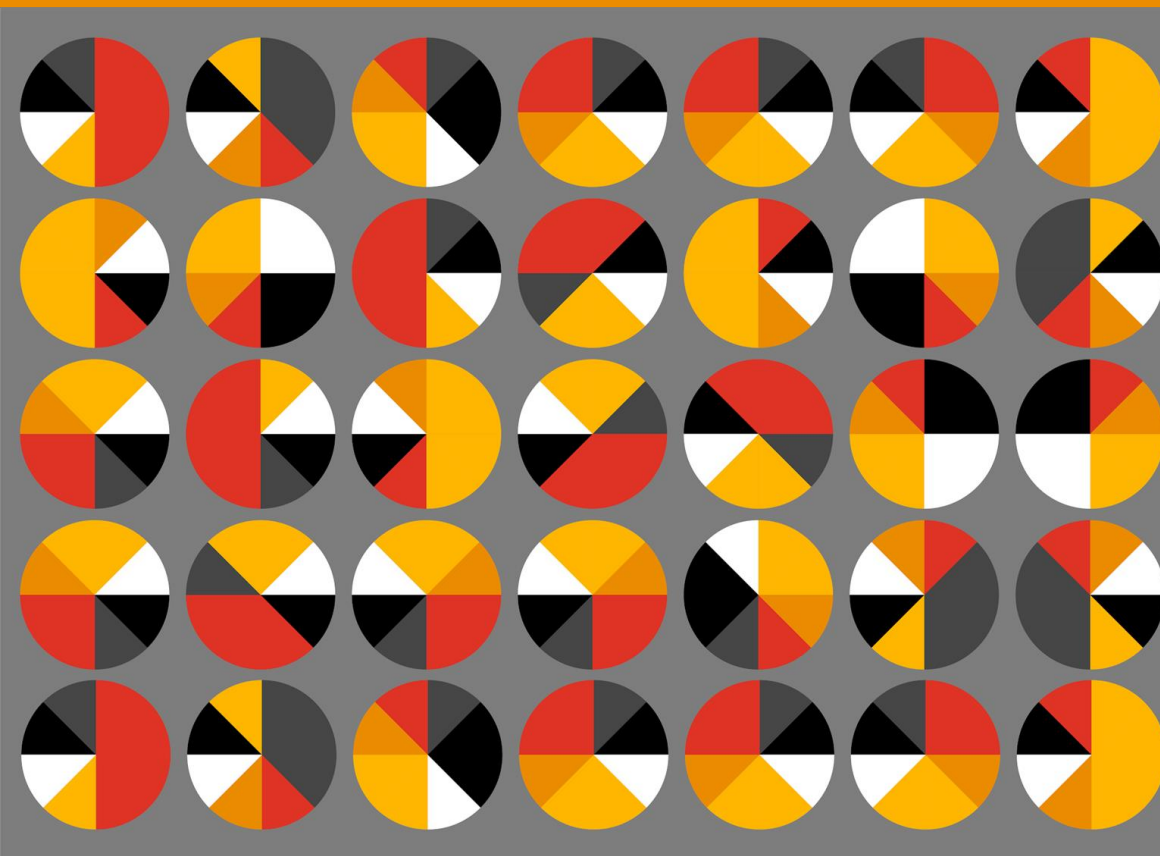


Kingdom of Saudi Arabia: Developments on E-Invoicing

December 2020



In brief

The Electronic Invoicing ('E-Invoicing') regulation was published on 4 December 2020 and will come into force for all registered entities from 4 December 2021. Moreover, the General Authority of Zakat and Tax ('GAZT') has published on its portal the Guide on e-invoicing and a list of FAQs to help taxpayers comply with the new requirements in relation to E-invoicing.

All above documents are issued in Arabic language at the moment and can be accessed through the following link:

https://gazit.gov.sa/ar/RulesRegulations/UnderConsultations/Pages/Rule_004.aspx

In detail

a) E-Invoicing Regulations ('Regulations')

After completing the public consultation process in relation to the E-invoicing regulation, GAZT board of director has approved the final version of the E-invoicing regulation and published it in the official Saudi gazette on 4 December 2020. These Regulations, which entered into force from the date of their publishing, contain the framework of the E-Invoicing mechanism GAZT is anticipating to apply within the effective date and expects persons subject to the E-invoicing regulation to comply with as of 4 December 2021. It is expected that further details would follow prior to the effective date to help taxpayers comply with the new E-invoicing requirements.

b) Guide on E-Invoicing

The guide issued by GAZT provide additional information over the requirements established under the E-invoicing regulations. It includes i) The definition of an E-invoice, ii) The timeline to implement E-invoicing in KSA, iii) The taxpayers who will be subject to the regulations of E-invoicing, iv) The Preliminary and basic requirements for technical solutions related to E-invoicing, and v) The violations and penalties.

The guide explains the system of E-invoicing, elaborates what constitutes an E-invoice as well as E-invoicing adjustments.

GAZT has also included timelines dating back to September 17, 2020 where it had initially published the draft Regulations for E-invoicing for public consultation and has highlighted important dates such as:

1. **December 4, 2020** -The Regulations of E-invoicing are published and enter into force..
2. **Within 12 months of publishing the Regulations** - Establishments which pay VAT are to start preparing themselves to issue, maintain and amend E-invoices in an orderly manner.
3. **December 4, 2021** - Official date for taxpayers to issue, maintain and amend E-invoices.

The regulations of E-invoicing are applicable to taxable persons residing in KSA as well as any third party who issues a tax invoice on behalf of the taxable person residing in KSA. Non-resident taxable persons are not obligated to issue E-Invoices.

The preliminary requirements related to E-invoicing are as follows:

1. Taxpayers should be able to connect to a secure internet connection;
2. Taxpayers should take into consideration all the requirements and controls applied in KSA related to data and information security;
3. The connection should be tamper proof and includes a mechanism that allows detection of any tampering that may occur by the user or any other party (anti-tampering);
4. The technical solution should be able to be linked with other outside systems by using "Application Programming Interface" (API).

Violations and penalties:

All regulations related to tax invoices, as mentioned in the KSA VAT Implementing Regulations, will be applicable on E-invoices as well as the violations and penalties prescribed in the VAT law.

c) Frequently Asked Questions ('FAQ')

GAZT has also issued a document containing FAQ along with their responses which can also be accessed through the above link.

Key takeaway

Having a 12 month window to comply, it is important for businesses operating in Saudi or non-resident businesses dealing in KSA to assess the implication of these new requirements on their operations and take adequate measures to ensure readiness for this transformation. Taxpayers should also be mindful of the violations and penalties that could arise due to non-compliance with the E-invoicing Regulations.

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Let's Talk

For a deeper discussion of how this issue might affect your business, please contact:

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