هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Detailed Guidelines for E-Invoicing

Version 1

Contents

1. Introduction

1.1. E-Invoicing in Kingdom of Saudi Arabia (linking E-Invoicing Regulation with the VAT Legislations)

Electronic Invoicing is a procedure that aims to convert the issuing of paper invoices as well as credit and debit notes into an electronic process that allows the exchange and processing of invoices, credit and debit notes in a structured electronic format between the buyer and seller.

The E-Invoicing Regulation shall be read together with the Unified VAT Agreement (the Agreement), the VAT Law published on 4/11/1438H and its amendments (the VAT Law), the VAT Implementing Regulation (VAT Implementing Regulation) and the resolutions issued pursuant to the Electronic Invoicing Regulation, including the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules (herein after referred to as "E-Invoicing Resolution") required for implementing Electronic Invoicing in the Kingdom of Saudi Arabia.

1.2. Benefits of E-Invoicing

Electronic Invoicing has several benefits for both persons subject to E-Invoicing Regulations and national economy, these benefits includebut are not limited to:

    A. Reduces cost of invoicing process
    B. Prevents human error in invoicing process
    C. Enhances digitalization in supply chain
    D. Improves accounting and book keeping

E. Enhances business ecosystem with enriched fair competition and consumer protection through provision of a unified process for validatingand auditing invoices

F. Reduces hidden economy transactions

G. Reduces commercial concealment by increasing requirementsrelated to invoice tracking and data retention

H. Enriches the consumer experience and digitizing the consumer- supplier relationship

I. Increases compliance with tax obligations through enhanced verification of business transactions

1.3. E-Invoicing phases

Electronic Invoicing is composed of two main phases, as follows:

1. Phase 1 (Generation Phase): Generation of Electronic Invoices Phase, where Persons subject to the E-Invoicing Regulations must generate Electronic Invoices and associated Electronic Notes in accordance with the clauses set forth under the Resolution on the E-INVOICING BYLAW and The Controls, Requirements, Technical Specifications And Procedural Rules For Implementing The Provisions Of The E-Invoicing Regulation and any subsequent resolutions. This phase has been implemented effectively by 4th of December 2021.

2. Phase 2 (Integration Phase): Integration Phase, where Persons subject to the E-Invoicing Regulations must integrate their systems with the Authority's system (FATOORA) in accordance with the clauses set forth under the Resolution on the Controls, Requirements, Technical Specifications and Procedural Rules and any subsequent resolutions. The second phase (integration phase) shall be implemented starting from 1st of January 2023 onwards. The second phase (integration phase) will be implemented in groups and will be mandated to Persons subject to the E-Invoicing Regulations based on the criteria set by the Authority. Notifications to the target groups will be initiated at least six months in advance.

1.4. The Authority

The Zakat, Tax and Customs Authority, also referred to as" the Authority "herein, is the authority in charge of the implementation and administration of VAT (which may be referred to hereinafter as" the Tax (")or") VAT .("In addition to the registration and deregistration of taxable persons for VAT, the administration of VAT return filing and VAT refunds, and undertaking audits and field visits, the Authority also has the power to levy penalties for noncompliance and is mandated to implement the E-Invoicing framework in KSA, which was enforced through the E-Invoicing Regulations issued by the Board of Directors of the Authority on December 4, 2020.

1.5. Scope of this Guideline

This Guideline addresses all Persons covered by the scope of application of Article (3) of the E-Invoicing Regulation which covers:

- Taxable person that is a resident in KSA.

- The customer or any third party who issues a Tax Invoice on behalf of the taxable person that is a resident in KSA according to the VAT Implementing Regulation.

This Guideline aims to provide more information on certain industries, transactions or scenarios and provide more detailed information on how E-Invoicing will be applicable to such industries, transactions or scenarios.

This Guideline contains and references several examples of electronic invoices against the various invoices to be issued and the types of transactions. The complete list of examples and the human readable format (PDF/A-3 with embedded XML) of the invoice and the XML are included on the Authority's Website. Please note that the Cryptographic Stamp value, the QR Code value, and the Invoice Hash value in the XML examples are sample values.

This Guideline aims to simplify and clarify the end-to-end journey of the Taxable persons through electronic invoicing, their obligations, and the overall solution requirements to comply with electronic invoicing regulations.

This Guideline does not contain explanations of technical implementation details directed at invoicing solution vendors.

2. Clarifications of the main terms used

This section provides clarifications of the definitions used under the Resolution, provides some additional clarifications that will be helpful to better understand the terms used under these guidelines, and clarifies the mechanism for applying the provisions related to the Resolution.

2.1. Electronic Invoicing:

It is a mechanism that aims to transform the process of issuing paper invoices and notes into an electronic process that allows the exchange of invoices and debit and credit notes and their processing in a structured electronic format organized between the seller and the buyer.

2.2. Tax Invoice:

A Tax Invoice as per Article 53(1) of VAT Implementing Regulations that is generated and stored in a structured electronic format through electronic means. Standard Tax Invoices are generally issued in Business to Business (B2B) transactions. A paper invoice that is converted into an electronic format through copying, scanning, or any other method is not considered an electronic invoice.

2.3. Simplified Tax Invoice:

A Simplified Tax Invoice as per Article 53(7) of VAT Implementing Regulations that is generated and stored in a structured electronic format generally issued for a B2C (business to consumer) transaction and does not generally include the buyer's details[1]. Optionally, Simplified Tax Invoices may also be issued for business-to-business transactions in case the value of supply is below SAR 1,000.

2.4. Electronic Note:

Debit and credit notes that must be issued in accordance with the Article 54 of VAT Implementing Regulation, and which are generated and stored in a structured electronic format through electronic means. Paper notes that are converted into electronic format through copying, scanning, or any other method, are not considered electronic notes for the purposes of this Regulation.

2.5. Debit Note:

Debit notes are issued by the sellers in order to issue a correction in value to buyers. Debit notes are used for increasing the value of the original invoice or the VAT amount. Debit notes follow the same format as the invoice for which they have been issued.

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1. Note that the buyer details may be required in specific cases where Simplified Tax Invoices are issued towards Supply of Private Education and Private Health Care services to Saudi Citizens. These services are having a special tax treatment (treated as "Zero Rated") and the Kingdom bears the VAT for such services.

2.6. Credit Note:

Credit notes are issued by the sellers in order to refund buyers and are used to correct invoices information if generated with an error. Credit notes follow the same format as the invoice they have been issued upon.

2.7. E-Invoice Solution:

The compliant solution which is used for generating Electronic Invoices and Electronic Notes. Such a solution must fulfil the specifications and requirements set forth under the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation . An E-Invoice Solution may contain one or more Units.

2.8. FATOORA Portal:

ZATCA's portal through which Tax Invoice, Simplified Tax Invoice ,and electronic credit/debit note data is received, which are generated by the E-Invoice Solutions used by Persons subject to the E-Invoicing Regulations. This portal aims to onboard the user's EGS Unit through generating cryptographic stamp identifier or renewing the existing one or revoking it. In addition, the user can view the list of onboarded solutions and devices.

2.9. Cryptographic Stamp:

An electronic stamp which is created via cryptographic algorithms to ensure authenticity of origin and integrity of content of the data for the Electronic Invoices and its associated Electronic Notes, and to ensure the identity verification of the issuer for the 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 Electronic Invoices and Notes. For technical details, please refer to the Security Features Implementation Standard.

2.10. Cryptographic Stamp Identifier (CSID):

A Cryptographic Stamp Identifier (CSID) is a unique identifier that links the E-Invoice Solution Unit and a trusted third party able to confirm the identity of the Person subject to the E-Invoicing Regulation and uniquely identify their unit. For technical details, please refer to the Security Features Implementation Standard.

2.11. UUID:

A 128-bit number, generated by an algorithm chosen to make it unlikely that the same identifier will be generated by anyone else in the known universe using the same algorithm. The UUID is generated by a compliant E-Invoice Solution and stored inside the XML invoice. Note: In Windows OS UUIDs are referred to by the term GUID.

2.12. QR Code:

A type of matrix barcode, with a pattern of black and white squares that is machine readable by a QR code scanner or smart device camera in order to enable basic validation of Electronic Invoices and Electronic Notes. For technical details, please refer to the Security Features Implementation Standard.

2.13. Hash:

A hash function is any function that can be used to map data of arbitrary size to fixed-size values called hashes that takes up minimal space. A hash procedure is deterministic - meaning that for a given input value it must always generate the same hash value. It is not possible to derive the original data from a hash; hence, hashing is meant to verify that a file or piece of data hasn't been altered. For technical details, please refer to the Security Features Implementation Standard.

2.14. Invoice Reference Number:

A unique and sequential number that identifies the issued invoice by the E-Invoice Solution, according to article 53 of the VAT Implementing Regulations. The VAT Implementing Regulations did not specify a specific format for the Invoice Reference Number, and the reference numbers may be different, for example, a different sequential reference number for each branch, provided that the Tax Invoice is clearly and distinctly defined and follows a sequence.

2.15. Clearance:

Clearance is the process where the Authority shall verify that the Electronic Tax Invoices and their associated Electronic Notes transmitted to it (through integration) by the persons subject to E-Invoicing Regulation, fulfil the controls and details specified in the E-Invoicing Resolution, Annexes (1) and (2) of the Resolution, and the relevant technical documentation. The Authority shall insert the Cryptographic Stamp only on the Invoices and Notes which fulfil the aforementioned controls and details. Please note that the process of Clearance is not applicable to Simplified Tax Invoices.

2.16. Reporting of Simplified Tax Invoices and their associated notes:

Reporting is the process of sharing of the Simplified Tax Invoices and their associated Notes which are generated electronically - which include the Cryptographic Stamp as specified in Clause (Fourth) of the E-Invoicing Resolution- with the Authority by the persons subject to E-Invoicing Regulation. Persons subject to the E-Invoicing Regulation will be required to transmit all Simplified Tax Invoices to the FATOORA Portal within (24) hours from its issuance .

2.17. Human Readable Format:

The human readable format of the invoice is a recognizable invoice that can be read and understood by a human reader (including buyers and the Authority).

2.18. The Authority's Toolkit:

The Authority toolkit is the testing toolkits provided by the Authority to allow Persons subject to the E-Invoicing Regulation to verify that their solutions generate compliant invoices and can be validated by the FATOORA Portal after integration. There are three tools provided the sandbox, SDK and web-based validator, for more details please check the sandbox webpage.

3. Scope of E-Invoicing

3.1. Taxable Persons subject to E-Invoicing

- All Taxable Persons subject to E-Invoicing Regulations are obliged to generate E-Invoices for all their transactions for which Tax Invoices must be issued, in addition to the electronic notes that must be issued in the cases stipulated in the VAT Law and its implementing regulations

- Taxable Persons who are subject to the E-Invoicing Regulation include:

  1- Taxable person that is a Resident in the Kingdom.

  2- The customer or any third party that issues a Tax Invoice on behalf of the taxable person that is a Resident in the Kingdom according to Article 53 (3), on the amendment of VAT Implementing Regulations which was approved by the Authority in 2021/11/09 that implemented in Dec. 4th 2021

- Taxable Persons who are not Residents in KSA are not required to issue Electronic Invoices or Electronic Notes for supplies or amounts received which are subject to tax in KSA.

3.2. Requirements to generate Electronic Invoices

Electronic invoicing has not changed the requirements for issuing invoices, debit notes or credit notes, and therefore, the issuance of invoices, debit notes or credit notes must be adhered to in accordance with the provisions of the VAT Law and its implementing regulations .

4. Types of E-Invoices

4.1. Tax Invoice

4.1.1. Tax Invoices for Phase 1 (Generation Phase)

a. A Tax invoice is an invoice issued for most B2B and B2G transactions with fields defined in Article 53 (5), VAT Implementing Regulations and Annex 2 of E Invoicing Resolution. The fields required for Generation Phase and Integration Phase to be included within the Tax Invoice are included in the Annex 2 of the E-Invoicing Resolution.

b. For Phase 1 (Generation Phase), the taxpayer must generate a Tax Invoice including additional data fields prescribed in the Annex 2 of E-Invoicing Resolution in an electronic format using a compliant E-Invoice Generation Solution (EGS). There is no specific format prescribed for Phase 1 Tax Invoices (such as XML format or PDF/A-3 format). Taxpayers can generate it in any electronic format, however, a paper invoice that is converted into an electronic format through copying, scanning, or any other method is not considered a compliant E-Invoice.

c. Also, for the Phase 1 (Generation Phase) invoices, there is no specific format prescribed for sharing / presentment to the buyers. Phase 1 invoices can be presented in the any electronic format .

4.1.2. Tax Invoices for Phase 2 (Integration Phase)

a. For Phase 2 (Integration Phase), the taxpayer must generate a Tax Invoice including additional data fields prescribed in the Annex 2 of E-Invoicing Resolution in an electronic format using a compliant E-Invoice Generation Solution (EGS) which is Onboarded (click here)for detailed technical guideline which defines the onboarding process). Phase 2 (Integration Phase) Tax Invoices must be generated in XML format or a PDF/A-3 (with embedded XML).

b. Phase 2 (Integration Phase) Tax Invoices must be submitted in XML format (not PDF/A-3) to FATOORA Platform for" Clearance "using APIs. FATOORA Platform will validate whether the Tax Invoice is compliant with XML Implementation Standard and run additional referential checks. Once the Tax Invoice pass validation checks, FATOORA Platform will" Clear "the Tax Invoice by including a Cryptographic Stamp and a QR Code to the XML. The" Cleared "XML will be sent back to the taxpayer using APIs. Further details are provided in Section 7 of this guideline

c. Phase 2 (Integration Phase) invoices must be shared / presentment to the buyers in XML or PDF/A-3 (with embedded XML) format

Tax Invoices contain fields as per VAT legislations including the seller and buyer information, transaction and goods/services details in addition to other technical fields that are to be generated by the electronic invoicing solution. Sample images of the human readable format of the Tax Invoice are included in Section 4.6 of this guideline. Samples must be different for Phase 1 and Phase 2.

Example:

Al Salam Supplies Co. LTD is, a registered taxpayer in Riyadh. Al Kawther Markets, a registered taxpayer, contracts Al Salam for providing their stores with goods. Once the items have been delivered, Al Salam issued an electronic invoice through their invoicing solution. The technical fields of the invoice are automatically generated by the solution, where Al Salam only inserts information about Al Kawther and their details, goods sold, and the total value and VAT value of the transaction. Al Salam archives a copy of the Tax Invoice in their records on a system according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and resolutions and all other relevant Laws in KSA.

Example:

Capital National Bank, a registered bank in KSA provided Al Amaal Company with a corporate loan to finance the company's operations. The bank issued a Tax Invoice containing two items, bank commission with an amount of SAR 6,250.00 and loan's Profit Element with an amount of SAR 50,000.00. The bank commission is subjected to VAT with a rate of 15%. The loan Profit Element will be exempt from VAT, the Bank should issue a Tax Invoice for the taxable supplies from the E-Invoice Solution used by the bank and if the bank decided to issue one invoice for both the taxable and exempt supplies then this invoice should meet the requirements of the Tax Invoices.

4.2. Simplified Tax Invoice

4.2.1. Simplified Tax Invoices for Phase 1 (Generation Phase)

a. A Simplified Tax invoice is an invoice issued mostly for B2C transactions with fields defined in Article 53 (8), VAT Implementing Regulations and Annex 2 of E Invoicing Resolution. The fields required for Generation Phase and Integration Phase to be included within the Simplified Tax Invoice are included in the Annex 2 of the E-Invoicing Resolution.

b. Also, taxpayers have an option to generate Simplified Tax Invoices for the B2B transaction if the value of Taxable Supplies is less than 1,000 SAR. It must be noted that for Simplified Invoices for B2C transaction can be generated for any value (even for transactions where value of Taxable Supplies exceed 1,000 SAR). This limit of 1,000 SAR is only applicable when the supplier chooses to issue Simplified Tax Invoice for B2B transaction

c. For Phase 1 (Generation Phase), the taxpayer must generate a Simplified Tax Invoice including additional data fields prescribed in the Annex 2 of E-Invoicing Resolution electronically using a compliant E-Invoice Generation Solution (EGS). There is no specific format prescribed for Phase 1 Simplified Tax Invoices (such as XML format or PDF/A-3 format). Taxpayers can generate it in any electronic format, however, a paper invoice that is converted into an electronic format through copying, scanning, or any other method is not considered a compliant E-Invoice generated electronically.

d. Simplified Tax Invoices that has been generated electronically must be shared / presented to the buyers in a printed copy. Alternatively, such Simplified Tax Invoice or its associated Notes - upon the agreement between the transaction parties - may also be shared with customers in its electronic format or any other human readable format with customers.

4.2.2. Simplified Tax Invoices for Phase 2 (Integration Phase)

a. The taxpayer must generate Simplified Tax Invoice including additional data fields prescribed in the Annex 2 of E-Invoicing Resolution in an electronic format using a compliant E-Invoice Generation Solution (EGS) which is Onboarded. Simplified Tax Invoices must be generated in XML format or a PDF/A-3 (with embedded XML). Taxpayer's EGS solution must stamp the XML using CSID issued by ZATCA and also include a QR Code which is compliant with Phase 2 requirements (9 tags in TLV base64 format).

b. Once a compliant Simplified Tax Invoice is generated (after stamping and applying QR code), it must be shared / presented to the buyer immediately in a printed copy. Alternatively, such Simplified Tax Invoice or its associated Notes - upon the agreement between the transaction parties - may also be shared with customers in its electronic format or any other human readable format with customers.

c. Taxpayers must submit the Simplified Tax Invoices in XML format (not PDF/A-3) to FATOORA Platform for" Reporting "within 24 hours of generation using APIs. FATOORA Platform will validate whether the Tax Invoice is compliant with XML Implementation Standard and run additional referential checks. Once the Simplified Tax Invoice pass validation checks, FATOORA Platform will provide an API response.

Example:

Al Salam Supplies Co. LTDs operate 3 stores in KSA with over 12 cash registers. Each cash register generates Simplified Tax Invoices based on each sale to a customer, with a QR Code applied to each invoice. All Simplified Tax Invoices that are generated by the cash registers are then sent to Al Salam company 'central repository and finance management system. Al Salam company archives copies of the E-Invoices in their records on a system according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and resolutions and all other relevant Laws in KSA. On 1st of January 2023 (according to the phases and targeted groups of the integration), Al Salam company must report all invoices issued within 24 hours from the time of issuance.

Example:

A Saudi citizen bought three items from Alwaha Pharmacy online store. Two items are standard rated items with a VAT rate of 15% and the third item is zero rated since it‹s classified as medical goods according to the VAT law and regulations. Once the payment has been made, the pharmacy issues a Simplified Tax Invoice through the pharmacy application containing details on the items that the customer purchased and sends the invoice to the customer's registered email address

Example:

Al Jouf Business School, a private university in KSA, issued a Simplified Tax Invoice for term tuition to a female Saudi citizen. Since this is a private education service subject to the standard tax rate, an invoice should be issued to the Saudi Citizen. This service is subject to a special treatment which is considered as a" Zero Rated ‹‹invoice as regulated by ZATCA, the Saudi government will cover the VAT on behalf of the citizen. Therefore, the citizen won‹t be charged VAT .

4.3. Credit and Debit Notes

Electronic Credit / Debit notes are issued for a Tax Invoices / Simplified Tax Invoices (after an e- invoice has been issued), wherein the transaction is adjusted subject to Article 40 (1) and Article 54(3) of VAT Implementing Regulations .

Credit and Debit notes must be issued with a reference to the original invoice(s) to which they are issued. The reference fields can be used to indicate the Invoice Reference Number(s) of Original Invoice(s) to which Credit Note pertains. In case, a single Credit Note relates to multiple Original Invoices, then taxpayers can provide Invoice Reference Numbers as a range (for example IRN from 001 to IRN 100 issued during the period 1 Jan 2022 to 31 March 2022). The type of credit/debit note follows the type of invoice that they are issued against

Example:
Data Extract Consulting company purchases several office furniture items from Zamil Furniture Group. After they have been invoiced by Zamil, Data Extract wishes to return several items that were defective. Zamil issues a credit note in order to refund the amount paid, and the information is the same as the information contained in the Tax Invoice that was issued for the sale. The credit note contains the Invoice Reference Number of the original invoice. Data Extract archives a copy of the note in their records on a system according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and resolutions and all other relevant Laws in KSA.

4.4. Special billing arrangements (Self-billing and Third-party billing)
To explain Self Billing process from E invoicing perspective (not just VAT law perspective).

1- Onboarding of devices - should buyer onboard CISD on behalf of Seller or Buyer can use its own existing CSID .

2- Clearance on behalf of seller (making sure that 7th position in NNPNESB Invoice Type Code (KSA-2) is true for Self-Billing flag)

3- What type of invoices can buyer generate in self-billing (Only Standard Invoices, CN, DN) for Taxable Supplies .

4- What is supplier is not enforced in Phase 2 but Buyer is enforced (Self billing invoices must be Cleared - subject to Legal Policy confirmation).

4.1.1. Self-billing

In accordance with the Unified Agreement for Value Added Tax, VAT Law and its implementing regulations, the Taxable Customer may issue Tax Invoices on behalf of the Taxable Supplier, provided that the tax authority approves and applies the special requirements mentioned in the regulations and that the supplier remains responsible before the Authority for the accuracy of the data included in the Tax Invoices. In this case, the buyer must generate Tax Invoices in an electronic format in accordance with the provisions of the E-Invoicing regulation .

The self-billing E-Invoices generated by a buyer will contain an electronic marker indicating this fact. This marker will be generated automatically and will not be visible on the human readable version of the E-Invoice. The human readable format of the invoice must contain a statement declaring that the invoice is a self-billing invoice.

Example (1):

Al Salah Laundries LLC in KSA enters a three-year contract with Al Jaber Hotel to provide laundry services. The commercial agreement between them is that, for the length of the contract, Al Jaber Hotel will issue the E-Invoices on a monthly basis for laundry services on behalf of Al Salah Laundries based on an agreed rate per item. After the E-Invoice is issued by Al Jaber Hotel, Al Salah Laundries checks the information to match it with their internal supporting documents and archives it. Al Jaber Hotel E-Invoice Solution must be compliant with the specifications and requirements of ZATCA and integrated with the FATOORA Portal after the go-live of the integration phase. Al Jaber and Al Salah Laundries archive a copy of the E-Invoice in their records on a system according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and resolutions and all other relevant Laws in KSA.

Example (2):

Al Salam Agency Services provides an intermediary service to Al Faris Marketing Company, introducing it to potential clients. Al Faris agrees to pay a commission of 2% of sales for any introduced clients. As Al Faris has access to its sales figures, it enters into an Agreement with Al Salam to calculate the commission and issue a monthly self-billed E-Invoice, Al Faris has to issue self-billed E-Invoices on a monthly basis, and both Al Salam and Al Faris have to archive a copy of the E-Invoice in their records on a system according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and resolutions and all other relevant Laws in KSA. Al Faris E-Invoice Solution must be compliant with the specifications and requirements of ZATCA and integrated with the FATOORA Portal once this becomes required .

4.4.2. Third party billing

To explain Third Party Billing process from E invoicing perspective (not just VAT law perspective).

1- Onboarding of devices - should Third Party onboard CISD on behalf of Seller or Third Party can use its own existing CSID .

2- Clearance on behalf of seller (making sure that 3rd position in NNPNESB Invoice Type Code (KSA-2) is true for Third Party Billing flag)

3- What type of invoices can Third Party generate in Third Party billing (no restrictions).

Third party billing is where transactions are invoiced by an external party, like an accounting firm, is engaged to issue invoices on behalf of the seller after fulfilling certain requirements as specified in the VAT legislations. The E-Invoices generated by a third party will contain an electronic marker indicating this fact. This marker will be generated automatically and will not be visible on the human readable version of the E-Invoice. The human readable format of the invoice must contain a statement declaring that the invoice is a third-party billing invoice.

Example (1):

DeluxePaints painting services company engages a specialized accounting firm, Al Nakheel CPA office, to keep their books and issue Tax Invoices to DeluxePaints's customers. DeluxePaint direct Al Nakheel CPA office to issue compliant Tax Invoices and send them to DeluxePaint's customers. Al Nakheel will generate the Tax Invoices through its system on behalf of DeluxePaints, submit them on FATOORA Portal for validation, and share them with DeluxePaints's clients.

Example (2):

Al Salam Supplies co. LTD sells their products through an e-commerce website called E-Books PLC .

A buyer of Al Salam Supplies Co. LTD returned the product they bought through the e-commerce website of E-Books PLC. E-books will generate the electronic credit note (according to delegation from the supplier) through its system on behalf of Al Salam Supplies Co. LTD, share them with the buyer and then submit them on FATOORA Portal within 24 hours (reporting of Simplified Tax Invoices starts after go-live of the Integration Phase in January 2023).

4.5. Sample visual examples of E invoices

Each type of E-Invoice and associated note may be presented in human readable form. The fields required to be visible on such a representation are indicated in the E-Invoicing Resolution in Annex (2). This section contains examples of fully compliant visualized E-Invoices that contain the fields required starting 1st January 2023 (in waves by targeted taxpayer groups).

5. E-Invoice Generation Phase Requirementsand Timelines (Tax Invoice vs. Simplified TaxInvoice Solutions)

5.1. Solution Requirements

Requirements for generating Tax Invoice and Simplified Tax Invoice starting from 4th December 2021:

Requirements		Tax Invoices	Simplified Tax Invoices
Invoice Generation	Invoice generation means	Electronic Invoices must be generated throughelectronic means	
	Invoice fields	Generate electronic invoice with non-integrationrelated fields	
	Invoice format	No format mandated	
	Invoice storage	Invoices must be archived as per VAT regulations andaccessible at any point in time to the Authority	

Requirements		Tax Invoices	Simplified Tax Invoices
Security & Integrity	QR code	QR code not mandated in the Generation Phase	QR code included with basic invoice and taxpayer information
	Crypto-graphic stamp	No Cryptographic stamp mandated	
	Device Registration	No device registration mandated	
	UUID	Not mandated	
	Hash	Not mandated	
Integration	Connectivity	Solution must be able to connect to the internet	
	Invoice clearance	No invoice sharing / clearance mandated	—
	Invoice Upload	—	No invoice upload mandated

Illustrative: Tax Invoice Generation for B2B/G transactions

1. Supplier **generates** invoice file

Supplier

Buyer

Zatca Platform

2. Supplier shares invoice with the buyer
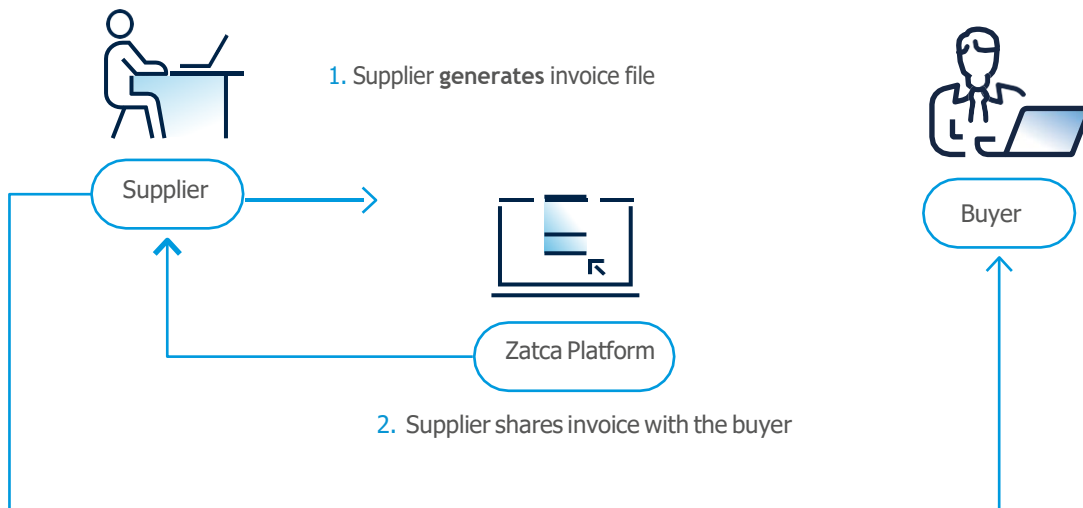
Illustrative: Simplified Tax Invoice Generation for B2C transactions

1. Supplier generates invoice with QR code

Supplier invoicing solutions

Customer

2. Customer can scan QR code through the ZATCA Mobile app to view basic invoive information

3. Invoice data is stored by the supplier under required structure
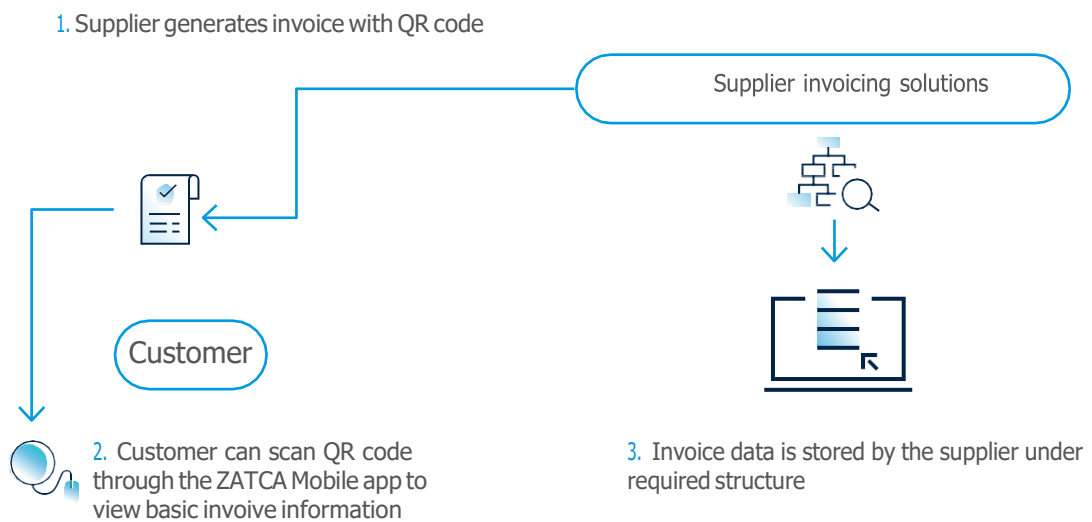
5.2. Timelines

Taxable persons subject to E-Invoice Regulation are obliged to generate Electronic Invoices and Electronic Notes starting from 4th of December 2021.

The second set of requirements for E-Invoice generation are required starting from 1st January 2023 (in waves by targeted taxpayer groups) as part of the Integration Phase.

5.3. Technical Requirements

- All E-Invoice Solutions must be able to connect to the internet in order to share invoices with the Authority .

- The E-Invoice Solutions must be able to connect with an API published by the Authority in order to share invoices. Specific integration requirements are published on the Authority's website, and E-Invoice Solution vendors will have enough time to update their products and services.

- The E-Invoice Solutions must have tamper-proofing mechanisms that prevent any modification or tampering with invoices or the solution itself, and must be able to record and detect any tampering attempts.

5.4. Information Security

- Persons subject to the E-Invoicing Regulation must ensure that their Compliant E-Invoice Solutions must be tamper-resistant and include a mechanism which prevents tampering and reveals tampering attempts that might occur.

1- These solutions contain functionalities that prohibit users from directly changing the solution and invoice generation.

2- The anti-tampering mechanisms include:

Prevention of invoice counter reset:
Resetting the invoice counter should not be a function available in an E-Invoice Solution and access to the counter value should be protected from system users.

Prevention of date changes:
Resetting the system date should be inaccessible to system users.

Prevention of deletion or modification of invoices:
Users of the E-Invoice Solution should not have the ability to delete or change E-Invoice and associated Note XML documents stored on by the solution. The solution should be equipped with sufficient memory to store the E-Invoice and associated Note XML documents generated by it.

Prevention of uncontrolled access:
Access to E-Invoice Solution functions must always be via a logged in user who is granted access only to functions that are necessary to perform their role.

- As per VAT Implementing Regulations, if the data is hosted on the cloud, it must be accessible through a direct link that can be made available to the Authority. This requirement is mandatory for audit purposes as per VAT Implementing Regulations

- The system must allow Persons subject to the E-Invoicing Regulation to export and save their invoices onto an external archival system

- Each stored invoice must follow a naming convention for naming of the file: VAT Registration (tax registration number) + Timestamp (date and time at the point of invoice generation) + Invoice Reference Number

- Taxpayer's E-Invoice Solutions may reside on the cloud in accordance with VAT Implementing Regulation, however additional non-tax-related regulations may apply to the taxpayer entity, such as National Cybersecurity Authority published laws and any other applicable regulations or controls

Prevention of export of stamping keys:
The cryptographic stamp identifier is associated with a unique private key that should be generated by the solution, so that it may not be viewed or copied during system initialization. Export of the key would enable theft of the E-Invoice Solution's identity, and so should be blocked by the solution vendor using a software or hardware key vault.

- The Compliant Solution must be able to protect the generated Electronic Invoices and Electronic Notes from any alteration or undetected deletion and contain some functionalities which enable the taxable person to save Electronic Invoices and Electronic Notes and archive them in XML format without Internet connection.

1- Once invoices are generated, they should not be deleted or altered by any user

2- The solution will also allow Persons subject to the E-Invoicing Regulation to store the invoices once they are generated in a safe and secure manner to avoid leakage or loss of information

5.5. Data Storage and Archival

- Persons subject to the E-Invoicing Regulation may store their electronic invoices in a server on-premises in the KSA or in the cloud as per their solution requirements and storage requirements and according to the provisions in VAT Law, VAT Implementing Regulation, E-Invoicing Regulation and Resolutions and all other relevant Laws in KSA.

5.6. Prohibited Functions

Starting the Generation Phase, an E-Invoice Solution must not have the following functions:

Function	Definition
Anonymous access	Persons subject to the E-Invoicing Regulation cannot access the system without logging into the system using unique login and password or biometrics.
Ability to operate with default password	Having a default password or factory password is not allowed. Each system must require the user to reset the password on first use.
Absence of user session management	The system must log all user activities associated with the invoice generating process, starting with login authentication and continuing to all system functions.
Allow alteration or deletion of generated E-Invoices or their associated notes	Persons subject to the E-Invoicing Regulation are not allowed to modify or delete invoices once they are issued whether these are generated by the system or outside it. If a user wishes to "cancel" an invoice, this may only be done through issuing an associated credit note and reissuance of a new invoice.
Allow for log modification/deletion	The system must not allow any modification on system logs that store the system's activities. All user activities can be logged and stored without any changes to the system generated logs.
Generated with inaccurate timestamps	Persons subject to the E-Invoicing Regulation are not allowed to change time or date on the E-Invoice Solution in a way that would result in the generated documents to contain false information.

Function	Definition
Non-sequential log generation	All log entries of the E-Invoice Solution must be time stamped and linked by placing the hash of the previous invoice in the associated field of the next invoice in a sequence, so that their order cannot be changed.
Invoice counter reset	The E-Invoice Solution must not provide a feature where the invoice counting can be reset.
Allow ability to generate more than one invoice sequence at any given time	The E-Invoice Solution unit must not generate more than one sequence so that all invoices generated by an E-Invoice Solution Unit are linked using "Previous Invoice Hash" value into a single chain.

5.7. E-invoice Format

- Starting on 4th December 2021, persons subject to the E-Invoicing Regulation may utilize any format as a human readable format to share their electronic invoices up until the Integration Phase.

- The human readable format can be presented provided that it is in Arabic (in addition to any other language) and Arabic or Hindi numerals can be used (either of which will be considered as Arabic in the invoices).

6.E-Invoice Integration Phase Requirements and Timelines (Tax Invoice vs. Simplified Tax Invoice Solutions)

6.1. E-Invoice Integration Phase Requirements and Timelines (Tax Invoices. Simplified Tax Invoice Solutions)

Requirements for generating Tax Invoice and Simplified Tax Invoice starting from 1st January 2023 (in waves by targeted taxpayer groups):

Requirements		Tax Invoices	Simplified Tax Invoices
Invoice Generation	Invoice generation means	Invoices must be generated through electronic means	
	Invoicefields	Generate additional fields required for integration andcompliance features	
	Invoiceformat	Invoices must be generated in XML format	
	Invoicestorage	Invoices must be archived as per VAT regulations andaccessible at any point in time by the Authority	
	QRcode	No requirement from the taxpayer. The QR code value will be generated by	QR code mandated withadditional information

Security & Integrity		the taxpayer's solutions and the FATOORA Portal will update the code during the Clearance process. The QR code will then be printed to be visualized on the human readable invoice by the taxpayer.	
	Cryptographic stamp	No requirement from the taxpayer. Cryptographic stamps are applied by the FATOORA Portal.	Cryptographic stamp mandated
	Device Registration	Compliant solutions must be registered on the FATOORA Portal followingthe onboarding process	Compliant solutions must be registered on the FATOORA Portal followingthe onboarding process
	UUID	To be included as part of the E-Invoice	
	Hash	To be included as part of the E-Invoice	
	Connectivity	Solution must have ability to connect to the internet for invoice upload and clearance	Solution must have ability to connect to the internet for invoice reporting
Integration	Invoice clearance	Sharing of invoices with the FATOORA Portal in real- time via API (for clearance	—
	Invoice Reporting	—	Upload of invoices to the FATOORA Portal via API whenever connected

6.2. Timelines

Integration is the second phase of electronic invoicing where the Persons subject to the E-Invoicing Regulation will be integrated with the FATOORA Portal through an Application Programmable Interface (API) and will share invoices to the Authority.

Integration of the Persons with the Authority's system (FATOORA) shall happen starting from 1st January 2023 (in waves by targeted taxpayer groups).

6.3. Technical Requirements

Phase 2, which will be implemented in waves by target taxpayer groups starting from January 1, 2023, entails additional technical requirements that e-invoicing solutions must comply with, the integration of taxpayer e-invoicing solutions with ZATCA's systems, and the generation and storage of e-invoices in the required format (XML or PDF/A3 with embedded XML).

6.4. Clearance and Reporting

Clearance: Each Tax Invoice generated electronically must be cleared by the Authority as a prerequisite for sharing them with the buyers and for such Electronic Invoice to be regarded as legal and valid.

Clearance is a real-time transaction integration model of Tax Invoices, where after integration, the taxpayer directly sends the electronic invoice prior to sharing with the buyer. Tax Invoices are then validated across several categories of varying level, and if approved, are stamped by the Authority and returned to the taxpayer to be shared with the buyer. Clearance applies to all Tax Invoices and their associated credit/debit notes.

Illustrative: Clearance Model of Tax Invoices for B2B/G

1. Supplier generates invoice file

Supplier

4. Supplier receivescleared and signedinvoice file

ZATCA Platform

6. Buyer can verify invoice clearance status on the platfrom and /or check digital signature

5. Supplier shares invoice with the buyer

2. Platform validates invoice information

3. File is digitally signed by ZATCA system
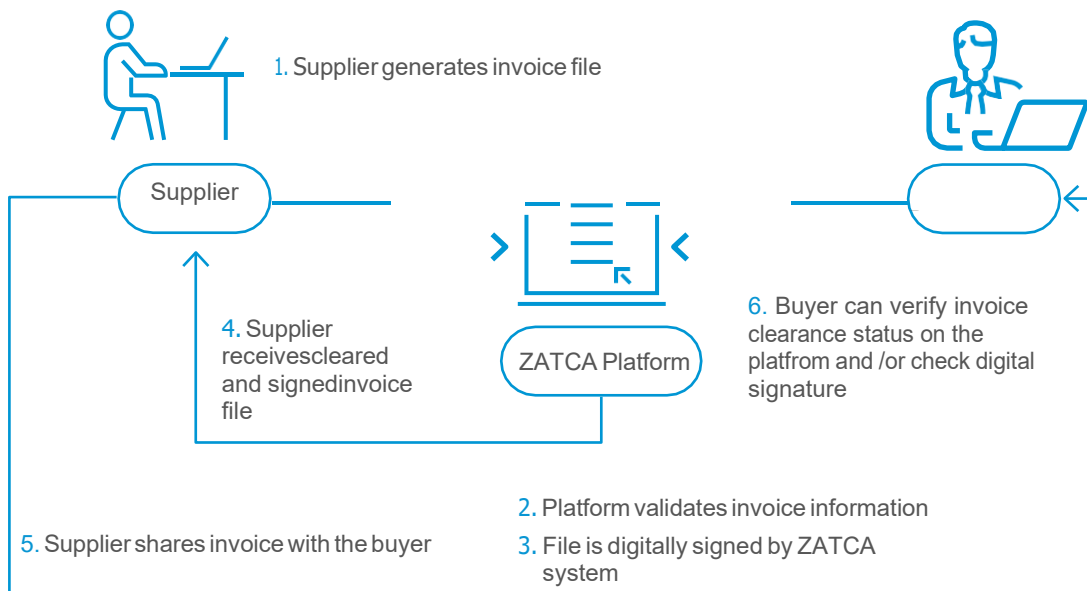
Reporting: Taxable persons must report the Simplified Tax Invoices to the Authority.

Reporting is a near-real time transaction model, where Simplified Tax Invoices and their associated Credit/Debit notes are uploaded to the FATOORA Portal within 24 hours from issuance. Once uploaded, Simplified Tax Invoices are then validated, and an acknowledgement through the API is reported back to the taxpayer. Simplified Tax Invoices must be generated using compliant E-Invoice Solutions and stamped by such solutions as set out by the Authority requirements under the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation and further subsequent resolutions.

Illustrative: Near-real time reporting of Simplified Tax Invoices for B2C

1. Supplier generates invoice with QRcode including digital map

Supplier invoicing solutions

Customer

3. Invoice data is stored by the supplier under required structure and format

ZATCA Platform

2. Customer can verify invoice authenticity by scanning QR code. Request is also shared with the ZATCA e-invoicing platform to asynchronously verify invoice upload and notify the user once the invoice is uploaded by the taxpayer

4. Invoice data is shared with ZATCA e-invoicing platform whenever connectivity is available (i.e. as closeto real time as possible

6.5. Prohibited Functions

Starting the Integration Phase, an E-Invoice Solution must not have the following functions:

Function	Definition
Anonymous access	Persons subject to the E-Invoicing Regulation cannot access the system without logging into the system using unique login and password or biometrics.
Ability to operate with default password	Having a default password or factory password is not allowed. Each system must require the user to reset the password on first use.
Absence of user session management	The system must log all user activities associated with the invoice generating process, starting with login authentication and continuing to all system functions.
Allow alteration or deletion of generated E-Invoices or their associated notes	Persons subject to the E-Invoicing Regulation are not allowed to modify or delete invoices once they are issued whether these are generated by the system or outside it. If a user wishes to "cancel" an invoice, this may only be done through issuing an associated credit note and reissuance of a new invoice.
Allow for log modification/deletion	The system must not allow any modification on system logs that store the system's activities. All user activities can be logged and stored without any changes to the system generated logs.

Generated with inaccurate timestamps	Persons subject to the E-Invoicing Regulation are not allowed to change time or date on the E-Invoice Solution in a way that would result in the generated documents to contain false information.
Non-sequential log generation	All log entries of the E-Invoice Solution must be time stamped and linked by placing the hash of the previous invoice in the associated field of the next invoice in a sequence, so that their order cannot be changed.
Invoice counter reset	The E-Invoice Solution must not provide a feature where the invoice counting can be reset.
Allow ability to generate more than one invoice sequence at any given time	The E-Invoice Solution unit must not generate more than one sequence so that all invoices generated by an E-Invoice Solution Unit are linked using "Previous Invoice Hash" value into a single chain.
Time changes	The solution must not allow software time changes that will change or modify the timestamp value during E-Invoice or Credit/Debit Note issuing.
Export of stamping keys	The solution must not provide an option to export the cryptographic stamp private stamping key of the solution.

6.6. E-Invoice Format

- After go-live of the Integration phase, electronic invoices must be produced in a specific format with specific fields as per the Appendix (2) of the Electronic Invoicing Resolution. E-Invoice Solution vendors are required to follow the specification as well as to certify their product according to the process published by ZATCA.

- Once the integration resolution comes into full force starting from 1st January 2023 (in waves by targeted taxpayer groups), E-Invoice Solutions must be able to generate invoices and their associated notes in the XML format or PDF/A-3 format (with embedded XML).

- For the Integration phase, persons subject to E-Invoicing Regulation must share the Tax Invoice, or its associated Notes that has been electronically generated with customers in the XML format or PDF/A-3 format (with embedded XML).

- For the Integration phase, persons subject to E-Invoicing Regulation must present to their customers a printed copy of the Simplified Tax Invoice or its associated Notes that has been generated electronically in the XML format or PDF/A-3 format (with embedded XML) or, upon the agreement between the transaction parties, may also share with customers in electronic format or any other human readable format. For the Integration phase, human readable form includes the PDF or the printed Electronic Invoice or Credit/Debit Note, with all required visible fields present.

- The human readable format can be presented provided that it is in Arabic (in addition to any other language) and Arabic or Hindi numerals can be used (either of which will be considered as Arabic in the invoices).

7.Rights and Obligations of Taxable Persons

7.1 Right to deduct / refund VAT

Starting from 4th December 2021, the taxable persons (Buyers) will have the right to deduct VAT charged by the taxable suppliers' subject to electronic invoicing regulation, provided that the invoices used are electronically generated and fulfil the Generation requirements.

7.2 Obligations of taxable persons subject to E-Invoice regulation

In addition to the general obligations prescribed in the VAT legislations, taxable persons subject to E-Invoice regulation are obliged to:

- Generate all E-Invoices (Tax Invoices and Simplified Tax Invoices) and its associated notes that must be issued within the timelines specified in the VAT legislations, in an electronic form starting from 4th December 2021 (the day following the expiration date of the grace period specified in Article (7), paragraph (B) of the E-Invoicing Regulation for E-Invoices).

- Starting from the Integration phase, Tax E- invoices must be cleared before being shared with the clients and Simplified Tax Invoices must be reported to the FATOORA Portal within 24 hours.

- 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 on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation. Fulfilment of this requirement may be met by the taxpayer through obtaining a compliant E-Invoice Solution that produces the types of Tax Invoice and/or Simplified Tax Invoice documents and associated Notes that the taxpayer required to conduct their business.

- Adhere to the specified timelines for compliance with the specifications and requirements of Electronic Invoices specified in the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation and mentioned in Section 1.3 of this Guideline.

7.3. E-Invoicing Record Keeping

- Taxable persons must adhere to the record keeping requirements of Electronic Invoices, Electronic Notes and its associated data, and any other requirements as per the applicable laws and regulations and as described in Section 5.5 of this Guideline under the subheading Data Storage and Archival.

7.4. Additional E-Invoicing Obligations (e.g. using compliant solutions, maintaining the cryptographic stamp, etc.)

The taxable persons subject to the E-Invoicing Regulations must adhere to the following obligations:

- Notify the Authority through the means specified by the Authority of any incidents, technical error or emergency matters which hinder the generation of Electronic Invoices or Electronic Notes and notify the Authority of recovery. Furthermore, to resume generation and Clearance or Reporting of all E-Invoices and associated Notes as soon as the Solution becomes operable.

- Not to use any E-Invoice Solution which is not compliant with the specifications and requirements specified in the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation. Means of finding vendors, who have declared compliance or who have been verified as compliant will be provided on ZATCA's website with sufficient notice to allow for necessary system purchase and/or upgrade.

- Register the E-Invoice Solution Units used for generating E-Invoices and their associated Electronic Notes in accordance with the specified mechanisms and controls specified in the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation.

- 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 Authority's system (FATOORA) starting from the date specified in the resolution on the Controls, Requirements, Technical Specifications and Procedural Rules for Implementing the Provisions of the E-Invoicing Regulation and any subsequent resolution in this regard

7.5. E-Invoicing Compliance Audit

From time to time, Persons subject to the E-Invoicing Regulation may be subject to ZATCA tax audit. In such situations, the taxpayer should cooperate with ZATCA auditors and provide them with all the data required to enable them to check the taxpayer compliance with the requirements mentioned in VAT legislations, and E-Invoice regulations and associated resolutions. Taxpayers should also provide ZATCA auditors with the archived E-Invoice and associated note files. See Section 5.5 for Data Storage and Archival requirements.

8. Integration with ZATCA

[for more details, please refer to detailed technical guideline]

Persons subject to the E-Invoicing Regulation will be integrated with the FATOORA Portal starting from 1st January 2023 (in waves by targeted taxpayer groups), where compliant E-Invoice Solutions will be able to connect to the API of the FATOORA Portal by following the below steps:

- Taxpayer accesses FATOORA portal website (FATOORA.zatca.gov.sa) and logs in using ERAD credentials

- Taxpayer requests OTP code(s) for solution(s) to integrate

- Taxpayer populates OTP code(s) in E-Invoice Solution(s)

- Taxpayer reviews if solution was successfully on-boarded

9.Failure Scenarios

Flow: Generated e-invoices? → Able to submit e-invoice to ZATCA? → Received response from ZATCA? → What is the response?

- Supplier
  - YES
    - YES
      - YES
        - 1.Accepted
        - 2.Accepted with warnings
        - 3.Rejected
        - 4.Failed to connect
      - 5.NO
    - 6.NO
  - 7.NO
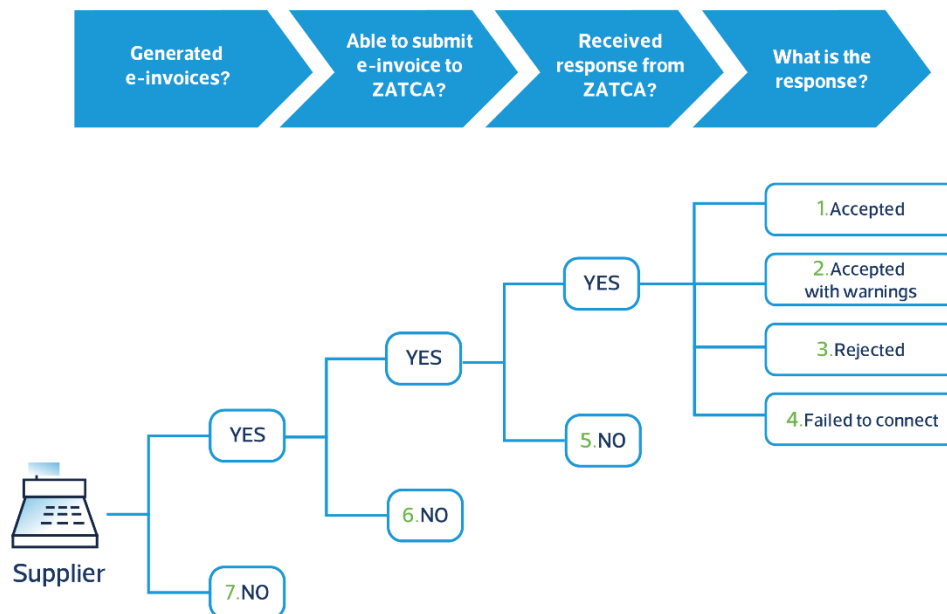
Example reason	Required action
1. Fully compliant invoice	No action required
2. Minor mistake – e.g. missing building number in address	No immediate action required - warnings should be investigated and amended for next invoice[1]
3. Significant mistake –missing mandatory fields, wrongly populated VAT values	Invoice should be corrected based on the response and re-submitted[1,2]
4. Server overloaded by too many requests	System should continue re-submitting same invoice until ZATCA servers are responding
5. ZATCA servers are down	Share generated e-invoice and re-submit once issue fixed[3]
6. No internet connectivity at the supplier	Report failure to ZATCA, share e-invoice and resubmit once issue fixed[4]
7. No electricity or broken device	Report failure to ZATCA, continue business[5] and re-generate once fixed

Deep-dive on the next pages

1. To be primary performed by solution provider and prevented by data validations
2. For B2B - Taxpayer must fix the errors and submit XML for Clearance again. For B2C, taxpayer can complete the transaction using Commercial Documents and then fix the error and submit XML for Reporting.
3. For B2B they can complete the transaction and then "Report" the Standard Invoice XML using Reporting API (based on 303 Response or alternate communication by ZATCA). For B2C, taxpayer can submit the XML for Reporting once ZATCA's system is available (even beyond 24 hours of generation).
4. For B2B, submit Invoice for Clearance after Internet connectivity is restored. For B2C, submit the XML for Reporting after Internet connectivity is restored.
5. Merchant can issue a commercial document, e.g. receipt with a stamp. For B2B, taxpayer must submit XML for Clearance after the issues are resolved. For B2C, taxpayer must submit XML for Reporting after the issues are resolved

7.Failure to generate e-invoice – B2C scenario

1 The store's **device broke down**

2 **Merchant notifies ZATCA** via a dedicated form on ZATCA's website immediately

3 Merchant **reaches out to their solution provider** regarding the issue

4 Merchant **processes transactions**, **issues invoice manually**[1] and **keeps records of the transaction** (Art. 7.5)

7 **[OPTIONAL]**
If customer requests it, merchant has to share the **generated invoice with buyer electronically** or **informs that invoice can be collected in the store** (Art. 7.5)

6 Merchant **generates e-invoice** and **reports it to ZATCA** with transaction date immediately

5 Once device is fixed, merchant **notifies ZATCA that issue** has been resolved immediately

If TP reports fixes frequently or for extended period of time, TP will be investigated further by ZATCA on individual basis

1. Invoice will not be fully compliant, but will be considered as VAT invoice until fully compliant invoice is issued immediately once the device is fixed. Manual invoice will not be eligible for VAT deduction.

7. Failure to generate e-invoice – B2B scenario

1 Manufacture **is selling equipment to an oil refinery**

2 Due to **cyber attack**, the manufacture is **not able to generate standard tax invoice as** their systems are blocked

3 Transaction can be processed as seller can **issue standard tax invoice within 15 days from the following month** in which the supply takes place[1]

4 In case the **systems are not restored within these timelines, seller notifies ZATCA** via a dedicated form on ZATCA's website

5 Merchant **processes transactions, issues invoice manually**[2] and **keeps records of the transaction** (Art. 7.5)

8 Merchant **shares the e-invoice** with the buyer by any preferred means **electronically**

7 Merchant **generates standard tax invoice** and **submits it for clearance** with transaction date immediately

6 Once system is restored, merchant **notifies ZATCA that issue** has been resolved immediately

1. Unless continuous supply, where seller should notify ZATCA immediately at the end of the supply month.

2. Invoice will not be fully compliant, but will be considered as VAT invoice until fully compliant invoice is issued immediately once the device is fixed. Manual invoice will not be eligible for VAT deduction.

7. FAILURE TO GENERATE E-INVOICE - B2B Scenario - Walk-in B2B Customer & Continuous Supplies

1 The store's **device broke down**

2 **Merchant notifies ZATCA** via a dedicated form on ZATCA's website immediately

3 Merchant **reaches out to their solution provider** regarding the issue

4 Merchant **processes transactions, issues invoice manually**[1] and **keeps records of the transaction** (Art. 7.5)

5 Merchant **shares the e-invoice** with the buyer by any preferred means **electronically**

6 Merchant **clears invoice with ZATCA** with transaction date immediately

7 Once device is fixed, merchant **notifies ZATCA that issue** has been resolved immediately

If TP reports fixes frequently or for extended period of time, TP will be investigated further by ZATCA on individual basis

1. Invoice will not be fully compliant, but will be considered as VAT invoice until fully compliant invoice is issued immediately once the device is fixed. Manual invoice will not be eligible for VAT deduction.

6. Failure to submit e-invoice to ZATCA – B2C scenario
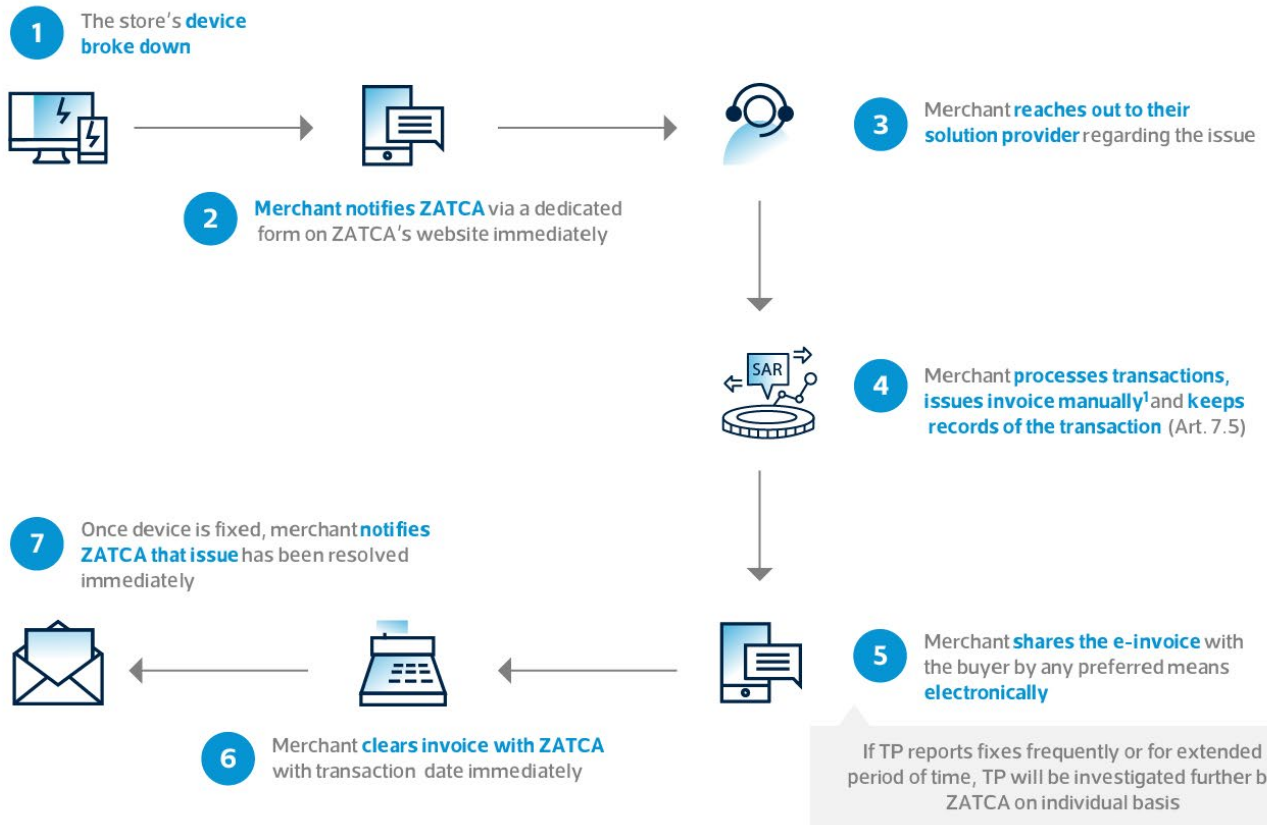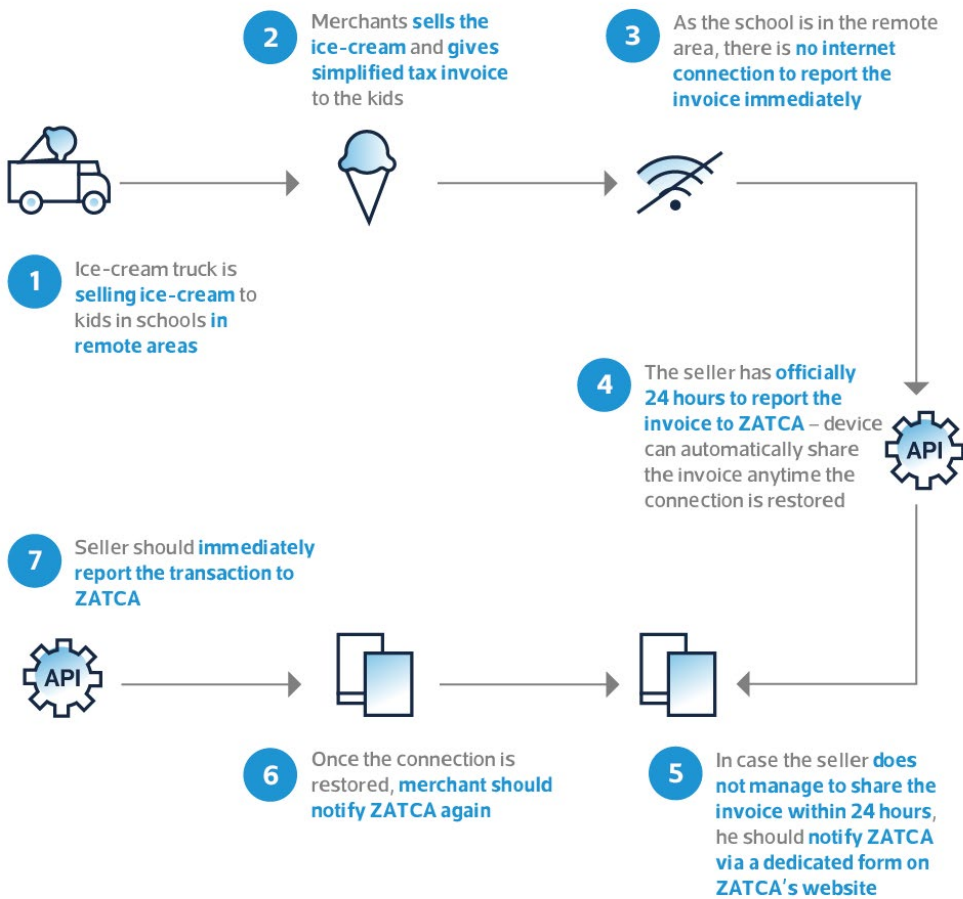
2 Merchants **sells the ice-cream** and **gives simplified tax invoice** to the kids

3 As the school is in the remote area, there is **no internet connection to report the invoice immediately**

1 Ice-cream truck is **selling ice-cream** to kids in schools **in remote areas**

4 The seller has **officially 24 hours to report the invoice to ZATCA** – device can automatically share the invoice anytime the connection is restored

7 Seller should **immediately report the transaction to ZATCA**

6 Once the connection is restored, **merchant should notify ZATCA again**

5 In case the seller **does not manage to share the invoice within 24 hours**, he should **notify ZATCA via a dedicated form on ZATCA's website**

6. Failure to submit e-invoice to ZATCA – B2B scenario

1 Lawyer wants to **clear and issue an invoice** to their business client

3 **Lawyer notifies ZATCA** via a dedicated form on ZATCA's website on their mobile

2 Due to **extended internet connectivity outage**, lawyer cannot submit invoice for clearance **within the 15 days of the following month**

> As per Article (1)53 of KSA VAT Regulations, Standard Tax Invoices (B2B) can be issued within 15 days from the end of the month in which supply takes place

4 Merchant **processes transactions, shares uncleared invoice[1], keeps records of the transaction** (Art. 7.5) and confirms the existing **contact details of buyer**

7 Lawyer **shares the cleared e-invoice** with the buyer by any preferred means **electronically**

6 Lawyer **submits e-invoice for clearance** and **issues the invoice** to the customer

5 Once internet connectivity is restored, lawyer **notifies ZATCA that issue** has been resolved

1. Invoice will not be fully compliant but will be considered as VAT invoice until fully compliant invoice is issued immediately once the connection is restor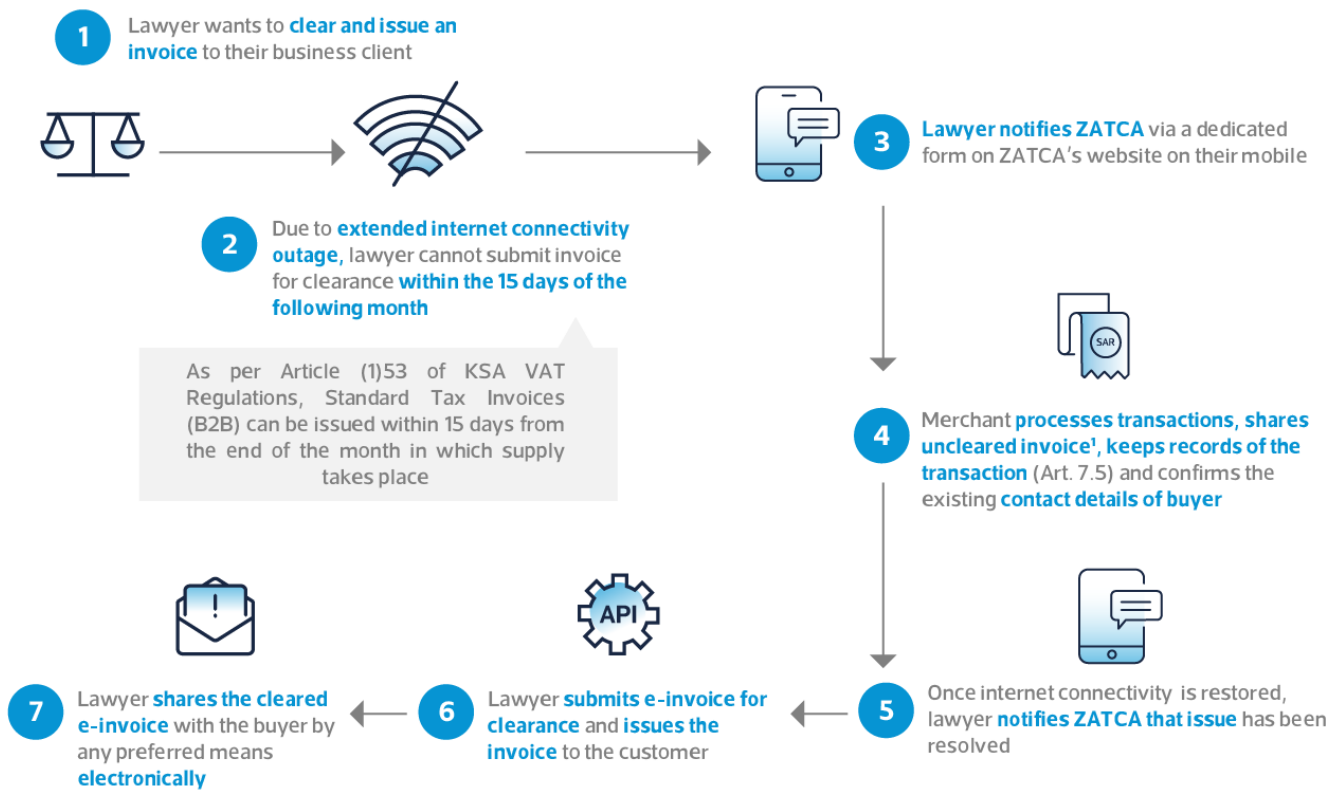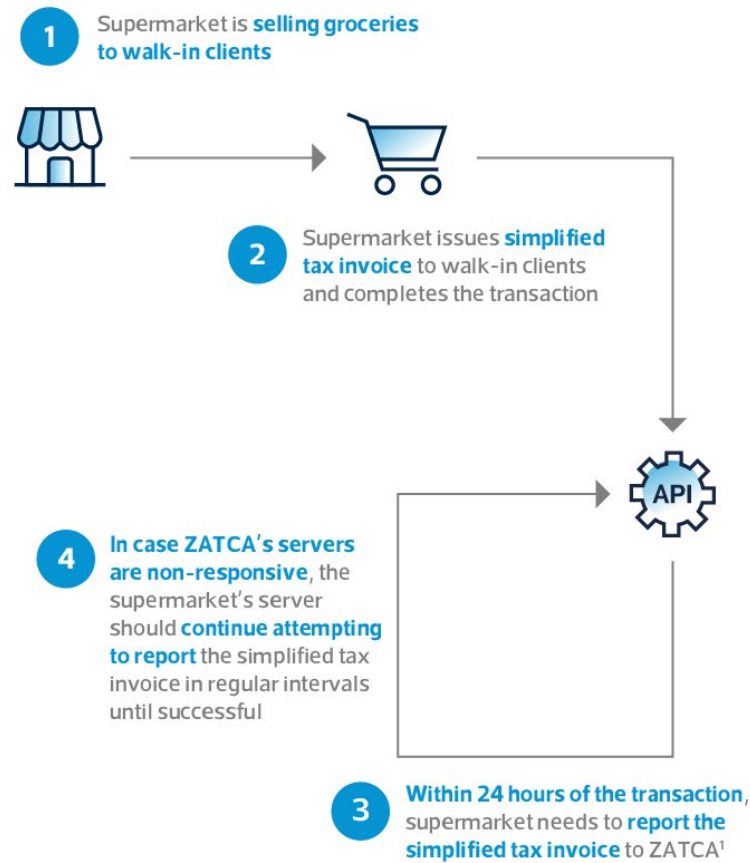ed. Uncleared invoices will not be eligible for VAT deduction. TP should keep evidence of trying to clear the invoice to ZATCA (e.g. API log).

5. Failure to receive response from ZATCA – B2C scenario

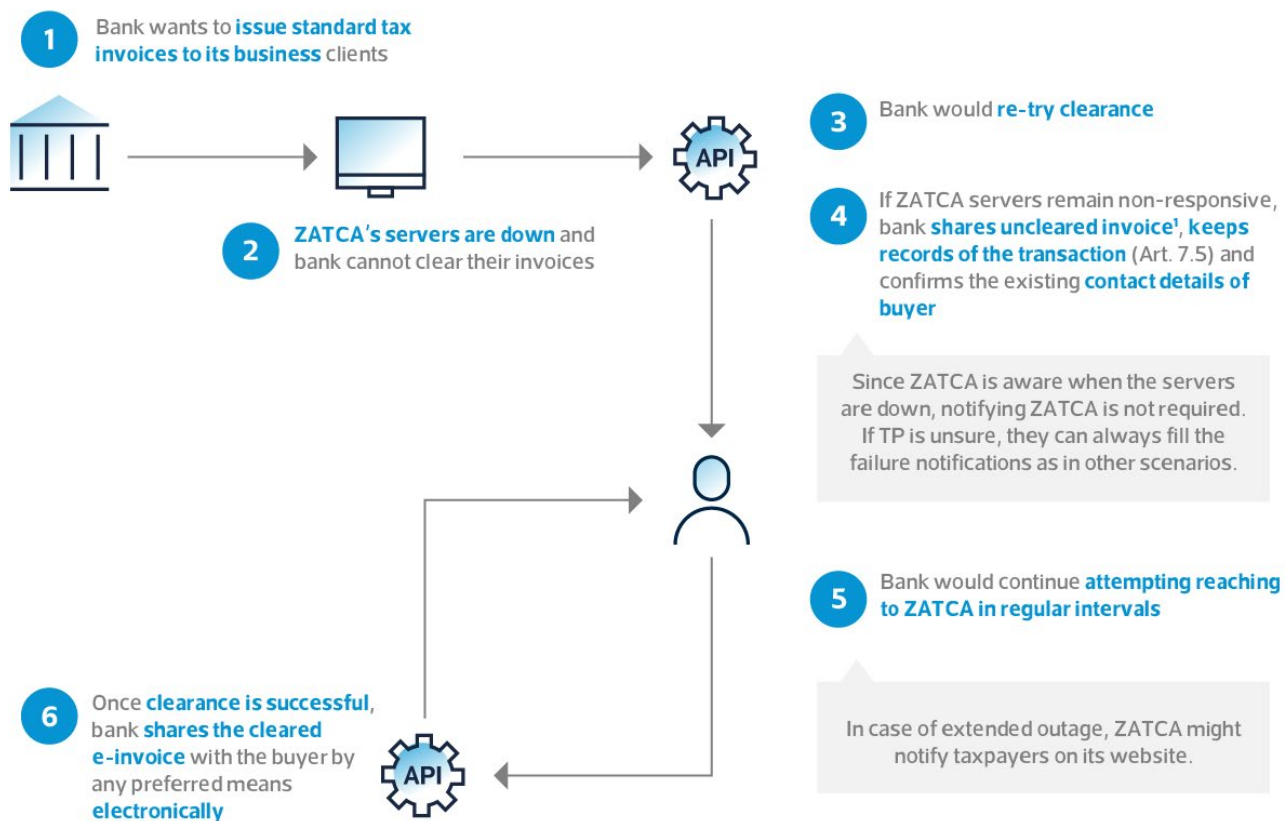### Example scenario during temporary ZATCA issues

1 Supermarket is **selling groceries to walk-in clients**

2 Supermarket issues **simplified tax invoice** to walk-in clients and completes the transaction

4 **In case ZATCA's servers are non-responsive**, the supermarket's server should **continue attempting to report** the simplified tax invoice in regular intervals until successful

3 **Within 24 hours of the transaction**, supermarket needs to **report the simplified tax invoice** to ZATCA[1]

API

1. TP should keep evidence of trying to clear the invoice to ZATCA.

5.Failure to receive response from ZATCA – B2B scenario

Example scenario during temporary ZATCA issues

1 Bank wants to **issue standard tax invoices to its business** clients

3 Bank would **re-try clearance**

4 If ZATCA servers remain non-responsive, bank **shares uncleared invoice**[1], **keeps records of the transaction** (Art. 7.5) and confirms the existing **contact details of buyer**

2 **ZATCA's servers are down** and bank cannot clear their invoices

Since ZATCA is aware when the servers are down, notifying ZATCA is not required. If TP is unsure, they can always fill the failure notifications as in other scenarios.

5 Bank would continue **attempting reaching to ZATCA in regular intervals**

In case of extended outage, ZATCA might notify taxpayers on its website.

6 Once **clearance is successful**, bank **shares the cleared e-invoice** with the buyer by any preferred means **electronically**

1. Invoice will not be fully compliant but will be considered as VAT invoice until fully compliant invoice is issued immediately once the connection is

Overview of responses and required actions

Response	Definition	Required action
200	Action Successful	N/A
202	Action Successful, but with warnings	• Share warnings with solution provider to correct at the earliest. • Warnings are temporarily accepted and might become rejections in the future. • Continuous warnings by taxpayers will be investigated by ZATCA and taxpayers might be educated / audited accordingly
303	Clearance switched off	Please submit via reporting
400	Action failed (rejected)	Review detailed message, correct and resubmit
401	Unauthorized	Check authentication certificate and secret and resubmit
413	Payload Too Large, invoice not received	Please resend with smaller payload (invoice)
429	Too Many Requests, invoice not received	Please resend
500	Internal Server Error, invoice not received	Please resend
503	Service Unavailable, invoice not received	Please resend
504	Request Timed Out, invoice not received	Please resend

Overview of differences between responses to submitted documents

Response	Definition	Required action
Accepted	The document has no fatal errors and no warnings that results in it being considered as a valid document.	All information is fully in line with the XML Implementation Standards, DataDictionary and E-invoicing Resolution
Accepted with warnings	The document has no fatal errors but has at least one warning that results in it not being considered as a compliant document however one that can still be considered as anaccepted document	100+ possible combinations of warning messages, e.g.: ● An Invoice shall have an Invoicenumber (BT-1). ● An Invoice shall contain the Sellername (BT-27). ● An Invoice shall contain the Sellerpostal address (BG-5). ● The Seller postal address (BG-5) shall contain a Seller country code (BT-40). ● Each Invoice line (BG-25) shallcontain the Item name (BT-153). ● The allowed maximum numberof decimals for the Paid amount(BT-113) is 2. ● Allowance amount (BT-92, BT-136) must equal base amount (BT-93, BT-137) * percentage (BT-94, ● BT-138) / 100 if base amount and percentage exists. ● Previous invoice hash (KSA-13) must exist in an invoice.

Response	Definition	Required action
Rejected	The document has at least one fatal error thatresults in it not being considered as a valid document	100+ possible combinations of errormessages, e.g.: ● The VAT rates (BT-96119, BT-152) ● must be from 0.00 to 100.00, with maximum two decimals. Only numerals are accepted, thepercentage symbol (%) is not allowed. ● An Invoice shall have an Invoice issuedate (BT-2). ● An Invoice shall have an Invoice typecode (BT-3). ● Base quantity (BT-149) must be apositive number above zero. ● The document issue date (BT-2) must be less or equal to the current date.

10.Tax Invoice and Simplified Tax Invoice QR Code validation

Customers and related stakeholders may validate the Tax Invoices and Simplified Tax Invoice through scanning the QR code available on the invoice, by following the below steps:

Customer scans E-Invoice's QR code content via VAT App

- VAT App verifies the E-Invoice's QR code content is compliant
- VAT App displays the QR code content as well as the E-Invoice's verification results

FAQs

What is Phase 2? When will it be enforced and to whom does it apply?

Phase 2 known as the Integration phase, during this phase, subjective taxpayers must comply with Phase 2 business and technical requirements for the electronic invoices and E-Invoice Solutions, and the integration with ZATCA's system.

Phase 2 is enforceable starting from January 1, 2023 and implemented in waves by targeted taxpayer groups. Taxpayers will be notified by ZATCA on the date of their integration at least 6 months in advance.

How will ZATCA notify taxpayers about their integration wave?

The enforcement date for the first target group will not be earlier than January 1, 2023. ZATCA will notify taxpayers of their Phase 2 wave at least six months in advance through Official emails & SMS registered with ZATCA

What are the requirements for Phase 2?

Phase 2, which will be implemented in waves by target taxpayer groups starting from January 1, 2023, entails additional technical requirements that E-Invoice solutions must comply with, the integration of taxpayer E-Invoice Solutions with FATOORA Platform and the issuance of electronic invoices in a specific format.

Due to the technical nature of the published requirements, it is recommended for taxpayers to approach a solution provider or their internal technical teams to ensure their E-Invoice Solutions are compliant with ZATCA's regulations. In addition, developers and subject matter experts may visit ZATCA's website for viewing all requirements (business, technical, security, etc.). Further details on the integration mechanisms and specifications are published by ZATCA on the developer page on ZATCA's E-Invoicing webpage https://zatca.gov.sa/en/E-Invoicing/Pages/default.aspx

Can a taxpayer use the same E-Invoice Solution that was used for Phase 1?

A taxpayer can use the same E-Invoice Solution that was used for Phase 1, by updating the E-Invoice Solution to comply with the Phase 2 requirements.

Should a taxpayer continue following Phase 1 requirements until Phase 2 applies to them?

Yes, a taxpayer should continue following Phase 1 requirements until the integration enforcement date of the taxpayer's wave, in which the taxpayer is required to start following Phase 2 requirements. However, taxpayers have the option to start following Phase 2 requirements (which build on Phase 1 requirements) on a voluntary basis before their integration enforcement date [based on final integration roll-out strategy].

If a taxpayer is complaint with Phase 1 requirements, and was not yet notified by ZATCA to integrate, is the taxpayer required to implement Phase 2 requirements?

The taxpayer is not required to implement Phase 2 requirements until notified by ZATCA about the integration enforcement date of the taxpayer's wave, in which the taxpayer is required to start following phase 2 requirements. However, it is recommended for taxpayers to start following phase 2 requirements on a voluntary basis before their integration enforcement date [based on final integration roll-out strategy].

How can a taxpayer integrate their E-Invoice Solution with ZATCA's systems?

Taxpayer updates the E-Invoice Solution to comply with Phase 2 requirements Taxpayer accesses dedicated FATOORA portal (https://FATOORA.zatca.gov.sa/) using Taxpayer Portal credentials and requests OTP .

Taxpayer inputs the OTP code generated into their E-Invoice Solutionbeing integrated, in addition to the required information for E-InvoiceSolution integration

After successful E-Invoice Solution integration, taxpayer starts issuinginvoices via their integrated E-Invoice Solution

Please refer to the detailed technical guideline for more information (here)

How can a taxpayer verify that their E-Invoice Solutionhas been successfully integrated?

After a taxpayer integrates an E-Invoice Solution, a message will be displayed indicating whether the E-Invoice Solution has been successfully integrated. Also, taxpayers can use the FATOORA Portal (https://FATOORA.zatca.gov.sa/) in order to view a summary list of all their integrated E-Invoice Solutions (section View List of Solutions and Devices).

If one VAT Registration Number has multiple devices,should each device be registered?

Yes, every device issuing invoices with the same VAT number should be registered.

What should be the language of the invoice shared with ZATCA?

As per Article 53 of VAT Regulations, invoices must be in Arabic. The technical aspects of XML will be in English, however, the data for invoices (that will be visible once XML is visualized) must be in Arabic. Other languages can be present on the Invoice as well.

In some cases, an invoice may go into an approval process which can take up to 2 weeks after its generation.Which invoice issue date should be used?

Invoice Issue Date must be the date on which final Tax Invoice is generated. If there are internal processes for approvals, you may consider treating invoice as final only once all internal approvals are obtained, and then submit final invoice to ZATCA. Please note that Tax Invoices may be issued within 15 days of the month following the month in which supply takes place. However, for Simplified Tax Invoices, taxpayers must report them to ZATCA within 24 hours of generation.

When will the QR code string be generated by ZATCAfor Tax Invoices (B2B)?

For the Tax Invoice (B2B), the QR Code string will be generated by ZATCA at the time of Clearance (along with ZATCA's stamp). Taxpayers are expected just to visualize the QR Code based on the QR Code string received from ZATCA.

Can I submit the same invoice twice?

No, ZATCA does not allow the same document to be submitted twice. However, this will not be rejected at the time of submission.

What is the maximum size allowed for an invoice?

Around 10mb. If this value is exceeded, the relevant API will return an Error 413 response as "Request Entity is too large"

Is it mandatory to generate and store E-Invoices in XML or PDF/A3 (with embedded XML) format?

Once the taxpayer is part of the integration phase, XML or PDF/A3 (with embedded XML) format will be mandatory.

For Tax Invoices (B2B), is it mandatory to provide the customer with a PDF/A3 (with embedded XML) document or would the invoice in XML format suffice?

E invoicing Resolution provides option to either share XML or PDF/A-3 (with embedded XML). If the buyer is able to process XML and agrees to receive file in XML format, then it is valid compliance to send XML.

For Tax Invoices, what should be done if the clearance fails before issuing the invoice to the buyer?

In case of Tax Invoices, if clearing fails (Response is 400 Error), then the taxpayer must submit another invoice for clearance after rectifying the errors. Please note that every document shall have its own hash and counter value. Rejected document's hash and counter value should not be changed or updated.

What is the difference between Invoice ReferenceNumber and Invoice sequence number?

"As clearly mentioned in the Annex 2 of E Invoicing Resolution, Invoice Reference Number (IRN): A unique, sequential note number, issued by taxpayer, as per Article 53(5)(b) of the VAT Implementing Regulation. This implies IRN is just another name for Invoice Sequence Number.

Again, as specified in E Invoicing Resolution, the Compliant E-Invoice solution must have a tamper-resistant Electronic Invoice counter that cannot be reset or reformatted. The counter must increment for each generated Electronic Invoice or associated note and the Compliant Solution must record the value of this counter in each Electronic Invoice or associated Notes. Example 1,2,3,4,5... "

Is it possible to issue a credit note without a reference to an invoice?

Issuing Credit Note without reference to Original Invoice will be violating requirements of Article 54 of KSA VAT Regulations.

Do we need to send to ZATCA the Invoices where all sold items and services are "Services outside scope of tax / Not subject to VAT"?

"The Tax Category Code O is for those transactions where invoice may contain a line item with Standard Rate supply and other with" "Not Subject to VAT". There is no need to issue a Tax Invoice (or E Invoice) where the transaction solely covers supplies which are "Not Subject to VAT". Note: If the "Not Subject to VAT" Supply Invoices are generated using same Billing Solution that generates invoices for Standard Rate, it would be worth noting that there should not be gaps in Counter Value and the sequence of Previous Invoice Hash."

If the tax invoice includes remarks, notes, or addition- al clarification due to export shipping service and customs related, will the Arabic Translation be required in this case along with the English text?

Any information contained in the human readable form of the Tax Invoice must be in Arabic including notes. Any additional translation is also allowed.

Is the PDF/A-3 format mandatory in case that the taxpayer wants to send the invoice in PDF format or it isonly a recommendation from ZATCA?

PDF-A/3 (with embedded XML) is mandatory

How can the customers manage the credit notes in case it refers to multiple invoices?

Where one credit note refers to multiple invoices, it is expected that Invoice Reference Numbers are mentioned for the Original Invoices that the Credit Note relates to. The field is a "text" field and can accommodate reference as a range where the number of Original Invoices are too many.

In case a standard Invoice is rejected (not cleared) from ZATCA, then should the team cancel and regenerate the in- voice and resubmit again?

Invoices cannot be cancelled. If invoice is rejected by ZATCA, then tax payers can fix the errors and submit the XML just like a new invoice having its own Invoice Counter Value and Hash.

The additional Buyer ID: In case we don't have any additional ID for a B2B non-registered customer, can we still issue a standard tax invoice? We need to confirm that the missing additional buyer ID on the standard invoice will not be a reason for rejection?

In case additional Buyer ID is missing, invoice may be accepted with warnings. It is recommended that taxpayers update their customer mater data and meet all the requirements.

Other Seller ID: As we are adding our VAT ID on the invoices, do we still need to add additional ID?

Other seller ID is a mandatory field. The condition is that in case a tax- payer has multiple IDs, then the ID must be provided in the order of sequence of the list of IDs with priority from the top of the list.

We have some customers that issue invoices to companies with VAT in Saudi Arabia, but that are non-residents as they have no physical address in KSA territory. Is it possible to indicate a foreign address although the VAT is registered in Saudi Arabia?

Yes. It is possible to indicate a foreign address although the buyer is VAT is registered in KSA

Contact Us

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