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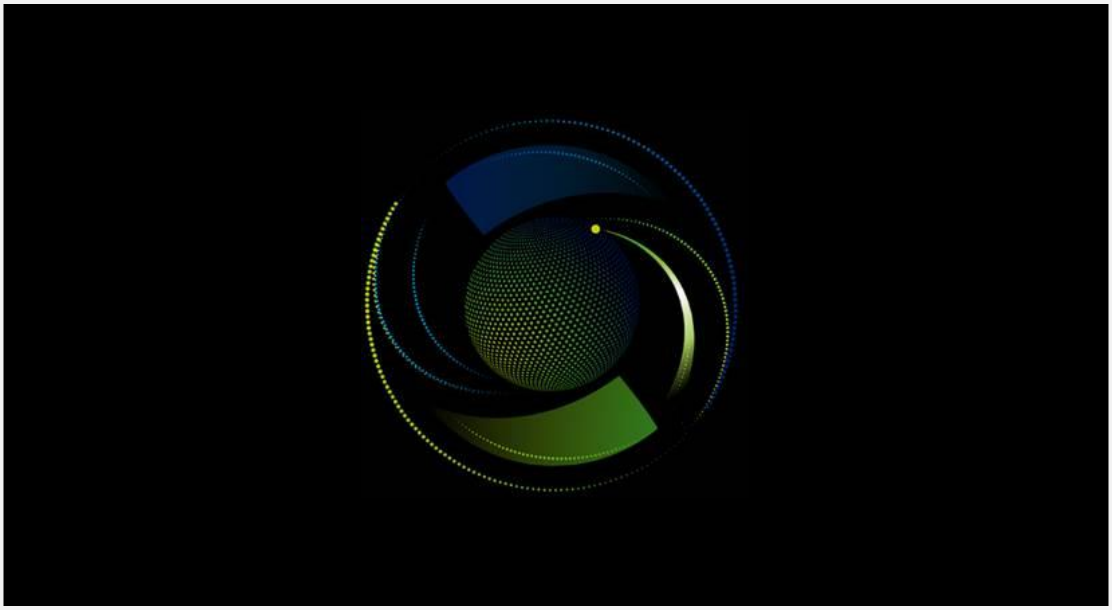

Tax Espresso - Special Alert

IRBM e-Invoice Media Release – Relaxation on e-Invoice Requirements

Introduction

In line with the commencement of electronic invoicing (e-invoicing) from August 2024, the Inland Revenue Board of Malaysia (IRBM) on 26 July 2024 has released a press statement.

In this alert, we will provide a summary of the press statement.

To ensure a smooth implementation of e-invoicing, the government has granted a six-month grace period from the mandatory e-invoicing start date. During this period:

1. All business activities/industries are allowed to issue consolidated e-invoices, including self-billed e-invoices.
2. There is flexibility in providing transaction descriptions under the "Description of Product or Service" field.
3. Regardless of individual requests from buyers for an e-invoice, sellers can issue consolidated e-invoices instead of individual e-invoices.

In this six-month period, authorities will not pursue prosecution under Section 120 of the Income Tax Act 1967 should taxpayers comply by issuing the consolidated e-invoices. This grace period aims to provide enough time for taxpayers to fully implement e-invoicing effectively, covering system readiness, business operations, and change management.

Deloitte's comments:

These concessions are both practical and pragmatic. The e-invoicing requirements are still being refined with amendments being made to both the guidelines and the software development kit in recent weeks and more expected. In adopting a more relaxed approach to compliance, the IRBM is providing businesses with a bit more flexibility to fine tune systems and processes to ensure they are able to accurately report information. The six-month period should be viewed by businesses as not an extension but a transitional period to enable them to achieve full compliance, including addressing operational and systems issues.

Additionally, for taxpayers who have successfully implemented e-invoicing within the original stipulated timeline (e.g., 1 August 2024 being the set date for implementation of e-invoicing by companies with an annual revenue exceeding RM100mil) without using the grace period mentioned above, the government would incentivize these taxpayers by granting them a shorter period to accelerate their claim for capital allowance (CA) from 3 years (*) to 2 years with effect from the year of assessment (YA) 2024 and YA 2025.

** Prior to YA 2024, Accelerated Capital Allowance (ACA) with an Initial Allowance (IA) and Annual Allowance (AA) of 20% respectively is given on the following qualifying expenditure incurred by a resident person:*

(a) Purchase of Information and Communication Technology (ICT) equipment and computer software packages; and
(b) Consultation, licensing and incidental fees related to the development of customized computer software.

It was proposed in Budget 2024 that the IA rate applicable to capital expenditure incurred by companies on the purchase of ICT equipment and customised computer software will be revised to 40% with effect from YA 2024. Subject to the gazette of the ACA rules on the revised IA rate, the CA claim period will be reduced from 4 years to 3 years with effect from YA 2024.

Deloitte's comments:

It remains to be seen whether the proposed shorter ACA period of 2 years applies to any purchase of ICT equipment and computer software packages (including customized computer software) or only such ICT equipment and computer software packages incurred for implementation of e-invoicing.

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

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