

# FROM PAPER TO DIGITAL: GCC'S E-INVOICING LEAP



Swipe



# INTRODUCTION



In this second article in our E-invoicing Express series, we explore the E-invoicing landscape in the region and consider how earlier implementations shape our thinking when it comes to the 2026 UAE rollout.



## **E-invoicing around the GCC**

The Gulf Cooperation Council (GCC) is proactively taking steps towards transformation. Implementations of E-invoicing demonstrate a commitment to efficient and effective tax systems.

# INTRODUCTION



Each country has or will have its own set of rules – both for E-invoicing itself and for the wider tax system it facilitates, particularly VAT. This makes implementations both exciting and complex.



vs.



For instance, the proposed E-invoicing model for the UAE is different from KSA and Egypt.

**What this means for businesses, is something we will explore in this article.**



# VAT & E-INVOICING



For context, we will first examine VAT and other forms of indirect taxation. In many implementing countries, these are tightly coupled with E-invoicing and drive the shape and approach to reporting.



As of **2024**, we have seen the implementation of VAT in UAE, KSA, Bahrain, and Oman...



...with Kuwait and Qatar **preparing for its introduction.**



In addition to the GCC countries, **VAT is already in place** in Egypt, Jordan, Lebanon, Palestine, and Israel.



Iraq **plans to introduce VAT** but has not yet done so.



# VAT & E-INVOICING



Since VAT covers almost all sales transactions, the case for E-invoicing amongst tax authorities has gained momentum in countries where VAT is levied.

Amongst the benefits to authorities, E-invoicing streamlines compliance through efficient and accurate reporting - enhancing transparency, reducing the tax gap, cutting the cost of compliance, and the cost of doing business more broadly.

With these taxes in their infancy in-region, there are not many reasons not to adopt E-invoicing, therefore, fewer complexities in the current legal and reporting requirements compared to regions like Europe, relatively recent finance and tax technology implementations, and new tax practices that can quickly adapt to changing processes.



# ACCELERATING E-INVOICING ADOPTION: MIDDLE EAST TIMELINES, CHALLENGES & CONSEQUENCES...



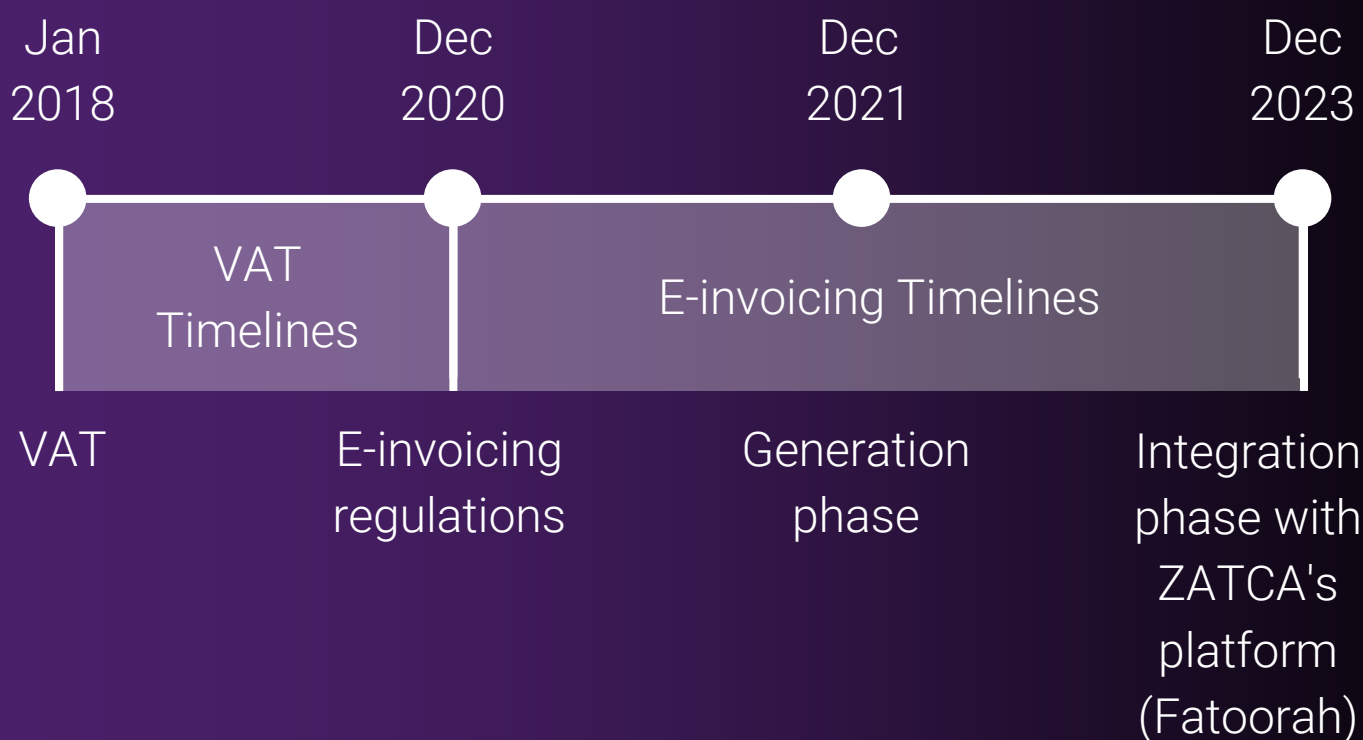
Building on the VAT roll-out, regional governments are **accelerating their adoption** of E-invoicing.



Each country is not only implementing the technology but also establishing **unique compliance requirements** and facing **distinct challenges**.



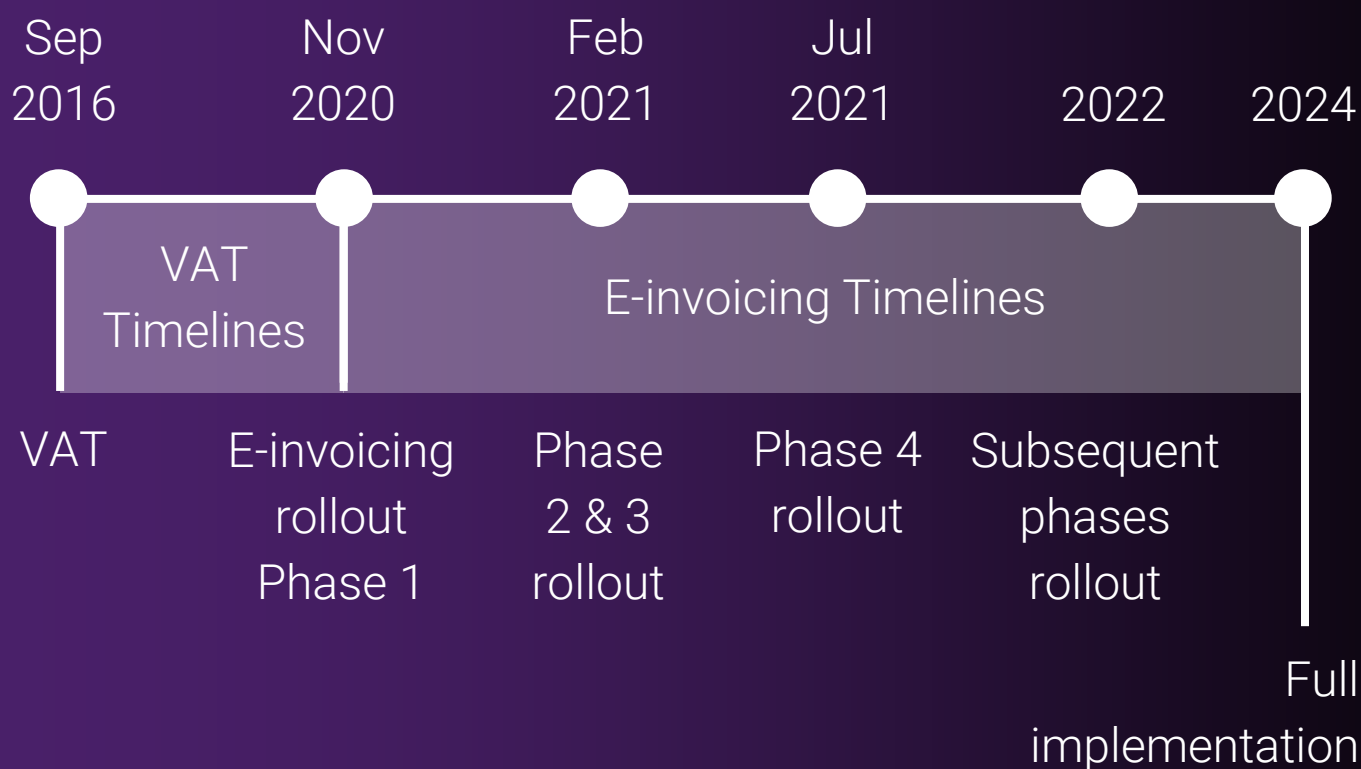
# SAUDI ARABIA (KSA)



Clearance Model



# EGYPT

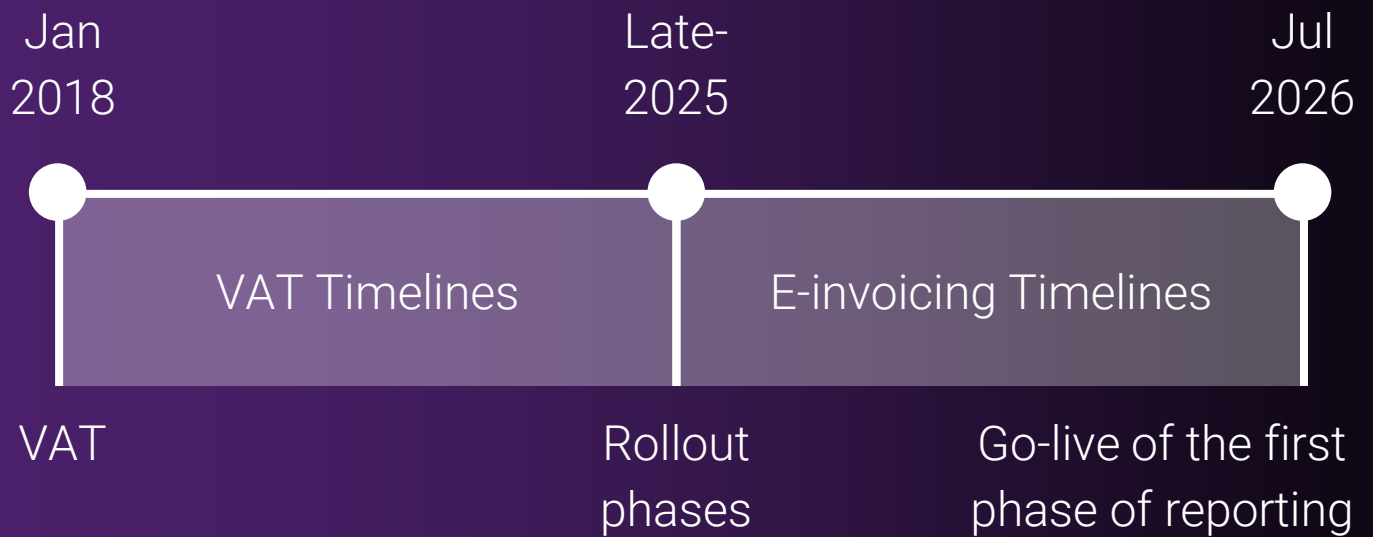


CTC Clearance Model





UAE



Peppol 5-corner model



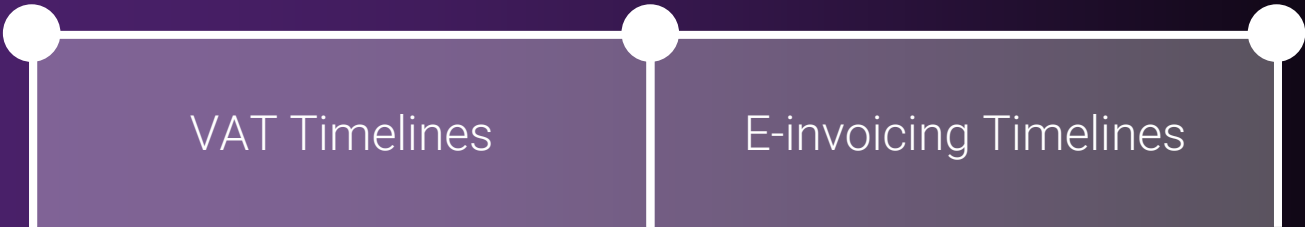
# OMAN



Apr  
2021

Apr-Sep  
2024

Oct  
2024



VAT

Voluntary roll-out  
of E-invoicing

Mandatory E-  
invoicing  
implementation

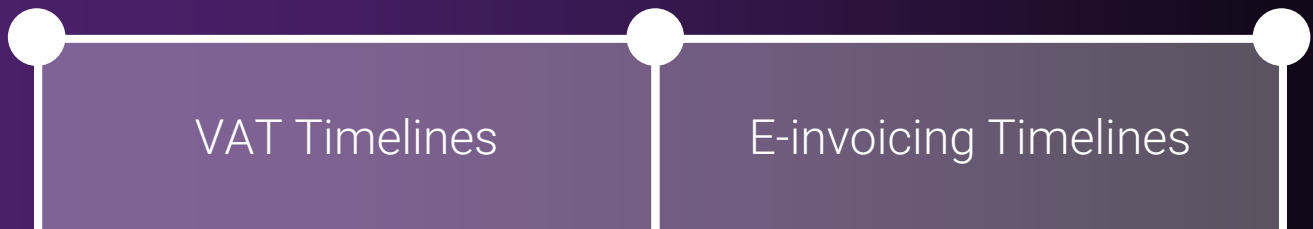


**BAHRAIN**



Jan  
2019

Expected to be  
introduced soon





# KUWAIT & QATAR

Expected to be  
introduced soon



# COMPLIANCE AND CONSEQUENCES



Each country has its own requirements, which means businesses must stay on top of regulations and local standards. Below are some examples of differences and their implications



In clearance regimes, such as those in KSA, accuracy at the time of generation is critical. The problem is greater in countries with a higher number of items that need to be reported on.

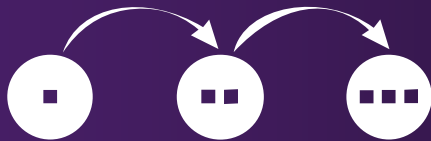
1.



# COMPLIANCE AND CONSEQUENCES



Soft and hard-landing phasing in countries can play a big role in businesses' approach to E-invoicing – and can be the difference between the pressures of a cliff edge over a gradual adoption and change process.



For example, Egypt adopted a phased approach to include all businesses from November 2020-June 2021 for B2G and similarly for B2C later - this was a critical grace period for businesses to fine-tune their technology and processes.

# COMPLIANCE AND CONSEQUENCES



Tax audits particularly scrutinise accuracy and record-keeping quality. Alongside penalties, audits shape businesses' attitudes to effective governance in each country.



Consider, for example, **Egypt**, where failure to issue compliant tax invoices is deemed tax evasion, potentially punishable by imprisonment.

# COMPLIANCE AND CONSEQUENCES



It is always advisable to apply best practice to processes and technology, especially when considering accuracy, compliance, speed of reporting and record-keeping.

However, with differing timelines, methods, and penalties, businesses need to be pragmatic and consider their areas of greatest risk for each country in which they operate.

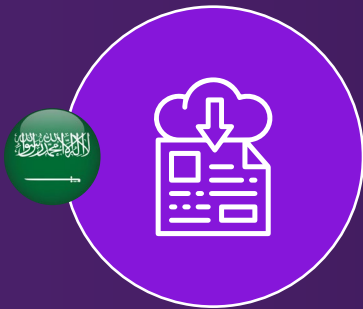
# SOFTWARE LOCALISATION CONSIDERATIONS:



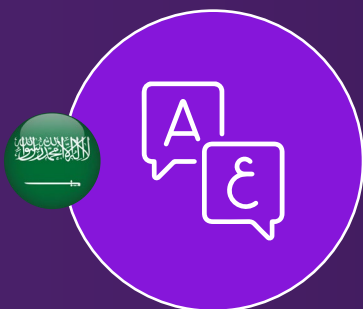
Differences in E-invoicing regulations present localisation challenges for software vendors and businesses alike. Consider, for example, some requirements from neighbouring countries:



In Egypt, E-invoices must be electronically signed using a physical device.



KSA requires digital invoices to be stored locally.



KSA also requires Arabic language invoices in addition to any other language.

# SOFTWARE LOCALISATION CONSIDERATIONS:



These, and other requirements, can give rise to challenges such as:



Software architecture and interoperability with financial systems.



Controls in process handovers between physical and digital.



Language support, including document content, Arabic interfaces and RTL support.

Solutions that work great in Europe may not be fit for purpose in the region. This is key for businesses in the region to understand when selecting vendors and building processes around solutions.





# HOW TO PREPARE



Many businesses remain unsure about how to best implement and govern effectively in this new reporting ecosystem.

Given the requirements and challenges in each country, even businesses that have been through E-invoicing elsewhere, still need to evaluate their preparedness with each new rollout on its own terms.



# HOW TO PREPARE



With this in mind, we advise businesses in the region to establish readiness. A first step would be to put together a readiness framework considering several key areas such as those below:



**Applicability**



**Vendors**



**Data**



**Advisors**



**Systems**



**Employees**



**Processes**



**Governance**



# HOW TO PREPARE



**Applicability:** Businesses may differ in whether and when they need to report, which may be affected by size, industry, and location. For example, KSA implemented a phased rollout by size, and in the UAE, our current understanding is that B2C transactions are not part of the initial scope.



**Data:** Volumes of transactions and the quality of master data are two common points of implementation risk when it comes to E-invoicing. In clearance models like KSA, the cost of poor data can be high.



**Systems:** Consider factors such as interoperability, storage, and controls when assessing the extent to which your current accounting, billing, procurement and other impacted system(s) help or hinder implementation. With each country having unique requirements, this is not just a matter of implementing but also maintaining compliance. For instance, Bahrain's E-invoicing framework requires integration with its National Bureau for Revenue's systems, necessitating robust IT infrastructure.

# HOW TO PREPARE



**Processes:** People will need to do things in new ways. Understanding what will be impacted or could benefit from change is crucial. Processes do not necessarily transfer country-to-country; this can be an important consideration, especially in shared services contexts.



**Vendors:** There is no shortage of vendors who offer E-invoicing solutions. Many will boast their credentials in countries with different landscapes and needs. Navigating this and factoring in your organisational appetite for build/buy is critical.



**Advisors:** Your tax advisors need to be able to provide adequate support: work with a breadth of stakeholders, manage your volumes and complexities and have the knowledge and experience to facilitate a rollout of this scale. Expertise in one country does not necessarily translate into preparedness in another, for all the reasons we discussed earlier. For example, advisors familiar with the rapid deployment in KSA may still need to adapt their strategies for the more phased approach in the UAE.

# HOW TO PREPARE



**Employees:** Change can be difficult for people and at scale – this can create blind spots. Language, in particular, is a major consideration here. Change management capability is increasingly understood as a key determinant of success.



**Governance:** Reporting is not a one-time activity. Businesses must be able to quickly deploy resources and build capability to understand and implement changes as they happen, especially in a dynamic context like the Middle East. Governance can also shape what good looks like, an often-overlooked facet of implementation success.

In subsequent updates, we will explore each of these in more detail to help you understand the implications of failure, the common pitfalls, and our view of what best practices look like.





# FROM ASSESSMENT TO ACTION



The implications and opportunities for businesses are vast as the region embraces a forward-looking reporting landscape.



We anticipate a crunch as soon as the technical details are released in October 2024 and through 2025 and 2026. Businesses will scramble to assess their current state, design and implement the technologies, processes and related programmes, and bed in their new ways of working – with limited time and resources.



With unique elements, the UAE PEPPOL 5-corner model poses new challenges and carries the risk of blind spots. We think there is plenty that businesses can do from now to get ready, the least of which is to initiate a current state assessment.

# FROM ASSESSMENT TO ACTION



Beyond this, we have seen many businesses choose to simply comply in implementations in other countries. This can scale up the challenges of inadequate or inefficient processes, systems, and practices, making it difficult to translate implementation investment into genuine business value. Businesses in the UAE are well placed to learn from the experiences of other countries - KSA and Egypt in particular - and consider how to leverage this into an opportunity.



E-invoicing is an ongoing process, with regulations continually evolving in both method and scope. Staying updated is essential to ensure compliance and effective management.

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