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“CURBING TAX EVADERS AND SHADOW ECONOMY WITH E-INVOICE”



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Curbing tax evaders and shadow economy with einvoice

By DIYANA PFORDTEN



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PETALING JAYA: Tax evaders and the shadow economy can be contained with the help of the soon-to-be introduced electronic invoicing system (e-invoicing), which can reduce unreported sales and false invoicing, says the Inland Revenue Board (LHDN).

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LHDN chief executive officer Datuk Dr Abu Tariq Jamaluddin said tax evaders would often falsify purchases and transactions and report only a portion of actual sales to reduce taxable income.

“Typically, false purchases will use the name of a non-existent, inactive, dissolved or unrelated business entity.

“For business expenses, not all claimed expenses are for business purposes; some are personal,” he said.

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He said with the use of invoicing effective Aug 1, 2024, there will be greater transparency on such transactions.

“Electronic invoices can be easily tracked, audited and archived, ensuring accurate and accessible records for regulatory purposes.

“Einvoice are typically encrypted and digitally signed, making it difficult to forge

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einvoices.

He said einvoice also provides real-time visibility into the invoicing process while minimising manual processes, which helps to ensure the accuracy and integrity of the invoice data, allowing tax administrations to analyse data more efficiently.

“The objective of einvoice implementation is also to reduce taxpayers’ compliance costs and enhance the transparency of business transactions.

Meanwhile, it would also provide businesses with a unified and streamlined process for creating and submitting transaction documents electronically to the tax authority (LHDN), allowing efficient and accurate tax reporting and filing tax returns.

“This automation reduces manual efforts and minimises errors,” said Abu Tariq.

He said larger businesses could also streamline their operations, which saves time and money through automation, seamless data integration, and better invoice management.

“This will allow and ease the tax administrations to maximise their tax collection and, in the process, increase the government’s revenue.

“The implementation of einvoice could also help to reduce the country’s operational cost and, at the same time, improve fiscal control.”

He said through these features, functionalities and capabilities, einvoice will play a pivotal role in promoting transparency, accountability and compliance in tax environments, ultimately contributing to “compliance by design” practices.

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In preparation for the implementation of einvoice, Abu Tariq advised that businesses should have a dedicated team with the necessary expertise and capabilities, as well as available resources, data structures and IT capabilities to ensure the systems in place comply with the requirements of einvoice implementation.

"In terms of business processes, it is time to re-evaluate the current process of issuing invoice transaction documents," added Abu Tariq.

National Chamber of Commerce and Industry of Malaysia (NCCIM) president Tan Sri Soh Thian Lai said invoicing provides clear digital trails of transactions, promoting transparency and accountability in financial dealings for businesses.

He said it would also promote automated compliance checks, ensuring adherence to tax regulations and reducing the likelihood of any tax oversight or evasion.

"With the real-time tracking of invoices and transactions, tax authorities can better monitor and verify business activities, reducing opportunities for tax evasion.

"The data analysis enables tax authorities to identify anomalies or patterns indicative of potential tax evasion, leading to more effective enforcement measures," he said.

Soh said the first implementation batch to submit einvoice would be large companies with RM100mil or more in annual turnover, which would be implemented from Aug 1, 2024.

He said the short timeline may be a challenge for larger companies to be fully on board with invoicing. considering compliance would depend on cross-ministry or government

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agencies' cooperation while having to deal with a large volume of transactions involving foreign suppliers and buyers.

Soh urged the government to consider giving companies leeway to make adjustments to the implementation of the einvoice system.

The LHDN einvoice will be implemented in three phases, from August 2024 to July 2025.

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Tax Evasion , Elecronic Invoicing , Inland Revenue Board , IRB , E-Invoicing , MyInvoice , Datuk Dr Abu Tariq Jamaluddin