



Updates on e-Invoicing

e-Invoice Guideline (Version 2.0)

**e-Invoice Specific Guideline
(Version 1.0)**



KPMG in Malaysia

4 October 2023

Commentary

The recently issued e-Invoice Guideline (Version 2.0) replaces the e-Invoice Guideline (Version 1.0). The Inland Revenue Board (“IRB”) provides further guidance on specific areas, e-Invoice treatment and implementation of e-Invoicing via the issuance of e-Invoice Specific Guideline (Version 1.0) and e-Invoice Catalogue dated 29 September 2023.

We set out the key updates and salient points from the updated and new guidelines in the following pages.

Taxpayers are reminded to take note of the implementation timeline and look into the specific needs and business requirements where e-Invoicing is concerned.

Should you have any queries relating to e-Invoicing or any other tax matters, please contact your KPMG consultants or send us an email at info@kpmg.com.my.

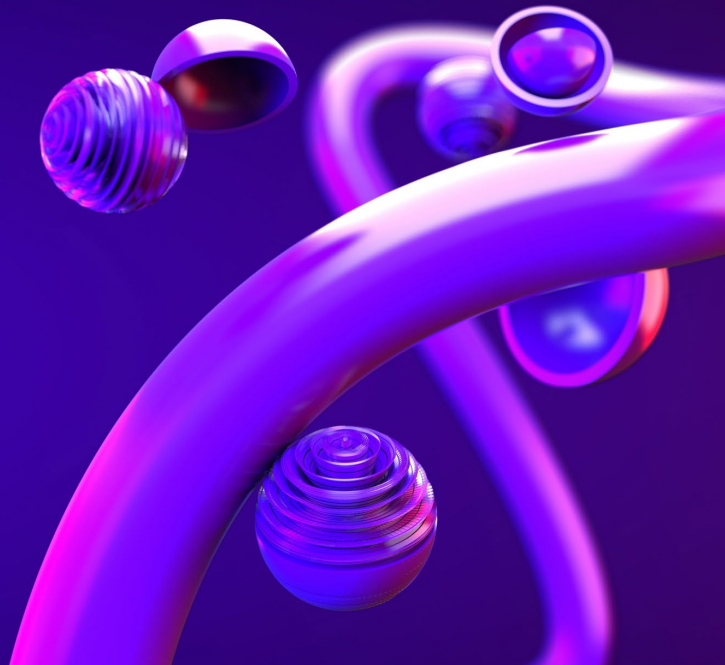


Soh Lian Seng

Head of Tax
KPMG in Malaysia

e-Invoice Guideline (Version 2.0)

The e-Invoice Guideline (Version 2.0) replaces the e-Invoice Guideline (Version 1.0) issued on 21 July 2023. The following page summarises the key updates outlined in the e-Invoice Guideline (Version 2.0) dated 29 September 2023.



Key Updates in the e-Invoice Guideline (Version 2.0)

e-Invoicing Timeline

- Taxpayers within the specified annual turnover or revenue thresholds are required to issue and submit e-Invoice for IRB's validation based on the mandatory implementation timeline.
- The compliance obligation is from the Supplier's perspective on the issuance of e-Invoice.
- For taxpayers who have reached the threshold, invoices created and issued on or after the implementation date are required to be e-Invoices.
- On the other hand, invoices issued prior to implementation timeline are not required to be converted into e-Invoices.



Persons Exempted from e-Invoicing

- IRB has detailed a list of persons exempted from the issuance of e-Invoice (including self-billed) consisting of the Ruler/Formal Ruler and Ruling/Formal Ruling Chief, Consort of a Ruler/Formal Ruler, Government, state government and state authority, government authority and consular officers to name a few. The exemptions will be reviewed and updated from time to time.
- Any entity owned by exempted persons would still be required to implement e-Invoice in accordance with the e-Invoice implementation timeline
- Receipts / bills / invoices issued by the exempted persons would be used as proof of expense.
- Notwithstanding the above, Suppliers who provide goods or services to exempted persons are required to issue e-Invoice in accordance to the e-Invoice implementation timeline.

e-Invoice Guideline (Version 2.0) (cont'd)

e-Invoicing Model

- Taxpayers may select the most suitable e-Invoice transmission mechanism i.e. MyInvois Portal or Application Programming Interface (“API”).
- Under API, methods to transmit include:
 - i. Direct integration of enterprise resource planning (“ERP”) system with MyInvois System
 - ii. Peppol service providers
 - iii. Non - Peppol technology providers

Rejection / Cancellation of e-Invoice

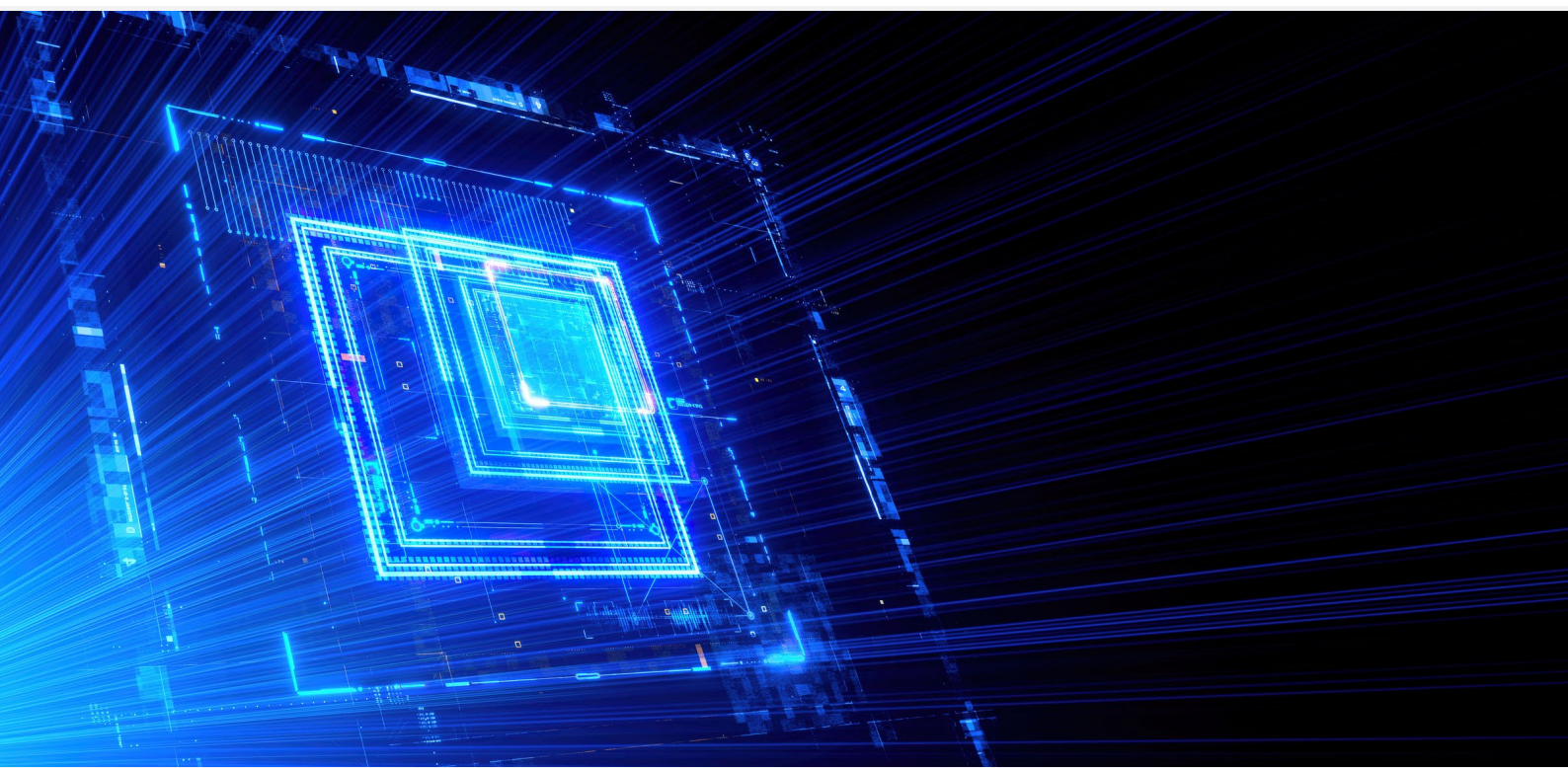
- Based on the e-Invoice Guideline (Version 1.0), the Supplier and Buyer are allowed to cancel or reject an e-Invoice within a stipulated time of 72 hours after e-Invoice validation.
- The IRB has clarified in the e-Invoice Guideline (Version 2.0) that the Buyer’s request to reject the e-Invoice is subject to acceptance by the Supplier to proceed with cancellation. No cancellation would be allowed after 72 hours has elapsed from the time of validation.

Income or Expense Exempted from e-Invoicing

- To overcome the challenges of issuing e-Invoices, the IRB has exempted certain types of income and expense from e-Invoicing (including self-billed e-Invoice).
- The above includes employment income, pension, alimony, distribution of dividend in special circumstances, zakat and scholarship. The exemptions will be reviewed and updated from time to time.

Required Data Fields

- Required data fields have been reduced from 53 to 51 for e-Invoice.
- The data field “*Supplier’s Website*” has been removed while “*Product Tariff Code*” made an optional field (applicable to import and exported of goods) and “*Time*” added as a required field alongside date of e-Invoice.
- To ease understanding, IRB has issued a data catalogue which includes but is not limited to MSIC code, e-Invoice Type and Classification (e.g. 004 for consolidated e-Invoice) (*Please refer to the data catalogue which will be updated by IRB from time to time*).



e-Invoice Specific Guideline (Version 1.0)

Following the IRB's release on 29 September 2023 detailing the updated version of the e-Invoicing Guideline released previously, the IRB has also issued Specific Guideline (Version 1.0) to provide further guidance on the issuance of e-Invoice in 13 areas. The salient points are highlighted below:

1 Transactions with buyers

- The IRB allows for Suppliers to consolidate the transactions with Buyers (who do not require an e-Invoice as a proof of expense for tax purposes) into a consolidated e-Invoice on a monthly basis, which is required to be submitted to the IRB within seven (7) calendar days after the month end.
- Taxpayers may choose to adopt the appropriate consolidation method according to their business nature and preference. For example, the Supplier may summarize each receipt / bill / invoice to be presented as a separate line or summarizing all receipts /bills / invoices to be presented as a single line item.
- To facilitate the issuance of e-Invoice, the IRB has laid out various options for Suppliers to allow Buyers to request for e-Invoice at the Buyers' convenience.
- However, the Specific Guideline (Version 1.0) currently lists 7 industries / activities where consolidated e-Invoice is not allowed.



Aviation



Automotive



Luxury goods
and jewelry



Construction



Wholesalers and
retailers of
construction
materials



Licensed betting
and gaming



Payment to
agents / dealers /
distributors

Things to note

1

For Malaysian individuals, there is an option to include the Tax Identification Number ("TIN"), MyKad identification number or both in the Buyer's TIN data field.

2

For consolidated e-invoice, Supplier to input "General Public" in the "Buyer's Name" data field.

3

The IRB has listed the types of General TIN the supplier may input in the e-Invoice under selected circumstances, i.e General Public's TIN, Foreign Buyer's TIN and Foreign Supplier's TIN.

e-Invoice Specific Guideline (Version 1.0) (cont'd)

2 Statements or bills on periodic basis

- To minimize business disruption, the IRB allows certain businesses (Suppliers) who are currently practicing the issuance of statements or bills to record multiple transactions on a periodic basis to issue the e-Invoice in the JSON / XML format for IRB's validation.
 - The validated e-Invoice is subsequently converted to a visually presentable statement / bill to the Buyer based on their respective issuance frequency (e.g., monthly, bi-monthly, quarterly, annually).
 - For Buyers who do not require an e-Invoice, Supplier will maintain their usual practice of issuing a normal statement / bill to Buyer and is allowed to aggregate statements / bills to prepare a consolidated e-Invoice.
 - The consolidated e-Invoice is to be submitted to the IRB within seven (7) calendar days after the end of the billing period (whichever applicable).
 - Statement or bill reference number for each transaction in the description field is required, *except* for regulated industries (e.g. financial institutions, payment systems).
-

3 Disbursement or reimbursement

- A Supplier which has paid expenses on behalf of the Buyer should neither include the payment made on behalf of Buyer in their e-Invoice nor issue an additional e-Invoice on the same expenses which have been issued an e-Invoice by another Supplier (i.e. no duplication of e-Invoice on the same expense).
 - The Supplier then provides the proof of payment to the Buyer to recover the payment made to the other Supplier on behalf of the Buyer.
-

4 Employee perquisites and benefits

- Upon the implementation of e-Invoice, employees are required to request for the e-Invoices to be issued to their employer for proof of expense, where possible.
- The IRB recognizes the challenges in obtaining e-Invoices to be issued under the name of the employer and has provided some leeway for certain circumstances such as allowing businesses to proceed with the use of e-Invoice issued in the name of the employee to substantiate a particular transaction for tax purposes.
- For payments made to foreign suppliers, both employer and employee are not required to issue a self-billed e-Invoice as the IRB will accept the foreign supplier's receipts / bills / invoices as a proof of expense. This exception will only be applicable for perquisites and benefits which are clearly stated in the employer's policy.

e-Invoice Specific Guideline (Version 1.0) (cont'd)

5 Certain expenses incurred by employee on behalf of employer

- Upon the implementation of e-Invoice, employees are required to request for the e-Invoices to be issued to their employer for proof of expense, where possible.
- The IRB has provided concession including allowing businesses to proceed with the use of e-Invoice issued in the name of the employee to substantiate a particular transaction for tax purposes.
- For expenses incurred overseas by the employee, both employer and employee are not required to issue a self-billed e-Invoice as the IRB will accept the foreign receipts / bills / invoices as a proof of expense.
- This exception will only be applicable if the employer is able to substantiate that the employee is acting on behalf of the employer in incurring the expenses.

6 Self-billed e-Invoice

Self-billed e-Invoice will be allowed for the following transactions:

- Payment to agents, dealers, distributors, etc. (*see item 7*);
- Goods sold or services rendered by foreign suppliers (*see Item 8*);
- Profit distribution (e.g. dividend distribution) (*see Item 9*);
- e-Commerce transactions (*details will be released in due course*);
- Pay-out to all betting and gaming winners except for pay-outs to winners in relation to betting and gaming (i) in casino and (ii) from gaming machines are exempted from self-billed e-Invoice until further notice; and
- Acquisition of goods or services from individual taxpayers (who are not conducting a business).

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

- Upon concluding a sale or transaction, the Agent / Dealer / Distributor is eligible to receive a payment from the Seller (e.g commission).
- For the purpose of self-billed e-Invoice issuance, the roles of both parties would be as follow:
 - Supplier: Agent / Dealer / Distributor
 - Buyer: Seller (assumes the role of Supplier to issue a self-billed e-Invoice for proof of expenses)
- It is mandatory for Malaysian Agent / Dealer / Distributor to provide TIN for the purpose of self-billed e-Invoice.

8 Cross border transactions

- As Foreign Seller is not mandated to implement Malaysia's e-Invoice, Malaysian Purchaser is required to issue a self-billed e-Invoice to record the expense.
- The validated self-billed e-Invoice (which will be used to substantiate the expense for Malaysian Purchaser) is not required to be shared with the Foreign Seller. As such, there would be no request for rejection from the Foreign Seller.
- Upon the implementation of e-Invoice, Malaysian Seller is required to issue an e-Invoice to the Foreign Purchaser to record the said income (no validation notification will be sent to Foreign Purchaser and there would not be any request for rejection from Foreign Purchaser also).

e-Invoice Specific Guideline (Version 1.0) (cont'd)

9 Profit distribution (e.g. dividend distribution)

- Companies that are not entitled for tax deduction under Section 108 of the Income Tax Act, 1967 and taxpayers who are listed on Bursa Malaysia can continue their existing processes in relation to profit distributions (e.g issuance of dividend vouchers or warrants) as they will be exempted from issuing self-billed e-Invoice on the dividend distribution (*This exemption will be reviewed and updated from time to time*).
 - Those not mentioned above are required to issue self-billed e-Invoice to document the expense for tax purpose which will also serve as a proof of income for the recipients of profit distribution.
-

10 Foreign income

- An e-Invoice would be required for all foreign income received in Malaysia from outside Malaysia as a proof of income for tax purposes.
 - The Income Recipient is required to issue an e-Invoice for foreign income received in Malaysia within the same month the said income is received in Malaysia.
-

11 Currency exchange rate

- Suppliers may use the currency exchange rate in the e-Invoice data field for transactions conducted in foreign currencies and is required to include the RM-equivalent in the e-Invoice.
 - Supplier shall comply with the legal or tax requirements on currency exchange rate as imposed by relevant authorities, where applicable. If it is not applicable, Supplier may follow the exchange rate per their internal policy.
-

12 API overview

- MyInvois System will perform a series of checks to ensure the XML/JSON file conform to the e-Invoice format, structure and data standards.
 - Upon successful validation of all the details, the IRB will return a validated e-Invoice together with the IRB Unique Identifier Number, date and time of validation as well as a validation link to the Supplier.
 - In the event the MyInvois API is down, taxpayers have the option to use MyInvoice Portal to submit e-Invoice.
 - In the event the MyInvois system is down, taxpayers are given 72 hours to retransmit the e-Invoice once the MyInvois System is available.
-

13 Cybersecurity measures

- The IRB assures that measures and practices are always taken to ensure the confidentiality and integrity of MyInvois System's data and transactions.
- Authentication and authorization, data encryption and cybersecurity standards are complied with using industry standards.

Contact us

Petaling Jaya Office

Soh Lian Seng

Partner – Head of Tax
KPMG in Malaysia
lsoh@kpmg.com.my
+603 7721 7019

Tai Lai Kok

Partner – Head of Corporate Tax
KPMG in Malaysia
ltai1@kpmg.com.my
+603 7721 7020

Bob Kee

Partner – Head of Transfer Pricing
KPMG in Malaysia
bkee@kpmg.com.my
+603 7721 7029

Long Yen Ping

Partner – Head of Global Mobility Services
KPMG in Malaysia
yenpinglong@kpmg.com.my
+603 7721 7018

Alvin Gan

Partner – Head of Management Consulting and
Technology Consulting
KPMG in Malaysia
alvingan@kpmg.com.my
+603 7721 7090

Ng Wei Wei

Partner – Tax Dispute Resolution Advisory
KPMG in Malaysia
wwng@kpmg.com.my
+603 7721 7201

Ng Sue Lynn

Partner – Head of Indirect Tax
KPMG in Malaysia
suelynng@kpmg.com.my
+603 7721 7271

Outstation Offices

Penang Office

Evelyn Lee

Partner – Penang Tax
KPMG in Malaysia
evewflee@kpmg.com.my
+604 238 2288 (ext. 312)

Kota Kinabalu Office

Titus Tseu

Executive Director – Kota Kinabalu Tax KPMG
in Malaysia
titustseu@kpmg.com.my
+6088 363 020 (ext. 2822)

Ipoh Office

Crystal Chuah Yoke Chin

Associate Director – Ipoh Tax
KPMG in Malaysia
ycchuah@kpmg.com.my
+605 253 1188 (ext. 320)

Kuching & Miri Offices

Regina Lau

Partner – Kuching Tax
KPMG in Malaysia
reglau@kpmg.com.my
+6082 268 308 (ext. 2188)

Johor Office

Ng Fie Lih

Partner – Johor Tax
KPMG in Malaysia
flng@kpmg.com.my
+607 266 2213 (ext. 2514)

KPMG offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +6088 363 020
Fax: +6088 363 022
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +604 238 2288
Fax: +604 238 2222
Email: info@kpmg.com.my

Johor

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +607 266 2213
Fax: +607 266 2214
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +6082 268 308
Fax: +6082 530 669
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +605 253 1188
Fax: +605 255 8818
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +6085 321 912
Fax: +6085 321 962
Email: info@kpmg.com.my

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

www.kpmg.com.my/Tax



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2023 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.