VAT Alert: ZATCA has published draft legislation on e-invoicing for public consultation

October 2021

In brief

The Saudi Arabian Zakat, Tax and Customs Authority (ZATCA) published **draft amendments to the VAT Implementing Regulations** related to e-invoicing for public consultation on 27 September 2021. The deadline for comments is 23 October 2021.

In detail

The following major amendments were suggested:

1. A requirement to issue a “full” tax invoice (subject to a “SAR 1,000 value” exemption where the simplified invoice may still be used) to a taxable person, non-taxable legal person, one-person establishment or other entity incorporated in the Kingdom. The requirement also applies to supplies to both GCC and non-GCC countries (amending Art 53, Para 1);
2. In terms of self-billing, both supplier and customer must be VAT-registered (amending Art 53, Para 2);
3. Summary tax invoices can only be issued for a period not exceeding one calendar month (amending Art 53, Para 4);
4. Substantial changes to the simplified invoices regime are suggested (amending Art 53, Para 7) as follows:
   a. Simplified invoices must be issued to all customers/clients except a taxable person, non-taxable legal person, one-person establishment or other entity incorporated in the Kingdom. *Effectively, retail consumers must be issued with simplified invoices*;
   b. Simplified invoices may still be issued to non-retail customers if the value of the supply is below SAR 1,000. *This raises concerns from an implementation standpoint as the same software will be involved in the issuance of two types of invoices under different rules;*
   c. Simplified invoice must be issued on the date of the supply or, receipt of payment, whichever is sooner;

d. Provide the exemption from the above rule for supplies made by Saudi Arabian financial services providers licensed by the competent authority and any other supplies designated by the Governor of ZATCA. Such a simplified invoice must be issued within 15 days after the month of the supply and must include the customer's details. *For Saudi Arabian financial services providers, this mostly confirms that the bank statement can be used as a tax invoice under the e-invoicing provisions.*

5. The draft provides authority for the Governor to change the invoice content requirements or introduce additional requirements for e-invoicing purposes. *Effectively, in terms of tax invoice content, the VAT Regulations should be read together with the e-invoicing regulations and the latter should prevail* (amending Art 53, Para 9);

6. The Governor will have the power to suspend or cancel the obligation to apply the provisions of the e-invoicing regulations - wholly or partially - for a category of taxpayers or specific taxpayers after studying the reasons for such suspension or cancellation. *This creates the opportunity for taxpayers to lobby ZATCA to request changes to the application of the e-invoicing regulations* (amending Art 53 to add Para 10);

7. Changes to the circumstances in which a credit/debit note should be issued to be when the tax charged on the invoice exceeds/is less than the "due tax of the supply" amending Art 54, Para 1 and 2);

8. A debit/credit note can also be issued in case of a mistake or any other event not related to a change in the value of supply or return of goods, subject to both the supplier and the customer retaining the tax invoice and the note (amending Art 54, Paras 3,4, and 5);

9. When issuing a credit/debit note, there is no longer a reference to the sequential number of the original invoice. The draft regulations now require that the note should "precisely" refer to the original invoice (amending Art 54, Paras 3 and 4);

10. Changes to the storage of VAT-related data are suggested, aiming, in our view, to:

    a. Recognize that the data storage rules are also subject to general Saudi Arabian cyber security legislation meaning that e-invoicing implementation projects require broader consideration than only VAT legislation; and

    b. Storage of VAT-related data should also be subject to the e-invoicing rules and deadlines.

Interested parties may register on the Public Consultation Platform in order to provide comments by the deadline.

As KPMG in Saudi Arabia is heavily involved in supporting clients with their e-invoicing implementation, we shall use this opportunity to submit a consolidated set of suggestions/comments that address both the taxpayers' needs and any areas of ambiguity.

While many of the suggested changes are highly welcomed, there remain many issues that should be addressed either as part of the VAT Implementing Regulations or the e-invoicing legislation.

In this respect, we would be grateful for any suggestions/comments you might wish to share with us before 18 October 2021 – so we can consolidate and align the feedback and meet the deadline for submission. You can use any of the contacts below to channel your suggestions.

KPMG KSA is available to support you with e-invoicing implementation, where the closest deadline is on 4 December 2021.

For more information on this topic or to learn more about KPMG's Indirect Tax services in Saudi Arabia, kindly contact our team.

Get in touch

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