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E-invoicing Insights and Strategies from the UAE and KSA

Mastering E-Invoicing in the UAE
Insights and Best Practices from KSA Implementation

2nd July 2024 | Tuesday
3 pm - 4 pm GST | Zoom

www.fintedu.com

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Tech-Infused Finance, Tax , Compliance & Accounting Education!

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Mastering E-invoicing Insights Strategies from KSA

Deloitte. LIVA analytics ليوا للتحليلات

Finance and Tax delivered through technology

Agenda

E-invoicing Adoption & Developments

Key Take Aways From KSA

Question and Answers

Speakers

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LIWA analytics ليوا للتحليلات

Features

Laws Library: Act | Clarifications Decisions | Guidelines| E-forms

Corporate Tax
Value Added Tax
Customs & Excise
Transfer Pricing
Economic Substance Regulations
Anti Money Laundering

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KSA
Oman
Qatar
Kuwait
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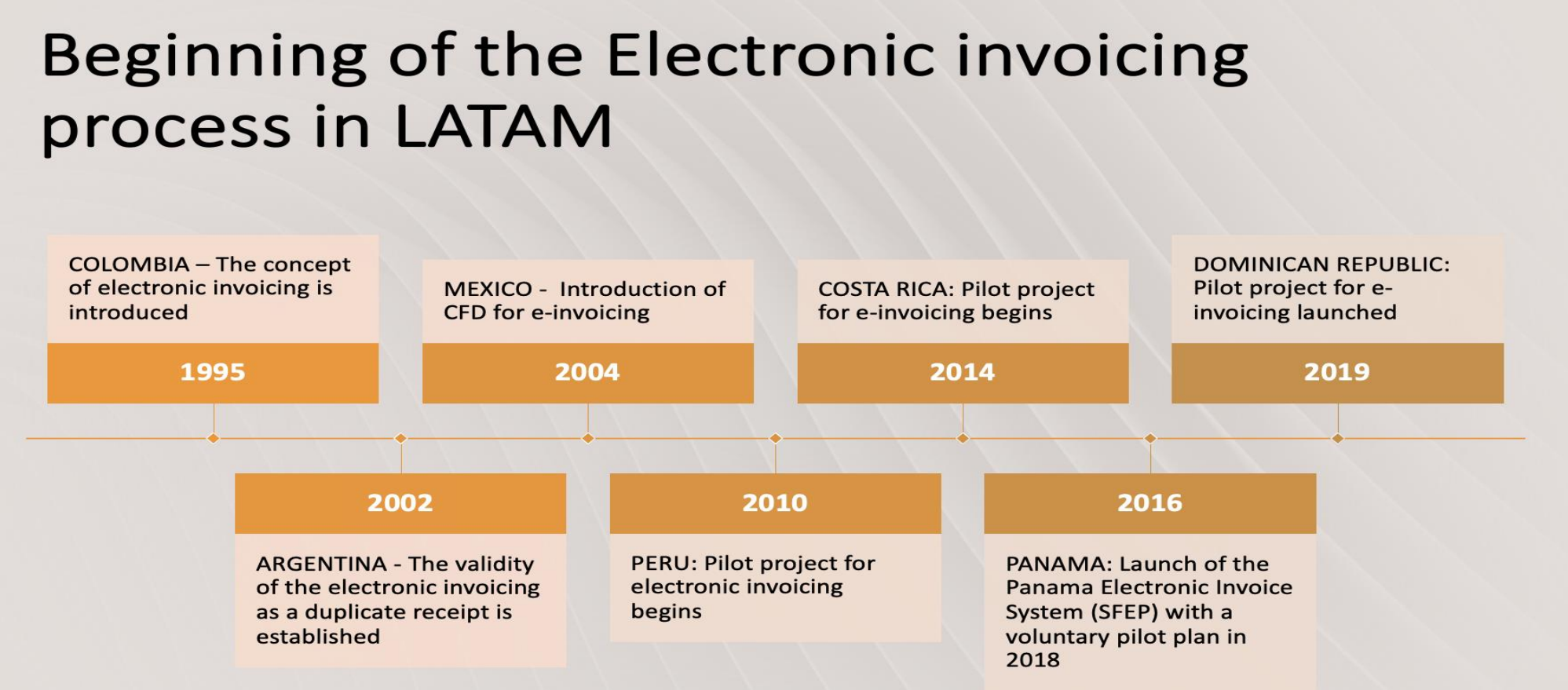
In Dec 2023, Liwa Analytics became the **first UAE e-invoicing advisor in Open Peppol!** 🌟

Where did e-invoicing start?



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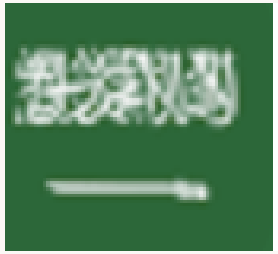
What is an electronic invoice (e-invoicing)?

- **Colombia** – "The electronic invoice is the evolution of the traditional paper invoice. For legal purposes, it has the same validity as paper, however, it is generated, validated, issued, received, and stored electronically"

- **Saudi Arabia** – "A tax invoice that is generated in a structured electronic format through electronic means".

- **New Zealand** – "Is the direct exchange of data between any 2 accounting systems, that makes doing business smoother, faster and safer ".

- **New Zealand European Union Free Trade Agreement** - **electronic invoicing" or "e-invoicing**" "means the automated creation, exchange and processing of invoices between suppliers and buyers using a structured digital format".



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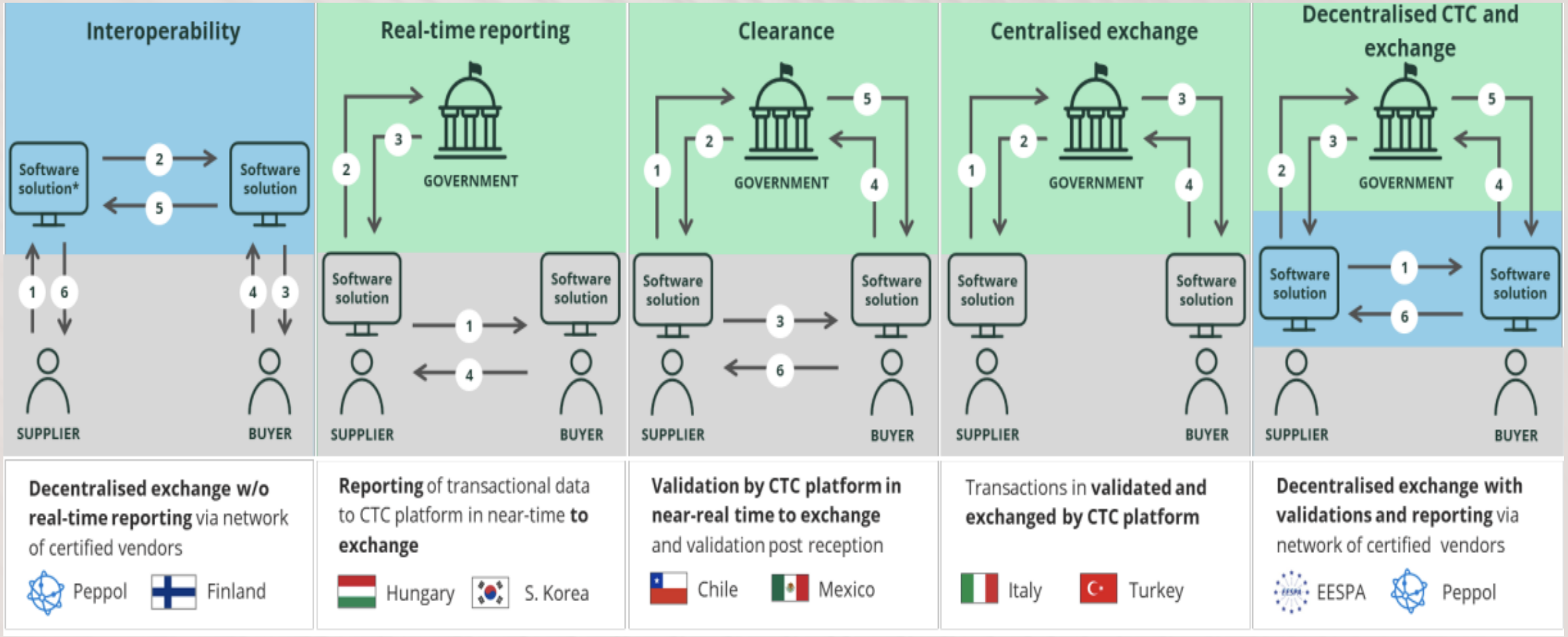
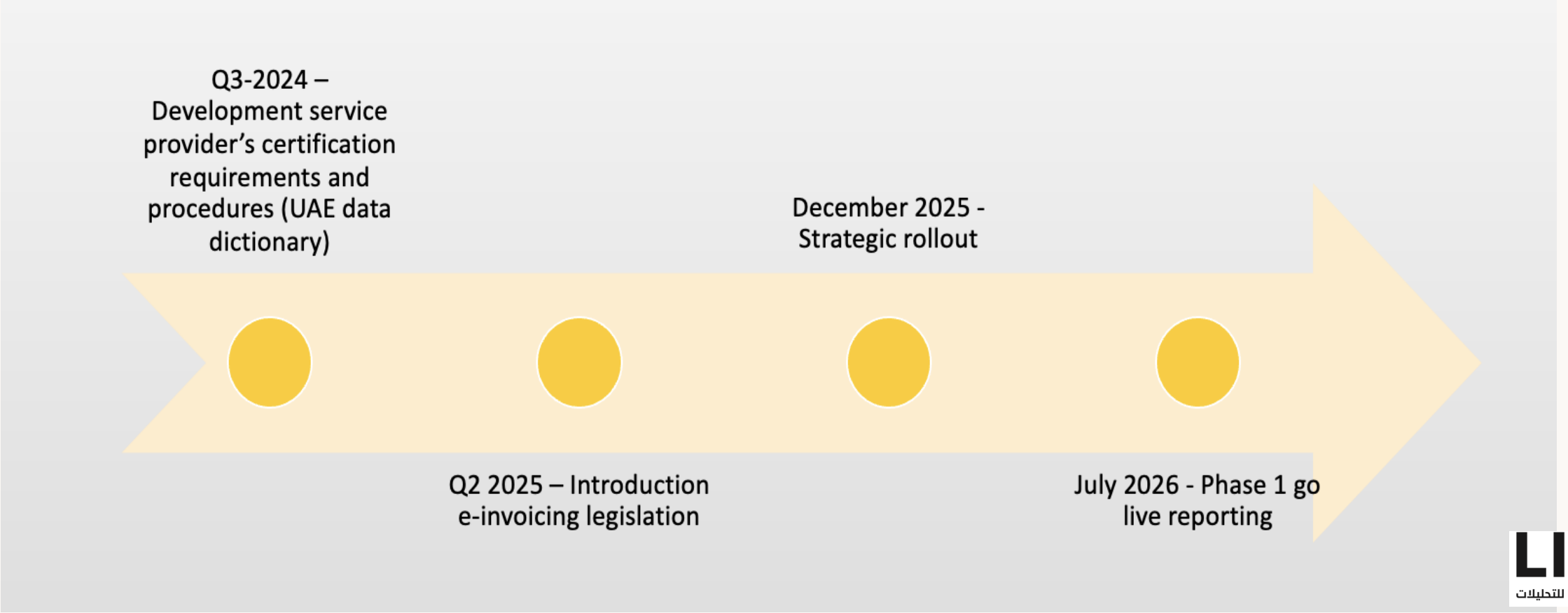
Example of an e-invoice

E-invoicing models (overview)



Source: https://www.gena.net/news-events/news-item/2022/08/03/A-NEXT-GENERATION-MODEL-FOR-ELECTRONIC-TAX-REPORTING-AND-INVOICING-DCTCE-v20

E-invoicing implementation rollout UAE (disclosed at the Dubai E-invoicing summit)



KSA E-invoicing landscape

E-invoicing and the KSA timelines

ZATCA has adopted a phased approach to implement e-invoicing in the Kingdom

17 September 2020

Issuance of draft regulations

04 December 2020

Issuance of Final regulations

28 May 2021

Final requirements from ZATCA

1 October 2021

Further clarifications for generation, issue and storage phase go live

4 December 2021

Generation, issue and storage phase go live

1 June 2022

Detailed API and security clarification update for Integration phase go live

1 January 2023

Integration phase go live`

Phase I. Generation, issue and storage

Phase II. Integration

E-invoicing timeline for Phase II

Prior notice of 6 months period to the taxpayer subject to each wave

Phase II. Integration

Subsequent waves of Integration Phase will be announced by ZATCA in due course

01 January 2023

Wave 1
Taxpayers exceeding SAR **3 billion** in 2021 VAT returns

01 October 2023

Wave 3
Taxpayers exceeding SAR **250 million** in 2021 or 2022 VAT returns

01 December 2023

Wave 5
Taxpayers exceeding SAR **100 million** in 2021 or 2022 VAT returns

01 February 2024

Wave 7
Taxpayers exceeding SAR **50 million** in 2021 or 2022 VAT returns

01 June 2024

Wave 9
Taxpayers exceeding SAR **30 million** in 2021 or 2022 VAT returns

01 November 2024

Wave 11
Taxpayers exceeding SAR **15 million in 2022 or** 2023 VAT returns

01 December 2024

Wave 12
Taxpayers exceeding SAR **10 million** in 2022 or 2023 VAT returns

01 January 2025

Wave 13
Taxpayers exceeding SAR **7 million** in 2022 or 2023 VAT returns

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E-invoicing and its scope

Transactions subject to E-invoicing

- Supplies of taxable goods and services (i.e., standard VAT rate or Zero rate)
- Export of goods and services from the Kingdom
- Intra-GCC supplies
- Nominal supplies by the taxable person
- Any payments related

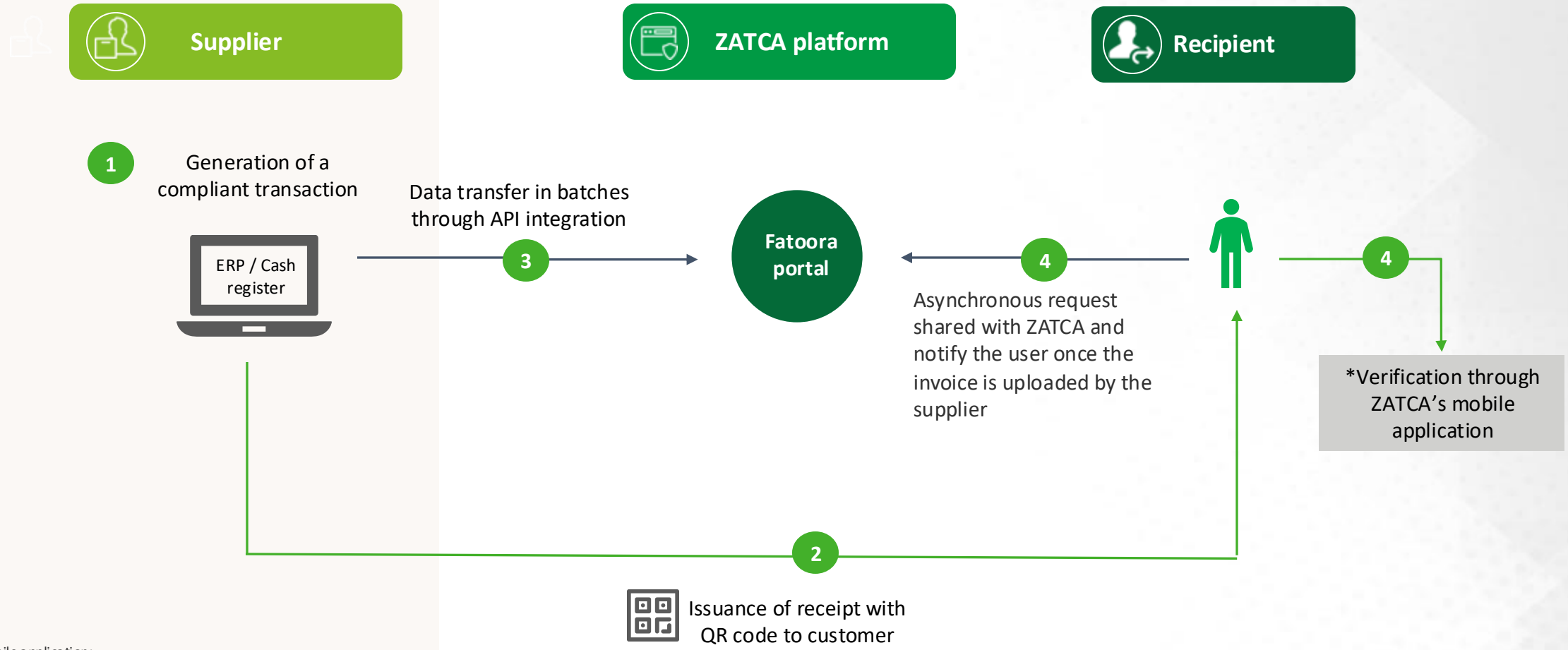
Transactions not subject to E-invoicing

- Supplies fully exempted from VAT.
- Any payments related to supplies fully exempted from VAT and received by a taxable person before such supply.
- Supplies subject to VAT according to the Reverse Charge Mechanism.
- Import of goods to the Kingdom.

E-invoicing models in KSA

Simplified E-invoice (**B2C**)

Accounts receivables workflow for integrated suppliers according to waves for Phase II



*ZATCA mobile application:
Android (Play store):
https://play.google.com/store/apps/details?id=com.gazt.egazt
Apple (iOS):
https://apps.apple.com/sa/app/zatca/id1517289036

Standard E-invoice (**B2B & B2G**)

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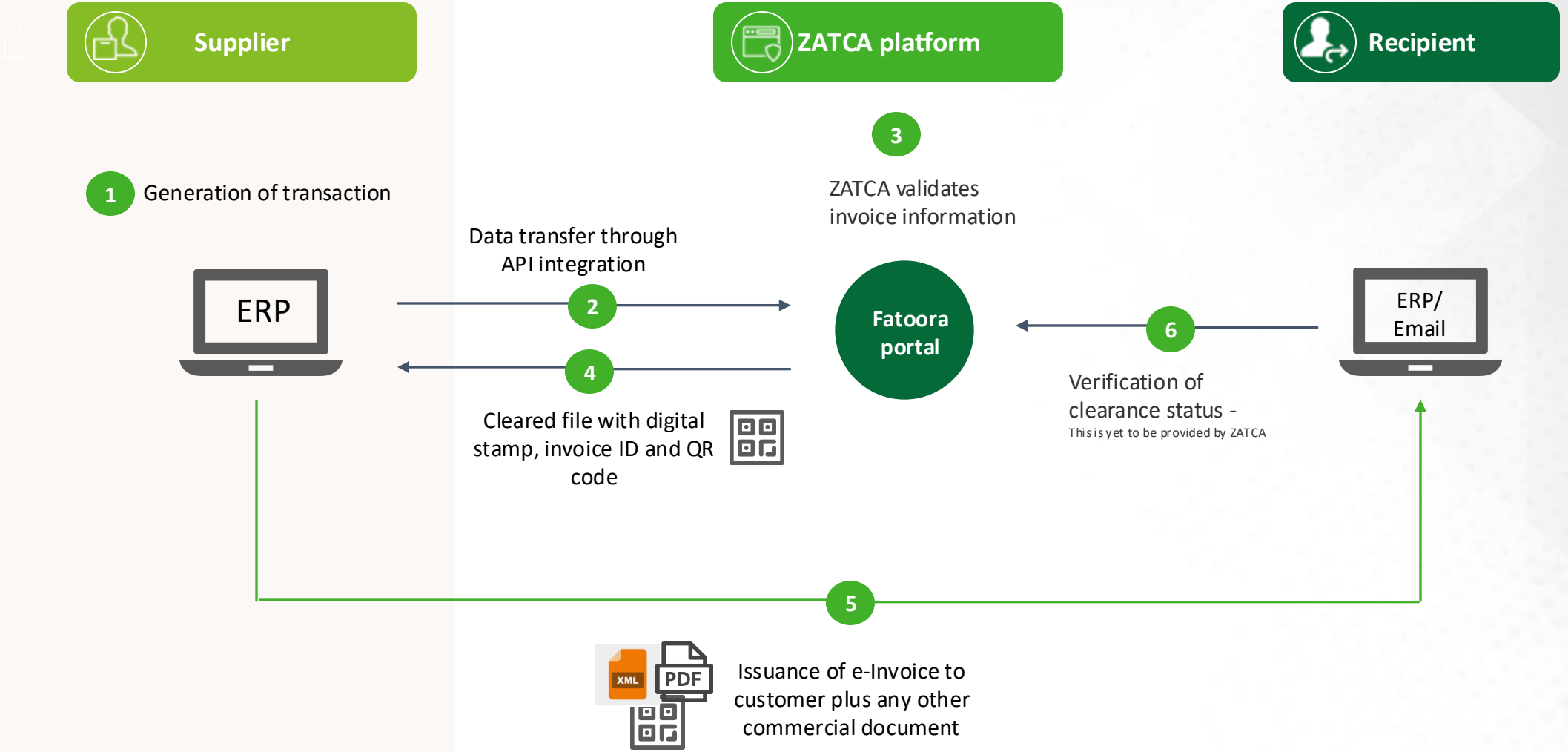
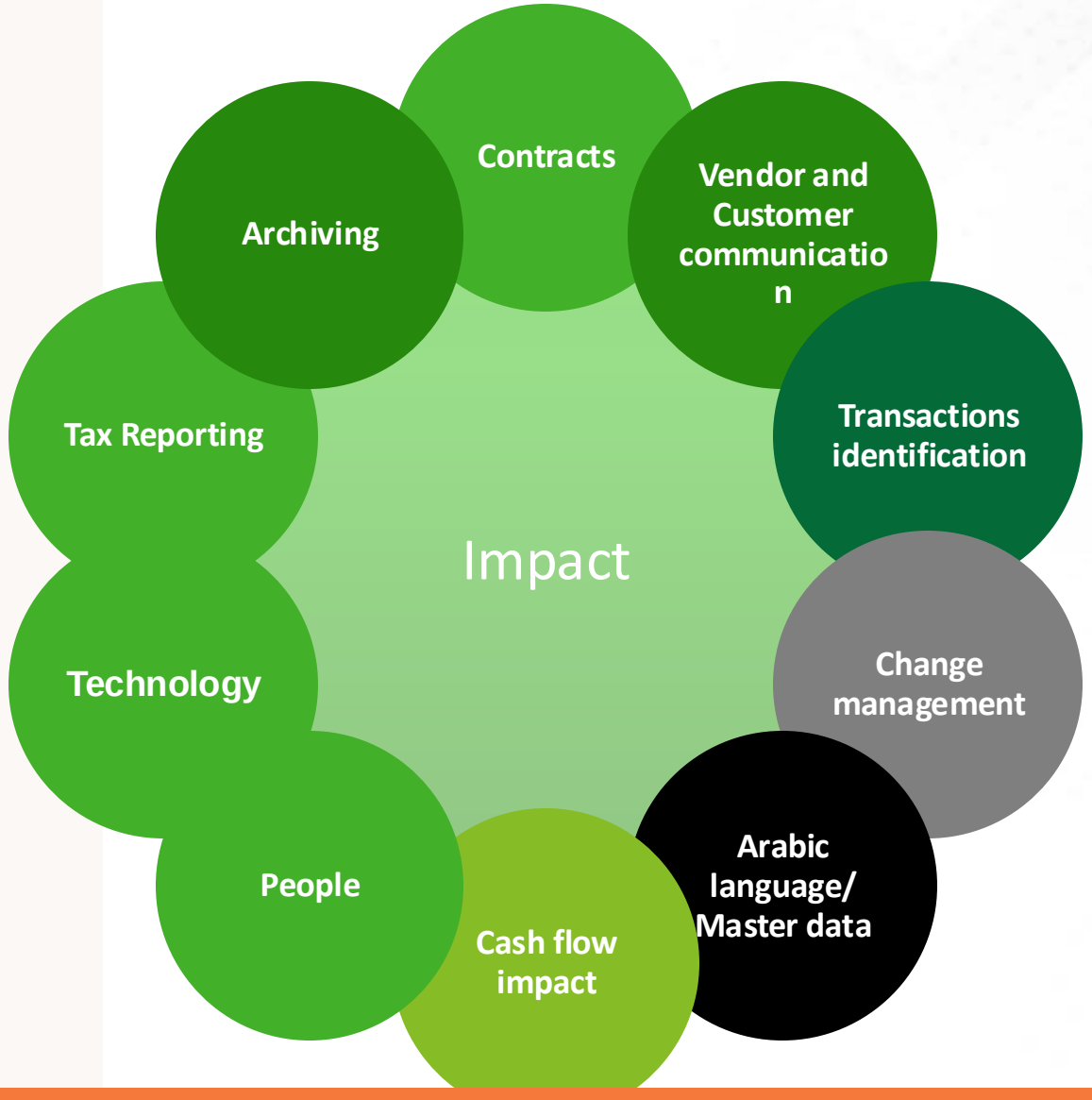


Impact of E-invoicing on businesses

Impact of E-invoicing on businesses

E-invoicing impact on the business landscape



E-invoicing and the key challenges

Key Challenges

- **Ever-changing tax environment** & regulations
- **Integration Issues:** E-invoicing systems' integration with existing accounting and ERP systems
- **Security and Privacy**: Protecting the confidentiality and integrity of invoicing data
- **Standardization:** Interoperability between different e-invoicing systems can be a challenge (different taxpayers in different phases)
- **User Adoption:** Training and convincing users to switch from traditional paper invoicing to an electronic system
- **Technology Constraints:** Businesses must ensure appropriate technology and infrastructure
- **Costs of Implementation:** The initial costs of implementing an e-invoicing system can be high (i.e. purchasing software, hardware and training)

E-invoicing – need for a coordinated approach

- Tax authorities in the Middle East are investing heavily on digitization, data storage, processing, and analytics
- Tax authorities will have an enormous database of real time information to process, analyze and use for risk assessment and initiating tax audits
- With the use of artificial Intelligence, tax authorities will soon be able to compare millions of transactions from the taxpayers.
- Taxpayers should focus on a more transparent and coordinated strategy.

Examples

- Identifying the difference between declarations submitted by taxpayers and real-time information sent to tax authorities during the period
- Reconciliation of transaction data between different parties (e.g., supplier and buyer) to ensure that both sides report the same values, reducing discrepancies and potential tax evasion.
- Analysis of revenue declared in corporate tax returns and sales per the VAT returns
- Conducting sector-specific analysis to understand tax compliance levels across different industries and identify sectors with higher risks of non-compliance.

Key takeaways

Key takeaways

- **E-invoicing is not an end-to-end solution. It has manifold impacts**
- **Timelines needed for the implementation of e-invoicing**
- **Data is the new oil**

Q&A

THANK YOU!

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