

Inland Revenue Board of Malaysia (IRBM)

# Deloitte TaxMax 49th Series

Implementation of e-Invoice in  
Malaysia: *Mechanism and Benefits to  
Taxpayers*

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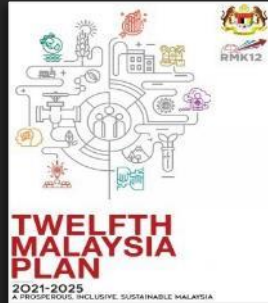
**05**

**e-Invoice support channels available**

# Digitalisation of Malaysia's Tax Administration

*e-Invoice implementation is in line with the Twelfth Malaysia Plan...*

**“Focus on strengthening the digital services infrastructure and digitalising the tax administration (among others)”**



3 Jun 2022

## 2023 Pre-Budget Statement

*“To support the growth of the digital economy, the Government intends to implement e-Invoice in stages in an effort to enhance the efficiency of Malaysia’s tax administration management.”*



7 Oct 2022

## Budget 2023 announcement

*“e-Invoice will be implemented by IRBM in phases, starting from the year 2023, involving the development of a system and pilot projects with selected taxpayers.”*



13 Oct 2023

## Budget 2024 announcement

*“The Government agreed to enforce e-invoicing mandatory to taxpayers with income or annual sales exceeding RM100 million from 1 August 2024.”*



# Benefits to taxpayers



## Reduction in manual efforts and human errors

Unified invoicing process through creation and submission of transaction document & data electronically



## Facilitated tax return filing

Seamless system integration for efficient and accurate tax reporting



## Enables streamlining of operations

Enhanced efficiency and significant time and cost savings



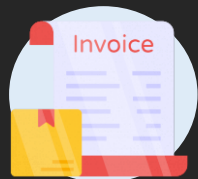
## Digitalised financial reporting

Aligns financial reporting and processes to be digitalised with industry standards

# Definition of e-Invoice and the four (4) types of e-Invoice transactions

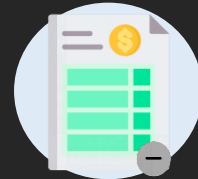
## What is e-Invoice?

- **Digital representation** of a transaction between a supplier and a buyer
- e-Invoice **replaces traditional paper or electronic documents** such as invoices, credit notes, and debit notes
- Validation of e-Invoice by IRBM is done **instantaneously**
- **Safeguards against data tampering**



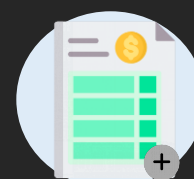
### Invoice

Commercial document that **describes and records a transaction** between a supplier and buyer, including self-billed of e-Invoice to document an expense.



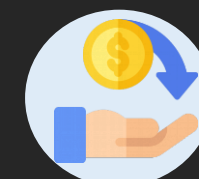
### Credit note

Commercial document issued by a supplier 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**.



### Debit note

Commercial document issued to indicate **additional charges** on a previously issued invoice.



### Refund note

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.

# e-Invoice covers typical types of transactions and applies to all taxpayers



**Business-to-Business (B2B)**



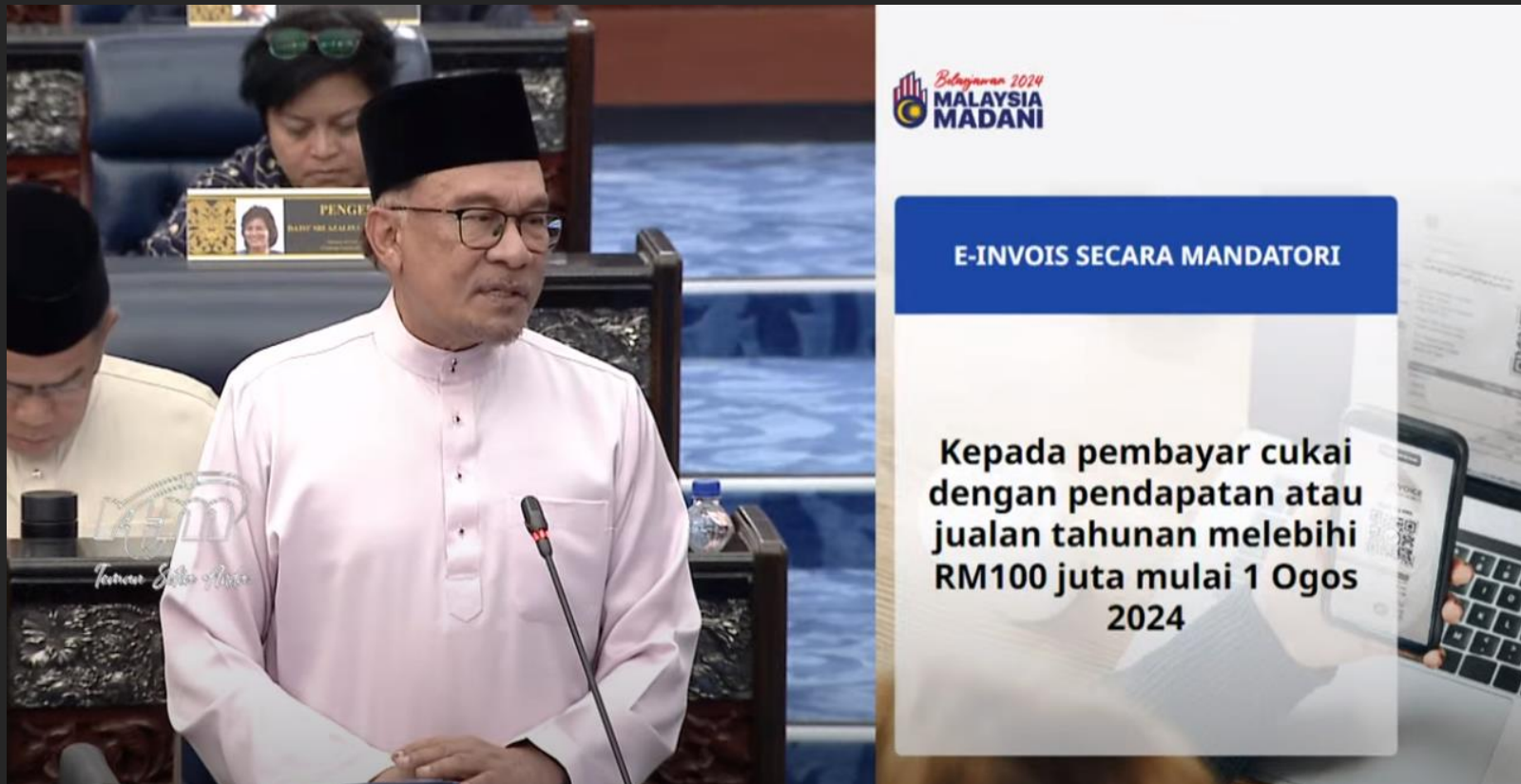
**Business-to-Consumers (B2C)**



**Business-to-Government (B2G)**

- e-Invoice applies to **all taxpayers undertaking commercial activities** in Malaysia
- e-Invoice **flow for B2G** will be **similar to B2B**
- e-invoice will be **issued** for B2C **upon the request** of taxpayers
- For B2C transactions (where e-Invoices are not required by the end consumers to support the transactions for tax purposes):
  - Issuance of normal receipt/ invoice by Suppliers is based on current BAU practice Suppliers
  - After a certain period or timeframe, suppliers would be required to aggregate the normal receipts or invoices issued to end consumers and issue a consolidated e-Invoice to support the transactions made with end consumers

# Implementation of e-Invoice as per the Budget 2024 announcement



- e-Invoice will be mandatory for taxpayers with annual turnover or revenue **exceeding RM100mil from 1 August 2024**
- Full implementation for all taxpayers **by 1 July 2025**

# Revised e-Invoice implementation timeline as announced in Budget 2024

Pilot Phase	Phase 1	Phase 2	Phase 3
<i>To be confirmed</i>	1 August 2024	1 January 2025	1 July 2025
<ul style="list-style-type: none"> <li>Launch of pilot programme will be announced in due course</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory implementation for taxpayers with an <b>annual turnover or revenue</b> of <b>&gt;RM100m</b></li> </ul>	<ul style="list-style-type: none"> <li>Mandatory implementation for taxpayers with an <b>annual turnover or revenue</b> between <b>RM25m to RM100m</b></li> </ul>	<ul style="list-style-type: none"> <li>Mandatory implementation for <b>all other taxpayers</b></li> </ul>

**Continuous awareness activities and outreach programs through engagement & communication**

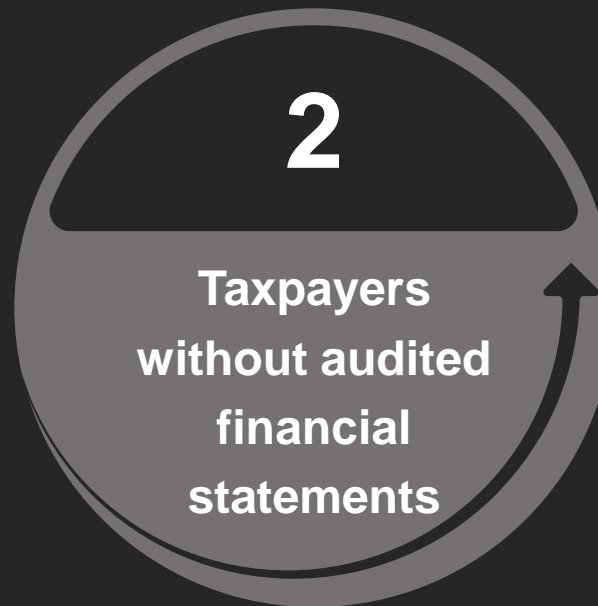


# Annual turnover or revenue determined based on financial year 2022 data



*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*



*Taxpayer's turnover or revenue will be pro-rated to a 12-month period for purposes of determining the e-Invoice implementation date*

# The MyInvois System comprise of two (2) transmission mechanisms

## CONTINUOUS 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**

# 1

### MyInvois Portal

A portal **hosted by IRBM** as an option that is **available to taxpayers** at no cost



**Accessible to all taxpayers**



**Available to taxpayers who need to issue e-Invoice but API connection is down**

# 2

### Application Programming Interface (“API”)

An API is a set of programming code that enables **direct transmission** between the **taxpayers’ system** and **MyInvois System**

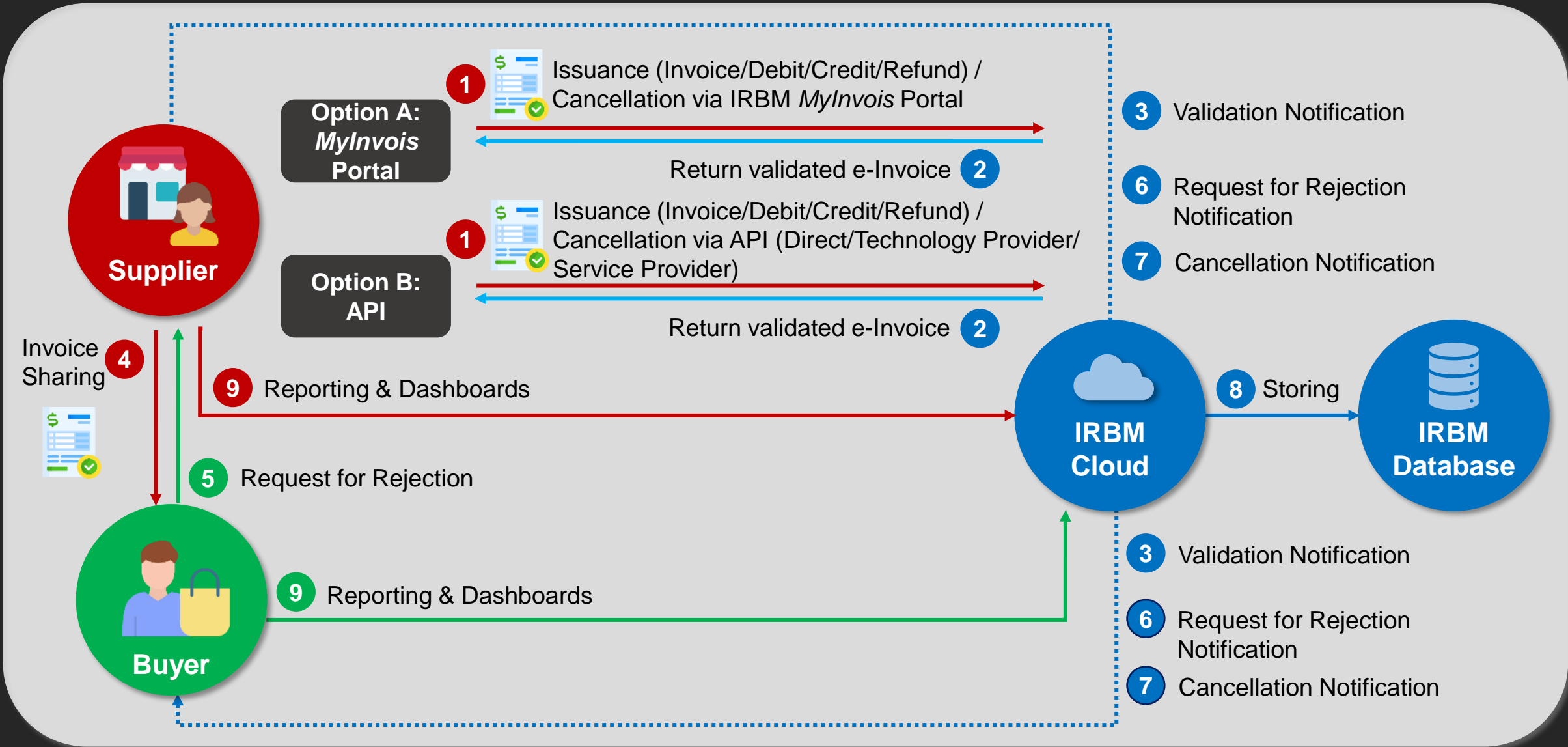


**Requires upfront investment in technology and adjustments to existing systems**



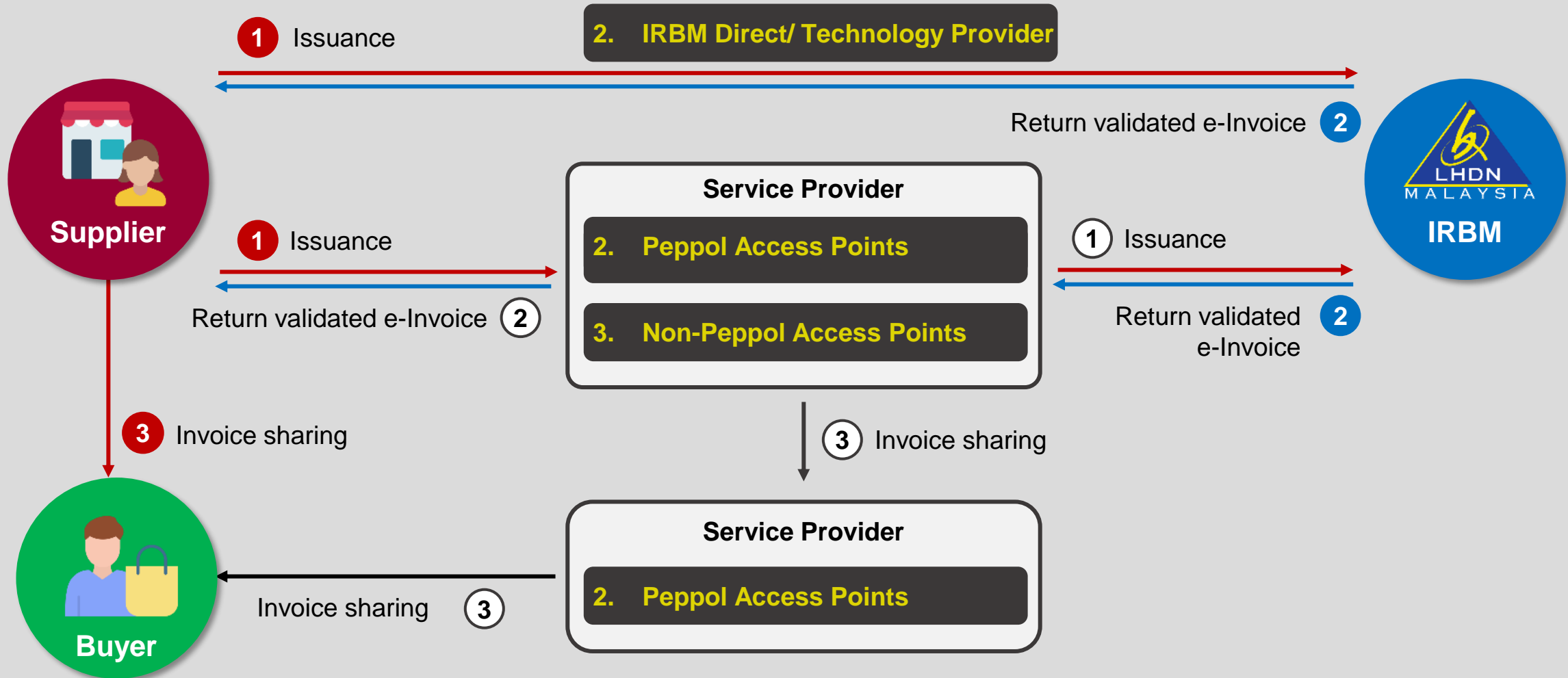
**Ideal for large taxpayers or businesses with substantial transaction volume**

# Overview of the MyInvois System in Malaysia



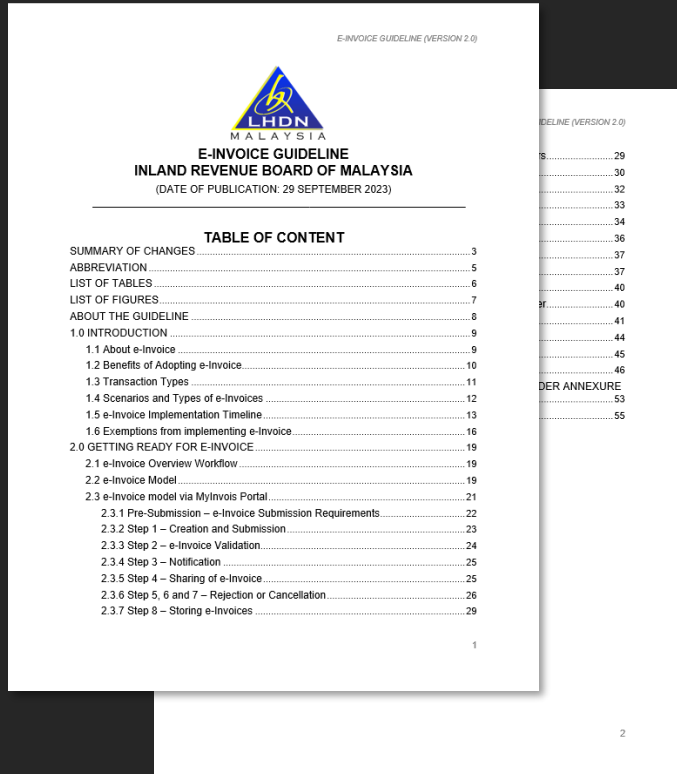
Legend: → Invoice Flow - - - - -> Notification Flow □ Supplier □ Buyer □ IRBM

# Overview of the MyInvois System via Option B (API)



# Overview of General Guideline 2.1

## General Guideline 2.1



**E-INVOICE GUIDELINE (VERSION 2.0)**

**LHDN MALAYSIA**

**E-INVOICE GUIDELINE**  
INLAND REVENUE BOARD OF MALAYSIA  
(DATE OF PUBLICATION: 29 SEPTEMBER 2023)

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## 4 focus areas

1

**Introduction**

2

**Getting Ready for e-Invoice**

3

**Data Security and Privacy Monitoring by IRBM**

4

**Assessing Readiness of e-Invoice**

**Published on  
28 October 2023  
(updated 28 October 2023)**

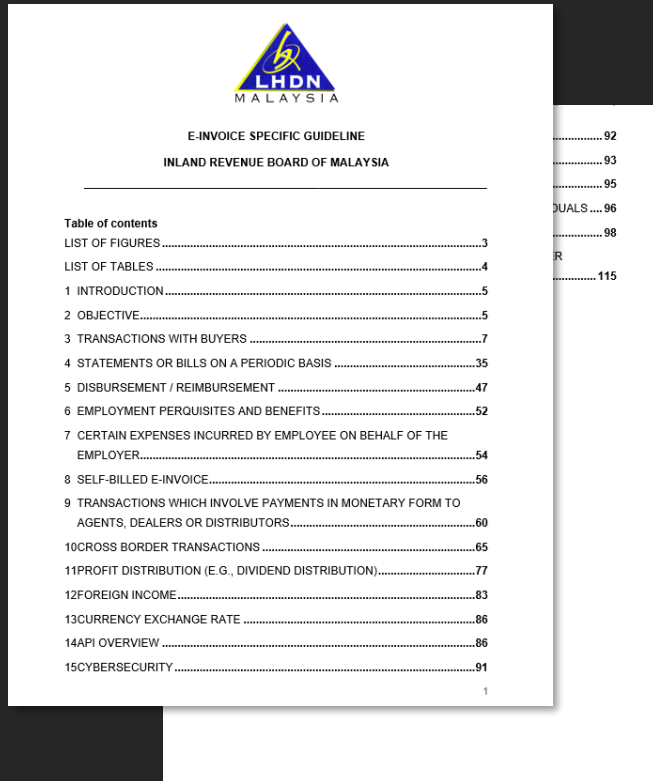
# Key changes made to e-Invoice Guideline Version 2.1

The e-Invoice Guideline (Version 2.1) was issued on 28 October 2023. It replaces the e-Invoice Guideline (Version 1.0) issued on 21 July 2023. The key changes made to the Guidelines are summarised below:

Paragraph in e-Invoice Guideline (Version 1.0)	Changes In e-Invoice Guideline (Version 2.0)		
	Paragraph	Item	Reference
-	1.5	New – e-Invoice Implementation Timeline	Clarification
-	1.6	New – Exemptions from implementing e-Invoice	Clarification
2.2	2.2	Rephrased key feature of API	Clarification
2.3.3	2.3.3	Addition on timing of validation	Clarification
2.3.3	2.3.3	Addition on validated e-Invoice	Clarification
2.3.6	2.3.6	Addition of 1 (d) and 1 (e)	Clarification
2.4	2.4	Addition on method of transmission of e-Invoice via API	Clarification
2.4.3	2.4.3	Addition on validated e-Invoice	Clarification
2.4.3	2.4.3	Addition on timing of validation	Clarification
2.4.6	2.4.6	Addition of 1 (d) and 1 (e)	Clarification
2.4.9	2.4.9	Rephrased on Software Development Kit (SDK)	Clarification
Appendix 1	Appendix 1	Update To Data Field Requirement – List of required fields for e-Invoice	Editorial change
Appendix 2	Appendix 2	Update To Data Field Requirement – List of Mandatory and Optional Fields under Annexure to the e-Invoice	Editorial change

# Overview of Specific Guideline 1.1

## Specific Guideline Version 1.1



**E-INVOICE SPECIFIC GUIDELINE**  
INLAND REVENUE BOARD OF MALAYSIA

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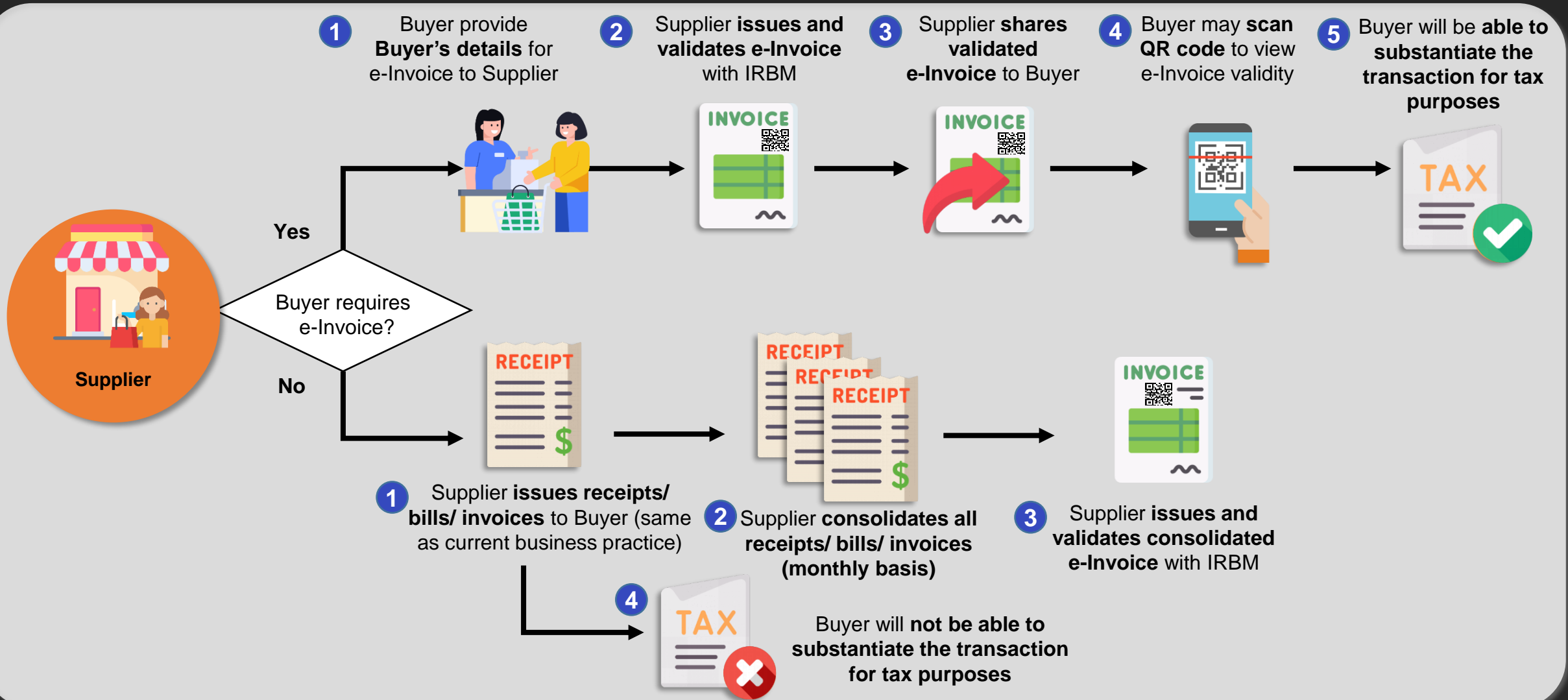


## 13 focus areas

1	Transaction with buyers	8	Cross border transactions
2	Statement/ bills on a periodic basis	9	Profit distribution (e.g., dividend distribution)
3	Disbursement and reimbursement	10	Foreign income
4	Employment perquisites and benefits	11	Currency exchange rate
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7	Transactions which involve payments in monetary form to agents, dealers or distributors		

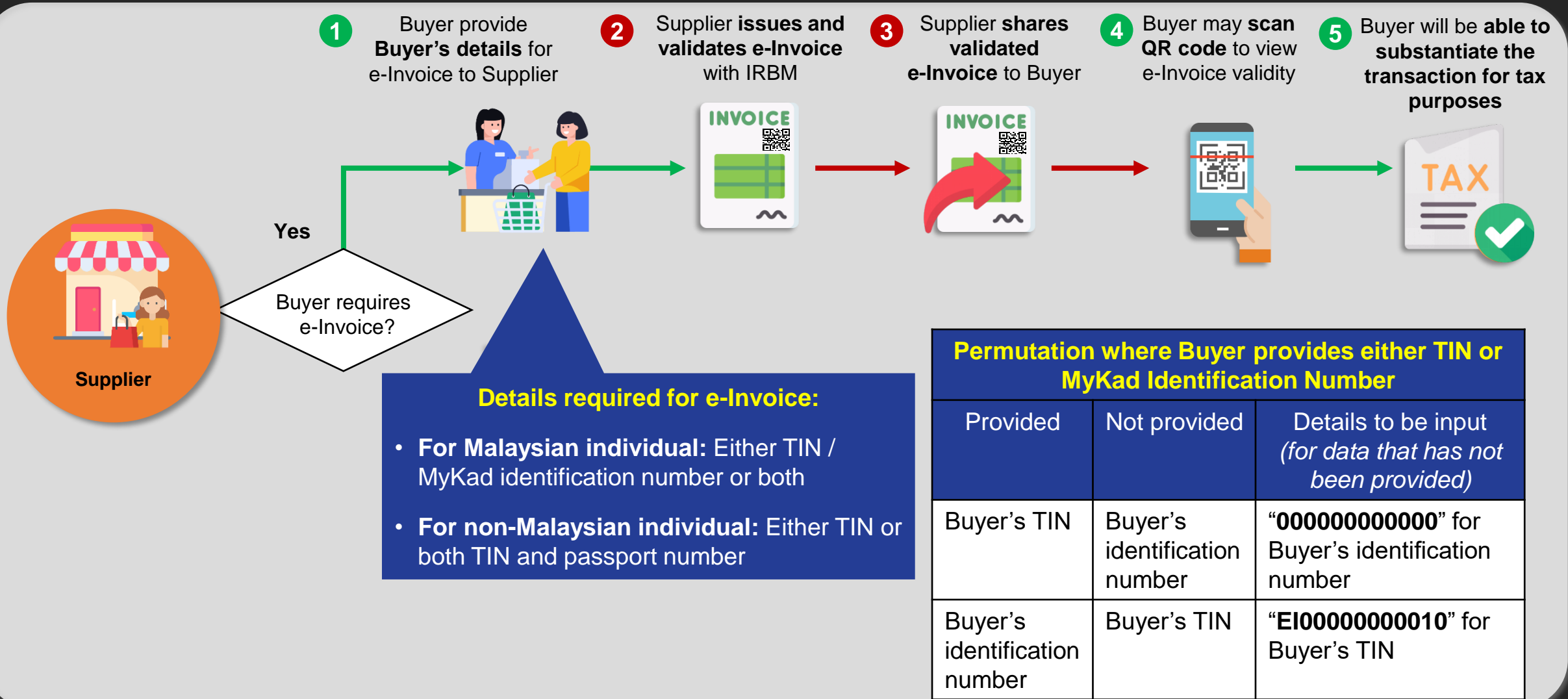
**Published on  
29 September 2023  
(updated 28 October 2023)**

# Overview of e-Invoice issuance for transaction with buyers

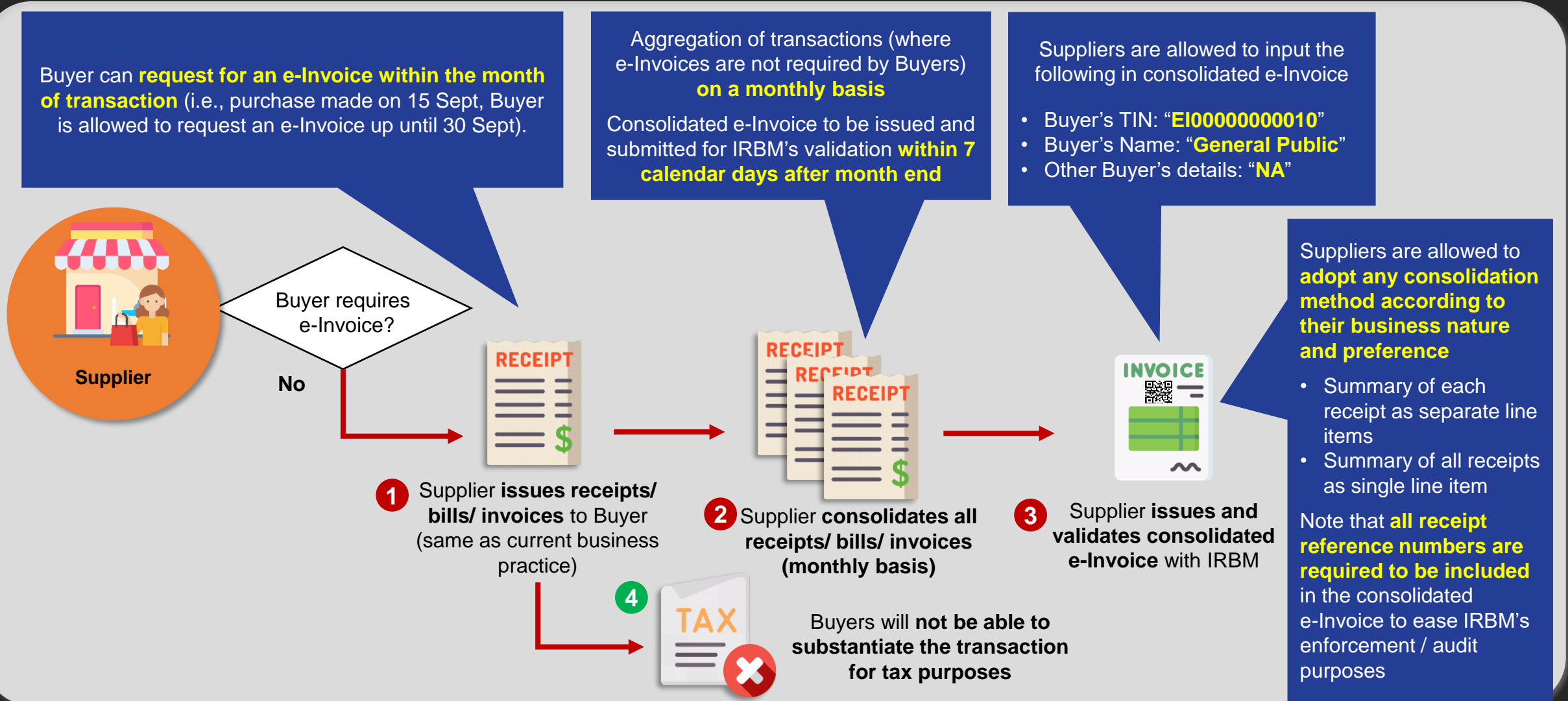




# 1 Transactions with Buyers – Issuance of e-Invoice to Buyers



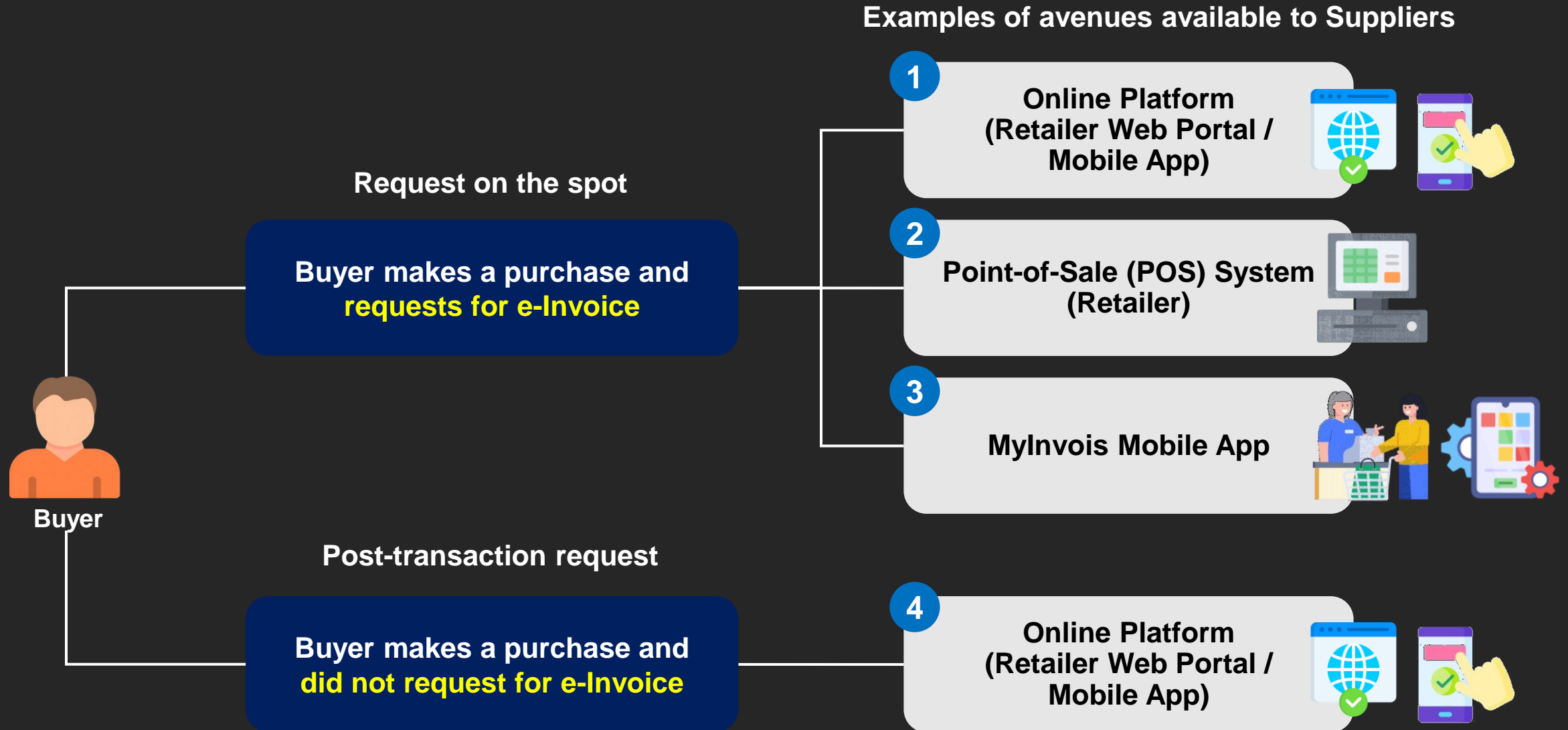
# 1 Transactions with Buyers – Issuance of consolidated e-Invoice



# Transactions with Buyers – Types of activities or transactions where e-Invoice is required for all transactions (i.e., no consolidation allowed)

No.	Industry / Activity	Types of activities or transactions
1	<b>Automotive</b>	Sale of any motor vehicle
2	<b>Aviation</b>	Sale of flight ticket, private charter
3	<b>Luxury goods and jewellery</b>	Details to be provided in due course
4	<b>Construction</b>	Construction contractor undertaking construction contract, as defined in the Income Tax (Construction Contracts) Regulations 2007
5	<b>Wholesalers and retailers of construction materials</b>	Sale of construction materials, regardless of volume sold
6	<b>Licensed betting and gaming</b>	Pay-out to winners for all betting and gaming activities, except (i) casino and (ii) gaming machines [until further notice]
7	<b>Payment to agents / dealers / distributors</b>	Payments made to agents, dealers or distributors

# Overview of methods for suppliers to issue e-Invoice to Buyers



2

# Statement/ bills on a periodic basis

Industries/ sectors that issue statements/ bills to record multiple transactions between Suppliers and Buyers over a set period instead of issuing individual invoices for each transaction:



Digital / Electronic Payment



Financial services including banking & financial institutions



Insurance



Stockbroking



Healthcare



Telecommunication

Note: Industries / sectors listed are non-exhaustive

**Issuance of e-Invoice to Buyer**

- e-Invoice created and submitted to IRBM would only be limited to income and expense of Supplier
- Upon IRBM’s validation, businesses are allowed to convert the validated e-Invoice (XML / JSON format) into visual presentation in the form of statements / bills before sharing with the Buyers
- Issuance of e-Invoice is in accordance with current issuance frequency of respective businesses

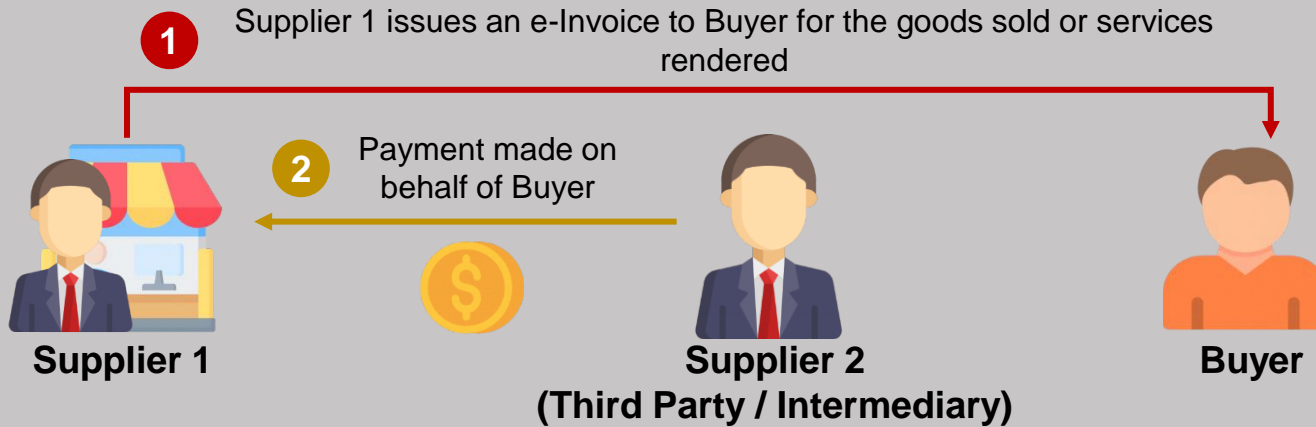
**Issuance of consolidated e-Invoice**

- Businesses are allowed to aggregate statements / bills (where no e-Invoice is required by Buyers) to issue consolidated e-Invoice in accordance with current issuance period (within 7 calendar days after the end of billing period)

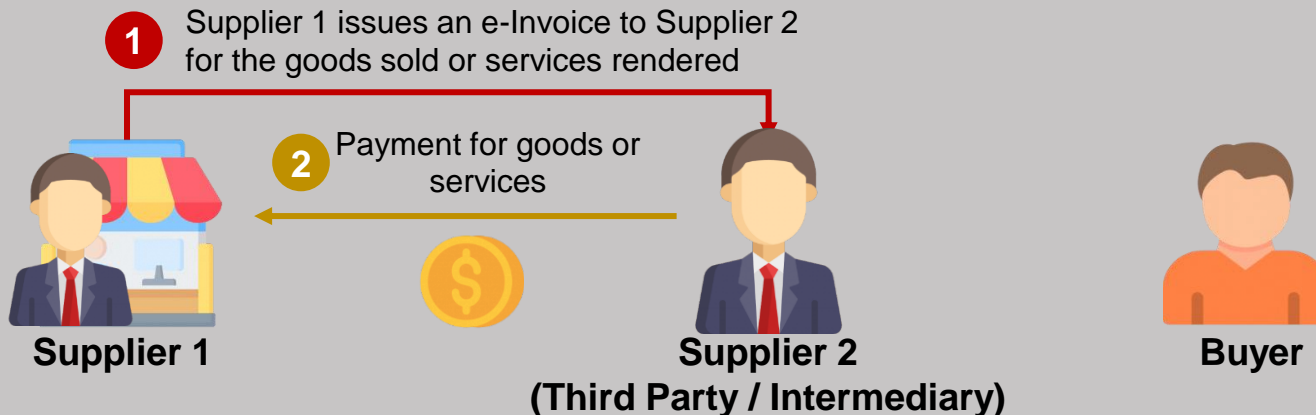
**Regulated industries are not required to disclose statement / bill reference number in the consolidated e-Invoice**

### 3 Disbursement and reimbursement

#### Scenario 1: Supplier 1 issues e-Invoice to Buyer



#### Scenario 2: Supplier 1 issues e-Invoice to Supplier 2



#### Disbursement

- Supplier 1 will issue an e-Invoice directly to the Buyer, subsequently Supplier 2 will issue an e-Invoice to the Buyer for the goods supplied or services rendered by Supplier 2 to Buyer
- Supplier 2 should neither include the payment made on behalf of Buyer in Supplier 2's e-Invoice nor issue an additional e-Invoice to recover the amount paid on behalf of Buyer to Supplier 1

#### Reimbursement

- Supplier 1 will issue an e-Invoice to Supplier 2, subsequently Supplier 2 will issue an e-Invoice to the Buyer to record the amount incurred on behalf of Buyer alongside the goods sold or service rendered by Supplier 2

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

### **Concessions for e-Invoice issuance to employee**

- Businesses / Employers will be 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

### **Examples of employment perquisites & benefits:**

- Employees' pecuniary liabilities (e.g., utility bills, parking fees, and car maintenance charges)
- Club membership
- Gym membership
- Professional subscriptions
- Allowances (e.g., travelling, petrol, toll rate, parking rate, meals, etc.)

### **Examples of expenses incurred by employee on behalf of the employer:**

- Accommodation
- Toll
- Parking
- Telecommunication expenses
- Expenses incurred in a foreign country

## 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



# 7 Transactions which involve payments in monetary form to agents, dealers or distributors

Current transaction flow between Seller, agent / dealer / distributor and Purchaser



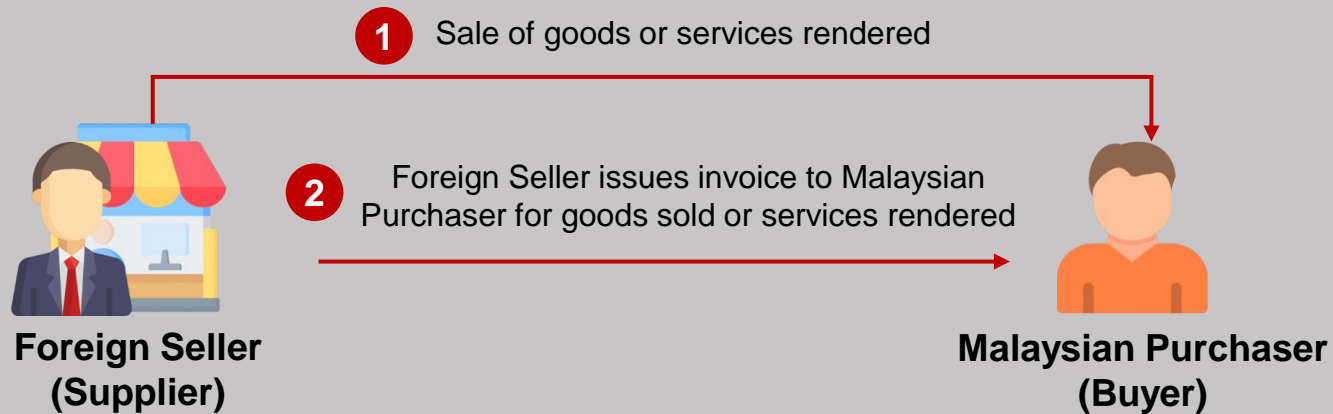
## Issuance of e-Invoice (upon request) / normal invoice from Seller to Purchaser

- Purchaser acquires goods or services from the Seller
- Seller required to issue an e-Invoice to the Purchaser to record the transaction
- If Purchaser does not request for an e-Invoice to be issued, Seller will issue a normal receipt / bill / invoice to the Purchaser

## Issuance of self-billed e-Invoice from Seller to agent / dealer / distributor

- Seller assumes the role of Supplier to issue a self-billed e-Invoice for proof of expense and at the same time proof of income for agent / dealer / distributor

### Current transaction flow between Foreign Seller and Malaysian Purchaser



### CROSS-BORDER TRANSACTIONS

- 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
- Malaysian Purchaser may 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

### FOREIGN INCOME

- All foreign income received in Malaysia from outside of Malaysia requires an e-Invoice for tax purposes
- Recipient of foreign income would assume the role of Supplier and 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

### DOMESTIC DISTRIBUTION

The **taxpayer that makes the distribution** is required to assume the **role of Supplier and issue a self-billed e-Invoice** to the recipient of the distribution

### Roles of taxpayers who are required to issue self-billed e-Invoice:

- Supplier: Recipient of the distribution
- Buyer: Taxpayer that makes the distribution

However, certain taxpayers are exempted from issuing self-billed e-Invoice on profit distribution:

1. **Companies that are not entitled to deduct tax** under Section 108 of the Income Tax Act 1967
2. Taxpayers who are **listed on Bursa Malaysia**

## Currency Exchange Rate

- May be applicable for
  - transactions concluded in foreign currencies (i.e., other than Ringgit Malaysia (RM))
  - where Supplier is required to include RM-equivalent in the e-Invoice

## Currency exchange rate treatment

- Taxpayers shall comply with legal or tax requirements on currency exchange rate as imposed by relevant authorities (e.g., JKDM, IRBM, etc.), where applicable
- Where the above is not applicable, taxpayers may follow the currency exchange rate per internal policy

## 1

### API Flow

1. The Login API authenticates taxpayers' registered systems by utilising the Client ID and Secret Key retrieved from MyInvois Profile.
2. Upon successful authentication, taxpayers are provided with an access token to access protected APIs.
3. Taxpayers submit e-Invoice in XML / JSON format for validation through the API
4. After successful validation, the buyer receives a notification via API and has the option to request for rejection via API within 72 hours
5. Taxpayers have the option to cancel the e-Invoice via API within 72 hours. If no action is taken, the e-Invoice remains valid

## 2

### Validation Logic Flow

1. MyInvois System will perform a series of checks to ensure the XML / JSON file conform to the e-Invoice format, structure and data standards
2. 3 types of validation rules applied during the e-Invoice file validation:
  - Syntax validation
  - Schema validation
  - Business Rule Validation

## 3

### Data Structure / Data Dictionary

1. MyInvois System is designed to handle text and character data using the UTF-8 character encoding standard
2. Available guidance on the required data fields, including data types, maximum length, validation criteria and examples

## Authentication & Authorisation

- Usage of unique identity to perform authorised actions (e.g., submit, receive, request)

## Data Encryption

- API communication between supplier and MyInvois is encrypted using industry standard Transport Layer Security (TLS) encryption protocol (HTTPS)
- Critical data stored in *MyInvois* Portal is encrypted using industry standard AES algorithm
- Data transmission and receipt complies to:
  - *Dasar Keselamatan ICT LHDNM*
  - *Surat Pekeliling Am: Garis Panduan Pengurusan Maklumat Melalui Perkomputeran Awan (Cloud Computing) Dalam Perkhidmatan Awam*

## Cybersecurity Standards

- MyInvois system is in compliance and certified with
  - ISO/IEC 27001 Information Security Management System (ISMS)
  - ISO 22301 Business Continuity Management System BCMS Audit Certification

# e-Invoice key transition requirements

Change management



People

**Allocate and equip personnel** with the necessary capabilities to adopt and oversee the implementation



Technology

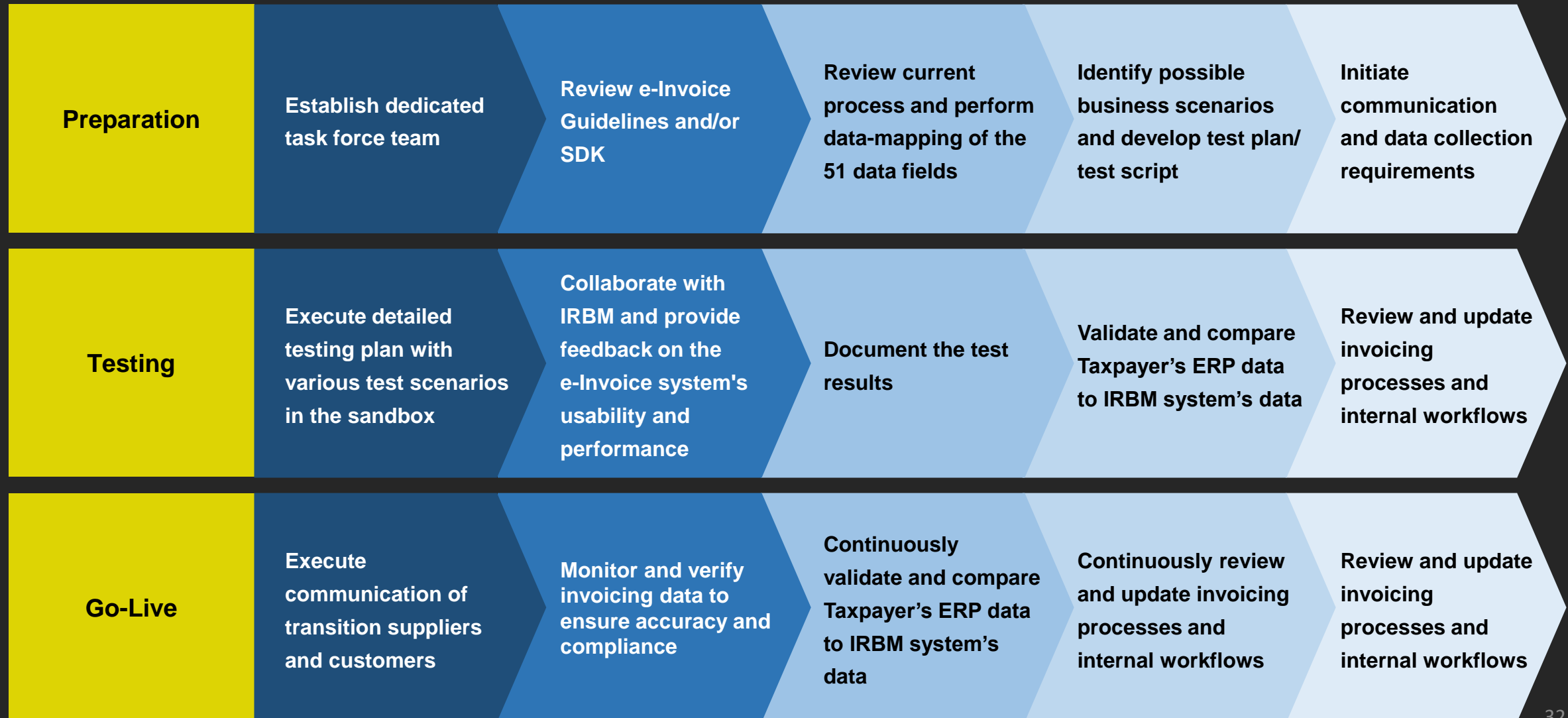
Determine **availability of data sources**, current IT capabilities to **support system readiness** and **processes to comply** to e-Invoice requirements



Process

**Review current processes** in issuing transaction documents (i.e., invoice, debit note, credit note, refund)

# Preparing for the e-Invoice





# 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*

# Four key avenues to provide support to taxpayers in successfully adopting e-Invoice

1



## e-Invoice Microsite

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

2



## e-Invoice General Guideline

*Published version 1 on 21 Jul 2023  
Published version 2.0 on 29 Sep 2023  
Published version 2.1 on 28 Oct 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

3



## e-Invoice Specific Guideline

*Published on 29 Sep 2023  
Published v 1.1 on 28 Oct 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)

4



## 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

**Email us for any queries or visit the microsite for further information regarding e-Invoice**

**Scan the QR code below to visit the e-Invoice microsite:**



**For any queries, email us at:**

**[myinvois@hasil.gov.my](mailto:myinvois@hasil.gov.my)**

An aerial photograph of Kuala Lumpur, Malaysia, showing the Petronas Twin Towers and other skyscrapers in the background, and a lush green park with a winding path and a small pond in the foreground. A semi-transparent dark grey banner is overlaid across the middle of the image.

# Thank you