



MOORE Advent

# TAX FLASH

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## E-Invoice Guideline Year 2023

The Inland Revenue Board [“IRB”] has recently issued the *e-Invoice Guideline Year 2023* to provide guidance on the scope of implementation of the e-Invoice, which covers the simplified e-Invoice concepts, implementation timeline, and implementation methods.

The key points of the above e-Invoice Guideline include:-

### i. E-Invoice

- An e-Invoice is a digital representation of a transaction made between a supplier and a buyer and covers Business-to-Business, Business-to-Consumer [“B2C”] and Business-to-Government transactions. Similar to a traditional business document, an e-Invoice contains essential information such as details of the supplier and buyer, item description, quantity, price, tax and total amount. The types of e-Invoices include invoice, credit note, debit note and refund.

### ii. Transaction Types

- E-Invoice is applicable to all taxpayers undertaking commercial activities in Malaysia which include businesses engaged in providing goods and services and certain non-business transactions between individuals. All individuals and legal entities are required to comply with the e-Invoice requirements including:-
  - association;
  - body of persons;
  - branch;
  - business trust;
  - co-operative societies;
  - corporations;
  - limited liability partnership;
  - partnership;
  - property trust fund;
  - property trust;
  - real estate investment trust;
  - representative officer and regional office;
  - trust body; and
  - unit trust.
- For certain B2C transactions which do not require the end consumers to support the e-Invoices for tax purposes, suppliers will be allowed to adopt the conventional way of issuing a normal receipt/invoice. The suppliers are only required to compile the receipts/invoices issued to end consumers after a given timeframe and issue a consolidated e-Invoice to support the transactions made with the end consumers.

### iii. Scenarios and Type of e-Invoices

- E-Invoice is required to be issued under the following scenarios:-
  - Proof of Income
    - whenever a sale or other similar transactions is made to recognise the income of taxpayers; and
  - Proof of Expense
    - when a purchase is made or other spending is incurred by taxpayers. This includes returns, discounts and any adjustments made to reduce income receipts.
- In certain circumstances e.g. where taxpayers acquire services from a foreign supplier who does not use Malaysia’s MyInvois System, the taxpayers would have to issue a self e-Invoice to document the expense.
- The types of e-Invoice to be issued are invoice, credit note, debit note and refund.

iv. Timeline for Implementation of e-Invoice

- E-Invoice will be implemented in phases, as follows, to ensure smooth transition and provide businesses with sufficient time to adapt:-

Targeted Taxpayers	Implementation Date
Taxpayer with annual turnover/revenue of more than RM100 million	1 <sup>st</sup> June 2024
Taxpayer with annual turnover/revenue of more than RM50 million and up to RM100 million	1 <sup>st</sup> January 2025
Taxpayer with annual turnover/revenue of more than RM25 million and up to RM50 million	1 <sup>st</sup> January 2026
All taxpayers, new businesses/operations commencing from year 2023 onwards and certain non-business transactions	1 <sup>st</sup> January 2027

- The annual turnover/revenue for the purpose of the implementation of e-Invoice is determined based on the following:-
  - for taxpayers with audited financial statements ["AFS"], it will be based on the annual turnover/revenue stated in the AFS for the financial year end 2022;
  - for taxpayers without AFS, it will be determined based on the annual revenue reported in the tax return for the year of assessment 2022;
  - in the event of a change of accounting year for financial year end 2022, the taxpayers' annual turnover/revenue will be pro-rated to a 12-month period for the purpose of determining the e-Invoice implementation date.
- Any changes to the annual turnover/revenue for subsequent years will not change the taxpayer's obligation to implement e-Invoice based on the abovementioned timeline. Nonetheless, taxpayers are given the option to voluntarily participate in the implementation of e-Invoice at an earlier date regardless of their annual turnover/revenue.
- For new businesses or operations commencing from the year 2023 onwards, the e-Invoice implementation date is 1<sup>st</sup> January 2027 and further guidance will be provided in due course.

v. Types of e-Invoice Model

- Two distinct e-Invoice transmission mechanisms have been developed by the IRB and provide taxpayers the options to select the most suitable mechanism based on their specific needs and business requirements. The e-Invoice models available are MyInvois Portal hosted by the IRB and Application Programming interface ["API"].
- MyInvois Portal is accessible to all taxpayers and is suitable for Micro, Small and Medium Enterprises and businesses that are required to issue e-Invoices but API connection is unavailable. The portal not only offers individual generation through a comprehensive form, but also the option to perform batch generation for the processing of multiple transactions. However, it may not be efficient to process a large volume of data.
- API is ideal for large taxpayers or businesses with substantial transaction volume as it can cater to high-volume transactions. However, API requires an upfront investment in the business' technology and adjustments to existing systems.
- Both the models offer users the function to create, submit, cancel, share and store e-Invoice and retrieve e-Invoice data.

Please refer to the Guidelines for further information on the process and step-by-step implementation of the e-Invoice Models, practical examples to demonstrate how the e-Invoice requirements can be applied in different business contexts, guidance to assist taxpayers in assessing their readiness for e-Invoice implementation and monitor compliance and Frequently Asked Questions regarding e-Invoice.

### **Guidelines on Tax Treatment for R&D Expenditure under the PITA 1967**

The IRB has issued the *Guidelines on Tax Treatment for Research and Development [“R&D”] Expenditure under the Petroleum (Income Tax) Act 1967 [“PITA 1967”]* dated 22<sup>nd</sup> June 2023 to provide clarification on the tax treatment of expenses incurred for R&D activities by a chargeable person under Section 15(1) of the PITA 1967 and Paragraph 1 of First Schedule of PITA 1967 undertaking petroleum operations.

The guidelines also provide further examples of the application of tax treatment as reference.

### **Stamp Duty Remission on Contract Notes for Trading of Shares/Stock Listed on Bursa Malaysia**

Following the announcement by our Prime Minister on 19<sup>th</sup> June 2023, the *Stamp Duty (Remission) (No. 3) Order 2023* [“2023 Order”] has been gazetted to reduce the stamp duty on all instruments of contract notes for trading of shares/stock listed on Bursa Malaysia from 0.15% to 0.10% (i.e. reduction from RM1.50 to RM1.00 for every RM1,000 or fractional part) of the contract value and capped at RM1,000.

The above reduction in stamp duty is applicable to the instruments of contract notes executed on or after 13<sup>th</sup> July 2023 but not later than 12<sup>th</sup> July 2028.

With the gazette of the above 2023 Order, the Stamp Duty (Remission) Order 2022 is revoked.

**Note:** For further information on the previous Order, kindly refer to our *Tax Flash – June 2022* issue.

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