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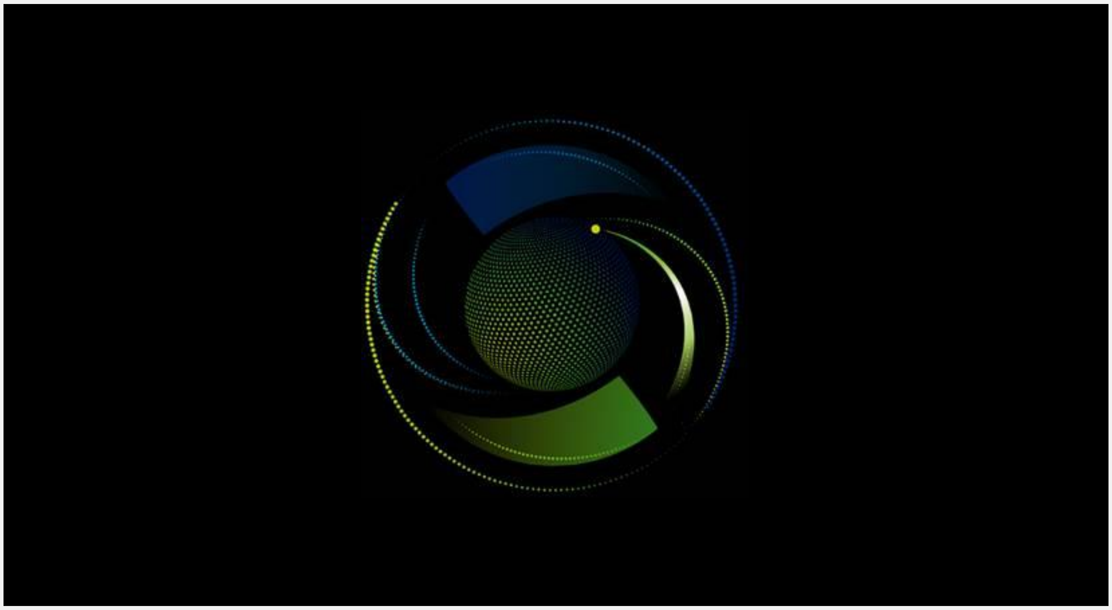

Tax Espresso - Special Alert

IRBM e-Invoice Guideline Version 2.0 and e-Invoice Specific Guideline

Introduction

Following the issuance of the electronic invoices (e-Invoice) Guideline by the Inland Revenue Board of Malaysia (IRBM) on 21 July 2023, the IRBM has issued an update to the earlier guidance with the release of Version 2.0 of the e-Invoice Guideline as well as a new Specific Guideline on e-Invoicing, both dated 29 September 2023.

In this alert, we highlight the critical changes in the updated e-Invoice Guideline, salient points from the Specific Guideline, as well as critical action points relating to the following areas:

Key Changes to the e-Invoice Guideline (Version 1.0 to Version 2.0)

Timeline

The IRBM has further clarified that the implementation timeline will be based on annual turnover or revenue reported in 2022's audited financial statements or tax return. Any subsequent changes will not affect the implementation timeline.

The implementation date for new businesses will be 1 January 2027, with additional guidance to be provided in due course.

Taxpayers mandated to implement will also be receiving notification in phases.

Exemptions

New addition – exempting specific persons from issuing e-Invoice which includes*:

(a) Ruler and Ruling Chief;
(b) Former Ruler and Ruling Chief;
(c) Consort of a Ruler of a State having the title of Raja Perempuan, Sultanah, Tengku Ampuan, Raja Permaisuri, Tengku Permaisuri or Permaisuri;
(d) Consort of a Former Ruler of a State previously having the title of Raja Perempuan, Sultanah, Tengku Ampuan, Raja Permaisuri, Tengku Permaisuri or Permaisuri;
(e) Government;
(f) State government and state authority;
(g) Government authority;
(h) Local authority;
(i) Statutory authority and statutory body;
(j) Facilities provided by the above government, authority, or body (e.g., hospital, clinic, multipurpose hall, etc.);
(k) Consular offices and diplomatic officers, consular officers, and consular employees.

*Any entities (e.g., companies, limited liability partnership, etc.) owned by the above-mentioned persons would still be required to implement e-Invoice. Suppliers providing goods or services to the above-mentioned persons are still required to issue e-Invoice.

For tax purposes, the receipts/bills/invoices issued by the above-mentioned persons would be used as proof of expense.

In recognising the challenges in issuing e-Invoice for a specific income or expense, an e-Invoice is not required for the following:

(a) Employment income;
(b) Pension;
(c) Alimony;
(d) Distribution of dividend in specific circumstances (Refer to Section 11 of e-Invoice Specific Guideline for more details);
(e) Zakat;
(f) Scholarship.

These exemptions will be reviewed and updated from time to time.

e-Invoice Model via MyInvois Portal – e-Invoice Validation

For Suppliers using the MyInvois Portal (i.e., the "Free solution") to issue e-Invoice, the IRBM has clarified that the Supplier will receive a validated e-Invoice in PDF (including the QR code) from the IRBM via the portal. The validated e-Invoice will include the IRBM Unique Identifier Number, date and time of validation, and validation link.

Rejection or Cancellation

The IRBM has further clarified the process for rejection/cancellation, where the Buyer can initiate a rejection request by specifying the reason for the request. If the Supplier agrees to the reason provided, the Supplier can proceed to cancel the said e-Invoice within 72 hours from the time of validation.

If the Supplier did not accept the request for rejection initiated by the Buyer (or did not proceed to cancel the said e-Invoice), no cancellation would be allowed after the 72 hours have elapsed. Any amendment thereon would require a new e-Invoice (e.g., credit note, debit note, or refund note e-Invoice) to be issued.

e-Invoice Model via Application Programming Interface (API)

Further clarity on methods of transmissions, which include:

(a) Direct integration of taxpayers' Enterprise Resource Planning (ERP) system with MyInvois System;
(b) Through Peppol service providers;
(c) Through non-Peppol technology providers.

For taxpayers using the API method, the Supplier or technology provider will receive a validated e-Invoice with the following information:

(a) the IRBM Unique Identifier Number;
(b) date and time of validation; and
(c) validation link via API.

Software Development Kit (SDK)

The IRBM has further clarified the topics to be covered in the SDK to be released in Q4 2023:

(a) API Design and Implementation including structure, modules and functionalities;
(b) Error Handling and Exceptions for troubleshooting;
(c) Documentation regarding installation, configuration, and SDK usage including code samples, use cases, and best practices;
(d) Testing and Quality Assurance of SDK functionalities and system integration;
(e) Security and compliance to data regulations.

Data Field

The following data fields have been updated:

<u>Fields for e-Invoice</u>

1. e-Invoice Date and Time (replaced e-Invoice Date)
2. Classification (replaced e-Invoice Purpose)
3. Supplier's website (removed)
4. Product Tariff Code (changed from required fields for e-Invoice to fields under Annexure to the e-Invoice – optional)

<u>Fields for Annexure to e-Invoice</u>

1. Free Trade Agreement Information (changed from mandatory to optional)
2. Authorisation Number for Certified Exporter (changed from mandatory to optional)

Deloitte's observations

The updates to the guidelines are largely to clarify some matters rather than provide additional detailed information. One important clarification is the 72-hour rule which had been a concern for many taxpayers as to whether a customer could unilaterally cancel invoices. This has now been addressed in a much clearer fashion.

The HS code and service tax category are no longer mandatory data fields, though the HS code is now required for import/export scenarios.

There are additional details provided in relation to the content of the SDK, but no clear date for its release has been mentioned. The information contained would be critical for any system enhancement as well as for middleware providers to be able to configure their solutions to ensure it meets the IRBM's requirements.

Analysis of the e-Invoice Specific Guideline

1. Transaction with buyers

Upon implementation of e-Invoice, Suppliers are required to issue e-Invoice for all its transactions.

For Business to Consumer (B2C) transactions where e-Invoice are not required by the end customer as proof of expense for tax purposes, the Supplier would be allowed to issue normal receipts/invoices. The Suppliers would be required to consolidate the transactions with Buyers (who do not require an e-Invoice) into a consolidated e-Invoice monthly.

Scenario 1: Where the Buyer requires an e-Invoice

The steps involved for issuance of an e-Invoice to Buyer are as follows:

- **Step 1:** Supplier seeks confirmation from the Buyer if an e-Invoice is required.
- **Step 2:** If the Buyer confirms that he or she requires an e-Invoice, the Buyer is required to furnish the Supplier with the required information [e.g., Tax Identification Number (TIN) to facilitate the issuance of an e-Invoice.] (*Please refer to Table 3.1 of the e-Invoice Specific Guideline for further details*).
- **Step 3:** The Supplier is required to complete the remaining required fields outlined in Appendices 1 and 2 of the e-Invoice Guideline and proceed to issue an e-Invoice.
- **Step 4:** The validated e-Invoice can be used as the Buyer's proof of expense to substantiate a particular transaction for tax purposes.

In facilitating a more efficient e-Invoice issuance process and to ease the burden of individual Buyers in providing their TIN and identification number details, the IRBM provides the following concession to individual Buyers:

(a) For Malaysian individuals to provide either:
   i. TIN;
   ii. MyKad identification number; or
   iii. Both TIN and MyKad identification number.

(b) For non-Malaysian individuals to provide either:
   i. TIN; or
   ii. Both TIN and passport number.

Scenario 2: Where the Buyer does not require an e-Invoice

Where a Buyer does not require an e-Invoice to be issued, the steps involved in the issuance of a consolidated e-Invoice are as follows:

- **Step 1:** Supplier to seek confirmation from Buyers if an e-Invoice is required.

- **Step 2:** If Buyers confirmed that no e-Invoice is required, the Supplier would continue to issue a receipt, bill, or invoice to the Buyers (same as current business practice).
- **Step 3:** Within 7 calendar days after the end of the month, the Supplier will retrieve the details of all the receipts, bills, or invoices that were issued for the previous month and issue a consolidated e-Invoice as proof of the Supplier's income.
- **Step 4:** The Supplier will issue the consolidated e-Invoice as per the required fields outlined in Appendices 1 and 2 of the e-Invoice Guideline.

If Buyers require an e-Invoice after receiving a receipt/bill/invoice from the Supplier, the Buyer can request for an e-Invoice from the Supplier within the month of the transaction. Suppliers are allowed to adopt and implement any method that allows Buyers to request for e-Invoice at the Buyer's convenience.

Certain activities that require e-Invoice to be issued for each transaction (i.e., consolidation of e-Invoice is not allowed)

Currently, the activities or transactions of industries where an e-Invoice is required to be issued for each transaction are as follows:

- **Automotive:** Sale of motor vehicle
- **Aviation:** Sale of flight ticket and private charter
- **Luxury goods and jewellery**
- **Construction:** Construction contractor undertaking construction contract, as defined in the Income Tax (Construction Contracts) Regulations 2007
- **Wholesalers and retailers of construction materials:** Sale of construction materials, regardless of volume sold
- **Licensed betting and gaming:** Pay-out to winners for all betting and gaming activities (except betting and gaming in casino and from gaming machines which are exempted from e-Invoice until further notice)
- **Payment to agents, dealers, or distributors**

2. Statements or Bills on a periodic basis

Currently, certain businesses, industries, and sectors practice the issuance of statements or bills to record multiple transactions between Supplier and Buyer (e.g., businesses, end consumers, etc.) over a set period (e.g., monthly, bi-monthly, quarterly, bi-annually, annually), instead of issuing individual invoices for each transaction. These industries and sectors include, but are not limited to:

- Digital/Electronic payment
- Financial services, including banking and financial institutions
- Healthcare
- Insurance
- Stockbroking
- Telecommunications

Upon the implementation of e-Invoice, Suppliers are required to issue e-Invoice as proof of income. To minimise business disruption, the IRBM allows Suppliers that issue statements/bills on a periodic basis to issue e-Invoice in the format of XML or JSON for the IRBM's validation and convert the validated e-Invoice into visual presentation in the form of statements/bills to be sent to Buyers. Suppliers are allowed to create and submit e-Invoice for IRBM's validation in accordance with their respective issuance frequency (e.g., monthly, bi-monthly, quarterly, bi-annually, annually).

The steps involved for a Buyer who require and do not require an e-Invoice are similar to those in Item 1 above.

3. Disbursement and reimbursement

Currently, Suppliers would include reimbursement and disbursement in their invoices to Buyers. Upon the implementation of e-Invoice, the issuance of e-Invoice will involve the Buyer, the Supplier, and the third party/intermediary, as illustrated below.

<u>Scenario 1: Supplier 1 issues e-Invoice to Buyer</u>

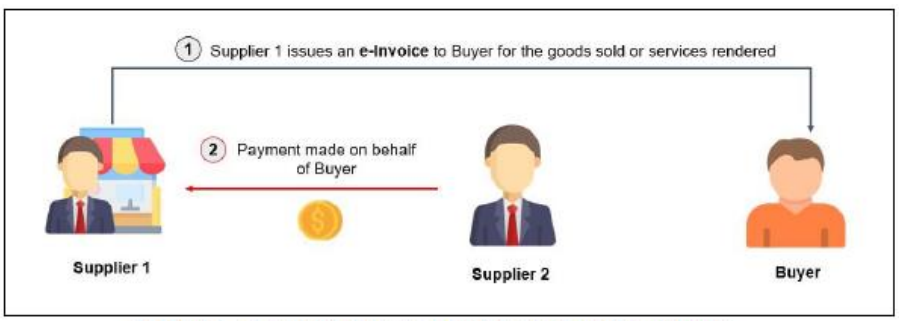

Figure 5.1 – Scenario where Supplier 1 issues e-Invoice to Buyer

The steps involved for the issuance of e-Invoice for the scenario above are as follows:

- **Step 1:** Supplier 2 (i.e., a third party or intermediary) entered into an agreement with the Buyer for the supply of goods or the provision of services. As part of the arrangement, Supplier 2 will make payments on behalf of the Buyer to settle any expenses incurred during the contract period.
- **Step 2:** Upon concluding a sale or transaction, Supplier 1 (i.e., the first Supplier) will issue an e-Invoice directly to the Buyer as per the required fields outlined in Appendices 1 and 2 of the e-Invoice Guideline and submit it to the IRBM for validation. The process of issuing an e-Invoice is similar to the e-Invoice workflow as discussed in Section 2.3 (e-Invoice model via MyInvois Portal) and Section 2.4 (e-Invoice model via API) of e-Invoice Guideline.

- **Step 3:** Supplier 2 will make a payment on behalf of the Buyer to Supplier 1 to settle the outstanding amount. Supplier 1 will issue proof of payment to Supplier 2 for the settlement.
- **Step 4:** Supplier 2 will issue an e-Invoice to the Buyer for the goods supplied or services rendered by Supplier 2 to the Buyer (the process of issuing an e-Invoice is similar to Step 2 above). Supplier 2 should neither include the payment made on behalf of the Buyer in their e-Invoice nor issue an additional e-Invoice for it. Supplier 2 provides proof of payment to the Buyer to recover the payment made to Supplier 1 on behalf of the Buyer.

<u>Scenario 2: Supplier 1 issues e-Invoice to Supplier 2</u>

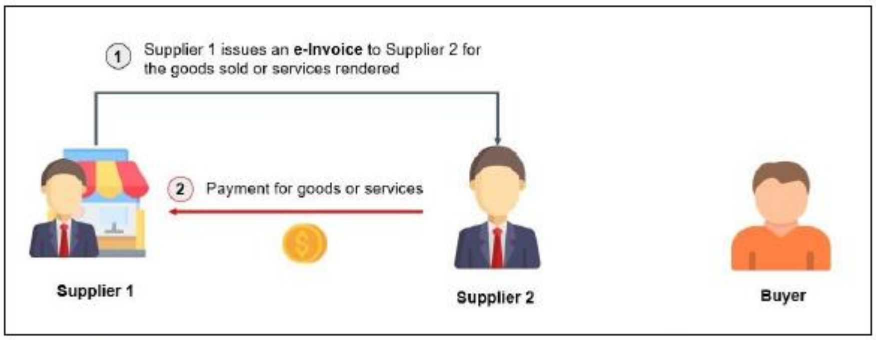

Figure 5.2 – Scenario where Supplier 1 issues e-Invoice to Supplier 2

The steps involved in the issuance of an e-Invoice for the scenario above are as follows:

- **Step 1:** Supplier 2 entered into an agreement with the Buyer for the supply of goods or the provision of services. As part of the arrangement, Supplier 2 will make payments on behalf of the Buyer to settle any expenses incurred during the contract period.
- **Step 2:** Upon concluding a sale or transaction, Supplier 1 will issue an e-Invoice to Supplier 2 as per the required fields outlined in Appendices 1 and 2 of the e-Invoice Guideline and submit it to the IRBM for validation. The process of issuing an e-Invoice is similar to the e-Invoice workflow as discussed in Section 2.3 (e-Invoice model via MyInvois Portal) and Section 2.4 (e-Invoice model via API) of e-Invoice Guideline.
- **Step 3:** Supplier 2 will make payment to Supplier 1. Supplier 1 will issue proof of payment to Supplier 2 for the settlement.
- **Step 4:** Supplier 2 will issue an e-Invoice to the Buyer (similar as Step 2 above) to record the amount incurred on behalf of the Buyer (e.g., disbursement/ reimbursement) alongside the goods sold or services rendered by Supplier 2, which will be presented as separate line items in the e-Invoice.

4. Employment perquisites and benefits

An individual under a contract of service (i.e., employment) may be provided with employee benefits by his or her employer. Employee benefits may include benefits in cash or in kind that are received by an employee from the employer or third parties in respect of having or exercising employment, such as:

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

Upon implementation of e-Invoice, when a sale or transaction is concluded, employees are required to request for the e-Invoice to be issued to their employer as proof of expense, to the extent possible.

The steps involved for the scenario above are as follows:

- **Step 1:** For any expense claim to be made by employees, employees should first seek confirmation with the Supplier if the e-Invoice can be issued in the name of the employer (as the Buyer).
- **Step 2:** Where an e-Invoice can be issued to the employer, the employees should provide the details of the employer for the e-Invoice to be issued to the employer. Where Step 1 is not possible, the employees should provide their personal details to the Supplier for the issuance of an e-Invoice to the employee (as the Buyer).
- **Step 3:** Payment will be made by the employees upon receiving the validated e-Invoice from the Supplier.
- **Step 4:** Employees submit their expense claim by submitting the validated e-Invoice (be it issued in the name of the employer or employee) as a supporting document to the employer.

The IRBM recognises the potential challenges in getting e-Invoices to be issued in the name of the employer (as the Buyer) and provides the following concession, provided that the perquisites and benefits are clearly stated in the employer's policy:

(a) Businesses will be allowed to proceed with the use of e-Invoice issued in the name of the employee to support the transactions as proof of expense for tax purposes.

(b) In the event where payment in relation to perquisite and benefit is made to foreign Suppliers, both employer and employee are not required to issue a self-billed e-Invoice. As such, the IRBM will accept a foreign Supplier's receipts/bills/invoices as a proof of expense.

5. Certain expenses incurred by employee on behalf of the employer

An individual under a contract of service (i.e., employment) may incur certain expenses on behalf of the employer. Such expenses include, but are not limited to, accommodation, tolls, mileage, parking, telecommunication expenses, and expenses incurred in a foreign country.

Upon implementation of e-Invoice, when a sale or transaction is concluded, employees are required to request for the e-Invoices to be issued to their employer as proof of expense, to the extent possible.

The steps involved for this scenario are similar to Item 4 above.

Similarly, the IRBM acknowledges that there may be difficulties in getting the e-Invoice to be issued in the name of the employer (as the Buyer) for certain expenses. In this regard, the IRBM provides the following concession, with the condition that the employer can prove that the employee is acting on the employer's behalf in incurring the expenses:

(a) Businesses will be allowed to proceed with the use of e-Invoice issued in the name of the employee to support the transactions as proof of expense for tax purposes;

(b) In the event where employees paid for expenses incurred overseas, both employer and employee are not required to issue a self-billed e-Invoice. As such, the IRBM will accept the foreign bills/receipts/invoices as proof of expense.

6. Self-billed e-Invoice

In some circumstances, a party other than the Supplier (i.e., the Buyer) will be allowed to issue a self-billed e-Invoice on behalf of the Supplier. Self-billed e-Invoice will be allowed for the following transactions (*Paragraph 8.5 of the Specific Guideline refers*):

(a) Payment to agents, dealers, distributors, etc.;
(b) Goods sold or services rendered by foreign Suppliers;
(c) Profit distribution (i.e., dividend distribution);
(d) e-Commerce transactions (further details are expected to be released in due course);
(e) Pay-out to all betting and gaming winners (excluding winners in relation to betting and gaming in casino and from gaming machines); and
(f) Acquisition of goods or services from individual taxpayers (i.e., those who are not conducting a business).

The Buyer will assume the role of the Supplier as the issuer of the e-Invoice and submit it to the IRBM for validation in cases where only the Buyer is required to issue a self-billed e-Invoice. Upon validation, the Buyer could use the validated e-

Invoice as proof of expense for tax purposes. Self-billed e-Invoice shall include the required data fields outlined in Appendices 1 and 2 of the e-Invoice Guideline.

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

Figure 9.1 – General overview of a business involving agent, dealer or distributor

<u>Scenario 1: Seller to Purchaser e-Invoice</u>

When a purchaser acquires goods or services from a seller through an agent, dealer, or distributor, the seller is required to issue an e-Invoice to the purchaser to record the transaction. In such a case, the seller is regarded as the Supplier, and the purchaser is regarded as the Buyer. Where the Buyer does not request for an e-Invoice to be issued, the Supplier will issue a normal receipt, bill, or invoice to the Buyer. However, the Supplier is required to issue a consolidated e-Invoice within 7 calendar days after the month-end, aggregating all receipts, bills, or invoices issued for the prior month as proof of income. [*Please refer to Sections 3.5 and 3.6 of the e-Invoice Specific Guideline, respectively, for guidance on the Buyer who requires an e-Invoice and the Buyer who does not require an e-Invoice.*]

<u>Scenario 2: Self-billed e-Invoice from Seller to Agent/Dealer/Distributor</u>

In cases where an agent, dealer, or distributor is involved, the agent, dealer, or distributor is regarded as the Supplier, whereas the seller is the Buyer which is required to issue a self-billed e-Invoice as proof of expense. The process of issuing a self-billed e-Invoice is similar to the detailed e-Invoice workflow as provided under Sections 2.3 and 2.4 of the e-Invoice Guideline, respectively.

8. Cross Border Transactions

A cross-border transaction involves a transaction between a Malaysian Buyer and a foreign Supplier, and vice versa. It consists of the following:

(a) Goods sold or services rendered by a foreign seller (i.e., Supplier) to a Malaysian purchaser (i.e., Buyer); and
(b) Goods sold or services rendered by a Malaysian seller (i.e., Supplier) to a foreign purchaser (i.e., Buyer).

Scenario 1: Goods sold or services rendered by a Foreign Seller to a Malaysian Purchaser

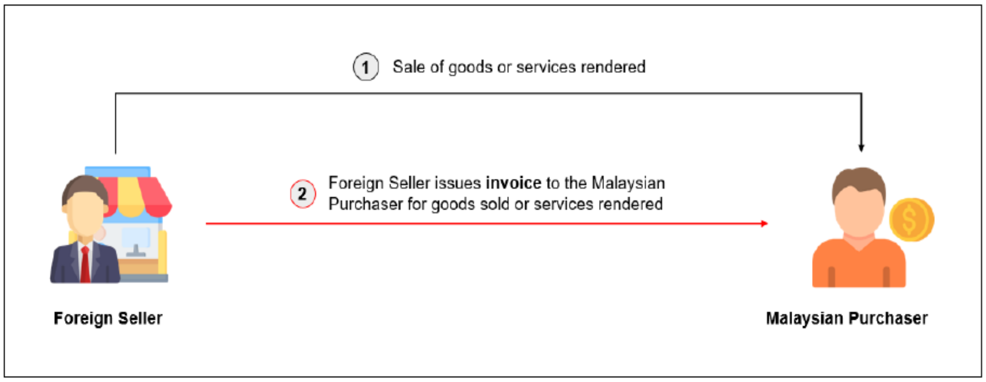

Figure 10.1 – Current transaction flow between Foreign Seller (Supplier) and Malaysian Purchaser (Buyer)

A Malaysian purchaser is required to issue a self-billed e-Invoice to document the transaction (i.e., sale of goods or provision of services) for tax purposes, given that the foreign seller does not fall under the mandatory requirement to comply with Malaysia's e-Invoice. The steps involved in the issuance of a self-billed e-Invoice by the Malaysian purchaser are as follows:

- **Step 1:** Foreign seller issues an invoice, receipt, or bill to the Malaysian purchaser to record the income generated from the sale of goods or services rendered.
- **Step 2:** Upon receiving the invoice, receipt, or bill from the foreign seller, the Malaysian purchaser is required to assume the role of a Supplier and issue a self-billed e-invoice to document the expense for tax purposes. The Malaysian purchaser is required to complete the required fields of the self-billed e-Invoice outlined in Appendices 1 and 2 of the e-Invoice Guideline.
- **Step 3:** The Malaysian purchaser shall follow the detailed e-Invoice workflow as discussed in Sections 2.3 and 2.4 of the e-Invoice Guideline, respectively, with the following exceptions:
    - The IRBM will only send a notification to the Malaysian purchaser upon validating the self-billed e-Invoice;
    - The validated self-billed e-Invoice will serve as proof of expense for the Malaysian purchaser, and it is not required to be shared with the foreign seller.

Scenario 2: Goods sold or services rendered by a Malaysian Seller to a Foreign Purchaser

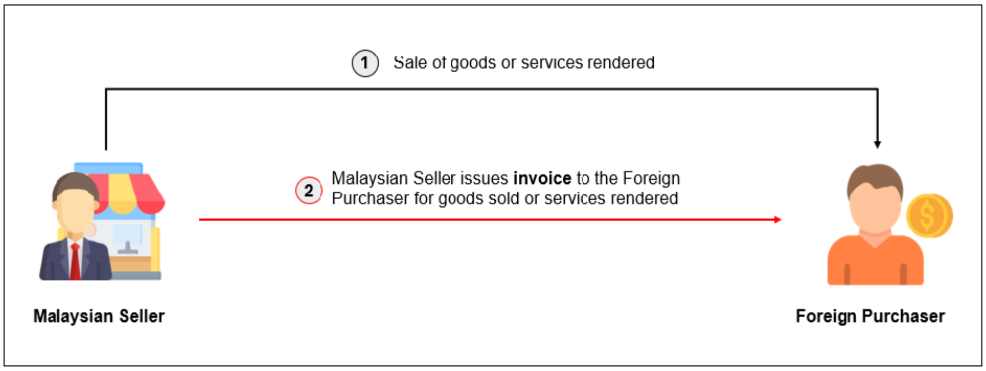

Figure 10.3 – Current transaction flow between Malaysian Seller (Supplier) and Foreign Purchaser (Buyer)

A Malaysian seller is required to issue an e-Invoice to the foreign purchaser to record the income arising from the transaction (i.e., sale of goods or provision of services) with the foreign purchaser. The steps involved in the issuance of an e-Invoice by the Malaysian seller are as follows:

- **Step 1:** The Malaysian seller issues an invoice, receipt, or bill to the foreign purchaser to record the transaction (i.e., sale of goods or provision of services).
- **Step 2:** The Malaysian seller is required to complete the required fields of the self-billed e-Invoice as outlined in Appendices 1 and 2 of the e-Invoice Guideline.
- **Step 3:** The Malaysian seller shall follow the detailed e-Invoice workflow as discussed in Sections 2.3 and 2.4 of the e-Invoice Guideline, respectively, with the following exceptions:
  - Notification will be sent by the IRBM to the Malaysian seller only upon validating the e-Invoice;
  - The validated e-Invoice will serve as proof of income for the Malaysian seller. The Malaysian seller may share a copy of the validated e-Invoice with the foreign purchaser for record purposes;
  - Required adjustments should be made by the Malaysian seller through the issuance of an e-Invoice credit, debit, or refund note, should there be any error on the validated e-Invoice.

9. Profit distribution

Scenario 1: Domestic distribution

Companies that are not entitled to deduct tax under Section 108 of the Income Tax Act 1967 (ITA), as well as taxpayers who are listed on Bursa Malaysia will be exempted from issuing self-billed e-Invoice on dividend distributions. Such an exemption will also be extended to their respective shareholders regarding the e-Invoice for proof of income.

Taxpayers other than those mentioned above are required to issue self-billed e-Invoices to document the expense in relation to the profit distribution, which will also serve as proof of income for the recipients of the profit distribution. The taxpayer that distributes the profits is regarded as the Buyer, whereas the recipient of the distribution is regarded as the Supplier. The steps involved in the issuance of a self-billed e-Invoice are as follows:

- **Step 1:** The taxpayer that distributes the profits will issue a dividend voucher to the recipient.
- **Step 2:** The taxpayer that makes the distribution is required to assume the role of a Supplier and issue a self-billed e-Invoice to the recipient of the distribution.
- **Step 3:** The taxpayer that distributes the profits will complete the required fields as outlined in Appendices 1 and 2 of the e-Invoice Guideline and shall follow the process of the detailed e-Invoice workflow as discussed in Sections 2.3 and 2.4 of the e-Invoice Guideline, respectively.

Scenario 2: Foreign distribution

For any foreign profits or dividends received in Malaysia, the recipient is required to issue an e-Invoice as proof of income for tax purposes. In such a case, the recipient will be regarded as the Supplier, whereas the foreign distributor is regarded as the Buyer.

The process of issuing an e-Invoice by the foreign distributor shall follow the detailed e-Invoice workflow as discussed in Sections 2.3 and 2.4 of the e-Invoice Guideline, respectively.

10. Foreign income

An e-Invoice would be required for all foreign income received in Malaysia from outside of Malaysia as proof of income for tax purposes. The foreign income recipient will be regarded as the Supplier, and the payer will be regarded as the Buyer. The process of issuing an e-Invoice for a foreign income is similar to the issuance of an e-Invoice involving a Malaysian Supplier and a Foreign Buyer, as mentioned in Scenario 2 of Item 8 above.

The foreign income recipient is required to issue the e-Invoice within the same month that the said income is received in Malaysia. The information required to be included in the e-Invoice is as per the required fields outlined in Appendices 1 and 2 of the e-Invoice Guideline.

11. Currency Exchange Rate in the e-Invoice data field for transactions conducted in foreign currencies

The currency exchange rate shall be determined by the Supplier based on the following order:

(a) The legal or tax requirements on currency exchange rates as imposed by the relevant authorities such as the Royal Malaysian Customs Department, IRBM, etc.; or
(b) The currency exchange rate as per the Supplier's internal policy, if there are no legal or tax requirements on the currency exchange rate imposed by the relevant authorities.

Deloitte's observations

The Specific Guideline provides a lot more detail around scoping and administrative matters than what was previously provided. We anticipate that these requirements will be reflected in the amendments to the relevant tax laws that would be tabled on 13 October 2023 as part of the Budget 2024 announcements.

There are some critical concessions and clarifications contained within this guideline. Most notably, it is now clearer that business to consumer transactions would not require real-time reporting or the same level of data input. However, there is a critical distinction in relation to income tax deductibility from a personal and corporate income tax perspective that drives the distinction between B2B and B2C. As a result, there could be commercial transactions that may qualify to be treated as B2C (no deduction to be claimed) and retail transactions that would be viewed as B2B (customer requires a deduction for personal income tax purposes or employee claims).

The concession relating to periodic billing is a welcome one, although the decision to limit it to prescribed industries and businesses severely limits its application.

Self-billing, which had existed under the previous goods and services tax (GST) regime is now reintroduced with a much wider scope. Businesses operating with a distribution network should take note of the reporting requirements and, more importantly, the conditions under which such transactions cannot apply the B2C concession.

As a final observation, while there is still a lot of uncertainty, there is sufficiently more clarity around some of the critical requirements. Businesses should, if they haven't already, begin the process of reviewing their systems and processes to understand what changes would be required to be ready for 1 June 2024.

Get in touch

Interested to find out more? Reach out and speak to our Deloitte Leaders.

Name	E-mail	Contact number
Senthuran Elalingam Malaysia e-invoicing Leader Malaysia Tax Technology Consulting Leader	selalingam@deloitte.com	+603 7610 8879
Haryati Hamzah Southeast Asia E-invoicing Lead Tax Technology Consulting Partner	hhamzah@deloitte.com	+65 6800 2069

Industry Leads

Name	E-mail	Contact number
Mohd Faruk Mohd Fariz Government and Public Sector Tax Leader	mmohdfaruk@deloitte.com	+603 7610 8153
Mark Chan Financial Services Industry Tax Leader	marchan@deloitte.com	+603 7610 8966
Toh Hong Peir Energy and Resources Tax Leader	htoh@deloitte.com	+603 7610 8808
Tham Lih Jiun Real Estate Tax Leader	ljtham@deloitte.com	+603 7610 8878
Thin Siew Chi Technology, Media & Telecommunications Tax Leader	sthin@deloitte.com	+603 7610 8878

Other specialist groups

Name	E-mail	Contact number
Tham Lih Jiun Chinese Services Group Leader	ljtham@deloitte.com	+603 7610 8875
Mark Chan Japanese Services Group Leader	marchan@deloitte.com	+603 7610 8966
Chee Pei Pei Korean Services Group Leader	pechee@deloitte.com	+603 7610 8862

Branches

Branches/ Name	Email	Contact number
Penang		
Ng Lan Kheng	lkng@deloitte.com	+604 218 9268
Tan Wei Chuan	wctan@deloitte.com	+604 218 9888
Ipoh		
Eugene Chow Jan Liang	euchow@deloitte.com	+605 254 0288
Melaka		
Julie Tan	jultan@deloitte.com	+603 7610 8847
Johor Bahru		
Thean Szu Ping	spthean@deloitte.com	+607 268 0988
Kuching & Kota Kinabalu		
Tham Lih Jiun	ljtham@deloitte.com	+603 7610 8875

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