

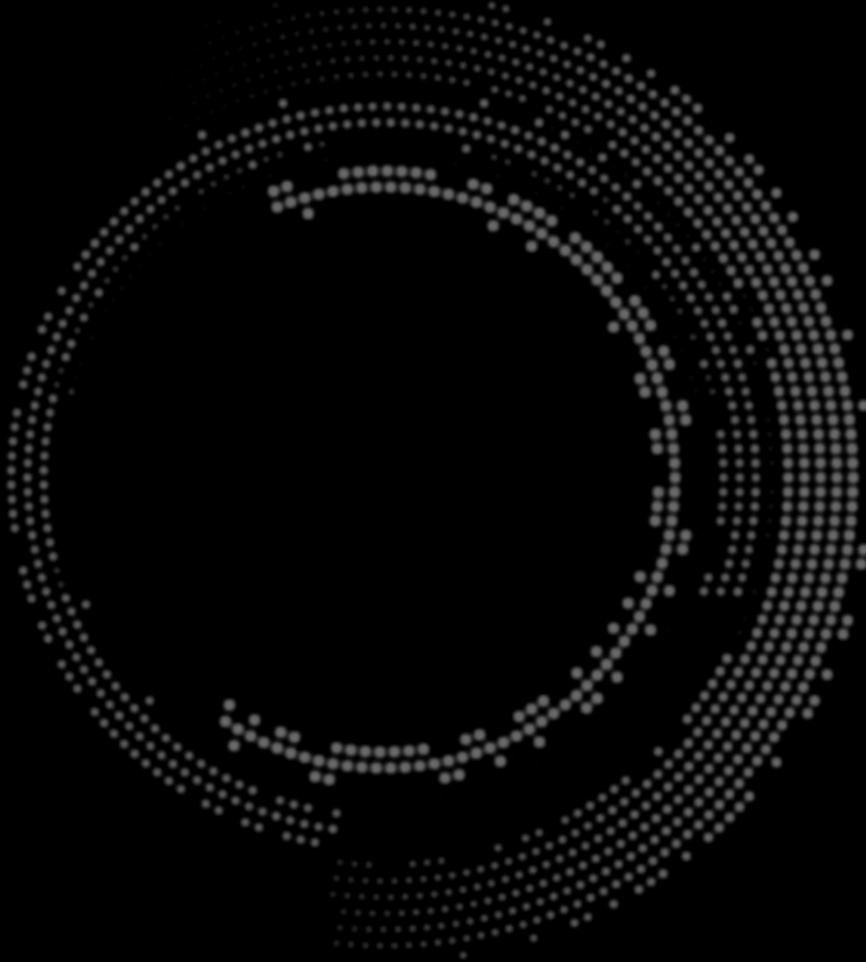
e-Invoicing developments in KSA

March 2021

In the Middle East
since 1926

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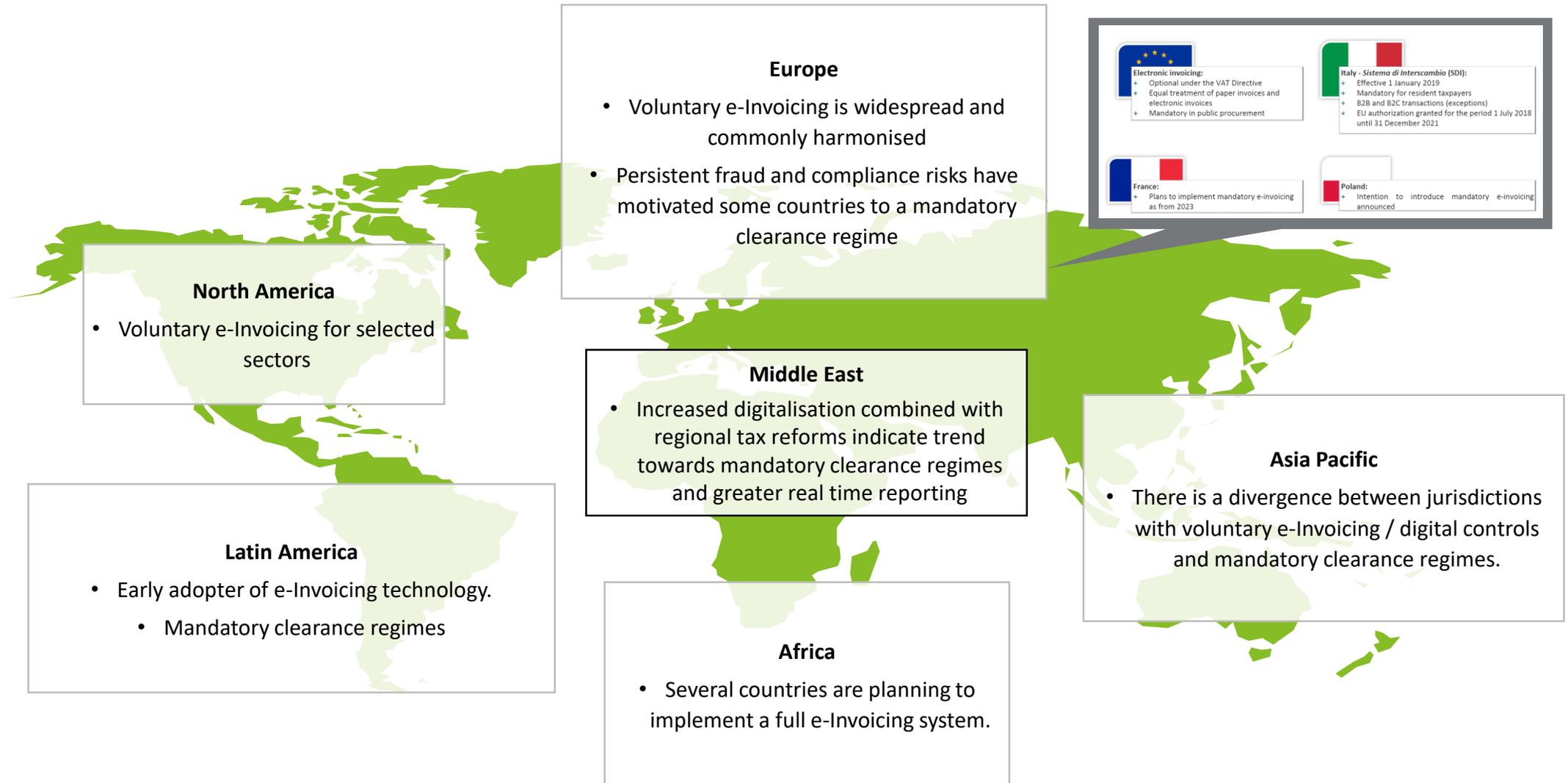


e-Invoicing and the International landscape



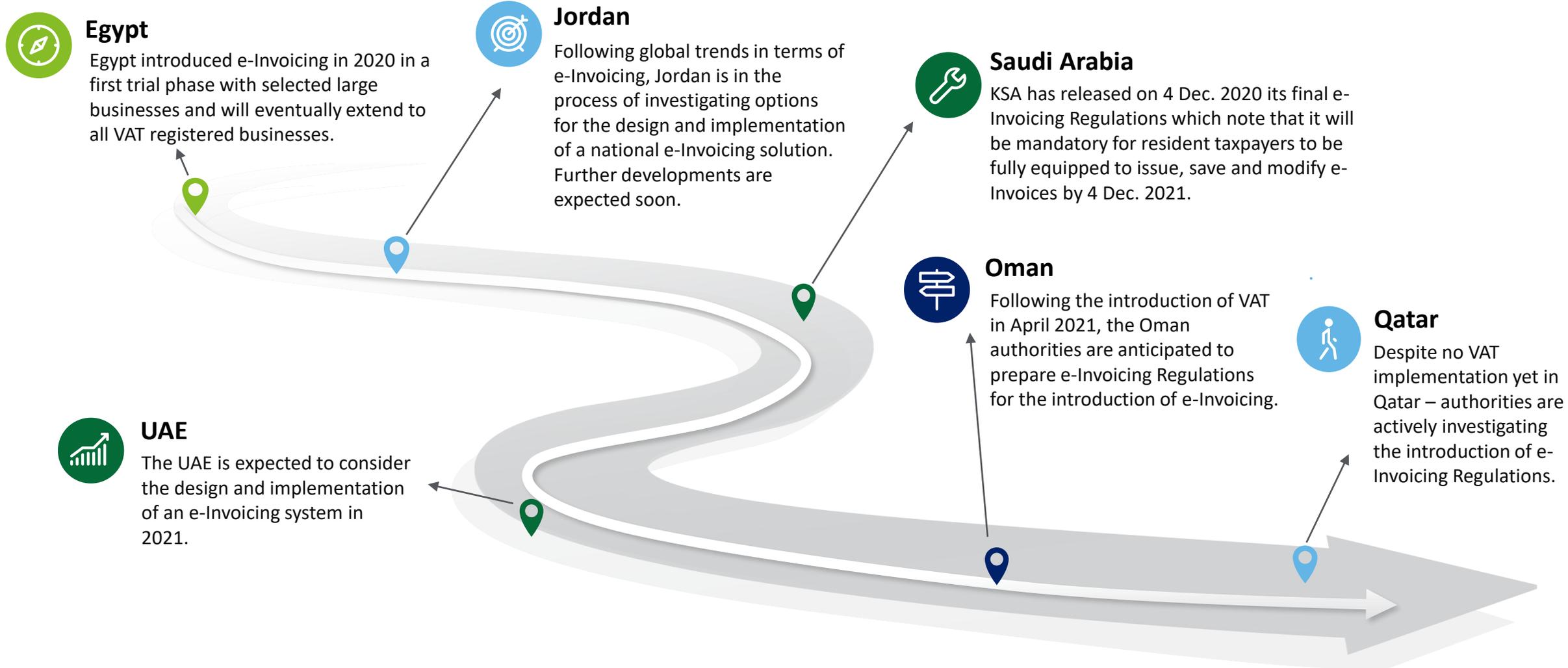
e-Invoicing and the International landscape

While e-Invoicing is widespread, its application varies, and regional trends are emerging



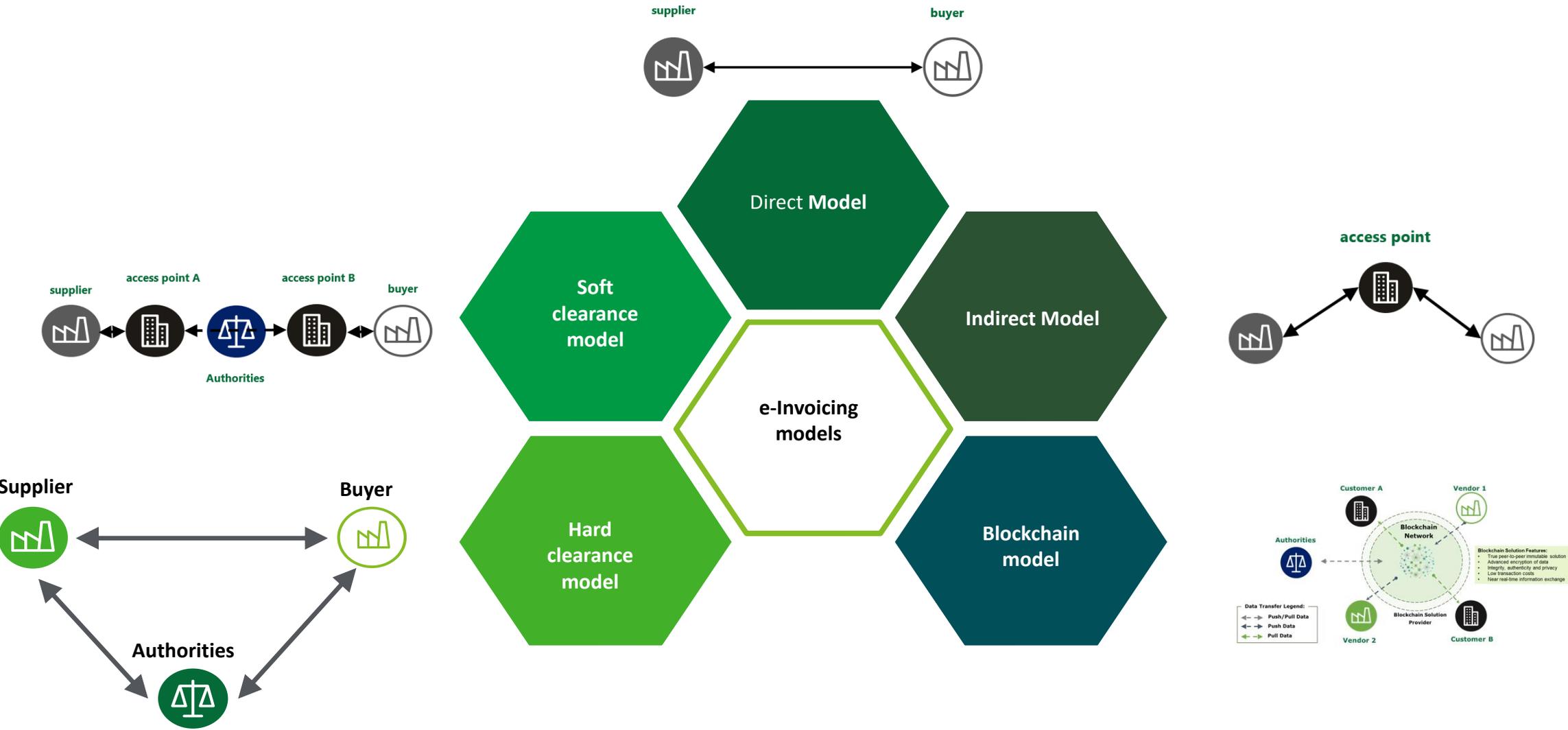
e-Invoicing and the International landscape

Deloitte's Insight on e-Invoicing and the Middle-East region



e-Invoicing and the International landscape

e-Invoicing – overview of models



e-Invoicing and the KSA landscape



e-Invoicing and the KSA landscape

KSA – e-Invoicing background

KSA e-Invoicing overview

- e-Invoicing Regulation, Guideline and FAQ December
- Draft e-Invoicing Resolution

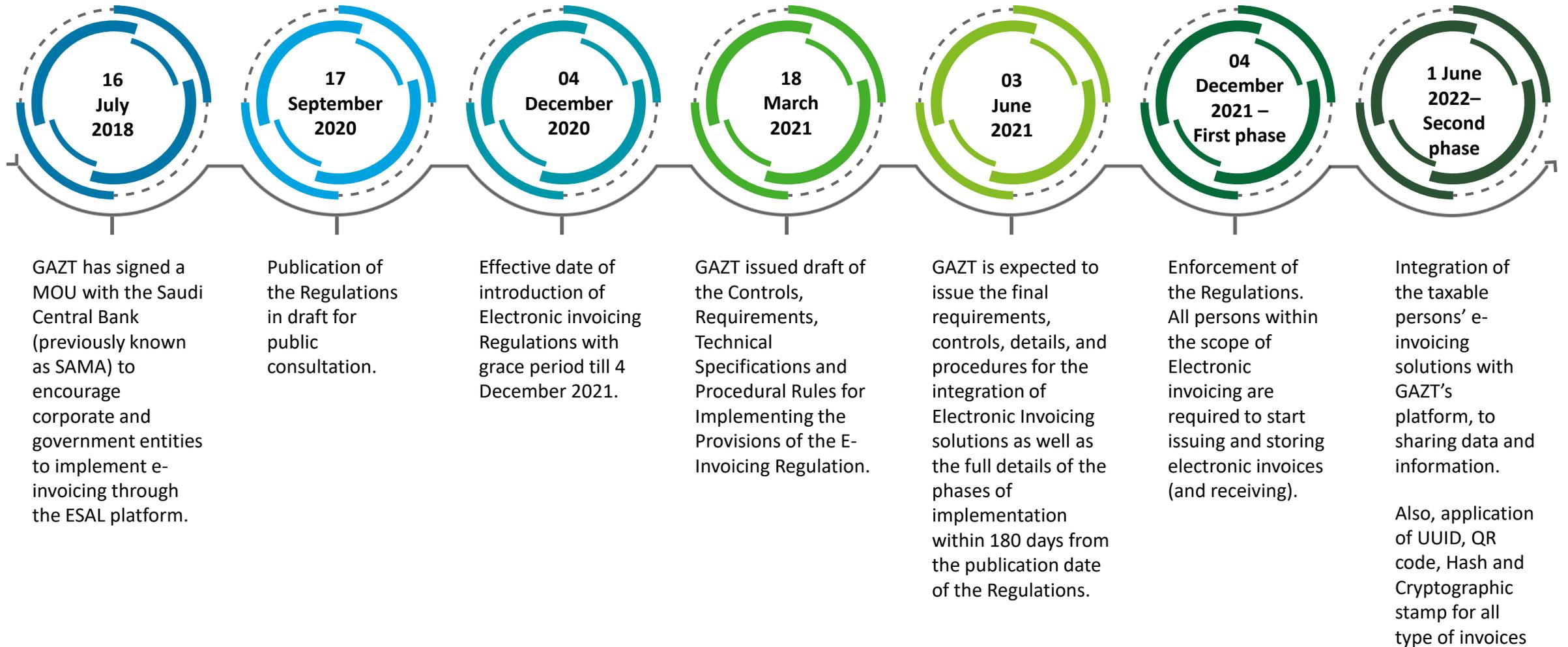
Key take away

- Rule of thumb: resident VAT taxpayer's supplies subject to 0% or 15% VAT
- 4 December 2021 not yet 1 single standard
- VAT recovery as per article 48 of the VAT Law only on the basis of valid e-invoices?
- Transparency of transaction by 1 June 2022, reconsider your approach to tax



e-Invoicing and the KSA landscape

GAZT has adopted a phased approach to implement e-invoicing in the Kingdom



Draft e-Invoicing Implementation Resolution - overview

Draft e-Invoicing Implementation Resolution - overview

Overview

Scope of e-invoicing in KSA

- **e-Invoicing Regulations applies on:**
 - KSA resident Taxable persons
 - Self-billing
 - Outsourced billing

- **Transactions subject to the e-Invoicing Regulation, shall include the following:**
 - Supplies of goods and services subject to the 0% or 15% VAT;
 - Export of goods and services (0%);
 - Intra-GCC supplies (not effective);
 - Nominal supplies;
 - Advance payments.

- **Transactions subject to the e-Invoicing Regulation, shall also include the following:**
 - Cancellation, return or suspension of supplies
 - Changes to the supplies impact the VAT treatment
 - Changes to the supplies impact the value

Type of invoices

- **e-Invoicing applies to:**
 - Tax Invoices
 - Simplified Tax Invoice
 - Credit Notes
 - Debit Notes

Exceptions for e-Invoices

- **Transactions subjected to the e-Invoicing Regulation, shall not include the following**
 - Exempt supplies;
 - Advance payments related to exempted supplies;
 - Supplies subject to VAT pursuant to Reverse Charge Mechanism (purchases);
 - Import of goods into the KSA

Specification and requirements of an e-Invoice generation solution

- **A compliant e-Invoice generation solution, must fulfil the following**
 - e-Invoice or e-notes format, content and sharing with customers
 - Data and information security requirements
 - Integration requirements
 - Prohibited functions

Draft e-Invoicing Implementation Resolution - overview

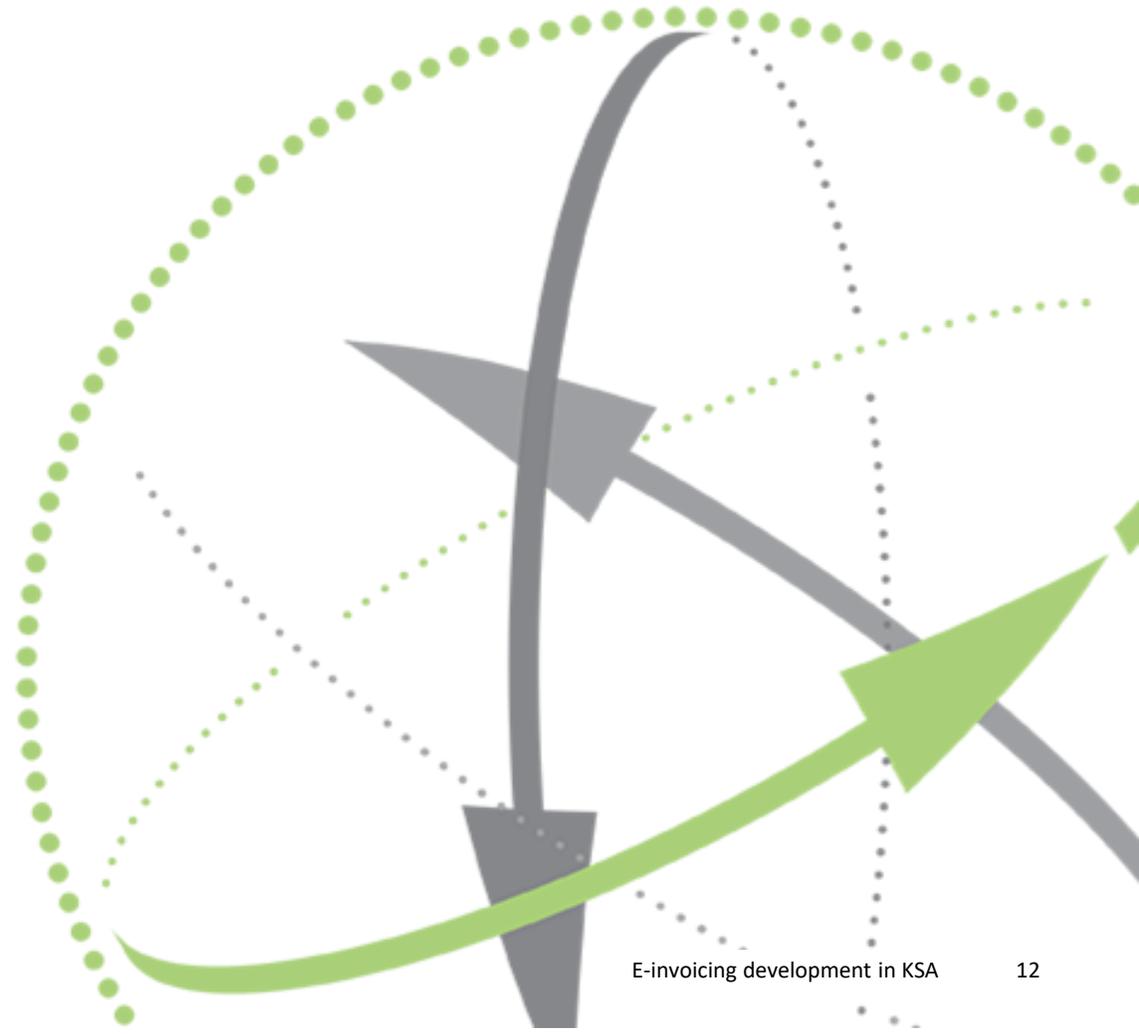
The KSA has published draft of controls, requirements, technical specifications and procedural rules for implementing the provisions of the e-invoicing regulation on 18 March 2021 with public consultation by 17 April 2021

Technical documents issued along with the Resolution:

- Data Directory
- XML Implementation Standards
- Security Implementation Standards
- Details on the connection with the GAZT systems? – to be released

Next Steps

- Until 17 April 2021 [public consultation](#)
- 4 December 2021 – first phase
 - free e-Invoicing format (structured invoice data format)
 - QR code for simplified invoices
- 1 June 2022 – second phase
 - e-Invoicing one standard
 - Transactional data shared with the GAZT

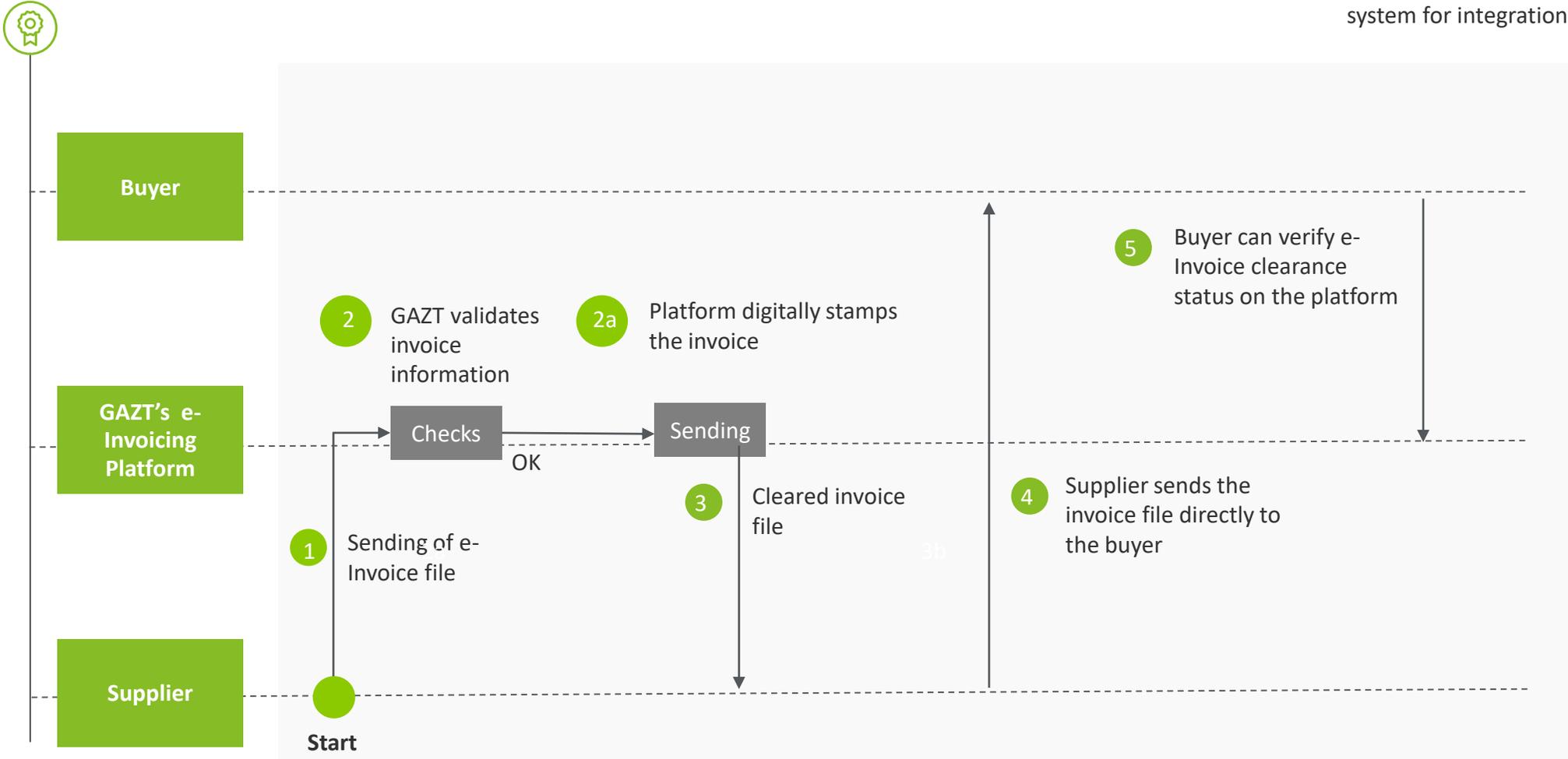


Draft e-Invoicing Implementation Resolution - overview

Workflow for a standard e-Invoice applicable from 01 June 2022

One-time prerequisite

Supplier registers and configures his system for integration



Draft e-Invoicing Implementation Resolution - overview

Key requirements for e-Invoices and e-notes

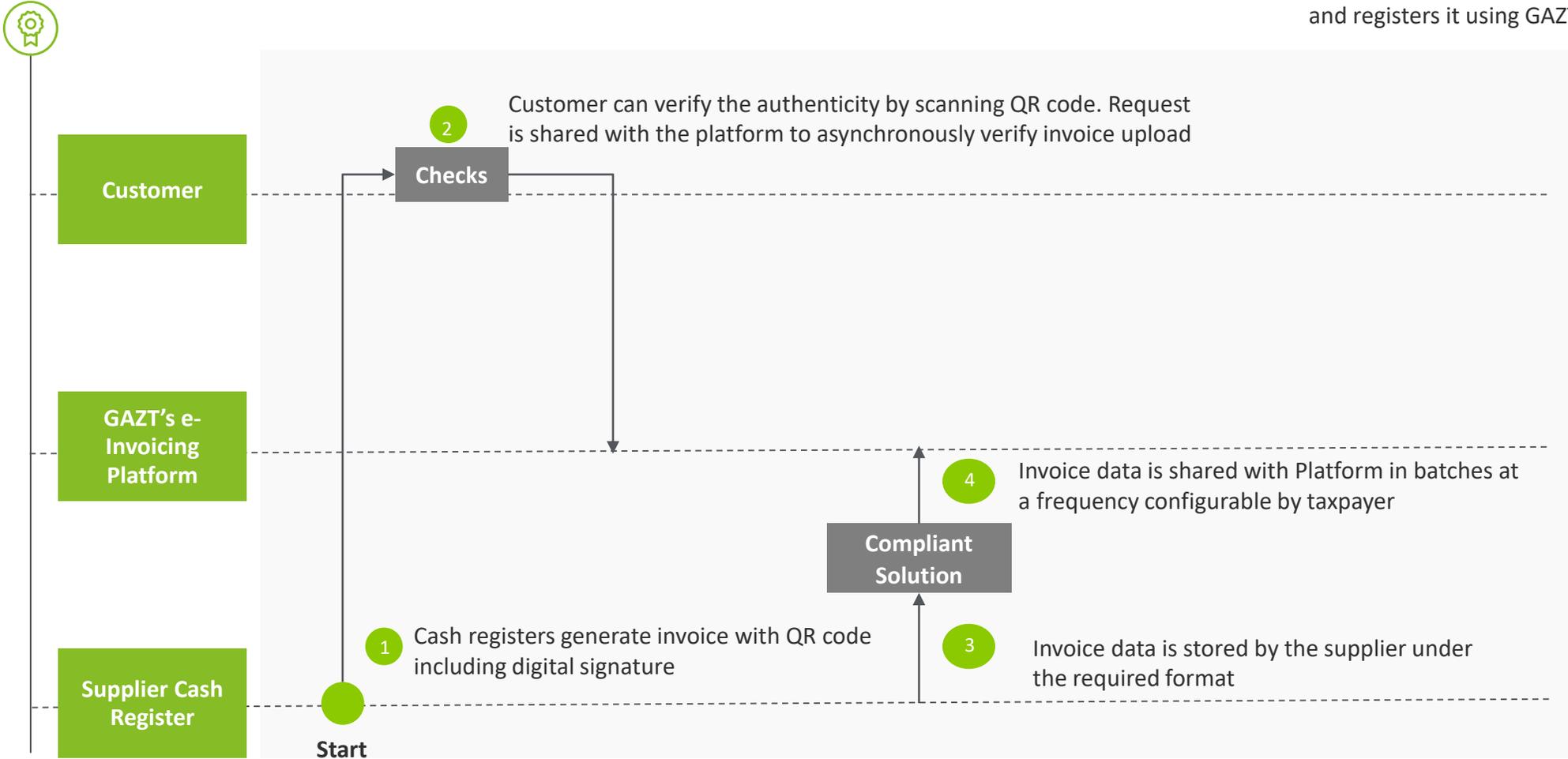
Key Requirements	First phase	Second phase
Issue, receive and store/archive e-Invoices and e-notes	✓	✓
Issue the e-Invoice and E-notes in Extensible Markup Language (XML) or PDF/A-3 (with embedded XML) format	X	✓
Implement mandatory, conditional and optional fields	✓	✓
Generate a universally unique identifier (UUID)	X	✓
Generate the cryptographic stamp via cryptographic algorithms and include on the e-Invoice or e-note;	X	✓
Display QR code on the e-Invoice or e-note	X	✓
Produce a secure digital fingerprint (Hash) for each e-Invoice	X	✓
Guarantee that the e-Invoicing solutions has a tamper-resistant counter	X	✓
Integrate with GAZT through API	X	✓

Draft e-Invoicing Implementation Resolution - overview

Workflow for a simplified e-Invoices applicable from 01 June 2022

One-time prerequisite

Supplier acquires compliant solution and registers it using GAZT portal



Draft e-Invoicing Implementation Resolution - overview

Key requirements for simplified e-Invoices and e-notes

Key Requirements	First phase	Second phase
Issue, receive and store/archive e-Invoices and e-notes	✓	✓
Issue the e-Invoice and E-notes in Extensible Markup Language (XML) or PDF/A-3 (with embedded XML) format	X	✓
Mandatory, conditional and optional fields	✓	✓
Display a QR code	✓	✓
Implement controls/mechanisms to avoid tampering of the e-Invoices	✓	✓
Generate a universally unique identifier (UUID)	X	✓
Register with GAZT to obtain a Digital Certificate (DC) to request the Cryptographic Stamp Identifier (CSI)	X	✓
Produce a secure digital fingerprint (Hash) for each e-Invoice	X	✓
Guarantee that the e-Invoicing solutions has a tamper-resistant counter	X	✓
Integrate with GAZT through API	X	✓

Draft e-Invoicing Implementation Resolution - overview

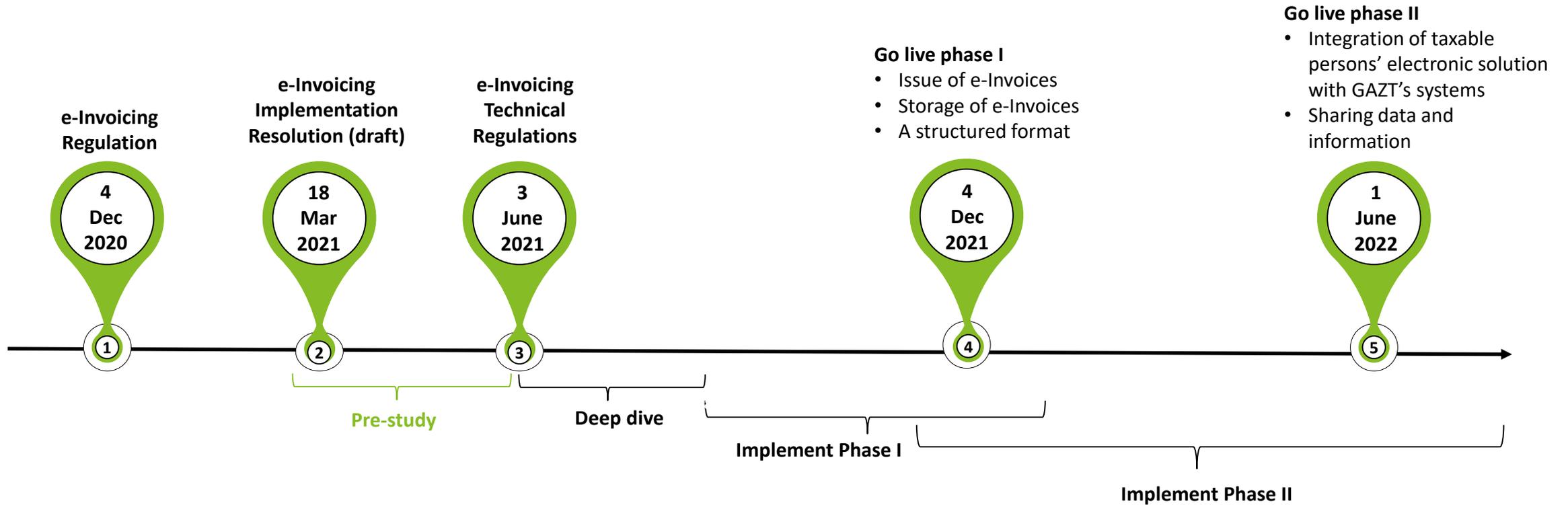
Important definitions

Definitions	Description
Cryptographic Stamp	A cryptographic stamp is an electronic stamp which is created via cryptographic algorithms to ensure authenticity of origin and integrity of content of e-Invoices and their associated notes, and to ensure verification of identity of the issuer of those invoices and notes for the purposes of ensuring compliance
Universally unique identifier (UUID)	The UUID is a 128-bit number, generated by an algorithm chosen to make it unlikely that the same identifier will be generated by anyone else in the known universe using the same algorithm
Quick Response (“QR”) Code	Type of matrix barcode, with a pattern of black and white squares that is machine readable by a QR code scanner or the camera of smart devices in order to enable basic validation of e-Invoices and e-notes. For full tax invoices the following should be included as per phase 2: <ul style="list-style-type: none">• Seller’s name;• VAT registration number of the seller;• Time stamp of the invoice or note (date and time);• Invoice or note total (with VAT);• VAT total;• Hash of XML invoice or note;• The public key used to generate the Cryptographic stamp (for tax invoices and notes that are integrated with GAZT’s platform, this is the public key of GAZT’s platform)
Hash	Hashing is meant to verify that a file or piece of data hasn’t been altered.

Things to consider



Key considerations

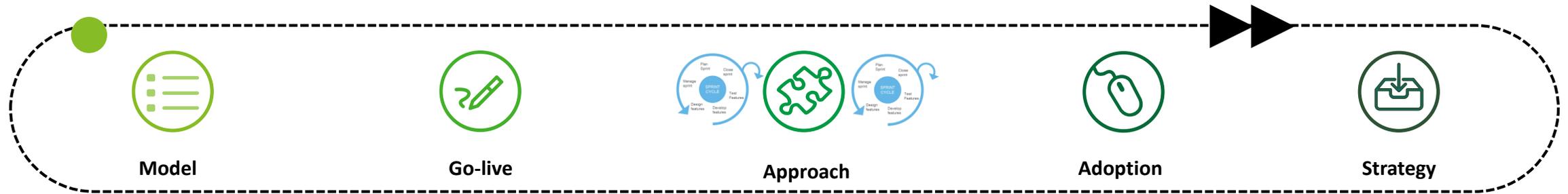


Brief recap



e-Invoicing journey in the KSA

Brief recap



Model

- Clearance based model – real time
- e-Invoices submitted to GAZT
- Validation, Authentication, signing
- Potential use of Access Points

Go-live

- 4 Dec 2020 effective date
- 4 Dec 2021 - issuing and storing electronic invoices
- 1 June 2022 – GAZT integration

Approach

- Implementation of the Regulations across all taxpayers
- Potential staggered/ phased implementation for the integration requirements
- Larger businesses may be required to fulfill integration requirements prior to smaller businesses

Adoption

- All transactions types to be mandatory under e-Invoicing
- Except: exempt supplies, goods and services imports

Strategy

- Closing the tax gap and stamping out tax avoidance
- Promoting compliance and best business practices
- Environmental / Transparency / Efficiency benefits



Q&A



Deloitte “VAT in the GCC guide” mobile app

The app is free of charge and is designed to **help businesses** to understand VAT and its impact, whether they have already undergone implementation or are preparing for the introduction of VAT in the **three** remaining GCC countries.





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