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IT Solutions

**Paperless solutions
for your business**

NEW UPDATE!

e-Invocing 2nd Phase and roll out waves

Updated information for companies

**Prepare your business for the
ZATCA second e-Invoicing Phase**

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هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

We're officially certified by ZATCA

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Let's get back to e-invoicing. What is it and how it works?

The e-invoicing process called FATOORAH applies to taxable persons who are residents in the Kingdom of Saudi Arabia, as well to the customers or any third parties who issue a tax invoice on behalf of a taxable person who is a resident in the Kingdom according to the VAT Implementing Regulation.

According to the dictionary

E-invoicing is a process where businesses can send, receive, and store invoices electronically. The main benefits of e-invoicing are that it is paperless, efficient, and secure.

Paperless   **Efficient**   **Secure**

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Why is e-invoicing being introduced in KSA?

The Saudi government has introduced several initiatives to digitize the economy and promote e-invoicing, such as ZATCA. E-invoicing will help reduce the administrative burden on businesses, improve compliance, and promote transparency.

It will also help the government keep track of companies and their activities. E-invoicing will also create a common database for audits. With this readily available information, tax authorities won't need to conduct audits as frequently as before.

Expert says:

In the KSA, ZATCA, or the Zakat, Tax and Customs Authority announced the regulations that made it mandatory for businesses to shift to e-invoicing. For those who pay VAT in KSA, the format of e-invoices will be similar to the VAT invoices issues but will be created online. All invoices and notes have to be issued through e-invoicing compliant systems and have to adhere to the ZATCA's regulations. This helps in the standardization of transactions and ensures that there is uniformity in everything. It also ensures the secure storage of information.

– Ammar Hamednalla, e-Invoicing Manager at Infinite IT Solutions

Benefits for taxpayers

A better experience for sellers and buyers. When you issue invoices quickly in real time, input tax credits will be processed faster.

Electronic data will be more secure and less error-prone than paper entries. With a proper system for validating invoices, there will be fewer chances for fraud, leading to fair competition and improvement of trade.

A streamlined electronic invoicing process reduces slip-ups and additional hassles for business owners. Your workload gets reduced, you get paid faster, and you can retrieve documents easily when storing them digitally.

It helps businesses comply with government regulations;

It reduces the administrative burden on businesses.

It is secure and reduces the risk of fraud;

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The two phases of e-invoicing regulations in KSA

ZATCA has embraced two electronic invoicing regulations mandating businesses to adopt new e-invoicing procedures in two phases. Now on schedule is second phase.

Phase 2
(January 1, 2023)

The second phase will start on January 1, 2023.
The following are the requirements for businesses during this phase:

- Integrate your e-invoicing solution with ZATCA's system to allow you to send invoices to ZATCA for validation / Clearance or Reporting.

- Issue invoices in specific formats such as XML or PDF/A-3 with embedded XML.

- Your system should have the capability to connect to external systems with Application Programming Interfaces (APIs) and produce a UUID (Universally Unique Identifier), digital signature, a unique sequential number for each invoice, and a HASH KEY.

- During this phase, you are required to archive all your invoices for a certain period of time based on your industry.

PHASE 1 (as of December 4th, 2021)

- Phase 1, known as the Generation phase, will require taxpayers to generate and store tax invoices and notes through electronic solutions compliant with Phase 1 requirements.

- Phase 1 is enforceable as of December 4th, 2021, for all taxpayers (excluding non-resident taxpayers), and any other parties issuing tax invoices on behalf of suppliers subject to VAT.

PHASE 2 (enforceable starting January 1st, 2023 in waves)

- Phase 2, known as the Integration phase and rolled-out in waves by targeted taxpayer group, will involve the introduction of Phase 2 technical and business requirements for electronic invoices and electronic solutions, and the integration of these electronic solutions with ZATCA's systems.

- ZATCA will notify taxpayers of their Phase 2 wave at least six months in advance, and is rolled-out in waves by taxpayer group, as shown below in the table:

Integration Wave 1	Taxpayers with annual taxable revenue above 3Bn SAR in 2021	Integration Period 1 Jan - 30 Jun 2023
Integration Wave 2	Taxpayers with annual taxable revenue above 0.5Bn SAR in 2021	Integration Period 1 Jul - 31 Dec 2023

Integration Wave 3 | Taxpayers with annual taxable revenue above **250 M SAR in 2021 or 2022** | **Integration Period** 1 Oct 2023 - 31 Jan 2024

Integration Wave 4 | Taxpayers with annual taxable revenue above **150 M SAR in 2021 or 2022** | **Integration Period** 1 Nov 2023 - 29 Feb 2024

Integration Wave 5 | Taxpayers with annual taxable revenue above **100 M SAR in 2021 or 2022** | **Integration Period** 1 Dec 2023 - 31 Mar 2024

Integration Wave 6 | Taxpayers with annual taxable revenue above **70 M SAR in 2021 or 2022** | **Integration Period** 1 Jan 2024 - 30 Apr 2024

Integration Wave 7 | Taxpayers with annual taxable revenue above **50 M SAR in 2021 or 2022** | **Integration Period** 1 Feb 2024 - 31 May 2024

Business term name	TAX Invoice	Simplified Invoice	Credit/ Debit Note (Simplified/ Tax Invoice)	
Invoice number	M	M	M	**M**= Mandatory
Unique invoice identifier	M	M	M	**N/A**= Not applicable
Invoice issue date (gregorian calendar)	M	M	M	**O**= Optional
Invoice issue time	M	M	M	**C**= Conditional
Invoice type code	M	M	M	
Invoice type transactions	M	M	M	
Invoice currency code	M	M	M	
Tax currency code	M	M	M	
Billing reference ID	N/A	N/A	M	
Invoice counter value	M	M	M	
Previous invoice hash	M	M	M	
Invoice QR code	M	M	M	
Cryptographic stamp	M	M	M	
Other seller ID	M	M	M	
Seller Address - Street	M	M	M	
Seller Additional - Building number	M	M	M	
Seller Address - City	M	M	M	
Seller Address - postal code	M	M	M	
Seller Address - District	M	M	M	
Seller Address - Country code	M	M	M	
VAT number (registered) or Group VAT number	M	M	M	
Seller name	M	M	M	
Reasons for issuance of credit / debit note	N/A	N/A	M	
Buyer Address - Street	M	O	O	
Buyer Address - City	M	O	O	
Buyer Address - Country code	M	O	O	
Buyer name	M	C	C	
Sum of Invoice line net amount	M	M	M	

Currency for sum of invoice line net amount	M	M	M
Invoice total amount without VAT	M	M	M
Currency for invoice total amount without VAT	M	M	M
Invoice total VAT amount	M	M	M
Currency for total VAT amount	M	M	M
Invoice total amount with VAT	M	M	M
Currency for invoice total amount with VAT	M	M	M
Amount due for payment	M	M	M
Currency for amount due for payment	M	M	M
VAT category taxable amount	M	M	M
Currency for VAT category taxable amount	M	M	M
VAT category tax amount	M	M	M
Currency for category tax amount	M	M	M
VAT category code	M	M	M
Tax scheme ID	M	M	M
Invoice line identifier	M	M	M
Invoiced quantity	M	M	M
Invoice line net amount	M	M	M
Currency for invoice line net amount	M	M	M
VAT line amount	M	O	O
Currency for VAT line amount	M	O	O
Line amount inclusive VAT	M	M	M
Currency for line amount inclusive VAT	M	M	M
Item name	M	M	M
Item net price	M	M	M
Currency for item net price	M	M	M
Invoiced item VAT category code	M	M	M
Invoiced item VAT rate	M	M	M
Tax scheme ID	M	M	M

Types of e-invoices
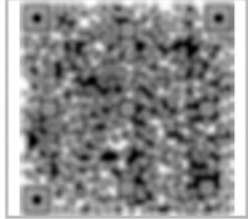
1. Tax e-invoice (standard e-invoice)

Tax e-invoices are issued for B2B and B2G transactions, and are generally used for claiming input VAT deduction by buyers. In phase 1, these invoices will have to be shared with buyers in the required format. In phase 2, these invoices can be shared with buyers only after being cryptographically stamped and cleared by ZATCA.

Taxpayer must generate a Tax Invoice that includes all ZATCA mandatory fields in an electronic format using a compliant E-Invoice Generation Solution (EGS) which is Onboarded to ZATCA portal.

Here is a sample e-invoice ➔

فاتورة ضريبية
Tax Invoice

Invoice Number:	100	100	رقم الفاتورة:

Invoice Issue Date:	25/4/2022	25/4/2022	تاريخ اصدار الفاتورة:
Date of Supply:	25/4/2022	25/4/2022	تاريخ التوريد:

Seller:		المورد:	Buyer:		العميل:
Name:		الاسم:	Name:		الاسم:
Building No.		رقم المبنى:	Building No.		رقم المبنى:
Street Name		اسم الشارع:	Street Name		اسم الشارع:
District		الحي:	District		الحي:
City		المدينة:	City		المدينة:
Country		البلد:	Country		البلد:
Postal Code		الرمز البريدي:	Postal Code		الرمز البريدي:
Additional No.		الرقم الإضافي للعنوان:	Additional No.		الرقم الإضافي للعنوان:
VAT Number:		رقم تسجيل ضريبة القيمة المضافة:	VAT Number:		رقم تسجيل ضريبة القيمة المضافة:
Other Seller ID:		معرف آخر:	Other Buyer ID:		معرف آخر:

Line Items:							توصيف السلعة أو الخدمة:
Nature of goods or services تفاصيل السلع أو الخدمات	Unit price سعر الوحدة	Quantity الكمية	Taxable Amount المبلغ الخاضع للضريبة	Discount خصومات	Tax Rate نسبة الضريبة	Tax Amount مبلغ الضريبة	Item Subtotal (Including VAT) المجموع (شامل ضريبة القيمة المضافة)
Item A - السلعة أ	200.00 SAR	1	200.00 SAR	0	15%	30.00 SAR	230.00 SAR
Item B - السلعة ب	350.00 SAR	2	700.00 SAR	0	15%	105.00 SAR	805.00 SAR

Total amounts:				إجمالي المبالغ:
		Total (Excluding VAT)	الإجمالي (غير شاملة ضريبة القيمة المضافة)	900.00 SAR
		Discount	مجموع الخصومات	0.00 SAR
		Total Taxable Amount (Excluding VAT)	الإجمالي الخاضع للضريبة (غير شاملة القيمة المضافة)	900.00 SAR
		Total VAT	مجموع ضريبة القيمة المضافة	135.00 SAR
		Total Amount Due	إجمالي المبلغ المستحق	1,035.00 SAR

Source: *www.zatca.gov.sa*

2. Simplified e-invoices

Simplified e-invoices are issued for B2C transactions at the point of sale. Every simplified tax invoice (B2C invoice) has to have a QR code for validation purposes.

Since the 1st phase, all the companies have been required to share a simplified invoice with their customers. However, starting from the 2nd phase, all simplified transactions have to be reported to ZATCA within 24 hours since issuing.
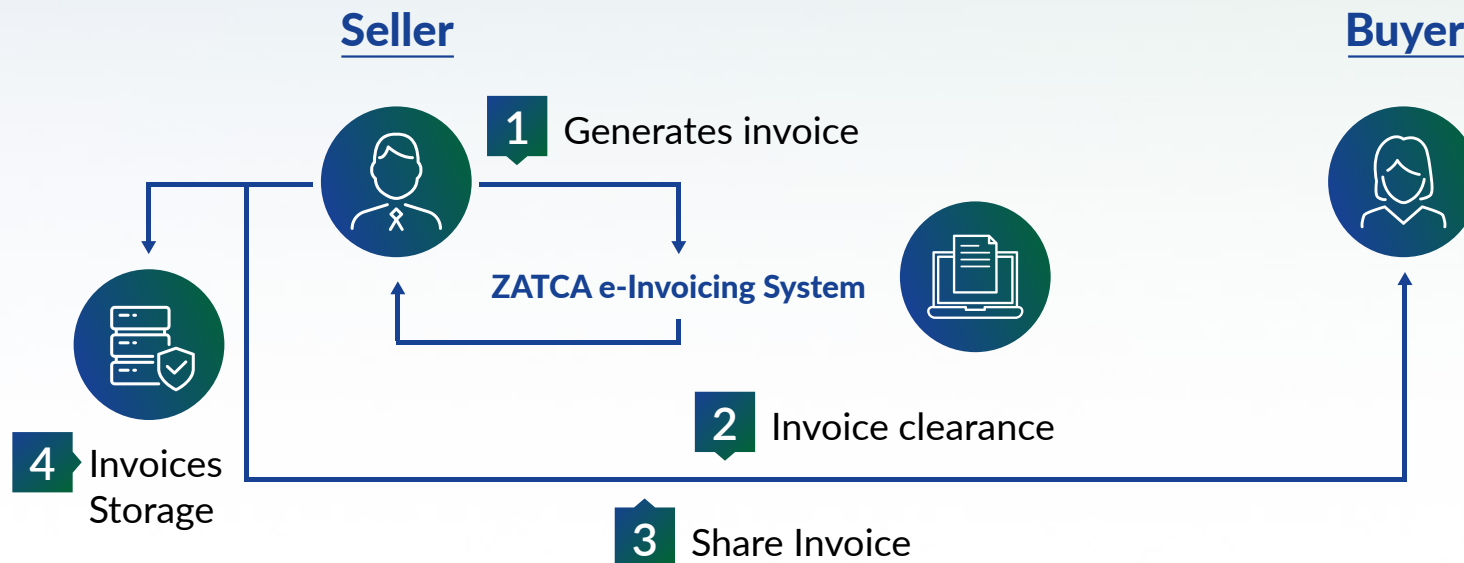
e-Invoice structure

- Invoice type description
- Invoice reference number (IRN)
- Invoice issue date
- Seller's name, address, and ID
- Buyer's name, address, and ID
- Product or service description
- VAT calculation fields (net, gross, VAT rate, subtotals, etc.)

How it works – operation process of phase 2
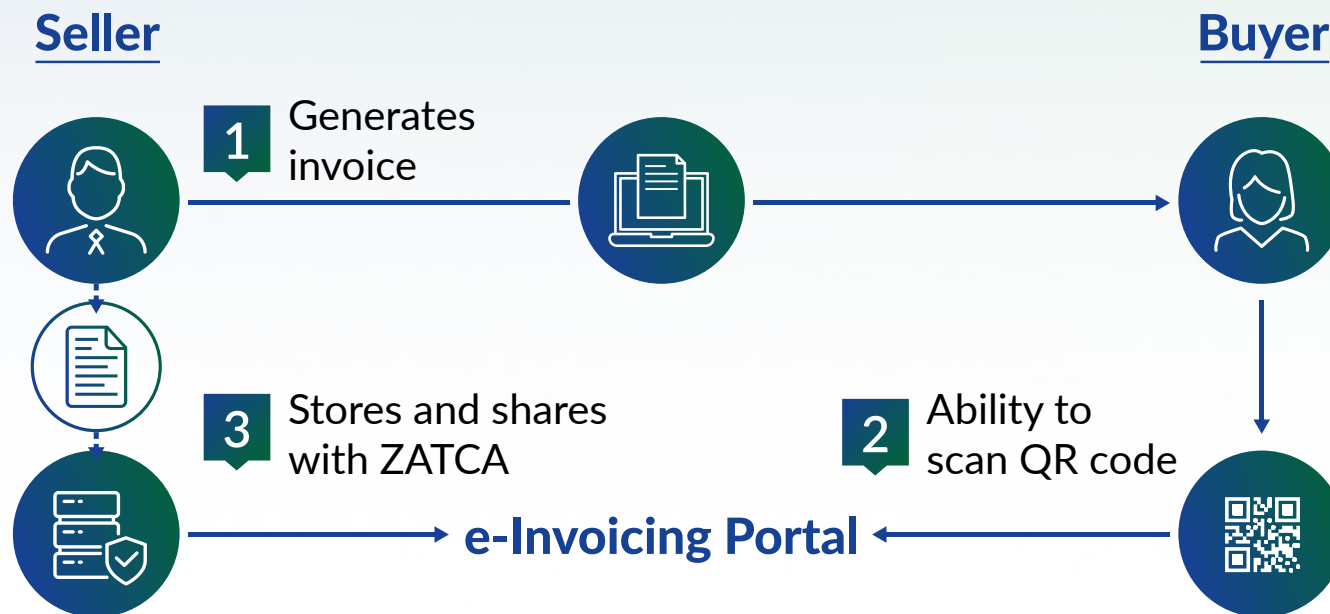
Illustrative diagram for Integration Phase

E-Invoice Generation for B2B/G transactions

Seller

Buyer

1 Generates invoice

ZATCA e-Invoicing System

4 Invoices Storage

2 Invoice clearance

3 Share Invoice

How it works – operation process of phase 2

Illustrative diagram for Integration Phase

Simplified e-Invoice Generation for B2C transactions

Seller

Buyer

1 Generates invoice

3 Stores and shares with ZATCA

2 Ability to scan QR code

e-Invoicing Portal

Technology: Special fields details

- **Universally Unique Identifier (UUID):** Example 061c95fb-d6bb402-e-aa6-24cb09ec1d013
- **Cryptographic Stamp:**
  Tax Invoice Generated by ZATCA, Simplified Invoice Generated by the Tax Player Solution.
- **Cryptographic Stamp Identifier:** Credential that is associated
  with a cryptographic stamp and associates it with a registered Invoice Solution.
- **Previous Invoice Hash:** Automatically generated within the taxpayer's invoice solutions and
  is not visible on the invoice. The hash can be thought of as a digital fingerprint of the invoice.
- **QR Code:** The QR contains basic invoice data
  and is included within the printed invoice and the electronic invoice.
- **Invoice counter:** A functionality of electronic invoice solutions
  and is generated automatically by the solutions.

QR code

- Seller's name
- VAT registration number of the seller
- Time stamp of the e-invoice or credit/debit note (date and time)
- e-Invoice or credit/debit note amount (with VAT)
- VAT amount
- Hash of XML e-invoice or credit/debit note
- Cryptographic stamp
- Public key used to generate the cryptographic stamp
- ZATCA portal cryptographic stamp of the public key of the e-invoicing solution

Technology: Special fields details

Integration

- Internet Connectivity
- Invoice clearance
- Invoice reporting

Invoice Generation

- Invoice fields
- Invoice format
- Invoice storage

Security & Integrity

- QR code
- Cryptographic stamp
- Device Registration
- UUID
- Hash

Book consultation with an e-invoicing specialist

Here's what you have to do for each transaction:

- Use a compliant e-invoicing system to generate the e-invoice with all the required fields.
- Issue a copy to the buyer. By phase 2, you will need to push this invoice to ZATCA's portal and get it validated before you send it to the buyer.
- Store the e-invoice in your system for future reference.
  Moving to a cloud-based solution that offers you e-invoicing features will make storage easier and ensure compliance automatically.

Expert says:

Remember that you have to follow each of ZATCA standard in UBL and readable format otherwise you will experience rejected invoices.

Rejected invoices cannot be edited and should be archived with other invoices. To correct this, you must issue a new invoice with a new invoice number and the UBL must contain the same hashkey of the invoice you want to correct. We at Infinite have solved this problem by having a double validation engine on our ZATCA E-invoicing solution. This ensures that all invoices sent by our middleware will not be rejected by ZATCA.

Invoices that have been rejected by our middleware can be easily edited and resent to our middleware.

– Ammar Hamednalla, e-Invoicing Manager at Infinite IT Solutions

Infinite e-Invoice solution

Ready-to-deploy connectors for a wide range of ERPs – SAP, Oracle, Microsoft Dynamics, other – to integrate with ZATCA's or other national platforms

A single connector automating document flow with both public and private sectors

Real-time validation of content verifying the legal compliance of sent and received documents

Legally compliant electronic signatures of e-invoices

Time stamping of documents stored in e-Archive

100% compliance with the ZATCA's or other national e-Invoicing platforms

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Frequently asked questions

Should invoice be in English or Arabic?

All data fields visible on the invoice's human readable form must be in Arabic for all invoice type (Tax and Simplied invoice along with corresponding credit or debit notes). Invoice can be bilingual with english translation.

If reported Invoice had warnings, do we need to resubmit the invoice?

No, you should not resubmit an invoice for which the response was „202 - Accepted with warnings" because ZATCA has already accepted it. The warnings, on the other hand, should be investigated and resolved as soon as possible. Repeated noncompliance (resulting in warnings) will be investigated by ZATCA and may result in applicable penalties.

Should a Standard Tax Invoices (B2B) be resubmitted with a different invoice counter value if it is not cleared / rejected by ZATCA?

The invoice counter value should never be used again. Once a document with an Invoice Counter Value (ICV) is created, that ICV cannot be mentioned on another document. An ICV should be created for each new document.

Is it necessary to wait for the previous invoice to be cleared before sending the next invoice?

There is no dependencies on ZATCA clearance to generate new invoices. Tax payer can continue sending invoice for clearance to ZATCA without waiting for clearance.

For B2B invoice, what should we need to add if Buyer VAT number is not available?

If Buyer is not VAT registered then the fields can be blank however additional buyer ID is mandatory if VAT number blank. Addional ID can be:

- Tax Identification Number (TIN)
- Commercial Registration (CR)
- MOMRA License
- MLSD License
- 700 Number

- SAGIA License
- National ID
- GCC ID,
- Iqama Number
- Passport ID of the buyer (B2B)

What should the taxpayer will do if the EGS unit cannot generate invoice due to some techinical error or Emergency?

In case of technical error or Emergency which you cannot issue E-invoice from your EGS unit, taxpayer is required to notify ZATCA from the Fatoora portal using the failure notification service. Once the system issue is resolved, all the transaction that happened during system downtime should be cleared/ reported in compliant XML format.

Choose proven specialist certified by ZATCA

Fullfill all regulations with us

Companies from Saudi Arabia who trusted us:

# About Infinite

Infinite IT Solutions has pioneered paperless solutions which automate and enhance key business processes for over 20 years, consistently delivering business value with the latest technology. Our aim is to promote one paperless ecosystem providing a B2B marketplace with various solutions being used by more than 10 000 companies in Europe and Middle East and Africa.

Check our other solutions:

Data Automation	e-Invoice	e-Catalogue	e-Archive
SFA	eSign	eCustomer Service	Marketplace
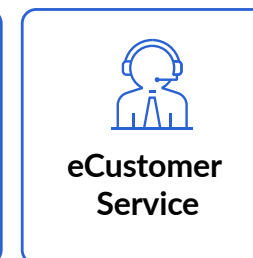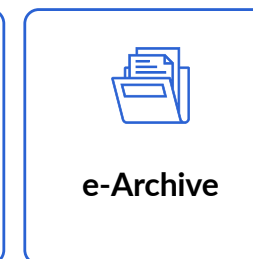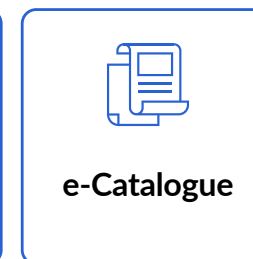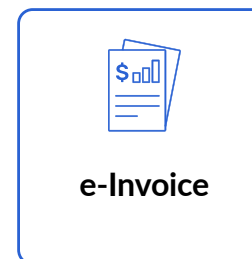
For more details
Please contact with us

Ammar Hamednalla
GCC Sales Manager

✉ ammar@infinite-b2b.com

📞 +971 55 174 0683

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click to book a meeting

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