TAX INVOICE AND RECORD KEEPING GUIDELINE

Introduction

The General Authority of Zakat & Tax (GAZT) has recently released a Guide on 'Tax Invoices and Record Keeping'. The Guide covers the requirements and procedures relating to issuance of tax invoices, credit & debit notes and provisions relating to record keeping. In this alert, we have summarized the key points for your reference. Additionally, this alert highlights certain points made in the Guide, on which the VAT legislations are silent:

Requirement of tax invoice

The cases where a tax invoice shall be required to be issued has been tabulated hereunder:

Cases Where a Tax Invoice is Required		Cases Where a Tax Invoice is not Required
Issuance of "normal tax invoice"	**Issuance of "simplified tax invoice"**	
Taxable supplies worth SAR 1,000 or more to a taxable person or a non-taxable legal person	Supplies of taxable goods or services (except for exporting goods) to a taxable person or a non-taxable legal person if the value of the supply is less than SAR 1,000	Supplies made by a non-taxable person
Export of goods	Taxable supplies to a non-taxable natural person (except for exporting goods)	Supplies which are exempted from VAT in the Kingdom of Saudi Arabia

Zero-rated supplies worth SAR 1000 or more to a taxable person or a non-taxable legal person		VAT due on the supplies under the Reverse Charge Mechanism
Internal Supplies (supplies within GCC countries) after introduction of VAT law in all GCC countries		Supplies that are out of scope of VAT
Supplies of eligible goods where the tax is levied in accordance with the profit margin system		Import of goods
Nominal Supplies		

Also, it has been clarified that the tax invoice may be issued as a hard copy or electronically. For VAT purposes, there is no requirement that the tax invoice should be signed or stamped by the supplier. However, it is recommended and preferable to seal and sign the paper invoice.

Further, the tax invoice must contain all the particulars which are mentioned in Article 53 (5) of the KSA Implementing Regulations in order to qualify as a tax complaint invoice.

Also, the illustrative formats of a tax invoice, debit notes, credit notes etc. has been provided as an Appendix to the Guide.

Record Keeping

The KSA Implementing Regulations has stipulated that a taxable person must maintain tax invoices, books, records and accounting documents for a minimum period of six years from the end of the tax period to which such records relate.

The following is a non-exhaustive list of the records that the Authority is expected to review upon request:

- All issued and received tax invoices;
- Books and Accounting documents;
- Contracts and agreements for sales and purchases of high values, and any correspondence containing details of such supplies;
- Bank statements and any other financial records;
- Import, export and shipping documents; and
- Other records related to the calculation of VAT and the tax return

Requirements related to electronic record keeping for VAT purposes include the following.

- Original supporting documents for all entries in accounting books shall be kept locally;
- the Taxable Person shall have necessary security measures and adequate controls which can be reviewed and examined to prevent tampering;
- the Authority may review electronically the laws and programs applied by the taxable person to prepare its computerized accounts

Additional Points Clarified

Apart from the law stated in the GCC Common VAT Agreement, KSA Law and the KSA Implementing Regulations, the Guide has also provided certain additional requirements / relaxations. Some of these have been highlighted hereunder for your reference:

- **Simplified invoices can be raised on B2C transactions valued over SAR 1,000**

  As per the KSA VAT Regulations, a simplified tax invoice can only be raised on supplies where the value of supplies is less than SAR 1,000. However, the Guide clarifies that a simplified tax invoice can be raised for taxable supplies to a non-taxable natural person. This is a relaxation provided by the GAZT to taxpayers on B2C transactions where the value of supplies exceeds SAR 1,000.

- **Assumption that individuals purchasing goods in retail outlets are non-taxable**

  In addition to the afore mentioned relaxation, the Guide further states that for the retail sector, the Authority allows the supplier to assume that transactions with individuals in the scope of retail domain are made with a natural person who is not taxable unless the supplier has reason to believe that a customer is a taxable person or a legal person. This relaxation will greatly benefit the retail sector where it would normally be difficult to ascertain whether the natural person/consumer who is purchasing goods is a taxable person or not.

- **Discount can be applied on the total value of the supplies**

  The KSA VAT Regulations state that the tax invoice must record the unit price of a supply being made, along with the itemized discounts/rebates on the same. However, the Guide provides that the discount may be applied on the total taxable amount, as opposed to providing it in an itemized basis, so long as the rate of tax for all the supplies are the same.

- **Rounding off decimal in tax amount to the nearest halala**

  The Guide provides that the amount of tax should be rounded to the nearest halala. Further, the rounded number should be the same as those used for the purposes of VAT Return.

Comments

The Guides issued by the GAZT are a welcome step for the industry and will be helpful for the businesses to comply with the VAT rules and regulations.

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