Inside Indirect Tax

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About this Newsletter

Welcome to *Inside Indirect Tax*—a publication from the KPMG U.S. Indirect Tax practice focusing on global indirect tax changes and trends from a U.S. perspective. *Inside Indirect Tax* is produced monthly as developments occur. We look forward to hearing your feedback to help us provide you with the most relevant information to your business.

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Global Rate Changes

- **Bangladesh:**[i] Bangladesh proposed in its Finance Bill 2024 to increase the VAT rate to 15 percent for certain services and certain food products, including security services (currently 10 percent), amusement parks (currently 7.5 percent), and tour operators (currently exempt), and to introduce a VAT exemption for imports of certain materials for polyethylene terephthalate (PET) chips and aircraft engine manufacturing. For more information, click here.
- **Bulgaria:**[ii] On June 25, 2024, the Bulgarian Ministry of Finance amended the VAT regulations for accommodation services and other administrative aspects. Among other changes, the amendments stipulate that providers of accommodation services in hotels and similar establishments no longer need a categorization certificate to apply the reduced 9 percent VAT rate (following the ECJ judgment in *Valentina Heights*, Case C-733/22). Additionally, these providers must issue at least two copies of a paper invoice, regardless of the customer's VAT registration status. The amendments also include clarifications regarding the documents required for applying the zero-percent VAT rate for sales to EU institutions and for the deduction of VAT by importers in certain situations.
- **Costa Rica:** On June 11, 2024, the Costa Rican Legislative Assembly passed Law 10479, which clarifies that private education services are subject to a reduced VAT rate of 2%, unless explicitly exempted. For more information, click here.
- **Czech Republic:**[iii] On June 14, 2024, the Czech Chamber of Deputies accepted Bill No. 726/0 for consideration. Among other things, the bill would clarify conditions for applying reduced VAT rates to construction works.
- **Ethiopia:**[iv] On June 20, 2024, the Ethiopian Ministry of Finance issued Directive No. 1006/2024, providing a list of specific goods and services eligible for VAT exemptions. These include cereals and pulses, agricultural inputs, cooked or prepared food/drinks, capital goods provided by capital lease agreements, anti-malaria mosquito nets, condoms, and chemicals for water treatment. The Directive also states that, except for the specified goods, all goods and services previously exempted by various directives or decisions will be subject to VAT from the date the directive enters into force—which is the same date it was issued. VAT exemptions for goods and services under international agreements or VAT payment arrangements will remain unaffected.
- **Georgia:**[v] On June 13, 2024, Georgia published Order No. 30/N/No. 200, introducing a VAT exemption for the sale and import of specified domestically manufactured and registered pharmaceutical products. The order enters into force the same date and is applicable to transactions arising from January 26, 2024
- **Finland:**[vi] On June 28, 2024, Finland's parliament adopted a bill that increases the standard VAT rate from 24 percent to 25.5 percent, effective September 1, 2024. The country's tax authority has also published general guidelines regarding the rate increase.
- **Greece:**[vii] On July 20, 2024, Greece announced that, effective July 1, 2024, the reduced 13 percent VAT rate for taxis, take-out, and delivery of coffee, cocoa, tea, and chamomile will become permanent. However, the VAT rate for served items will return to 24 percent.
- **Madagascar:**[viii] On June 10, 2024, Madagascar's parliament adopted a bill amending the country's Finance Law 2024. Among other provisions, the bill introduces a VAT exemption for donations, sales of goods, and services to foundations recognized as being of public utility. The bill also increases excise duties on alcoholic products and beverages and removes the excise duty on gold exports.

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- **Mauritius:**Mauritius proposed in its 2024-25 budget to introduce a VAT zero-rate for certain services provided by management companies to trusts, where both the settlor and beneficiaries are non-residents, and to foundations, where both the founder and beneficiaries are non-residents. To read a report prepared by the KPMG International member firm in Mauritius, click here.
- **Moldova:**[ix] The Moldovan State Tax Service (STS) clarified that if goods initially intended for VAT taxable sales are changed to VAT-exempt sales, the taxpayer must exclude the VAT amounts paid on those goods and increase their expenses by that amount. It also stated that a reduced 8 percent VAT rate applies to solid biofuels sold in Moldova to produce electrical and thermal energy, and hot water sold to public institutions.
- **Nigeria:**[x] The Nigerian president recently signed an executive order removing tariffs, excise duties, and VAT on specified machinery, equipment, and raw materials for use in the health sector. According to the order, the specified items include active pharmaceutical ingredients, excipients, and essential raw materials required for manufacturing drugs, syringes and needles, insecticides, nets, and rapid diagnostic kits.
- **Slovenia:**[xi] On June 3, 2024, Slovenia's Ministry of Finance launched a public consultation on a draft bill proposing several changes to the VAT law. These include a proposal to implement the EU Directive 2022/542/EU on VAT rates. The changes encompass a simplified application of a reduced VAT rate for medical equipment and devices, a restricted application of a reduced VAT rate for plant protection products and fertilizers from the end of 2031, limited use of the margin mechanism by taxable dealers for art sales if the previous sale was not taxed at a reduced rate, and the application of a general VAT rate to beverages with added sugar, sweeteners, or flavorings, which are currently taxed at a reduced rate.
- **Spain:**[xii] Effective June 28, 2024, Spain extended through September 30, 2024, the application of the VAT zero-rate on basic foods, including olive oil (from the super-reduced rate of 4 percent) and the 5 percent reduced VAT rate for pasta products (from a reduce rate of 10 percent).
- **Taiwan:**[xiii] Taiwan extended the application of the VAT zero-rate on imported soybeans, wheat, and corn until September 30, 2024.
- **Tanzania:**[xiv] Tanzania announced proposed measures in its 2024-2025 budget, including the introduction of a VAT zero-rate for domestically produced fertilizers, certain farming equipment, and garments and fabrics made of locally produced cotton, as well as gold sold to local refineries and the central bank. It proposes to repeal the VAT exemption for the sale of precious metals, gemstones, and other valuable minerals, excluding sales made to refineries. The budget also extends the VAT exemption for locally produced edible oils, which expired on June 30, 2024, for an additional year.
- **Uganda:**[xv] On June 13, 2024, the Ugandan Ministry of Finance, Planning and Economic Development presented the FY 2024-25 budget speech to parliament. The tax measures in the budget include a proposal to expand the list of VAT-exempt transactions to include the sale of locally manufactured or fabricated electric vehicles or their bodies and frames, as well as electric vehicle charging equipment or charging services.
- **Vietnam:**[xvi] Vietnam extended through December 31, 2024, the application of the 8 percent reduced standard VAT rate. The reduced rate does not apply to telecommunications, financial activities, banking, securities, insurance, real estate business, metals and prefabricated metal products, mining products (excluding coal mining), coke, refined petroleum, chemical products, goods, and services subject to special consumption tax, and information technology.

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Digitalized Economy Indirect Tax Updates

Canada: Digital Services Tax Introduced in Effect from 2022

On July 3, 2024, Canada's Governor in Council finalized the enactment of the new three percent digital services tax (DST) by setting the coming-into-force date as June 28, 2024. The DST was intended as a temporary measure until the implementation of an international multilateral treaty to implement other tax measures, specifically the convention to implement the Organization for Economic Cooperation and Development's (OECD) Pillar One solution for international tax reform. However, with the treaty still not in force as of January 1, 2024, Canada proceeded with the DST, which was included in Bill C-59 and received Royal Assent on June 20, 2024.

The DST applies to large businesses with global group revenue of EUR 750 million or more in their fiscal year ending in the previous calendar year and have more than CAD 20 million of "in-scope" revenue related to Canadian users for the calendar year. However, businesses with CAD 10 million of in-scope revenue for a particular calendar year may also be required to register under the DST rules. "In-scope" revenue include online marketplace services revenue, online advertising services revenue, social media services revenue, and user data revenue.

The DST applies retroactively from January 1, 2022. Affected businesses must file annual DST returns and remit any DST payable by June 30 of the calendar year following the calendar year for which a return is filed. Consequently, affected taxpayers with in-scope revenue for 2022, 2023, and/or 2024 above CAD 20 million must file a DST return and pay the related tax on those years by June 30, 2025. Additionally, taxpayers that earn a total revenue from all sources of EUR 750 million or more in a fiscal year ending in the previous calendar year and have in-scope revenue of more than CAD 10 million must register under the new rules by January 31 of the following year. Therefore, affected taxpayers may need to register for the DST by January 31, 2025. Finally, businesses can opt for a simplified revenue calculation for 2022 and 2023 calendar years using a formula designed to approximate the in-scope revenue based on the Canadian digital services revenue from 2024, subject to certain conditions. To read a report prepared by the KPMG International member firm in Canada, please click here.

Other Developments

- **Austria:** The Austrian government recently published a draft law, which, among, other things, would implement the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025. To read a report prepared by the KPMG International member firm in Austria, click here.
- **Azerbaijan:** Effective June 1, 2024, the Azerbaijan tax authority launched the registration portal for nonresident digital services providers to voluntarily collect and remit VAT on sales of digital services. (For KPMG's previous discussion on Azerbaijan introducing VAT rules on digital services, click here.) According to draft changes to the initial rules, the regime is only applicable to sales made to final consumers and nonresidents that register for VAT are no longer required to issue e-invoices.

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- **Canada:**[xvii] On June 4, 2024, the Canadian Radio-television and Telecommunications Commission announced the introduction of a streaming tax. The regime, effective from September 1, 2024, will require online streaming services to contribute 5 percent of their Canadian revenues to support the Canadian broadcasting system. The contribution applies to online undertakings that either alone make more than CAD 25 million in annual contributions revenues or form part of a broadcasting ownership group that makes more than CAD 25 million in annual contributions revenues to make base contributions. The Motion Picture Association-Canada has asked a court to amend the contribution as it opposes the requirement for online undertakings to pay a 1.5 percent base contribution toward Canadian news production.
- **Denmark:**[xviii] On May 30, 2024, the Danish Parliament enacted new legislation introducing a "cultural contribution" tax on streaming services. This levy, aimed at promoting Danish audio-visual content, applies to Danish and EU-based media service providers targeting Danish audiences, exempting those with annual revenue under DKK 15 million or less than 1 percent market share. The cultural contribution requires streaming services to pay 2 percent of their taxable revenue from on-demand services in Denmark. An additional 3 percent levy applies to companies investing less than 5 percent of their revenue in new Danish content, defined as productions with at least 75 percent Danish material. The law took effect on July 1, 2024, and the first contributions is due in 2025 based on the taxable gross receipts for the calendar year 2024.
- **Ecuador:**[xix] Effective July 1, 2024, Ecuador introduced a 15 percent single income tax for sports betting operators. The tax applies to all income, including commissions, received by resident and non-resident operators from sports betting activities in Ecuador, after deducting the total prizes paid out. Sports betting activities are defined as predicting sports competition outcomes based on analysis and expertise and are considered distinct from other gambling services like casinos, bingos, and lotteries. Operators are required to register with the unique registry of taxpayers, provide tax information to the tax authority, and designate a local representative. Non-compliance could result in IP address blocking and financial penalties. Operators also act as withholding agents for a 15 percent tax on prizes won by players. The tax authority published guidance outlining the various obligations on sports betting services providers.
- **Finland:**[xx] Finland's President recently signed a law, which, among other things, implements the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025.
- **France:**[xxi] France launched consultation on administrative guidelines for the tax on on-demand music streaming services introduced by Finance Law 2024. The tax applies to the revenue generated from subscriptions by French residents and 34 percent of the revenue generated from advertising, exceeding EUR 20 million per year. The rate of the tax is set at 1.2 percent. The tax is declared, paid, and collected under the same rules applicable to VAT. The administrative guidelines are subject to public consultation until August 19, 2024. Interested parties may submit comments by email at bureau.d2-dlf@dgfip.finances.gouv.fr.
- **Germany:** On June 5, 2024, the German Ministry of Finance published the draft German Annual Tax Bill 2024, which, among, other things, would implement the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025. To read a report prepared by the KPMG International member firm in Germany, click here.

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- **India:**[xxii] On June 28, 2024, India and the US have agreed to extend their November 24, 2021, agreement on India's 2 percent Equalization Levy until June 30, 2024. This levy applies to non-resident e-commerce operators' revenue from the sale of digital goods and services, and potentially includes several American companies. The extension aligns with the goal of 147 countries negotiating a treaty at the Organization for Economic Cooperation and Development (OECD) to reallocate taxing rights to market jurisdictions. If tax collections under unilateral measures exceed what is expected under the multilateral solution, the difference will be refunded to the target company as a tax credit. The US has similar agreements with the UK, France, Italy, Spain, Austria, and Turkey to prevent trade actions against them until the treaty comes into effect.
- **Kenya:** On June 26, 2024, Kenyan President announced the withdrawal of the Finance Bill 2024, in its entirety, due to sustained public pressure. The bill included measures that would have replaced the digital services tax with a significant economic presence standard and introduced a withholding tax on income deemed to have accrued in or derived from a digital marketplace from the making or facilitation of payments by the digital marketplace. (For KPMG's previous discussion on Kenya's Finance Bill 2024, click here.)
- **Moldova:**[xxiii] Moldova's State Tax Service (STS) recently issued Order 234, clarifying, among other things, that VAT invoices are not mandatory for retail sales or services provided electronically unless requested by the buyer. This applies when the seller records the VAT amount received at each sale and service point, and the total VAT collected is entered in the daily sales report. If a buyer requests a VAT invoice, it must be issued by the last day of the month in which the transaction was completed.
- **Nepal:** Effective July 16, 2024, Nepal increased the registration thresholds for nonresidents liable to collect VAT on sales of digital services and for the digital services tax (DST) from NPR 2 million to NPR 3 million. In addition, Nepal expanded the definition of permanent establishment to include nonresidents that have a significant digital presence in Nepal, which has yet to be further defined.
- **Pakistan:** On June 29, 2024, Pakistan published the Finance Act 2024, clarifying, among other things, that the business income of a nonresident is considered as income sourced from Pakistan if it is directly or indirectly linked to "any business connection" within the country. The term "any business connection" now encompasses the "significant economic presence in Pakistan" of a nonresident. This includes transactions involving any goods, services, or property conducted by a nonresident with any person in Pakistan if the gross receipts from such transactions exceeds an amount that has yet to be prescribed. It also covers the downloading of data or software in Pakistan, as well as the systematic and continuous solicitation of business activities or digital interactions with users in Pakistan. To read a report prepared by the KPMG International member firm in Pakistan, please click here.
- **Poland:** On June 12, 2024, Poland published a draft law, which, among, other things, would implement the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025. To read a report prepared by the KPMG International member firm in Poland, click here.
- **Tanzania:**[xxiv] Tanzania announced proposed measures in its 2024-2025 budget, including applying VAT on online data services, introducing a new 5 percent withholding tax on payments made to digital content creators, and introducing a 3 percent withholding tax on transfers of digital assets.

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Developments Summary of the Taxation of the Digitalized Economy

KPMG has prepared a development summary to help multinational companies stay abreast of digital services tax developments around the world. It covers both direct and indirect taxes and includes a timeline of key upcoming Organization for Economic Cooperation and Development (OECD), European Union (EU), and G20 meetings where discussion of the taxation of the digitalized economy is anticipated.

E-Invoicing Updates

Germany: Ministry of Finance Releases Draft Regulation for Implementing E-Invoicing Mandate

On June 14, 2024, Germany's federal Ministry of Finance released draft guidance on the implementation of the e-invoicing mandate for domestic business-to-business transactions. The mandate, which will be gradually introduced effective January 1, 2025, requires e-invoices to be sent and received in a specific electronic format that allows electronic processing. This format must either follow the European standard (EN 16931) for e-invoices or be agreed upon by the sender and receiver. The e-invoice must be authentic, its content must remain intact, and it must be machine-readable. Businesses will be required to issue an e-invoice for transactions between them if they are both located in Germany. The recipient must have the technical capabilities to receive an e-invoice. The mandatory use of e-invoices also applies to invoices issued as a credit note, invoices when the recipient owes the tax, invoices from small businesses, invoices for transactions subject to flat-rate taxation for agricultural and forestry businesses, invoices for travel services, and invoices for transactions when differential taxation is applied.

E-invoices can be made in a purely structured or a hybrid format. A valid e-invoice format needs to allow the mandatory invoice information to be sent and read electronically. Hybrid formats, like the ZUGFeRD format, are also allowed. A hybrid format has a structured data part (like an XML file) and a human-readable data part (like a PDF document). Both parts are combined into one file. The transmission of an e-invoice must occur electronically. This could be through email, an electronic interface, or a customer portal for download. Businesses are free to use external service providers to create or transmit e-invoices, but they must ensure these providers comply with the formal requirements of the VAT law. Starting January 1, 2025, domestic businesses must be able to receive an e-invoice. If the invoice recipient refuses to accept an e-invoice or is technically unable to do so, they have no right to an alternative invoice. In this case, the invoice issuer's VAT obligations are considered fulfilled if they have issued an e-invoice and made a verifiable effort to transmit it properly. For more information, click here.

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Philippines: Amendments to Invoicing Regulations

On June 13, 2024, the tax authority of the Philippines issued Revenue Regulation 11-2024, amending Revenue Regulation 7-2024. This new regulation changes the deadlines for compliance with the country's invoicing requirements, affecting taxpayers who use Computerized Accounting Systems (CAS) to issue e-invoices and those who issue traditional paper invoices. The regulation mandates that taxpayers using CAS or Computerized Books of Accounts (CBA) with Accounting Records (AR) must adjust their systems to comply with the Ease of Paying Taxes Act, replacing the term "Official Receipt (OR)" with various forms of the word "Invoice."

Taxpayers who use paper Official Receipts and Billing Statement of Accounts can transform these documents into invoices by crossing out the words "Official Receipt" or "Billing Statement" and stamping the words "Invoice", "Cash Invoice", "Charge Invoice", "Credit Invoice", "Billing Invoice", "Service Invoice", or any other term that describes the transaction. Originally, Revenue Resolution 7-2024 established that taxpayers were allowed to make those changes in the Official Receipts until December 31, 2024. However, this new regulation allows them to do those changes in those documents until they are fully consumed. These converted documents will serve as primary invoices for their buyers or purchasers until fully used. The converted documents must include the required information outlined in Section 6(B) of RR No. 7-2024, such as quantity, unit cost, and description or nature of service in accordance with Section 237 of the Tax Code.

Romania: E-Invoicing Mandate Expanded to Business-to-Consumer Transactions

On June 21, 2024, the Romanian Ministry of Finance issued Urgent Ordinance 69/2024 to expand the country's e-invoicing requirement to include business-to-consumer (B2C) transactions. The current e-invoicing system, RO-eFactura, applies to business-to-government (B2G) transactions and high-risk business-to-business (B2B) sales and goods transportation. As of July 1, 2024, all B2B transactions will fall under the e-invoicing requirement.

Starting July 1, 2024, taxpayers can optionally submit their B2C invoices through the RO-eFactura system. However, this will become mandatory for all taxpayers from January 1, 2025. Certain non-profit entities, farmers, and other small taxpayers may be exempted and have until July 1, 2025, to comply.

Urgent Ordinance 69/2024 also specifies that invoices must be transmitted to the national e-invoicing system, RO e-Invoice, within five calendar days of the invoice issuance. The legislation extends the e-invoicing requirement to self-issued invoices when consuming one's own goods and exempts transfers of goods outside the country's VAT scope from the e-invoicing obligation. Moreover, fiscal receipts must include a QR code for easier data verification. If users encounter technical issues, they have a two-year grace period to comply. The authorities have also stated that if customers do not receive invoices through the RO e-Factura system on time, they can alert the tax authorities.

Finally, the Romanian government plans to implement the National Information System RO e-VAT by August 1, 2024, which will pre-fill value-added tax (VAT) return information on taxable transactions. The expansion of the e-invoicing requirement to B2C transactions is seen as a crucial step to improve the usefulness of the National Information System RO e-VAT, especially for controlling compliance and reducing tax evasion. For more information, click here.

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Other Developments

- **Egypt:**[xxv] On June 5, 2024, the Egyptian Tax Authority announced the fifth sub-phase of the fourth stage of the e-receipt system rollout under Resolution No. 232/2024. Effective July 15, 2024, taxpayers listed on the official page of the Egyptian Tax Authority are required to issue e-invoices for goods and services sold to end consumers.
- **Ghana:**[xxvi] On May 1, 2024, the Ghana Revenue Authority (GRA) published a list of businesses that it invited to join the VAT e-invoicing system. Their goal is to have 600 VAT-registered taxpayers using the system by June 2024. After completing the pilot phase, GRA plans to conduct seminars to help the invited businesses with the onboarding process. The roll-out will continue until all VAT-registered taxpayers, including those on both VAT Flat Rate and Standard Rate Schemes, have joined the system.
- **Ireland:**[xxvii] On June 27, 2024, the Irish Revenue published a report on the initial public consultation regarding the modernization of Ireland's VAT administration. The consultation, launched in October 2023, focused on the modernization of Business-to-Business (B2B) and Business-to-Government (B2G) VAT reporting, supported by e-invoicing. The report considers the potential of digital technology to redesign VAT administration to better align with normal business processes. Over 1,100 responses were received, mostly from businesses within the VAT net. Future consultations will focus on business-to-consumer (B2C) transactions, VAT payment/repayments, and VAT accounting.
- **Lithuania:**[xxviii] On May 3, 2024, the Ministry of Finance of Lithuania announced its plan to switch to the new SABIS platform for issuing and submitting e-invoices to public sector institutions. Starting July 1, 2024, the SABIS platform will take over from the Lithuanian Register Center (RC) system, known as "E. Sąskaita." The SABIS platform provides three submission methods: manual entry through the SABIS website, an API integration for frequent submissions, and the use of the Peppol network, which ensures compliance with upcoming EU regulations for cross-border e-invoicing. Companies with direct integration to the RC system will need to adjust their systems to use the SABIS platform. The new procedure requires the use of European standard e-invoices (UBL XML), which standardizes VAT calculations based on total amounts rather than individual account lines. On June 19, 2024, Lithuania's National Center of Common Functions announced a two-month transition period, from July 1, 2024, to August 31, 2024, for shifting from the old E. Sąskaita platform to the new SABIS platform for e-invoicing in business-to-government (B2G) procurement. During this period, both systems will operate simultaneously. The first month will be dedicated to reviewing and managing account data, users, and their rights, and issuing invoices for verbal contracts through SABIS. If any difficulties arise, the E. Sąskaita system can still be used. In the second month, sellers will issue e-invoices through SABIS, but can use the E. Sąskaita system if needed. Buyers can use both systems. Full operation of SABIS will begin on August 30, after which the E. Sąskaita system will be discontinued.
- **Mexico:** On June 17, 2024, the Mexican tax authorities (SAT) released an updated version 3.1 of the CFDI's e-waybill supplement. This update includes changes such as adding a Customs Regime node, making the "FraccionArancelaria" field optional, adding a new "RemolquesCCP" sub-node, introducing new keys for the catalog c_NumAutorizacionNaviero, new codes for the "c_MaterialPeligroso" catalog, and modifying the QR code in the e-waybill. The printed e-waybill now includes additional information about the Customs regime and trailers used. The mandatory implementation of version 3.1 begins on July 17, 2024. Until then, taxpayers can use either version 3.0 or 3.1.
For more information, click here.

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- **Poland:**[xxix] On June 10, 2024, Poland published a law that officially delays the mandatory implementation of the National e-Invoice System (KSeF) from the original start date of July 1, 2024, to February 1, 2026, for businesses whose sales value exceeded PLN 200 million in 2025. For other businesses, the new implementation date is April 1, 2026. The law also establishes a transitional period from February 1, 2026, to July 31, 2026, during which businesses can issue invoices in the current format without facing penalties. Furthermore, the law postpones the mandatory requirement of supporting payments with a KSeF number to August 1, 2026.
- **Saudi Arabia:**[xxx] On June 28, 2024, the Zakat, Tax and Customs Authority (ZATCA) of Saudi Arabia announced the criteria for the thirteenth group of taxpayers who are required to comply with the second phase of the e-invoicing system implementation beginning January 1, 2025. This group includes taxpayers whose VAT-liable revenues exceeded SAR 7 million in 2022 or 2023. The second phase, also known as the integration phase, requires taxpayers to integrate their e-invoicing solutions with the FATOORA Platform and issue e-invoices in a specific format with additional fields. ZATCA will provide a six-month notice to taxpayers before their compliance date and has reminded them that compliance is mandatory, with penalties for non-compliance.

E-invoicing developments timeline

The world of taxation and compliance is constantly becoming more digitalized and governments are continuously issuing new regulations and requirements for taxpayers. To help businesses stay up to date with tax administration developments in e-invoicing, digital reporting, and real-time reporting, we have created this e-invoicing developments timeline which will be regularly updated.

Other Indirect Tax Developments and News from Around the World

The Americas

Overview of Indirect Tax Developments in The Americas from KPMG International Member Firms

KPMG in Mexico published a report discussing a recent decision of Mexican Supreme Court holding that it is unconstitutional for special tax on production and services (*impuesto especial sobre producción y servicios*—IEPS) payments made to be included in calculating VAT base.

United States: Oklahoma Exempts Equipment Used in Digital Asset Mining

Oklahoma House Bill 1600, which was recently enacted, creates a new sale and use tax exemption for certain types of equipment used to mine digital assets. During the period beginning November 1, 2024, through December 31, 2029, the exemption applies to sales of machinery and equipment, including but not limited to, servers and computers, racks, power distribution units, cabling, switchgear, transformers, substations, software, and network equipment, as well as electricity used for commercial mining of digital assets in a colocation facility. "Commercial mining of digital assets" means the process through which blockchain technology is used to mine

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digital assets at a colocation facility. A "colocation facility" means a facility in Oklahoma utilized in the commercial mining of digital assets or in hosting persons engaged in the commercial mining of digital assets. A facility will not qualify as a "colocation facility" unless the facility has entered into a load reduction agreement, which is defined as an agreement between the customer and the local electric cooperative, municipality, electric utility, or market operator to temporarily reduce or curtail the customer's use of electric power to respond to inclement weather or other adverse conditions. For more information, click here.

United States: Vermont Taxes Remotely Accessed Software Enacted

In 2015, Vermont law was changed to specifically provide that charges for the right to remotely access prewritten computer software are not considered charges for tangible personal property. The sale of tangible personal property is, of course, subject to sales and use tax. Recently, legislation (House Bill 887) was enacted over Governor Phil Scott's veto that changes the taxation of remotely accessed software. Going forward, "tangible personal property" includes electricity, water, gas, steam, and prewritten computer software regardless of the method in which the prewritten computer software is paid for, delivered, or accessed. This change is effective July 1, 2024. For more information, click here.

Miscellaneous Developments in the Americas

- **Brazil:**[xxxi] On June 4, 2024, the Brazilian government tabled a second bill in the Brazilian parliament that will govern the govern the proposed dual VAT regimes under the indirect tax reform. (For KPMG's previous discussion on the Brazilian indirect tax reform, click here). Among other things, the new bill focuses on the administration of the new tax on goods and services (IBS). The bill establishes the IBS Management Committee, a new body responsible for collecting and distributing the IBS, calculating the rate, resolving disputes, and working with the Federal Revenue Service. The IBS will be gradually implemented from 2026 to 2032, with the committee's financing decreasing over this period. The bill also regulates the tax on gifts and inheritances (ITCMD) at the federal level, detailing the taxable event, calculation of the tax base, and conditions of immunity and non-incidence. It also allows Brazil to sign tax treaties to avoid double taxation on gifts and inheritances and sets rules for the collection of ITCMD on transfers of ownership and real estate properties located abroad. To read KPMG's previous discussion of the first bill, click here.

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Overview of Indirect Tax Developments in EMEA from KPMG International Member Firms

- **KPMG in Austria** published a report discussing a draft legislation, which include measures to implement the EU's small business VAT reform, effective from January 1, 2025. The draft law would adjust the local VAT registration threshold from net EUR 35,000 to gross EUR 42,000 and would allow small businesses established in other Member States to be relieved from a requirement to register in Austria if their EU-wide sales do not exceed EUR 100,000 and their Austrian sales are below the local registration threshold. The draft law would further exempt the donation of food products and amend the VAT grouping rules.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country, including a German tax court case on the attribution of the zero-rating in case of an intra-EU drop shipment transaction, and various decisions of the Court of Justice of the European Union (ECJ).
- **KPMG in Germany** published a report discussing recent tax developments in the country. This includes tax measures proposed in the German Annual Tax Bill 2024, which, among other things, would amend the definition of a delivery of work, clarify the scope of certain VAT exemptions, clarify the invoicing requirements in specific situations, and implement the EU's small business VAT reform, which would allow small businesses established in other Member States to be relieved from a requirement to register in Germany if their EU-wide sales do not exceed EUR 100,000 and their German sales are below the local registration threshold of EUR 25,000. The report further discusses, a German tax court ruling on the VAT treatment of a dinner show and guidance from the Ministry of Finance on the VAT treatment of grants, as well as the VAT treatment of public authorities.
- **KPMG in Italy** published a report discussing changes to the VAT penalties regime, effective September 1, 2024. Key changes include new penalties for intra-Community deliveries of goods failing to reach their destination within 90 days, and a more favorable self-disclosure procedure allowing taxpayers to correct fiscal violations with reduced penalties. Additionally, significant reductions in penalties have been implemented across various violations such as late or omitted VAT returns, failures to issue or register invoices, and incorrect VAT applications.
- **KPMG in Mauritius** published a report discussing tax measures in the 2024-2025 budget. These include updated VAT invoicing requirements, the introduction of a 4-year time limit for the tax authority to examine a VAT return, starting from the taxable period in which the return was submitted. The report also provides clarification that VAT credits can be claimed for VAT costs charged or paid by voluntarily registered persons on goods and services acquired from the date of VAT registration.
- **KPMG in Poland** published a report noting that on June 5, 2024, the Polish Supreme Administrative Court held that only grants and incentives that directly impact the price can be included into the VAT taxable base. However, grants and incentives that a foundation contributes to carry out a joint venture (project) are treated as cost-based (i.e., they cover the costs of operation and implementation of the programs and are not price-generating in nature). Consequently, they do not impact the taxable base within the meaning of the VAT law.

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- **KPMG in Poland** published a report discussing draft legislation to amend the real estate taxation regime. The bill aims to redefine the terms "non-building structure" and "building" in accordance with a recent Constitutional Tribunal judgment. The new definitions exclude references to non-tax regulations and list categories of structures qualified as non-building structures. The bill also proposes changes to the taxation of multi-car garages in residential buildings, aiming to unify their taxation. Other amendments include changes to real estate tax exemptions and obligations for public administration bodies. The bill is expected to come into effect on January 1, 2025.
- **KPMG in Poland** published a report discussing draft amendments to the VAT regime, which include measures to implement the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member States to maintain small business exemptions up to EUR 85,000 and extends these exemptions to small businesses in other EU states, provided their gross receipts in the non-established state are below the national threshold and their total EU gross receipts are below EUR 100,000. Non-EU businesses are not eligible for these exemptions. For information click here.
- **KPMG in Poland** published a report noting that on June 13, 2024, the Supreme Administrative Court held that the transfer of intangible assets by a general partnership to a partner in connection with its liquidation is subject to VAT. However, because the transfer is not documented with an invoice, the partner is not able to deduct the VAT incurred.
- **KPMG in Spain** published a report discussing a recent decision of the Court of Justice of the European Union (ECJ) regarding the compatibility of Spain's regional excise duty on hydrocarbons, effective from 2013 to 2018, with the harmonized legislation on excise duties, in particular, with the principle of a single level of taxation arising from Council Directive 2003/96/EC. The issue was whether the Directive allows different tax rates for the same product within the same EU Member State, depending on where the product is intended to be consumed. In recent years, Spain had a state-wide rate coexisting with an additional regional rate. The ECJ ruled that the Directive does not allow for this regional differentiation in tax, even if the minimum taxation thresholds required under the Directive are exceeded.
- **KPMG in Spain** published a report discussing a recent decision of Spain's Supreme Court broadening the interpretation of "industrial activity" for purposes of the 85 percent reduction in the excise duty on electricity (IEE) provided for in the Excise Duties law.
- **KPMG in the United Arab Emirates** published a report discussing recent tax authority guidance on the difference between manpower services and visa facilitation services, as well as the valuation of these services for VAT purposes. Manpower services involve the identification, recruitment, and hiring of candidates by an employer, who then makes these employees available to work for another entity. The employer is responsible for all employment obligations, including salaries, benefits, and supervision. Visa facilitation services, on the other hand, involve facilitating the employment visa process for employees hired by another entity. For these services to be classified as visa facilitation, the facilitator and customer must be part of the same corporate group (but not the same VAT group), the facilitator must not provide manpower services, and the facilitator's obligations must be limited to incurring costs related to obtaining the employment visa. The facilitator must also sponsor the employees to work exclusively for the customer. If these conditions aren't met, the services are classified as manpower services. The value of manpower services includes the full amount received by the employer, excluding VAT where applicable. For visa facilitation services, the value only includes the amount charged for the services and excludes employees' salaries and benefits.

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European Union: Court of Justice of the European Union rules on whether a toll manufacturer constitutes a fixed establishment for VAT purposes

On June 13, 2024, the Court of Justice of the European Union (ECJ) published its decision in the *Adient case*, Case C-533/22, regarding whether a toll manufacturer constitutes a fixed establishment for VAT purposes of a foreign related entity. Under EU law, and according to established ECJ case law, services provided to a taxpayer are taxed where that taxpayer's business is established. However, if those services are provided to a fixed establishment of the taxpayer located somewhere other than that place, the services are taxable where that fixed establishment is located. For this purpose, a fixed establishment is any establishment, other than the place of establishment of the taxpayer, characterized by a sufficient degree of permanence and a suitable structure in terms of human and technical resources to enable it to receive and use the services provided to it for its own need.

The case involves SC Adient Ltd & Co. KG (Adient Germany), a company established in Germany, and SC Adient Automotive România SRL (Adient Romania), another company within the same group. On June 1, 2016, Adient Germany entered into a contract with Adient Romania to provide a comprehensive service consisting of both the manufacture and assembly of upholstery components, as well as ancillary and administrative services. Adient Germany purchases the raw material which it sends to Adient Romania for treatment. Adient Germany is the legal owner of the raw materials, semi-finished products, and finished products throughout the treatment process. The Romanian tax authority concluded that Adient Germany had technical and human resources in Romania through Adient Romania, with the result that it satisfied the conditions for a fixed establishment for VAT purposes in Romania. Consequently, the services rendered to Adient Germany by Adient Romania were subject to VAT in Romania and Adient Romania was required to collect Romanian VAT. Adient Germany argued that the conditions for a fixed establishment in Romania were not satisfied and lodged a complaint against the decision of the tax authority.

In line with its case law, the ECJ ruled that a company receiving services from another company in a different Member State cannot be considered to have a fixed establishment in that other Member State solely because the two companies belong to the same group or are bound by a contract for the provision of services. The ECJ noted that even though all companies in the Adient group use the same IT and accounting system, and employees of Adient Romania have electronic access to Adient Germany's accounting system, it does not mean that Adient Germany has the necessary infrastructure in Romania to independently carry out its own operations. The ECJ further stated that the fact that Adient Germany was provided with a storage facility for products and raw materials, while retaining ownership over them, does not infer the existence of such infrastructure. The ECJ emphasized that it is for the referring court to determine whether the activities carried out by the employees of Adient Romania's branches are directly related to the manufacturing service or are purely administrative in nature.

In addition, the ECJ held that the fact that a company has a structure in another Member State that intervenes in the sale of finished products arising from the services it receives, or that those transactions are mostly carried out outside that Member State and those carried out there are subject to VAT, does not establish that the company has a fixed establishment in that other Member State for the purposes of determining the sourcing of services. The existence of a fixed establishment must be determined in relation to the person receiving the services at issue. In the context of the main proceedings, it is necessary to distinguish between the services provided by Adient Romania to Adient Germany and the sales and sales of goods resulting from those services which Adient Germany carries out from Romania.

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These are separate transactions subject to different VAT schemes. To establish the place where Adient Germany receives those services, it is necessary to identify the place where the human and technical resources that the company uses for that purpose are situated.

Finally, the ECJ clarified that a company does not have a fixed establishment in another Member State if its technical and human resources in that Member State are not distinct from those by which the services are provided to it, or if those resources perform only preparatory or auxiliary activities. In this respect, the ECJ highlighted that the existence of a fixed establishment of the recipient of the services presupposes that it is possible to identify human and technical resources that are distinct from those used by the provider for the fulfillment of its own services. These resources should be made available to the recipient of those services to ensure that they are received and used in accordance with its own needs. Without such a distinction, the recipient does not have a fixed establishment in the Member State of the provider and cannot, therefore, be regarded as established in that Member State. For more information, click here. To read KPMG's previous discussion of this case, in particular, the AG's Opinion, click here.

Roundup of Latest Court of Justice of the European Union Cases

- On June 6, 2024, the ECJ published the nonbinding Opinion of its Advocate General (AG) in *Drebers*, Case C-243/23, in which the AG opined that the EU VAT Directive prohibits national legislation that allows for an extended adjustment period for VAT payable or paid on 'immovable property acquired as capital goods" to be applied to services related to immovable property, such as renovation or conversion works on a building.
- On June 6, 2024, the ECJ published the nonbinding Opinion of its AG in *Novo Nordisk*, Case C-248/23, in which the AG opined that the EU VAT Directive prohibits national legislation that obliges a pharmaceutical company to pay a proportion of its gross receipts from sales of publicly-funded pharmaceutical products to a State health insurance body, without allowing an ex post reduction in the taxable amount for those payments. This is applicable if the national legislation does not clearly, precisely, and foreseeably state that the payment is owed as a tax.
- On June 13, 2024, the ECJ published its decision in *C*, Case C-696/22, in which it held that services provided by court-appointed administrators and liquidators to companies undergoing insolvency proceedings qualify as continuous sales of services for tax point purposes if these services result in successive (repeated or ongoing) statements of account or payments. In this case VAT becomes chargeable even if there are insufficient funds in the debtor's accounts to pay for the services. The ECJ further clarified that establishing a direct and immediate link between an input transaction and the output transactions that allow for a right of deduction requires consideration of all surrounding circumstances, that is to say, in particular, the actual use of the goods and services purchased by the taxpayer as inputs and the exclusive reason for that purchase, the increase in turnover or the increase in the volume of taxable transactions not being relevant in that regard.

Source: European Union; Belgium—ECJ Advocate General Opines on VAT Adjustment Period for Building Renovation Works: Drebers (Case C-243/23) (VAT), (June 6, 2024), News IBFD; European Union; Hungary—ECJ Advocate General Opines on Adjustment of Taxable Amount for Payments Made by Order of Law: Novo Nordisk (Case C-248/23) (VAT), (June 6, 2024), News IBFD; European Union; Romania—ECJ Decides on VAT Consequences of Services Provided in Context of Insolvency Proceedings: C (Case C-696/22) (VAT), (June 13, 2024), News IBFD.

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Miscellaneous Developments in EMEA

- **Bulgaria:**[xxxii] On June 5, 2024, the Bulgarian National Revenue announced the implementation of the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member States to maintain small business exemptions up to EUR 85,000 and extends these exemptions to small businesses in other EU states, provided their gross receipts in the non-established state are below the national threshold and their total EU gross receipts are below EUR 100,000. Non-EU businesses are not eligible for these exemptions. For more information, click here.
- **Czech Republic:**[xxxiii] On June 14, 2024, the Czech Chamber of Deputies accepted Bill No. 726/0 for consideration. Among other things, the bill includes measures to implement the EU's small business VAT reform, effective from January 1, 2025. For more information, click here. Specifically, the bill provides that small businesses in other EU countries with annual gross receipts under CZK 2 million will not be considered VAT payers in the Czech Republic, similar to small Czech businesses in other EU countries. Businesses exceeding CZK 2 million in gross receipts during the year will become VAT payers from January 1 of the following year, and immediately if EU gross receipts exceed EUR 100,000. Further, the CZK 2 million threshold will be calculated on a calendar year basis instead of 12 consecutive months. Moreover, it outlines conditions for expanding options for bad debts and for VAT refunds in cases of unjust enrichment.
- **Denmark:**[xxxiv] On May 29, 2024, the Danish Customs and Tax Administration (DCTA) published the Danish Supreme Court decision in Case No. BS-16178/2021-HJR. The case pertained to whether an insurance company's establishment of a wholly owned subsidiary and subsequent VAT joint registration constituted abuse under the EU law principle of abuse, as the companies thereby gained a VAT advantage. This advantage consisted of the subsidiary obtaining a full VAT deduction for expenses related to the development of an IT system, which was intended to be used primarily for out-of-scope leasing to the insurance company after the planned joint registration. The Supreme Court stated that according to the practice of the EU Court of Justice, a general EU legal principle of abuse applies in relation to the rights and advantages provided by EU law. It further stated that this also applies to any right arising from the VAT system directive and that transactions involved in a confirmed abuse must be retroactively redefined to restore the situation that would have existed if the abusive transactions had not been carried out. It further found that the structure implemented by the companies provided unjustified advantages that were contrary to the purpose of the VAT system, and that, based on an overall assessment, the main purpose of the structure was to obtain this advantage, thus constituting an abuse of the VAT rules. Consequently, it held that the companies could not rely on the advantage of the joint registration, as the joint registration was part of the structure constituting abuse. The transactions between the companies were therefore redefined from VAT-free internal transactions to VAT-liable transactions between separate taxable entities.
- **Denmark:**[xxxv] On June 14, 2024, the DCTA published National Tax Court Decision No. SKM2024.328.LSR. The complaint involved a ruling on whether a company's VAT exemption for mediating summer house rentals would change if the owner provided complimentary experiences to renters at their own expense. The National Tax Tribunal noted that the Tour Operators Margin mechanism (TOMS)—a special regime for travel agencies applies when at least two independent main services are provided. Since the company only mediated the rental, including mandatory free access to low-value services decided and paid for by the owner, it did not meet the criteria for the special travel agency rules. The National Tax Tribunal highlighted that the decision to offer complimentary low-value services

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with the summer house rental was made solely by the owner, who also covered the costs. The company mediated the rental, including mandatory free access to these services, without the option to opt out. These services were not separately priced but included in the marketing. The rental price was set independently of the number of guests or the use of complimentary services, and any user, including the owner, could access these services. The National Tax Tribunal determined that renters would view the rental of a summer house, along with mandatory free access to experiences like a third-party water park, as a single service. Consequently, the company was found to be mediating a single main service, not meeting the criteria for the special travel agency. Thus, the company's mediation of summer house rentals remained VAT-exempt.

- **Denmark:**[xxxvi] On June 24, 2024, the DCTA published City Court Decision No. SKM2024.335.BR, clarifying VAT deductions associated with costs for land and construction. The case focused on whether a company could deduct nearly DKK 7 million in VAT for purchasing land and building new townhouses. If eligible, the secondary issue was whether the VAT deduction adjustment, due to the subsequent VAT-exempt rental of the townhouses, should occur in the year they were first rented or over 10 years. The court found that the company bought the land and built the townhouses intending to sell them as new buildings with land, thus qualifying for VAT deductions on the purchase and construction costs under the VAT Act. They noted that the right to deduct VAT remains even if the intended VAT-liable business is not realized. Given the VAT Act's provisions and legislative history, which require a 10-year adjustment for changes in use, the court supported the company's claim to adjust the VAT deduction over this period. The court also stated that the Tax Agency's change in administrative practice did not justify a single repayment of the VAT deduction for townhouses rented out in the same fiscal year they were built. Consequently, the case was remanded to the Tax Agency for reconsideration.
- **Denmark:**[xxxvii] On June 25, 2024, the Danish Customs and Tax Administration (DCTA) launched a consultation on Draft Control Signal No. 24-0715071 to clarify changes in VAT deduction rules for properties used in real estate transactions. The draft control signal explains that there must be no correction of the VAT deduction upon a change in the use of real estate under the VAT Act.
- **European Union:**[xxxviii] On June 14, 2024, the VAT Expert Group of the European Commission (VEG) released two documents from its 36th meeting addressing the implementation of the single VAT registration (SVR) proposal under the VAT in the Digital Age (ViDA) package and issues and potential solutions related to the Import One-Stop Shop (IOSS) mechanism. The SVR proposal aims to reduce the need for multiple VAT registrations across Member States by introducing a mandatory VAT self-assessment mechanism for domestic B2B sales, extending the One-Stop Shop (OSS) mechanism to domestic B2C sales, and including the transfer of own goods into the OSS. The document outlines IT impacts and necessary revisions to implementing acts, explanatory notes, and guidelines. (To read KPMG's previous discussion of the ViDA proposal, click here.) The second document identifies core problems with the IOSS mechanism, such as the exposure and potential hijacking of IOSS identification numbers, lack of awareness of the distribution chain by platforms, and the impracticality of physical checks for low-value parcels. Proposed solutions include assigning a secured transaction number or using digital signature technology to create unique digital IDs for each platform or vendor.
- **European Union:**[xxxix] On June 14, 2024, the Group on the Future of VAT (GFV) of the European Commission released the minutes of its 45th meeting and a document on the implementation of the Single VAT Registration (SVR) proposal under the VAT in the Digital Age (ViDA) package. The meeting involved discussions on the VAT treatment of

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donations and the necessity for more in-depth analysis, along with the implementation of the ViDA package. The minutes also highlighted that the VAT Expert Group (VEG) is working on the future of VAT to modernize and simplify the VAT system following the ViDA package. Moreover, the new SME mechanism, set to be applicable from January 1, 2025, is in the process of being finalized, with remaining work on the SME Web Portal and the Taxes-in-Europe database.

- **European Union:**[xl] On May 30, 2024, the European Commission published an update on the guidance document for the implementation of the Carbon Border Adjustment Mechanism (CBAM). This document is part of a series aimed at supporting the harmonized implementation of the CBAM during the transitional period from October 1, 2023, to December 31, 2025. The Guidance explains the requirements of the CBAM Regulation for importers of CBAM goods into the EU during this period, which will be used for data collection purposes without any financial obligation for importers. The Guidance is divided into sections including an introduction, a quick guide for importers, details on the CBAM, information on CBAM goods and production routes, reporting obligations, and exemptions from the CBAM. (To read KPMG's previous discussion of the CBAM, click here.)
- **Finland:**[xli] Finland's President recently signed a law that provides that Finland's margin mechanism for second-hand goods, works of art, collectors' items, and antiques will no longer apply if these goods have been subject to a reduced VAT rate, and such goods cannot benefit from the margin mechanism effective January 1, 2025.
- **Finland:**[xlii] On June 18, 2024, Finland's parliament approved measures to increase the country's VAT registration threshold from EUR 15,000 to EUR 20,000, effective from January 1, 2025.
- **France:**[xliii] On May 29, 2024, the French General Directorate of Public Finance announced the extension of the VAT self-assessment mechanism to transfers of certificates relating to guarantees of origin and production certificates in the field of electricity and gas, as provided for by new provisions of the Energy Code.
- **France:**[xliv] On June 26, 2024, France published Decree No. 2024-610, which outlines the regulatory part of the Goods and Services Tax Code. This decree clarifies the taxes on road travel, shipping, communications, digital technology, culture, and industrial and craft activities, excluding energy, alcohol, and tobacco taxes, which will be addressed separately. The decree will take effect on January 1, 2025, with some updates for the air transport sector deferred until April 1, 2026. The legislative part of the Code had entered into force on January 1, 2022.
- **Georgia:**[xlv] On June 10, 2024, Georgia published Public Decision No. 195, clarifying the VAT treatment of barter-exchanges when immovable properties are involved. Transactions involving partial non-monetary (goods/services) and partial monetary compensation are considered barter transactions. The value of the goods/services in barter transactions is determined in monetary terms by the parties involved. For immovable property in barter transactions, the taxable amount is based on the market price of the goods/services received, excluding VAT. For barter transactions after January 1, 2024, VAT is due in the reporting period when the consideration is received. For transactions before January 1, 2024, VAT applies at the time of the sale of goods/services, with VAT payment obligations arising in the reporting period of any partial monetary compensation. If the transaction involves partial non-monetary and partial monetary compensation, then for VAT purposes, the market price of the immovable property should be decreased by the monetary compensation paid.

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- **Italy:**[xlvi] On June 7, 2024, the Italian Revenue Authority issued Answer No. 131/2024, providing clarification on the VAT treatment applicable to services rendered to beneficiaries by public entities. In this case, the taxpayer, a public entity, was promoting advanced and innovative technological services under the National Recovery and Resilience Plan. The taxpayer provided state aid to beneficiaries involved in innovative projects, in the form of direct contributions and subsidized services, and sought clarification on the VAT implications of these services. The tax authority clarified that these contributions, despite being provided in the form of services, are not subject to VAT. This is because they are classified as "state aid," which is considered a mere contribution rather than a service, thus falling outside the scope of VAT. Further, if the public contribution only covers a portion of the service, the Implementing Entity (the entity carrying out the activities funded by the contributions) should apply VAT to the sum paid by the beneficiary. However, if the public contribution covers the total cost of the service, the operation is not subject to VAT, as it is not considered a service provided in exchange for a payment.
- **Kenya:**[xlvii] On June 26, 2024, the Kenyan President announced the withdrawal of the Finance Bill 2024 in its entirety due to sustained public pressure. The bill included measures that would have increased tax on financial transactions and essential foodstuffs, including the introduction of a 16-percent VAT on bread. It also proposed a new annual tax on vehicles as a bid to reduce the country's substantial debt and planned to increase the VAT registration threshold from KES 5 million to KES 8 million. (For KPMG's previous discussion on Kenya's Finance Bill 2024, click here.)
- **Madagascar:**[xlviii] On June 10, 2024, Madagascar's parliament adopted a bill amending the country's Finance Law 2024. Among other provisions, the bill mandates the payment of fraudulently collected VAT and enforces penalties. It further exempts from VAT certain donations and sales.
- **Netherlands:**[xlix] On June 14, 2024, the Dutch Ministry of Finance published an updated decree on the VAT treatment of the provision of personnel. This decree replaces an earlier one from 2022. The decree includes guidance for cases where the provision of personnel is not a taxable transaction or is subject to an exemption, as well as approvals for situations where VAT does not need to be charged. The main updates from the previous decree include clarifications on the provision of personnel in the context of medical vocational training, the provision of personnel as a closely related service for the VAT education exemption, and examples of activities that are not essential to the provision of VAT-exempt educational services.
- **Romania:**[l] On June 6, 2024, the Council of the European Union adopted Implementing Decision 2024/1641, extending the authorization granted to Romania to continue to restrict to 50 percent the right to deduct VAT on the purchase, intra-EU acquisition, importation, and hire or leasing of motorized road vehicles, as well as on expenditures related to such vehicles, if they are not exclusively used for business purposes. The extension applies from January 1, 2024, to December 31, 2026.
- **Romania:**[li] On June 14, 2024, Romania published a draft bill proposing amendments to the VAT regime applicable to the Deposit Return System (DRS) for non-reusable primary packaging. The DRS, implemented in Romania at the end of 2023, involves a deposit of RON 0.50 for each drink in glass, plastic, or metal packaging. The draft bill proposes a DRS VAT regime where the deposit does not represent a sale of goods or services within the VAT scope. Unreturned DRS packaging at the end of a calendar year is considered a delivery of

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goods by the DRS Administrator. The VAT taxable base is the difference between the value of the deposits received and returned by the DRS Administrator in a calendar year, excluding VAT. The draft bill also proposes the removal of the RON 1,000 threshold for capital goods adjustment mechanism.

- **Saudi Arabia:** The Saudi Arabian Zakat, Tax, and Customs Authority (ZATCA) further extended the application of the general tax amnesty program through December 31, 2024. To read KPMG's previous discussion of Saudi Arabia's amnesty program, please click here. For more information, click here.
- **Slovenia:**[lii] On June 3, 2024, Slovenia's Ministry of Finance launched a public consultation on a draft bill proposing several changes to the VAT law. These include measures to implement the EU's small business VAT reform, effective from January 1, 2025. For more information, click here. Specifically, it proposes to increase the annual gross receipts threshold for mandatory VAT registration from EUR 50,000 to EUR 60,000. The VAT exemption for sales of goods and services in Slovenia, which do not exceed EUR 60,000 annually, will be available not only to taxpayers established in Slovenia but also to those established in another EU Member State. However, it will not be available to taxpayers established outside the European Union. Other measures in the bill include a proposal to explain how businesses registered for VAT must keep two specific records in their accounting system, namely the record of calculated VAT and the record of VAT deductions. The bill also proposes to introduce the possibility of forming a VAT group.
- **Sweden:**[liii] On June 18, 2024, the Swedish tax authority published Statement No. 8-2948417, explaining recent Swedish Administrative Court of Appeal decision regarding the right to deduct VAT in relation to a holding company's sale of shares in a subsidiary. The question was whether the right to deduct should be limited with regard to partly non-economic activities that the holding company conducts as a passive holding company (i.e. when no taxable services for compensation are provided to one or more subsidiaries), partly the sale of shares exempt from tax liability. The Court of Appeal states that even if only the actively managed subsidiaries are invoiced for services, all subsidiaries are charged for the holding company's costs in accordance with the group's transfer pricing model. However, the activities that have been carried out in relation to the passively managed subsidiaries have not been specified. According to the Court of Appeal, the method of division presented by the Tax Agency does not consider financial conditions and does not reflect which part of the input tax could refer to a possible non-economic activity. Overall, the Court of Appeal considers that there are no conditions to make a division in relation to non-economic activities. The Court of Appeal also does not consider that the sale of shares exempt from tax liability should affect the size of the deduction. The holding company thus received a deduction for all input tax.
- **Sweden:**[liv] On June 26, 2024, the Swedish tax authority published Statement No. 8-2956586, clarifying the criteria for a VAT free transfer of own goods between EU Member States. The transfer of own goods between EU Member States is in principle a taxable transaction. However, the temporary movement of own goods does not constitute such a taxable transaction. The statement clarifies that a cross-border shipments of goods to Sweden is not considered a taxable transfer if the goods are used temporarily for providing services in Sweden. For this to apply, two criteria must be met: the goods must be shipped from the country where the service provider is established, and the goods must only be used temporarily in Sweden. However, if the use of the goods extends beyond three years, the nature of the goods must be considered to determine if they are considered consumed during their use in Sweden. If the use of the goods changes, the shipment can be considered a taxable transfer.

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- **Tanzania:**[lv] Tanzania announced proposed measures in its 2024-2025 budget including a proposal to process VAT refunds within 30 days.
- **Uganda:**[lvi] On June 13, 2024, the Ugandan Ministry of Finance, Planning and Economic Development presented the FY 2024-25 budget speech to parliament. The tax measures in the budget include, among other things, applying VAT on employer-provided taxable goods or services and extending a waiver of penalties and interest on arrears outstanding as of June 30, 2023.

Overview of Indirect Tax Developments in ASPAC from KPMG International Member Firms

- **KPMG in Bangladesh** published a report discussing tax measures in the Finance Bill 2024. These include an expansion of the list of VAT withholding entities to include individuals or businesses whose gross receipts exceed BDT 100 million. The bill also proposes several changes to the format of a VAT invoice.
- **KPMG in India** published a report discussing recommended changes to the GST law from the 53rd GST Council meeting held on June 22, 2024. Among other things, the recommended changes include introducing a waiver of interest and penalty where full tax is paid before March 31, 2025, introducing a common time limit for the issuance of demand notices and orders, changing the due date for filing returns by composition taxpayers, and reducing the threshold for reporting invoice-level inter-state B2C sales. The report also notes that the GST Council recommends issuing clarifications regarding issues such as the place of taxation for goods sold to consumers where the delivery is different from the billing address, and the taxability of loans granted between related persons and group companies.
- **KPMG in Malaysia** published a report discussing recent indirect tax developments in the country. This includes the extension of the payment period for the voluntary disclosure program and the publication of several revised service tax guides.
- **KPMG in Pakistan** published a report discussing tax measures in the Finance Bill 2024. Indirect tax measures in the bill include (1) introducing specific instances that may constitute tax fraud, (2) the reinstatement of sales tax on advance payments, (3) a comprehensive framework for auditing sales tax affairs, (4) the implementation of an electronic invoicing (e-invoicing) system, (5) changes in sales tax rates for various goods, including an increase for medicaments and certain categories of cellular phones, and (6) the repeal of zero-rating for local sales to registered exporters under the Export Facilitation Regime.
- **KPMG in Vietnam** published a report discussing recent tax developments in the country. Among other things, the report notes that on March 28, 2024, the General Department of Taxation issued a letter requesting tax departments to urgently carry out several tasks to enhance the management and handling of VAT refunds in 2024. These tasks include reviewing and gathering information on taxpayers who received VAT refunds for the development of a database and extending tax audits and inspection plans to cover taxpayers considered to be in high-risk businesses who applied for VAT refunds.

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Miscellaneous Developments in ASPAC

- **Australia:**[lvii] The Australian Taxation Office (ATO) launched consultation on a proposal to implement a new supplementary annual GST return for Top 100 and Top 1,000 taxpayers who have a GST assurance rating from a previous GST review. The consultation will help the ATO determine necessary guidance for taxpayers to complete the supplementary return. This new requirement, effective from the 2024/2025 tax year, will help the ATO make informed decisions about future taxpayer engagements and improve strategies to monitor GST risks in the large market.
- **India:**[lviii] On June 26, 2024, the Central Board of Indirect Taxes and Customs (CBIC) issued Circular No. 209/3/2024-GST, clarifying that for sale of goods to unregistered persons, the place of taxation is the address on the invoice. If the invoice shows a different recorded address from the billing address, the place of taxation is the recorded delivery address. However, if the billing and delivery addresses differ, the seller can use the delivery address as the recipient's address on the invoice to determine the place of taxation.
- **India:**[lix] On June 26, 2024, the CBIC issued Circular No. 211/5/2024-GST, clarifying that tax invoices or debit notes from registered vendors, as well as other tax-paying documents, are required to claim GST credits. A recipient of goods or services who is registered for GST must issue an invoice and pay the specified tax in cash under the self-assessment mechanism. Further, taxpayers may utilize the GST credits in connection with the specified invoices or debit notes until November 30 following the end of the specified financial year or until furnishing the relevant annual return, whichever is earlier.
- **India:**[lx] On June 26, 2024, the CBIC issued Circular No. 213/07/2024-GST, clarifying that when a foreign holding company (FCO) issues stock options to employees of its Indian subsidiary (ICO), and the ICO reimburses the FCO for the cost of these shares on a cost-to-cost basis, this does not constitute a provision of services. Therefore, such transactions are not subject to GST. It specifies that the transfer of shares under Employee Stock Purchase Plans (ESPP), Employee Stock Option Plans (ESOP), or Restricted Stock Units (RSU) is considered compensation to align employees' interests with the company and is not liable to GST. However, if the FCO charges any additional fees, markups, or commissions, these amounts are subject to GST, payable by the ICO on a self-assessment basis.
- **India:**[lxi] On June 26, 2024, the CBIC issued Circular No. 214/8/2024-GST, clarifying that the premium amount for taxable life insurance policies excluded from the taxable value under the GST law is not considered a non-taxable or exempt transaction, so no reversal of GST credit is required for that amount. According to India's GST law, when the premium charged for life insurance coverage includes an investment component, the value of the premium related to life insurance coverage is determined by deducting the amount allocated to investment/savings from the gross premium. The circular clarifies that this deducted amount does not become attributable to a non-taxable or exempt sale.
- **India:**[lxii] On June 26, 2024, the CBIC issued Circular No. 218/12/2024-GST, clarifying that GST does not apply to loan transactions between related parties if only interest or discounts are charged, without additional fees. The CBIC noted that processing or service fees, which are typically non-refundable and charged to cover loan processing costs, are subject to GST. In contrast, loans between related parties usually do not incur such fees due to their pre-existing relationship, making GST on these transactions inappropriate. If any additional fees beyond interest or discounts are charged, they are considered taxable services and subject to GST.

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- **India:**[lxiii] On June 26, 2024, the CBIC issued Circular No. 220/14/2024-GST, clarifying that the place of taxation for custodial services provided by banks to foreign portfolio investors (FPIs) must be considered as the location of the recipient of services.
- **New Zealand:**[lxiv] On June 11, 2024, the New Zealand Inland Revenue (IRD) issued Technical Decision Summary No. 24/13. It clarified that a proposed shared accommodation building, which will house multiple separate occupants and charge rent that includes access to communal facilities and will include a building manager with significant control of the premises, qualifies as a "commercial dwelling" and not a "dwelling," and as such, is not a GST-exempt service. The decision also clarified that the building would qualify for a reduced GST rate of 9 percent under certain conditions and that the GST costs related to the project are fully deductible.
- **New Zealand:**[lxv] On June 21, 2024, the New Zealand Inland Revenue (IRD) issued Question No. QB 24/04 FS 1, clarifying the GST treatment of subdivision projects. The IRD states that a subdivision project is a taxable activity when it is carried on continuously or regularly and involves, or is intended to involve, the making of sales to another person for consideration. The determination of whether a project is continuous or regular depends on the number of lots created and sold, and the level of activity involved in the project. Generally, a subdivision resulting in only one sale will not be taxable unless the scale of the activity and level of work involved is very high. Conversely, a subdivision leading to four or more sales is likely to be taxable unless the level of activity is very low. However, each case must be considered individually. Subsequently, on June 25, 2024, the Inland Revenue issued Fact Sheet No. QB 24/04 FS 1, providing further explanations on when a subdivision project is a taxable activity. It focuses on subdivisions that result in the sale of some, or all, of the subdivided lots of land, and the factors to consider when determining whether an activity is continuous or regular.
- **Philippines:**[lxvi] On June 14, 2024, the Philippine Bureau of Internal Revenue issued Revenue Memorandum Circular No. 65/2024, providing guidance on VAT bad debt relief. The circular follows Revenue Regulation (RR) 3-2024, issued on April 11, 2024. Sellers can deduct the VAT related to bad debt against their VAT collected in the subsequent quarter, following the lapse of the agreed-upon payment period. However, to qualify for the relief, certain conditions must be met, including that the sale was made on credit, there exists a written agreement specifying the payment period, the VAT is shown separately on the invoice, and the seller declared the corresponding VAT in the quarterly VAT return. If the seller claims a VAT credit on bad debt, the corresponding VAT cannot be claimed by the buyer. When receivables are collected, the seller must report the corresponding VAT in the taxable quarter when the recovery or collection occurs. To read KPMG's previous discussion of Revenue Regulation (RR) 3-2024, click here.

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About *Inside Indirect Tax*

Inside Indirect Tax is a monthly publication from the KPMG U.S. Indirect Tax practice. Geared toward tax professionals at U.S. companies with global locations, each issue will contain updates on indirect tax changes and trends that are relevant to your business.

Footnotes

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iii. Czech Republic Lower House Considers Bill to Amend VAT Act, Bloomberg Law News (June 18, 2024).
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v. Georgia Gazettes Order on VAT Exemption for Specified Pharmaceutical Supplies, Bloomberg Law News (June 20, 2024).
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vii. Greece—Ministry of Finance Announces Extension of Temporary Solidarity Contribution, Permanent VAT Reduction for Taxis, Coffee Delivery, (June 12, 2024), News IBFD.
viii. Madagascar—Budget 2024: Madagascar Moves to Implement Online Platforms for Tax Administration, (June 24, 2024), News IBFD
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x. Nigeria—Nigeria Removes Tariffs, Excise Duties and VAT on Imported Pharmaceutical Inputs, (July 1, 2024), News IBFD.
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xiii. CCH, Taiwan Extends Tax Relief for Key Commodities, (June 4, 2024).
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xv. Uganda—Budget 2024 in Brief: Uganda to Impose VAT on Goods and Services Supplied by Taxable Employers to Employees for No Consideration, (June 14, 2024), News IBFD.
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xxii. CCH, India, US Extend Equalization Levy Truce (July 2, 2024).
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xxvii. CCH, Ireland Provides Update on VAT Law Revamp (July 1, 2024).
xxviii. LIETUVOS RESPUBLIKOS FINANSŲ MINISTERIJA, E. sąskaita "tampa SABIS" (May 3, 2024); NACIONALINIS BENDRŲJŲ FUNKCIJŲ CENTRAS, "SVARBU: atnaujintas perėjimo prie SABIS naudojimo grafikas (June 19, 2024).
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