

Electronic Invoicing



EU Trends

Changes in the VAT Directive of the European Union which are effective as of 1 January 2013 define uniform rules for issuing invoices which apply both to invoices issued in hard copy and in electronic form. As a result hard copy invoices are made equivalent with electronic invoices. Both the one and the other must meet three conditions:

- authenticity of origin,
- integrity of content, and
- legibility of invoice.

These conditions must be met from the moment that the invoice is issued until the expiry of the required period for keeping it, which is achieved through the system of controls that ensure a reliable link between the invoice and the supply of goods or services.

Technologies that ensure authenticity of origin and invoice integrity are EDI (electronic data exchange) and electronic signature in accordance with appropriate EU regulations. Besides these technologies, any other technology can be applied to the issue of electronic invoices if above conditions are met.

All EU member states were required to incorporate these provisions into their legislation by 31 December 2012.

When considering the conditions that must be met, the question is what risks are companies exposed to if these conditions are not satisfied. Risks are above all related to taxation in the sense that the right to deduct input VAT could be denied if an electronically issued invoice does not meet specified requirements.

Electronic invoicing in Serbia

While in the EU invoicing in hard copy and electronic form is equivalent and is regulated by VAT legislation, in Serbia tax regulations do not contain a single provision in respect of electronic invoicing.

However, there is growing interest in electronic invoicing. One of the basic reasons are the undeniable benefits of electronic invoicing: reduction in the costs of processing and storing invoices, decrease in errors in posting and reporting, greater efficiency and integration of business processes, environmental impact, etc.

Besides this, the fact is that many companies operating in Serbia are members of an international group. Introducing

electronic invoicing at group level often means introducing electronic invoicing in the Serbian member of the group. Interest in electronic invoicing is also growing among other companies and besides evident benefits, the reason relates to their dealings with foreign companies which have already introduced or intend to introduce electronic invoicing.

Electronic invoicing is inevitable, and the question is whether it is possible in Serbia. Although tax regulations do not define electronic invoicing, electronic invoicing, including the basic principles (authenticity, integrity and legibility) are recognized in other non-tax regulations, such as: Law on Accounting, Law on the Electronic Document, etc.

As in the EU, in Serbia the most significant risks when an electronically issued invoice does not satisfy prescribed conditions above all relate to taxation: the risk is that deduction of input VAT could be denied in respect of an electronically received invoice and the risk that an expense would not be recognized for corporate income tax purposes.

It can be concluded that electronic invoicing is recognized in Serbia, an inappropriate approach carries significant tax risks, the electronic invoicing system which should be applied must be analysed from the perspective of various regulations and must be organized in such a way that fulfilment of prescribed requirements can be documented at all times.

How can KPMG assist you?

Using our international network of experts for various areas, tax, IT advisory, accounting advisory, KPMG can provide you with full support in all the phases of implementation of the system of electronic invoicing, including: analysis of Serbian regulations and requirements that must be met, analysis of the desired model and its compliance with Serbian regulations, analysis of risks and how to manage them, analysis of the applied model from the perspective of information flow, assistance in drafting internal guidelines, system testing.

For any information related to electronic invoicing and ways in which KPMG could assist you in this process, please feel free to contact us.

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