Digitalization is affects every facet of banking operations, including tax accounting. Banks hold an immense amount of data about their customers – both retail and commercial – and the effective use of tax technology depends on a bank’s ability to organize and use that data.

VAT as a bellwether for change
In 2018 Saudi Arabia introduced a value added tax (VAT) at a rate of 5% as part of its move towards the 2030 vision of reducing dependence on oil as a source of government revenue. Last year, in the midst of the Covid-19 pandemic, the Ministry of Finance announced an increase of the VAT rate to 15% – a measure aimed primarily at countering the adverse economic implications of the pandemic. The tripling of the VAT rate was intended to address the fiscal imbalance caused by a decrease in consumer and commercial spending, the loss of oil and tax revenues, and the cost of healthcare initiatives put into place in response to the pandemic.

GAZT and e-invoicing
The Saudi Arabian General Authority of Zakat and Tax (GAZT) issued new e-invoicing regulations in December 2020 with an implementation date of 4 December 2021. At this stage we know that the new regulations cover the issue, storage and transmission of e-invoices and related relevant data and are already causing businesses to adopt new tax technologies and processes in order to comply.

The new e-invoicing regulations are integral and complementary to the VAT Implementing Regulations and apply to all Saudi resident taxpayers. The regulations define the terms, requirements, and conditions related to e-invoices. For example, the definition of an electronic invoice is stated to be a tax invoice issued electronically through electronic means, which excludes scans or copies of invoices. The move to e-invoicing is intended to improve compliance, tax revenue collections, the efficiency of the filing process for taxpayers and to combat commercial concealment. Overall, the aim of GAZT is also to improve the Kingdom’s alignment with, and adherence to, international standards. GAZT has committed to make further details available to taxpayers before May 2021.

Secure e-invoicing
As banks quickly ramp up their e-invoicing operations to meet GAZT’s end-of-2021 deadline, it is crucial that they take action to ensure data completeness, security and privacy are integrated into the management of their VAT systems. The regulations stipulate that web access and encryption are prerequisites for implementing an e-invoicing solution.

Commercial versus retail e-invoicing
The current guidance from GAZT does not distinguish between requirements for B2B and B2C. Since many banks provide services to both commercial and retail customers, the e-invoicing systems they introduce have to fit both models. Unsurprisingly, challenges exist in both.

From a B2B perspective, banks will have to ensure that the e-invoice can be received and processed by its customers as part of their accounts payable process; while B2C customers must be prepared to receive digital invoices – this
It is now even more critical that the entire tax environment is viewed holistically and that the necessary skills and experience are acquired to manage both the output of tax information and the inevitable heightened interaction with the tax authorities.