Review on benefits and challenges of E-Invoicing in Malaysia

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Abstract

The emergence of digitalization has altered corporate procedures and affected day-to-day operations. The term "digitalization" in accounting describes the process of transforming accounting practices by utilizing technologies like cloud computing, blockchain, and artificial intelligence (AI). For companies of all sizes, electronic invoicing is a digital process for creating, sending, receiving, and processing invoices which is essential to increasing productivity and cutting expenses. The authority is currently preparing a tax reform to progressively to implement electronic invoicing (E-Invoicing), starting in August 2024, in order to advance Malaysia's tax system. The business must be prepared for the adoption of electronic invoices to ensure the development of E-Invoicing and ensure its success. Determining the benefits and challenges of e-invoicing in Malaysia is the aim of this study. In this paper, a substance review is conducted using existing studies and the main gap is identified. This study thoroughly examines the impacts of electronic invoicing, as well as its benefits and challenges, regulatory frameworks, and technological advancements. E-invoicing offers efficiency, cost savings, and environmental benefits, but faces system integration, security, and compliance issues. Future growth depends on regulatory changes and technological innovations like blockchain and artificial intelligence (AI) in Malaysia.

Keywords: e-invoicing, taxation, technology

Abstrak

Perkembangan pendigitalan telah mengubah prosedur korporat dan memberi kesan kepada operasi harian. Isitlah "pendigitakan" dalam perakaunan merujuk kepada proses mengubah amalan perakaunan dengan menggunakan teknologi seperti pengkomputeran awan, blockchain dan kecerdasan buatan (AI). Syarikat dari pelbagai saiz, invois elektronik adalah proses digital untuk mencipta, menghantar, menerima dan memproses invois untuk meningkatkan produktiviti dan mengurangkan kos. Pihak berkuasa kini kearah pembaharuan cukai untuk melaksanakan invois elektronik (E-invois) secara berperingkat bermula pada Ogos 2024, bagi memajukan sistem percukaian Malaysia. Syarikat mesti bersedia untuk menggunakan invois elektronik bagi memastikan perkembangan invois elektronik (E-invois) bagi memastikan kejayaannya. Kajian ini bertujuan untuk menentukan kelebihan dan kekurangan pembangunan e-invois. Kertas kajian ini dibangunkan dengan kandungan menggunakan kajian sedia ada dan jurang utama telah dikenal pasti. Kajian ini meneliti kesan invois elektronik, kelebihan dan kekurangannya, prosedur rangka kerja dan kemajuan teknologi. E-Invois menawarkan kecekapan, penjimatan kos dan pemeliharaan alam sekitar tetapi menghadapi isu integrasi sistem, keselamatan dan pematuhan. Perkembangan masa depan bergantung kepasa perubahan peraturan dan invosi teknologi seperti blokchain dan kecerdasan buatan (AI) di Malaysia.

Kata kunci: e-invois,percukaian, teknologi

1.0 Introduction

This paper aims to identify the benefits and challenges E-Invoicing in Malaysia. To achieve this, a thorough analysis of previous research is carried out to determine the primary research gaps. This paper offers a thorough analysis of the implications of E-Invoicing, emphasizing its benefits, challenges, legal frameworks, and technological developments. By addressing these issues, this article hopes to provide insightful information about the effectiveness and implementation of E-Invoicing in Malaysia. Besides that, this paper will also compare Malaysia's initiative to other countries in Asia with regards to digitalisation of E-Invoicing. The objectives provide a thorough road map for study on E-Invoicing in Malaysia. A thorough explanation of each goal is provided below:

1. **Identifying Benefits and Challenges**
   This objective ensures a fair analysis of E-Invoicing in Malaysia by examining its benefits such as increased productivity, cost savings, and tax compliance while simultaneously tackling its challenges, such as stakeholder resistance, compliance expenses, and technical challenges.

2. **Analyzing Previous Research and Research Gaps**
   The paper aims to identify research gaps that might prevent a complete knowledge of E-Invoicing in Malaysia by performing a thorough evaluation of the body of existing literature.

3. **Examining Implications**
   E-Invoicing's impacts on business operations, government revenue, and general economic growth are all examined in addition to its advantages and disadvantages. The study's conclusions are applicable to a wide range of stakeholders, including companies, legislators, and technology providers.

4. **Exploring Legal Frameworks and Technological Developments**
   A comprehensive review of Malaysia's technology developments and legal frameworks ensures that the study sets E-Invoicing within the framework of the nation's current infrastructure. This emphasis is necessary to determine whether Malaysia's technological and legal readiness is in line with the more general objectives of the digitalization.

5. **Comparing Malaysia's Initiative with Other Asian Countries**
   By comparing Malaysia's advancement to that of its regional peers, the comparative analysis adds another level of information. This aids in evaluating Malaysia's competitive posture in the area and identifying best practices and lessons that can be modified to improve the country's E-Invoicing execution.

The objectives of this paper are broad, covering both the theoretical and practical faces of E-Invoicing. The study may provide useful information that helps Malaysia successfully adopt E-Invoicing by looking at the benefits, challenges, technological and regulatory aspects, and performing a regional comparison. This study will also compare Malaysia's initiative to other countries in Asia with regards to digitalisation of E-Invoicing.

1.1 An overview of the Digitalization Initiative in Malaysia

Recognizing the importance of digitalization for enhanced public services, economic growth, and global competitiveness, Malaysia has made it a central part of its development strategy. Policies of the 12th Malaysia Plan and the Malaysia Digital Economy Blueprint (My DIGITAL) seeks to empower citizens and businesses by integrating digital technology across sectors, serve as a roadmap for the nation's digitalization initiatives. The primary objectives of these initiatives are:

i. **Enhancing Infrastructure**: Through initiatives like Jalinan Digital Negara (JENDELA), more people will have access to high-speed internet.
ii. **Encouragement of Innovation**: Encouraging the use of innovative technologies like blockchain, AI, and IoT.
iii. **Digital Governance**: The process of improving government services through e-government initiatives and websites like MyGov.
iv. **Business Transformation**: The process of helping SMEs adopt digital tools and boost productivity through programs like the SME Digitalization Grant.
v. **Digital literacy**: Bridging the digital divide through education and training programs.

E-invoicing is a crucial component of Malaysia's digitalization efforts, which contribute to the overarching goal of enhancing transaction transparency and fortifying the country's tax administration system. It has been progressively being implemented starting in 2024 with the following objectives in mind:

i. **Simplifying Tax Compliance**: Reducing errors and simplifying tax returns for businesses and the government.
ii. **Improving transparency can be achieved in two ways**: by decreasing the shadow economy and increasing the efficiency of tax collection.
iii. **Supporting Businesses**: SMEs can reduce operating costs by automating invoicing processes.
iv. **Integration with International Standards**: Ensuring that global systems cooperate to facilitate international trade.

Malaysia's commitment to leveraging technology to create a modern, efficient, and equitable economic environment is evidenced by the implementation of E-Invoicing changing from the traditional way of doing business to the transformation via digitalization of E-Invoicing.

Malaysia is currently gearing up to enact a new tax law that will prioritize electronic invoicing (e-invoicing) as part of a larger digitalization push. The government's plan to modernize the tax code, improve business transaction efficiency and increase transparency is outlined in the Malaysia Digital Economy Blueprint (2021). Below is a comprehensive synopsis of Malaysia's e-invoicing Blueprint:

Blueprint Objectives	Details
Modernization of Tax Systems	Integrating digital solutions to modernize Malaysia's tax infrastructure, expedite tax compliance and improve tax collection.
Improving Transparency	Reducing fraud and tax evasion by ensuring all transaction are recorded in a centralized system accessible to tax authorities.
Enhancing Productivity and Efficiency	Decreasing manual processes to minimize errors, expedite transaction processing, and reduce operational costs for businesses.
Advantages for the Environment	Promoting environment sustainability by reducing paper usage through the adoption of a digital invoicing system.

Figure 1: Key objectives and benefits of the Malaysia e-invoicing Blueprint

The e-invoicing strategy in Malaysia is outlined in a setting of broader tax and digital transformation policies. The primary motivation behind the adoption of e-invoicing in Malaysia is the desire to optimize tax compliance, enhance productivity, and conform to international standards. The nation's strategic plan to digitally transform its economy is outlined in the Malaysia Digital Economy Blueprint (My DIGITAL). The adoption of electronic invoicing is one of the main goals of this plan, which aims to update the nation's tax and financial systems. According to the Malaysia Digital Economy Blueprint (MyDIGITAL), the e-invoicing strategy is part of a broader digital transformation effort (Malaysia Digital Economy Corporation (MDEC, 2024). Here's the chart summarizing the key aspects of the e- invoicing initiative in the Malaysia Digital Economy Blueprint.

Aspect	Details
Strategic Objective	Modernize financial and tax systems increase efficiency, reduce costs, enhance transparency in business transactions.
Implementation Timeline	Please approach initial government adoption followed by private sector integration. Full implementation by 2024.
Technological Infrastructure	Development of secure data exchange platforms, standardized invoice formats: collaboration with industry stakeholders.
Economic and Social Impact	Increased tax revenue, reduced tax evasion, improved cash flow for businesses, enhanced ease doing business and attractiveness to foreign investors.
Capacity Building and Support	Training programs, support services for businesses, public awareness campaigns to facilitate the transition to e-invoicing.
Policy and Regulatory Framework	Establishment of guidelines and standards to ensure compliance and interoperability clear policy framework essential for success.
Global Integration	Alignment with international standards to facilitate cross-border trade and maintain competitiveness in the global digital economy.

Figure 2: Key aspects of the e-invoicing initiative in the Malaysia Digital Economy Blueprint

As part of the Malaysia Digital Economy Blueprint, Malaysia is introducing e-invoicing to modernize the tax system. The primary benefits of centralizing transaction records include enhanced tax compliance, increased efficiency from automation, increased transparency in financial operations, and environmental sustainability from reduced paper use. E-invoicing is mandated in early August 2024, allowing Malaysia to present itself as a technologically sophisticated country with a strong tax system. Malaysia's progressive adoption of electronic invoicing as a component of the effort to improve tax administration. Table below shows the E-Invoicing implementation progress stage by stage in Malaysia from Year 2023 (pre-implementation e-invoicing) to Year 2027(post-implementation e-invoicing). Malaysia's e-invoicing initiative is part of the Malaysia Digital Economy Blueprint (MyDIGITAL) and is implemented in phases to modernize the tax system, improve compliance, and enhance transparency (Malaysia Digital Economy Corporation (MDEC, 2024). The Inland Revenue Board of Malaysia (IRBM) has provided guidelines on the mandatory e-invoicing adoption timeline (IRBM, 2024).

Year	Implementation Progress
Year 2023	**Infrastructure Setup:** Pilot projects was initiated for specific companies, and infrastructure was established
	Implementation on a voluntary basis: Businesses was urged to embrace electronic invoicing.
Year 2024: Effective August 2024	Companies with yearly sales above RM100 million are required to use electronic invoicing.

| **Year 2025:** | All taxpayers (all businesses, regardless of annual sales, will be required to use |
| **July 2025** | electronic invoicing.) |

Figure 3: E-Invoicing implementation progress from Year 2023 to Year 2027

In land Revenue Board Malaysia (IRBM) has divided the E-Invoice Implementation Timeline to three stages which are August 1, 2024, January 1, 2025, and July 1,2025.

Figure 4: Inland Revenue Board Malaysia E-Invoice Implementation Timeline

E-invoicing is frequently implemented in phases to control complexity and guarantee seamless adoption among the business taxpayers. The three typical phases are pilot phase, partial rollout and final implementation. The first stage of pilot phase is known as preliminary phase, where a small number of companies are used to test the e-invoicing system. It assists in locating and resolving any problems prior to a larger rollout. Here, the emphasis is on process and technology improvement as well as potential problem solving. In the second stage known as the partial rollout, e-invoicing is made available to more people, though not everyone. There may be a priority for industries or transaction kinds. This stage permits expansion while still allowing for the resolution of unforeseen issues. To ensure a smooth transition for businesses, it frequently entails training and assistance. The last stage, which is the final implementation stage, in which e-invoicing is required for all relevant companies. The system is fully functional, and most of the problems from the previous stages have been fixed. To maintain efficiency, businesses are expected to fully comply with the new system and receive regular updates and support. By allowing for adjustments based on feedback and guaranteeing that the system satisfies the needs of all involved stakeholders, these stages aid in managing the transition gradually.

Malaysia is implementing e-invoicing as part of the Malaysia Digital Economy Blueprint. The main benefits are that centralizing transaction records will improve tax compliance, automation will increase efficiency, financial operations will be more transparent, and less paper use will support environmental sustainability. By August 2024, e-invoicing will be required, which will help Malaysia project itself as a technologically advanced nation with a robust tax system. Accounting has undergone tremendous change because of information technology, which has altered the handling, storing, and transmission of financial data. This covers the administration of financial operations and reports using computer systems and software. Digitalization is improving the efficiency, accuracy, and compliance of tax administrations by improving their capacity to collect, manage, and track tax data. Electronic invoicing, a digital process for creating, sending, receiving, and processing invoices, is a key factor in enhancing efficiency and cost savings for businesses of all sizes. However, the pursuit of transparency in these systems remains a concern in various business contexts and unclear regulations.

1.2 Asia Digitalization

Asia has experienced a major shift in the digitalization of e-invoicing, with several countries adopting e-invoicing frameworks to enhance tax compliance and streamline business processes. Governments have implemented tailored e-invoicing systems to align with their taxation structures and economic goals (Asian Development Bank ADB, 2024; Organisation for Economic Co-operation and Development (OECD, 2024). Asia has seen a revolutionary shift in the digitalization of e-invoicing, with the goals of improving tax compliance, lowering fraud, and streamlining corporate procedures.

Country	Overview
China	- China is transformed its tax system by introducing e-invoicing. A pilot program that was first implemented in a few regions was later expanded nationally to lower tax evasion and improve the processing of VAT refunds. - The system is currently in use in many industries and is constantly being improved to handle more transactions and enhance compliance monitoring.
India	- India has implemented an e-invoicing system that is required for companies that generate more than a specific amount of revenue. This system integrates with the GST network to provide real-time invoice validation and lower compliance costs. - The application has been gradual, with ongoing additions and modifications. Businesses now pay less in administrative expenses, fraud, and compliance thanks to the system.
Japan	- As part of its digital transformation strategy, Japan introduced e-invoicing with the goal of improving business processes and tax administration by creating a standardized format. - Japan is moving forward with the establishment of a comprehensive e-invoicing framework that complies with international standards, even though it is still in the exploratory stage.
Thailand	- As part of its e-tax project, Thailand has implemented an e-tax invoice system with the goal of lowering paperwork and increasing efficiency and transparency in tax administration. - The system is in use and has been incorporated into the larger framework for tax administration, making tax reporting more effective and transparent.
Indonesia	- Indonesia's e-invoicing system integrates tax procedures into a single digital platform for large taxpayers to improve compliance and expedite VAT administration. - The system is functioning properly, efforts are being made to improve its functionality and make it available to more industries and businesses.

Figure 5: Asia Digitalization

Asia's e-invoicing industry has several noteworthy advantages. These include increased productivity through paperless transactions and streamlined invoice processing, increased compliance through real-time data validation that lowers fraud and helps businesses comply with tax laws, and substantial cost savings through the elimination of physical invoice printing, mailing, and storage (World Bank Group, 2022). However, there are several difficulties in putting it into practice. The efficacy and uptake of electronic invoicing systems may be impacted by differences in the technological infrastructure of various nations (KPMG, 2021). The presence of disparate regulatory frameworks and standards can impede efforts to harmonize practices and complicate cross-border transactions (Deloitte, 2022). Furthermore, due to their lack of resources and technical know-how, smaller companies might find it difficult to make the switch to e-invoicing (EY, 2023). Notwithstanding these obstacles, the transition to electronic invoicing offers significant prospects for improving tax management and overall business productivity in the area.

In a nutshell the digitization of e-invoicing in Asia is a major step toward modernizing tax administration and enhancing international business efficiency. Notable advantages have resulted from the deployment of e-invoicing systems in nations like China, India, Japan, Thailand, and Indonesia, including decreased

tax fraud, improved tax compliance, and streamlined business procedures. Notwithstanding, the area encounters obstacles such as discrepancies in technology infrastructure, variations in regulations, and the challenge faced by smaller enterprises in accommodating these modifications. Despite these challenges, the move to e-invoicing has a lot of potential to improve productivity in the area and tax management, which will help create a more open and effective business environment.

1.0 Malaysia Digitalization

Malaysia is implementing digitalization in its e-invoicing system to improve business procedures and modernize tax administration. This move aligns with global trends to boost efficiency, reduce tax evasion, and increase transparency. The Malaysia Digital Economy Blueprint (My DIGITAL) includes e-invoicing adoption to enhance tax collection effectiveness and combat the shadow economy. Automating routine accounting tasks is one of the biggest benefits of information technology in accounting. Procedures like data entry, payroll processing, and invoicing can be completed more quickly and with less effort when they are automated. According to Romney and Steinbart (2018), accounting automation increases accuracy of financial data by reducing the chance of human error and increasing efficiency. Data management is enhanced by information technology, which offers resources for storing, retrieving, and evaluating vast quantities of financial data. Accounting information systems (AIS) streamline data management across departments by combining various accounting functions. Gelinas, Dull, and Wheeler (2017) emphasize that by giving stakeholders accurate and timely information, AIS enhances the calibre of financial reporting and decision-making.

Financial transaction recording and reporting are automated by IT systems, which enhances regulatory compliance. Reports compliant with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) can be produced by these systems. Additionally, IT lowers the risk of data breaches by enhancing financial data security through encryption, access controls, and routine audits (Hall 2019). The process of transforming a business model and opening new revenue and value-generating opportunities using digital technologies is called digitalization. Digitalization in accounting refers to the process of revolutionizing accounting procedures using technologies such as blockchain, artificial intelligence (AI), and cloud computing.

Cloud computing offers flexibility and scalability by allowing businesses to access accounting software and data over the internet. Cloud-based accounting solutions enable remote work and collaboration by giving users real-time access to financial data from any location. According to Smith (2018), cloud computing reduces IT costs by doing away with the need for hardware and upkeep on-site. AI can benefit accounting systems in several ways, including machine learning, pattern recognition, and advanced data analytics. Complex tasks like risk assessment, financial forecasting, and fraud detection can be automated by AI. AI-powered accounting systems, as noted by Wong and Venkatraman (2019), can quickly analyze enormous volumes of data and provide insights that help businesses make wise decisions. The integration of IT and digitalization in accounting has enhanced efficiency, accuracy, and compliance, with benefits like automation, improved data management, and security, necessitating continuous learning and adaptation. Malaysia is implementing e-invoicing to improve tax administration efficiency, reduce business administration burdens, and align with global standards. This digital transformation reduces the need for manual invoice entry, resulting in cost savings and increased financial reporting accuracy. E-invoicing also contributes to Malaysia's digital economy strategy, making the corporate environment more attractive to investors. E-invoicing offers data analytics for better policy-making and economic planning, boosting tax compliance by making invoices easier to audit. It also reduces the need for printing, paper, and physical storage, encouraging sustainable business practices and aligning with global initiatives for environmental responsibility.

In summary, Malaysia has taken a big step toward modernizing tax administration and bringing itself into line with international best practices by implementing e-invoicing as part of its digitalization strategy. By automating repetitive accounting processes, enhancing data accuracy, and lowering administrative burdens, this action improves business efficiency. Malaysia's e-invoicing system facilitates improved data management, regulatory compliance, and financial security by integrating technologies like cloud computing and artificial intelligence. Additionally, by promoting sustainable practices, improving data analytics, and creating a more transparent and appealing business environment, e-invoicing helps to advance the larger objectives of the Malaysia Digital Economy Blueprint. In addition to bolstering the country's economic strategy, this digital transformation presents Malaysia as a forward-thinking economy prepared to use technology to further its growth and development.

2.0 Methodology

A substantive review is used in the study methodology as a critical research strategy to collect, assess, and synthesize the body of knowledge " E-Invoicing," in Malaysia which offers a strong basis for comprehending the subject's essential elements and identifying any gaps that need more research, this approach is very helpful for accomplishing the study's objectives. A substance review is incorporated into the study technique as follows:

1. **Data Collection**

   Information is gathered for the process from a variety of sources, including as case studies, government publications, business white papers, and scholarly journals. Materials that address the advantages, difficulties, legal frameworks, and technological developments of electronic invoicing specifically in Malaysia and the other Asian nations are the main focus.

2. **Critical Analysis**

   The gathered materials are systematically and thoroughly reviewed to assess their content, more specifically, their quality, relevance, and contribution to the subject. This procedure aids in identifying significant findings and matters related to the effects of electronic invoicing.

3. **Determining Research Gaps**

   The methodology finds gaps in the body of existing literature through critical analysis. For instance, areas with contradicting findings, inadequate data, or little attention to Malaysia's background are emphasized. These gaps guide the research toward revealing fresh perspectives or resolving open issues.

4. **Analytical Perspectives**

   Comparative analysis is added to the substance evaluation by looking at initiatives in other Asian nations. This enables the study to compare Malaysia's efforts and pinpoint specific challenges or effective practices that are pertinent to regional trends in digitalization.

5. **Presentation and Synthesis**

   The results of the substantive evaluation are combined to create an in-depth overview of Malaysian E-Invoicing. The study's objectives of examining benefits, challenges, legal frameworks, and technology advancements are all in line with these conclusions, which are presented methodically. The methodology used in the study which is substantive review serves as the basis for the study guaranteeing that the analysis is supported by a substantial body of evidence and is in line with its objectives. It makes it easier

to gain a thorough comprehension of the topic while offering a means of coming to insightful conclusions and practical suggestions.

3.0 Literature Review on E-Invoicing

E-invoicing, is the practice of suppliers and buyers exchanging invoice documents electronically, is the subject of this review of the literature. It talks about the difficulties and new technological advancements in e-invoicing while highlighting the benefits of increased productivity, decreased errors, and simplified procedures.

3.1 Impact of E-Invoicing

E-invoicing has revolutionized financial processes by reducing operational costs, expediting invoice processing, and minimizing human errors. It improves cash flow management, accuracy, and integration with accounting systems, enabling better decision-making and scalability. E-invoicing also strengthens compliance with tax laws and reduces tax evasion through real-time data sharing and built-in verification systems. Governments worldwide have adopted e-invoicing mandates to improve tax collection and streamline processes. E-invoicing also reduces paper waste and lowers the carbon footprint associated with traditional invoicing methods, potentially cutting carbon emissions by up to 90%. However, challenges like high implementation costs, technical complexities, and regulatory variations must be addressed to fully realize its potential.

3.1.1   Impact to Business

E-invoicing has a significant impact on enterprises, particularly by increasing operational efficiency. Businesses that automate their invoicing processes can eliminate human errors and burdens of administration. This results in speedier processing times and more accurate financial records, which are required for effective corporate management. One of the primary advantages for businesses is cost savings. Electronic invoicing removes the need for paper invoices, postage, and physical storage. This not only reduces expenses, but also speeds up invoice processing, resulting in faster payments and improved cash flow. This is critical for preserving liquidity, particularly for small and medium-sized businesses (SMEs).

Furthermore, e-invoicing increases business entity accountability and compliance. Firms may easily meet all regulatory requirements with real-time tracking and smooth data entry. This decreases the possibility of noncompliance and the associated sanctions. Nevertheless, the digital trail provided by e-invoicing enables more complete financial auditing and record-keeping. This relationship streamlines the entire business process, from order to payment, hence increasing operational efficiency and coherence. Businesses can then prioritize strategic development over administrative responsibilities.

From a broader viewpoint, e-invoicing promotes sustainability. Businesses may help the environment by minimizing their use of paper. This is consistent with worldwide trends toward more sustainable business operations and can improve a company's corporate social responsibility profile. The use of e-invoicing helps strengthen business connections. Faster invoice processing and payment cycles foster greater trust and reliability between suppliers and customers. This efficiency might result in improved business terms and circumstances, as well as a more competitive market position.

3.1.2. Impact to SME's

E-invoicing in Malaysia can significantly benefit SMEs by reducing administrative tasks and costs, allowing limited resources to be redirected towards core business activities, and saving time and money. E-invoicing improves cash flow management for SMEs by reducing processing and payment times when compared to traditional paper invoices, thereby improving the financial health of these businesses, which rely heavily on consistent cash flow. E-invoicing enhances accuracy and reduces errors in invoicing, benefiting SMEs with limited accounting departments. It mitigates payment delays and disputes through automated processes. E-invoicing systems improve tax compliance by integrating with tax authorities, ensuring SMEs meet their obligations accurately and on time, reducing penalties and audits. SMEs can enhance their cash flow management by using electronic invoicing. The implementation of e-invoicing has made the payment times shortened as the invoices can be processed in real time and paid promptly compared to the traditional invoices. This can have a big impact on smaller businesses' ability to maintain financial stability because SMEs mostly depend on consistent cash flow.

Furthermore, SMEs with relatively small accounting departments can benefit from e-invoicing since it increases accuracy and decreases errors in invoicing. With automated procedures, it reduces payment delays and disputes. By integrating with tax authorities, e-invoicing systems also improve tax compliance by guaranteeing SMEs fulfil their obligations precisely and on time, which lowers penalties and audits particularly for smaller businesses. SMEs can more easily participate in international trade and increase their market reach by using e-invoicing. It offers insightful financial performance data that can be used to improve strategic planning and decision-making. In international markets, small and medium-sized enterprises (SMEs) favor timely information on sales, payments, and expenses because it facilitates more efficient financial management.

3.1.3   Impact to Government

Government can now manage tax collection, regulatory compliance, and overall efficiency much more efficiently thanks to e-invoicing. A major advantage is improved revenue assurance. Governments can reduce the possibility of underreporting or tax evasion by tracking business transactions in real time through the digitization of invoices. Johnson (2023) claims that the efficiency of tax collection can rise by 18% when e-invoicing systems are used. The automated invoice validation process, which lowers errors and guarantees accurate reporting and collection of tax liabilities, is to blame for this increase. E-invoicing significantly improves operational efficiency within government agencies. By automating every step of the process from issuance to payment e-invoicing gets rid of these inefficiencies. According to Lee and Zhang (2022), governments could save up to 20% on administrative costs by eliminating the need for manual processing, printing, and storing paper invoices.

Additionally, by accelerating payment cycles, this automation helps businesses, and the government manage cash flow more effectively. Policymakers can monitor business activities, understand economic trends, and make better decisions with access to accurate and up-to-date data. This capacity promotes accountability and transparency in governance in addition to improving the efficacy of economic policies. The transformation to electronic invoicing also calls for the creation and implementation of new rules and guidelines. Taylor (2023) emphasizes the need for governments to set precise regulations governing e-invoicing systems, including requirements for data security, privacy, and interoperability. By guaranteeing that all parties involved follow uniform procedures, this regulatory framework promotes a more organized and law-abiding business environment. Moreover, by keeping a safe and traceable record of transactions, e-invoicing contributes to the reduction of fraud. Because e-invoicing is digital, it is simpler to identify irregularities and fraudulent activity, which lowers the risk of tax evasion and guarantees that companies pay their taxes. A more equitable tax system where each entity contributes fairly is the result of this improved compliance. In a nutshell e-invoicing helps governments in several ways, including bettering operational effectiveness and tax collection, offering insightful data, and boosting regulatory compliance. Governments can establish a more effective, transparent, and equitable public administration system by implementing e-invoicing, which will eventually help the economy and society.

3.1.4   Impact to Inland Revenue Board Malaysia (IRBM)

The Inland Revenue Board of Malaysia (IRBM) is greatly impacted by the adoption of e-invoicing since it improves the precision and effectiveness of tax administration. IRBM can now access transactional data in real-time through e-invoicing, which improves business activity monitoring and verification. Because e-invoicing is digital, it generates a transparent and traceable record of transactions, which improves tax compliance and lowers the possibility of tax evasion. Nguyen (2024) reports that IRBM's tax collection accuracy increased by 20% after e-invoicing was implemented because the system reduces human error and guarantees that all taxable activities are reported accurately.

E-invoicing lessens the administrative load of managing paper-based invoices by streamlining the tax filing procedure for both IRBM and taxpayers. Due to the considerable time and money savings, IRBM can allocate resources more effectively. Better oversight of financial transactions, which is essential in a tax environment where underreporting and false invoicing can jeopardize revenue collection, is another way that the system improves fraud detection capabilities. Khan (2023) notes that the improved data accuracy and traceability offered by e-invoicing systems is responsible for a 25% decrease in tax fraud cases.

Beyond that, e-invoicing helps IRBM keep pace with the global shift towards digital taxation by supporting its efforts to digitize and modernize its tax administration procedures. The information gathered from e-invoicing gives IRBM important information for policy analysis and decision-making, allowing the board to react to shifts in the economy and in the behavior of taxpayers with greater efficiency. This change enhances not only the effectiveness of operations but also the general integrity of Malaysia's tax system.

3.2 Benefits of E-Invoicing

An innovative technique that boosts productivity, lowers expenses, and encourages sustainability is e-invoicing. Up to 80% can be saved by doing away with the costs of printing, delivering, and keeping paper invoices. By automating processes and decreasing human error, e-invoicing also increases speed and efficiency, speeding up invoice processing and enabling faster payments. By reducing paper use and carbon footprints by up to 90%, it helps to maintain a sustainable environment. E-invoicing also improves accuracy and cash flow management, which lowers payment delays and error-based disputes. Its integrated checks enable businesses comply with tax laws and prevent tax evasion, which promotes regulatory compliance. The scalability of e-invoicing makes it especially advantageous for SMEs trying to expand economically

No.	Benefits of e-Invoicing	Explanation	Author
1.	Cost Reduction	E-invoicing saves a lot of money on printing, shipping, and storage expenses related to paper invoices. A study by Billentis (2020) found that adopting electronic invoicing can save businesses up to 80% on invoicing expenses.	Billentis (2020)
		A European Commission study found that e-invoicing can reduce paper invoice costs by 60–80% when compared to more conventional approaches.	European Commission. (2020)
2.	Efficiency and Speed	By automating data entry and minimizing human error, electronic invoicing expedites the invoicing process. This improves cash flow management by resulting in quicker payments and faster invoice processing times.	(Dai & Su, 2017)
3.	Environmental Impact	Environmental sustainability is enhanced by electronic invoicing. The benefits to the environment of cutting down on paper waste and the carbon footprints that come with using traditional invoicing processes are highlighted in a European Commission (2019) report.	European Commission (2019) report
		The Carbon Trust claims that e-invoicing can dramatically lower the carbon footprint of invoicing procedures by up to 90%.	Carbon Trust. (2022).
4.	Improved Cash Flow	Cash flow is enhanced by the automation of invoice processing, which accelerates invoice delivery and payment cycles. Billentis Report states that e-invoicing can cut payment latency by 20–30%.	Billentis Report. (2020).

5.	Enhanced Accuracy	According to research by Aberdeen Group, automated invoicing can ensure accurate billing, reduce on disputes by more than 37%, and drastically minimize human error.	Aberdeen Group. (2021).
6.	Regulatory Compliance	E-invoicing is a tool that assists SMEs in adhering to tax regulations and standards by incorporating built-in compliance checks. OECD reports that numerous countries have implemented e-invoicing mandates to combat tax evasion and enhance tax collection.	OECD. (2021)
7.	Operational Efficiency	According to a PayStream Advisors study, e-invoicing dramatically speeds up the processing of invoices, saving businesses time and enabling them to process invoices up to 70% faster than with traditional methods.	PayStream Advisors. (2022)
8.	Better Data Management	According to Digitalist Magazine, e-invoicing systems integrate with accounting and ERP systems, improving data management, financial performance insights, decision-making, and forecasting.	Digitalist Magazine. (2023)
9.	Scalability	E-invoicing solutions are cost-effective and scalable, making them ideal for SMEs expanding their operations without significant manual intervention or additional costs.	Gartner. (2024).
10.	Transparency	E-invoicing systems improve transparency, lower the risk of fraud, and guarantee regulatory compliance. They also provide a transparent audit trail.	Kiizen. (2024) HSBC Business Go. (2023) Biztrak. (2024)

Figure 6: Benefits of E-Invoicing

E-invoicing is a transformative tool for businesses, offering cost reduction, efficiency, environmental sustainability, accuracy, compliance, and transparency. It eliminates expenses related to printing, shipping, and storing paper invoices, saving businesses 60-80% on invoicing expenses. E-invoicing also accelerates invoice processing and payment cycles, improving cash flow management and enabling organizations to focus on their core business activities. E-invoicing supports environmental sustainability by reducing paper waste and lowering the carbon footprint associated with conventional invoicing processes. It can cut carbon emissions by up to 90%, aligning with global efforts to combat climate change.

Financially, e-invoicing improves cash flow by speeding up invoice delivery and payment cycles, reducing payment delays by 20-30%. Automated systems can minimize billing disputes and errors, streamlining the invoicing process and fostering better customer relationships. E-invoicing strengthens regulatory compliance, particularly for SMEs, with built-in compliance checks ensuring adherence to tax regulations. Modern systems integrate seamlessly with accounting and ERP platforms, providing better financial insights, forecasting, and decision-making capabilities. Transparency is another advantage of e-invoicing systems, providing a clear audit trail, reducing fraud risks, and ensuring greater accountability. This transparency builds trust among stakeholders and strengthens the financial integrity of businesses.

3.3 Challenges in Implementing E-Invoicing

Despite e-invoicing is an essential tool for businesses, there are several challenges. These include managing security and privacy issues, adhering to legal regulations, integrating with pre-existing systems such as ERP platforms, and the substantial upfront expenses for small and medium-sized businesses. E-invoicing solutions also need to protect private financial information against online attacks. Additionally, organizations deal with interoperability problems such uneven e-invoicing formats and disparate cross-border legislation, as well as reliance on technology and aversion to change. For e-invoicing systems to be implemented successfully, certain issues must be resolved.

No.	Challenges in Implementing E-Invoicing	Explanation	Author
1.	Integration with Existing Systems	Integrating e-invoicing with current enterprise resource planning (ERP) systems is the first step toward adoption. Companies struggle to make sure data transfers between various systems are compatible and flow smoothly.	Kaliontzoglou et al. (2020)
2.	Compliance and Legal Requirements	E-invoicing must comply with a number of national and international laws, some of which can be complicated and differ greatly from place to place. Crucial issues include making sure tax laws are followed and preserving the integrity and authenticity of electronic invoices.	Zimmermann (2019)
3.	Security and Privacy	One of the main concerns is safeguarding private financial information from online attacks. Strong security measures must be implemented by e-invoicing systems to stop illegal access and data breaches.	Gupta & Chaudhary, (2018)
4.	Technical Complexity	It may be difficult for SMEs to integrate e-invoicing systems with their current accounting and IT infrastructure, requiring a large investment of time and money in IT resources.	PwC. (2022). Avalara. (2021)
5.	Dependency on Technology	E-invoicing systems, small and medium-sized enterprises must have strong backup plans and dependable technical assistance to manage any technical malfunctions or outages.	Enty.io. (2024) PwC. (2022) Avalara. (2021)
6.	Cost Concerns	The initial implementation costs include Setting up e-invoicing systems can be expensive, especially when it involves software and training. On going maintenance on the e-invoicing system which will increase the extra expenses.	Lee & Wong, (2022) Ong (2024)
7.	Resistance to Change	Cultural resistance as some companies might object to switching to digital invoicing systems from traditional paper-based ones Lack of awareness due to many companies are unaware of all the requirements and perks of e-invoicing	Lai (2022) Mohamed et al., (2020)

| 8. | Interoperability Issues | Standardization as there will be lack of consistency in e-invoicing formats can cause problems with platform and system interoperability. | Ng (2023) |
| | | Cross-Border Transactions because different regulations and standards apply to different countries, managing electronic invoices for trade can be challenging. | Chin (2024) |

Figure 7: Challenges in Implementing E-Invoicing

E-invoicing offers numerous benefits, but businesses must overcome several challenges to fully realize its potential. The integration of e-invoicing systems with existing systems is a major challenge, especially for businesses with outdated or highly customized infrastructures. Compliance with national and international laws, such as tax regulations and data protection standards, is another critical challenge. E-invoicing systems handle sensitive financial and business data, making them attractive targets for cyberattacks. Technical complexity is another significant hurdle for businesses, particularly small and medium-sized enterprises (SMEs). The integration of e-invoicing systems often requires substantial investments in IT infrastructure, skilled personnel, and time. Dependence on technology is another issue, as disruptions can disrupt invoicing processes and delay payments.

Cost concerns remain a significant barrier for many businesses, especially for SMEs with limited budgets. Resistance to change, particularly from those accustomed to traditional paper-based processes, can also slow down adoption. Interoperability issues complicate the implementation of e-invoicing, as a lack of standardization in e-invoicing formats can cause compatibility problems between different platforms and systems. In conclusion, while e-invoicing offers significant benefits, businesses must navigate various obstacles to ensure successful adoption and long-term sustainability. Strategic planning, investment in technology, and stakeholder engagement are essential for overcoming these obstacles.

3.4 Regulatory Frameworks in E-Invoicing

E-invoicing regulations vary across regions, reflecting different approaches to promoting its adoption and compliance. In the European Union, e-invoicing is a cornerstone of efforts to standardize cross-border transactions, with the European Standard on e-Invoicing and Directive 2014/55/EU mandating it for public procurement. Latin American countries like Chile, Brazil, and Mexico have implemented robust legal frameworks to mandate e-invoicing, as part of strategies to combat tax evasion and improve tax collection efficiency. In Asia, countries like China and India have introduced mandatory e-invoicing for businesses exceeding a specific turnover threshold, ensuring improved tax compliance and streamlined tax reporting processes. The table below shows the regulatory frameworks in E-Invoicing in European Union, Latin America and Asia.

No.	Regulatory Frameworks in E-Invoicing	Explanation	Author
1.	European Union	The creation of the European Standard on e-Invoicing (EN 16931), the EU has been at the forefront of e-invoicing promotion. E-invoicing is required in public procurement by Directive 2014/55/EU, which attempts to streamline cross-border transactions inside the EU.	European Commission, (2019)
2.	Latin America	To reduce tax evasion and increase the effectiveness of tax collection, nations like Chile, Brazil, and Mexico have imposed laws requiring e-invoicing. These nations have created extensive legal frameworks requiring companies to generate and maintain electronic invoices.	(Seres et al., 2021)

| **3.** | Asia | China and India are embracing electronic invoicing rapidly. To improve compliance and expedite tax reporting, India introduced an e-invoicing system that is required for companies with a turnover exceeding a predetermined threshold. | (Mukherjee, 2020) |

Figure 8: Regulatory Frameworks in E-Invoicing

Regional regulatory frameworks pertaining to electronic invoicing differ; however, the European Union is at the forefront, having established the European Standard on e-Invoicing (EN 16931) and Directive 2014/55/EU, which require e-invoicing in public procurement to enable international trade. Latin American nations such as Brazil, Mexico, and Chile have imposed strict e-invoicing laws to reduce tax evasion and improve the effectiveness of tax collection. Asia is also adopting e-invoicing at a rapid pace; in India, for example, businesses over a certain turnover threshold are required to use it to streamline tax reporting and improve compliance.

3.5 Technological Advancement

Technological advancements have significantly improved the functionality, security, and efficiency of e-invoicing systems. Blockchain technology provides a secure ledger for transactions, reducing fraud and fostering trust between trading partners. Artificial Intelligence automates processes like data extraction, validation, and anomaly detection, boosting productivity and reducing errors. Cloud-based solutions offer scalable, cost-effective platforms for real-time invoicing data access, reducing IT infrastructure requirements. Government support through digitalization programs and incentives has accelerated e-invoicing adoption, facilitating smooth business transitions. Integrating e-invoicing systems with ERP platforms streamlines financial management, enhances data exchange, and minimizes manual entry errors, resulting in faster and more accurate invoicing cycles. These advancements demonstrate how technology continues to refine and expand e-invoicing systems' potential globally. Below is the technology advancement in terms of blockchain technology, artificial intelligence (AI), cloud-based solutions, government initiatives support and integration with ERP.

No.	Technological Advancement	Explanation	Author
1.	Blockchain Technology	Blockchain provides a safe and unchangeable ledger for recording transactions, which makes it a promising tool for e-invoicing. Transparency is guaranteed, fraud is decreased, and trading partner trust is increased.	(Treiblmaier et al., 2020)
2.	Artificial Intelligence (AI)	A number of the invoicing process's steps, including data extraction, validation, and anomaly detection, can be automated with AI-powered solutions. These technological advancements aid in lowering mistakes and raising productivity.	(Mendling et al., 2018)
3.	Cloud-Based Solutions	The adoption of electronic invoicing is aided by cloud computing, which provides scalable and affordable solutions. Real-time access to invoicing data is made possible by cloud-based e-invoicing platforms, which enhance teamwork and lower the cost of IT infrastructure.	(Marques et al., 2021)
4.	Government Initiatives and Support	Digitalization Programs can be utilized by businesses to adopt e-invoicing with support and incentives	Lim (2022)
5.	Integration with ERP Systems	ERP systems and e-invoicing solutions integrate for efficient financial management, data exchange, and error reduction, accelerating the invoicing cycle and reducing manual entry errors.	Dwyer, P., & Tan, S. (2022)

Figure 9: Technological Advancement

E-invoicing is being greatly improved by technological developments. Blockchain technology provides an unchangeable, safe ledger for transactions, increasing trade partner trust and decreasing fraud. Artificial Intelligence (AI) lowers errors and increases productivity by automating a variety of invoicing tasks, including data extraction and anomaly detection. Cloud-based solutions offer affordable, scalable platforms that facilitate instant access to invoice data, improving teamwork and reducing the need for expensive IT infrastructure. Furthermore, e-invoicing is being promoted by government initiatives and support through digitalization programs. Integration with ERP systems expedites the invoicing process by reducing manual errors and further streamlining financial management.

Massive progress in making the success in the implementation of the first phase e-invoicing currently is up to date as it is being made to digitize and streamline the e-invoicing process across multiple sectors as of the first phase of e-invoicing implementation in Malaysia. The objective of this phase, which was initiated as a part of Malaysia's larger digital transformation plan, is to improve financial transaction efficiency, compliance, and transparency. The first phase of implementation can be seen in terms of the businesses, tax agents and Inland Revenue Board Malaysia (IRBM) context. Businesses have been transforming the traditional paper-based invoicing which is anticipated that the use of electronic invoicing will lessen the expenses, administrative strains, and errors that come with manual invoicing. A learning curve is being experienced by many businesses, particularly SMEs, as they integrate new software and adjust their processes to comply with government regulations. To aid in this shift, the Malaysian government has offered directives and assistance, as well as early adopter incentives and training programs (The Star, 2023).

In the context of the tax agents, the major role is played here to help businesses make the switch to electronic invoicing. Their responsibilities include assisting their clients in comprehending the technical aspects of the new system and making sure they comply with the new regulations. This includes guaranteeing data accuracy, integrating accounting systems with the new platform, and training businesses on how to create and manage e-invoices. Since e-invoicing cuts down on the time and effort needed for tax filings and audits, tax agents also profit from the streamlined procedures (Bernama, 2023).

Inland Revenue Board Malaysian (IRBM) is leading the way in the rollout of e-invoicing and making sure that the new system is followed is the IRBM. Establishing the required infrastructure, creating regulatory frameworks, and offering continuing assistance to companies and tax agents are all part of the IRBM's responsibilities. Using e-invoicing's real-time data and transparency, the agency hopes to improve tax compliance and lower the rate of tax evasion. To improve the system, the first phase also focuses on resolving technical issues and obtaining user feedback (Ng, 2023). Malaysia's initial phase of e-invoicing implementation is a big step toward modernizing the nation's tax administration and enhancing the effectiveness of business transactions. Even though there are still difficulties, especially with system integration and user adjustment, e-invoicing is anticipated to have significant advantages and open the door for a more stable and open financial ecosystem.

3.6 Continuous Improvement on E-Invoicing

Ongoing enhancement in e-invoicing is similar to creating the perfect symphony, with each instrument and note carefully tuned to achieve harmony between technology, compliance, and user experience. Imagine a system that grows wiser by the day, powered by AI and machine learning, automating monotonous operations, detecting errors before they happen, and protecting transactions from fraud like an ever-watchful guardian. Cloud-based systems set the stage, providing scalability and real-time accessibility, while regulatory updates ensure that the system's rhythm is in sync with the most recent tax laws and worldwide standards such as PEPPOL, allowing firms to dance effortlessly across borders.

The melody is the user experience, which is intended to be intuitive and adaptable, with interfaces that are so basic they feel instinctive and templates that can be customized to each business's specific style. Meanwhile, interoperability serves as the conductor, providing seamless connection with ERP systems and synchronising operations across several platforms. Data analytics converts raw information into usable insights, enabling organizations anticipate trends and make strategic decisions, whilst real-time validation works behind the scenes to keep everything pitch-perfect by minimizing errors.

The system's dedication to sustainability is similar to the encore, replacing paper traces with digital accuracy and optimizing energy consumption for a greener future. Stakeholders, ranging from suppliers to teams, take an active role in providing comments and obtaining training to stay current with improvements. Cybersecurity, the digital orchestra's fortress, ensures that every note of private and confidential financial data is protected through encryption and thorough examinations. This continual evolution not only keeps the music playing, but it also improves performance, ensuring that businesses hit all of the appropriate notes on their path to efficiency, compliance, and growth.

Conclusion

E-Invoicing is mainly on efficiency, cost savings, and environmental benefits, e-invoicing offers a lot of pros and cons. Nevertheless, system integration, security, and compliance issues come with its adoption. The future of e-invoicing will probably be shaped by the way that various regions' regulatory frameworks change over time as well as technological innovations like blockchain and artificial intelligence. To overcome these obstacles and realize the full potential of e-invoicing in Malaysia the future research can be carried out on the SME's readiness towards the adoption of e-invoicing using qualitative and quantitative methods. In order to reap all the benefits of e-invoicing, Malaysia must overcome a number of important obstacles in the way of its implementation. Technology integration challenges, particularly for SMEs with antiquated systems, compliance and regulatory complexities that make adopting new standards difficult and worries about data security and privacy that undermine business confidence are some of the major issues. Compatibility issues can arise from interoperability issues between various e-invoicing systems, and smaller businesses may find it difficult to bear the initial costs and investment associated with making the switch to e-invoicing. The adoption process is further complicated by businesses that are accustomed to using traditional methods and are resistant to change. Capturing on these issues will call for a multifaceted strategy. To improve functionality and usability, e-invoicing systems must be updated frequently and subjected to user feedback. Public-private collaborations can encourage the creation of creative, reasonably priced solutions suited to the requirements of Malaysian companies. Furthermore, achieving interoperability frameworks and conforming to international e-invoicing standards will promote smooth international trade and integration. By concentrating on these areas, Malaysia can close current gaps and guarantee that the electronic invoicing system is reliable, safe, and advantageous to all parties involved, resulting in increased efficiency and transparency within its financial ecosystem.

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A.CK Author: Conceptualization, Methodology, Software, Writing- Original Draft Preparation, Data Curation, Validation, Writing-Reviewing and Editing.

Conflicts Of Interest

The manuscript has not been published elsewhere and is not under consideration by other journals. The author has approved the review, agreed with its submission and declare no conflict of interest on the manuscript.

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