

SMEs welcome grace period

One-year e-invoicing extension gives businesses breathing space, say groups

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PETALING JAYA: The government's decision to extend the e-invoicing transition period by another year will allow more breathing room for businesses to upgrade their system and operations for compliance, say SME groups.

This is because many businesses are still currently grappling with wage pressures, labour shortages and stiff competition.

Samenta president Datuk William Ng said that although the transition period was extended, the cost of getting ready for the e-invoicing implementation remains high.

"We should have waited for the full roll-out of MyDigital ID for businesses before implementing e-invoicing so that it would have been as simple as just a scan-and-click process.

"However, we still welcome the announcement by the Prime Minister, which is a major relief for the majority of SMEs," he said when contacted yesterday.

Ng said businesses that are ready for e-invoicing should proceed, while those still in the process, must ensure they are



Industry experts: (From left) Ng, Koong, Chin and Norsyahrin.

compliant within the extended time frame.

He pointed out that self-billing is the biggest issue faced by SMEs in the gig economy and retail sectors.

"Errors in invoice cancellations can lead to heavy penalties, which creates a fear factor. The extended transition period gives us time to educate the workforce," he said.

Ng suggested that there should be a no-penalty period even after the full implementation of the new invoicing system.

"This will allow businesses to adapt to the system without the threat of legal action," he said.

Ng also said that the government should clearly outline a realistic and simplified implementation schedule, including when businesses with revenue below RM3mil and RM5mil are expected to comply with e-invoicing.

Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM) treasurer-general Datuk Koong Lin Loong said the implementation date for companies with annual sales between RM1mil and RM5mil remains Jan 1, 2026.

He added that what had been extended was the penalty-free transition period for the duration of one year.

Koong, who is a tax expert, said one of the most confusing aspects for SMEs is the self-billing mechanism.

"Many SMEs do not usually issue sales invoices for their purchases or expenses, so self-billing is very confusing and prone to mistakes," he said, adding that the use of credit notes, debit notes and invoice cancellations has further complicated matters.

He added that a simplified method would greatly help SMEs.

SME Association of Malaysia president Chin Chee Seong said that extending the transition period without penalties by another year provides a buffer, but offers little practical relief.

"The one year extension doesn't make a big difference for companies earning below RM5mil.

"In contrast, many SMEs are still recovering from the pandemic, while new policies continue to raise operating costs," he said.

He suggested the government also delay or simplify the RM10 stamp duty for employment contracts and those related to rental and leasing agreements.

"If these could be delayed or simplified, it

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could help a lot," he said, adding that many SMEs are still struggling, with some having shuttered due to financial challenges.

Malay Chamber of Commerce resident Norsyahrin Hamidon

said the penalty free extension of one year period gives SMEs time to prepare, and to train staff including purchasing software and upgrading digital infrastructure.

He suggested that the government provide matching grants for SMEs struggling with the cost to

purchase e-invoicing software which are priced around RM2,500 and above.

He said e-invoicing could help curb the black economy, which is estimated at RM300bil.

First announced under Budget 2023, e-invoicing is a mandatory

digital system by the Inland Revenue Board that requires businesses to issue structured electronic invoices to improve tax administration and reduce revenue leakages.

It was targeted for roll-out in phases beginning Aug 1, two years

ago, with full adoption by July 1 last year.

However, the threshold exemption for businesses was raised from RM500,000 to RM1.5mil.

Currently, taxpayers earning more than RM5mil a year are required to use e-invoicing.