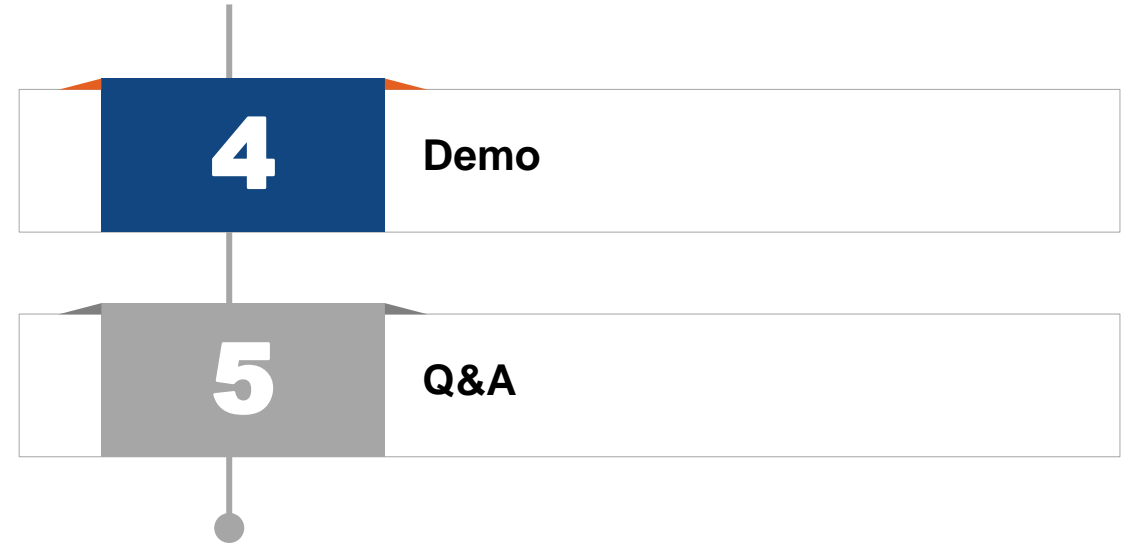


e-Invoicing Kingdom of Saudi Arabia

September 2021



Agenda



Housekeeping Rules

1. If you face any technical difficulty during our webinar, please post your issue in the chat box.
2. If you have any questions, you can type it in the chat box.
3. The webinar is getting recorded. Post the webinar, we will share our presentation.

Speakers



Deepak Agarwal
Associate Partner
WTS Dhruva



Geet Shah
Director
WTS Dhruva



Niraj Hutheesing
Founder & Director
Cygnnet Infotech



Akash Chaudhary
Product Manager
Cygnnet Infotech

e-Invoicing development in Middle East



01

Egypt has implemented e-invoicing for B2B supplies for large taxpayers. It will be mandatory for all taxpayers starting year 2022



03

UAE is preparing tech architecture for e-invoicing and is expected to make announcement in the year 2022



02

KSA is implementing e-invoicing in two phases – generation phase by 04 December 2021 for all taxpayers and integration phase by 01 January 2023. Integration phase will be implemented in waves



04

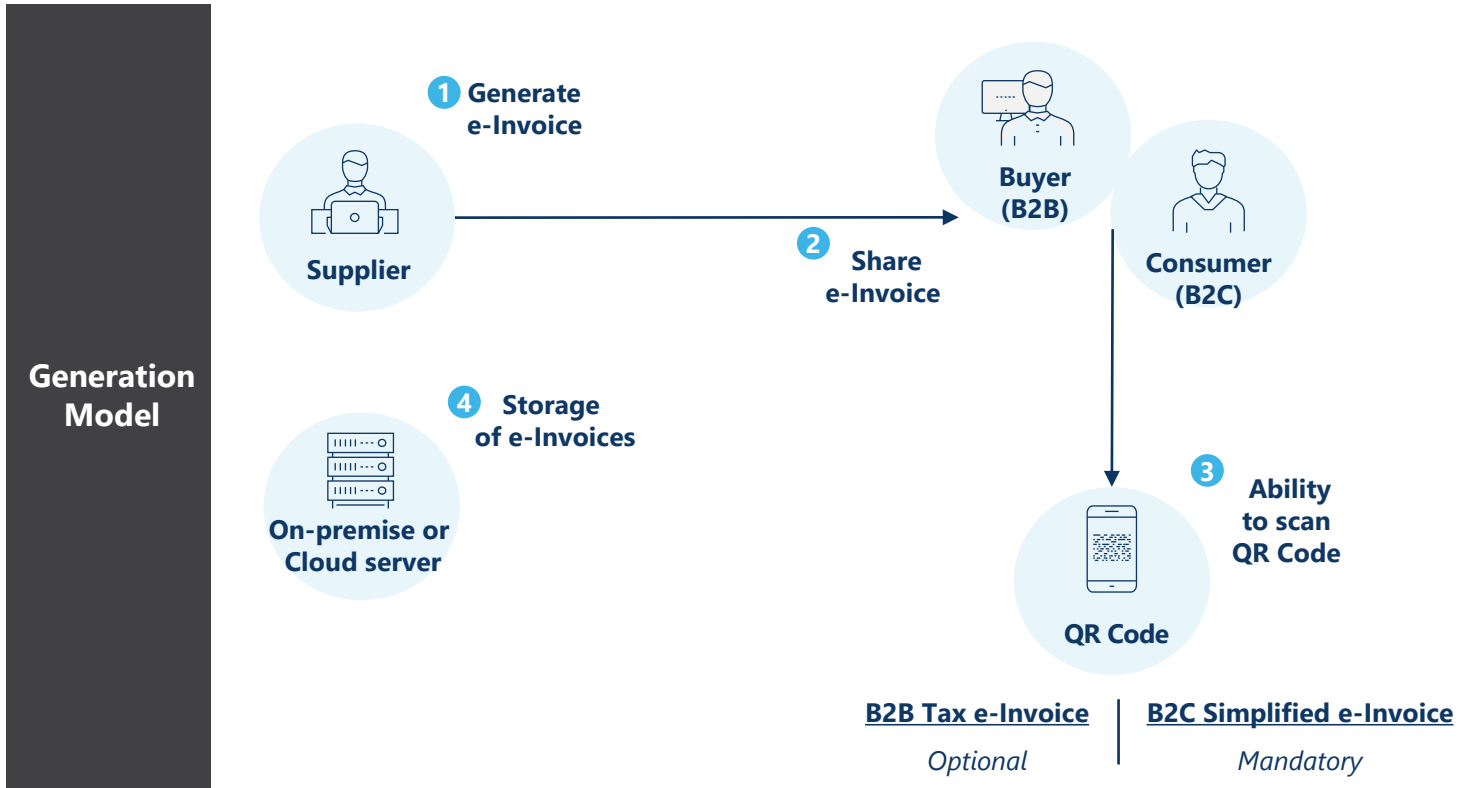
Qatar has introduced integrated digital tax platform using latest SAP technology. With introduction of VAT, it is quite likely that it may adopt e-invoicing from inception

Overview of KSA e-Invoicing

Phase 1 Overview

Phase 1: Generation phase - Flow

4 December 2021



Generation Model

Phase 1: Generation phase

4 December 2021

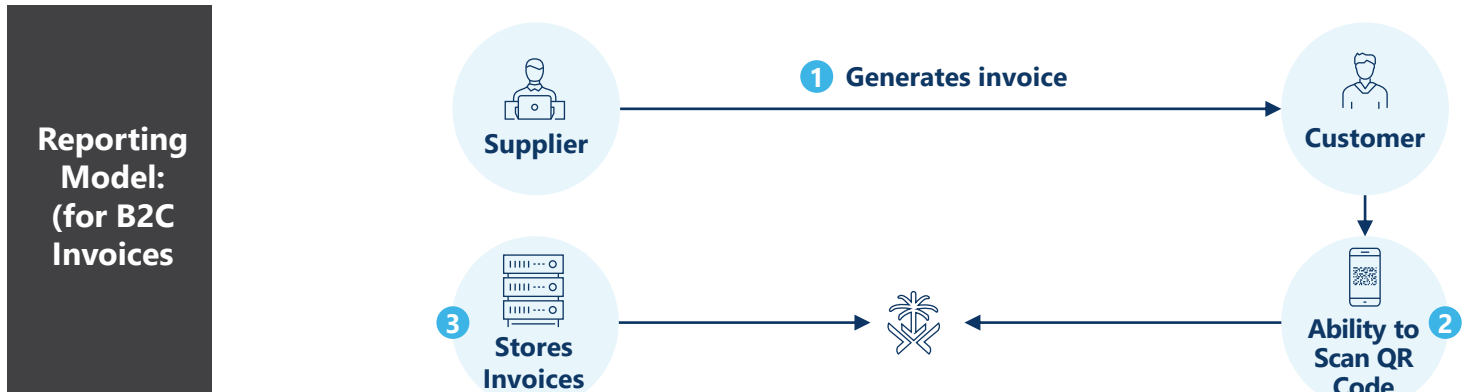
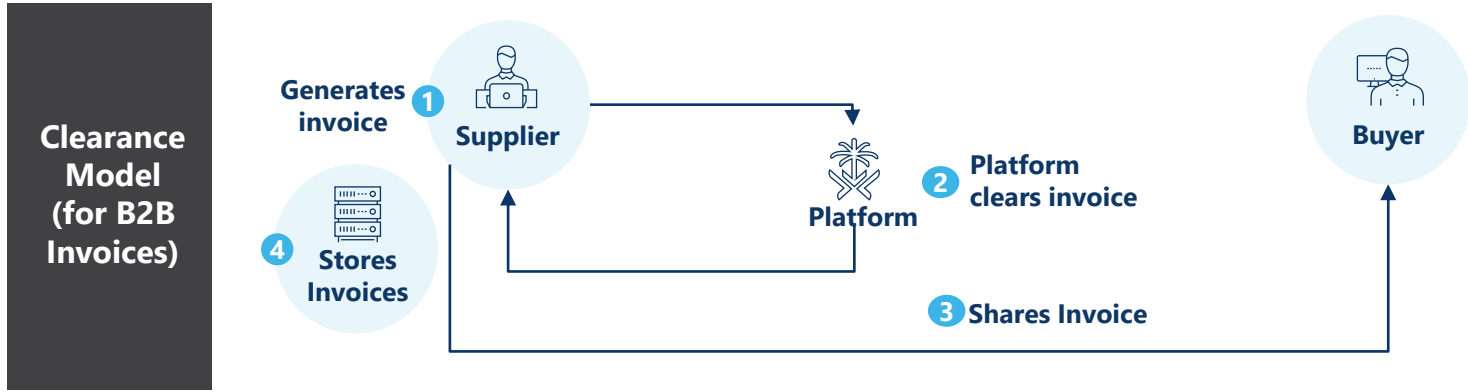
QR Code must contain:

- Seller's name
- Seller's VAT Registration No.
- Time Stamp (date & time)
- Invoice Total
- VAT Total

Invoice data to be generated and stored in electronic format

Phase 2 Overview

Phase 2: Integration phase - Flow In waves from 1 January 2023 onwards



To be made accessible to ZATCA

Phase 2: Integration phase From 1 January 2023 onwards

QR Code must contain:

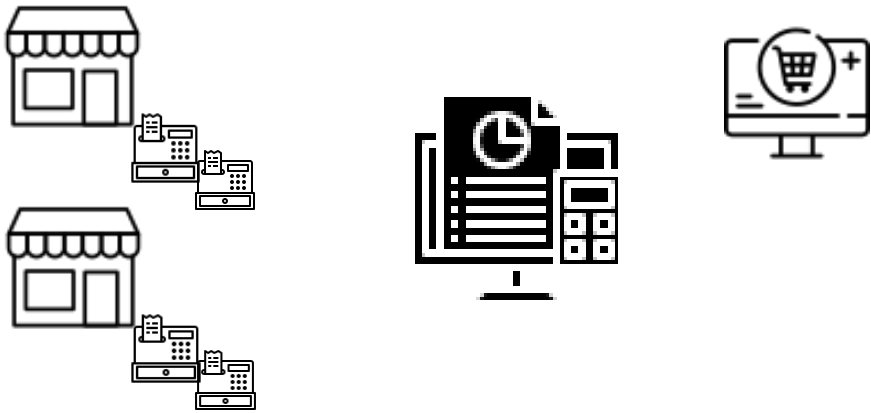
- Seller's name
- Seller's VAT Registration No.
- Time Stamp (date & time)
- Invoice Total
- VAT Total
- Hash of XML
- Cryptographic stamp
- UUID

Invoice data to be generated and stored in XML file or PDF/A3 (with embedded XML)

Key Challenges in Phase 1 (Generation Phase)

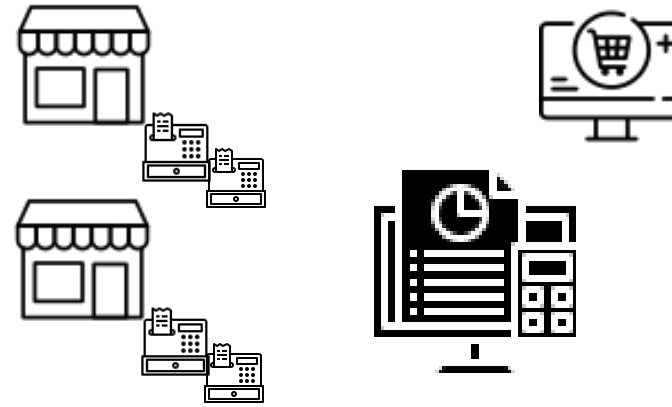
Invoice Sequence Series

Current Business Practice



Multiple invoice sequence series used across stores, ERP, billing software, e-commerce in an organization

e-Invoicing Regime



ZATCA clarification in e-Invoicing Detailed Guideline:

each installation of software can generate only one invoice sequence, irrespective of number of users

Key Challenges in Phase 1 (Generation Phase)

B2B & B2C Invoicing & Input Tax Recovery

Current Business Practice

فاتورة ضريبة مبسطة
SIMPLIFIED TAX INVOICE
(الخيار 1 - يشمل قيمة الضريبة المضافة)
(Option 1 - includes VAT amounts)

Invoice Date: 12/04/2022

Supplier:
The Green Garden Markets
Al Muraba' - Al Dabab Street
Phone: 221634300
Supplier Tax Identification Number:
310132197400001

أسواق حديقة الجيزة،
الخيار 1 - يشمل قيمة الضريبة المضافة
2020/4/12 تاريخ الفاتورة

المورد:
أسواق حديقة الجيزة،
حي المربع شارع الدباب
هاتف: 221634300
رقم الضريبة المضافة للمورد:
310132197400001

NATURE OF GOODS OR SERVICES تفاصيل السلع أو الخدمات	UNIT PRICE (EXCLUDING VAT) سعر الوحدة (استثناء قيمة الضريبة المضافة)	QUANTITY الكمية	TOTAL (EXCLUDING VAT)	TOTAL VAT	TOTAL AMOUNT DUE
Item A - البند أ	20.00	1	20.00		
Item B - البند ب	25.00	1	25.00		
Item C - البند ج	35.00	1	35.00		
Item D - البند د	5.00	2	10.00		
إجمالي (استثناء قيمة الضريبة المضافة)			90.00	4.50	94.50
إجمالي المبلغ المستحق					94.50

- Simplified Tax Invoice:
- B2C supply or
 - B2B supply with value less than SAR 1,000

فاتورة ضريبة
TAX INVOICE

شركة شيد الشام الإلكترونيك
Invoice #334
Invoice Date: 12/11/2022
Date of Supply: 12/11/2022
Supplier:
Shahd Al Sham Electronics Company
Prince Sultan bin Abdulaziz Road
Phone: 221634300
Email: info@alsham.sa
Supplier Tax Identification Number:
310122347900001

شركة شيد الشام الإلكترونيك
234 رقم الفاتورة
2022/11/12 تاريخ الفاتورة
2022/11/12 تاريخ التوريد
المورد:
شركة شيد الشام الإلكترونيك
الطريق الأمير سلطان بن عبد العزيز - الرياض
هاتف: 221634300
البريد الإلكتروني: info@alsham.sa
رقم الضريبة المضافة للمورد:
310122347900001

شركة سينا تيليكوم وإتصالات وتكنولوجيا المعلومات
Sana Tash Telecom and Information Technology Company
Riyadh, King Fahad Road
101 - Riyadh, King Fahad Road
OTHER INFORMATION
Payment Order Number: 112
Payment Due Date: 30/11/2022

NATURE OF SUPPLY تفاصيل التوريد	UNIT PRICE سعر الوحدة	QUANTITY الكمية	TAXABLE AMOUNT (EXCLUDING VAT) المبلغ الخاضع للضريبة (استثناء القيمة المضافة)	TAX RATE معدل الضريبة
Item A - البند أ	200.00	1	200.00	5%
Item B - البند ب	250.00	1	250.00	5%
Item C - البند ج	350.00	1	350.00	5%
Item D - البند د	50.00	2	100.00	5%
Discount خصم القيمة			(100.00)	5%
800.00			800.00	
Amount subject to VAT at 5%			800.00	
VAT (SAR)			40.00	
إجمالي المبلغ المستحق				840.00

- Standard Tax Invoice:
- B2B Supply

Input tax could be recovered basis simplified or standard tax invoice

e-Invoicing Regime

فاتورة ضريبة مبسطة
Simplified Tax Invoice

Invoice Number: 100
Invoice Issue Date: 25/4/2022

رقم الفاتورة: 100
تاريخ إصدار الفاتورة: 25/4/2022

اسم الشركة:
العنوان:
رقم الضريبة المضافة:

VAT Number:

Nature of goods or services تفاصيل السلع والخدمات	Unit price سعر الوحدة	Quantity الكمية	Net Subtotal (Excluding VAT) المبلغ الخاضع للضريبة
Item A - البند أ	200.00 SAR	1	200.00 SAR
Item B - البند ب	300.00 SAR	2	600.00 SAR

Total Taxable Amount (Excluding VAT): 800.00 SAR
VAT: 100.00 SAR
Total VAT: 100.00 SAR
Total Amount Due: 900.00 SAR

- Simplified Tax Invoice:
- B2C supply
 - B2B supply with value less than SAR 1,000

فاتورة ضريبة
Tax Invoice

Invoice Number: 100
Invoice Issue Date: 25/4/2022

رقم الفاتورة: 100
تاريخ إصدار الفاتورة: 25/4/2022

اسم الشركة:
العنوان:
رقم الضريبة المضافة:

VAT Number:

Nature of goods or services تفاصيل السلع والخدمات	Unit price سعر الوحدة	Quantity الكمية	Net Subtotal (Excluding VAT) المبلغ الخاضع للضريبة
Item A - البند أ	200.00 SAR	1	200.00 SAR
Item B - البند ب	300.00 SAR	2	600.00 SAR

Total Taxable Amount (Excluding VAT): 800.00 SAR
VAT: 100.00 SAR
Total VAT: 100.00 SAR
Total Amount Due: 900.00 SAR

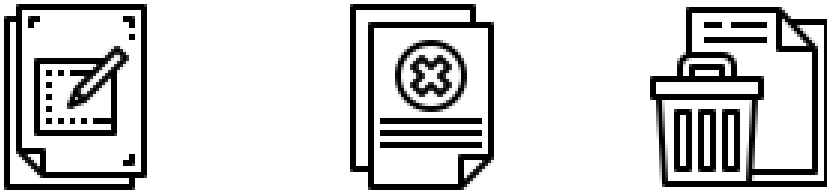
- Standard Tax Invoice:
- B2B supply

Input tax may be recovered only with standard tax invoice

Key Challenges in Phase 1 (Generation Phase)

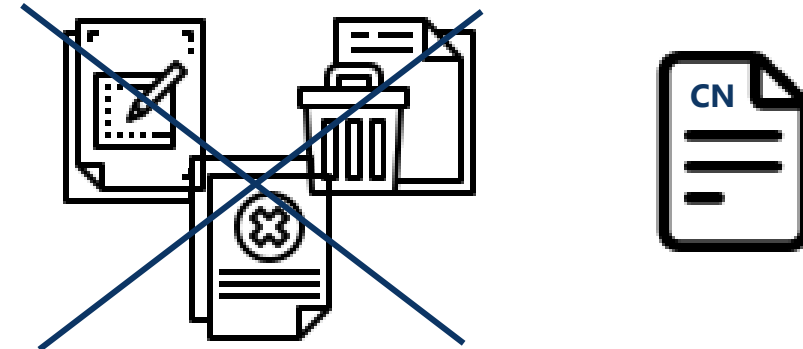
Invoice Modification / Cancellation / Deletion

Current Business Practice



Invoices are modified, cancelled or deleted

e-Invoicing Regime



E-Note (Credit Note) for any modification, cancellation or deletion of invoice

Key Challenges in Phase 1 (Generation Phase)

Month-end closing & JV entries

Current Business Practice



Back-dated JV / AR entries with VAT passed after month-end

e-Invoicing Regime



With single invoice sequence series, JV / AR entries with VAT may require prohibition after month end

Key Challenges in Phase 1 (Generation Phase)

Invoice for Advance Payment / Deemed Supply

Current Business Practice



VAT on advance receipts paid manually with VAT return filing



VAT on deemed supply paid manually with VAT return filing

e-Invoicing Regime



E-Invoice to be generated on advance receipts



E-Invoice to be generated on deemed supply (may not be shared with recipient)

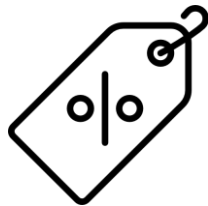
Key Challenges in Phase 1 (Generation Phase)

Employee Recoveries / Deductions & Discounts

Current Business Practice



VAT paid manually on employee recoveries / deductions with VAT

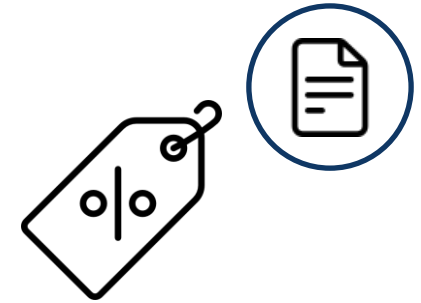


VAT on employee discounts calculated manually

e-Invoicing Regime



E-invoice for employee recoveries / deduction with VAT,



Employee discount to be treated as tender and VAT on E-invoice on gross value

Technical Aspects of KSA e-invoicing Implementation

Technical Aspects for Phase-I



Local Archival

Provision to export e-invoices and associated notes for offline local archival



QR Code

- **TLV encoded QR code**
- Seller's Name
- Seller's VAT registration Number
- Time Stamp
- E-Invoice / Note total (with VAT)
- VAT total



Data Field validations

E-invoices & e-notes must comply with field requirements described by GAZT in technical documents



Prohibit Uncontrolled access

Prohibition of anonymous access & Ability to operate with default password



Tamper Proof Systems

E-invoice Solution unit locks or tamper evidence mechanisms (Simplified Tax Invoices only and their associated notes)



Prohibit Tampering of e-invoices/notes or logs

- Prohibit Log modification/deletion
- Alteration or deletion of generated e-invoices or their associated notes



Mandatory Audit Logs

All systems generating e-invoices must have detailed audit trail/log to track activities



Prohibit Multiple Electronic Invoice sequences

Prohibit more than one Electronic Invoice sequence at any given time

Technical Aspects for Phase-II



XML Format

- XML based on ZATCA's specifications and requirements



QR Code

- **TLV encoded QR code**
- Details of Phase-I +
- Hash of XML
- Cryptographic stamp (generated from
- UUID



PDF with XML

- PDF/A-3 with embedded XML file



Cryptographic Stamp

- Put an electronic stamp created via cryptographic algorithm on each e-invoice/note which is unique per e-invoice/note



UUID Generation

E-invoicing system to generate 128-bit unique number UUID, which is unique in the known universe



Hash of XML

- Hash -> enciphered text obtained by using one-way encrypting algorithm which prevents the return to the original data or amending or tampering it
- Also Hash each e-Invoice is embedded in the next e-Invoice in the sequence



Tamper-resistant counter

Tamper-resistant counter that increments for each Electronic Invoice and Credit/Debit Note issued

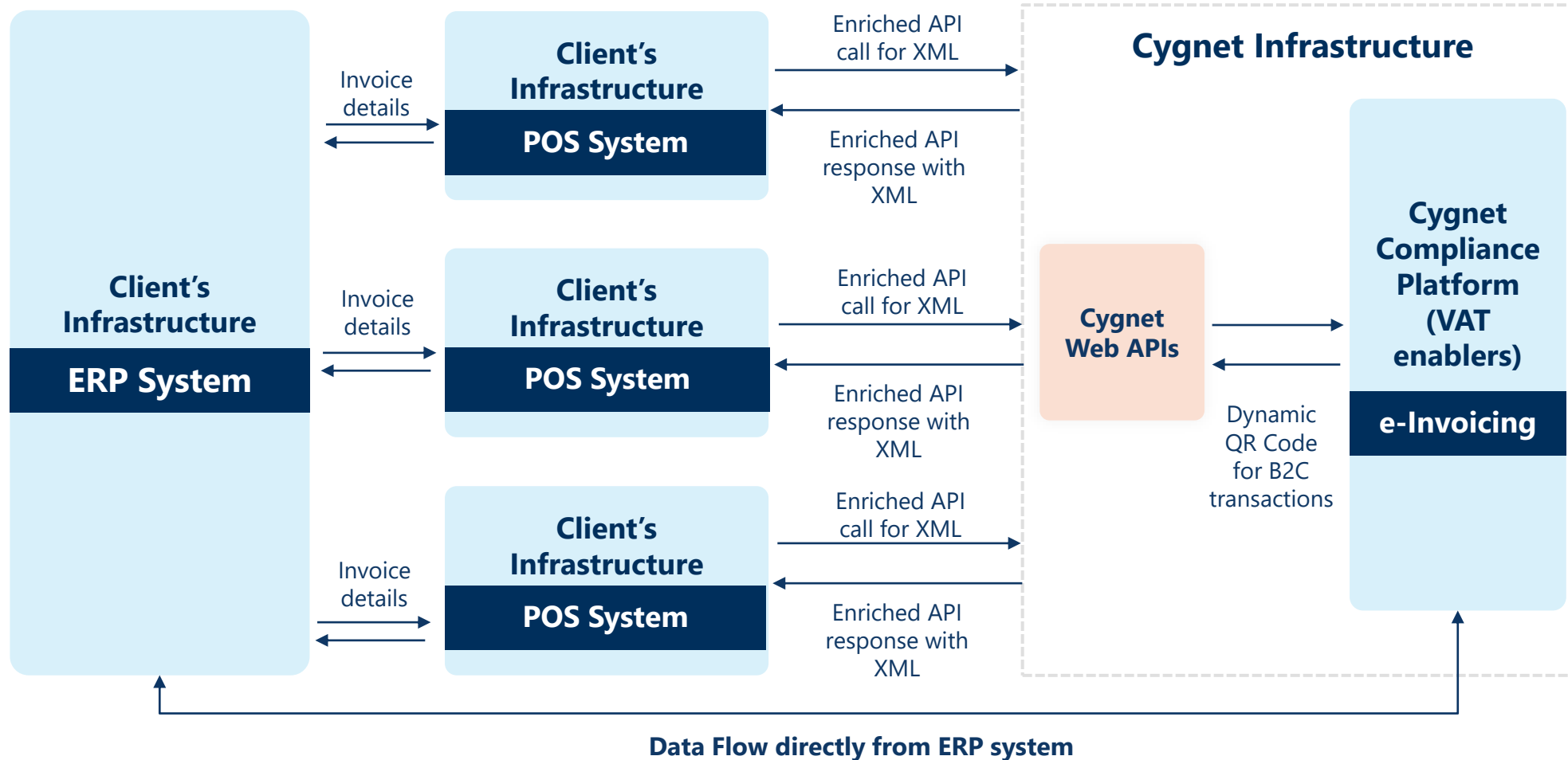


Submission of invoice to authorities

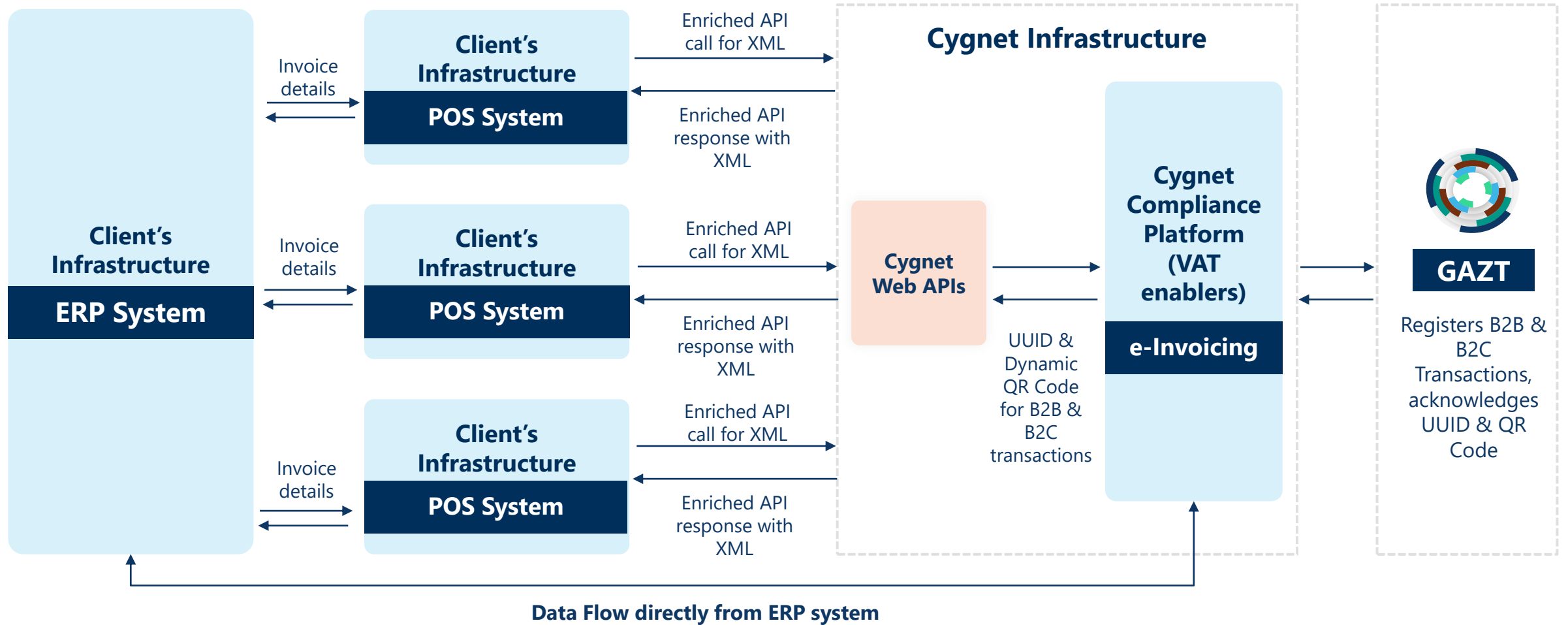
- Ability of the system to connect to internet and submit the XML data, Cryptographic stamp, Hash, UUID to GAZT Authorities

e-Invoicing solution & Tax Tech Architecture

E-Invoicing Solution Flow – Phase-I



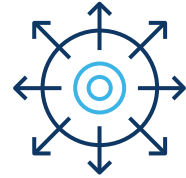
E-Invoicing Solution Flow – Phase-II



Plan Backwards

The government has announced that the go live date is 04 December 2021

The best practice approach is to plan backwards. From experience and best judgment of systems integration process, it takes



- Anywhere between 6 to 8 weeks to prepare an ERP Integration environment;

Before going live, it is important to plan for a rigorous round of testing where it is safe to assume:



- At least 1 week for integration testing;
- At least 2 weeks for user acceptance testing

In addition to the rest, you will need time for the following:



- Designing the target systems architecture with choice of solutions
- Partner finalization for e-Invoicing
- Identification of all business scenarios that will be impacted
- Creation of the scope of work
- Getting scope approvals from business team
- Cross function coordination
- Budget approvals
- User trainings and alignment
- Plan B preparation in case Plan A does not work

DEMO



Questions?





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