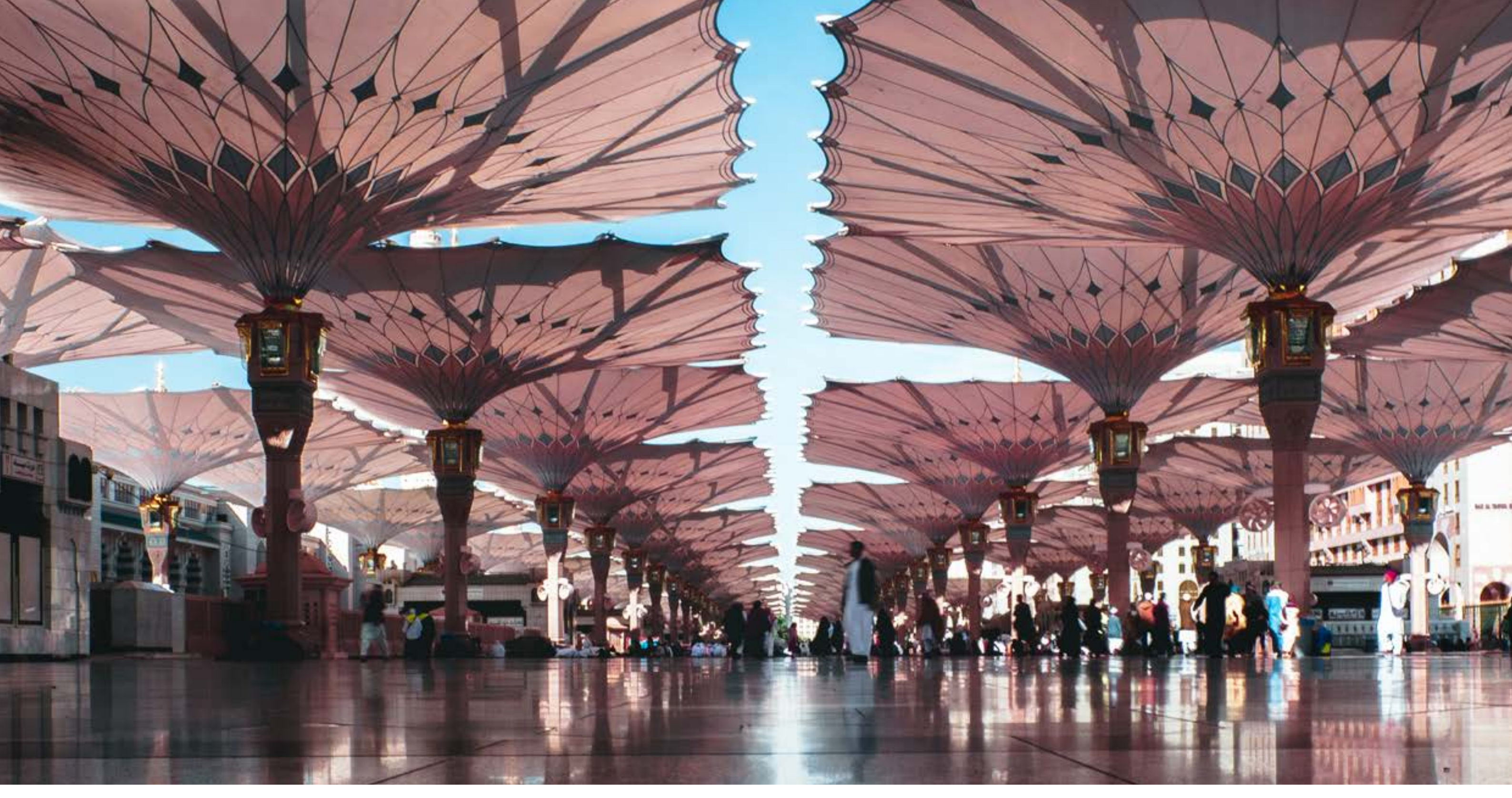

# SAUDI ARABIA

## CONTINUOUS TRANSACTION CONTROLS (CTC)

## OVERVIEW

A tax pioneer for the Gulf Region, Saudi Arabia introduced VAT in 2018 and has been consistently improving its systems ever since. The Zakat, Saudi Arabia's tax and customs authority (ZATCA), announced a two-phase plan to introduce e-invoicing, with the first phase having gone live on 4 December 2021.

## WHEN DO I NEED TO COMPLY?

**2018 01 JANUARY**

Saudi Arabia introduces VAT.

**2021 04 DECEMBER**

Implementation of phase one of Saudi Arabia's mandatory e-invoicing with post-audit controls.

All taxable residents must generate, amend and store invoices, plus credit and debit notes, electronically. Distribution of these documents remains unregulated and can happen in any format, electronic, human-readable or paper.

**2023 01 JANUARY**

Phase two of the e-invoicing system which envisages a CTC regime begins with a roll-out that will ultimately affect all Saudi Arabian businesses.

This is referred to as the integration phase as the taxpayers must integrate with the ZATCA platform to transmit their e-invoices.

The key differences compared with phase one are that invoices must be generated in structured XML format. B2B and B2G e-invoices issued by suppliers will need to be 'approved' by the ZATCA before being sent to buyers, whereas B2C e-invoices can be reported to the ZATCA within 24 hours of issuance. For B2B and B2G transactions, e-invoices may either be sent to buyers in XML or PDF A/3 with embedded XML format. B2C e-invoices must be presented in paper form unless otherwise agreed with customers.

For phase two, companies can expect to be notified at least six months' ahead of the date by which they'll need to begin complying. It's expected that large taxpayers will have to comply by 1 January 2023, with rollout for other taxpayers to be announced at a later stage by the tax authority.

## WHAT DO I NEED TO DO?

### COMPLIANCE FOR PHASE ONE

All residents taxable by Saudi Arabia must generate, amend and store e-invoices and electronic notes across B2B, B2C and B2G transactions. This includes exports.

Generated e-invoices and associated notation must be in a structured electronic format. Whilst any structured format is permitted, the following is required:

- B2C invoices must include a QR code
- All invoices must be time-stamped
- Integrity of invoices is explicitly required
- E-invoices must be archived in a server located within Saudi Arabian territory and must be stored in a structured format. (Additional requirements required for storage abroad).

### COMPLIANCE FOR PHASE TWO

It's important to note that this phase will be staggered across different taxpayers. In addition to the requirements in phase one, taxpayers will be required to submit e-invoices and electronic notes to the ZATCA.

The following will also be required:

- B2B invoices will require clearance, while B2C invoices must be reported to the ZATCA's online platform within 24 hours of issuance
- E-invoices must be issued in XML format
- Tax invoices can be sent in either XML or a PDF/A-3 with embedded XML to buyers
- B2C invoices must be presented in paper format, though through mutual agreement, B2C invoices can be shared electronically or through other readable means.

E-invoicing solutions must have the following features to remain compliant:

- Generation of a universally unique identifier (UUID) plus invoice sequential number
- Tamper-resistant invoice counter
- An ability to save and archive e-invoices and electronic notes
- Generation of a cryptographic stamp for B2C invoices, a hash and a QR code for each e-invoice and electronic note.

## HOW CAN SOVOS HELP?

Need to ensure your business is compliant with the evolving VAT reform in Saudi Arabia?

Sovos serves as a true one-stop-shop with products and solutions for managing all e-invoicing and VAT reporting compliance obligations in Saudi Arabia and across the globe. Sovos uniquely combines local expertise with a seamless, global customer experience.

**CONTACT US TODAY**

SOVOS

www.sovos.com/contact / emeainfo@sovos.com

Argentina / Brazil / Chile / Colombia / Ecuador / Germany / Mexico / Netherlands
Peru / Portugal / Sweden / Turkey / United Kingdom / United States

in Sovos Europe   @SovosEurope