Spearheading e-Invoicing into the future

—

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KPMG in Malaysia

Overview and commentary

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Key Message

"Taxpayers would be wise to take this opportunity to work towards fully implementing e-Invoicing by performing assessment for system readiness, streamlining business process requirements and evaluating potential investment costs."

Continuing the e-invoicing momentum

The MADANI 2025 Budget announced by the Prime Minister and Finance Minister, YAB Dato' Seri Anwar Bin Ibrahim themed "Membugar Ekonomi, Menjana Perubahan, Mensejahtera Rakyat" focuses on driving economy growth, generating change and reformation as well as addressing the Rakyat's needs.

With a GDP of 12.6% in 2023, Malaysia's tax revenue is among the lowest in ASEAN. The 2025 Budget implements measures to broaden the tax base, uphold a progressive tax system, reduce tax evasion, and enhance tax compliance among the Rakyat.

e-Invoicing, initially introduced during the re-presentation of the 2023 Budget, supports digital economy growth. In essence, an e-Invoice is a digital representation of a transaction between a supplier and buyer replacing paper or electronic documents, containing the same crucial information in a traditional invoice document.

Accelerated capital allowance claim

On 26 July 2024, the Government of Malaysia has agreed to offer taxpayers a six-month interim relaxation period from the date of mandatory implementation. Generally, during this interim period, the Government will permit taxpayers to use consolidated e-Invoices for all activities and transactions and consolidated self-billed e-Invoices for all self-billed circumstances.

To encourage taxpayers who implement e-Invoicing according to the mandatory timeline without utilization of the interim relaxation period, the accelerated capital allowance claim for the purchase of ICT equipment and computer software packages has been reduced from three (3) years to two (2) years, effective for the Year of Assessment (YA) 2024 to YA 2025.

Areas to ponder

In the 2025 Budget announcement, a similar accelerated capital allowance claim has been proposed for the purchase of ICT equipment, computer software packages and consultation, licensing and incidental fees related to customised computer software development to encourage taxpayers to fully implement e-Invoicing.

The proposed period for claiming accelerated capital allowance has been shortened from three (3) years to two (2), enabling full realisation of the claim sooner. This accelerated capital allowance will apply for the YA 2024 until YA 2025.

Although the tax incentive announced in Budget 2025 appears to reflect a similar one described in the Government's media release on 26 July 2024, further clarification is needed regarding its application, including the following points:

- Is it mandatory to fully implement e-Invoicing to be eligible for the proposed tax incentive?
- For the first phase of taxpayers with mandatory implementation timeline on 1 August 2024 where the relaxation measure for consolidated e-Invoice is utilised until 30 November 2024 followed by full implementation of e-Invoicing on 1 December 2024, are the taxpayers eligible for the accelerated capital allowance claim for YA 2024?
- Are consulting fees for ongoing upgrades and system configuration to comply with updated e-Invoicing guidelines falling within the scope of the tax incentive?

As the first batch of taxpayers with annual turnover or revenue of more than RM100 million has crossed the bridge for mandatory e-Invoicing implementation on 1 August 2024 and the second phase taxpayers with annual turnover or revenue of between RM25 million to RM100 million looms near, it is essential to consider the concerns of the taxpayers during this transition.

A digital nation fit for the future

Following the announcement of the proposed e-Invoicing incentive which is effective from YA 2024 until YA 2025, it would seem that no further relaxation period would be granted as the end of the interim relaxation period for the taxpayers falling under the final phase of e-Invoicing implementation concludes on 31 December 2025.

To this end, taxpayers would be wise to take this opportunity to work towards fully implementing e-Invoicing by performing assessment for system readiness, streamlining business process requirements and evaluating potential investment costs.

While Malaysia’s current e-Invoicing model offers a comprehensive approach to digitalization, there remain significant opportunities to enhance the process and support businesses during this transition. With a clear path forward, Malaysia can move towards a future where digital transformation is not just an aspiration but a reality that benefits all.

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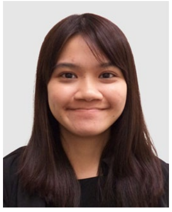

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