

CIRCULAR

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To:	UTMC, IUTA, CUTA, PRS PROVIDER, IPRA AND CPRA		
Attn:	Authorised Representative/Chief Executive Officer		

Update on e-Invoicing Matters

Dear Members and Distributors,

We would like to update you on the recent developments regarding the implementation of e-invoicing by Lembaga Hasil Dalam Negeri (LHDN).

As a background, below is a summary of the chronological events of our efforts on e-invoicing:

- 1. Initial Engagement:** FIMM conducted the first e-Invoicing survey which was sent to UTMCs/PRSPs on 7 September 2023, followed by presenting the findings to LHDN on 6 October 2023, highlighting concerns such as invoicing volume, system enhancements, data privacy and regulatory uncertainties.
- 2. Second Survey:** A second e-Invoicing survey was conducted on 18 October 2023, targeting Members (including distributors) to address the industry's specific concerns and challenges in adopting e-Invoicing. The findings were presented to LHDN's e-Invoicing team to facilitate their response to industry concerns via an Industry Briefing.
- 3. Industry Briefing:** The e-Invoicing Industry Briefing took place on 30 October 2023, attended by more than 180 industry participants. The LHDN's presentation deck was shared with the industry on 2 November 2023.
- 4. Post Meeting Updates:** LHDN's e-Invoicing team responded to the industry briefing queries and provided a general flow chart of the e-Invoicing process, which was disseminated to the industry on 7 December 2023.
- 5. e-Invoicing Open Day:** FIMM extended LHDN's invitation to their e-Invoicing Open Day held on 1 March 2024 to all Members/Distributors.

Please find enclosed the FAQs that we have already shared with the industry throughout our engagements, as per Appendix 1 and Appendix 2.

As the deadline for implementation of e-invoicing is nearer, i.e. 1 August 2024, we have received extension requests from the industry. In addressing this, we have engaged LHDN, tax consultants and other industry associations, of which we note that the likelihood of further extension is unlikely. Note that we did seek an extension in the meeting with LHDN on 6 October 2023 and we only managed to secure a one (1) month extension, in line with the Budget 2024 announcement.

From our recent engagement with the LHDN, we have reiterated the operational complexities faced by some members in meeting the deadline. In dissecting the operational complexities, we note that some have been addressed by the earlier FAQs, while there are some inherent or specific to respective organisations, due to their systems, processes, and procedures. On the latter, we advise Members to directly contact LHDN's e-invoicing at myinvois@hasil.gov.my on their specific challenges for LHDN to obtain appropriate advice and support.

Thank you.

Yours faithfully

FEDERATION OF INVESTMENT MANAGERS MALAYSIA



Heow Yen Fen

General Manager, Industry Services Division

Appendix 1

On 6 October 2023, FIMM had a meeting with the Lembaga Hasil Dalam Negeri (LHDN) together with their appointed tax adviser, Ernst and Young (EY) to address Industry concerns and challenges related to e-Invoicing. During this meeting, FIMM represented the collective concerns of our Industry. The following points summarise the issues raised by FIMM and responses provided by LHDN/EY:

1. Invoice Volume and Complexity

Many organisations within our Industry anticipate a significant increase in the volume of e-Invoices. This poses a considerable challenge, especially for entities with a high volume of transactions. Complex scenarios, such as early upliftment of placements or adjustments in interest rates, might necessitate credit or debit notes, further adding to the complexity.

LHDN/EY Response: e-Invoicing will be seamlessly integrated into accounting and transaction systems. All revenue items are mandated to be issued through e-Invoicing. The specific guideline published by LHDN on 29 September 2023, addresses the treatment of various transaction types, providing clarity. The objective of this exercise is to not place additional burden on the operations and administration of the Industry and it was advised that so long as there is any form of proof of income/expenses (i.e. warrants/statements and etc.) there is a requirement for e-Invoice to be generated.

During the meeting, it was highlighted that Malaysia equities and Government Bills are exempted from the e-Invoicing exercise. For domestic Corporate Bond issuers, it is mandatory to issue e-Invoice. As for foreign Corporate Bond issuers, it would have to be self-billing generated by the Fund Manager or Trustee. For money market placements, the Fund Managers or Trustee would have to issue an e-Invoice.

2. System Enhancements

There is a consensus among Industry players about the need for substantial system enhancements to accommodate e-Invoice requirements effectively. This includes modifications to invoice formats, the addition of mandatory fields, and ensuring compatibility with LHDN specifications. These changes may require significant IT infrastructure updates, resulting in associated costs and process modifications.

LHDN/EY Response: LHDN acknowledges the requirement for system enhancements to facilitate e-Invoicing. They offer essential support through the Software Development Toolkit (SDK) and system enhancement guidance. LHDN has introduced a portal for e-Invoicing issuance, which is manually accessible for Companies not integrating the system, particularly beneficial for those with lower transaction volumes. Additionally, LHDN/EY clarified that parties who are responsible for the preparation of financial accounts (either Trustee or Fund Manager) will have to build the connectivity via API or utilise the e-Invoicing system.

Thirty-eight (38) data fields are mandatory to be filled out where 3 data fields are by LHDN and 7 would be for subscriber/buyer details. LHDN/EY is anticipating receiving any feedback from the Industry about the data fields of the e-Invoice system.

3. Data Collection and Privacy

Collecting additional customer information, such as Tax Identification Numbers (TINs), email addresses, and other required fields, raises privacy concerns. Industry players are committed to adhering to data privacy regulations but seek guidance on managing this aspect effectively, particularly when dealing with unitholders and foreign investors.

LHDN/EY Response: LHDN recognises the challenges of obtaining Tax Identification Numbers (TINs) from unitholders and as a concession has proposed using the NRIC or Passport number for the issuance of the e-Invoicing to the relevant unitholders. For foreign investors and counterparties, LHDN recommends self-invoicing these transactions.

It was discussed that moving forward, the Industry should be preparing to accommodate collection of TIN numbers (i.e. through new account opening or a yearly exercise of requiring unitholders to update their personal details). Private Pension Administrator (PPA) is also required to collect the TIN of all unitholders.

LHDN is aware of the PDPA requirements as this has been raised by other industries as well and is working with the relevant Government Bodies for a law to be passed for this purpose.

4. Regulatory and Compliance Uncertainties

There is uncertainty among Industry players regarding how to handle transactions that are not typically invoiced, such as investment income or switching fees. Clear guidelines and support in meeting regulatory and compliance requirements are critical for successful implementation.

LHDN/EY Response: It was highlighted that the subscription fee (sales charge) is recognised as a unitholder expense. The Fund Manager would be required to issue the e-Invoice as this would be an income which can be done in batches.

Companies are mandated to issue e-Invoices for all transactions categorised as income. LHDN and EY will be addressing other queries which are to be raised by our Industry members coming 30 October 2023.

5. Industry-Wide Challenges

A smooth transition to e-Invoice requires a collective effort involving Industry stakeholders such as Distributors and Trustees. Proactive collaboration among all stakeholders is pivotal to ensuring a seamless transition.

LHDN/EY Response: LHDN has planned an engagement with multiple Industry stakeholders on 30 October 2023 to address the concerns raised by various stakeholders.

6. Uncertainties and Lack of Clarity

Some respondents mentioned uncertainties and a lack of clarity regarding specific aspects of e-Invoice, such as the treatment of various transaction types and the inclusion of certain data fields on invoices. Clear guidance and clarifications would be immensely helpful.

LHDN/EY Response: LHDN has arranged an engagement with the Industry stakeholders on 30 October 2023 to address these concerns. Several points were raised by FIMM for clarification and responded to by EY such as:

- a. Items that are on balance sheets such as the investment assets are not required for e-Invoicing if there is an injection to the pool.
- b. Dividend/Interest Income/Rental Income (where applicable) requires the Fund Manager or Trustee to issue the e-Invoice.
- c. When it comes to audit exercise, it was advised that so long as there is documentation to prove each income or expense transaction it would be acceptable as LHDN is cognisant of the operational burden.
- d. EY understands that the Industry is following the MFRS accounting standards and stated that e-Invoicing is a standalone exercise.

7. Implementation Timeline

The implementation timeline, particularly the June 2024 deadline for businesses with a sales turnover threshold of MYR 100 million, has raised concerns. Many organisations believe that more time is necessary to adequately prepare for this transition, given the involvement of numerous stakeholders.

FIMM Response: FIMM has brought to LHDN's attention that the Industry is seeking extension due to Items 1 and 2 above. However, as per the Budget 2024 announcement on 13 October 2023, the implementation timeline has been extended to August 2024.

Appendix 2

On 14 September 2023, we invited the industry to gather feedback on e-invoicing and submitted the questions for LHDN's response. The questions from the industry were compiled to be sent to LHDN for their clarification following the engagement with LHDN about the e-invoicing exercise on 30 October 2023, where Members and Stakeholders participated. During the engagement, it was suggested by one of the Tax Advisors in attendance that the questions during the discussion be compiled together with the general process flow outlining the industry application of e-Invoicing to:

- UTMC
- CUTA
- IUTA
- CUTA and IUTA

FIMM QUERIES

Definitions:

AUM	Asset Under Management
TA	Transfer Agency – service provider for UTS – holder of records of UTS
UTS	Unit Trust Scheme also known as Collective Investment Scheme
UTMC	Unit Trust Management Companies (Fund Management Companies)
IUTA	Institutional Unit Trust Advisers (comprises of Banks, Unit Trust Platforms such as iFast)
UTC	Unit Trust Consultants

Operational

1. Enhancements

a. Any operational enhancements required on billing by the trustee on trustee fee?

Taxpayers need to ensure e-Invoice has the mandatory fields required by IRBM. For the purposes of e-Invoice, taxpayers would only need to submit the 51 data fields (38 mandatory fields) for IRBM's validation

B. Would the timelines for implementation for UTS be the same as the published timelines? In the same vein, would the turnover of a UTS fund be measured by the AUM/Income received or any other similar metric?

All taxpayers that fall within the annual turnover or revenue threshold stated in the e-Invoice Guideline are mandated to implement e-Invoice according to the implementation timeline.

Operational

2. Specific Billing

a. For fees collected from UTC, should UTMC issue e-Invoices?

The entity that is earning the fee should be the one issuing e-Invoice.

b. Should the company prepare self-billed e-Invoices for foreign registered service suppliers?

Yes, your understanding is in order. Where transactions involve foreign suppliers, the Malaysian party is required to issue a self-billed e-Invoice to substantiate for tax purposes. Kindly refer to Section 10.4 of the e-Invoice Specific Guideline for further details.

c. How should the company handle advance payments bank-in by UTCs and foreign suppliers?

Could you kindly elaborate further whether the advance payment is in relation to the amount of investment or any charges or fees paid for the provision of services?

d. For self-billing with UTCs or foreign suppliers, is an agreement necessary?

Issuance of agreements is a commercial arrangement between you and your suppliers. An e-Invoice is only required to be issued upon a transaction being concluded.

3. Unit Trust Schemes (UTS)

a. How do UTS with no turnover determine the E-Invoicing implementation deadline?

The mandatory implementation for respective taxpayers will be determined based on the entity's annual turnover or revenue stated in the statement of comprehensive income in the audited financial statements for financial year 2022. Please refer to Section 1.5 of the e-Invoice Guideline for further details.

b. With regards to, Income distribution by the UTS to local end-investors, would this type of transaction be in scope for e-invoicing (proof of expense to be issued)? Additionally, would appreciate some clarity on roles on issuance of e-invoice

Where taxpayers are not listed on Bursa Malaysia, a self-billed e-Invoice (income distribution) is required to be issued by the taxpayer that makes the distribution to substantiate for tax purposes. Please refer to Section 11 of the e-Invoice Specific Guideline for further details.

c. Feeder Fund – Treatment for the Management fees rebate received from foreign Target Fund. This would be in the case of a cross border entity (Target Fund Manager) giving a fee rebate to a local tax payer (Feeder Fund Manager). LHDN to kindly confirm if a self-billed invoice must be issued for the rebate/discount based on the Credit Note type of e-invoice.

In relation to the rebate, the local taxpayer is required to issue a self-billed credit note e-Invoice. Please refer to Section 10 of the e-Invoice Specific Guideline for further details.

4. Income Transactions

a. Are trading of investments or securities out of the scope of E-Invoicing for UTS?

Trading of investments and/or securities are in scope for e-Invoice

b. Are income self-billed by financial institutions/debt issuers?

Could you kindly elaborate further in relation to the types of income to facilitate our understanding?

c. For income received from a foreign entity, can self-billed e-Invoices be issued upon remittance in Malaysia?

Yes. Kindly refer to Section 12 of the e-Invoice Guideline for further details.

d. For distributions to unit holders, what's the timeline for issuing e-Invoices?

An e-Invoice is required to be issued at the point of distribution.

e. What's the payment mode for reinvestment cases?

Payment is a commercial arrangement between the supplier and buyer. An e-Invoice is required to be issued for a transaction.

f. How is withholding tax disclosed in e-Invoices?

Taxpayers would only need to present the gross amount in the e-Invoice

g. Are gain distributions from the realization of securities considered capital and out-of-scope?

An e-Invoice is required for all profit distributions.

h. With regards to, Income received by UTS – both originating from domestic and cross border sources. Would the Issuer or UTMC or Trustee be the responsible party to issue the e-invoices (self-billed or standard) for this case?

The entity that is earning the income is required to be the one issuing e-Invoice

i. Please note that UTS typically have different sources of income. Hence, would like to obtain some guidance on the type of income which would be in scope for issuance of e-invoices in relation to UTS? Please confirm if the common items below are in-scope for e-invoicing and its corresponding treatment (buyer/supplier roles for these income)

- Dividend
- Interest Income
- Coupon Payment
- Rebate of Management Fees
- Foreign investment income – listed and unlisted investments

e-Invoice is required (except accounting adjustments) as a proof of all income and expense of the taxpayers. Please refer to the e-Invoice Guideline and Specific Guideline for further details.

j. Treatment for interest income that is accrued over a time period

No e-Invoice is required for accounting adjustments as these are not transactions. However, the actual interest would require an e-Invoice.

5. UTMC Billing

a. Should UTMC issue e-Invoices for sales charges, switching fees, and exit fees?

e-Invoice is required (except accounting adjustments) as a proof of all income and expense of the taxpayers. Please refer to the e-Invoice Guideline and Specific Guideline for further details.

b. Do IUTAs need to issue e-Invoices to end investors?

e-Invoice or consolidated e-Invoice is required to be issued for the income earned by IUTA

c. For fees collected from corporate clients and individuals, should UTMC issue e-Invoices?

e-Invoice is required (except accounting adjustments) as a proof of all income and expense of the taxpayers. Please refer to the e-Invoice Guideline and Specific Guideline for further details.

d. What about foreign clients?

Where transactions involve foreign clients, an e-Invoice is required to be issued. Please refer to Section 10.5 of the e-Invoice Specific Guideline for further details.

e. For management, advisory, and performance fees, should UTMC issue e-Invoices?

e-Invoice is required (except accounting adjustments) as a proof of all income and expense of the taxpayers. Please refer to the e-Invoice Guideline and Specific Guideline for further details.

f. What about distribution income from UTS?

Where taxpayers are entitled to deduct tax under Section 108 / not listed on Bursa Malaysia, a self-billed e-Invoice (dividend distribution) is required to be issued by the taxpayer that makes the distribution to substantiate for tax purposes. Please refer to Section 11 of the e-Invoice Specific Guideline for further details.

g. What's the process for interest income received from banks?

In relation to interest income received from banks, the banks are expected to issue an e-Invoice to substantiate the transaction for tax purposes.

h. Who issues e-Invoices for expenses like sales commission, external fund manager fees, and referral fees?

Kindly consult with the relevant parties. In relation to the fees paid, the party recognising it as an income should be the party responsible to issue the e-Invoice as a proof of income (unless certain conditions prevails or when self-billed is applicable, then the respective parties should evaluate other issuance options).

i. Directors' Fee and Attendance Fee payment to Executive Directors and NonExecutive Directors.

(i) Should the company do self-billing?

(ii) Is an agreement required between the company and directors?

(iii) Is an e-Invoice to be issued upon payment?

(i)(i) Where the director is under contract for service, the director is required to issue e-Invoice to the company for the income received. However, where the director is under contract of service, the fees should be considered as part of employment income which is currently being exempted from the issuance of e-Invoice under Section 1.6.7 of the e-Invoice Guideline. Note that the exemptions will be reviewed and updated from time to time.

(i) (ii) Agreement between the company and the director is a commercial arrangement.

(i) (iii) There is no specific requirement on the timing of issuance of e-Invoice (other than where consolidated e-Invoice, importation of goods and foreign income is applicable. Where any legislation is applicable, you may proceed to follow as per the said legislation.

j. Are Bursa Malaysia entities, Securities Commission Malaysia and Bank Negara Malaysia part of the definition of Statutory Bodies or equivalent per Section 1.6 of the Version 2.0 E-Invoice Guideline, that is these participants are exempt from the issuance of e-invoices? LHDN to kindly confirm

Kindly consult with the respective entities or bodies.

6. Fund Billing

a. For local and foreign dividend, interest, and distribution from Target Fund, should UTS issue e-Invoices or expect reverse e-Invoicing?

Please refer to e-Invoice Specific Guideline and apply the appropriate scenarios.

b. For local and foreign management fee rebates, should funds issue e-Invoices?

In relation to the foreign management fee rebate, the local taxpayer is required to issue a self-billed credit note e-Invoice. Please refer to Section 10 of the e-Invoice Specific Guideline for further details.

In relation to local management fee rebate, an e-Invoice is required to be issued to substantiate for tax purposes.

c. How to handle realized gains on investments and foreign currency exchange in e-Invoices?

In relation to realised gains on investment, no e-Invoice is required to be issued as e-Invoice would be issued for the underlying transactions. For foreign currency exchange gain, no e-Invoice is required to be issued.

d. What's the approach for donations payments, income tax expenses, and income distributions to unitholders?

No e-Invoice is required to be issued for payments of income tax.

In relation to donations and income distributions to unitholders, an e-Invoice is required to substantiate the transaction for tax purposes.

7. Trustee Transactions

a. With regards to, out of pocket expenses/Re-imbursable expenses (Depository charges/CSDR penalty - cross border) – these are typically not considered income to the Custodian/Trustee as these are expenses passed back to the client/fund. LHDN to kindly confirm roles of buyer/supplier in this case and if these are in scope for e-invoicing (that is which party is to issue the invoice, would Section 4 of Version 1.0 e-invoice Guideline apply where in monthly statements can be used for e-invoicing purposes?

Example of scenarios provided below:

Case 1a	Domestic TA provider charges fees to Trustee, Trustee charges this back to Client as out of pocket expense
Case 1b	Trustee charges courier fees to client for the courier of documentation to TA.
Case 2	Bursa Depository Charges fee to custodian, custodian charges this back to client as out of pocket expense.
Case 3	Central Securities Depositories Regulation (CSDR) daily penalty charged by cross border EU entity to Custodian, Custodian charges this back to the client.

Please refer to Section 5 of the e-Invoice Specific Guidelines and apply the appropriate scenarios.

1. Billing System

a. We are issuing invoices manually using an Excel file every quarter. Do we need a system to implement this new process?

Businesses are allowed to choose their preferred mechanism in issuing and submitting an e-Invoice. Where the business does not have its own billing / accounting system, IRBM provides MyInvois Portal which will be accessible by all taxpayers at no cost.

b. Any system enhancements required on billing by the trustee on trustee fee?

Kindly consult with your IT team / technology service providers on this matter.

2. System Enhancement Concerns

a. We do not currently have many technical details for system enhancements as the software development kit is not yet available. There may not be enough time to get it completed, tested, and ready for rollout in August 2024.

The Software Development Kit (SDK) which will be issued in Q4 2023 will contain sufficient API details for your system configuration to transmit e-Invoices. Pending the SDK, taxpayers are advised to conduct their own preliminary assessment / may hire consultants with the appropriate experience to assist you with system enhancement based on the guidelines released.

b. For subsidiaries, for instance bank-backed Trustees/UTMCs, would they be able to utilize their parent company's tech infrastructure for this initiative or does this have to be independent at a per entity level?

Businesses are allowed to organise their affairs in order to comply with the e-Invoice requirements. Kindly consult with your IT team / technology service providers in relation to the mentioned arrangement.

Compliance

1. Compliance Obligations

a. What is the compliance obligation and expectation of trust companies in their capacity as a fund trustee role?

b. What are the compliance obligations and expectations of fund management companies?

(a) & (b) The standard current obligation applies. Kindly consult with your fund management clients / tax consultants in relation to compliance matters.

2. Monitoring and Compliance Assurance

a. What should trust companies monitor to ensure due compliance in their role as support for fund management clients?

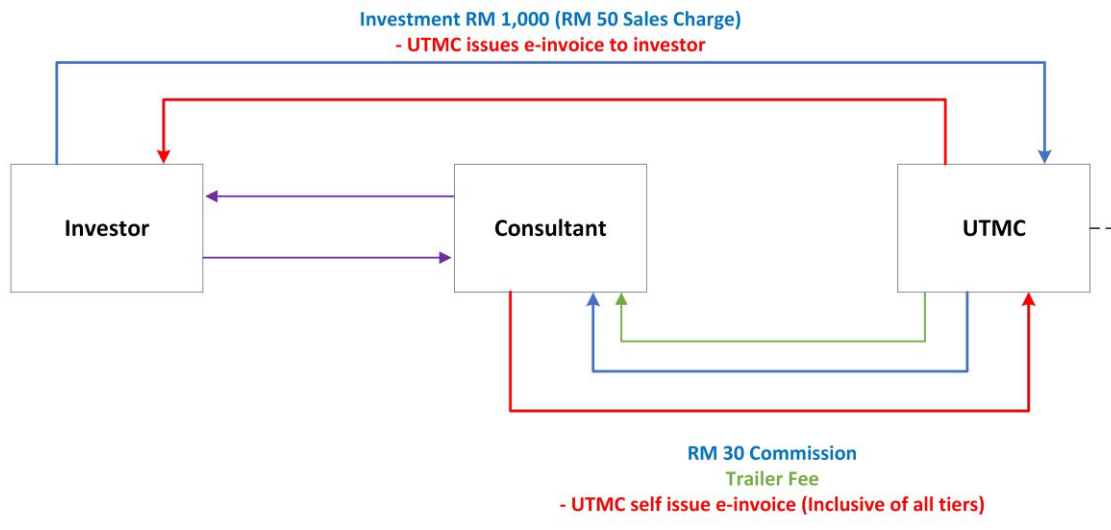
b. How can trust companies ensure due compliance by trust companies in support of the fund management clients?

(a) & (b) Kindly consult with your fund management clients in relation to this matters.

Unit Trust and Private Retirement Scheme (PRS) Industry Process

Flows

Unit Trust Transaction - UTMC

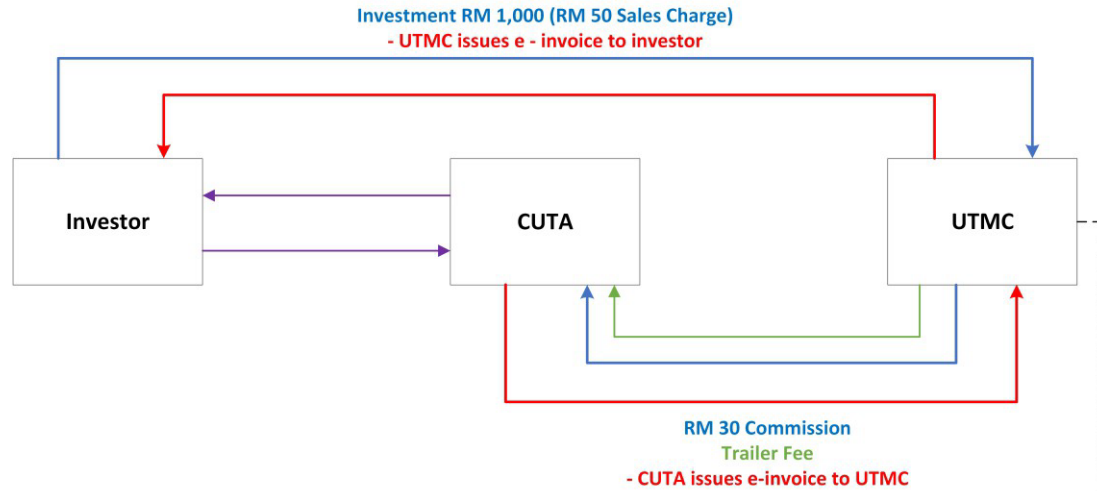


Sales Charge 5.00 %
Consultant Portion 3.00 %
UTMC Retains 2.00 %

Legend
- Revenue Flows
- E-Invoice Direction
- Trailer Fee
- Sales Point

Note: UTMC to issue e-invoice to the managed funds for income earned (i.e. annual management fee)

Unit Trust Transaction - CUTA

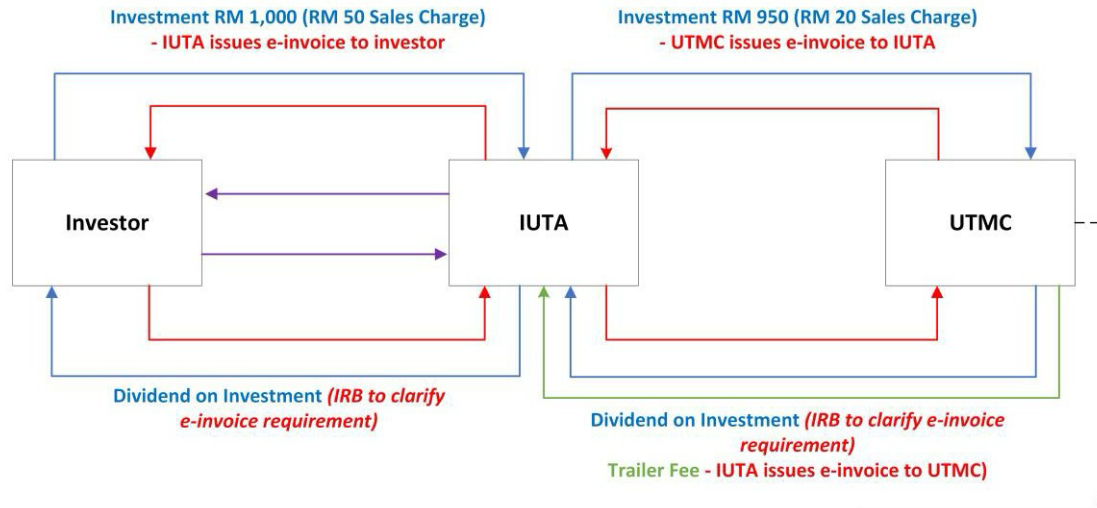


Sales Charge 5.00 %
CUTA Portion 3.00 %
UTMC Retains 2.00 %

Legend
- Revenue Flows
- E-Invoice Direction
- Trailer Fee
- Sales Point

Note: UTMC to issue e-invoice to the managed funds for income earned (i.e. annual management fee)

Unit Trust Transaction - IUTA

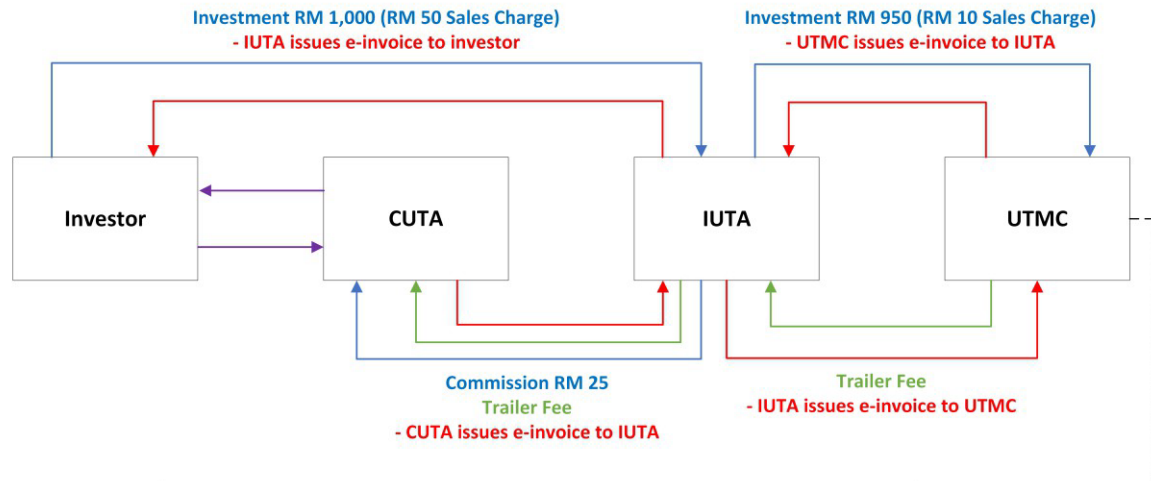


Sales Charge 5.00 %
 IUTA Retains 3.00 %
 UTMC Portion 2.00 %

Legend
 - Revenue Flows
 - E-Invoice Direction
 - Trailer Fee
 - Sales Point

Note: UTMC to issue e-invoice to the managed funds for income earned (i.e. annual management fee)

Unit Trust Transaction - CUTA on IUTA Platform



Sales Charge 5.00 %
 CUTA Portion 2.50%
 IUTA Portion 1.50 %
 UTMC Portion 1.00 %

Legend
 - Revenue Flows
 - E-Invoice Direction
 - Trailer Fee
 - Sales Point

Note: UTMC to issue e-invoice to the managed funds for income earned (i.e. annual management fee)