

الإسلام في السعودية



Guide to ZATCA e-invoicing in Saudi Arabia

Requirements, processes,
benefits, implementation

infinite
IT Solutions

Table of Contents

| | |
|--|----|
| What does e-invoicing mean? | 03 |
| Who is Required to Invoice Electronically in Saudi Arabia? | 04 |
| Why does Saudi Arabia's government implement e-invoicing? ... | 04 |
| General technical requirements of e-invoicing solutions | 05 |
| Implementation of e-invoicing – 2 main phases | 05 |
| Contact | 08 |

Introduction



ZATCA (Zakat, Tax and Customs Authority, previously called GAZT) has already announced the final requirements for Implementing the Provisions of the E-Invoicing Regulation in Saudi Arabia. The important note is that the e-invoicing project (called Fatoorah) will significantly reduce VAT leakage, help to adapt to cashless economy, and reduce shadow economy. The transition process from paper-based to electronic invoices shall reduce fraud, and tax evasion. It means that Saudi Arabia will adopt international practice and increase compliance with tax obligations through the new e-invoicing regulations.

What does e-invoicing mean?

Electronic Invoicing is a digital process of exchanging – issuing and receiving – invoices in electronic forms between a buyer and a seller. Following the new ZATCA's requirements all invoices have to be processed and stored in a structured electronic format through an electronic system, which includes all the requirements of a tax invoice. This means that suppliers will no longer be allowed to generate or store paper or PDF invoices.



Who is Required to Invoice Electronically in Saudi Arabia?

The new regulation applies to B2G, B2B, and B2C transactions and will affect all residents, taxable persons in Saudi Arabia. It will also affect third parties issuing invoices on behalf of a taxpayer subject to VAT. Companies that are not residents in the country are excluded.



Why does Saudi Arabia's government implement e-invoicing?

Why is Saudi Arabia implementing Electronic Invoicing?

The Kingdom of Saudi Arabia is implementing Electronic Invoices for several reasons. These include, but are not limited to:

1. Reducing the shadow economy
2. Increasing compliance with tax obligations
3. Reducing commercial concealment
4. Adopting global best practices and improving the Kingdom's ranking in relevant international indices
5. Enabling fair competition and improving consumer protection

Electronic invoicing has a positive impact on trade – transactions are more efficient and seamless, payments are faster while costs reduced. The government has better insights on market, business is more competitive as in line with international best practices.

The security aspects of e-invoicing regulations can help the government to detect and reduce the shadow economy. They can also improve monitoring of the movement of goods, services, and money in real-time. As a result e-invoicing shall help to increase transparency on commercial transactions.



General technical requirements of e-invoicing solutions

- ability to connect to the Internet
- compliance with the requirements and controls for data & information security or cybersecurity in Saudi Arabia
- ability to integrate with external solutions using Application Programming Interface (API)

Implementation of e-invoicing – 2 main phases

The process of e-invoicing in the Kingdom (called also Fatoorah) means that taxable persons will no longer be allowed to generate or store paper or PDF invoices. In the end they are obliged to comply with the e-invoicing system. Digital transformation in invoicing is split by ZATCA in 2 phases of implementation. Finally all the requirements, procedural rules and technical specifications of e-invoicing are shared with the public.

1

First phase

The first step focused on generation and archiving, will be effective from December 4th, 2021. The suppliers are required to generate e-invoices (both tax invoices and simplified tax invoices) in the electronic and structured format. It is also required to store e-invoices electronically. Electronic invoices must include all mandatory fields in accordance with the VAT regulations in addition to the VAT identification number of the buyer (if the buyer is a registered VAT taxpayer) and a QR code.

First phase in details:

- update or installation of new invoicing systems
- obligation to add QR codes to invoices
- obligation to add the buyer's tax identification number, if the buyer is registered as a VAT payer

How will it work? A seller issues and saves the invoice in an e-invoicing system that is compliant with the requirements of the first phase announced by ZATCA. The invoice must contain all the fields required in a tax invoice. A buyer receives a copy of the invoice.

The most important errors to avoid when generating electronic invoices during first phase are: manual invoicing and issuing invoices that do not include the requirements of the Authority. It is important to save electronic invoices after they are issued.

2

Second phase

The second phase – integration, which has been set to January 1st, 2023 – includes the transmission of e-invoices with the ZATCA system by using an application programming interface. All electronic invoices have to be generated in XML or PDF/A-3 format. Additionally, the suppliers' e-invoicing software is required to be able to generate a universally unique identifier (UUID), cryptographic stamp, a hash, and a QR code.

Second phase in details:

- issuing invoices in XML, or PDF/A-3 formats
- implementing anti-tampering features
- implementing other technical features such as a universally unique identifier (UUID)
- integrating with the ZATCA's platform



Contact us to learn how to get started with compliant e-invoicing.

- Prepare for the mandate ahead of time
- Meet all e-invoicing requirements
- Connect to an open, global business network

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