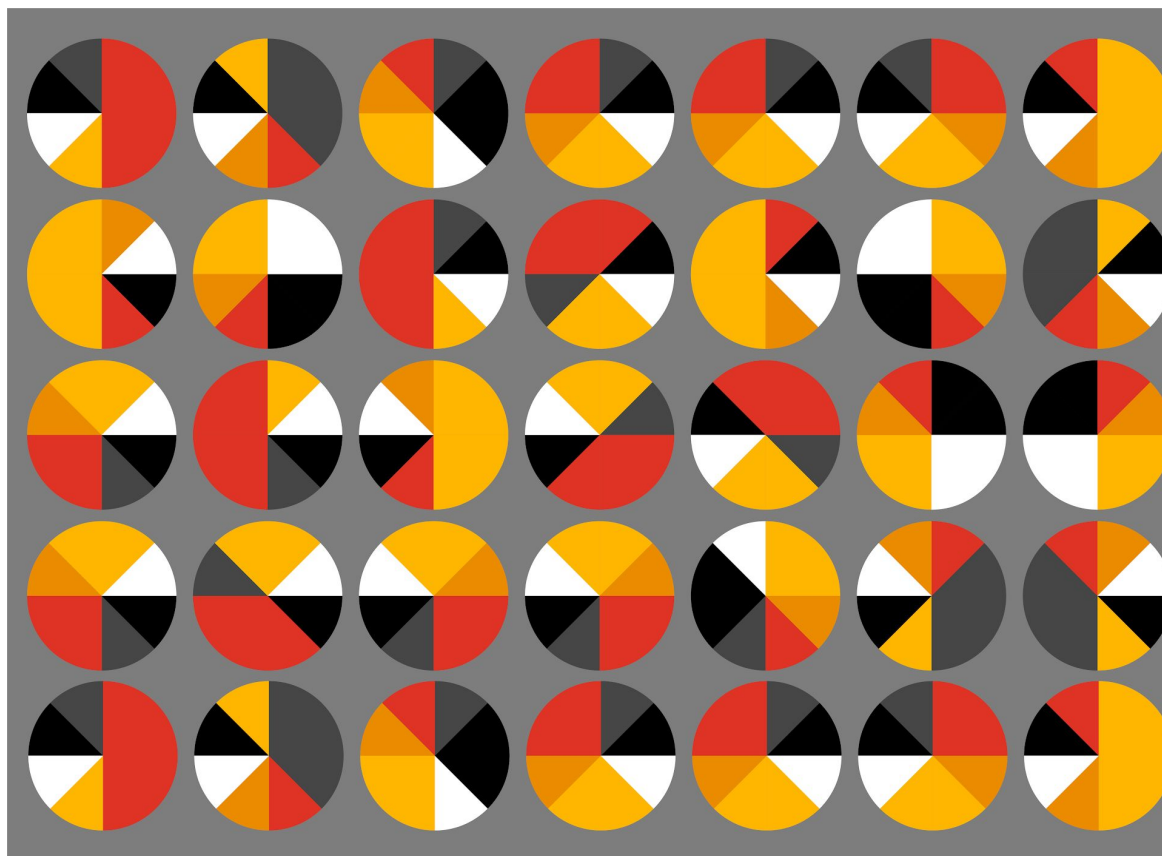# Saudi Arabia:
GAZT published a draft of the controls, requirements, technical specifications and procedural rules for implementing the provisions of the E-Invoicing Regulation

March 2021

In brief

On 18 March 2021, GAZT published a draft resolution - for public consultation - on the requirements, technical specifications and procedural rules for implementing the provisions of the E-Invoicing Regulation.

The resolution aims to specify the business and technical requirements to be mandated as part of the journey toward e-invoicing.

In detail

As part of the transitional journey towards e-invoicing, GAZT has published a draft of the controls, requirements, technical specifications and procedural rules for implementing the provisions of the E-Invoicing Regulation.

The resolution aims to specify the business and technical requirements to be mandated as part of the journey toward e-invoicing. Thus, GAZT is commencing a period of public consultation of four weeks. Interested parties, stakeholders, and taxpayers are highly encouraged to express their opinions and share feedback on the draft no later than 17 April 2021.

1. Scope of the application of E-Invoicing Regulation

The resolution, its attached two annexes and the technical documents referred to in the annexes, are set to identify controls, requirements, technical specifications, or procedural rules required for the implementation of E-Invoicing Regulation provisions which are related to the following:
- *Generation* of Electronic Invoices (e-invoices) and Electronic Notes (e-notes), including provisions related to its processing, and record keeping, effective 4th December 2021.
- *Integration* phase, transmission of Electronic Invoices and Electronic Notes, and sharing them with the Authority, which shall be implemented through phases starting from 1st June 2022.

Electronic Invoices shall include Tax Invoices and Simplified Tax Invoices set forth under Article 53 of the KSA VAT Implementing Regulation and will cover the following:
- Supplies of goods and services (subject to the standard VAT rate or zero rate);
- Export of goods and services from the Kingdom;
- Intra-GCC supplies;
- Nominal supplies; and
- Any payments related to supply of goods or services and received by the taxpayer before the actual supply.

Whereas the application of e-notes is set to cover the following:
- Cancellation or suspension of the supplies after its occurrence either wholly or partially;
- In case of essential change or amendment in the supply, which leads to the change of the VAT due;
- Amendment of the supply value which is pre-agreed upon between the supplier and consumer; and
- In case of goods or services refund.

The below listed transactions will be outside the coverage of the E-invoicing Regulation:
- Exempted supplies;
- Any payments related to exempted supplies and received by a taxpayer;
- Supplies subject to VAT pursuant to Reverse Charge Mechanism (RCM); and
- Import of goods to the Kingdom.

2. Requirements and details for generating e-invoices and e-notes

E-invoices and e-notes must be generated in a format that covers all details and fields required for each type of invoices as specified in Annex (2) of the draft resolution and must satisfy all the requirements specified in Article 53 and 54 of the KSA VAT Implementing Regulation.

All e-invoices and their associated e-notes, must be generated in XML format or PDF/A-3 format (with embedded XML) and shall contain a 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 e-notes, and to ensure verification of the identity of the issuer of those invoices and notes for the purpose of ensuring compliance with the provisions and controls of the VAT Law and its Implementing Regulation regarding the generation of tax invoices and notes.

GAZT shall create the Cryptographic Stamp after receiving e-invoices and their associated e-notes pursuant to integration procedures and verifying its fulfillment for all controls and details specified in the resolution.

With regards to simplified tax invoices and their associated e-notes, the Cryptographic Stamp shall be generated by a compliant "E-Invoice Generation Solutions".

3. The specifications and requirements of "E-Invoice Generation Solutions"

The resolution sets the specifications and requirements of the E-Invoice Generation Solution to be used for generating e-invoices and e-notes.

The E-Invoice Generation Solution shall be considered as compliant after verifying its conformity to all specifications and requirements by the GAZT, third party, or self-certified by the person subject to e-invoicing regulation, in accordance with mechanisms and requirements set out by the GAZT.

In addition, the compliant solution must:
- be able to generate invoices and their associated notes in the XML format or PDF/A-3 format (with embedded XML)
- be able to generate e-invoices and e-notes which include all the data fields required in addition to all requirements and other details specified in the annexes of the resolution
- be tamper-resistant and include a mechanism which prevents tampering and reveals any tampering attempts that might occur by the user or any third party
- be able to protect the generated e-invoices and e-notes from any alteration or undetected deletion, and contain some functionalities which enable the person subject to e-invoicing regulation to save e-invoices and e-notes and archive them in XML format without an Internet connection
- be able to generate a Universally Unique Identifier (UUID) in addition to the invoice sequential number which identifies and distinguish each tax invoice, simplified tax invoice, and their associated notes
- be able to generate a Cryptographic Stamp for each e-invoices and e-notes
- be able to generate a QR code which is a 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
- have a tamper-resistant invoice counter that cannot be reset
- be able to connect to an internet connection and integrate with external systems by using an Application Programming Interface (API).

The draft resolution further list the prohibited functions of the solution.

4. Keeping of records

Persons subject to the e-invoicing regulation must keep records, e-invoices, e-notes and associated data as per the record-keeping requirements set forth under Article 66 of the VAT Implementing Regulation and must provide the GAZT with all records or data upon its request for the purpose of verifying the validity and compliance of e-invoices and e-notes with the provisions of the GACC VAT Agreement, VAT law and its Implementing Regulation and the E-Invoicing Regulation.

5. Integration

Persons subject to the e-invoicing regulation must integrate their systems with the GAZT's systems by using an Application Programming Interface "API" starting from the 1st of June 2022 and in accordance with the timelines, targeted groups, and implementation phases of integration with the GAZT's systems.

The draft resolution states that additional details related to integration and its implementation phases shall be determined through a subsequent resolution.

6. Obligations of the persons subject to the e-invoicing regulation

The draft resolution sets the obligations of the persons subject to the e-invoicing regulation as follows:
- generate all tax invoices and notes that must be issued within the timelines specified in the VAT law, in an electronic form starting from 4 December 2021.
- comply with all the provisions set forth under the E-Invoicing Regulation in addition to the controls, requirements, technical specification and procedural rules specified in the resolution and any subsequent resolutions for E-Invoicing.
- adhere to the record keeping requirements of e-invoices, e-notes and its associated data
- notify the GAZT of any incidents, technical error or emergency matters which hinder the generation of e-invoices, e-notes.
- not to use any e-invoice generation solution which is not compliant with the specifications and requirements set by GAZT.
- register the units used for generating simplified tax invoices and their associated e-notes in accordance with the mechanisms and controls referred to in this resolution and any subsequent resolutions.
- preserve the Cryptographic Stamp Identifiers and its associated components in a safe way, and protect them from copying or illegal use, and not use them for purposes other than those which they are intended for.
- integrate with the GAZT's systems starting from the date specified in this Resolution and any subsequent resolution in this regard.

Annex (1) of the draft resolution sets the technical requirements of e-invoice generation solutions, the technical functionalities mandated by 4th December 2021 and the additional technical functionalities mandated by 1st June 2022.

Annex (2) includes the mandatory, conditional and optional fields of an e-invoice and e-note.

An unofficial English translation of the resolution can be found here. The associated technical specifications can be found as follows:
- Electronic Invoice Data Dictionary
- Electronic Invoice XML Implementation Standard
- Electronic Invoice Security Implementation Standards

Key takeaway

Persons subject to the e-invoicing regulations should assess the technical requirements listed in the draft resolution and express their opinions and share feedback on the draft resolution no later than 17 April 2021.

In addition, businesses are encouraged to start assessing the impact of the e-invoicing regulations on their systems and processes and planning the journey towards a successful implementation by the set date of 4 December 2021.

Let's talk

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

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