

Saudi Arabia Tax Alert 2020

Electronic Invoicing

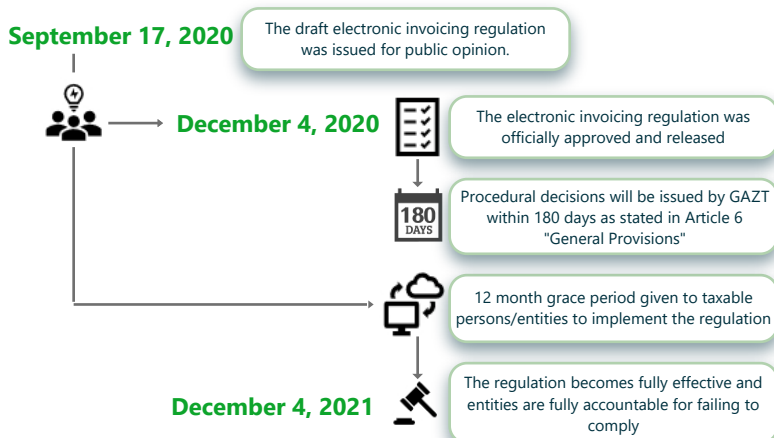


On 17 September 2020, Saudi Arabia's General Authority of Zakat and Tax (GAZT) issued draft amendments to the Value Added Tax (VAT) Implementing Regulations. The amendments are intended to introduce e-invoicing in Saudi Arabia.

Electronic invoice is defined as a tax invoice that is issued electronically through an electronic means and issued by every taxpayer subject to value added tax in the Kingdom.

The electronic invoicing regulation contains seven articles that regulate the mechanism for issuing and keeping electronic invoices for the taxpayers, and clarifies the procedures and persons subject to them, in addition to the procedural rules and time limits.

Electronic invoicing application timeline:



What is the electronic invoicing system?

It is a procedure aimed at converting the process of issuing invoices and paper notices (for example: handwritten or photocopied with a scanner) into an electronic process that allows the exchange of invoices and debit and credit notes and processing them in an organized electronic form between the seller and the buyer in an integrated electronic format.

Who is subject to the electronic Invoicing regulation?

- The taxable person residing in the Kingdom.
- The customer or any third party who issues a tax invoice on behalf of the taxable person residing in the Kingdom in accordance with the executive regulations of the VAT system.

Persons who are not resident in the Kingdom are not required to issue electronic invoices or electronic notes (Debit and Credit notes) for supplies or tax received in the Kingdom.

Prerequisites for technical solutions associated with electronic invoicing:

- Internet connection.
- Commitment to data, information, or cyber security requirements and controls in the Kingdom.
- The technical solution should be tamper-proof and includes a tamper-evident detection mechanism (anti-tampering).
- Interchangeable with external systems using an Applications Programming Interface (API).

What is the implementation mechanism of the electronic invoicing system?

The implementation mechanism of the electronic invoicing system has two main stages:

Stage 1: Issuing and saving invoices, debit and credit notes in an electronic format organized through an electronic system and containing all the requirements of the tax invoice.

Stage 2: Linking the electronic billing, debit and credit notes systems of the taxpayers with the systems of the General Authority of Zakat and Tax in order to share data and information.