Inside Indirect Tax

December 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

- **Argentina:**[i] On November 15, 2024, the executive branch of Argentina announced that effective December 1, 2024, goods imported for personal use are exempt from import duties for the first USD 400 and an increase in the import limit from USD 1,000 to USD 3,000 per shipment. The announced measures will apply to the courier regime and allow the import of almost all goods, except those with specific restrictions such as medicines or fresh products.
- **Bangladesh:**[ii] On November 5, 2024, the Bangladeshi tax authority issued General Order No.1/Musak/2024, which exempts from VAT imports of capital equipment between warehouse licensees and clarifies the conditions for taxpayers to claim the VAT exemption at the local trader level.
- **Barbados:**[iii] On October 1, 2024, the Barbados tax authority published Guidance Note OGC No. 07/2024, extending the reduced VAT rate of 7.5 percent for household electricity until March 31, 2025. The reduced rate applies to the first 250 kilowatt-hours of electricity used by households between October 1, 2024, and March 31, 2025. Consumption beyond 250 kilowatt-hours will be subject to the standard 17.5 percent VAT rate.
- **Bulgaria:**[iv] Bulgaria recently decided not to retain the reduced VAT rate of 9 percent for restaurant services. Therefore, the standard VAT rate of 20 percent will apply to these services effective January 1, 2025.
- **Canada:**[v] On November 19, 2024, the Canadian Department of Finance launched a consultation on a proposal to exempt from goods and services tax (GST) and harmonized sales tax (HST) construction of new student residences.
- **Canada:** On November 21, 2024, the federal government proposed a temporary GST/HST relief on specific consumer goods from December 14, 2024, to February 15, 2025. This will affect retailers, restaurants, grocers, online marketplaces, and food delivery businesses that sell qualifying goods such as children's clothes and toys, alcoholic beverages, and prepared meals. To read a report prepared by KPMG in Canada, please click here.
- **Chile:**[vi] On November 8, 2024, the Chilean tax authority issued Letter No. 2167, clarifying the VAT exemption for cultural services. The letter defines "integrated production" services as activities necessary for organizing cultural events and provides VAT exemptions to registered cultural associations. However, comprehensive production services that include logistical, administrative, and purchasing activities are not eligible for this exemption. The letter also emphasizes the importance of personal work over capital for tax classification.
- **Cyprus:** On October 31, 2024, the Cypriot tax authority announced that certain products, including children's milk, baby diapers, adult diapers, female hygiene products, and specific vegetables and fruits, will be subject to a zero VAT rate from November 4, 2024 until December 31, 2025. To read a report prepared by KPMG in Cyprus, please click here.
- **Ecuador:**[vii] On October 25, 2024, the Ecuadorian tax authority issued Circular No. NAC-DGECCGC24-00000008, clarifying the VAT exemption for transactions involving US military and civilian personnel and American contractors under a defense agreement. The circular exempts local transfers of goods and services from VAT for eligible individuals, who must provide valid US government-issued ID or passport, and official travel orders stamped by Ecuadorian immigration authorities. Sellers must record these transactions as VAT-exempt and declare them accordingly. VAT paid on inputs used for VAT-exempt services can be claimed as a deductible expense in the income tax declaration.

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- **Estonia:**[viii] On November 12, 2024, the Estonian parliament accepted for consideration Bill No. 539 SE, which, if approved, would apply the reduced VAT rate of 5 percent to physical and electronic press publications, with some restrictions, as well as on food products including potatoes, fruits, and vegetables.
- **Finland:**[ix] On November 7, 2024, the government proposed increasing the VAT rate on subsidies to the National Public Service Broadcasting Company, Yleisradio, from 10 percent to 14 percent, effective January 1, 2026, and adjusting the income threshold for television tax for individuals from EUR 14,000 to EUR 15,150, while reducing the maximum tax from EUR 163 to EUR 160, effective January 1, 2025.
- **Greece:**[x] On November 8, 2024, Greece published Decision No. A. 1156/2024, which clarifies procedures for retroactive VAT suspension on new buildings. The decision includes measures such as specifying procedures for taxable builders to submit electronic requests for retroactive VAT suspension on real properties that had a notarial transfer document drawn up by August 2 and had property transfer tax paid instead of VAT. The deadline for submitting requests and required documentation is set for February 3, 2025. Additionally, the decision outlines procedures for input VAT deductions on the properties.
- **Israel:**[xi] Effective January 1, 2025, Israel will increase its standard VAT rate from 17 percent to 18 percent.
- **Kazakhstan:** The Ministry of Industry and Construction of Kazakhstan recently proposed broadening the range of goods that qualify for a zero percent VAT rate when sold to businesses in special economic zones (SEZs). These goods would need to be fully consumed during activities aligned with the objectives of the SEZ. The proposed expansion encompasses construction materials, machinery parts, and food products in specific SEZs. To read a report prepared by KPMG in Kazakhstan, please click here.
- **Kenya:** On November 4, 2024, the Kenyan National Assembly accepted for consideration Bill No. 47, The Tax Laws (Amendment) Bill, 2024, which, among other things, would exempt from VAT several items related to agriculture that are currently zero-rated. Additionally, the bill would change the VAT rate from exempt to the standard rate for several goods and services, including direction-finding compasses and specific instruments for aircraft, helicopters, and motor vehicles designed for tourist transport. Finally, it would exempt all goods of Chapter 88 that are currently either exempt or standard rated. To read a report prepared by KPMG in Kenya, please click here.
- **Netherlands:** On November 14, 2024, the Lower House of the Dutch Parliament passed the 2025 Tax Plan package, with a specific motion asking the government to present an alternative to the intention to end the reduced VAT rate for culture, sports, and media in the Spring Memorandum. However, the increase in the VAT rate remains part of the 2025 Tax Plan – and has thus in principle been adopted as law – and considering the above motion will therefore have to be amended before January 1, 2026. To read a report prepared by KPMG in the Netherlands, please click here.
- **Philippines:**[xiii] On November 11, 2024, the Philippines published the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act. Among other things, this law allows registered business enterprises to apply a VAT exemption on importation and VAT zero-rating on local purchases directly attributable to a registered project or activity (and not directly and exclusively used as is currently the case). It also permits duty exemption on importations directly attributable to the registered project or activity.

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- **Slovakia:**[xiii] On November 23, 2024, the Slovak tax authority published Guide No. 7/DPH/2024/IM, which provides frequently asked questions on VAT rates for restaurant and catering services effective from January 1, 2025. The guide covers topics such as reduced VAT rates for food and beverages, application of VAT rates for different sectors, and taxation of advance payments and entrance fees for New Year's Eve parties.
- **South Korea:**[xiv] On November 11, 2024, the South Korean National Assembly accepted for consideration Bill No. 2205455, which, if approved, would apply a zero percent VAT rate to fishing boat repair costs until Dec. 31, 2028. In addition, on November 13, 2024, it accepted for consideration Bill No. 2205529, proposing to exempt from VAT passenger transport services provided by premium express buses. Finally, on November 20, 2024, the South Korean Ministry of Strategy and Finance initiated a consultation process regarding a proposed VAT exemption for electronic publications.
- **Türkiye:**[xv] On November 4, 2024, the Turkish parliament accepted for consideration Bill No. 2/2661, which, if approved, would reduce the VAT rate to 1 percent for sports equipment and materials. In addition, on November 14, 2024, it accepted for consideration Bill No. 2/2690, proposing to exempt from VAT and special consumption tax diesel fuel that is used for agricultural production. On November 20, 2024, it accepted for consideration Bill Nos. 2/2697 and 2/2699, proposing to exempt from VAT and special consumption tax new domestically manufactured vehicles purchased by individuals recycling their old vehicles and new vehicles purchased as replacements for commercial use by individuals who rely on a single vehicle for their livelihood.
- **Türkiye:**[xvi] On November 14, 2024, Türkiye published Presidential Decision No. 9126, clarifying that 10 percent VAT rate applies to special-purpose medical foods and human medicinal products authorized for import by the Ministry of Health even if these items also appear on List I, which typically carries a 1 percent VAT rate. This rate applies to both the products and the active ingredients and raw materials used in their production. Additionally, the decision clarifies that the 10 percent reduced VAT rate does not extend to goods subject to excise tax and products under Tariff Code 85.17, which includes telecommunications equipment; these are instead subject to the standard 20 percent VAT rate.
- **Vietnam:**[xvii] Vietnam recently extended the application of the temporary reduced VAT rate of 8 percent applicable to most goods and services, excluding certain industries, until June 30, 2025. Effective July 1, 2025, the standard VAT rate of 10 percent will resume to apply.

Digitalized Economy Indirect Tax Updates

Colombia: Guidance on Application of Significant Economic Presence Standard

On October 17, 2024, the Colombian tax authority published Ruling No. 100208192-890, clarifying the application of the Significant Economic Presence (SEP) Rule, introduced by Law 2277 of 2022. This rule, effective from January 1, 2024, establishes a new criterion for corporate income tax liability in Colombia and applies to nonresident companies involved in selling goods or providing qualified digital services to Colombian clients. The tax authority's ruling addresses several key issues, including the requirement for nonresidents with SEP to include income from January 1 of the registration year in their SEP return, the necessity of

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making advance payments upon registration in the Unique Tax Registry (RUT), and the ability to credit withholding tax (WHT) suffered before registration against the annual SEP CIT liability.

Additionally, the tax authority clarified that nonresidents who opt to comply via WHT applied by clients are not required to make bimonthly advance payments, even if registered in the RUT. The recognition of SEP-related income depends on whether the nonresident is required to keep accounting books, with income recognized based on the accrual principle if books are kept, or upon receipt of payment if not. For cancelled, annulled, or rescinded transactions, the taxpayer must assess if the income has been realized and can increase equity; if not realized, it should not be included in the SEP CIT calculation. To read a report prepared by KPMG in Colombia, please click here.

Hungary: Retail Sales Tax Extended to Online Marketplaces

On November 28, 2024, Hungary's parliament adopted Bill T/9724, which, among other things, extends the country's retail sales tax to online marketplaces starting from January 1, 2025. Introduced in 2020, the retail sales tax is a gross receipts tax applicable to retail sales of goods to consumers in Hungary. The amendment broadens the scope of taxpayers to include nonresident or resident platform operators that provide an online marketplace for sellers engaged in retail activities. The definition of online marketplace and online marketplace operator aligns with that used for DAC7 reporting purposes.

The amendments make platform operators liable for retail sales tax on sales of goods facilitated for retailers and on their own retail activities subject to the tax. Retailers selling through online platforms will no longer be liable for the retail sales tax for the sales performed through online marketplaces, although they retain a secondary tax liability if the platform operator fails to meet its tax payment obligations. The Bill also amends the tax base for nonresidents by including domestic and foreign sales in the tax base, potentially leading to a significant increase in tax owed for certain nonresident taxpayers For more information, click here.

United States: Texas Comptroller Clarifies Marketplace Provider Considerations and Obligations

On October 7, 2024, the Tax Comptroller published Private Letter Ruling No. 202410006L, determining that a dealer of construction and mining equipment selling manufacturer warranties at its dealership was a marketplace provider responsible for collecting and remitting Texas sales tax on taxable sales. The Comptroller reasoned that Texas's definition of a "marketplace" includes both electronic and physical mediums; therefore, the dealer's physical dealership location served as a physical marketplace. Because the dealer was also processing payment for the warranties, the Comptroller concluded the dealer fit the definition of a "marketplace provider." The Comptroller also reminds marketplace providers and marketplace sellers that marketplace providers must certify to the marketplace seller that the marketplace provider is collecting and remitting sales tax on the marketplace seller's sales occurring on the marketplace. This way the marketplace seller knows it is not required to collect and remit the tax and may exclude such sales from its return.

On October 10, 2024, the Texas Comptroller published Private Letter Ruling No. 202410007L, the Comptroller found a food catering and delivery service company was a marketplace facilitator that provided both electronic and physical marketplaces. The taxpayer provided three service offerings to restaurants: popup, catering, and delivery.

For popups, the taxpayer would arrange for one or multiple restaurants to come and sell food at a client-designated location using a taxpayer-provided POS system. The taxpayer charges restaurant a fee for the pop up and for use of the POS system.

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For catering, the taxpayer coordinated and managed catering services between clients and a restaurant including ordering, scheduling, tracking, and payment. The taxpayer provided restaurants with a POS system to upload catering menus and prices and view order information. Customers booked catering with these restaurants and made payment via the taxpayer's website. The taxpayer charged the restaurants a delivery fee for delivering the catering to the customer location and a scheduling fee, which is a percentage fee based on the total order.

For delivery, restaurants accepted orders placed via the taxpayer's mobile application, and the taxpayer coordinated with a driver to pick up and deliver the food. The taxpayer charged restaurants a percentage fee based on the charge for the food delivered.

The Comptroller determined that the taxpayer was a marketplace facilitator in all scenarios described above. The taxpayer was determined to be providing an electronic marketplace in all instances involving the taxpayer's POS platform or mobile application. Additionally, the popup events were also considered marketplaces as a physical medium where restaurants could make sales of tangible personal property. Further, the fees charged by the taxpayer to the restaurant were all considered taxable sales of data processing.

Other Developments

- **Australia:**[xviii] On November 21, 2024, the Australian Treasury initiated a consultation on the implementation of the Crypto Asset Reporting Framework (CARF). The CARF, developed by the OECD, provides a global standard for the automatic exchange of crypto-related account information between tax authorities. The paper considers two options: implementing the OECD model with adjustments to fit Australia's domestic law or implementing a bespoke set of rules targeting crypto service providers. The consultation also seeks stakeholders' views on related amendments to the CRS and the interaction of the CARF implementation with the EU's DAC8 framework. The CARF reporting requirements are expected to commence in Australia from 2026, with the first exchanges between the Australian Taxation Office and other tax authorities taking place by 2027. .
- **Chile:**[xix] On October 24, 2024, the Chilean tax authority issued Resolution 101/2024, instructing certain foreign digital platform companies to appoint a Chilean representative. The representative, who must be a resident or domiciled in Chile, will be responsible for issuing pay slips to freelancers for services rendered through the digital platform, including withholding taxes. This representative must be reported to the tax authority within two months from the publication of the Resolution. The representative will also be tasked with submitting an annual affidavit detailing all the withholdings made during the previous year. These obligations will be enforceable from February 1, 2025, except for the appointment of the representative, which must be completed by the end of 2024. To read a report prepared by KPMG in Chile, please click here.
- **Chile:** On November 14, 2024, the Chilean tax authority issued Resolution Ex. SII 107-2024, introducing a new procedure for nonresident taxpayers to declare and pay VAT, effective from December 1, 2024. This procedure applies to nonresident taxpayers providing services to Chilean residents who are not VAT taxpayers. These taxpayers must register for the simplified VAT regime to access the SII's VAT Digital Platform and submit VAT Form No. 129, which requires details on transaction numbers, taxable base, and tax reductions. Nonresident taxpayers can file VAT returns monthly or quarterly, within 20 days of the following month, and use Chilean pesos, US dollars, or euros for transactions. Existing registrants will retain their registration and user numbers. To read a report prepared by KPMG in Chile, please click here.

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- **Costa Rica:** On November 6, 2024, Costa Rica's tax authority published Resolution MH-DGT-RES-0025-2024, establishing the final rules for the automatic exchange of information for digital platform operators, following a public consultation in April 2024. (For KPMG's previous discussion on the proposed rules, click here.) The Resolution mandates identification and reporting obligations for platform operators who are tax residents in Costa Rica, foreign entities managed from Costa Rica, or nonresident operators serving Costa Rican residents or related to local real estate. Operators must verify sellers' identities, tax residences, and gather tax identification numbers, especially for property rental services. Annual reports, due by April 30 of the following year, must be submitted via the Financial Information Exchange System (SIIF) using the OECD XML schema. Required information includes operator and seller details, quarterly service and payment data, and specific property rental information. Exclusions apply to operators with less than EUR 1 million in annual income, non-profit-generating business models, or no reportable sellers. Non-compliance penalties can reach up to two percent of the previous year's gross income. The Resolution took effect on November 6, 2024, with due diligence procedures starting January 1, 2025, and the first reporting deadline on April 30, 2026. To read a report prepared by KPMG in Costa Rica, please click here.
- **Denmark:**[xx] On November 18, 2024, the Ministry of Taxation of Denmark opened a public consultation on a bill to implement the Amending Directive to the 2011 Directive on Administrative Cooperation (DAC8) effective May 1, 2025. Under DAC8, providers of crypto asset services will be required to report information about their customers' crypto asset transactions, with the aim of enabling the subsequent exchange of this information between EU Member States. DAC8 also introduces certain amendments to the existing provisions on information exchange and administrative cooperation, including an expansion of the scope for the automatic exchange of information between EU Member States to include reporting and exchange of data on e-money.
- **European Union:**[xxi] On November 18, 2024, the European Commission announced plans to develop an implementing regulation with standard forms and computerized formats for the DAC7 platform reporting requirements. Under DAC7, digital platform operators to report income generated by sellers on their platforms to tax authorities for activities like property rentals, transportation, personal services, and sales of goods. This regulation aims to standardize reporting requirements for digital platform operators across the EU to prevent tax evasion and avoidance. It will specify deadlines for EU countries to submit statistical data related to information reported by these platforms and the types of statistics required for joint audits. The Commission plans to adopt this regulation in the first quarter of 2025, following stakeholder feedback, to enhance tax administrations' ability to assess and control income from digital platforms.
- **Germany:**[xxii] On November 4, 2024, the Ministry of Finance of Germany published a draft bill to implement the Amending Directive to the 2011 Directive on Administrative Cooperation (DAC8) effective January 1, 2026. Under DAC8, providers of crypto asset services will be required to report information about their customers' crypto asset transactions, with the aim of enabling the subsequent exchange of this information between EU Member States. DAC8 also introduces certain amendments to the existing provisions on information exchange and administrative cooperation, including an expansion of the scope for the automatic exchange of information between EU Member States to include reporting and exchange of data on e-money.
- **Iceland:** On November 12, 2024, the Icelandic tax authority published guidance on the taxation of podcast activities, highlighting that income from podcasts is taxable and must be reported. The guidance specifies that if an operator's gross receipts exceed ISK 2 million in

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a 12-month period, their sales are subject to VAT. Taxable income includes advertising sales, subscription sales, payments from streaming services, income from live shows, facility rentals, and merchandise sales. The guidance also states that tax liability is consistent regardless of payment mode, with payments in kind taxed based on their market value.

- **Kenya:** On December 11, 2024, Kenya's president assented Bill No. 47, The Tax Laws (Amendment) Bill, 2024, which, among other things, replaces Kenya's Digital Service Tax (DST) with a Significant Economic Presence (SEP) tax, targeting nonresident entities earning income from digital marketplaces in Kenya. The SEP tax is 10 percent of 30 percent deemed profit. Exemptions include services offered through a permanent establishment, certain communication businesses, and services to airlines with significant Kenyan government ownership. Additionally, the bill introduces a withholding tax on payments made through digital platforms, with rates of 20 percent for non-residents and 5 percent for residents and defines "platform" to include digital exchanges for services. It further introduces an excise duty on services provided by nonresidents via digital platforms. The amendments are effective from December 27, 2024. To read a report prepared by KPMG in Kenya, please click here.
- **Maldives:**[xxiii] On October 31, 2024, the Minister of Finance of the Maldives recently announced plans to reform the Goods and Services Tax (GST) regime in mid-2025 to align with the destination principle, allowing GST to be imposed on tourism goods and services provided by offshore travel agents and booking platforms. This change aims to reduce GST-induced distortions between local sellers and foreign online platforms, with an expected additional revenue of MVR 700 million in 2025.
- **Norway:**[xxiv] On November 15, 2024, Norway's Ministry of Finance published a draft bill introducing reporting obligations for third parties managing or exchanging crypto assets, based on the OECD's CARF but extending beyond it. The proposed rules require reporting of all crypto transactions and holdings for income and wealth tax purposes, without any thresholds or customer limits. Reporting entities must perform ID checks, including obtaining tax residency and personal ID numbers, and report all customers regardless of residency. The rules would be effective from January 1, 2026, with reporting starting in 2027.
- **OECD:**[xxv] On November 6, 2024 and November 26, 2024, the Czech Republic, Germany and Hungary, signed the Multilateral Competent Authority Agreement on Digital Platforms under the OECD Model Rules for Reporting by Digital Platforms. This agreement facilitates the automatic exchange of information on transactions and income earned by platform sellers in the sharing and gig economy, as well as the sale of goods through digital platforms. With these additions, 29 jurisdictions have now signed the multilateral agreement.
- **Slovakia:**[xxvi] On November 25, 2024, the Ministry of Finance of Slovakia opened a public consultation on a bill to implement the Amending Directive to the 2011 Directive on Administrative Cooperation (DAC8) effective January 1, 2026. Under DAC8, providers of crypto asset services will be required to report information about their customers' crypto asset transactions, with the aim of enabling the subsequent exchange of this information between EU Member States. DAC8 also introduces certain amendments to the existing provisions on information exchange and administrative cooperation, including an expansion of the scope for the automatic exchange of information between EU Member States to include reporting and exchange of data on e-money.
- **Sweden:**[xxvii] On October 11, 2024, the Swedish Tax Board of Appeals published Advance Notice No. 40-24/I, clarifying the tax rate for digital training subscription services. In the case, a company provided access to both live and on-demand fitness training sessions on a

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digital platform and argued that the service qualifies for the reduced VAT rate of 6 percent applicable to sports services, asserting that the platform functions as a digital sports facility offering direct training instruction, akin to physical sports facilities. However, the Swedish Tax Agency contended that the subscription service should be subject to the standard VAT rate of 25 percent. The Tax Board differentiated between live sessions, which could qualify for the reduced rate due to real-time interaction, and on-demand sessions, which are pre-recorded and do not involve real-time instruction, thus not fitting the criteria for the reduced rate. However, the Tax Board observed that with respect to the subscription, the live sessions constitute a less significant part in relation to the on-demand training sessions so that the subscription service can therefore not be covered by the reduced rate.

- **Switzerland:**[xxviii] On November 19, 2024, the Swiss tax authority launched a consultation on draft revised practical guidelines for electronic platforms to align with changes to the VAT Act. (For KPMG's previous discussion on the initial draft guidance, click here.) The guidelines address the scope of VAT application on platforms and the responsibilities of platform operators facilitating the sale of goods effective January 1, 2025. They also cover the tax treatment of services provided via platforms by taxable operators and non-taxable sellers, provisions for deducting fictitious input tax, margin taxation, and primary producer deductions, as well as procedural obligations such as registration, accounting, tax representation, and relocation procedures.
- **Türkiye:**[xxix] On November 4, 2024, the Turkish tax authority launched a consultation on draft Income Tax General Communique No. 329, addressing amendments to individual income and corporate tax under Law No. 7524/2024 concerning withholding in e-commerce effective January 1, 2025. The draft outlines the scope of withholding for e-commerce transactions, with rates set at 25 percent for individual income tax and 15 percent for corporate tax on specified individuals and entities. It defines the withholding tax base as the gross payment amount, excluding VAT and accommodation tax, and details monthly filing and payment requirements. It also provides exemptions for certain taxpayers and allows withholding refunds to be offset against annual or estimated tax returns.
- **United Kingdom:**[xxx] On October 24, 2024, the UK tax authority (HMRC) published XML schema and supporting documents for digital platform operators subject to reporting requirements. XML, or extensible markup language, allows for the structured definition and storage of data to facilitate its exchange between computer systems. The XML schema definition (XSD) sets the rules and constraints for these XML documents.
- **United Kingdom:**[xxx] On November 6, 2024, the UK government introduced the Finance Bill 2024-25 to the House of Commons. The bill would, among other things, implement the reporting obligations for third parties managing or exchanging crypto assets, based on the OECD's CARF effective January 1, 2026, with first reporting by May 31, 2027. The UK tax authority has also published draft regulations for consultation. To read a report prepared by KPMG in the United Kingdom, please click here.

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.

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E-Invoicing Updates

Costa Rica: Updates to E-Invoicing System

On November 8, 2024, Costa Rica published Executive Decree No. 44739-H, also known as the Regulation of Electronic Receipts for Tax Purposes. This decree introduced new terms such as "electronic payment receipt," "provisional receipts due to contingencies," and "valid electronic email." It also established new exceptions for the issuance and confirmation of e-receipts. These exceptions are applicable to taxpayers enrolled in objective estimation regimes set by the tax authority or those authorized to receive tax-deductible donations.

The decree specifies that e-receipts, once issued correctly, cannot be deleted directly. Instead, any corrections must be made through a credit or debit note. If the Ministry of Finance rejects an e-receipt, it will be deemed invalid, and no credit or debit note will be issued. Additionally, if the Ministry of Finance's system is down, preventing the immediate transmission of XML files, these files must be stored and sent once the system is back online.

Furthermore, the decree states that the timeline to implement changes to the structures of various e-receipts will commence once the Tax Administration issues a general resolution that updates the technical standards for these structures and systems. To read a report prepared by KPMG in Costa Rica, please click here.

On November 19, 2024, the Ministry of Finance of Costa Rica published Resolution MH-DGT-RES-0027-2024 outlining several updates to the e-invoicing system. These updates are part of the implementation of Decree 44739-H. The updates include the introduction of a new type of electronic receipt, the "electronic payment receipt," and the addition of "nonresident foreigner" and "non-taxpayer" as identification categories for purchasing e-invoices. They also include the inclusion of "operating lease" and "financial lease" in the sales conditions for e-invoices, and the clarification of discount types, such as royalties, VAT that the customer is charged, and bonuses.

Furthermore, the resolution introduces version 4.4 of the technical documentation supporting the e-invoicing mandate, a new exemption type, the "exemption for free trade zone," and adds "guarantee deposit," "fines or penalties," and "default interest" as document types for e-invoices. These updates will become effective on June 1, 2025. However, taxpayers who can implement the new system earlier can start as early as April 1, 2025. To read a report prepared by KPMG in Costa Rica, please click here.

Germany: New ZUGFeRD Version 2.3.2; FAQs for E-Invoicing Mandate

On November 13, 2024, the Forum elektronische Rechnung Deutschland (FeRD), the entity that releases the standard of the ZUGFeRD e-invoicing format in Germany, published version 2.3.2 for the e-invoice exchange. This updated version aligns with the French release Factur-X 1.07.2, providing international compatibility. Key changes in ZUGFeRD version 2.3.2 include updated code lists and validation rules, definition and expansion of the hybrid document format, and highlighting BR-HYBRID-XX rules. The updated version also recommends the use of standardized namespace prefixes to ensure interoperability.

Separately, on November 19, 2024, the German Ministry of Finance published "frequently asked questions" (FAQs) regarding the introduction of mandatory e-invoicing for sales made after December 31, 2024. (For KPMG's previous discussion on Germany's e-invoicing mandate, click here.) The FAQs cover topics such as the requirement for e-invoices to be used for sales between domestic businesses from January 1, 2025, transitional provisions allowing paper and certain alternative invoices from January 1, 2025, to December 31, 2026, and the exemption of private end consumers from the e-invoicing requirements. The FAQs also detail

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the requirement for routing IDs for electronic invoices sent from business-to-government (B2G), but not from business-to-business (B2B), and the application of mandatory e-invoicing if there is a VAT requirement to issue an invoice, but not in certain cases like for small amounts up to EUR 250. For more information, click here.

Spain: Guidance on Required Specifications for E-Invoicing Systems

On October 28, 2024, the Ministry of Finance of Spain issued Order HAC/1177/2024, which specifies the technical, functional, and content requirements that e- invoicing systems must meet. In 2021, Spain adopted Law 11/2021, known as the Fraud Prevention Law, which prohibits the creation and use of software that can manipulate accounting and management data. Subsequent regulations, including Royal Decree 1077/2023, have outlined the technical standards that these systems must adhere to. These standards are particularly relevant for various taxpayers, including corporate, personal, and nonresident income taxpayers who engage in economic activities, with specific exceptions for those already complying with the immediate supply of information system (SII).

Taxpayers using electronic invoicing systems are required to adapt them to the recently published specifications and requirements by July 1, 2025. Manufacturers and retailers have nine months as of October 29, 2024 (the date on which the Order entered into force) to offer electronic systems that meet these specifications on the market. Nonetheless, electronic systems included in multi-year maintenance contracts entered into before the latter deadline must be adapted to the contents of the specifications prior to July 1, 2025. To read a report prepared by KPMG in Spain, please click here.

Other Developments

- **Bolivia:**[xxxi] On October 25, 2024, Bolivia's tax authority published Resolution No. 102400000027 delaying the implementation of the e-invoicing mandate for taxpayers in the 9th group as specified in the previous resolution RND N° 102400000004. The deadline to update and adopt the new e-invoicing system has been extended to February 28, 2025. Starting from March 1, 2025, these taxpayers must issue digital tax documents using the designated online billing method.
- **Bosnia & Herzegovina:**[xxxii] The government of Bosnia and Herzegovina recently proposed to introduce mandatory e-invoicing and real-time reporting for all transactions.
- **Ecuador:**[xxxiii] On October 30, 2024, the Ecuadorean tax authority published Resolution No. NAC-DGERCGC24-00000035, which mandates that taxpayers issuing e-invoices must transmit them to the tax authority immediately upon generation or within a maximum of four business days. This transmission should occur via the "web services" links detailed in the "Technical Data Sheet for Electronic Invoices."
- **Hungary:** Effective January 1, 2025, all electricity and natural gas providers in Hungary will be required to issue e-invoices to non-private entities, which include partnerships, trusts, corporations, and non-profit organizations. These entities will also be required to electronically store their purchase invoices. Hungary has not set a specific format for these e-invoices, thus allowing providers to use any e-invoicing methods currently accepted by the Hungarian tax authority. To read a report prepared by KPMG in Hungary, please click here.
- **Poland:** On November 6, 2024, the Ministry of Finance of Poland began final consultations on the implementation of the mandatory National e-Invoicing System (KSeF). The proposed legal solutions aim to simplify the implementation and use of KSeF, especially during its initial period. The proposals include mandatory KSeF for all taxpayers, with a phased introduction starting from February 1, 2026, for entrepreneurs with sales exceeding PLN 200 million in 2025, and from April 1, 2026, for other entrepreneurs. The Ministry also

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proposes a six-month postponement, until July 31, 2026, for the introduction of certain other solutions, such as the requirement to provide a KSeF number in e-invoice payments. Other proposals include the possibility of using offline mode for all taxpayers until the end of 2026, the issuance of consumer invoices in KSeF, and the provision of legal solutions corresponding to the purpose of equalizing KSeF environments. To read a report prepared by KPMG in Poland, please click here.

- **Saudi Arabia:** On November 1, 2024, the Zakat, Tax and Customs Authority (ZATCA) announced the criteria for the Seventeenth group of taxpayers required to comply with the second phase of the e-invoicing system implementation. The seventeenth group will include taxpayers whose VAT-liable revenues exceeded SAR 2.5 million in 2022 or 2023. The mandate for this group will commence on July 31, 2025. For more information, click here.
- **Singapore:**[xxxiv] On November 18, 2024, the Inland Revenue Authority of Singapore (IRAS) published a summary of responses to public feedback on the draft e-Tax guide titled "Adopting InvoiceNow Requirement for GST-registered Businesses." This summary clarified several aspects of the phased implementation of the GST InvoiceNow requirement, such as the specific transactions it covers, the businesses that need to comply, and the format and timing for sending data to the tax authorities. In the coming weeks, IRAS will incorporate these clarifications into an updated version of the Frequently Asked Questions about the e-invoicing mandate.
- **Slovenia:**[xxxv] On October 25, 2024, the government of Slovenia introduced draft bill EVA: 2024-1611-0045 proposing changes to the Tax Invoice Validation Act. The bill would exempt these sales from the traditional requirement to issue invoices under the VAT Act, instead mandating that businesses report sales data directly to the tax authority, akin to existing tax invoice validation processes. This reporting would typically involve submitting vending machine sales data electronically, although provisions would be made for reporting when electronic connections are disrupted or unavailable. The bill specifies which businesses must comply, the data they need to report, and the procedures for establishing electronic communication between vending machines and the tax authority, effectively streamlining tax reporting, and reducing administrative burdens associated with invoice issuance and validation for vending machine transactions. The rules would apply effective January 1, 2026.
- **Türkiye:**[xxxvi] On November 12, 2024, the Türkiye published General Communiqué No. 573, amending General Communiqué No. 509 on e-invoicing. The amendments decrease the threshold for mandatory e-receipts, known as e-Archive, from TRY 5,000 to TRY 3,000 for transactions conducted in 2025. From January 1, 2026, the threshold will be eliminated, necessitating e-receipts for transactions of all amounts. Additionally, iron and steel companies participating in the Iron Monitoring System (D S) with gross sales revenue of TRY 1 million or more in 2024 or later are now required to issue e-waybills. The amendments also extend the requirement to issue electronic bank receipts to other certified financial institutions, effective from January 1, 2025. Furthermore, businesses in high-volume industries or under stringent regulatory monitoring can now issue e-producer receipts and e-expense receipts electronically, without a physical signature. Lastly, stricter regulations and potential penalties have been introduced for private integrators and businesses managing their own e-document systems, with non-compliant entities risking losing their service provider status for at least one year.

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- **Ukraine:**[xxxvii] The Ukrainian tax authority recently published an updated version of the Detailed Technical Description of SAF-T UA 2.0 elements, which includes an appendix. The update mandates large taxpayers to adopt the Standard Audit File for Tax (SAF-T) by January 1, 2025, while other taxpayers have until January 1, 2027. The updated SAF-T UA v2.0 revises various elements, including accounting policies, transaction features, general ledger accounts, and tax table elements for improved clarity and data validation. It also includes enhanced descriptions for units of measure, streamlined tables, and new elements for product and ownership tracking. Furthermore, revisions to sales and purchase invoices, payments, and asset transactions now feature new identification fields, mandatory unit conversions, and enhanced valuation metrics, enhancing data management efficiency.

Global E-invoicing & Digital Reporting Tracker

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

Miscellaneous Developments in the Americas

- **Anguilla:**[xxxviii] On November 4, 20245, the tax authority of Anguilla announced that unregistered commercial rental properties without a valid business license will face penalties or legal action effective November 18, 2024. These properties are considered taxable sales for GST purposes and must adhere to GST registration requirements. This applies to both GST-registered and non-registered individuals or entities earning rental income of ECD 300,000.00 or more. The requirement covers several types of spaces, excluding agricultural or farming areas.
- **Dominican Republic:** The tax authority of the Dominican Republic recently launched a public consultation on a draft rule that seeks to remove exemptions from the tax on checks and electronic transfers. The proposed rule aims to eliminate all administrative exemptions previously granted to specific entities, such as the National Association of Gasoline Retailers and the Dominican Association of Exchange Intermediaries.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Italy:** published a report discussing an amendment to the Italian VAT law that removes the rule exempting staff provision from VAT when the recipient only reimburses the salary and related costs. This change will be effective January 1, 2025. The new VAT treatment will apply to loans or secondments of staff agreed upon or renewed from January 1, 2025, without affecting the positions of taxpayers before that date, unless they have undergone a final tax assessment.
- **KPMG in Egypt:** published a report discussing Instruction No. 78/2024, which repeals Circulars (5) and (6) and clarifies that services are considered exported services subject to 0 percent VAT if the recipient is abroad, regardless of where the benefit of the services is. To qualify for the zero-rating, businesses must have a signed service agreement, an electronic tax invoice with all required information, and a bank transfer from abroad indicating payment for the service into a local bank in Egypt subject to the supervision of the Central Bank of Egypt.
- **KPMG in Germany:** published a report discussing recent tax developments in Germany, including Germany's Fourth Bureaucracy Reduction Act reducing the retention periods for documents and easing VAT-related obligations, guidance on the new e-invoicing mandate, and a lower tax court case clarifying that the rental of parking spaces for vehicles intended to be sold is subject to VAT.
- **KPMG in Hungary:** published a report discussing the autumn tax package proposal submitted on October 29, 2024, which includes several significant amendments to tax laws. Key changes involve VAT adjustments such as allowing tax base reductions for retrospective repayments and extending reduced VAT rates for new residential buildings. The proposal also modifies VAT deduction rights for imports and changes green tax regulations by repealing certain liabilities and modifying rules for green tax warehouses. Additionally, the retail tax will expand to include platform operators providing online marketplaces, with specific tax liabilities and reporting obligations defined for these operators. The financial transaction tax will see incorporated increases and a new exemption for swap transactions. Lastly, the advertisement tax's payment obligations are proposed to be suspended until the end of 2025. These changes aim to update and refine tax regulations across various sectors.
- **KPMG in Kenya:** published a report discussing Bill No. 47, The Tax Laws (Amendment) Bill, 2024, which, among other things, would amend the VAT Law. The bill proposes to align the VAT Act with the East African Community Customs Management Act and redefine the time of sale for exported goods to when the export certificate is issued. Another proposed change is the abolition of thresholds for claiming full input VAT credits for companies making both taxable and exempt sales, requiring proportional claims instead.
- **KPMG in Poland:** published a report discussing the Supreme Administrative Court's judgment in case I FSK 352/21, clarifying that tax authorities are not obligated to verify if invoice issuers can correct invoices or to mandate such corrections before denying VAT deduction claims. Even without suspicions of tax evasion, authorities can deny VAT deductions if transactions should have been under the reverse charge mechanism. However, if reimbursement from the seller is overly difficult or impossible, such as in cases of insolvency, taxpayers must have the option to seek reimbursement directly from the tax authorities. This ensures that taxpayers have a means to recover improperly paid taxes regardless of the seller's ability to issue a corrected invoice.

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- **KPMG in the United Arab Emirates :** published a report discussing Federal Tax Decision No 4 of 2024, which amends the Federal Tax Authority's (FTA) policy on issuing clarifications and directives, effective from July 1, 2024. This decision refines the process for private clarifications, where taxpayers can seek guidance on specific federal tax laws including Corporate and Business Tax, VAT, and Excise Tax. The FTA will issue clarifications that are binding administratively if the factual circumstances match those in the request. However, clarifications may be deemed invalid or withdrawn if they are based on incorrect information or if the relevant legislation changes. Requests must be submitted through the FTA's official portal and include all necessary information to ensure a valid application. This framework aims to provide clearer guidance to taxpayers regarding their tax obligations and available administrative exceptions.

Roundup of Latest Court of Justice of the European Union Cases

On November 7, 2024, the Court of Justice of the European Union (ECJ) published its judgment in Lomoco Development and Others, Case C-594/23, regarding whether land with only residential housing foundations qualifies as building land or building under the EU VAT Directive. The ECJ held that such land should be classified as "building land" subject to VAT, as the mere presence of foundations does not constitute a "building" or "parts of a building."

On November 14, 2024, the ECJ published its judgment in Herdijk, Case C-613/23, regarding whether a national joint and several liability on a company director for unpaid VAT, in cases where the company fails to notify its inability to pay, is in compliance with EU law. The ECJ ruled that such legislation does not contravene EU law, provided that the director has the opportunity to demonstrate that the failure to notify was not attributable to them. The ECJ emphasized that this opportunity should not be limited to cases of force majeure but should include any circumstance showing that the director was not responsible for the failure.

On November 21, 2024, the ECJ published its judgment in 'SEM Remont' EOOD, Case C-624/23, regarding whether a taxpayer can deduct VAT on purchases made from a seller that is not registered for VAT and subsequently loans the VAT amount to the seller. The ECJ held that the EU VAT Directive does not prevent a Member State from denying a VAT deduction when the seller fails to fulfill the obligation to register for VAT and issues invoices without stating VAT. Additionally, the ECJ found that the EU VAT Directive and the principle of VAT neutrality do not require allowing invoice corrections under these circumstances, especially when the seller issues a report during a tax inspection that does not meet the standard requirements of an invoice.

On November 28, 2024, the ECJ published its judgment in rhtb, Case C-622/23, regarding the amount which a customer owes to a contractor even where the work has not been (fully) carried out, but the contractor was ready to provide the service and, through circumstances attributable to the customer (for example, cancellation of the work), was prevented from doing so, is subject to VAT. The ECJ held that the amount contractually due following the termination of a service contract, where the seller had begun the service and was prepared to complete it, should be regarded as remuneration for a provision of services for consideration within the meaning of the VAT Directive. The economic and commercial realities of the transaction should be considered, noting that the amount reflects not only the agreed remuneration for the services but also ensures a minimum contractual remuneration for the seller.

Source: European Union; Denmark - ECJ Decides on VAT Treatment of Sale of Land With Pre-Cast Foundations Later Developed Into Residential Building: Lomoco Development and Others (Case C-594/23) (VAT) (November 7, 2024), News IBFD; European Union;

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Netherlands - ECJ Decides on Liability for Unpaid VAT of Director of Legal Person: Herdijk (Case C-613/23) (VAT) (November 14, 2024), News IBFD; European Union; Bulgaria - ECJ Decides on Right to Deduct VAT Based on Memorandum Issued During Tax Audit: SEM Remont (Case C-624/23) (VAT) (November 21, 2024), News IBFD; European Union; Austria - ECJ Decides on VAT Treatment of Unfinished Work Payment Due to Customer's Circumstances: rhtb (Case C-622/23) (VAT) (November 28, 2024), News IBFD.

European Union: VAT Guidance on New Rules for Small Businesses

On November 11, 2024, the European Commission published the explanatory notes and guide for the updated small enterprise scheme (SME scheme) effective January 1, 2025. The SME scheme allows small businesses with a maximum annual threshold set by Member States of up to EUR 85,000 to exempt VAT from their sales of goods and services. The scheme also allows small enterprises established in a Member State other than where VAT is due to exempt VAT from their sales, provided their total EU-wide annual gross receipts do not exceed EUR 100,000 and the local sales threshold. However, the scheme is only available to EU-established businesses.

The SME scheme applies to all sales performed by a taxpayer meeting the local threshold(s), including domestic sales, intra-EU sales, and exports. However, it does not apply to occasional sales, sales of new vehicles made from one Member State to another, and other transactions that Member States choose to exclude. The scheme also does not apply to purchases, meaning small businesses performing certain purchases will still be required to register for VAT for these purchases and self-assess VAT under the reverse charge mechanism.

The explanatory notes also clarify the interaction between the SME scheme and other special mechanisms in the EU VAT Directive, including the One-Stop-Shop (OSS) and the Import-One-Stop-Shop (IOSS). The SME scheme and OSS regime can coexist, but the SME scheme and IOSS are mutually exclusive.

The explanatory notes further clarify that purchases made from a small business applying the SME scheme will always be exempt from VAT. It is the business customer's responsibility to check the VAT exempt status of the small enterprise through the application SME-on-the-Web, available from January 2025. However, the explanatory notes do not provide full clarity on how sellers should deal with SME customers in cross-border transactions and domestic transactions requiring a business customer to self-assess VAT under the reverse charge mechanism. For more information, click here.

Miscellaneous Developments in EMEA

- **Bharain:**[xxxix] On November 1, 2024, Bahrain's tax authority clarified that penalties charged by sellers to customers are subject to VAT, regardless of their names in contracts, as these charges are considered as consideration for services provided, except for indemnification of actual damages. This also applies to charges imposed by banks, such as late payment fees or early termination fees.
- **Belgium:**[xl] On November 20, 2025, the Belgian Chamber of Representatives accepted for consideration Bill No. 56K0510001. The bill includes 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. In addition, the bill would increase the Belgian VAT exemption from EUR 25,000 to EUR 35,000.

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- **Benin:** [xli] On October 16, 2024, the Director of Taxes of Benin published Circular No. 1994 requiring non-governmental organizations (NGOs) to provide, in addition to the previous required documents, to the Directorate General of Taxes a copy of the VAT certificate from sellers to evidence tax-free purchases. Moreover, the Circular eases the requirement to obtain authorization before making such purchases. NGOs now only need authorization for purchases equal to or exceeding XOF 500,000. Purchases below this threshold can be made directly with the seller using the headquarters agreement.
- **Benin:**[xlii] On November 12, 2024, the Director General of Taxes of Benin published Circular No. 2722, clarifying the VAT treatment of commercial discounts for resellers. It mandates that customers who receive such discounts must record the VAT amount from their credit invoice in the "VAT to be returned" section of their return form, indicated by a minus sign. They are also required to adjust VAT repayments related to the credit invoice, record VAT deductions when collecting discounted goods, and collect VAT upon the resale of these goods. If sellers are required to withhold VAT on discounted goods, they must make corresponding adjustments and note this in the "complementary deduction" section of their VAT declaration form.
- **Croatia:**[xliii] On November 13, 2024, the European Union published Council Implementing Decision 2024/2884, extending until March 31, 2027, Croatia's authorization to limit the right to deduct VAT on purchases and leasing passenger cars to 50 percent.
- **Denmark:**[xliv] On November 4, 2024, the Danish tax authority published National Tax Court Decision No. SKM2024.549.LSR, providing clarification on the conditions for zero-rating goods exported out of the EU. In the case, a Danish company operated a business buying luxury goods for resale outside the EU. The company did not secure documentation for the export to non-EU locations for certain sales. The company had not provided additional support for the claim that the sold goods were exported to non-EU locations, such as substantiated declarations from the buyers, documentation for the customs clearance of the goods in the purchasing countries, or similar. Under these circumstances, and since the National Tax Court agreed that the invoices presented by the company for the sales did not in themselves document that the goods were exported to non-EU locations, the National Tax Court found that the condition for the zero-rating of exports was not met.
- **Denmark:**[xlv] On November 6, 2024, the Danish Parliament accepted for consideration Bill No. L 82, which would align Danish VAT law with EU law regarding copyrights, impose VAT on non-author/non-artist copyright licenses, clarify VAT exemptions for authors and artists, and require monthly reporting of payments for copyrights, patents, trademarks, and advertising exploitation. The law would take effect on January 1, 2025, and apply to licenses delivered after that date, unless covered by an agreement made before November 6, 2024. The law does not apply to the Faroe Islands or Greenland.
- **Denmark:**[xlvi] On November 7, 2024, the Danish tax authority published Tax Council Binding Answer No. SKM2024.553.SR, clarifying the VAT treatment applicable to parking space rentals. The Tax Council determined that the rentals were considered a VAT-liable service for the right to park, rather than a VAT-exempt letting of immovable property. This decision was based on the fact that tenants could not control the parking area or spaces and exclude others, as the taxpayer had entered into more rental agreements than available spaces.
- **Denmark:**[xlvii] On November 7, 2024, the Danish tax authority published Tax Council Binding Answer No. SKM2024.552.SR, clarifying that the sale of exclusive licensing rights is subject to VAT and does not qualify as a transfer of a going concern. The Tax Council determined that the transfer of exclusive licensing rights for computer games did not qualify as a VAT-

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exempt business transfer because the taxpayer continued to publish, sell, and market computer games after the transfer. The fact that the sale involved exclusive rights belonging to the purchaser did not change the VAT treatment.

- **Estonia:**[xlviii] On November 13, 2024, the Estonian parliament adopted Bill No. 462 SE on amendments to the VAT Act. The bill implements 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. In addition to this amendment, the bill abolishes the requirement to file separate recapitulative statements for intra-EU transactions, with the necessary data fields being transferred to the VAT return.
- **European Union:**[xlix] On November 19, 2024, the European Union published Council Decision 2024/2888, introducing amendments to the Agreement between the European Union and Norway on administrative cooperation in VAT matters. The decision extends cooperation tools such as information exchange, joint audits, and access to Eurofisc. The amendments will come into force once both parties have completed the necessary internal legal procedures and have notified each other.
- **Finland:**[l] On November 18, 2024, the Finnish tax authority updated its guidance on the VAT exemption for small businesses. The update reflects the increase in the VAT registration threshold for small businesses in Finland, which will be raised to 20,000 euros from 15,000 euros starting from January 1, 2025. The guidance covers topics such as the VAT registration threshold for the EU, registration procedures for Finnish small businesses in other EU member countries, differences in low activity limits among EU Member States, and eligibility for the VAT exemption.
- **Germany:**[li] On November 13, 2024, the European Union published Council Implementing Decision 2024/2885 authorizing Germany to continue, until March 31, 2027, to exclude from the right to deduct VAT incurred on goods and services used more than 90 percent for private purposes, their employees, or, more generally, for non-business purposes or non-economic activities.
- **Greece:**[lii] On November 5, 2024, Greece published Decision No. A 1154/2024, which updates to the zero-rating procedures for exports and intra-EU sales, introduces new documentation requirements for exports, and allows taxpayers to submit export declarations in other EU Member States.
- **Guinea-Bissau:**[liii] On October 31, 2024, the Ministry of Finance of Guinea-Bissau published Order No. 130/GMF/2024, announcing that the implementation of VAT will take effect on January 1, 2025. Originally scheduled for January 1, 2023, by Law No. 4/2022, the implementation was postponed due to technical challenges and a lack of preparedness.
- **Hungary:**[liv] The European Commission recently proposed extending until December 31, 2027, Hungary's authorization to limit the right to deduct VAT on leased passenger cars to 50 percent when not used for business purposes, and exempting businesses from accounting for tax on private use.
- **Hungary:**[lv] On November 21, 2024, the European Commission proposed extending until December 31, 2026, Hungary's authorization to designate the buyer of capital goods and other goods and services exceeding HUF 100,000 by businesses under liquidation or insolvency proceedings as the party liable for VAT under the reverse charge mechanism.

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- **Isle of Man:**[lvi] Effective November 25, 2024, the Treasury of the Isle of Man has announced a decrease in interest rates for late payment and repayment of VAT and other indirect taxes to 7.25 percent and 3.75 percent, respectively, in response to a reduction in the Bank of England base rate from 5 percent to 4.75 percent.
- **Latvia:**[lvii] On November 21, 2024, the European Commission proposed extending until December 31, 2024, Latvia's authorization to designate the recipients of timber and related services as the party liable for VAT under the reverse charge mechanism.
- **Liechtenstein:**[lviii] On November 15, 2024, the tax authority of Lichtenstein announced that, starting January 2025, all taxpayers must use the new eMWST portal (https://mwstportal.li) for all VAT-related transactions, including registrations, filings, adjustments, applications, account information, and communications. All VAT filings and applications in paper form will be accepted until December 30, 2024, after which the eMWST portal will be the sole method for submissions. Users must first obtain an eID.li for secure online identification and activate an eRepresentation account, which is necessary for using the eMWST and other electronic services.
- **Lithuania:**[lix] On November 18, 2024, the Lithuanian tax authority launched a consultation on a draft amendment to the commentary for Article 50 of the VAT Law regarding the VAT refund process for charitable exports. The amendment aims to clarify that the zero-rated VAT on exports of charitable goods applies exclusively to goods exported from Lithuania in support of individuals or qualifying organizations outside the EU. It would further recognize various recipients, including public institutions, religious communities, and units of international public organizations. The amendment would also specify the qualifications for VAT refunds, requiring beneficiaries to provide comprehensive documentation such as VAT invoices, proof of export, and confirmation that the recipient organization operates outside the EU. Finally, beneficiaries would be required to submit VAT refund applications electronically through the tax authority's electronic portal.
- **Lithuania:**[lx] On November 19, 2024, the Lithuanian tax authority initiated a consultation on a proposed amendment to the commentary on Article 42 of the VAT Law regarding the tourism VAT refund process. The proposal, would, among other things, outline the requirement for nonresident passengers to provide merchants with identification and proof of non-EU domicile at the time of purchase to be eligible for VAT recovery. Additionally, the amendment would clarify that a single piece of evidence may suffice to determine a permanent address or residence but can be supplemented by other documents. Furthermore, it would outline the VAT refund procedures and the conditions under which VAT paid by nonresident passengers at the time of purchase can be refunded.
- **Moldova:**[lxi] On October 23, 2024, the State Tax Service (STS) clarified that the VAT recalculated by the customs office for imported goods is deductible. According to the Tax Code, taxpayers registered for VAT can deduct VAT incurred on goods and services purchased for making VAT-eligible sales as part of their business activities, provided the VAT has been paid to the budget. The taxable value of imported goods is based on their customs value, which includes taxes and duties, excluding VAT.
- **Moldova:**[lxii] On November 8, 2024, the STS clarified the impact of transfer pricing adjustments on VAT. The STS confirmed that adjustments to income or expenses under transfer pricing rules do not affect the VAT associated with these transactions. According to the Tax Code, the taxable value of a sale, which is the amount paid or payable excluding VAT, can be adjusted post-delivery or payment if there is a change in the agreed price, a return of the sale, or a discount granted. Furthermore, sales made at below-market prices due to special relationships, such as between related parties or an employer and employee, are still

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considered taxable sales valued at market price. The STS emphasized that the definitions of special relationships for VAT purposes and related persons for transfer pricing purposes are distinct in nature and application.

- **OECD:** On November 21, 2024, the Organization for Economic Coordination and Development (OECD) published the Revenue Statistics 2024 report. In 2023, the average tax-to-GDP ratio in OECD countries slightly decreased by 0.1 percentage points to 33.9 percent, marking the second consecutive year of decline, yet still higher than pre-pandemic levels in 2019. This period has seen significant financial challenges due to the COVID-19 pandemic, Russia's invasion of Ukraine, and a 30-year high in inflation. Despite these challenges, OECD countries have continued to adjust tax policies to mitigate cost-of-living pressures while facing increased spending demands from long-term issues like climate change and an aging population, necessitating higher revenues. Taxes are defined as compulsory payments without direct return benefits, classified by their base such as income, payroll, property, goods and services, and other categories, including compulsory social security contributions. Tax revenues are analyzed by various levels of government, with detailed classifications provided in the Interpretative Guide in Annex A of the publication.
- **Poland:** [lxiii] On November 7, 2024, Poland published a law amending the regulation on the refund of VAT to the armed forces, multinational headquarters and commands, accompanying civilian personnel, members of their families, and units purchasing goods or services for the armed forces. This law, effective November 21, allows tax refunds for specific purchases made exclusively for the armed forces or accompanying civilian personnel, including those for the armed forces' messes and canteens, provided these forces are engaged in joint defense operations. Additionally, the Allied Commands and armed forces must submit tax refund applications to the Head of the Second Tax Office in Warsaw. The law also clarifies that the Tax Office will not cover costs associated with transferring tax refunds to bank accounts outside of Poland.
- **Portugal:** [lxiv] On October 29, 2024, the Constitutional Court of Portugal ruled in Decision no. 779/2024 that the fees imposed by the National Authority for Communications (ANACOM) on telecom operators for the provision of electronic communications services were unconstitutional. This decision came after various telecom operators contested these charges, arguing that the essential elements of the tax should be established by a Law or a Decree-Law, rather than an Ordinance as was done. The Court had previously found such charges unconstitutional in over three decisions. In its final ruling, the Court declared these norms unconstitutional with general binding force, nullifying all effects since their enactment with retroactive effect, but preserving the outcomes of closed cases.
- **Romania:**[lxv] On November 14, 2024, the Romanian tax authority published a draft order proposing amendments to Order No. 2012/2016, which pertains to the ex officio changes of VAT registrations. The draft bill outlines procedures for the ex officio cancellation of VAT registration for members of a VAT group. It specifies that ex officio VAT registration decisions will be issued only after administrative acts are final, either unchallenged or confirmed by a final court decision. Additionally, the bill introduces provisions for explicit refusal in writing, ensures taxpayers' rights to be heard, and details the documents required during such hearings.
- **Saudi Arabia:**[lxvi] In November 2024, the Zakat, Tax and Customs Authority (ZATCA) published guidelines to clarify VAT audit procedures, decision reviews, assessments, corrections, and appeals, aiming to assist businesses in understanding and complying with VAT regulations. The guidelines detail that businesses will receive a notification of an audit

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at least 20 days in advance, unless there is suspicion of non-compliance, and may undergo on-site audits where auditors review necessary documents such as VAT returns and invoices. Businesses can self-correct minor errors under SAR 15,000 in future VAT returns, while major errors must be reported to ZATCA within 20 days. If disagreements arise with ZATCA's decisions, businesses have the option to appeal internally or to the VAT Primary Committee. The guidelines also emphasize the importance of maintaining digital records for smooth audits and outline penalties for non-compliance, including fines up to 25 percent of unpaid VAT and joint liability for intentional violations.

- **Slovenia:**[lxvii] On November 26, 2024, the government of Slovenia published bill EVA: 2024-1611-0039 proposing amendments to the Law on VAT (ZDDV-1). The bill includes 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. Other key proposals involve raising the annual gross receipts threshold for VAT exemption for small enterprises in Slovenia from EUR 50,000 to EUR 60,000 and allowing VAT grouping from January 1, 2026. This grouping enables entities within a VAT group to manage VAT calculations, claims, and audits collectively. Additionally, the bill proposes limiting the carry-forward of excess VAT deductions to five years and revising the conditions under which VAT is charged, exempting sales of goods from vending machines from the obligation to issue VAT invoices, and regulating the zero-rating for goods imported or sold within the EU for disaster relief.
- **Slovenia:**[lxviii] On November 13, 2024, the government of Slovenia published bill EVA No. 2024-1611-0059 proposing amendments to the Excise Duties Act (ZTro-1), which includes a 7 percent increase in excise duties on alcohol and alcoholic beverages and expands the quantitative limit for small beer producers to up to 150,000 hectoliters per year, allowing them a 50 percent reduction in excise duty. The bill also introduces a digital form for the basic certificate required for excise duty exemptions, aligning with the VAT Act. Additionally, the bill details notification obligations for those involved in the production, storage, or movement of tobacco products and electronic cigarettes, with certain exemptions for imported products and movements within specific regulatory frameworks. The proposed changes are set to take effect on January 1, 2025, with the digital certificate provisions starting January 1, 2026.
- **South Africa:**[lxix] On November 13, 2024, South Africa's National Treasury released a discussion paper inviting public comments on Phase Two of the Carbon Tax, outlining several key proposals. These include a gradual reduction in the basic tax-free allowance, an increase in the performance tax-free allowance for better-than-benchmark combustion emissions, and a higher offset allowance for specific emissions starting in 2026. Additionally, the paper proposes removing the carbon budget tax-free allowance as carbon budgets become mandatory, adjusting the trade intensity threshold for maximum trade exposure allowance, and continuing the process and fugitive emissions allowances until 2030 with a review thereafter. The carbon tax is set to replace the electricity levy from 2026, and new incentives are proposed for green hydrogen production and energy efficiency projects.
- **Sweden:**[lxx] On November 15, 2024, the Swedish Tax Board of Appeals published Advance Notice No. 35-24/I, clarifying the computation method for the VAT deduction apportionment in activities involving both residential and commercial leases. The Tax Board confirmed that

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the proportion of deductible VAT related to common costs can be determined by applying the gross receipts-based computation method. This method is applicable despite the taxpayer's mixed-use operations, which include both taxable and VAT-exempt transactions.

- **Sweden:**[lxxi] On November 8, 2024, the Swedish Tax Board of Appeals published Advance Notice No. 48-24/I, clarifying that the additional amount charged during payment reminders, which represents the difference between individual and package prices for a set of five pictures, should be included in the taxable base for VAT. In the case, a company selling group and portrait photos, argued that this amount should not be included as it serves as compensation for damages incurred from delayed payments and is intended to encourage timely payment. However, the Tax Board determined that this amount adjusts the price from a package to individual pricing upon a payment reminder, thus forming part of the total consideration for the goods. Therefore, it should be included in the VAT taxable base.
- **Switzerland:**[lxxii] On October 29, 2024, the Swiss Federal Tax Administration opened a consultation on draft revised practical guidelines for travel agencies, reflecting significant changes to the VAT treatment effective from January 1, 2025. The revisions specify that VAT will apply to services provided directly by travel agencies rather than to event organizers, and the sourcing for resold travel services will be where the services are provided. Additionally, resold travel services and related services by both domestic and foreign travel agencies will become VAT exempt, meaning foreign travel agencies organizing travels in Switzerland will not be subject to Swiss VAT. The guidelines also allow for a deduction of input VAT for resold travel services and related services provided or used abroad.
- **Uzbekistan:**[lxxiii] Uzbekistan recently announced in its 2025-2027 budget address the introduction of an excise duty of UZS 500 per liter on industrially manufactured non-carbonated sweetened drinks, effective from April 1, 2025, excluding those containing natural sugars. This follows the implementation of a UZS 2,000 excise duty on energy drinks and a UZS 500 duty on carbonated drinks from April 1, 2024. Additionally, the Ministry of Economy and Finance plans to reduce the excise duty to UZS 300 per liter for diet carbonated drinks that use sugar substitutes and is considering varying future rates based on sugar content.

Asia-Pacific (APAC)

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

- **KPMG in Malaysia:** published a report discussing the Royal Malaysian Customs Department's (RMCD) framework for the voluntary disclosure program known as the compliance verification audit program (AViP), which was launched in July 2024. The AViP aims to shift focus from detecting tax leakages to preventing them, enhancing self-compliance among taxpayers. The new framework provides detailed guidance on the AViP's implementation, which includes audits to assess taxpayer compliance with relevant legislation, procedures, and policies. It also outlines the types of audits and mechanisms

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for voluntary disclosure through self-assessment, ensuring audits are conducted responsibly and maintain high compliance levels. This program offers taxpayers a chance to rectify past discrepancies and ensure future compliance, with the benefit of penalty remission from RMCD.

- **KPMG in Malaysia:** published a report discussing the Service Tax (Amendment) (No. 2) Regulations 2024, which introduce significant changes to the Service Tax Regulations 2018. These amendments, effective from various dates in 2024, include the expansion of intra-group relief for maintenance or repair services within the same group of companies, whether local or international. This relief is retroactive to May 1, 2024, raising questions about refunds for service tax paid since that date. Additional amendments redefine which entities are excluded from being taxpayers under various groups, such as health and wellness centers managed by registered practitioners of traditional and complementary medicine, modify the taxable services categories to exclude certain services like food provision at golf clubs, and specify exclusions for maintenance or repair services provided directly to homeowners.
- **KPMG in the Philippines:** published a report discussing the potential impact of Senate Bill No. 2415, which was approved on September 23, 2024. This bill aims to boost tourism by offering VAT refunds to nonresident foreign tourists for goods purchased locally, provided certain conditions are met. These goods must be bought in person from accredited stores, taken out of the Philippines within 60 days, and the purchase value per transaction must be at least PHP 3,000. The Department of Finance is tasked with establishing a VAT refund system, with the help of experienced operators, to implement this policy.

Miscellaneous Developments in APAC

- **China:**[lxxiv] Effective December 1, 2024, China removed the refund of VAT for exports of aluminum, copper, vegetable or microbial oils and fat will be removed. In addition, China reduced that VAT refund rate from 13 percent to 9 percent for exports of refined oils, photovoltaic batteries, and some non-metallic minerals products.
- **New Zealand:**[lxxv] On November 20, 2024, the New Zealand Inland Revenue published Technical Decision Summary No. 24/21, which clarifies the tax treatment of accommodation provided by a company to an employee due to health and safety obligations. The company had leased the accommodation from a business owned by the employee's partner. The Customer and Compliance Services of Inland Revenue argued that the accommodation, provided free of charge, should be subject to income tax and GST. In contrast, the taxpayer argued that the lease served business purposes and taxation should reflect the market rental value. The Tax Counsel Office determined that the accommodation was indeed provided in relation to the employee's employment, as ensuring a safe work environment was stipulated in the employment contract. Consequently, the Tax Counsel Office concluded that the accommodation's value for tax purposes should align with its market rental value, adjusted for the portion used for work-related purposes.
- **Uzbekistan:**[lxxvi] The Uzbek Ministry of Economy and Finance recently published its tax policy guidelines for 2025-2027, which, among other things, proposes simplifying the VAT refund procedure for exports, with refunds based on electronic information from customs authorities. The guidelines also propose changing the seven-day accelerated VAT refund procedure to a standard 30-day process for legal entities classified as large taxpayers. Additionally, a VAT exemption would apply to transactions involving the sale of state property and undeveloped land plots for non-agricultural purposes.

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- **Vietnam:**[lxxvii] On November 26, 2024, the National Assembly of Vietnam adopted the amended Law on Value Added Tax, which will generally be effective July 1, 2025. The amendments include an increase in the VAT-exempt annual revenue threshold for households and individuals in business from VND 100 million to VND 200 million, effective from January 1, 2026. Additionally, a reduced rate of 5 percent will apply to fertilizers, which are currently VAT-exempt. The law also expands the range of taxable entities to include organizations and individuals involved in production and business in Vietnam who purchase services from foreign organizations without a permanent establishment in Vietnam, and nonresident individuals abroad, among others. Finally, the National Assembly Standing Committee asked the government to issue a decree to manage imported goods traded through e-commerce channels and remove the import duty and VAT exemption on low-value goods.

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.

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