



Paperless solutions
for your business

ZATCA e-Invoicing 2nd Phase Guidebook for companies



Prepare your business for the
ZATCA second e-Invoicing Phase

www.infinite-b2b.com/ae



هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority



We're officially certified by ZATCA

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Let's get back to e-invoicing. What is it and how it works?

The e-invoicing process called FATOORAH applies to taxable persons who are residents in the Kingdom of Saudi Arabia, as well to the customers or any third parties who issue a tax invoice on behalf of a taxable person who is a resident in the Kingdom according to the VAT Implementing Regulation.



According to the dictionary

E-invoicing is a process where businesses can send, receive, and store invoices electronically. The main benefits of e-invoicing are that it is paperless, efficient, and secure.



Paperless



Efficient



Secure

Why is e-invoicing being introduced in KSA?

The Saudi government has introduced several initiatives to digitize the economy and promote e-invoicing, such as ZATCA. E-invoicing will help reduce the administrative burden on businesses, improve compliance, and promote transparency.

It will also help the government keep track of companies and their activities. E-invoicing will also create a common database for audits. With this readily available information, tax authorities won't need to conduct audits as frequently as before.

Expert says:

In the KSA, ZATCA, or the Zakat, Tax and Customs Authority announced the regulations that made it mandatory for businesses to shift to e-invoicing. For those who pay VAT in KSA, the format of e-invoices will be similar to the VAT invoices issues but will be created online. All invoices and notes have to be issued through e-invoicing compliant systems and have to adhere to the ZATCA's regulations. This helps in the standardization of transactions and ensures that there is uniformity in everything. It also ensures the secure storage of information.

- Ammar Hamednalla, e-Invoicing Manager at Infinite IT Solutions



Benefits for taxpayers



A better experience for sellers and buyers. When you issue invoices quickly in real time, input tax credits will be processed faster.



Electronic data will be more secure and less error-prone than paper entries. With a proper system for validating invoices, there will be fewer chances for fraud, leading to fair competition and improvement of trade.



A streamlined electronic invoicing process reduces slip-ups and additional hassles for business owners. Your workload gets reduced, you get paid faster, and you can retrieve documents easily when storing them digitally.



It helps businesses comply with government regulations;



It reduces the administrative burden on businesses.



It is secure and reduces the risk of fraud;

The two phases of e-invoicing regulations in KSA



ZATCA has embraced two electronic invoicing regulations mandating businesses to adopt new e-invoicing procedures in two phases. Now on schedule is second phase.

Phase 2 (January 1, 2023)

The second phase will start on January 1, 2023.

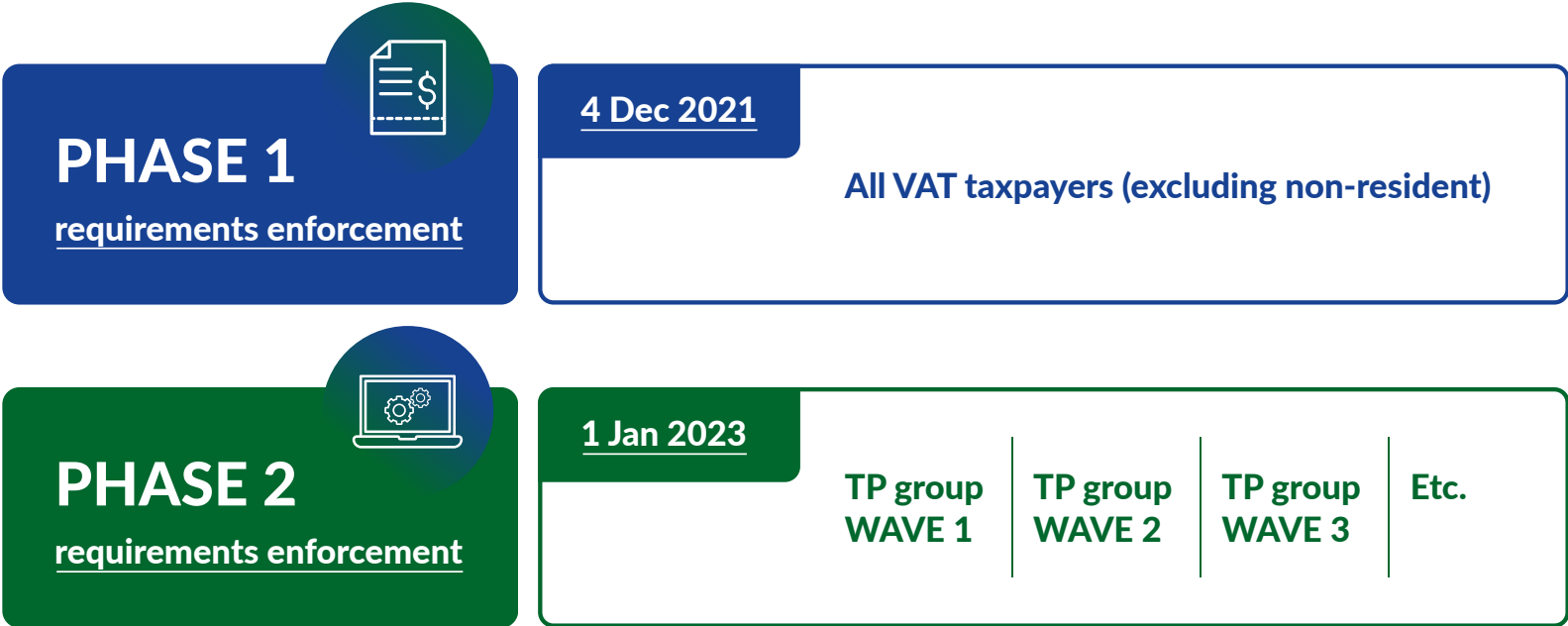
The following are the requirements for businesses during this phase:

- Integrate your e-invoicing solution with ZATCA's system to allow you to send invoices to ZATCA for validation / Clearance or Reporting.
- Issue invoices in specific formats such as XML or PDF/A-3 with embedded XML.
- Your system should have the capability to connect to external systems with Application Programming Interfaces (APIs) and produce a UUID (Universally Unique Identifier), digital signature, a unique sequential number for each invoice, and a HASH KEY.
- During this phase, you are required to archive all your invoices for a certain period of time based on your industry.

Roll-out phases

E-INVOICING (FATOORAH) IMPLEMENTATION IN KSA

ZATCA has published e-invoicing requirements that will be rolled-out into two main phases in KSA:





PHASE 1 (as of December 4th, 2021)

- Phase 1, known as the Generation phase, will require taxpayers to generate and store tax invoices and notes through electronic solutions compliant with Phase 1 requirements.
- Phase 1 is enforceable as of December 4th, 2021, for all taxpayers (excluding non-resident taxpayers), and any other parties issuing tax invoices on behalf of suppliers subject to VAT.

PHASE 2 (enforceable starting January 1st, 2023 in waves)

- Phase 2, known as the Integration phase and rolled-out in waves by targeted taxpayer group, will involve the introduction of Phase 2 technical and business requirements for electronic invoices and electronic solutions, and the integration of these electronic solutions with ZATCA's systems.
- ZATCA will notify taxpayers of their Phase 2 wave at least six months in advance, and is rolled-out in waves by taxpayer group, as shown below in the table:

Integration Wave 1		Taxpayers with annual taxable revenue above 3Bn in 2021	Integration Period 1 Jan - 30 Jun 2023
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Integration Wave 2		Taxpayers with annual taxable revenue above 0.5Bn in 2021	Integration Period 1 Jul - 31 Dec 2023
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Remaining Waves will be announced

Expert says:

It is recommended for taxpayers to start following phase 2 requirements on a voluntary basis before their integration enforcement date and approach a solution provider or their technical team due to the technical nature of ZATCA requirements to ensure their E-Invoice Solutions are compliant with ZATCA's regulations.

- Ammar Hamednalla, e-Invoicing Manager at Infinite IT Solutions



Timeline

December 4th

2020



Publication of the e-invoicing regulations

December 4th

2021



e-Invoicing generation enforcement

January 1st

2023



Integration enforcement

Types of e-invoices

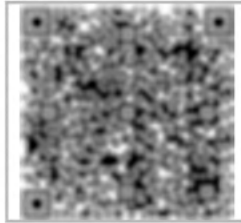
1. Tax e-invoice (standard e-invoice)

Tax e-invoices are issued for B2B and B2G transactions, and are generally used for claiming input VAT deduction by buyers. In phase 1, these invoices will have to be shared with buyers in the required format. In phase 2, these invoices can be shared with buyers only after being cryptographically stamped and cleared by ZATCA.

Taxpayer must generate a Tax Invoice that includes all ZATCA mandatory fields in an electronic format using a compliant E-Invoice Generation Solution (EGS) which is Onboarded to ZATCA portal.

Here is a sample e-invoice →

فاتورة ضريبية
Tax Invoice



Invoice Number:	100	رقم الفاتورة:	100
Invoice Issue Date:	25/4/2022	تاريخ إصدار الفاتورة:	25/4/2022
Date of Supply:	25/4/2022	تاريخ التوريد:	25/4/2022

Seller:		Buyer:	
المورد:		المشتري:	
Name:	الاسم:	Name:	الاسم:
Building No.	رقم المبنى:	Building No.	رقم المبنى:
Street Name	اسم الشارع:	Street Name	اسم الشارع:
District	الحي:	District	الحي:
City	البلدية:	City	البلدية:
Country	البلد:	Country	البلد:
Postal Code	الرمز البريدي:	Postal Code	الرمز البريدي:
Additional No.	الرقم الإضافي لتعاون:	Additional No.	الرقم الإضافي لتعاون:
VAT Number:	رقم تسجيل ضريبة القيمة المضافة:	VAT Number:	رقم تسجيل ضريبة القيمة المضافة:
Other Seller ID:	معرف آخر:	Other Buyer ID:	معرف آخر:

Line Items:								توصيف السلعة أو الخدمة:
Nature of goods or services	Unit price	Quantity	Taxable Amount	Discount	Tax Rate	Tax Amount	Item Subtotal (Including VAT)	
تفاصيل السلع أو الخدمات	سعر الوحدة	الكمية	المبلغ الخاضع للضريبة	خصومات	نسبة الضريبة	مبلغ الضريبة	المجموع (شامل ضريبة القيمة المضافة)	
Item A - السلعة أ	200.00 SAR	1	200.00 SAR	0	15%	30.00 SAR	230.00 SAR	
Item B - السلعة ب	350.00 SAR	2	700.00 SAR	0	15%	105.00 SAR	805.00 SAR	

Total amounts:			إجمالي المبلغ:
Total (Excluding VAT)	الإجمالي (غير شاملة ضريبة القيمة المضافة)	900.00 SAR	
Discount	مجموع الخصومات	0.00 SAR	
Total Taxable Amount (Excluding VAT)	الإجمالي الخاضع للضريبة (غير شاملة ضريبة القيمة المضافة)	900.00 SAR	
Total VAT	مجموع ضريبة القيمة المضافة	135.00 SAR	
Total Amount Due	إجمالي المبلغ المستحق	1,035.00 SAR	

Source: www.zatca.gov.sa



2. Simplified e-invoices

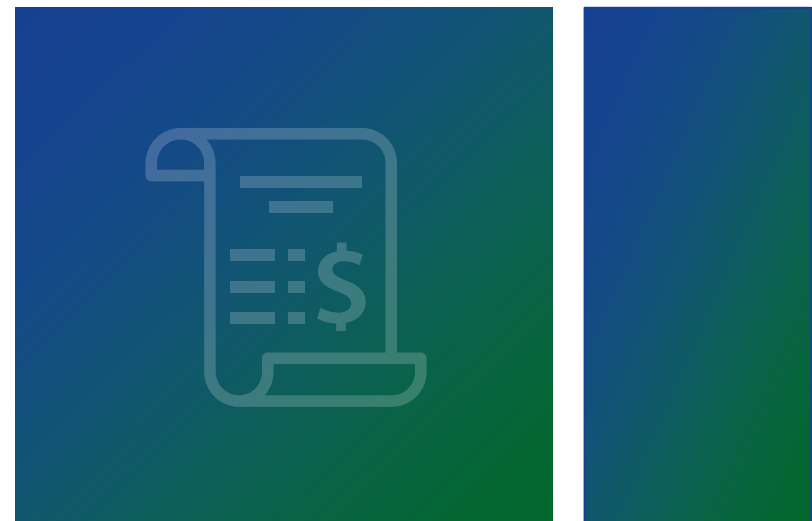
Simplified e-invoices are issued for B2C transactions at the point of sale. Every simplified tax invoice (B2C invoice) has to have a QR code for validation purposes.

Since the 1st phase, all the companies have been required to share a simplified invoice with their customers. However, starting from the 2nd phase, all simplified transactions have to be reported to ZATCA within 24 hours since issuing.



e-Invoice structure

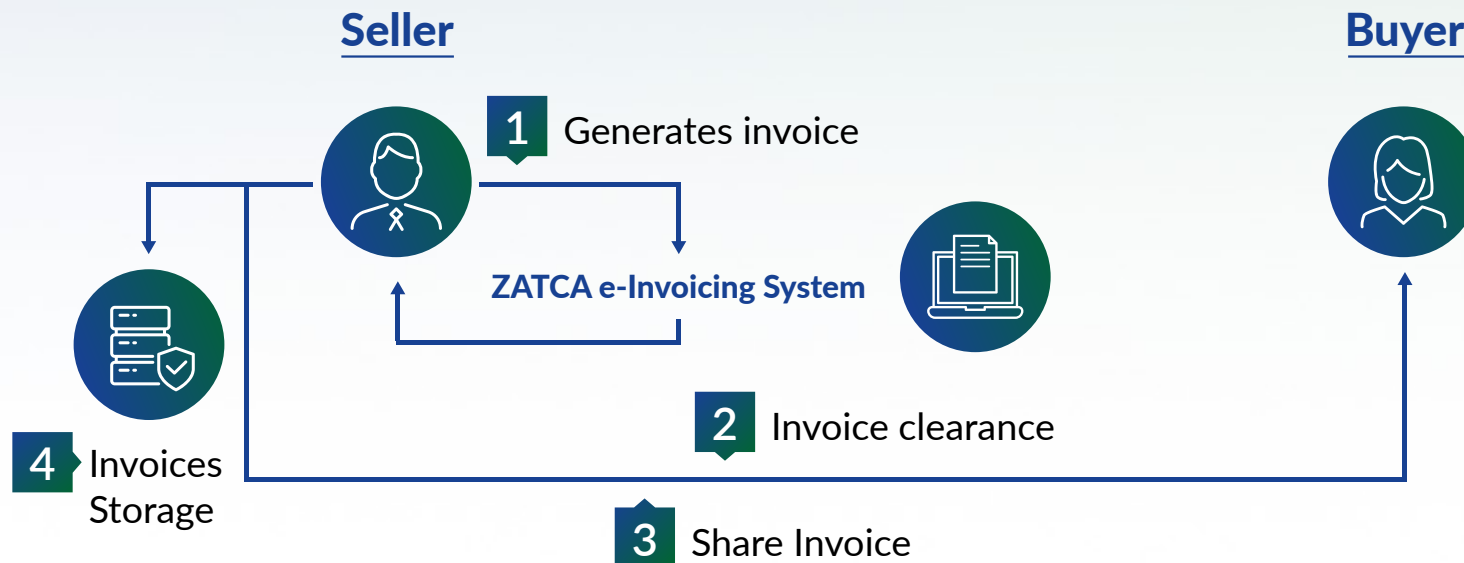
- Invoice type description
- Invoice reference number (IRN)
- Invoice issue date
- Seller's name, address, and ID
- Buyer's name, address, and ID
- Product or service description
- VAT calculation fields (net, gross, VAT rate, subtotals, etc.)



How it works – operation process of phase 2

Illustrative diagram for Integration Phase

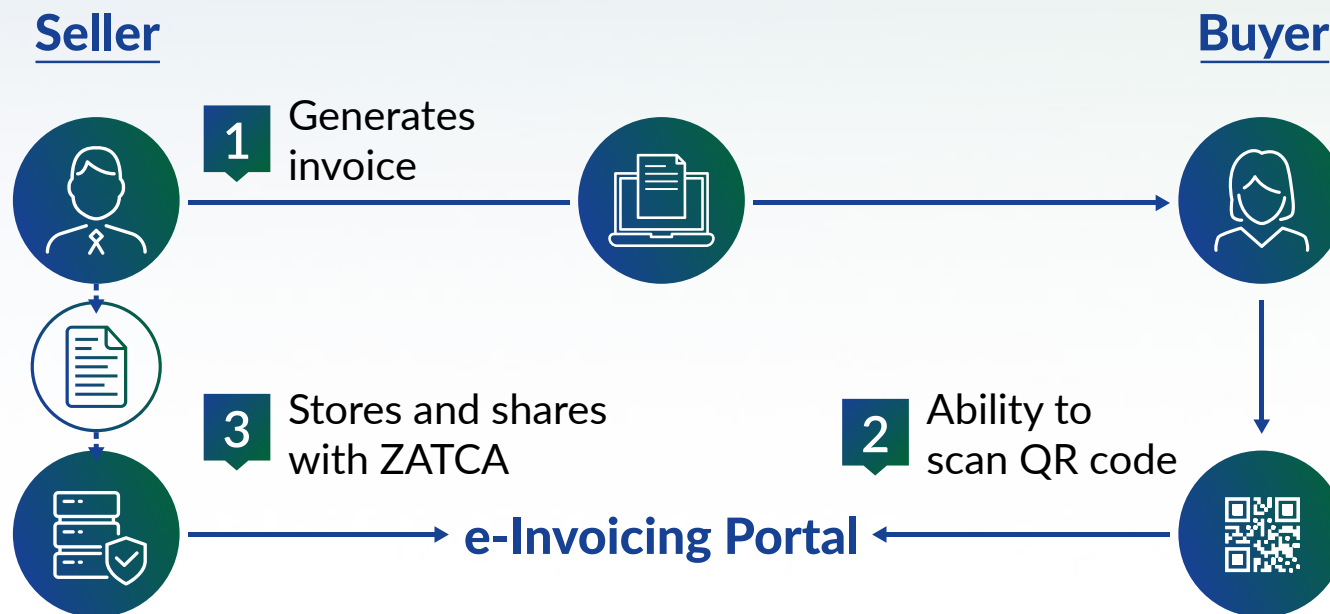
E-Invoice Generation for B2B/G transactions



How it works – operation process of phase 2

Illustrative diagram for Integration Phase

Simplified e-Invoice Generation for B2C transactions





Technology: Special fields details

- **Universally Unique Identifier (UUID):** Example 061c95fb-d6bb402-e-aa6-24cb09ec1d013
- **Cryptographic Stamp:**
Tax Invoice Generated by ZATCA, Simplified Invoice Generated by the Tax Player Solution.
- **Cryptographic Stamp Identifier:** Credential that is associated with a cryptographic stamp and associates it with a registered Invoice Solution.
- **Previous Invoice Hash:** Automatically generated within the taxpayer's invoice solutions and is not visible on the invoice. The hash can be thought of as a digital fingerprint of the invoice.
- **QR Code:** The QR contains basic invoice data and is included within the printed invoice and the electronic invoice.
- **Invoice counter:** A functionality of electronic invoice solutions and is generated automatically by the solutions.

QR code

- Seller's name
- VAT registration number of the seller
- Time stamp of the e-invoice or credit/debit note (date and time)
- e-Invoice or credit/debit note amount (with VAT)
- VAT amount
- Hash of XML e-invoice or credit/debit note
- Cryptographic stamp
- Public key used to generate the cryptographic stamp
- ZATCA portal cryptographic stamp of the public key of the e-invoicing solution

Technology: Special fields details

Integration

- Internet Connectivity
- Invoice clearance
- Invoice reporting

Invoice Generation

- Invoice fields
- Invoice format
- Invoice storage

Security & Integrity

- QR code
- Cryptographic stamp
- Device Registration
- UUID
- Hash

[Click here to see the full list of mandatory fields](#)

Here's what you have to do for each transaction:

- Use a compliant e-invoicing system to generate the e-invoice with all the required fields.
- Issue a copy to the buyer. By phase 2, you will need to push this invoice to ZATCA's portal and get it validated before you send it to the buyer.
- Store the e-invoice in your system for future reference.
Moving to a cloud-based solution that offers you e-invoicing features will make storage easier and ensure compliance automatically.

Expert says:

Remember that you have to follow each of ZATCA standard in UBL and readable format otherwise you will experience rejected invoices.

Rejected invoices cannot be edited and should be archived with other invoices. To correct this, you must issue a new invoice with a new invoice number and the UBL must contain the same hashkey of the invoice you want to correct. We at Infinite have solved this problem by having a double validation engine on our ZATCA E-invoicing solution. This ensures that all invoices sent by our middleware will not be rejected by ZATCA.

Invoices that have been rejected by our middleware can be easily edited and resent to our middleware.

- Ammar Hamednalla, e-Invoicing Manager at Infinite IT Solutions



Infinite e-Invoice solution



Ready-to-deploy connectors for a wide range of ERPs – SAP, Oracle, Microsoft Dynamics, other – to integrate with ZATCA's or other national platforms



Legally compliant electronic signatures of e-invoices



A single connector automating document flow with both public and private sectors



Time stamping of documents stored in e-Archive



Real-time validation of content verifying the legal compliance of sent and received documents



100% compliance with the ZATCA's or other national e-Invoicing platforms

A background image showing a group of business professionals in a meeting. In the center, two men are shaking hands. The image is overlaid with a semi-transparent blue and green gradient. The text is white and bold.

Choose proven specialist certified by ZATCA

Fullfill all regulations with us

Companies from Saudi Arabia who trusted us:



L'ORÉAL



أسواق التميمي
tamimi markets




SAMSUNG




About Infinite

Infinite IT Solutions has pioneered paperless solutions which automate and enhance key business processes for over 20 years, consistently delivering business value with the latest technology. Our aim is to promote one paperless ecosystem providing a B2B marketplace with various solutions being used by more than 10 000 companies in Europe and Middle East and Africa.


Check our other solutions:



**Data
Automation**



e-Invoice



e-Catalogue




e-Archive



SFA



eSign



**eCustomer
Service**



Marketplace

For more details Please contact with us

Ammar Hamednalla
GCC Sales Manager



ammar@infinite-b2b.com



+971 4 584 6951

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