

## Saudi Arabia introduces e-invoicing

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### Executive summary

On 4 December 2020, Saudi Arabia's General Authority of Zakat and Tax (GAZT) published regulations on the implementation of electronic invoicing (e-invoicing). Businesses have 12 months to implement relevant technology and prepare for issuance and storing of e-invoices in compliant formats.

### Detailed discussion

As announced by the GAZT, the primary objectives in introducing an e-invoicing framework are to limit the shadow economy, promote fair competition and consumer protection, as well as address commercial and tax fraud.

### Who is subject to the e-invoicing regulations?

Taxable persons resident in Saudi Arabia will have to issue and store e-invoices in electronic format with predefined data fields. The requirements also apply to third parties who are issuing tax invoices on behalf of resident taxable persons.

The e-invoicing rules will not apply to taxable persons who are not resident in Saudi Arabia.

### What is an e-invoice?

An e-invoice is a tax invoice issued in an electronic form. Scanned or photocopied invoices are not e-invoices.

### When should an e-invoice be issued?

E-invoices must be issued for all transactions for which tax invoices must be issued. Taxable persons must also issue credit notes and debit notes in an electronic format.

### What are the technical requirements of an e-invoice?

The e-invoicing regulations contain preliminary requirements for the technology that enables issuance and storing of e-invoices, including:

- ▶ The ability to connect with external systems using the Application Programming Interface (API)
- ▶ Compatibility with all the requirements and controls applied in Saudi Arabia in relation to data or information security or cybersecurity
- ▶ The solution must be tamper-proof and should include a mechanism that allows detection of any data intervention or manipulation
- ▶ The ability to connect with the Internet

### What is the deadline for implementation of the e-invoicing rules?

Taxpayers will need to be ready to issue, receive and store e-invoices by 4 December 2021.

Saudi authorities will release further details on the e-invoicing framework within the next six months, including system and technical requirements relating to the implementation of e-invoicing by businesses.

### Implications

Businesses will need to adopt digital tax accounting and reporting to meet the new compliance requirements. Businesses should start considering the steps required to implement e-invoicing.

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EYG no. 002460-20Gbl

1508-1600216 NY  
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