



PRESS RELEASE (4TH SEPTEMBER 2024)

E-Invoicing and Its Implications for Legal and Business Practices ; and the No Discount Rule

On 4th September 2024 (Wednesday), the Sabah Law Society (SLS) hosted a full-day seminar on 4th September 2024 at the Hilton Hotel, Kota Kinabalu, with the option to attend online via Zoom. This seminar, running from 9:00 am to 4:30 pm, was designed to guide law firms through the mandatory e-invoicing requirements introduced on 1st August 2024.

Speakers from Crowe Malaysia PLT provided detailed presentations on the implementation of e-invoicing, including the timeline, data requirements, and procedures for compliance. The sessions also covered IT requirements for law firms, managing tax records, and safeguarding legal privilege concerning client accounts.

Implications for Legal and Business Practices:

The new e-invoicing system requires law firms to electronically document most financial transactions. This regulation applies broadly, except for micro, small, and medium enterprises with turnover below MYR150,000. With E-Invoicing, all transactions are visible and subject to real-time scrutiny.

For Lawyers , strict adherence to standard fee structures (including the no discount rule) is now essential. Offering discounts or deviating from established rates could lead to issues with the IRB, including possible audits or penalties. Non-compliance could potentially harm a law firm's operations.

Clients and others (including banks and property developers) and those often involved in transactions requiring legal services, must be aware that any discrepancies in legal fees—such as discounts (recorded or unrecorded)—could complicate financial dealings and compliance with tax regulations. This could result in delayed transactions or legal complications that impact project timelines and financial outcomes.



Potential Risks and Compliance Needs:

For Law Firms, the transparency introduced by e-invoicing could expose any inconsistencies in billing practices. Law firms must ensure that all financial transactions are documented accurately to avoid legal and financial risks.

For Clients and others, ensuring that all legal fees are accurately documented in compliance with regulations governing e-invoicing and also regulations governing professional legal fees is crucial. Non-compliance on the part of law firms or on the part of clients; could create downstream issues for businesses relying on legal services, potentially leading to disputes, transaction delays, or tax complications.

Conclusion:

The Sabah Law Society urges all parties to familiarize themselves with the new e-invoicing regulations and their implications. Adhering to these rules is vital to maintaining the integrity of financial transactions and avoiding legal complications that could affect all parties involved.

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President