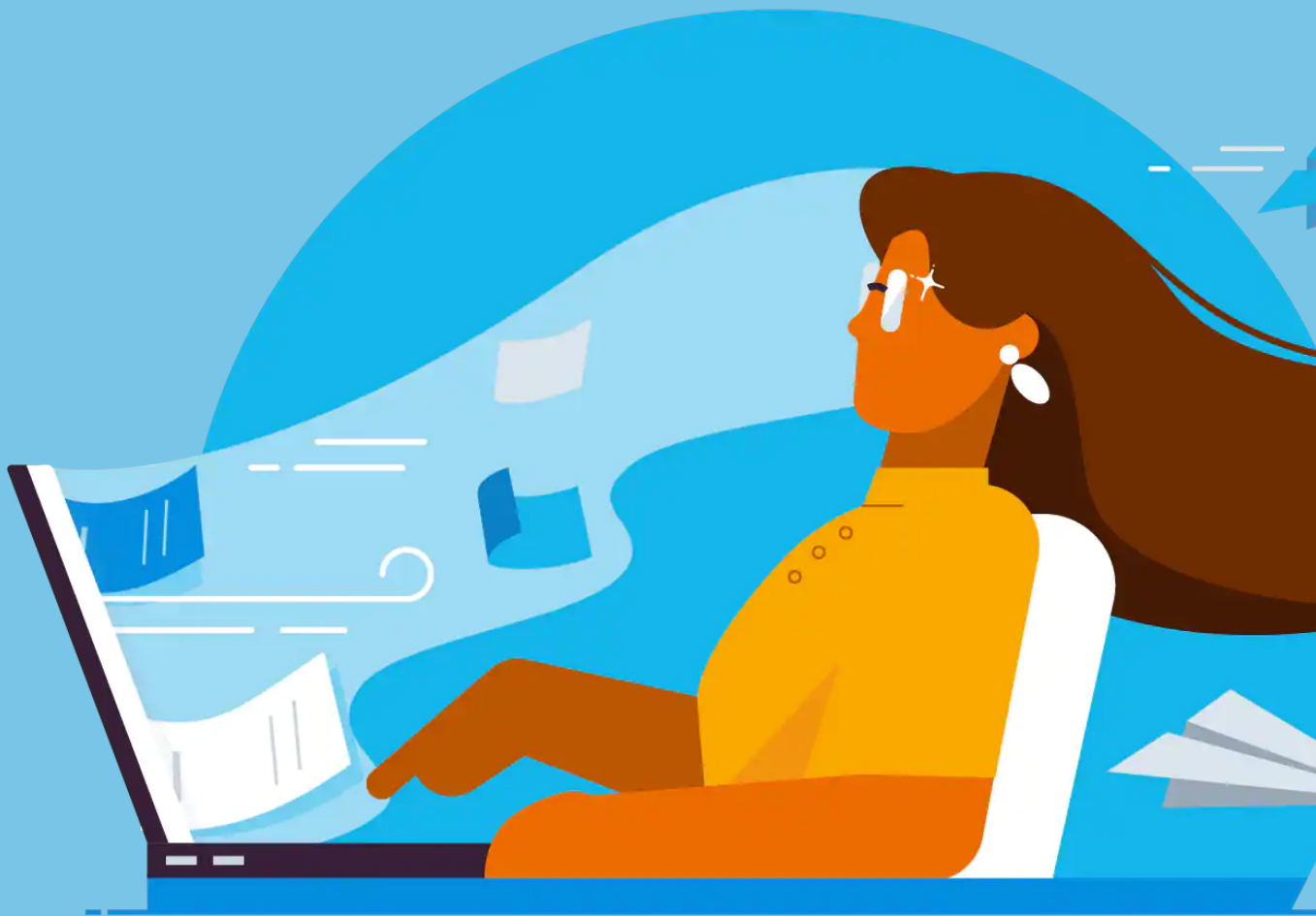


From awareness to implementation: Assessing e-invoicing readiness among SMEs in Malaysia



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E-invoicing: Countdown to compliance for Malaysian SMEs

As Malaysia progresses with the rollout of its national e-invoicing initiative, businesses are required to comply in phases according to their annual revenue. While the shift to new processes can create challenges for businesses of any size, SMEs are facing unique hurdles of their own.

The third and fourth phases of the mandate, beginning 1st July 2025 and 1st January 2026, will directly impact a significant portion of SMEs – businesses that typically operate with fewer resources and tighter budgets compared to larger enterprises. Understanding what is required, along with selecting and implementing new technology, can feel like a daunting undertaking, especially with the ongoing pressure of balancing day-to-day operations and finances.

We spoke with 500 Malaysian SMEs for a pulse check on where they stand in the face of approaching deadlines. This whitepaper explores their understanding of the mandate, as well as challenges they're facing to meet its requirements. Ultimately, we seek to answer the question – just how ready are Malaysian SMEs for the nationwide transition to e-invoicing?

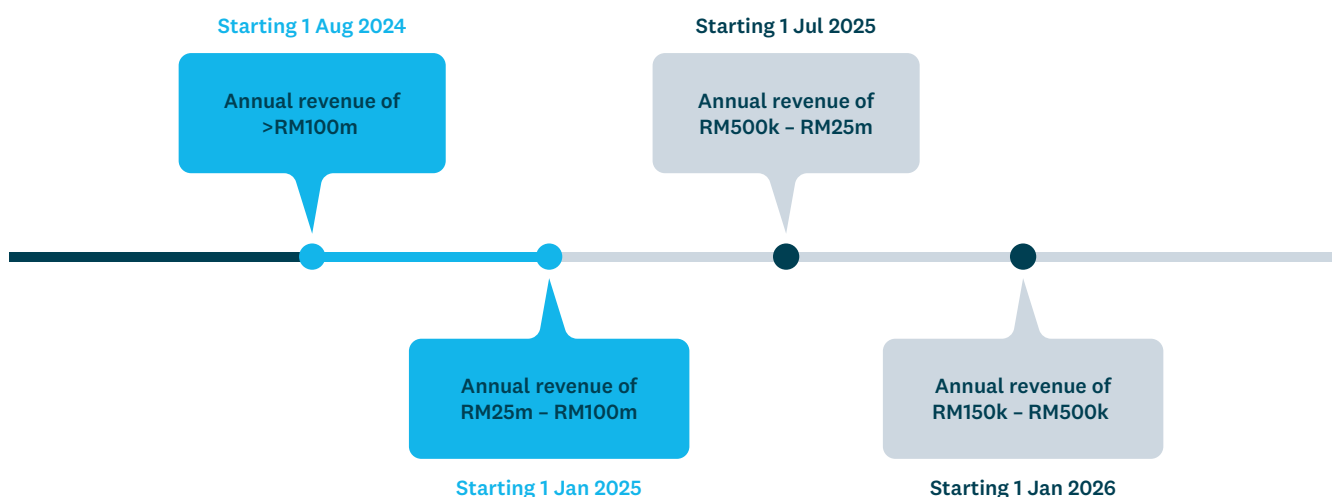
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Who did we talk to?

We surveyed 500 respondents who work in Malaysian SMEs across the country, screened to represent business owners and finance teams, as well as non-finance personnel who are involved in e-invoicing implementation within their organisations. These businesses come from a variety of industries, with the largest contribution from Manufacturing (16%); Wholesale/Retail Trade or Repair of Motor Vehicles and Motorcycles (9%); Professional, Scientific and Technical Activities (9%); and Construction (8%).

Of those surveyed, 61% represented SMEs with revenues between RM500,001 and RM25 million, making them subject to the 1 July 2025 implementation date. The remaining 39% belong to SMEs with revenues ranging RM150,000 to RM500,000 and face a later deadline of 1 January 2026.

Fieldwork was conducted via an independent online research panel, facilitated by a third-party market research agency, between 15th April 2025 and 2nd May 2025.



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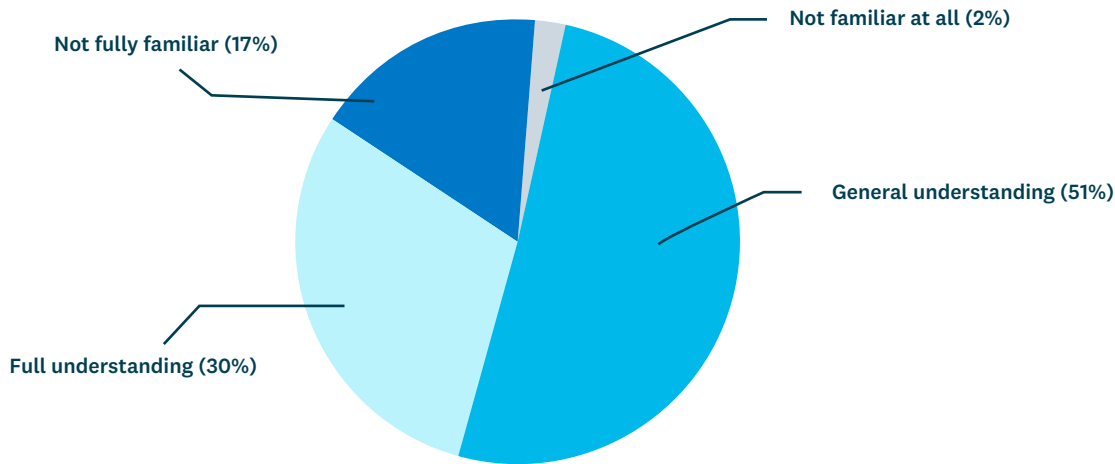
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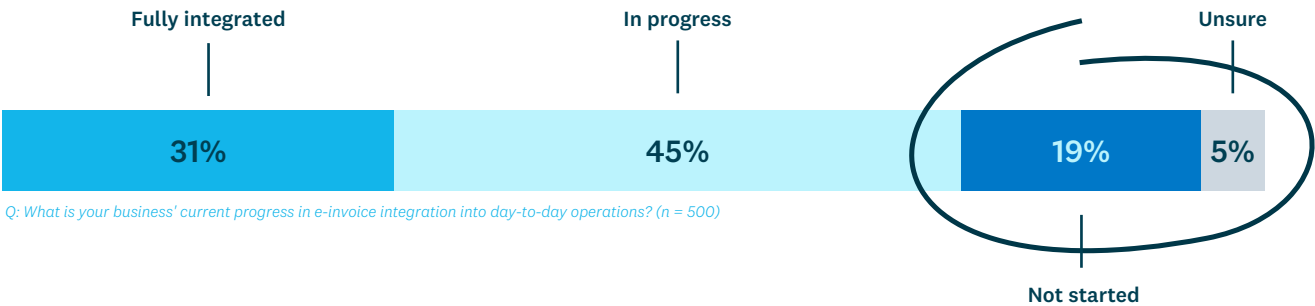
Pulse check: Where are SMEs on their e-invoicing implementation journey?

From the outset, survey results show that even as deadlines draw closer, SMEs in Malaysia face a fundamental issue – many lack a comprehensive understanding of e-invoicing and what it entails. Just over half (51%) of SMEs surveyed report a general understanding of the process, while only 30% feel confident in their grasp of its specific components and functionality.



Q: How would you describe your understanding of e-invoicing? (n = 500)

When it comes to actually implementing e-invoicing within their business, survey results reveal a similar gap. Less than a third (31%) have fully integrated e-invoicing into their daily operations, while a significant 19% have yet to even begin implementation. Meanwhile, 5% expressed that they are unsure of their progress.



Q: What is your business' current progress in e-invoice integration into day-to-day operations? (n = 500)

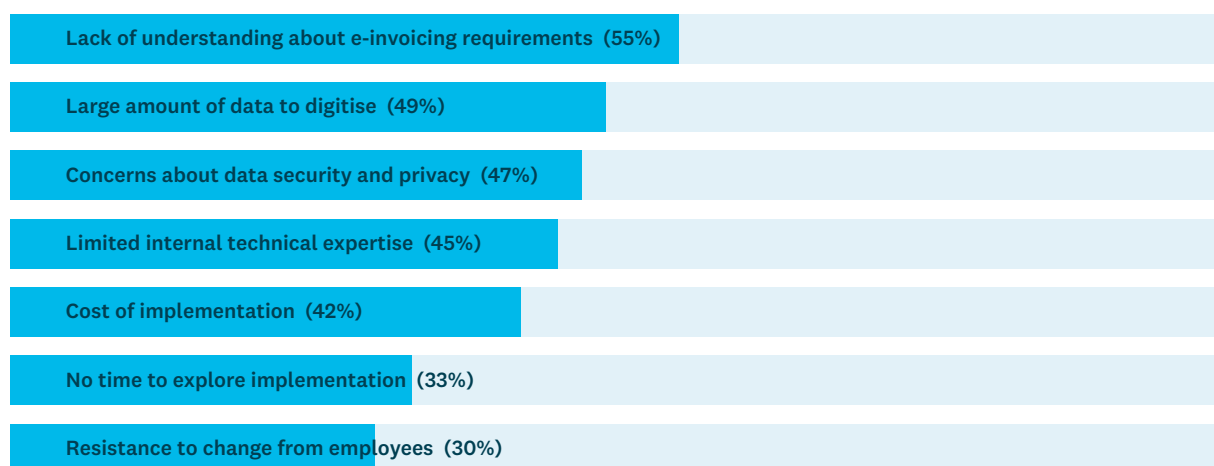
One in three (32%) SMEs surveyed still rely on manual invoicing, such as writing or typing up invoices by hand.

This limited progress can be attributed to a number of factors. A significant portion of SMEs surveyed identified technical and operational challenges as barriers to adoption, including limited internal technical expertise (45%) and having large amounts of data to digitise (49%). 42% also identified cost of implementation as a key barrier.

With lean teams and limited budgets, SMEs often lack the manpower, expertise, and financial resources that larger organisations have to undertake significant transformational processes.

This is compounded by a complex operating environment, in a rapidly digitalising world with threats constantly evolving and on the rise. In fact, almost half of respondents (47%) indicated concerns about data security and privacy as a reason for hesitancy.

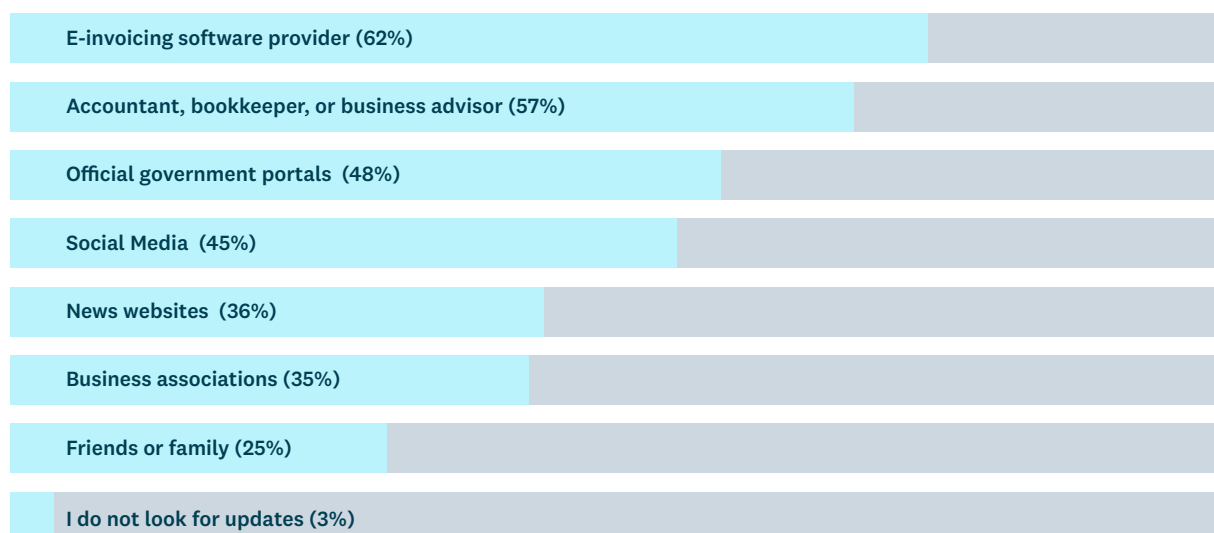
Facing a host of challenges, SMEs benefit the most from access to trusted expertise and advisors, as well as secure, easy-to-use, cost-effective tools. In combination, these make migration and adoption a more seamless process for their small, lean operations.



Q: What are the biggest challenges you are facing/have faced regarding e-invoicing? (n = 500)

When polled on their sources of information around the e-invoicing mandate, a large proportion of SMEs said they were turning to e-invoicing software providers (62%) and/or external experts such as accountants, bookkeepers, or business advisors (57%).

This is a positive sign that in seeking more information around the mandate, SMEs are simultaneously already looking for potential solutions and services that can help them effectively navigate the transition.



Q: Which of the following resources do you use to get updates about e-invoicing? (n = 500)

Looking for trusted help? —

Check out [Xero's advisor directory](#) to find the right expert that can help your business prepare for the nationwide e-invoicing transition.

Next step: Overcoming hesitancy to reap the rewards of e-invoicing

While the e-invoicing transition may be a significant undertaking for SMEs in Malaysia, they also stand to benefit the most from it. From improved cash flow, to reduced administrative burden, to time and cost savings, e-invoicing can unlock efficiencies for smaller businesses and add value in the long term.

The majority of SMEs surveyed acknowledged this, with more than two-thirds recognising the rationale behind the mandate, as well as the overall value of e-invoicing to their business.

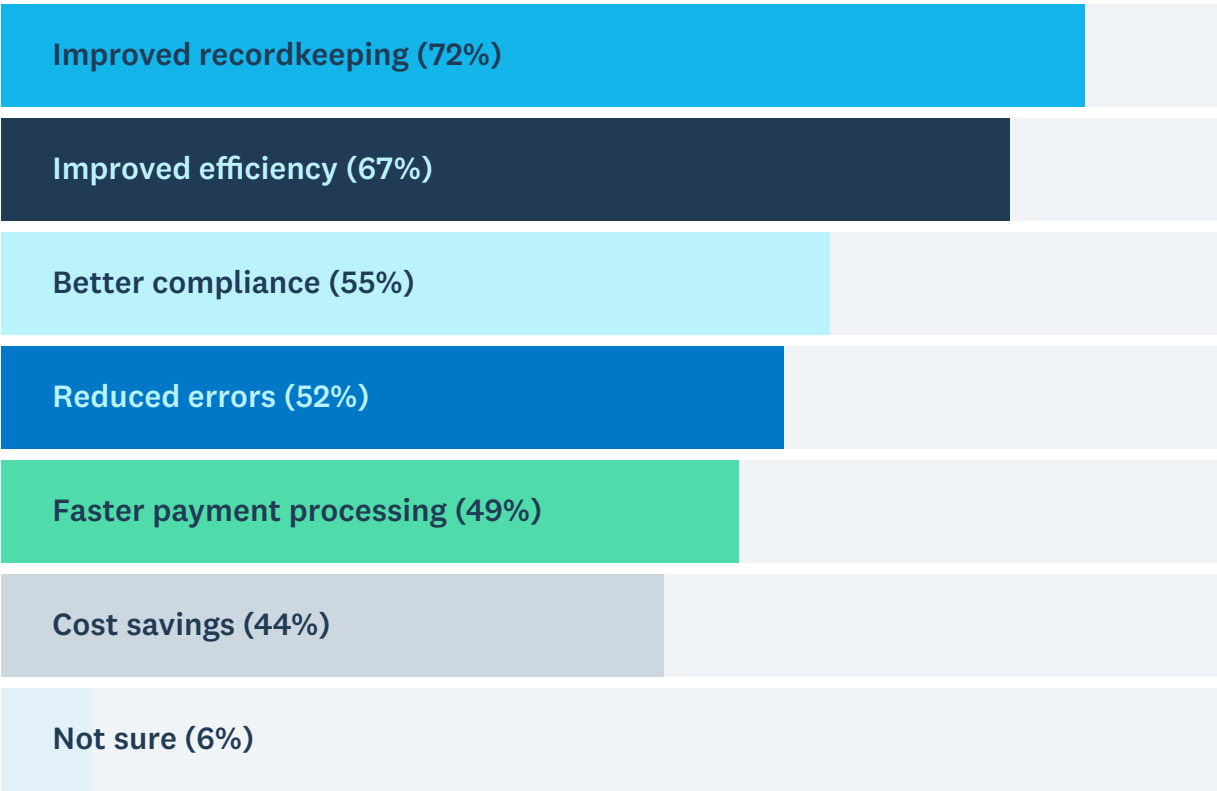
67%

understand why the government is pushing for e-invoicing

69%

see that e-invoicing will benefit their business

Delving deeper, SMEs identified specific ways they anticipate e-invoicing will benefit their business, with improved recordkeeping (72%), improved efficiency (67%), and better compliance (55%) topping the list.



Q: What intended benefits of e-invoicing do you feel would apply to you? (n = 500)

Still, while many SMEs understand the benefits of e-invoicing, some are still hesitant when it comes to taking the next step.

51%

are concerned about the mandate and what it means for their business

43%

feel overwhelmed by the sheer volume of information about e-invoicing

38%

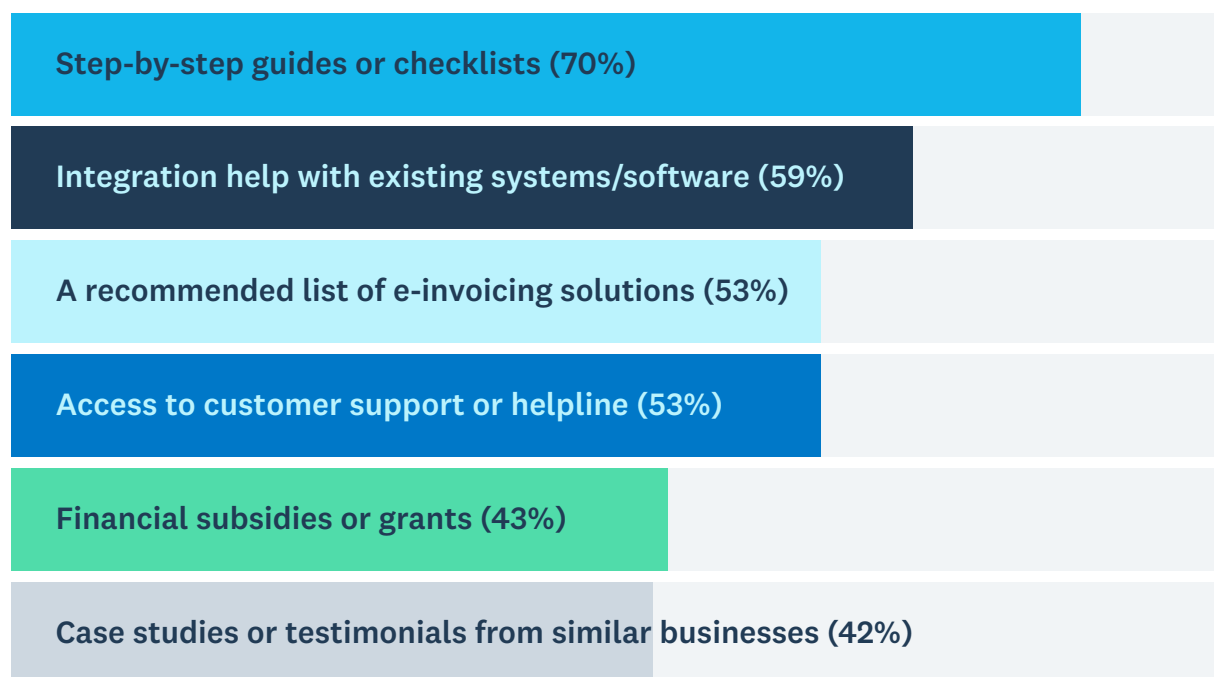
feel like they're being forced into digitalisation

As SMEs grapple with fears over what the mandate will ultimately mean for their business, many are overwhelmed by the volume of information surrounding the topic, making it hard to discern actionable next steps, as well as potential tools and processes to adopt.

This is further compounded by the impending deadlines associated with implementation, particularly for those who have yet to make significant progress in the transition. For the 38% who already feel the mandate is forcing them to digitalise before they are ready, these time pressures only heighten their concerns.

To overcome these concerns and encourage speedier adoption, SMEs identified the support most needed to help them transition smoothly, starting with step-by-step guides or checklists (70%), support for integration with existing systems and software (59%), as well as recommendations on e-invoicing solutions (53%).

Faced with small teams and time constraints, practical guidance and solutions will better allow SMEs to seamlessly adopt and harness the benefits of e-invoicing, even as they navigate the transition in parallel to contending with the ongoing pressures of running their business.



Q: What support would help/would have helped you transition to e-invoicing smoothly? (n = 500)

71% of respondents indicated they would adopt e-invoicing faster if the process was simpler, indicating that many SMEs are prepared to move forward if equipped with solutions to make the transition more seamless.

E-invoicing for everyone: Exploring differences in adoption according to business size

No two SMEs are the same. The transition to e-invoicing comes with unique challenges and goals, and these often vary depending on the size of the business. Current policy takes these differences into account, with phased deadlines for SMEs depending on their annual revenue.

Similarly, this survey brought to the fore a range of sentiments, mandate readiness, and barriers to implementation according to the size of the SME polled.

	Smaller SMEs (Annual revenue of RM150k - RM500k)	Larger SMEs (Annual revenue more than RM500k, but up to RM25m)	What does it mean?
Sentiment towards e-Invoicing	<ul style="list-style-type: none"> Hold slightly less positive sentiments towards the mandate and e-invoicing, with concerns around their ability to implement. 57% expressed confidence in their ability to adopt e-invoicing. 	<ul style="list-style-type: none"> Are more enthusiastic about the transition and perceptive of its benefits. 65% expressed confidence in their ability to adopt e-invoicing. 	<ul style="list-style-type: none"> Smaller SMEs are generally more cautious towards e-invoicing adoption, potentially having to contend with more limited resourcing and budgets compared to larger businesses.
Invoicing ownership & resourcing	<ul style="list-style-type: none"> Have fewer resources dedicated to e-invoicing implementation. Likelier to be undertaken by business owners themselves, or by smaller teams of 1 – 2 personnel. 	<ul style="list-style-type: none"> Have more structured teams dedicated to e-invoicing implementation. Likelier to have more than three personnel in their in-house finance team or utilise hybrid models, combining both internal and external teams, to drive adoption. 	<ul style="list-style-type: none"> Not only are smaller SMEs likelier to be time- or resource-constrained, they are also less likely to leverage external expertise to guide their transitions.
Integration readiness	<ul style="list-style-type: none"> 31% fully integrated; 43% in progress; and 26% have not started. 	<ul style="list-style-type: none"> 32% fully integrated; 46% in progress; and 22% have not started. 	<ul style="list-style-type: none"> Implementation levels are similar across both smaller and larger SMEs. However, given that larger SMEs face an earlier deadline for full implementation, many of them may actually be falling behind.
Perceived benefits	<ul style="list-style-type: none"> Focused on operational impact, namely: <ul style="list-style-type: none"> Better compliance; Fewer errors; and Faster payments. 	<ul style="list-style-type: none"> Focused more generally on improved efficiency across the business. 	<ul style="list-style-type: none"> Motivational drivers differ between smaller and larger SMEs, speaking to different immediate goals and operational needs.

	Smaller SMEs (Annual revenue of RM150k - RM500k)	Larger SMEs (Annual revenue more than RM500k, but up to RM25m)	What does it mean?
Top challenges faced	<ul style="list-style-type: none"> Lack of understanding is a top challenge, followed by lack of time to explore implementation. 	<ul style="list-style-type: none"> Lack of understanding is a top challenge, followed by concerns over having large volumes of data to digitise. 	<ul style="list-style-type: none"> Across SMEs of all sizes, lack of understanding is a crucial barrier that must be overcome in order to spur adoption of e-invoicing. In smaller SMEs, lack of time is the second most pressing challenge, likely in line with leaner budgets and more limited resources. In larger SMEs, concerns over having large volumes of data to digitalise rank second, as they likely have a wider database of existing transaction and customer data to migrate.
Support needs	<ul style="list-style-type: none"> Top needs identified by smaller SMEs include step-by-step guides (71%), integration support (58%), and customer assistance (53%). Notably, smaller SMEs differ from their larger counterparts in one key area: a comparatively higher 48% have highlighted a need for financial subsidies or grants. 	<ul style="list-style-type: none"> The top needs of larger SMEs mirror those of smaller SMEs: step-by-step guides (68%), integration support (61%), and customer service (53%). 	<ul style="list-style-type: none"> Clear guides and practical assistance from experts are the most desired forms of support for SMEs, regardless of size. However, smaller businesses also need financial help, likely in line with their smaller revenues and leaner budgets.

External support is key to unlocking e-invoicing benefits for SMEs in Malaysia

As deadlines for Malaysia's nationwide e-invoicing mandate loom, many SMEs find themselves caught between understanding the importance of this transition and navigating the practical realities of making it happen.

While some grapple to understand the full scope of what e-invoicing entails, others contend with the practicalities of implementation, including technical considerations and the potential costs involved. This survey reveals that offering SMEs simpler and more seamless processes can facilitate adoption.

Fortunately, there are resources to support SMEs in building both understanding and capability – and quickly.

Leaning on external support such as software providers or industry experts like accountants, bookkeepers, and business advisors will help SMEs make sense of the mandate's intricate requirements, while getting practical help with implementing the right solutions to meet their needs.

This brings businesses one step closer to complying with the mandate and unlocking the benefits of e-invoicing, ultimately building value for their business in the long run with improved cash flow and faster payment cycles, as well as more streamlined and efficient operations overall.

Are you an SME on your e-invoicing implementation journey?

Get started with our step-by step guide:

[*Understanding e-Invoicing for Malaysia: A guide to getting started*](#)

When you're ready, find the right support for you and near you:

[*Xero's advisor directory*](#)



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