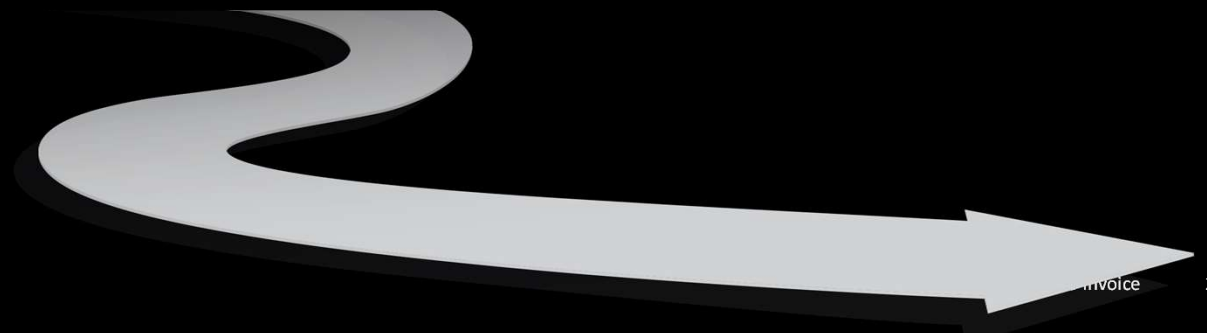
- a. Understanding the legal requirements: coverage, inclusions, exclusions, special treatment transactions, documentation requirements
- b. Understanding the technical standards
- c. Carrying out gap analysis
 - Technology
 - Resources /skillset
- d. Discovery report

2. Roadmap & blueprint

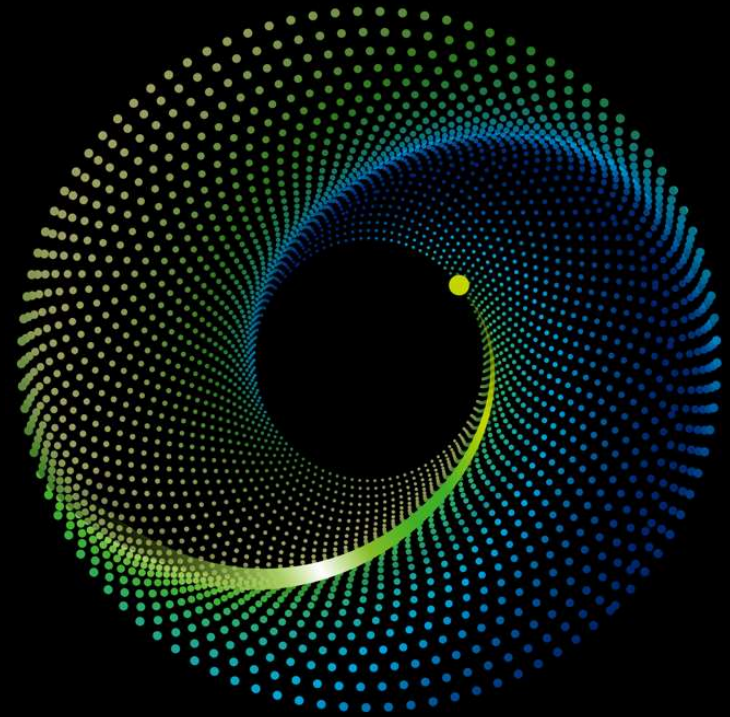
- a. Roadmap / blueprint including changes to be done to the ERP / IT systems
- b. Decision on the solution to be used: external point solution or an access point / changes to ERP and other systems
- c. Master data update and clean up
- d. Step plan for implementation

3. Implementation

- a. Project management
- b. Implementation step plan
- c. Internal / external assistance in technology implementation
- d. Testing, UAT and Go-live
- e. Regular updates



Q&A



Trusted. Transformational. Together.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Malaysia

In Malaysia, services are provided by Deloitte Tax Services Sdn Bhd and affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023 Deloitte Tax Services Sdn Bhd