



LHDN e-Invoice Findings for Sole Proprietorship

Sharing from explorations and experiences

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1 About The Paper

LHDN e-Invoice Findings for Sole Proprietorship

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1 Abstract

In Year 2024, Malaysia Inland Revenue Board (LHDN) had begun rolling out its e-Invoice system starting from August 1, 2024 for taxpayers with annual turnover or revenue more than 100 millions^[1]. LHDN is estimating that by year 2025, all taxpayers shall implement e-Invoice regardless of sizes and income amount^[1]. While small businesses registered sole proprietorship are not required to participate before 1 July 2025^[1], some of us, especially independent content artists and social media influencers registered as one, are still required to do so in order to be validated, recognized, and claimable via LHDN taxation filing (pull-in effect)^[9]. Otherwise, the small business will be essentially locked out from making any corporation deals for both supply chain and customers ends^[9].

However, for sole proprietorship, there is not enough information and emphasis on how to perform one aside from the general guidance compared to public and private corporations^[10]. After the author, a sole proprietor who personally explored and successfully experienced a filing as a seller, it's safe to share the knowledge to the similar fate.

This paper shares the experience utilizing LHDN e-Invoice as a sole proprietor mainly for enabling and validating counterparts' invoices (supplier and customers). As the paper was written in August 2024 where LHDN is still beta-testing the system with both private and public corporations, the content of the paper can be outdated as time flows per LHDN pursue of continuous improvements. To avoid conflict of interest and misinformation, reader MUST AND SHALL always refer to LHDN provided guidelines to perform e-invoicing^[16]. The author SHALL NOT be held liable for any consequences in any means, any circumstances, any shape, or any forms for the reader.



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2 Why E-Invoice

E-Invoice is a consolidated implementation meant for LHDN to unify and to simplify all sales and financial transaction for easier tax management^[11]. The aim is to make the invoicing process to be seamless and standardized for all parties^[11]. Given enough efforts and improvement iterations, LHDN can achieve per-filled tax return (or commonly and unofficially known as “return free” tax return) for all citizen just like some advanced European Union countries like Estonia, and Sweden^[12]
^[13].

3 LHDN & Sole Proprietorship

LHDN treats Sole Proprietorship as an individual/personal account (based on B-Form “Borang B” instead of the employment BE-Form “Borang BE” tax filing category)^[14]. Hence, the same personal TIN number shall be used for all personal and sole proprietorship entities.

The only time to apply for TIN number is when the individual and/or the sole proprietorship is too new and has yet to have a tax filing account with LHDN (under individual (“Individu”) category)^[14] OR applying for the employer who is a Sole Proprietorship under employer (“Majikan”) category^[14]. Applying TIN number can be done via the LHDN extended portal available at <https://mytax.hasil.gov.my/ezHasil?data=e-Daftar&id=ezHasil%20sebelum>^[15].

For existing owner of the sole proprietorship who completed at least 1 round of tax filing, based on the author’s experience, LHDN had already made the TIN number available for use so no explicit registration is required. Dated to this paper, LHDN encourages all e-invoice users to use its platform based on its continuously improved guidelines available at: <https://www.hasil.gov.my/en/e-invoice/guidelines/>^[16].

4 Login Portal

LHDN prepared 2 channels to file an e-invoice: either via LHDN E-Invoice Web Portal or via LHDN Application Programmable Interface (API)^[11]. Dated to this paper, for those who are not using enterprise resource planning (ERP) software, the LHDN E-Invoice Web Portal (called “MyInvois”) is a very attractive option for trades that are not high frequency and fast-moving (e.g. fast-moving consumer goods or gate-keeping services)^{[11][2]}.

To access MyInvois portal, the user must navigate to the conventional tax filing portal and log-in with your tax filing account credentials^[2]. Then, on the top bar, click the “MyInvois” portal and it shall leads to the MyInvois portal as shown in Figure 1^[2].

Also, as shown in Figure 1, this is also how one obtains his/her TIN number (redacted for privacy purpose)^[2]. Hence, this is how one guides the counterparts to obtain TIN number on their own^[2].



Figure 1: Accessing e-Invoice Portal from MyTax Portal^[2]



4.1 Prerequisite: Obtaining Counterpart's TIN & NRIC/BRN

Dated to this paper, it appeared that the LHDN requires one to actually obtain 2 set of information from the counterpart in order to perform a filing as shown in Figure 2^[3]:

1. The counterpart's TIN Number^[3]; AND
2. The counterpart's NRIC Number OR Passport Number OR Business Registration Number (BRN)^[3].

Once one obtained and input the required information, all other trade information for the counterpart shall appear on-screen and are not editable^[3].

The author specifically list this sub-section out because in Malaysia, certain citizen regardless of race and religion treat NRIC number (commonly known as "IC Number") like a heavily guarded sensitive data for scam & fraud self-protection. Hence, there will be friction during the requesting process and can be time-consuming depending on escalations. Dated to this paper, even educating the counterpart to obtain TIN number is troubling enough due to lack of tax education.

Should the counterpart insist and refuse to cooperate, after calling LHDN for verification, LHDN recommends to use the "**General Public**" TIN number "**EI00000000010**"^{[7][8]}. Since the TIN number is not the counterpart's TIN number, the seller should provide a last warning to the counterpart shall forfeit his/her tax claims during his/her tax return (commonly known as "income tax" filing).

Buyer (To) *

ID Type * Registration / Identification / Passport Number *

Tax Identification Number (TIN) * Validate

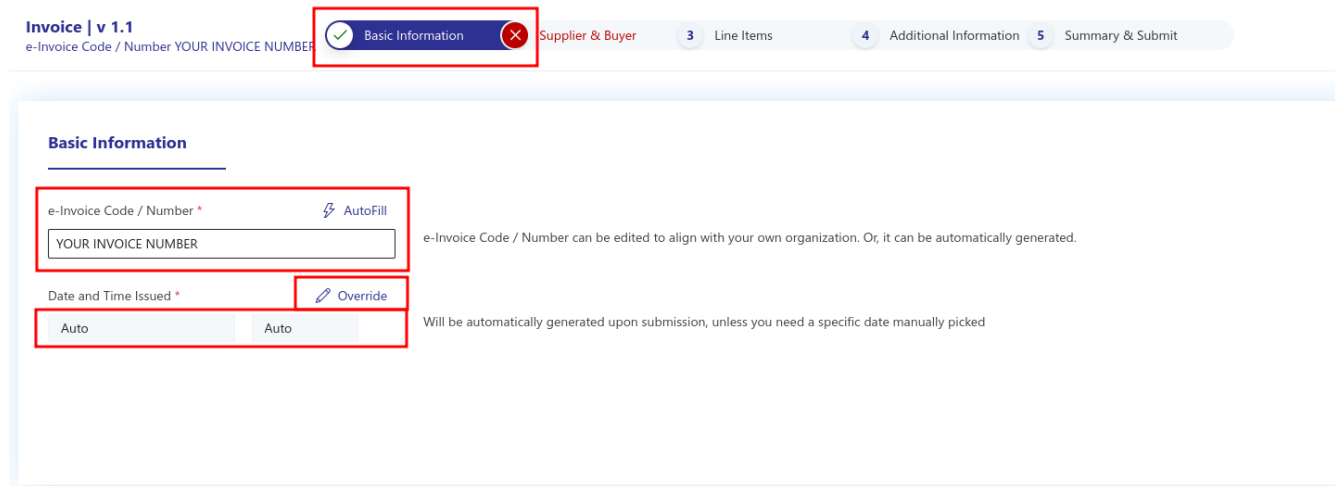
Name * SST Registration Number *

Figure 2: The Required Information for Filing an E-Invoice^[3]

4.2 Filing for Buyer

This section is defining the counterpart as the buyer (as in your customer) assuming the owner is a seller which is common for filing an e-Invoice^[11]. This is the easiest process as one would only need to fill all the required information based on the conventional trade invoice, verify, and submit to LHDN^[3].

For those who use an ERP or an accounting software that issues conventional invoice, the invoice ID shall be placed inside the e-invoice filing under “*Basic Information*” overriding (By clicking “Override” link) “*e-Invoice Code / Number*” field as shown in Figure 3^[3]. This shall form an association between LHDN e-Invoice with the conventional invoice.



The screenshot displays the LHDN e-Invoice filing interface. At the top, there is a navigation bar with tabs: "Basic Information" (selected), "Supplier & Buyer", "Line Items", "Additional Information", and "Summary & Submit". The "Basic Information" tab is highlighted with a red box. Below the navigation bar, the "Basic Information" section is shown. It contains two main fields: "e-Invoice Code / Number" and "Date and Time Issued". The "e-Invoice Code / Number" field is highlighted with a red box and contains the text "YOUR INVOICE NUMBER". To the right of this field is a link labeled "AutoFill". Below the "e-Invoice Code / Number" field is a text box stating: "e-Invoice Code / Number can be edited to align with your own organization. Or, it can be automatically generated." The "Date and Time Issued" field is also highlighted with a red box and contains the text "Auto". To the right of this field is a link labeled "Override". Below the "Date and Time Issued" field is a text box stating: "Will be automatically generated upon submission, unless you need a specific date manually picked".

Figure 3: Associating Conventional Invoice with LHDN e-Invoice^[3]

Another notable information is the MSIC Code field inside “*Supplier & Buyer*” section which is a daunting task for those who are unfamiliar as shown in Figure 4^[3]. This field is actually the Commission of Company Malaysia (SSM) business codes where the list are available at:

<https://www.ssm.com.my/Pages/Publication/SSM%20MSIC%20Code/SSM-MSIC-Code.aspx>^{[4][5][6]}.

Dated to this paper, it is unknown whether the input MUST be the same as the registered SSM trade list or otherwise. However, for accuracy of the e-Invoice, it is vital to match the itemized goods to the SSM registered MSIC codes for the organization.



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Figure 4: MSIC Code Inside Supplier & Buyer Section^[3]

Upon submission, under normal circumstances, LHDN can immediately validate the e-Invoice in seconds with green "Valid tick" and an universal unique ID (UUID) is assigned as shown in Figure 5^[3]^[11].

Once the validation is achieved, dated to this paper, the owner shall:

1. If conventional invoice is used, the e-Invoice UUID shown in Figure 5^[3]^[11] shall be linked back into it and send to the customer^[11]; **AND**
2. Download the e-Invoice (a data JSON file) and send to customer^[11] OR print that e-Invoice^[11] OR send the validation link (via "Get Validation Link")^[11] as shown in Figure 5^[3]^[11].

Dated to this paper, LHDN is aware of the practical challenges for the owner to send the visual representation back to the buyer counterpart so until further notice, the above is suffice^[11].

Figure 5: A Valid and Successful e-Invoice (Sensitive Information Redacted)^[3]

Duly noted that, dated to this paper, the author discovered that the QR code on the printed e-Invoice is a malformed version as shown in Figure 6. Hence, the use of the e-Invoice's UUID is very important and the buyer MUST be able to access the e-Invoice from their LHDN account.

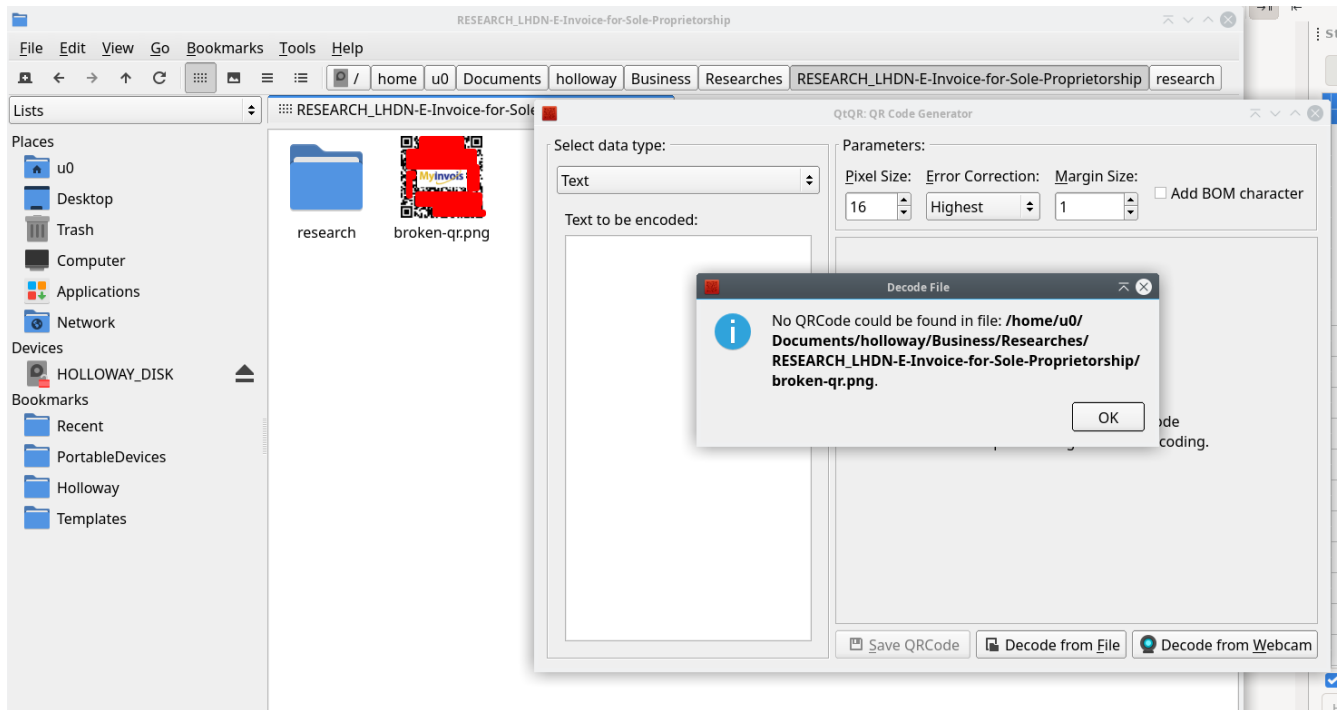


Figure 6: Malfunctioned QR Code from e-Invoice (Data Redacted for Confidentiality)

While LHDN e-Invoice Portal offers other transactional services such as but not limited to Credit Note, Debit Note and etc^[11], dated to this paper, the author did not have a chance to personally experience them due to internal self-validating business processes preventing such transactions from occurring at all. Hence, to prevent misinformation, it's up-to the reader to based on the provided LHDN guideline and try them out independent from this paper^[11].

4.3 Filing for Claim (against Seller)

At the moment, there is no way for a buyer to file against a seller after confirmation via call with LHDN^[8]. Hence, buyer must query the e-Invoice support from Seller before engaging any financial transactional businesses^[8].



5 Author's Feedback

This section covers the author's feedback after using LHDN e-Invoice system for actual production. These feedback are solely the author's opinions and shall not be treated as general enforcement or guidelines directly from LHDN.

5.1 Good Feature and On Track Development

If the e-Invoice is a stepping stone towards the "pre-filing" tax return feature described in Section 2, then it is worth doing as it not only simplifies and financial process for both enterprises and individual personal income tax. This can simplify both personal and business a lot faster and easier in the long run since the efforts are just to verify the transactions rather than preparing the file itself from scratch and dealing with sophisticated accounting jargon and changes every single year.

5.2 Too Verbose

The author finds that LHDN requested too many sensitive information just to file in an e-invoice. Among notable ones are detailed in the sub-sections.

5.2.1 TIN Number from Customer is Sufficient

As shown in Figure 2, having the customer to provide TIN number is more than enough since it is uniquely issued for individual and corporations. Other input as in NRIC, Passport Number, and Business Registration Number shall be pulled out when the "validate" button/process is triggered. In certain country (notably United States), TIN number is also acting as an NRIC number in certain agencies.

At seller-customer level of interaction, detailed in Section 4.1, requesting customers to present NRIC or Passport for every single claimable purchases across multiple sellers (e.g. shopping in a mall) poise a significant security risk of promoting NRIC card or Passport loss due to tiredness and misplacement, theft, robbery, ease-dropping, and impersonation. These sensitive documents should be used minimally and only for official purposes; not every-time.



As e-Invoice also affects oversea tourist, unless LHDN plans to issue paper trails or tourism TIN ID card, it will definitely introduce unnecessary cost and processes during port entrances (e.g. airport checking).

Also, TIN number query directory involves associating with other sensitive personal identifiable information (e.g. TIN-NRIC-NAME, TIN-PASSPORT-NAME, etc). By forcing customers to flash these documentation too frequently in the public, there is possible security risk of illegal data collection for data brokerage through legal and illegal visual sensor ease-dropping (e.g. CCTV surveillance).

5.2.2 Remove SSM MSIC Code Requirement

The second unnecessary input is the SSM MSIC Codes association as shown in Figure 4. SSM is another registered government entity which already processes the same set of data (double efforts). Moreover, the list itself is large and very complicated and Sole Proprietorship is usually includes low-education (e.g. retailer, repairer services) individuals who cannot perform deep analysis.

If this association must match the company's SSM registered MSIC codes, it impedes a business entity not to pursue and test other new opportunities which hinders businesses of all sizes and most importantly, alienate all small and medium businesses.

5.3 EITHER "Do It All" OR "Simplify"

Since LHDN will provide e-Invoice service, it's better to have LHDN to either:

1. Do it all autonomously where seller will not be issuing its own conventional invoice and only submitting to LHDN and LHDN handle the rest of the communications after validation (e.g. send the PDF e-Invoice to both parties with payment instructions and notes); OR
2. Simplify the process such as seller only needs to provide only associated UUID inside the conventional invoice as shown in Figure 5 rather than multiple overly technical data file like XML or JSON (where only a software developer can consume & understand) or manually produce the e-Invoice PDF (via "Print" button on MyInvois Portal).



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Depending on organization, certain companies (notably in tech) use “updating invoice” approach where the invoice is being updated with payment transaction ID under a single financial document. Hence, option 2 is much preferred when the requirement is only relying on UUID association only.

6 Conclusion

Overall, the author finds the e-Invoice implementation by LHDN a positive experiences. Both calls into LHDN were very friendly and encouraging. As long as LHDN is willing to understand and improve the system, the author shall always provide the necessary collaboration at best.

Duly noted that unlike LHDN guideline claimed, dated to this paper, the current e-Invoice implementation is not seamless and too complicated even for a software developer and data analyst like the author is. The author is optimistically hoping that the addressed feedback can be further simplified and make Malaysia a better place for trades and oversea tourism.



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