



Ebook

# Malaysia E-invoicing: Everything You Need to Know

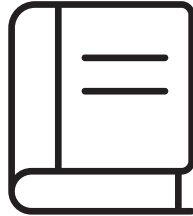


# I. Table of contents

I. . INTRODUCTION — .....	3
II. . E-Invoicing Journey So Far— .....	5
III. . Global Landspace for E-invoicing Compliance— .....	8
IV. . E-invoicing in Malaysia—.....	10
V. . Documents And Transactions Under Malaysia E-invoicing— .....	15
VI. . Models For E-invoicing in Malaysia — .....	19
VII.. Step-by-Step Guide to Generate and Manage E-Invoices via MyInvois Portal— .....	24
VIII. Choosing The Right Partner Solution— .....	26
IX. . About Symtrax— .....	30

# **II.**

# **INTRODUCTION**



E-invoicing, the process of generating, sending, and receiving invoices electronically, is at the frontline of modern business practices. As governments across the world mandate e-invoicing, it has become crucial for businesses to adopt this digital transformation. For instance, the European Union has mandated e-invoicing for all B2B transactions since 2019. As the adoption of e-invoicing expands, it is poised to have a substantial impact on the global economy.

Today, e-invoicing is no longer a novelty, it's a standard business practice. It offers numerous benefits, including reduced costs, increased efficiency, and a reduced carbon footprint due to a decrease in paper usage.

The future of e-invoicing holds a wide range of opportunities. With the growth of cross-border trade and global e-commerce, the need for standardized and interoperable e-invoicing systems is paramount. Additionally, as technology continues to advance, e-invoicing is evolving too, with the incorporation of features like real-time transaction tracking, digital signatures, and enhanced automation.

# **III. E-Invoicing Journey So Far**

As the world becomes ever more digitized, businesses are looking for ways to make payment and taxation less of a manual task. This need led to the emergence of e-invoicing.

## What is E-Invoicing?

E-Invoicing, or Electronic Invoicing, is a system that allows the distribution of invoices between buyers and sellers via digital interfaces in a structured data format, eliminating the need for paper-based physical invoices or image files such as PDFs.

E-invoicing enables organizations to create, send, and manage invoices electronically, ensuring the exchange of invoices is highly secure, efficient, and fast.

## How did E-Invoicing Start?

The roots of e-invoicing can be traced back to the 1960s, at the time when companies were developing Electronic Data Interchange (EDI) systems to help transfer documents like invoices and purchase orders.

The first e-document, a shipping manifest was sent in 1965 by Holland America using telex.

In recent years, the use of PEPPOL has surged across the world, revolutionizing electronic data interchange (EDI) and streamlining supply chain operations for business.

## What is Peppol?

Pan-European Public Procurement On-Line (PEPPOL) is a relatively new standard for electronic invoicing that has gained global acceptance.

PEPPOL, originally launched in 2008 by the European Union, is an innovative framework that aims to standardize electronic procurement processes across Europe and beyond. It aims to simplify electronic transactions and promote cross-border trade and procurement. Since emergence, PEPPOL's reach has expanded significantly and has become a widely accepted international standard with more than 60 countries having membership of this network.

# **IV. Global Landscape for E-invoicing Compliance**



More than 80 countries worldwide have e-Invoicing mandates and around 50 have an intention to impose new or additional mandates. According to reports, by 2030 majority of the world's VAT regimes will have mandatory transaction controls in law around the invoicing.

Mexico and Brazil were the pioneers in the implementation of mandatory e-Invoicing, and their approach has rapidly become the standard for electronic invoicing in the region.

Soon after, when the 2014 mandate was passed, several EU countries took a step beyond and forced suppliers to issue e-Invoices for all business to government (B2G) supplies of goods.

## E-invoicing in Asia Pacific Region

E-Invoicing is maturing in this region and early moves to impose mandates are being taken by several countries. Countries like India, Taiwan and Russia have used the Latin American clearance model for e-invoicing where as Hong Kong, Japan, Singapore, Australia and New Zealand have taken the post-audit approach with open e-Invoicing frameworks.

*In 2023, Malaysia also joined the rising number of countries to announce a new mandatory e-Invoicing regulation.*

# **V. E-invoicing in Malaysia**

Malaysia's move towards e-invoicing is driven by a combination of economic, technological, and regulatory factors, all aimed at fostering a more digitally advanced, efficient, and globally competitive business landscape. In commitment to instituting clean tax practices and advancing digitization initiatives, the Malaysian Inland Revenue Board (IRB) has announced the mandatory implementation of e-invoicing for enterprises, contingent on their annual turnover. The current IRB implementation will primarily focus on direct taxes to ensure compliance.

## **Overview of e-Invoice mandate**

Malaysia will adopt an electronic invoice system beginning June 2024. Against this backdrop, the Inland Revenue Board of Malaysia (IRBM) has also issued an E-Invoice Guideline. The guideline addresses the scope of implementation of the E-Invoice which comprises the simplified e-invoice concepts, step-by-step guidance on key aspects of E-Invoice, practical examples, and common questions regarding E-Invoice.

## Implementation Timeline

To facilitate efficient execution and provide businesses with sufficient preparation time, the adoption of e-invoicing will occur in phases and is expected to be fully integrated by July 1, 2025.



**NOTE:** Businesses can volunteer to adopt e-invoicing before they reach the mandatory stage

**Note:** The above implementation timeline is based on the annual turnover or revenue determined based from the financial year 2022.

## Benefits of transitioning to E-invoicing

The aim of the e-invoicing mandate is to provide numerous advantages to corporate and individual taxpayers, ensuring a successful journey toward digitization.

To sum it up, here are a few benefits of adopting e-invoicing:



### Reduce manual efforts and human errors

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



### Facilitate efficient tax filing

Seamless system integration for efficient and accurate tax reporting



### Streamline operational efficiency

Enhanced efficiency and significant time and cost savings



### Digitalise tax and financial reporting

Aligns financial reporting and processes to be digitalised with industry standards

**Source:** Official Portal Inland Revenue Board of Malaysia

In addition to these benefits, the Malaysia authorities have also announced tax incentives and grants for Micro, Small and Medium-sized Enterprises (MSMEs) related to the implementation of e-Invoices in the Budget 2024:

- **Digitization grant:** MSMEs are eligible to receive RM5,000 each for upgrading their sales systems, inventory systems, and digital accounting systems.
- **Capital allowance:** Effective from YA2024, the capital allowance claim period and rates are reduced to 3 years with a 40% initial and 20% annual allowance, respectively for ICT equipment, software, and related consultation and licensing fees.
- **Tax deduction:** From YA2024 to YA2027, MSMEs can enjoy a tax deduction of up to RM50,000 each assessment year for ESG-related expenditures, including consultation fees for e-invoice implementation.

**VI.  
Documents  
And  
Transactions  
Under  
Malaysia  
E-invoicing**

## Documents

Malaysia's e-invoice system requires the following documents to be issued electronically:

- **Invoice:** A commercial document detailing transactions between a supplier and a buyer. This may involve the issuance of a self-billed e-invoice to document an expense.
- **Credit note:** A document given by a supplier to the customer whenever there is a difference in the original transaction value due to some errors in the invoice, discounts offered, or to address any returns on previously sold goods or services (incorrect or damaged).
- **Debit note:** A document issued to highlight additional charges on a previous invoice; the debit note serves as a supplementary document to the initial transaction.
- **Refund notes:** Suppliers issue this document to acknowledge the refund of the buyer's payment, completing the transaction cycle

### Transactions:

All commercial activities, including the sale of goods and services, as well as non-commercial transactions between individuals, are covered by e-invoicing.



## Scenarios that require e-invoice to be issued are:

1. **Proof of Income:** Document issued whenever a sale or other transaction is made to confirm taxpayers' income.
2. **Proof of Expense:** Expense document issued upon purchases, spendings, returns, and discounts and can be used to reconcile income receipts. Taxpayers are required to issue self-billed e-invoices for specific expenses like, foreign transactions, when the supplier doesn't use Malaysia's MyInvois system.

### Typical transaction types covered under e-invoice implementation include:

- o **Business-to-Business (B2B)**
- o **Business-to-Consumer (B2C)**
- o **Business-to-Government (B2G)**

Mandatory for businesses engaging in both domestic and cross-border transactions, including services, goods, and specific non-business transactions such as property trust, co-operative societies, corporations etc.

E-invoicing shall not be applicable to some entities like rulers, former rulers, government bodies, local authorities, and diplomatic offices as they are currently exempt from issuing e-invoices. Refer the IRBM e-invoice guidelines for detailed list of exempted entities.

Invoices, credit notes, debit notes and refund notes are the types of documents that fall under the scope of Malaysia e-invoice.

## Some of the key requirements for e-invoicing in Malaysia

Understanding and meeting the key requirements is important for businesses seeking to successfully implement e-invoicing in Malaysia and adhering to regulatory standards.

- A Digital Certificate is a mandatory requirement for e-Invoicing in Malaysia. It is issued by IRBM based on the taxpayer's TIN and additional information, ensuring the authenticity and integrity of the e-invoice.
- An e-invoice must be issued by a seller with 34 mandatory fields and 17 optional fields based on specific conditions. These fields are grouped into nine (9) categories:
  - o Address
  - o Business Details
  - o Contact Number
  - o Invoice Details
  - o Parties
  - o Party Details
  - o Payments Info
  - o Products/Services
  - o Unique ID Number

E-invoice must adhere to the XML or JSON format as specified by IRBM that can be automatically processed by relevant systems.

MyInvois System adheres to internationally recognized standards for information security and business continuity management system.

# **VII. Models For E-invoicing in Malaysia**

In Malaysia, companies can transmit invoices to the IRBM via two methods – **MyInvois Portal** or **API**. The choice between the two depends on factors like the number of transactions a company makes, its technical capabilities, and the customization needs required in its existing system.

Small to medium-sized businesses may find MyInvois Portal more accessible, while larger enterprises may opt for API-based invoicing for easier integration.

Here is a quick comparison for a better understanding:

MyInvois Portal	Application Programming Interface (API)
<p>Web based platform hosted by Lembaga Hasil Dalam Negeri Malaysia (LHDN) to send invoices following a pre-defined template.</p>	<p>Enables direct data transmission between the taxpayer and the MyInvois system hosted by LHDN</p>
<p>Accessible to all taxpayers.</p> <p>Free option that doesn't need onboarding any other tools or software.</p> <p>Manual data entry may be required.</p> <p>Suitable for individuals, Micro Small, and Medium-sized Enterprises (MSME) or enterprises with low quantum of invoice generation.</p> <p>Individual generation through a detailed form.</p> <p>Option for spreadsheet upload method for batch generation to process multiple transactions.</p> <p>Accessible through a web portal or a mobile app.</p> <p>Buyers are allowed to request rejection within 72 hours post validation while taxpayers can request cancellation within 72 hours of API notification.</p>	<p>Requires taxpayers to enable API capabilities by investing in a solution that supports API integration and can generate e-invoices in the required XML or JSON format.</p> <p>For existing ERP users, it might incur extra costs for upgrades and IT support.</p> <p>Suitable for large businesses to transmit a high volume of transactions.</p> <p>Three types of validation rules are applied during the e-invoice file validation:</p> <p>Syntax validation</p> <ul style="list-style-type: none"> <li>• Schema validation</li> <li>• Business Rule Validation</li> </ul> <p>Designed to handle text and character data using the UTF-8-character encoding standard.</p> <p>Buyers are allowed to request rejection within 72 hours post-validation, while taxpayers can request cancellation within 72 hours of API notification.</p>

## Following are the three different methods to transmit e-invoices via API:

- 1. Direct integration of the taxpayer's ERP system with the MyInvois system:** Using API direct integration, data can be synchronized between the ERP and the MyInvois portal in close to real-time.
- 2. Through Peppol service providers:** Leveraging PEPPOL's interoperability, suppliers can submit e-invoices to LHDNM via Peppol service providers.
- 3. Through non-Peppol technology providers:** Businesses can submit e-invoices to LHDNM via non-Peppol technology providers, such as other ERP systems.

By implementing any of these transition methods, the invoicing process becomes more efficient and transparent, with a positive impact on both businesses and the Malaysian tax system.

## Integration of APIs into Your E-Invoice Workflow

There are two integration options for APIs that you may consider:

### Option 1: Direct integration via API

Direct integration offers the advantage of generating e-invoices in real-time within the ERP/billing system and sending them directly to the IRBM database without manual intervention. This allows for immediate availability for processing validation and approval. This process can be costly and resource-intensive, involving tasks like setting up and reconfiguring ERP systems due to regulatory updates in the ERP/billing system. Adapting global-centric ERP systems to local requirements may also pose challenges, potentially affecting the adoption timelines for Malaysian organizations in the realm of e-Invoicing.

### Option 2: API Integration via middleware

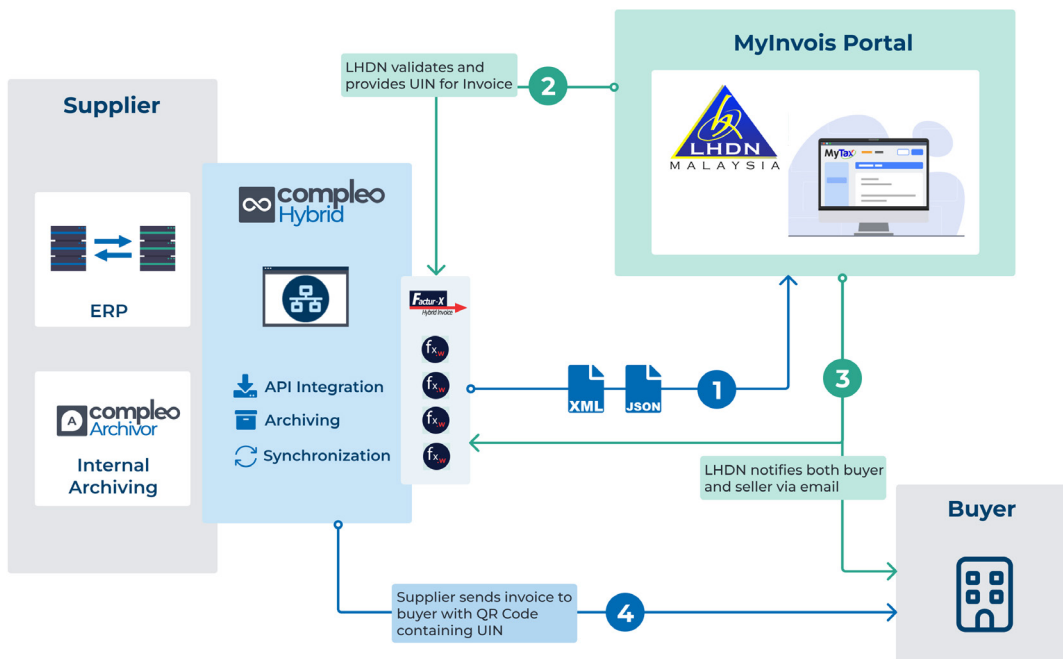
Organizations need not worry about hampering their productivity with file conversion, manual upload, ERP compatibility, etc. E-invoicing solution provider will take care of compliance with all the tax regulations and laws. A key advantage of this approach lies in the minimal adjustments required to your ERP/billing system. Regular updates to the middleware ensure compliance even with evolving requirements. As long as mandatory data is present, the middleware efficiently consolidates information to align with e-Invoice requirements. Offering easy-to-use web-based applications, some middleware options even allow further customization as per individual needs.

# **VIII. Step-by-Step Guide to Generate and Manage E-Invoices via MyInvois Portal**



Following is the e invoice procedure for applicable businesses who want to know how to generate e invoice.

- **Step 1:** Creation of the invoice on the taxpayer's ERP
- **Step 2:** E-Invoice Validation - Generation of the unique IRN
- **Step 3:** Timely Notification - Keeping Everyone Informed
- **Step 4:** Generation of the QR Code and sharing the Validated E-Invoice
- **Step 5:** Storing E-Invoices Securely - Record Keeping



# **IX. Choosing The Right Partner Solution**

If you are concerned that e-invoicing will burden your business with compliance requirements?

Nothing to worry about as this initiative will confer numerous advantages upon taxpayers, enabling them to streamline their invoicing processes and mitigate errors inherent in traditional paper-based systems.

### **Aspects to evaluate your organization's readiness**

E-Invoicing has emerged as a transformative tool in modern business processes. For the successful implementation of this system, it is crucial to understand all the intricacies and conditional criteria of e-invoicing. The most effective way to prepare for adoption is by thoroughly assessing the organization's readiness for this digital transition.

Here are a few points to analyze beforehand:

- **Applicability:** To implement e-invoicing, taxpayers should analyze their 2022 financial statements to determine the applicable turnover thresholds. The planned rollout accommodates these thresholds, allowing businesses ample time for adoption. It is crucial for taxpayers to identify their implementation timeline, be aware of key milestones, and adhere to deadlines to ensure timely adoption and avoid penalties for non-compliance.
- **Voluntary opt-in:** Malaysia's e-invoicing allows taxpayers to voluntarily adopt e-invoicing before meeting eligibility criteria, enabling organizations to advance in internal digitization goals, reap e-invoicing benefits, streamline processes, and gain a competitive edge.
- **ERP system compatibility:** Evaluate the compatibility of your current ERP (Enterprise Resource Planning) systems with the MyInvois portal in case the business implements this option.
- **Employee readiness:** Make sure employees are ready and knowledgeable about the e-invoicing process and fundamentals. Facilitate training programmes to keep them informed about the new processes, the use of the e-invoicing software, and regarding any changes directly related to their roles.
- **Understanding the guidelines:** The details and requirements of e-invoicing methods can vary based on the implementation chosen by a taxpayer organization. It's essential to understand the important details such as formats and the schema allowed, the way of transmitting documents to the IRBM portal, and other specifications, for initiating any modifications in the internal processes .
- **Need for a service provider:** Evaluate the necessity of engaging a service provider based on the daily volume of documents processed in your organization. A service provider can automate processes and enhance efficiency by reducing dependency on manual staff.

For a smooth transition from traditional invoices to e-invoicing, onboarding a tailored solution that meets the unique needs of Malaysian enterprises should be the utmost priority.

Choosing the most suitable option for your needs requires taking into account several factors, including:

- **E-Invoice Format:** The solution should have the capability to generate and transmit e-invoices through API in the formats specified by IRBM, such as XML and JSON.
- **Data Source:** It should be able to gather mandatory data fields from multiple sources to fulfil e-invoice requirements.
- **Digital Signature:** The solution must have the authentication mechanism to access the IRBM API using the digital certificate issued by IRBM.
- **Dashboard:** It should provide a dashboard or an interface for summarizing and reporting transactions and reconciliations.
- **Process Integration:** A middleware should be able to adapt to various scenarios for both outbound and inbound invoices.

# **X.**

# **About**

# **Symtrax**

Symtrax is a software company. We create and implement automation solutions to make your business processes 100% digital. We seamlessly design, customize, and integrate software solutions specific to our customers' needs to facilitate document exchanges. We have brought our expertise in digital transformation to more than 3,000 companies worldwide, with a customer relationship of more than 12 years on average.

Our solutions are Microsoft, IBM and SAP certified, and can be adapted to any business environment and software. Headquartered in France, Symtrax is an international company with 8 offices around the world. This global presence allows us to be constantly available to meet our customers' expectations.

In our solution suite, Symtrax E-invoicing Software is a comprehensive solution for seamless e-invoicing in Malaysia. The e-Invoices are generated automatically with our e-Invoicing Solution in XML and JSON format.

Our solution is seamlessly integrated with MyInvois Portal run by LHDN (IRB Malaysia) for seamless invoice validation and generation of Unique Identifier Number (UIN) and QR Code. The QR code is used to validate the existence and status of the e-Invoice via the IRB MyInvois Portal.

Symtrax's Malaysia E-Invoicing Solution seamlessly aligns with LHDN's guidelines and is determined to make your E-invoicing implementation a smooth journey.

**Ready to comply with Malaysia's e-invoicing mandate and leverage the benefits of e-invoicing? Get a live demo Now!**

**Free Demo**