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Articles for Lexology

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Topic: “Mandatory Internal Invoicing Through SEF – A New Compliance Reality for Serbian Companies in 2026”

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Over the past several years, Serbia has gradually transformed its tax compliance framework through the implementation of mandatory electronic invoicing and increased digital supervision by the tax authorities. What initially appeared to be a technical modernization initiative has, in practice, evolved into a much broader compliance ecosystem affecting accounting, finance, legal, and operational risk management within companies.

The latest amendments applicable from April 2026 continue this trend by introducing additional obligations concerning internal invoicing through the Serbian Electronic Invoicing System (“SEF”). Although internal invoices have long existed under Serbian VAT regulations, the new rules significantly change their practical role and compliance importance. Transactions and VAT adjustments that previously remained largely within internal accounting records are now becoming part of a centralized electronic reporting structure directly accessible to the Serbian tax authorities.

It is noted that the obligation applies to business entities in B2B transactions (between businesses) and B2G transactions (between businesses and public sector entities), whereas in B2C transactions, (business to consumer) the obligation of universal mandatory electronic invoicing has not yet been introduced. In essence, internal VAT adjustments are no longer intended to remain exclusively within internal accounting records. Instead, they are becoming part of a centralized electronic reporting structure directly visible to the authorities. For many companies, this represents a shift from traditional bookkeeping practice toward a far more transparent and controlled compliance environment.

From Internal Accounting Documentation to Regulatory Reporting Instrument

Historically, internal invoices in Serbia were often treated as supporting accounting documentation prepared primarily for VAT calculation purposes. In practice, many businesses handled such documents manually, often without standardized workflows or dedicated internal control procedures.

By requiring certain internal invoices and VAT adjustment mechanisms to be processed through SEF, the legislator has effectively transformed internal invoicing into a formal regulatory instrument. This is particularly relevant in situations involving reverse-charge VAT obligations, corrections of the taxable base, VAT adjustments following invoice cancellations or amendments, advance payments and subsequent reconciliations, as well as corrective documentation linked to previously reported VAT transactions. The practical consequence is straightforward: transactions that previously remained largely within the internal accounting sphere are now entering a system of centralized electronic supervision maintained by the tax authorities.

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Increased Transparency and Expanded Audit Visibility

At first glance, the amendments may appear administrative or technical in nature. However, their broader significance lies in the enhanced transactional visibility they provide to the Serbian tax authorities.

Through SEF, the authorities already possess extensive insight into outgoing and incoming invoices. The inclusion of internal invoices further expands this visibility by enabling regulators to monitor correction histories, VAT adjustments, timing of corrections, relationship between original and corrective invoices, internal tax calculations and reconciliation consistency between accounting and VAT recording significantly greater detail, thereby creating a fundamentally different audit environment.

As a result, accounting inconsistencies are more easily identifiable during audits. For example, where a company issues a corrective invoice but delays the corresponding VAT adjustment through SEF, discrepancies between VAT returns, accounting ledgers, and electronic invoice records may be automatically detected through cross-checking mechanisms.

As Serbian tax supervision becomes increasingly data-driven, compliance exposure is no longer limited to incorrect VAT outcomes alone. The integrity, timing, and consistency of the underlying process have become equally important.

Compliance Risk Is Shifting From Tax Calculation to Process Integrity

One of the key consequences of the 2026 amendments is a shift in regulatory focus from isolated VAT reporting toward broader process integrity and digital traceability. Compliance risks are increasingly driven not only by VAT calculation errors, but also by weaknesses in internal controls such as approval workflows, timing of corrective actions, consistency of reporting, documentation quality, ERP integration, and interdepartmental coordination.

This reflects a broader evaluation in VAT enforcement, where tax authorities are no longer focused only on the final VAT outcome, but also on how that outcome was generated and whether internal processes were applied consistently and in a controlled manner.

Operational Challenges for Businesses

Many Serbian companies still rely heavily on semi-manual accounting processes, particularly in relation to VAT adjustments and corrective documentation. Such approaches may become increasingly difficult to sustain under real-time or near real-time electronic supervision.

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Companies will need to reassess ERP integration with SEF, automation of VAT workflows, approval structures, documentation retention, reconciliation mechanisms, and internal reporting responsibilities.

Foreign companies operating in Serbia may face additional challenges where local compliance obligations are managed remotely or through external service providers. In such cases, stronger coordination between Serbian VAT representatives, local accountants, and group finance or tax teams will likely become essential.

Serbia's Broader Direction: Continuous Transactional Supervision

The introduction of mandatory internal invoicing through SEF should also be viewed within the broader context of Serbia's continuing digitalization of tax supervision.

Authorities are moving toward systems enabling real-time transactional insight, centralized reporting, automated data reconciliation, detection of inconsistencies, and a reduced reliance on manual audit procedures. This approach aligns with international trends in VAT digitalization, including developments within the European Union toward continuous transaction controls and initiatives such as VAT in the Digital Age (ViDA). From the perspective of the authorities, the objective is clear: minimizing discrepancies, increasing traceability and strengthening VAT enforcement through digital oversight. Fines may be imposed for violations of obligations prescribed under the Law on Electronic Invoicing, including failures relating to the disclosure or updating of taxpayer status data, electronic VAT recording obligations, issuance, receipt or storage of electronic invoices, as well as other forms of non-compliance. Such fines range from RSD 200,000 to RSD 2,000,000 for legal entities, from RSD 50,000 to RSD 500,000 for entrepreneurs, and from RSD 50,000 to RSD 150,000 for responsible persons within legal entities, including directors.

However, a more significant long-term risk for businesses lies not only in financial penalties, but also in increased audit exposure resulting from inconsistencies detected across interconnected digital reporting systems.

A Governance Issue — Not Merely an Accounting Matter

For businesses, these developments create an environment in which internal processes themselves are increasingly subject to regulatory scrutiny. In other words, compliance is no longer limited to the final tax result — the process leading to that result is becoming equally important.

Companies should therefore avoid treating the amendments as a purely technical accounting change.

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Instead, they represent a broader governance and compliance issue involving accounting teams, tax advisors, legal departments, ERP providers, compliance officers, and internal audit functions.

Particular attention should be paid to identifying transactions that trigger internal invoicing obligations and ensuring that corrective procedures are clearly documented, standardized and consistently applied.

Businesses that proactively adapt their internal processes are likely to minimize both operational disruption and future audit exposure, while those relying on fragmented or manual processes may face increasing challenges in Serbia's evolving digital compliance environment.

Conclusion

The 2026 amendments concerning internal invoicing through SEF represent another important step in Serbia's ongoing transition toward a fully digitalized VAT compliance framework.

While the formal legislative changes may appear narrow in scope, their practical implications are considerably broader. The reform introduces increased transparency into internal VAT processes and places greater emphasis on procedural consistency, documentation, and electronic traceability.

For Serbian companies — and particularly for foreign investors operating locally — the key challenge will not simply be understanding the new legal requirements, but adapting internal systems, workflows and governance structures to a compliance environment in which digital visibility continues to expand.

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