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EY Tax Alert (Special Edition)

24 April 2024 - Issue No. 3

Important update:
The Inland Revenue Board's
updated guidelines on e-Invoices
and the Software Development Kit

Coverage of this Alert

- ▶ e-Invoice Guideline (Version 2.3)
- ▶ e-Invoice Specific Guideline (Version 2.1)
- ▶ Software Development Kit (Version 1.0)

On 6 April 2024, the Inland Revenue Board of Malaysia (IRBM) published on its website the following documents, which can be accessed via the following [link](#):

- ▶ e-Invoice Guideline (Version 2.3) *
- ▶ e-Invoice Specific Guideline (Version 2.1) *
- ▶ Software Development Kit (Version 1.0)

* These Guidelines are issued under Section 134A of the Income Tax Act 1967.

This Tax Alert covers some of the key changes made to the e-Invoice Guideline (Version 2.3), e-Invoice Specific Guideline (Version 2.1) and Software Development Kit (Version 1.0). Our [EY Tax Alert Special Edition No. 2/2024](#) issued on 12 March 2024 had discussed the key changes made to the e-Invoice Guideline (Version 2.2), the e-Invoice Specific Guideline (Version 2.1) as well as the Software Development Kit (Beta), all previously issued on 9 February 2024.

e-Invoice Guideline (Version 2.3)

The updated e-Invoice Guideline (Version 2.3) replaces the earlier e-Invoice Guideline (Version 2.2).

Some of the key changes made to the e-Invoice Guideline are outlined below.

1. *Types of exempted transactions - Paragraph 1.6.8*

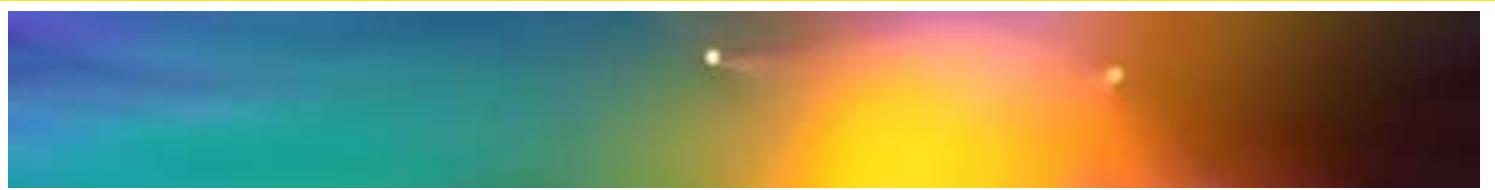
The IRBM has removed “Scholarship” from the types of income or expenses which are exempted from e-Invoicing.

2. *e-Invoice model via the MyInvois Portal - Paragraph 2.3*

- ▶ **Paragraph 2.3.2:** One of the options available for the creation and submission of e-Invoices via the MyInvois Portal is “Batch Generation” [e-Invoice Guideline (Version 2.2)]. This option is now called “Batch Upload”. The phrase “taxpayers can generate a certain amount of e-Invoices in batches by uploading a defined layout file to the portal” in the Guidelines has been changed to “taxpayers can upload a certain number of e-Invoices in batches by uploading pre-defined Microsoft Excel spreadsheet to the portal”.
- ▶ **Paragraph 2.3.8:** The “CSV report” format for retrieving essential invoice details from the MyInvois Portal has been removed from the list of available formats.

3. *e-Invoice model via Application Programming Interface (API) - Paragraph 2.4*

- ▶ **Paragraph 2.4.3:** Instead of receiving an API response which contains, amongst others, a “validation link”, the supplier or technology provider will now receive an API response which contains, amongst others, “information to form validation link”.
- ▶ **Paragraph 2.4.7:** The “CSV report” and “PDF file” formats for retrieving essential invoice details from IRBM via API integration have been removed from the list of available formats.



4. Appendix 1 - Updated data fields

Two mandatory data fields have now become optional data fields and the description for the "Issuer's Digital Signature" data field has been updated as follows (see **bold** font):

No.	Field name	Description
7.	Supplier's e-mail <i>[Optional]</i>	E-mail address of the supplier
13.	Buyer's e-mail <i>[Optional]</i>	E-mail address of the buyer
23.	Issuer's Digital Signature	<p>An electronic signature to ensure integrity and non-repudiation of documents. The e-invoice shall be signed using issuer's digital certificate.</p> <p>In the event where taxpayers utilise the services of service provider, the e-Invoice shall be signed using services provider's digital certificate.</p> <p>Please refer to the SDK for more details on digital certificate.</p>

e-Invoice Specific Guideline (Version 2.1)

The updated e-Invoice Specific Guideline (Version 2.1) replaces the earlier e-Invoice Specific Guideline (Version 2.0).

Some of the key changes made to the e-Invoice Specific Guideline (Version 2.1) are outlined below:

1. Transactions with buyers

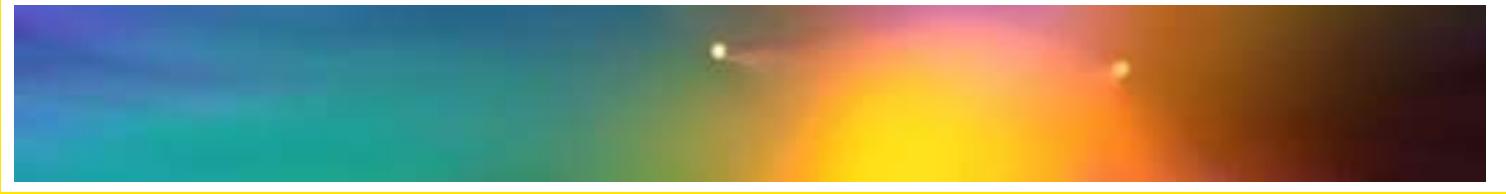
Paragraph 3.5.6 - Where the buyer requires an e-Invoice

This is a new paragraph describing the details to be provided by individual shipping recipients for the issuance of the annexure to the e-Invoice.

Paragraph 3.6.4 - Where the buyer does not require an e-Invoice

The IRBM has introduced the following limitations for the submission of e-Invoices:

- i) maximum size per submission = 5MB
- ii) maximum number of e-Invoices per submission = 100 e-Invoices; and
- iii) maximum size per e-Invoice = 300KB.



For consolidated e-Invoices, suppliers are allowed to split the receipts into several consolidated e-Invoices to comply with the abovementioned limitations.

Paragraph 3.6.5 - Where the buyer does not require an e-Invoice

The IRBM has clarified that consolidation does not apply to self-billed e-Invoices, except for the following self-billed circumstances:

- i) Acquisition of goods/services from individual taxpayers (who are not conducting businesses).
- ii) Interest payments to the public-at-large (regardless of whether they are businesses or individuals).

Paragraph 3.7.2 - Certain activities that require e-Invoices to be issued for each transaction (i.e. consolidation of e-Invoice is not allowed)

Taxpayers dealing in luxury goods and jewelry are now allowed to issue consolidated e-Invoices (where the buyer does not request for an e-Invoice) until further notice.

2. Statements or bills on a periodic basis

Paragraphs 4.2.1 and 4.2.2

For suppliers who issue statements/bills to customers on a periodic basis, such statements/bills may include adjustments to the prior period's statements/bills and payments/credit to customers (e.g., rebates). For e-Invoicing purposes, the supplier is allowed to include both the amounts owed by a customer to the supplier and the payments/credits to the customer, in the same e-invoice.

3. Self-billed e-Invoice

Paragraph 8.2

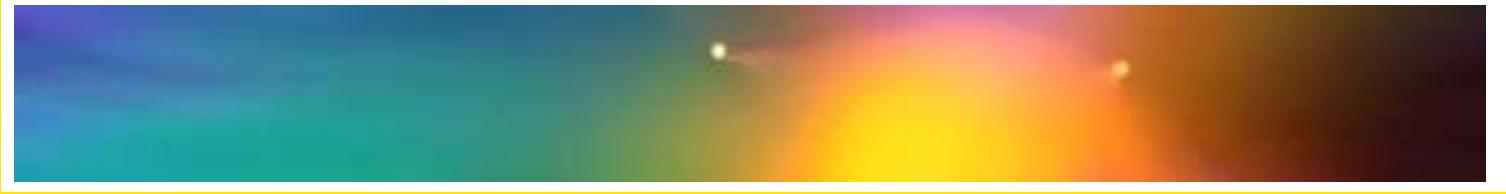
The IRBM has clarified that self-billed e-Invoices are mandatory for transactions listed in paragraph 8.3 of the e-Invoice Specific Guideline (Version 2.1).

Paragraph 8.3

A buyer is required to issue self-billed e-Invoices for seven types of transactions [previously, eight types of transactions under the e-Invoice Specific Guideline (Version 2.0)]. The transaction type "Payment/credit to taxpayers recorded in a statement/bill issued on a periodic basis" has been removed from the list of transaction types requiring self-billed e-Invoices.

Apart from the above, the IRBM has provided the following scenarios where interest payments are exempted from self-billed e-Invoices (i.e., where the supplier issues e-Invoices for these transactions):

- i) Businesses (e.g., financial institutions) that charge interest to the public-at-large (regardless whether it is charged to businesses or individuals);



- ii) Interest payments made by employees to employers; and
- iii) Interest payments made by foreign payors to Malaysian taxpayers.

Paragraph 8.5

The IRBM has clarified that the buyer is obliged to share the validated self-billed e-Invoice with the supplier upon validation.

4. Cross border transactions

Paragraph 10.4.8

The IRBM has provided clarification on the timing of the issuance of self-billed e-Invoices in relation to the importation of goods. The Malaysian purchaser is required to issue the self-billed e-Invoice latest by the end of the month following the month in which customs clearance was obtained.

Paragraph 10.4.9

The IRBM has also provided clarification on the timing of the issuance of self-billed e-Invoices in relation to the importation of services. Self-billed e-Invoices are required to be issued latest by the end of the month following the month of:

- (1) payment made by the Malaysian purchaser; or
- (2) receipt of the invoice from the foreign supplier, whichever is earlier.

IRBM further states that the determination of the aforementioned (1) and (2) items is to be done in accordance with the prevailing rules applicable for imported taxable services from a Service Tax perspective. Based on the Guide on Imported Taxable Services issued by the Royal Malaysian Customs Department on 9 January 2019, the date of the receipt of invoice is the date the invoice is recorded in the company's accounts.

5. Currency exchange rate

Paragraph 13.3

The updated e-Invoice Specific Guideline now requires the currency exchange rate to be provided in the e-Invoice, if the e-Invoice is required to be converted into RM-equivalent.

The various options previously given to suppliers, for issuing e-Invoices for transactions conducted in foreign currencies, have been removed in the updated e-Invoice Specific Guideline.

Paragraph 13.4

The IRBM has clarified that Malaysian taxpayers may use their internal currency exchange rate for the purposes of self-billed e-Invoices for the importation of goods.

Software Development Kit

The updated Software Development Kit (Version 1.0) replaces the earlier Software Development Kit (Beta) issued on 9 February 2024. Some of the key changes are summarized below.

1. Various updates have been made to the data field descriptions to provide more clarity and align with Malaysia Digital Economy Corporation's Peppol requirements for Malaysia.
2. Additional classification codes were added, as follows:
 - ▶ 044 - Vouchers, gift cards, loyalty points, etc
 - ▶ 045 - Self-billed - Non-monetary payment to agents, dealers or distributors
3. Mathematical mappings have been updated.
4. Data cardinality is now provided to indicate:
 - ▶ whether it is mandatory or optional, and
 - ▶ whether it can be provided only once or multiple times.
5. A sample JSON format of an e-Invoice (for submission to IRBM) is now provided.
6. An XML example has been added for Foreign Currency e-Invoices.
7. Size limitations:
 - ▶ Maximum 5MB per submission
 - ▶ Maximum 100 e-Invoices within one submission
 - ▶ Maximum 300KB per e-Invoice (no restriction on the line items within one e-Invoice)
8. Multiple "Original e-Invoice Reference Numbers" are now allowed for credit notes, debit notes, and refund notes. The same applies to self-billed credit notes, debit notes, and refund notes.
9. Similar to foreign currency exchange rate, the Tax Currency Code is now an optional data field element even if it is for a foreign currency e-Invoice.
10. Detailed guidance is now provided on digital signature creation, together with sample XML and JSON formats of e-Invoices with digital signature.
11. Differentiating an "Issuer" from a "Supplier":
 - ▶ "Supplier" refers to the seller who provides the goods/services.
 - ▶ "Issuer" refers to the party who issues and submits the e-Invoice to IRBM:
 - For self-billed e-Invoices, this could be the "Buyer".
 - Where an Intermediary is authorised to perform the submission, this will then refer to the third-party "Solution Provider".
12. If the submission is made by a third-party as an intermediary solution provider, then it should use the third-party solution provider's digital certificate to insert the digital signature in the e-Invoice submitted to IRBM.



IRBM's e-Invoicing Sandbox environment

The Sandbox (test/pre-production) environment was released by the IRBM on 10 April 2024. Pilot companies could obtain early access to the Sandbox by requesting a Client_ID and Client Secret key from the IRBM, while other taxpayers can obtain access from 22 April 2024 onwards. For the time being, some of the APIs in Sandbox are already "Actual APIs" while some are still "Stub APIs", i.e., temporary endpoints that return mock API responses. This Sandbox is key to the software integration work to be done by taxpayers and their solution providers.

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