

Saudi Arabia launches consultation on e-invoicing

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Executive summary

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. The GAZT has invited businesses to provide their comments and observations on the draft amendments by 17 October 2020.

Detailed discussion

Background

Saudi Arabia is undertaking various initiatives to digitalize the economy. In the context of those initiatives, the GAZT announced its intention to introduce e-invoicing in Saudi Arabia, publishing draft amendments to the VAT Implementing Regulations on 17 September 2020.

The draft regulations published by the GAZT cover the following aspects around the proposed e-invoicing rules:

- **What is an electronic invoice:** A tax invoice that is issued and saved through electronic means.

- ▶ **Who is required to use e-invoices:** All taxable persons resident in Saudi Arabia, as well as customers and third parties issuing invoices on behalf of taxable persons.
- ▶ **What are the technical characteristics of an e-invoice system (i.e., hardware, software, networks, means of connection, preservation and exchange of information):**
 - The e-invoicing platform used to issue electronic invoices should be connected to the internet.
 - The technology used must ensure that electronic invoices will not be tampered with, so it must include functionality allowing detection of any data or invoice manipulation.
 - The e-invoicing solution must be compliant with other rules and regulations of data and information security applicable in Saudi Arabia.
- ▶ **What are the VAT requirements of e-invoices:** These will be similar to current requirements for paper tax invoices, credit notes and debit notes.

Implications

The introduction of mandatory e-invoicing will impact current business processes and system landscapes, requiring businesses to adopt digital tax accounting and reporting to meet the new compliance obligations. Businesses should begin to develop a strategy for implementing e-invoicing in Saudi Arabia.

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