



Inside Indirect Tax

August 2024



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

- **Austria:**ⁱ Austria's National Council recently approved a proposal to exempt foods and non-alcoholic beverages that are donated to charities from VAT effective August 1, 2024. The VAT exemption was originally planned for January 2025, now came into force on August 1, 2024.
- **Estonia:**ⁱⁱ On July 22, 2024, Estonia [proposed](#) to further increase its standard VAT rate from 22 percent to 24 percent, effective from July 1, 2025. However, this is currently subject to public discussions.
- **Finland:**ⁱⁱⁱ On July 5, 2024, the Finnish government published a [draft bill](#) proposing an increase in the reduced VAT rate on certain commodities from 10 percent to 14 percent. The new rate will apply to passenger traffic, accommodation operations, guest harbor operations, and medicines. It will also cover cultural and sports activities, including books, sports and exercise services, access to cultural events, use of sports facilities, performances by artists or athletes, imported artworks sold by artists or occasional sellers, and copyright-related compensation received by organizations representing copyright holders. The change would not apply to newspapers and magazines. Additionally, the draft bill proposes taxing menstrual pads, incontinence pads, and child diapers at a reduced VAT rate of 14 percent instead of the standard rate. Estonia also launched a [consultation](#) on the proposal.
- **India:**^{iv} Effective July 15, 2024, the Indian Civil Aviation Minister [announced](#) the implementation of a uniform integrated goods and services tax (IGST) rate of 5 percent on all aircraft and aircraft engine parts.
- **Isle of Man:**^v Effective January 1, 2025, the Isle of Man, in line with the United Kingdom, will remove the VAT exemption for private school fees and boarding school fees. In addition, the VAT exemption will not apply to any fees invoiced or paid in advance for terms starting after January 1, 2025.
- **Latvia:**^{vi} The Latvian Ministry of Finance recently published draft amendments to its VAT law to transpose several EU VAT directives. These include measures for applying a zero percent VAT rate to exported goods for humanitarian aid and charity, and to sales of second-hand goods, art, collector's items, and antiques. The amendments also aim to simplify the process of applying the zero percent VAT rate for sales to diplomatic and consular missions.
- **Paraguay:**^{vii} On July 2, 2024, the Paraguayan National Tax Revenue Directorate issued [Binding Consultation No. 541](#), clarifying that a VAT exemption applies to the disposal of public and private securities, including company shares or quotas, through repo operations (repurchase agreements). This exemption covers repos conducted in securities markets, directly with third parties, and through the Central Bank's Payment System (SIPAP). However, for tripartite repo operations, a 10 percent VAT rate applies to commissions from intermediary services related to the purchase and sale of securities.
- **Tanzania:**^{viii} On June 30, 2024, Tanzania published the [Finance Act 2024](#), which, among other things, introduces 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 repeals the VAT exemption for the sale of precious metals, gemstones, and other valuable minerals, excluding sales made to refineries. The Act also extends the VAT exemption for locally produced edible oils, which expired on June

30, 2024, for an additional year. To read KPMG’s previous discussion of the measures in Tanzania’s Finance Act 2025, please click [here](#).

- **United Kingdom:**^x The UK Treasury has released a policy paper titled “[VAT on Private School Fees & Removing the Charitable Rates Relief for Private Schools](#)” initiating a technical consultation on proposed VAT and business rates changes for private schools. The paper outlines plans to remove the VAT exemption for private school fees and boarding school fees effective January 1, 2025. It provides that the VAT exemption will not apply to any fees paid in advance for terms starting after January 1, 2025. It aims to clarify the impact on schools and families and seeks stakeholder feedback on five key questions regarding the definition and scope of private schools, the “connected persons” test, and the policy’s effectiveness across the UK.
- **Venezuela:**^x Effective July 1, 2024, Venezuela extended the period of application of the VAT and import tax exemptions for certain goods until August 31, 2024. This exemption was initially scheduled to apply from January 1, 2024, until June 30, 2024. The regime implemented a temporary 90 percent VAT and customs duties exemption for the import of various merchandise items. It further introduced a full VAT and customs duties exemption for imports by public entities and for priority merchandise, provided a certificate of “no national production” or “insufficient national production” is obtained. In addition, under the regime, importers must submit a list of exempt goods and the seller’s commercial invoice to the customs authority. If an incorrect customs code is declared or if the merchandise corresponds to a non-exempt customs code, the exemption may be lost, and penalties may apply. To read KPMG’s previous discussion of this measure, please click [here](#).
- **Venezuela:** Effective July 15, 2024, Venezuela published Decree 4,972, which reduced the financial transactions tax rate from 2 percent to 0 percent for the following transactions: payments in Venezuelan Bolivar (VEB) made by legal entities qualified as special taxpayers and charged to the accounts held by them in the national banking system, and payments or debt settlements by these entities without using financial institutions. However, the decree maintains a 3 percent tax rate for transactions involving payments in foreign currency, cryptocurrencies, or crypto assets (excluding those issued by Venezuela) made by individuals and legal entities within the national banking system or to special taxpayers without financial institution mediation. For more information, click [here](#).

Digitalized Economy Indirect Tax Updates

Switzerland: Draft guidelines on Platform Rules for Goods Effective 2025

On July 9, 2024, the Swiss tax authorities issued [draft guidelines](#) for the upcoming platform rules for goods, set to take effect on January 1, 2025. The guidelines outline that, under the new Article 20a of the Swiss VAT Act, anyone who facilitates the sale of goods via an electronic interface will be considered the seller for VAT purposes. The term “facilitate” is defined as using an electronic interface to connect a buyer and a seller to conclude a sale. However, platforms that are not involved in the ordering process or do not generate gross receipts related to transactions are not subject to the new provision.

The guidelines further clarify that the Swiss VAT law does not differentiate between sales made to taxable and non-taxable persons. Therefore, platforms do not need to identify whether the transactions they facilitate are for taxable customers. The new rules include business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), and consumer-to-business (C2B) sales. All sales of goods, both domestic and imported, are covered by the new rules. Platforms are required to register for VAT if they generate annual gross receipts from non-exempt transactions amounting to CHF 100,000 and have their registered office on Swiss territory or facilitate transactions on Swiss territory.

Platforms facilitating sales of services are not affected by the platform rules but still have obligations to provide information about the transactions they facilitate. All platforms must voluntarily submit these records electronically to the tax administration by January 31 of the following year if the total transaction value exceeds CHF 1 million during the calendar year. Non-compliance with these record-keeping obligations could lead to criminal prosecution. For more information, click [here](#).

Other Developments

- **Australia:** On July 8, 2024, the Australian Taxation Office (ATO) [announced](#) its plan to acquire Australian sales data from online selling platforms for the financial years 2023-24 to 2025-26. The data to be collected includes identification details for both individuals and businesses, as well as account details such as the number and value of annual and monthly sales transactions. The ATO anticipates obtaining between 20,000 and 30,000 account records each year, with approximately half of those likely to relate to individuals. The primary objectives of this program are to promote voluntary compliance, increase community confidence in the tax and superannuation systems, derive insights to inform engagement strategies, identify and educate those failing to meet their obligations, and ensure that tax and superannuation obligations are being fulfilled. To read a report prepared by the KPMG International member firm in Australia, please click [here](#).
- **Denmark:**^{xi} According to news reports, Denmark's tax agency is preparing to conduct another investigation into the tax compliance of individuals and businesses who received large sums via digital payment methods. This probe, which will examine transactions from 2023, is the fifth consecutive year of such investigations, authorized by the Tax Council and supported by information from digital payment facilitators. The agency found tax non-compliance in 80 percent of the transactions investigated last year, and this information was used to support other tax investigations.
- **France:**^{xii} On June 19, 2024, the French tax authority has initiated a public consultation on a [draft guidance](#) regarding the tax on the rental of phonograms and video music in France for private use. According to the draft guidance, Physical sales and rentals, as well as services rendered between professionals, are not subject to this tax. The tax base for the French digital content tax is the amount, excluding VAT, of revenues from amounts paid by the public for access to taxable content and sums paid by advertisers for their ads on the taxed service. Only the fraction of the subscription or price of the multi-service offer relating to access to taxable content is considered, and the tax base is the fraction of these revenues that exceeds EUR 20 million per calendar year, assessed separately for each service. The tax is due at each collection of the amounts constituting the tax base, provided that these collections have led, since the beginning of the calendar year, to exceed the threshold mentioned. The tax is payable by those who collect the amounts constituting the tax base. The tax is declared and liquidated like VAT, using the annex form to the VAT declaration n° 3310-A.

- **Hungary:**^{xiii} The European Commission announced that it has closed its investigation into the Hungarian advertisement tax, which began in 2015. The tax, introduced in 2014, had progressive rates that the Commission found discriminatory under EU state aid rules. Companies with low advertisement turnover were either exempt or taxed at 1 percent, while those with high gross receipts faced rates between 10 percent and 50 percent. The Commission ordered Hungary to eliminate this disparity and recover any undue advantages. However, in March 2021, the Court of Justice of the EU annulled the Commission’s decision, ruling that the progressive rates did not selectively advantage low-turnover companies. Pending court proceedings, Hungary repealed the tax in 2017, rendering the investigation moot, leading to its closure.
- **India:**^{xiv} Effective August 1, 2024, India has abolished the two percent Equalisation Levy that was introduced through the 2020 Finance Act. This levy was applicable to nonresident providers without a permanent establishment in India from the online sale of goods or services, or any combination thereof, owned, provided, or facilitated by the e-commerce operator. However, the six percent Equalization Levy on digital advertising services, introduced in 2016, continues to be in effect. The repeal comes in response to stakeholder concerns about the levy’s ambiguous scope and the excessive burden it placed on non-resident digital services providers.
- **Kosovo:**^{xv} On June 21, 2024, the tax authority of Kosovo [clarified](#) the taxation of e-commerce, which includes the electronic sale of goods and services. The income generated from websites, electronic platforms, social media networks, and services provided abroad is taxed as regular business income. This also applies to barter transactions received by social media influencers. Individuals involved in e-commerce must register with the Kosovo Business Registration Agency and publish their contact and tax information on their websites. They must also have an electronic fiscal system and issue invoices, with transport costs listed separately if included in the price. For VAT purposes, the sale of goods is sourced where the shipping begins, while for services, it is the recipient’s location. Sellers outside Kosovo serving recipients in the country must appoint a tax representative.
- **Latvia:**^{xvi} The Latvian Ministry of Finance recently published draft amendments to its VAT law to transpose several EU VAT directives. These include measures to amend the VAT sourcing rules for streaming services.
- **Mexico:** The Mexican tax authority recently introduced two new requirements for registering foreign digital service providers. Firstly, the provider’s deeds of incorporation or bylaws must specify that the company’s purpose is to provide services through a technological platform where goods are sold or leased. Secondly, the legal representative must sign an affidavit detailing the goods or services sold, the transaction website, and the main business administration address. Companies already registered for VAT on digital services in Mexico don’t need to amend their bylaws, but new registrants should carefully review all formalities and evaluate their options to comply with these requirements. To read a report prepared by the KPMG International member firm in Mexico, click [here](#).
- **Netherlands:**^{xvii} On July 29, 2024, the Netherlands published [Decree No. 2024-16101](#) that administrative fines on VAT e-commerce defaults will continue to be waived until January 1, 2025.
- **Norway:**^{xviii} On June 28, 2024, the Ministry of Finance in Norway has issued a [draft bill](#) for public consultation regarding changes to the reporting requirements for digital platforms to tax authorities. The proposal would align Norwegian rules with the OECD’s “Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy.”

The significant change proposed is that a platform provider based in another participating country or EU country would only report to their home country, which would then share relevant information on Norwegian residents through automatic information exchange. The rules target digital platforms that facilitate transactions and handle payments, and the scope of services will expand to include transactions involving goods and services. The proposed rules also require digital platforms to undertake a screening and identity control of sellers. The changes are proposed to take effect from 2026, with the first reporting in 2027. However, digital platforms will have two years to comply with the identity control of their existing sellers, so the rules will fully come into effect from 2027, with reporting in 2028.

- **World Trade Organization:**^{xix} On July 26, 2024, the World Trade Organization (WTO) [published](#) the text of an E-commerce Agreement, which prohibits the imposition of customs duties on electronic transmissions and sets ground rules for digital trade. These rules include initiatives to promote seamless digital trade, provisions to improve trust in the digital trade environment, and initiatives to facilitate the participation of consumers and companies from developing countries in digital trade. Once integrated into the WTO legal framework, the agreement will form the basis for global rules on digital trade.

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

Malaysia: New Transition Measure for E-Invoicing Mandate

On July 26, 2024, the Inland Revenue Board of Malaysia (IRBM) [announced](#) a six-month transition period for the mandatory electronic invoicing (e-invoicing) regime that will be introduced August 1, 2024. During this period, businesses have the option to issue monthly consolidated e-invoices for all transactions, a move intended to accommodate businesses with complex transactions and facilitate a smooth transition to e-invoicing.

The IRBM further clarified that businesses can issue consolidated e-invoices, including self-bill e-invoices, and include any transaction description in the “Product or Service Description” field. Upon a buyer’s request, sellers also have the freedom to issue consolidated e-invoices without the need to issue an e-invoice for each transaction.

The IRBM will not impose penalties for non-compliance with e-invoice regulations during this period, if businesses adhere to the consolidated e-invoice requirements.

Finally, the IRBM will grant taxpayers who successfully implement e-invoicing within the stipulated timeline a reduction in the capital allowance claim period from three years to two for the purchase of information and communication technology (ICT). This incentive will be effective until fiscal year (FY) 2025. For more information, click [here](#).

Other Developments

- **Chile:** The Chilean tax authority recently implemented Exempt Resolution No. 36 effective July 1, 2024. This resolution updates the content requirements for various tax documents that VAT taxpayers must issue, including invoices, dispatch guides, purchase invoices, and invoice liquidations. It requires a clear description of products or services rendered, with any description exceeding 80 characters continued in the “Additional Description” or “Description” field on the same line. Penalties for non-compliance include fines of 50% to 500% of the transaction value, with a minimum of 2 UTM and a maximum of 500 UTM, and possible business closure for up to 20 days. To read a report prepared by the KPMG International member firm in Chile, click [here](#).
- **Colombia:** On July 9, 2024, the Colombian tax authority published a draft resolution to modify Resolution 165 of 2023, affecting electronic invoicing and equivalent electronic documents. The proposal allows for the use of e-invoices for various operations, extends the implementation deadline for the “Extract” equivalent document to November 1, 2024, and clarifies procedures for technological issues. It also sets a 48-hour deadline for the validation of electronic air transport tickets and mandates the implementation of the electronic equivalent document Ticket from a POS system by July 1, 2024. The proposal lists 143 municipalities exempt from the obligation to issue an electronic sales invoice due to lack of fixed internet coverage and outlines responsibilities for technological providers. It also permits certain organizations to continue issuing physical public utility services documents and restricts the operations admitted by the electronic sales invoicing system. To read a report (in Spanish) prepared by the KPMG International member firm in Colombia, please click [here](#).
- **Costa Rica:**^{xx} On July 16, 2024, the Ministry of Finance of Costa Rica [published](#) a draft decree aiming to unify all previous regulations and resolutions related to mandatory e-invoicing and receipt issuance into a single legal document. If approved, this regulation will integrate the provisions of Executive Decree N° 41820-H from 2019, which currently oversees Costa Rica’s e-invoicing system, and Resolutions DGT-T-12-2018, DGT-R-39-2018, and DGT-R-033-2019, which define the technical aspects of e-invoices and receipts. The draft decree details the requirements for the content and format of each type of electronic document, the methods for sending and validating them, and the process for acknowledging receipt by the buyers. It also covers the correction and cancellation of previously issued e-invoices and receipts, their legal status, and the responsibilities of issuers, recipients, and providers of e-invoicing solutions. Moreover, it establishes the penalties for failing to comply with e-invoicing requirements by taxpayers and solution providers.
- **Egypt:**^{xxi} On July 25, 2024, the Egyptian tax authority [announced](#) the fifth sub-phase of the fourth stage of the e-receipt system rollout under Resolution No. 302/2024. Effective September 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.
- **Malaysia:** The Inland Revenue Board of Malaysia (“IRBM”) has issued the e-Invoice Guideline (Version 3.0) and e-Invoice Specific Guideline (Version 2.2) on June 28, 2024, which replaces the e-Invoice Guideline (Version 2.3) and the e-Invoice Specific Guideline (Version 2.1) respectively. The IRBM has also released the latest updates for the General FAQ (dated June 28, 2024) as well as FAQs for specific industries including Insurance and Takaful, Healthcare, Tourism, Aviation and Financial Services, Stockbroking and Unit Trust. The IRBM has also provisioned SDK Updates and SDK FAQ to prepare taxpayers for the upcoming MyInvois System. To read a report prepared by the KPMG International member firm in Malaysia, click [here](#).

- **Malaysia:**^{xxii} On July 30, 2024, the Malaysian tax authority (IRBM) [published](#) version 3.2 of the e-invoicing guidelines. This update exempts taxpayers who earn less than MYR 150,000 annually from having to comply with the mandate. However, to be eligible for this exemption, taxpayers must meet additional conditions that the IRBM will outline in a Frequently Asked Questions booklet.
- **Madagascar:**^{xxiii} On July 4, 2024, Madagascar’s Congress passed [law 2024-003](#), introducing amendments to the 2024 Finance Law, which includes the establishment of a mandatory e-invoicing system, referred to as “e-facturation.” The law details the tax authority’s plan to develop an online e-invoicing module, aiming to create a centralized, structured, and standardized billing system. The requirement for e-invoicing will encompass all transactions, necessitating businesses to generate and submit structured VAT invoices via the centralized platform. While the tax authority has not yet provided a timeline or specific details, additional regulations will be issued to clarify implementation and deadlines. Although no specific implementation date has been confirmed, it’s expected that the system will be operational by 2025.
- **Peru:**^{xxiv} On July 29, 2024, the Peruvian tax administration issued [Resolution 000145-2024/SUNAT](#). This resolution aims to postpone the requirement for certain taxpayers mentioned in Article 3 of Resolution 000112-2021/SUNAT as modified by Resolution 000040-2022/SUNAT, to use the Integrated System of Electronic Records (SIRE) for maintaining their Sales and Income Register and Purchases Register. Initially set for August 2024, the new requirement will now take effect January 2025.
- **Poland:**^{xxv} On June 25, 2024, the Minister of Finance of Poland [issued](#) a regulation that amends the scope of data included in tax declarations and records for VAT. The regulation, which took effect on July 1, 2024, postpones the implementation dates for changes to the VAT declarations. As a result, taxpayers will not need to include certain invoice numbers in their sales records from February 1, 2026, to July 31, 2026. Additionally, the requirement to include data from fiscal receipts treated as simplified invoices is postponed until July 31, 2026.
- **Romania:** On July 24, 2024, Romania published [Order no. 3775/2024](#), approving the layout and content of the prefilled VAT return. This Order, compared to the draft bill, includes amendments such as the replacement of the reference to the Virtual Private Space with the broader term “electronic means” for sharing the prefilled e-VAT return with VAT-registered persons. Additionally, the RO e-SAF -T National System, including data reported through Form D406, is specifically mentioned as an information source for the prefilled e-VAT return. The Order, published in Official Gazette No. 726, applies to operations performed from July 1, 2024, and to be reported from August 1, 2024, onwards.
- **Saudi Arabia:** On June 28, 2024, the Zakat, Tax and Customs Authority (ZATCA) [announced](#) the criteria for the thirteenth group of taxpayers required to comply with the second phase of the e-invoicing system implementation. The thirteenth group will include taxpayers whose VAT-liable revenues exceeded SAR 7 million in 2022 or 2023. The second phase, also known as the integration phase, involves integrating taxpayers’ e-invoicing solutions with the FATOORA Platform. The mandate for this group will commence on January 1, 2025. For more information, click [here](#).
- **Saudi Arabia:** On July 26, 2024, the Zakat, Tax and Customs Authority (ZATCA) [announced](#) the criteria for the fourteenth group of taxpayers required to comply with the second phase of the e-invoicing system implementation. The fourteenth group will include taxpayers whose VAT-liable revenues exceeded SAR 5 million in 2022 or 2023. The second phase, also

known as the integration phase, involves integrating taxpayers' e-invoicing solutions with the FATOORA Platform. The mandate for this group will commence on February 1, 2025. For more information, click [here](#).

- **Slovenia:**^{xxvi} On July 19, 2024, the Ministry of Finance of Slovenia [published](#) a draft law to establish a business-to-business (B2B) e-invoicing system. This proposal would mandate that all e-invoices must be reported to the Slovenian tax authority using the e-SLOG standard within 8 days of issuance or receipt. The requirement would apply to all taxpayers, including foreign entities, registered in the Business Register of Slovenia (PRS). The e-SLOG format, developed by the Slovenian Chamber of Commerce, is a single standardized format for this purpose. If the National Assembly approves the law, it will take effect on June 1, 2026. The draft law would also allow e-invoices to be reported in formats that align with the European standard for e-invoices, as outlined in Directive 2014/55/EU by the European Commission. Other internationally recognized standards may also be utilized if the issuer and recipient both agree, unless the law specifies otherwise.

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 Chile** published a [report](#) discussing recent tax developments in the country, including tax authority guidance on whether conceptual engineering qualified for VAT refunds, and documentary requirements for the sale of tickets to state parks.
- **KPMG in Mexico** published a [report](#) noting that the Mexican tax authority has been challenging on the deductibility of VAT incurred for advertising and promotional expenses, particularly when the brand in question is not owned by the legal entity incurring the costs.

United States: Digital Advertising Tax/Fee Updates

While Maryland is currently the only state that imposes a tax on digital advertising services, other states are currently considering the enactment of similar taxes or fees. Last month, the California Senate passed legislation ([Senate Bill 1327](#)) that, if enacted, would adopt the “Data Extraction Mitigation Fee Law.” Under the law, a new 7.25 percent tax would be imposed on gross receipts derived from data extraction transactions in California. A “data extraction transaction” is generally a transaction in which a taxpayer sells user information or access to users to advertisers and engages in a barter transaction of providing services to a user in exchange for the ability to display advertisements to the user or collect data about the user. Gross receipts would be deemed to be derived from data extraction transactions if they were derived from sales of advertising services on a digital interface. The tax would not apply to persons deriving less than \$2.5 billion annually from such transactions in California. Gross receipts derived from data extraction transactions would be deemed to be in California if the user is in California. A “user” means an individual or other person who accesses the services of a taxpayer directly or indirectly with a digital interface. The bill would become effective on January 1 of an unspecified year.

In the District of Columbia, the Tax Revision Commission recently issued a revised list of recommended tax changes that includes adopting a new data excise tax imposed on businesses extracting data from over 150,000 DC residents. The tax would be imposed at a rate of \$2 per participant per year; the revised list includes few additional details on the recommended tax. In Nebraska, digital advertising tax bills that were in play during the regular legislative session failed to advance. However, Governor Jim Pillen recently called a special session to address property tax reform. Recall, a digital ad tax was previously suggested as a means of raising revenue to fund property tax relief.

Finally, although the litigation over the constitutionality of Maryland’s digital advertising tax is still pending in state court, there has been an update on the lawsuit that remained in federal court. The issue in federal court was whether the “pass-through” prohibition in Maryland’s law, which prevents taxed companies from passing on the costs of the tax to their advertising customers “by means of a separate fee, surcharge, or line-item,” violates the First Amendment as a content-based regulation of speech. Just recently, a federal district court judge dismissed the suit on the basis that the plaintiffs had not shown that the “pass-through prohibition” lacks a “plainly legitimate sweep” or that a substantial number of the statute’s applications are unconstitutional. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Brazil:**^{xxviii} On July 12, 2024, the Brazilian Chamber of Deputies approved a complementary law for the proposed dual VAT regimes under the indirect tax reform. (For KPMG’s previous discussion on the Brazilian indirect tax reform, click [here](#)). Under the tax reform bill, Brazil would enact a dual VAT regime including: a tax on goods and services (Imposto Sobre Bens e Serviços—IBS) that would replace the state VAT (Imposto Sobre Circulação de Mercadorias e Serviços—ICMS) and the municipal tax on services (Imposto Sobre Serviços de Qualquer Natureza—ISS); and the Contribution on Goods and Services (Contribuição Sobre Bens e Serviços—CBS) that would replace the federal PIS/COFINS contributions. The law outlines the administration, collection, and enforcement of these taxes, covering taxable events, scope, sourcing rules, calculation, revenue division, and rates. It includes provisions for a split payment mechanism, tax relief for consumers requesting invoices, and a standardized invoice format. Additionally, it offers a 60 percent rate reduction on essential goods and services and special rules for the real estate, minerals, energy, and financial services sectors. To read KPMG’s previous discussion of the tax reform, click [here](#).

- **Brazil:** Brazil's Federal Revenue has issued new guidelines for the taxation of imported goods purchased from online retailers, as laid out in Provisional Measure no. 1,236/2024 and Ministry of Finance Ordinance MF 1,086. According to these guidelines, consignments transported by air or post will be taxed at either a 20 percent rate for purchases up to USD50 or a 60 percent rate for more valuable consignments up to USD3,000, with a fixed credit of USD20 of the liability. However, shipments included in the Remessa Conforme Program up to USD50 with an import declaration registered until July 31, 2024, will remain tax-exempt. The new tax rates will take effect from August 1, 2024. Notably, the 20 percent import tax will not apply to medicines purchased by individuals over the internet.
- **Argentina:**^{xxviii} On July 1, 2024, Argentina published [General Resolution 5520](#). This resolution extends, until December 31, 2024, the suspension of the regime that allows importers to be excluded from the advance collection (percepción) of income tax and VAT. Under the advance collection regime, the tax authority is required to collect VAT in advance at a rate of 20 percent for products subject to the general VAT rate of 21 percent, and 10 percent for products subject to the reduced rate of 10.5 percent. Importers are required to pay VAT in advance to the Customs Administration upon the import of goods. The amounts paid can be computed by importers in their VAT affidavits as advance payments. Due to this suspension, importers are again subject to the regime. The suspension does not apply to imports by micro- and small businesses, imports on behalf of the government, or specified imports.
- **Canada:**^{xxix} On July 2, 2024, the Canadian Revenue Agency (CRA) published [guidance](#) on the goods and services tax (GST) / harmonized sales tax (HST) credit. The guide provides individuals with information about the credit, including eligibility, when the credit will be received, how it is calculated, and related provincial and territorial programs administered by the CRA. The GST/HST credit is a non-taxable amount paid four times per year to individuals and families with low and modest incomes. The credit is meant to help offset the GST/HST paid by taxpayers on property and services sold in or imported into Canada.
- **Canada:**^{xxx} On July 12, 2024, the Canadian government [launched](#) consultations on a proposal from the 2024 Budget that would allow indigenous governments to impose their own value-added sales taxes on Fuel, Alcohol, Cannabis, Tobacco, and Vaping (FACT) products. The draft legislative proposals would enable these governments to enact such taxes within their reserves or settlement lands, like the existing First Nations Goods and Services Tax (FNGST) but limited to FACT products and at the same 5 percent GST rate. Additionally, the proposals include amendments to the First Nations Goods and Services Tax Act to streamline tax administration.
- **Chile:**^{xxxi} On June 28, 2024, the Chilean tax authority released [Resolution No. 67](#), detailing the compliance obligations for VAT withholding agents. The resolution updates the list of agents required to comply with VAT obligations, effective from July 1 to the last business day of December and extends the compliance period by six-month increments for ongoing noncompliance.
- **Paraguay:**^{xxxii} On July 2, 2024, the Paraguayan tax authority issued [Binding Consultation No. 528](#), clarifying that amounts received or paid as a penalty or fine for a contractual breach are not subject to VAT. However, interest or surcharges arising from the financing of pecuniary obligations are subject to VAT, with the taxable base being the amount of interest, surcharges, commissions, and any other amounts distinct from the capital amortization payable by the borrower or debtor, accrued until the obligation arises.

- **Paraguay:**^{xxxiii} On July 9, 2024, Paraguay issued [Decree No. 2063](#), establishing the Shopping Tourism Regime (RTC) to boost trade and stimulate the economy. This regime includes a specific VAT framework for the import and sale of goods to tourists in certain cities. Eligible entities must be incorporated in Paraguay, have submitted financial statements for at least two years, possess a minimum capital of PYG 6 billion, and maintain a bank account with at least \$200,000 over the last three months. Beneficiaries must pay 10 percent VAT on 12.5 percent of the goods' value and 1 percent corporate income tax (IRE) on the customs value. Sales to tourists or other RTC entities are zero rated. Sales to residents incur a 10 percent VAT, with input VAT usable as a tax credit. Entities can operate under the RTC for two years, with the possibility of renewal if requirements are met, unless the tax authority revokes their permission.

Europe, Middle East, Africa (EMEA)

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

- **KPMG in the Czech Republic** published a [report](#) discussing proposed amendments to the country's excise tax regime, including extending the digitization of certain processes, revising the assessment and classification criteria for small and independent breweries, streamlining the direct collection and refund processes of excise duties to align with EU legislative changes, eliminating the "sell-out period" for cigarettes and heated tobacco products after excise duty rate changes, reducing the administrative burden for waste mineral oils by removing the requirement for economic stability proof for permit applicants and revising transport conditions for exempt waste oils.
- **KPMG in Germany** published a [report](#) discussing recent tax developments in the country, including draft regulations on the awarding of a tax-related business number, tax authority guidance on the VAT consequences of the increase in the exemption limit for the deduction of business expenses for gifts, and several decisions of the Court of Justice of the European Union (ECJ).
- **KPMG in Poland** published a [report](#) discussing recent tax developments in the country, including a recent decision by the Supreme Administrative Court (SAC) on the taxation of activities constituting a bundled service in a case involving the development of a linear park outsourced by a municipality, and another decision stating that the key to determining whether a transfer of assets is a transfer of an organized part of an enterprise not subject to VAT is whether the assets can be used to continue similar business activities with no material functional or organizational changes.

- **KPMG in Poland** published a [report](#) discussing recent tax developments in the country, including a recent decision of the SAC holding that vehicles provided to mobile workers for commuting should be considered as used exclusively for business purposes under certain VAT Act provisions, as long as the taxpayer's rules and vehicle records confirm that the vehicle is not used for non-business purposes. In another case, it held that activities related to operating a portal for Employee Capital Plans (ECP) and collecting fees are specific in nature and part of the ECP scheme. Entities performing these activities, as listed in the ECP Act, do not compete with others and thus these activities are not considered business activities. Consequently, actions within these activities are not classified as services for VAT purposes.
- **KPMG in Poland** published a [report](#) discussing recent tax developments in the country, including a recent decision of the SAC holding that post-transaction discounts do not constitute free-of-charge deliveries of goods for VAT purposes.
- **KPMG in Spain** published a [report](#) noting that Spanish companies have until September 30, 2024, to file a claim for the refund of VAT paid in other EU countries through the Spanish tax authority's website. For VAT paid in non-EU countries, companies must file claims directly with the tax authorities of each Member State according to applicable deadlines. EU companies not established in the Spanish VAT territory have until September 30, 2024, to file a claim for a refund of VAT paid in Spain during 2023 through the mechanism established by the tax authorities of the country in which they are established. This deadline also applies to the refund of the Canary Island General Indirect Tax (IGIC) paid in 2022. The Canary tax authorities provide a special procedure for such claims.

European Union: VAT Intermediation Rules Not Applicable if Underlying Transaction is Not an Economic Activity

On July 23, 2024, the Court of Justice of the European Union (ECJ) published its decision in *Credidam*, [Case C-179/23](#), clarifying the EU VAT rules for "undisclosed agents." Under EU law, as confirmed by the ECJ, an undisclosed agent is defined as an individual or entity that operates under their own name but represents another party (the principal) in a transaction. In such a scenario, the agent is considered to have personally received and sold the services involved.

In the case, a collective management organization for copyright and related rights in Romania was responsible for gathering and distributing the remuneration owed to performing artists from those who use their artistic services. To cover its operating costs, the Romanian organization deducted a management fee from this remuneration. The ECJ's decision in *SAWP*, [Case C-37/16](#), determined that remuneration for private copying falls outside the scope of VAT. This decision was incorporated into Romanian law through Government Decision No 354/2018, which states that remuneration for private copying collected by collective management organizations on behalf of rightsholders is not subject to VAT. However, the management fees deducted by these bodies from the remuneration are subject to VAT. The Romanian organization disputed the application of VAT to its management fees.

The ECJ decided that the management fees were part of an economic activity conducted by the organization as a taxable entity. It found a direct connection between the service provided and the consideration received, establishing a legal relationship with reciprocal performance. Therefore, the management fee was categorized as sales of services for consideration under the EU VAT Directive, even though the organization was a non-profit association, and the provision of services and payment of the management fee were regulated by statute.

The ECJ also considered whether the taxpayer could be viewed as an undisclosed agent in relation to transactions that are outside the scope of VAT, and therefore whether its own services could be considered outside the scope. In this regard, it reiterated, based on *Henfling* C-464/10, that applying the undisclosed agency provision would result in the management fee being subject to VAT as part of the remuneration collected on behalf of rightsholders, and would follow the tax treatment applicable to that remuneration. However, the ECJ emphasized that non-taxable transactions, such as those in question, could not be classified as an “economic activity” under the EU VAT Directive and therefore did not fall within its scope. As a result, it held that the undisclosed agency provision, which creates the legal fiction of two identical sales of services provided consecutively, did not apply in this case because the copyright holders did not provide any services in which the collective management organization participated. Nonetheless, this did not alter the fact that the management fees themselves were subject to VAT. For more information, click [here](#).

Roundup of Latest Court of Justice of the European Union Cases

On July 4, 2024, the ECJ published its decision in *Latvijas Informācijas*, Case C-87/23, in which it held that a non-profit association providing training services, even if subcontracted to third parties and subsidized up to 70 percent by European funds, is still considered to be providing services for consideration. In addition, subsidies from European funds are included in the taxable amount for VAT purposes, treated as third-party payments. Additionally, a non-profit status does not exempt an association from being a taxpayer under VAT law if its activities are like those of a typical economic operator in the same sector. This requires an analysis of the association’s activities to determine if they are economically comparable, subjecting the association to VAT like any other business.

On July 11, 2024, the ECJ published its decision in *Makowit (J.S.)*, Case C-182/23, in which it held that the transfer of ownership of agricultural land through expropriation, with compensation paid to the landowner, is subject to VAT. This applies if the landowner is a farmer who is a taxpayer for VAT purposes and is acting in that capacity, even if the farmer does not engage in property marketing activities or takes any steps to facilitate the transfer.

On July 11, 2024, the ECJ published its decision in *S*, Case C-184/23, in which it held that services provided for consideration between persons within a VAT group—where the group members are legally independent but closely connected by financial, economic, and organizational links, and are designated as a single taxpayer by a Member State—are not subject to VAT. This exemption applies even if the VAT due or paid by the recipient of those services cannot be deducted.

Source: European Union; Latvia - ECJ Decides on VAT Treatment of Non-Profit Organization as Taxable Person When Delivering Training Services Funded by State Aid Schemes: *Latvijas Informācijas un komunikācijas tehnoloģijas asociācija* (Case C-87/23) (VAT), (July 4, 2024), News IBFD; European Union; Poland - ECJ Decides on Whether Transfer of Expropriated Plot Previously Used for Taxable Agricultural Activities Can Be Considered Supply of Goods: *Makowit (J.S.)* (Case C-182/23) (VAT), (July 11, 2024), (July 11, 2024), News IBFD; European Union; Germany - ECJ Decides on VAT Treatment of Internal Transactions Within VAT Group Where Recipient Has No Full Right to Deduct VAT: *S* (Case C-184/23) (VAT), (July 11, 2024), News IBFD.

Miscellaneous Developments in EMEA

- **Belgium:**^{xxxiv} On July 18, 2024, the Belgian Constitutional Court [held](#) that multiple penalties imposed on a taxpayer for VAT fraud could be compatible with the equality and non-discriminatory principles of the Belgian constitution if the judge reviewing the enforcement order can reassess a tax fine decision and evaluate the proportionality of imposing both penalties. It also noted that the principle of equality and non-discrimination does not rule out a different treatment between categories of taxpayers, as far as that difference is based on an objective criterion and it is reasonably justified.
- **Benin:**^{xxxv} On June 27, 2024, the Benin tax authority issued a circular requiring prior approval from the tax authority for the VAT exemption granted to non-governmental organizations (NGOs) and assimilated associations. The circular aims to avoid the risks of abuse or misuse of VAT exemptions. The circular provides that before making any tax-free purchases of goods or services, NGOs must submit the following to the tax authority: an authorization request addressed to the Special Unit in charge of incentive regimes; a copy of the main contract or main purchase order; a copy of the headquarters agreement (between the government of Benin and the NGO) or proof of exemption; and a copy of the original pro-forma invoice from the vendor.
- **Bosnia and Herzegovina:**^{xxxvi} On July 19, 2024, the Indirect tax authority of Bosnia and Herzegovina published instructions on the issuance of certificates relating to information stored in their official records. Among other things, the instructions cover the issuance of the following types of certificates: on outstanding debts regarding VAT and other indirect taxes (such as excise duties, customs duties, and road taxes); on the status of taxpayers in the ITA Single Register of taxpayers of indirect taxes; and on the exports and imports performed by taxpayers.
- **Croatia:**^{xxxvii} On July 5, 2024, the Croatian Parliament accepted for consideration [Bill Nos. PZ 35](#) and [PZ 36](#), increasing the VAT registration threshold from EUR 40,000 to EUR 60,000, effective from July 12, 2024.
- **European Union:**^{xxxviii} On July 2, 2024, the European Commission published [Annual Report on Taxation 2024](#) which provides an overview and in-depth analysis of the design and performance of EU Member States' tax systems, in addition to main developments and recent tax policy and related reforms. Among other things, the report highlights the role of VAT, contributing 15-35 percent of total revenues in EU Member States. The report notes that VAT design aids in tax collection but also imposes a high administrative burden. It also discusses the role of environmental taxes in promoting sustainable choices, with taxes on energy generating the most environmental revenue. The report further mentions that households bear a large share of the energy tax burden. Additionally, the report discusses health taxation, such as taxes on tobacco, alcohol, and unhealthy foods, as a tool for reducing premature mortality from noncommunicable diseases. At least 12 EU Member States and Catalonia in Spain have some form of unhealthy food taxation.
- **European Union:**^{xxxix} Following the decision reached during the 43rd meeting of the Group on the Future of VAT (GFV) in November 2023, on August 7, 2024, the European Commission published a [proposal](#) to amend the VAT Directive to provide for the introduction of an electronic VAT exemption certificate. The new rules would apply from July 1, 2026, allowing sufficient time for implementation, with a transitional period until June 30, 2030, where paper certificates can still be used. The proposal also clarifies that if the exemption conditions are not met, the issuer of the certificate is liable to pay any VAT due. To read KPMG's previous discussion of the 43rd meeting of the GFV, click [here](#).

- **European Union:**^{xi} On July 19, 2024, the European Commission, published the latest update of the [Questions and Answers](#) (Q&A) document, which provides answers to the most frequently asked questions about the Carbon Border Adjustment Mechanism (CBAM). Among other things, the updates include measures providing that (1) CBAM declarants to use the same Economic Operators Registration and Identification (EORI) number for their report and customs declaration; (2) a single consignment is defined as goods sent simultaneously from one exporter to one consignee or covered by a single transport document or invoice; and (3) if an operator no longer exists, a reporting declarant may use data for similar or identical goods to comply with its obligations. To read KPMG’s previous discussion of the CBAM, click [here](#).
- **European Union:**^{xii} On July 24, 2024, the European Parliament published legislative resolutions approving several European Commission proposals. [Resolution C/2024/4246](#) approves the proposal to amend the [EU VAT Directive \(2006/112\)](#) in regard to the VAT in digital age (ViDA) reform proposal. [Resolution C/2024/4247](#) approves the proposal to amend [Regulation 904/2010](#) concerning the VAT administrative cooperation arrangements needed for the ViDA proposal. [Resolution C/2024/4248](#) approves the proposal to amend the EU VAT Directive regarding VAT rules relating to taxpayers who facilitate distance sales of imported goods, the application of the special mechanism for distance sales of goods imported from third territories or third countries, and special arrangements for declaration and payment of import VAT.
- **European Union:**^{xiii} On July 23, 2024, the European Parliament published a [briefing on the proposal to simplify VAT rules for e-commerce \(imports\)](#). The proposal follows the 2021 VAT reform and includes the Import One-Stop Shop (IOSS) that allows businesses to declare and remit VAT on all B2C distance sales of imported goods across the EU through a single VAT return. The proposal suggests removing the current IOSS threshold of EUR 150 for the value of imported goods, extending the deemed vendor rules to all distance sales of imported goods, and removing the EUR 150 threshold for special arrangements allowing certain operators to declare and remit VAT monthly. To read KPMG’s previous discussion of this measure, click [here](#).
- **France:**^{xiiii} On July 24, 2024, the French tax authority initiated a [consultation](#) on updated administrative guidelines on VAT rules on imports. The changes, effective from January 1, 2024, include the transfer of import VAT collection from the customs authority to the tax authority, and the liability for VAT of certain resellers selling imported goods online from stocks held by a seller outside the European Union (“drop shipping”) if the declared import value does not match the actual selling price.
- **Germany:**^{xliv} On July 12, 2024, the European Commission published a [proposal](#) to authorize Germany to continue applying a temporary VAT self-assessment mechanism for transfers of emission allowances traded in the national system under the Fuel Emission Allowance Trading Act (Gesetz über einen nationalen Zertifikatehandel für Brennstoffemissionen - BEHG). Germany was originally authorized to apply this measure in 2021 and was scheduled to end on December 31, 2024. If approved, the authorization will be extended until December 31, 2026.
- **Hungary:**^{xlv} The Hungarian tax authority issued a newsletter stating that, effective July 1, 2024, taxpayers can self-revise, rectify, and correct their VAT returns submitted previously through the eVAT system. Starting February 1, 2024, taxpayers had the ability to submit their VAT returns via the eVAT system. However, the capability to make self-revisions, rectifications, and corrections to VAT returns was only available through the General Form Filling Program (ÁNYK) until June 30, 2024. To read KPMG’s previous discussion of Hungary’s eVAT system, click [here](#).

- Italy:**^{xlvi} On July 11, 2024, the Italian Revenue Authority (ITA) issued [Ruling Answer No. 147/2024](#). The case involved a German company that received invoices from Italian vendors with VAT applied at the standard rate of 22 percent. The taxpayer, despite not submitting a declaration, inquired about the correct procedure to obtain reimbursement of the VAT. The taxpayer proposed that by registering for VAT with retroactive effect, they could claim a VAT refund. The ITA clarified that the refund procedure through the “electronic portal” as per Article 38-bis2 of the Presidential Decree No. 633 should have been used by the taxpayer, provided all conditions were met. However, since the deadlines (September 30 of the calendar year following the reference period for quarterly refunds and September 30 of the same year for annual refunds) have passed, the taxpayer has lost the ability to recover the excess VAT generated from transactions conducted in Italy. The ITA further excluded the option of using the “anomalous refund” procedure, after retroactively assigning a VAT number from 2017 and presenting ultra-late annual declarations for the years from 2017 to 2022.
- Latvia:**^{xlvii} The Latvian Ministry of Finance recently published proposing amendments to the VAT registration threshold for businesses operating in Latvia. With the new guidelines, businesses whose total value of goods and services provided in Latvia, excluding VAT, falls below EUR 50,000 within a calendar year, are not required to register for VAT. The amendments further explain that businesses can defer their VAT registration until the end of the calendar year if they exceed the registration threshold by no more than EUR 5,000 within a calendar year. Currently, businesses are not required to register for VAT if their total taxable value of goods and services provided within the preceding 12-month period does not surpass EUR 50,000.
- Luxembourg:**^{xlviii} On July 1, 2024, Luxembourg submitted a [bill](#) to its parliament, which includes measures to implement the EU’s small business VAT reform, effective from January 1, 2025. For more information, click [here](#). Under the regime, Luxembourg will allow small and medium enterprises (SMEs) in Luxembourg to opt for a VAT exemption if their annual gross receipts do not exceed EUR 50,000. This does not apply to VAT groups, agriculture and forestry, certain real estate transactions, occasional activities, and sales of new vehicles. SMEs in other EU Member States can also apply the exemption if their EU-wide gross receipts do not exceed EUR 100,000. The amendments also remove the previous 3-year minimum application period for this exemption. Taxpayers must inform the tax authority of their previous year’s gross receipts by March 1 each year. The exemption will not apply if the taxpayer exceeds the thresholds by 10 percent during the year.
- Mauritius:**^{xlix} On June 8, 2024, the Mauritius Tax Authority (MTA) published [VAT Ruling No. 115](#), clarifying the VAT treatment of rental operations in relation to claiming tax credits or refunds. In this case, the taxpayer, engaged in the business of buying, holding, and administering a villa in Mauritius for short-term rental purposes, sought to claim VAT credits for costs incurred prior to starting the rental operations. The taxpayer also claimed a VAT refund on VAT incurred on capital goods incurred during the construction phase, despite not having collected VAT at that time. The MTA ruled that the taxpayer could claim a credit for the specified incurred VAT cost against the VAT collected from rentals and could subsequently claim a refund for any excess. However, the tax authority retains the right to carry forward any excess VAT onto the return for the next taxable period.
- Mauritius:**^l On June 8, 2024, the Mauritius Tax Authority (MTA) published [Ruling No. 116](#), clarifying the VAT treatment on hotel accommodation services provided through tour operators. The taxpayer, a company providing hotel accommodations, claimed refundable deposits from clients, most of which were received from tour operators outside Mauritius. The MTA ruled that this constituted a sale of service under the VAT Act. The refundable

deposit was considered part-payment for the services. As the hotel accommodations would be used in Mauritius by the tour operators' clients, the refundable deposit, being part of the full payment, would be subject to VAT at the standard rate.

- **Morocco:**^{li} On July 5, 2024, the Moroccan General Tax Administration published a [Communiqué](#) detailing VAT withholding requirements effective from July 1, 2024. According to the Communiqué, taxpayers subject to VAT procuring equipment goods and works must withhold the total amount of VAT due if their vendors do not present a certificate issued by tax authority, dated less than six months ago, justifying their tax regularity. Legal and natural persons, whose income is determined according to the net real result regime or the simplified net result regime, who pay the remuneration of services to VAT-liable natural persons who have presented the certificate justifying their tax regularity, are obliged to operate the withholding at the source at 75 percent of the amount of VAT charged for selected services.
- **Norway:**^{lii} On May 27, 2024, the Norwegian tax authority published [Tax Appeals Board Decision No. SKNA12-2024-16](#), clarifying when a company voluntary registers for VAT by notification. In the case, Company A had rented a property and sublet it to Company B for use as a restaurant, claiming a VAT deduction on the rent and tenant adjustments. The tax office ruled against the deduction because the property was not registered for VAT. A's appeal argued that the subletting was a voluntary registration under the VAT Act. The Tax Appeals Board rejected the refund claim as the company had not sought voluntary registration for the rental and had not met the requirements for voluntary registration. A did not meet the requirements for voluntary registration because it failed to make a visible and verifiable choice to consider the rental as subject to VAT. The lease agreement with B did not stipulate that the lease would be subject to VAT, and A did not invoice B for VAT on the rent during the disputed period. Furthermore, the A's initial belief that the agreement with B was not a lease agreement, but a collaboration agreement, was also considered in the Board's decision.
- **Portugal:**^{liii} On July 4, 2024, the Portuguese government approved a [package](#) of several tax measures intended to boost the economy. The measures include a proposal to introduce the concept of VAT groups starting in 2025. VAT grouping allows companies operating in the same country and closely linked by financial, economic, and organizational ties to be treated as a single taxable entity for VAT purposes. This means that transactions between group members are usually disregarded for VAT, simplifying administrative procedures and potentially leading to cash flow advantages. Additionally, the eligibility for the VAT cashflow regime, allowing taxpayers to remit VAT when they receive payment rather than when invoices are issued, will be expanded to companies that have not achieved gross receipts of more than EUR 2 million in the previous year (currently, the limit is EUR 0.5 million).
- **Romania:**^{liiv} On June 26, 2024, Romania published a [law](#) amending the VAT regime applicable to the Deposit Return System (DRS) for non-reusable primary packaging, effective January 1, 2025. 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 law provides that the deposit does not represent a sale of goods or services within the VAT scope. However, any unreturned DRS packaging at the end of a calendar year is considered a delivery of goods subject to VAT. 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 law also provides the removal of the RON 1,000 threshold for capital goods adjustment mechanism. To read KPMG's previous discussion of this measure, click [here](#).

- Romania:**^{lv} On July 12, 2024, Romania published [Order No. 3,044/2024](#), which updates the VAT refund procedure for hospital-run NGOs. In June 2023, Romania introduced a VAT zero rate for acquisitions used by hospitals owned and operated by NGOs or public hospitals. The regime covers hospital construction, modernization, and rehabilitation services, as well as various medical equipment and services related to healthcare and disability support. The updated procedure now also covers acquisitions performed by companies wholly owned by NGOs registered in the tax authority's registry. To read KPMG's previous discussion of this measure, click [here](#).
- Senegal:**^{lvi} On July 2, 2024, the Finance Minister of Senegal adopted Circular No. 025/MFB, outlining the practical procedures for applying for tax benefits under the Investment Code. The Code and its 2004 implementation decree offer incentives for licensed companies, including exemption from customs duties on imports for investment programs, suspension of VAT on necessary goods, services, and works for the investment phase, and a tax credit deducting a portion of investments from the corporate income tax. The circular clarifies the regime, stating that the customs duty exemption does not include certain levies and taxes, and does not apply to materials produced in Senegal, materials eligible for specific regimes, and activities under certain codes. The VAT suspension is not an exemption or debt waiver, but a deferral of VAT payment during the investment phase. The suspended VAT must be paid within 12 months, with the first payment report available within a month following the end of the investment phase. The circular also provides guidelines on the eligibility of vehicles for customs exemption and VAT suspension, the cost of spare parts, the requirement of proof of funds for investment, conditions for agreement extension, job creation requirements, and procedures for arbitration in case of discrepancies in interpretation.
- Türkiye:**^{lvii} Türkiye's parliament is considering a [tax reform legislation](#) that includes amendments to the VAT law, which would restrict VAT exemptions for taxpayers operating in free zones. In addition, the proposal would allow to expense for corporate tax purposes VAT credits accruing to ports and airports for sea and air transportation services. Furthermore, to prevent the indefinite carryforward of VAT credits, the bill proposes that such credits may be carried forward for a maximum of five years. The bill was approved and published in the official gazette on August 2, 2024. Subject to conditions, including a requirement to have eligibility audited, these VAT credits could instead be deducted against corporate tax liabilities from the sixth year. The changes would be effective from January 1, 2030.
- United Kingdom:**^{lviii} The UK's tax authority (HMRC) has introduced a [new digital tool](#), the VAT Registration Estimator, to help businesses estimate the impact of VAT registration on their operations. The tool was developed based on feedback from small businesses, and it shows when gross receipts might necessitate VAT registration and its effect on profits. VAT registration is required if a business's gross receipts exceed GBP 90,000 in the previous 12 months or is expected to exceed this amount in the next 30 days. Nonresident businesses selling goods or services to the UK must register from their first taxable sale. The tool also provides links to additional information about the registration process and assists those considering voluntary VAT registration.
- United Kingdom:**^{lix} On July 15, 2024, the UK's Court of Appeal published its decision in *D.E.L.T.A. Merseyside Ltd. v. Uber Britannia Ltd*, [\[2024\] EWCA Civ 802](#) on whether private-hire operators are required to enter into contracts as principal with a person who makes a booking for a private hire vehicle, as opposed to a disclosed intermediary. This issue was significant because, as principal, an operator would be required to charge VAT as the provider of the journey. The rule in question was the High Court's interpretation of Part II Local Government (Miscellaneous Provisions) Act 1976, which regulates private-hire vehicles outside London in England and Wales. The case involved an appeal against a High Court

decision that stated that a licensed operator accepting a passenger booking must enter a contract with the passenger for the journey. The taxpayers argued that their business models did not necessitate such contracts and highlighted the agency business model, where the operator accepts the booking, but the driver enters the contract with the hirer, preceded the Act and was not abolished by it. The Court of Appeal agreed, stating that booking circumstances can vary greatly and booking a private-hire vehicle does not necessarily entail contractual liability. It concluded that private-hire operators are not required to enter contracts as principal with a person booking a private-hire vehicle.

- **United Kingdom:**^{lx} On July 15, 2024, the UK's First-Tier Tribunal (Tax Chamber) (FTT) published its decision in *CCLA Investment Management Ltd.*, [2024] UKFTT 636 (TC) on whether certain Alternative Investment Funds (AIFs) could qualify for the VAT exemption for Special Investment Funds (SIFs). The EU VAT rules provide this exemption, typically for undertaking for collective investment in transferable securities (UCITS), but non-UCITS like AIFs can qualify if they meet specific criteria, including risk spreading, performance-based returns, and state supervision. In the case, the taxpayer managed 13 AIFs and other non-UCITS intended for charities, churches, and local authorities. They sought a VAT refund of EUR 70 million from HMRC, claiming their services were VAT-exempt as they were provided to SIFs. HMRC denied the refund, arguing the funds were not individually regulated by the Financial Conduct Authority like UCITS funds. The taxpayer appealed, asserting that regulation of the investment fund manager was sufficient. The FTT agreed, stating that charity-related funds qualified as SIFs under the AIF directive, as they were subject to a statutory framework like UCITS regulations and appealed to similar investors. However, the FTT found that church-related funds did not meet the specific state supervision requirement and were not SIFs. Additionally, the Local Authorities' Property Fund, approved by HM Treasury, was not entitled to the exemption as it was not similar or competitive with UCITS funds.

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

- **KPMG in India** published a [report](#) discussing tax measures in the 2024-2025 budget. Among other things, it includes proposals to introduce a common time limit for the issuance of tax demand notices irrespective of the infraction, allow taxpayers whose registrations are canceled or revoked to still claim GST credits, insert an enabling provision for prescribing the time limit for the issuance of self-invoices under the GST self-assessment mechanism, and insert an enabling provision to prescribe conditions and restrictions for the revocation of the cancellation of registration.
- **KPMG in Malaysia** published a [report](#) noting that the Royal Malaysian Customs Department has launched a new program, the compliance verification audit program (audit verifikasi pematuhan or AViP) to encourage voluntary disclosure of non-compliance through self-assessment. AViP covers all indirect taxes, duties, and levies under the RMCD's supervision, such as sales tax, service tax, customs duties, excise duties, and tourism tax. Taxpayers under audit or with underpaid taxes can join AViP to self-calculate and disclose underpaid taxes for up to six years. The RMCD will perform minimal checks on selected taxable periods. If compliant, a verification audit compliance certificate is issued; if not, a round table discussion and voluntary disclosure agreement form will follow. Benefits under

the program include 100 percent penalty remission if paid within six months, 50 percent remission if paid within 6-12 months, installment payment options, and no compound penalties.

- **KPMG in Malaysia** published a [report](#) discussing recent indirect tax developments in the country including the publication of a new sales tax form for canceling an exemption certification and new service tax guides for hire passenger vehicle services and online return and payment submission.
- **KPMG in Pakistan** published a [report](#) discussing several amendments in provincial tax laws in 2024 in the Punjab, Sindh, KPK, and Balochistan provinces. Among other things, the report notes that the Sindh province amended its sales tax regime to clarify the scope of definitions, including “place of business,” “cosmetic and plastic surgery,” and “renting of immovable property.” The KPK province expanded the definition of “tax fraud” under its services tax, and the Balochistan province empowered its tax authority to maintain an active taxpayer list and to make rules providing restrictions, including on any person who receives any taxable services from a person who has ceased to be an active taxpayer.
- **KPMG in the Philippines** published a [report](#) discussing a recent decision of the country’s Supreme Court, on the conditions for zero-rating an exported service. In the case, a taxpayer sought a VAT refund, claiming it provided manning services to foreign shipping companies, paid in foreign currency, and subject to zero percent VAT. To qualify for VAT zero-rating under Philippine law, services must not involve “processing, manufacturing, or repacking of goods,” must be performed in the Philippines, the recipient must be engaged in business outside the Philippines or be a non-resident not engaged in business in the Philippines, and payments must be in acceptable foreign currency. The tax authority argued that the foreign shipping companies were effectively doing business in the Philippines, disqualifying the services from VAT zero-rating. However, the Supreme Court found that the foreign companies did not control the taxpayer’s operations, including recruitment processes, and thus were not doing business in the Philippines. The Supreme Court thus ruled in favor of the taxpayer, granting the VAT refund claim.

Miscellaneous Developments in ASPAC

- **Australia:**^{lxi} The Australian Tax Office (ATO) recently [initiated](#) a consultation on a new self-review guide and checklist for the classification of products under the GST. This guide and checklist are designed to help taxpayers review the GST classification of their sales and evaluate the processes and controls that influence GST classification decisions. The ATO is seeking input on the guide and checklist from industry representatives, advisory firms, and members of the GST Stewardship Group.
- **India:**^{lxii} On July 15, 2024, the Central Board of Indirect Taxes and Customs (CBIC) issued [Circular No. 228/22/2024-GST](#), clarifying the applicability of GST on certain services. The circular clarified that GST exemptions would apply to sales made by the Ministry of Railways (Indian Railways) and transactions between Special Purpose Vehicles (SPVs) and the Ministry of Railways. It also clarified the applicability of GST on statutory collections made by the Real Estate Regulatory Authority (RERA), incentive amounts shared by acquiring banks under the notified Incentive Scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions, and on the reinsurance of specified general and life insurance schemes. The circular also addressed the GST liability on the reinsurance of insurance schemes for which the total premium is paid by the Government, the applicability of GST on retrocession services, and the GST liability on certain accommodation services. The circular came into effect immediately and any difficulties in its implementation were to be reported to the Board.

- **Malaysia:**^{lxiii} On July 17, 2024, the Malaysian lower house of Parliament approved [Bill No. DR 36/2024](#), the Sales Tax (Amendment) Bill 2024, to amend the Sales Tax Act 2018. Among other things, the bill includes the inclusion of a new designated area (namely Pulau 1) and the relevant sales tax treatment on the business activities including retail trade in this new designated area.
- **Malaysia:**^{lxiv} On July 26, 2024, the Malaysian Customs Department issued [Service Tax Policy No. 7/2024](#), clarifying that virtual credit cards issued as a product enhancement to existing physical credit cards are not subject to service tax if they meet the following conditions: the activation/renewal date, expiry date, and card verification value (CVV) number of the virtual credit card are the same as the existing physical credit card; only one credit card statement or bill is issued to the customer based on the existing physical credit card number; and service tax has been imposed on the issuance and renewal of the existing physical credit card. However, service tax shall be imposed on the issuance of virtual credit cards if the virtual credit card is issued without a physical credit card, or the virtual credit card is issued to completely replace the function of the physical credit card.
- **Singapore:**^{lxv} Singapore's Inland Revenue Authority [clarified](#) that one of the situations where it cannot make an advance ruling is when the transaction for which the ruling is sought is the subject of a GST return already submitted or is due to be submitted in less than a month's time. As such, taxpayers seeking advance rulings should apply no less than one month before the filing due date of the GST return in which the transaction of the ruling request is to be reported.
- **Thailand:**^{lxvi} On June 19, 2024, the Thai Customs announced interim measures for the taxation of imported low-value goods, pending the proposed changes to the revenue code and the collection mechanism. Previously, imported low-value goods (LVGs), defined as goods valued at not more than THB 1,500, were exempt from VAT. This exemption put domestic goods and local businesses at a disadvantage compared to overseas goods and sellers. To rectify this, the Thai Ministry of Finance announced amendments to the Revenue Code to collect VAT on LVGs valued at more than THB 1 up to THB 1,500. As drafting and public consultation of these changes will take time, the announcement provides that Thai Customs will impose and collect import VAT on LVG imports in the interim. These measures will apply from July 5, 2024, through December 31, 2024.

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

- i. CCH, Austria To Amend VAT Law To Promote Food, Drink Donations (July 12, 2024).
- ii. Estonia - New Government Proposes to Introduce 2% Corporate Income Tax, Increase VAT, Personal Income Tax, (July 29, 2024), News IBFD.
- iii. Finland - Government to Make Changes to Reduced VAT Rates, (July 9, 2024), News IBFD.
- iv. India - Civil Aviation Minister Announces Uniform GST Rate of 5% on Aircraft, Engine Parts, Effective Immediately, (July 17, 2024), News IBFD.
- v. Taxnotes, Isle of Man to Eliminate VAT Exemption for Private School Fees (August 1, 2024).
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- vii. Paraguay Tax Agency Releases Binding Consultation Clarifying VAT Exemption for Securities Repo Operations, Bloomberg Law News (July 8, 2024)
- viii. Tanzania Gazettes 2024 Finance Act, Bloomberg Law News (July 9, 2024).
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- xii. CCH, France Consults On Music Streaming Tax Guidelines (July 15, 2024).
- xiii. CCH, EU Ends Investigation Into Hungarian Advertisement Tax (July 30, 2024).
- xiv. CCH, India Repeals Controversial Equalisation Levy (August 6, 2024).
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- xxiv. SUNAT, RESOLUCIÓN DE SUPERINTENDENCIA N.° 000145-2024/SUNAT (July 19, 2024).
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