KPMG

Inside Indirect Tax

March 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.

Table of Contents

Global Rate Changes

- **Belgium:**[i] On January 26, 2024, the Belgian Chamber of Representatives accepted a bill for consideration that includes measures to zero-rate all food products currently subject to a 6 percent reduced VAT rate, except certain seafood as well as most beers and alcoholic beverages.
- **Croatia:**[ii] On February 17, 2024, the Croatian Ministry of Finance launched a consultation on a draft bill to extend the application of the 5 percent reduced VAT rate for natural gas and heating from thermal stations from March 31, 2024, through March 31, 2025. The reduced rate also applies to fees related to these goods, and on deliveries of firewood, pellets, briquettes, and wood chips.
- **Ecuador:**[iii] Effective April 1, 2024, Ecuador will increase its standard VAT rate from 12 percent to 15 percent.
- **Ghana:**[iv] Ghana has suspended its decision to impose VAT on domestic electricity consumption, pending further engagements with key stakeholders.
- **Greece:**[v] On January 29, 2024, the Greek tax authority clarified the application of the reduced VAT rates to sales of non-alcoholic beverages, juices, and drinks. Currently, these products are subject to either the 24 percent standard rate or 13 percent reduced rate, depending on their intended use. According to the tax authority, the sale of ready-made food or other items as a "package" for outside consumption, whether picked up by the

customer or delivered to a specified location, is considered a sale of goods, not a service, and the VAT rate for each type of good applies. This rule applies whether the business or a third party delivers the package. When the sale of food is accompanied only by basic infrastructure and does not change the main transaction's character and is thus considered a sale of goods. Water, whether natural or artificially mineral, carbonated or not, without added sugar or sweeteners, and not flavored, falls under tariff class DK 2201 and is subject to a reduced VAT rate. Finally, as of January 1, 2024, the provision of alcoholic and non-alcoholic beverages, juices, and drinks by certain businesses is subject to a standard VAT rate, with exceptions for coffee, cocoa, tea, chamomile, and other infusions, which continue to have a reduced VAT rate of 13 percent until June 30, 2024.

- **India:**[vi] The Indian Central Board of Indirect Taxes & Customs recently held a consultation on an update to the GST rate schedule. The 74-page schedule details the GST rate on services, the six-digit code, a description of the service and the applicable rate, and any conditions applicable. Taxpayers with gross receipts up to INR 50m are required to include a four-digit code in their filings, while those with a higher gross receipt should include a six-digit code. However, the initial version of the GST rate schedule does not mention the classification of services at the six digital level. The proposal in the consultation is an attempt to harmonize the GST rate schedule with the classification of services with a view to promote ease of doing business.
- **Indonesia:**[vii] On February 15, 2024, Indonesia announced the extension of the VAT incentive on the sale of four-wheeled battery-powered electric vehicles and buses until December 2024. Previously, this incentive was applicable from April 2023 until December 2023. Under this regime, a reduced VAT rate of 1 percent applies to the sale of four-wheeled battery-powered electric motor vehicles and buses with at least 40 percent of locally manufactured components, with the remaining 10 percent VAT being borne by the government. Additionally, a reduced VAT rate of 6 percent applies to the delivery of battery-powered electric buses with 20 percent to 40 percent of locally manufactured components, with the remaining 5 percent VAT being borne by the government.
- **Isle of Man:**[viii] On February 7, 2024, the Isle of Man expanded the scope of the temporary VAT zero-rate for the sale and installation of energy-saving materials to include necessary preparatory work undertaken for the installation of ground source and water source heat pumps, and the installation of energy-saving materials into buildings solely for charitable purposes, such as village halls or similar recreational facilities in the local community. The changes are intended to align the island's VAT law with the United Kingdom's. The zero rate is a temporary measure, applying since April 1, 2022, until March 31, 2027.
- **Malaysia:** On February 14, 2024, the Royal Malaysian Customs Department (RMCD) published the final guide on transitional rules for the increase in the service tax rate from 6 percent to 8 percent from March 1, 2024. To read a report prepared by the KPMG International member firm in Malaysia, click here.
- **Malta:** On January 31, 2024, the Maltese tax authority published guidelines for the application of the 12 percent reduced VAT rate for the short-term hiring of a "pleasure" boat in Malta, effective from January 1, 2024. The reduced VAT rate regime applies to the short-term hiring of a "pleasure" boat in Malta for any term or part of a term that does not exceed five weeks. To determine if the five-week term has been exceeded, the regime considers the availability of the same or a similar boat to the same person in the previous 12-month period. If the boat was not available to the same person previously, or if the five weeks did not lapse in the previous term, the 12 percent VAT rate applies. However, if the five weeks lapsed in the previous term, the standard 18 percent VAT rate applies instead. To read a report prepared by the KPMG International member firm in Malta, click here.

- **Malta:[ix]** Effective January 1, 2024, Malta amended its VAT law to provide a VAT exemption for recognized non-profit organizations. The exemption applies to the sales, importation, and intra-EU purchases of devices and aids, including related goods, which are essential to compensate for or overcome disabilities in humans.
- **Malta:[x]** On February 5, 2024, the Maltese tax authority published guidelines for the application of the 12 percent VAT rate for specific healthcare services. The guidelines clarify that while the VAT Act exempts medical care provided by professionals regulated by the Health Care Professions Act or the Psychology Act, not all services by these professionals are covered by this exemption. Services not qualifying for the exemption, but involving care of the human body, provided by a regulated professional, will attract a reduced 12 percent VAT rate. Any other services not qualifying for the exemption or reduced rate will be subject to the standard 18 percent VAT rate.
- **Malta:[xi]** On February 8, 2024, the Maltese tax authority published guidelines for the application of the 12 percent reduced VAT rate for the management of credit and credit guarantees. It clarified that the reduced rate applies to the management of credit and credit guarantees by a person or entity other than those who granted the credit, where the VAT on such services becomes chargeable on, or after, January 1, 2024. However, the management of credit and credit guarantees by the person granting the credit remains exempt from VAT. For the application of this reduced rate, the term "credit and credit guarantees" refers to any credit and credit guarantees that are exempt under the VAT Act.
- **Philippines:[xii]** On January 26, 2024, the Philippines published Revenue Memorandum Circular No. 17-2024, expanding the VAT exemption for medicines to include additional 21 medicines, for cancer, diabetes, kidney disease, mental illness, and tuberculosis.
- **Sierra Leone:[xiii]** Effective January 10, 2024, Sierra Leone exempts from GST vegetable oil and machinery and plant for agricultural, manufacturing, mining, and petroleum operations. It also reduced the stamp duty rate from 2 percent to 1 percent for conveyancers and other property assignments and set it at 0.02 percent for financial instruments. Further it has increased customs duty rates on imports for cement (from 10 percent to 20 percent), rice (from 0 percent to 5 percent), iron rods (from 5 percent to 10 percent), and cooking gas (from 0 percent to 5 percent).
- **South Africa:** Effective January 1, 2024, South Africa's carbon tax rate increased from R159 to R190 per ton of CO_2e for the 2024 calendar year, and the carbon tax cost recovery quantum for the liquid fuels sector rose from 0.66c/liter to 0.69c/liter. Additionally, effective April 3, 2024, the carbon fuel levy will increase to 11 cents per liter for petrol and 14 cents per liter for diesel. To read a report prepared by the KPMG International member firm in South Africa, please click here.
- **Thailand:[xiv]** On February 6, 2024, Thailand's Cabinet approved measures to extend the temporary VAT exemption for the sale of cryptocurrency and utility tokens through licensed digital exchanges as well as expand the application of this exemption to sales made through licensed brokers and dealers. These measures took effect from January 1, 2024. The previous VAT exemption for sales made through licensed digital exchanges had expired on December 31, 2023.
- **Ukraine:[xv]** On February 19, 2024, the Ukrainian State Fiscal Services clarified that a 7 percent reduced VAT rate applies to the sale and importation of medicinal products, medical devices, and medical equipment approved for production and use in Ukraine meeting technical regulations. However, the standard 20 percent VAT rate applies if the

conditions are not met. The tax authority further clarified that a VAT exemption applies to medicinal and medical products during anti-terrorist operations, national security measures, and the implementation of martial law.

- **Venezuela:**[xvi] On January 12, 2024, Venezuela announced a VAT and customs duties exemption for the import and sale of hydrocarbon fuels and additives intended to enhance their quality. Venezuela further announced a waiver for the financial transaction tax (*Impuesto a las Grandes Transacciones Financieras*) on local sales of these goods. These exemptions are valid until January 12, 2025. To qualify for the VAT and customs duties exemption for imported goods, beneficiaries must provide the following documents to the appropriate customs office: a description of the goods to be imported, the commercial invoice issued to the beneficiary, and the waiver letter issued by the tax authorities.
- **Vietnam:**[xvii] On February 27, 2024, the Vietnamese National Assembly accepted a bill to amend the VAT law for consideration. Among other things, the bill proposes to amend the list of transactions subject to the reduced 5 percent VAT rate, and those subject to a zero rate. It also proposes to narrow the categories that are exempt from VAT, including securities trading and debt sales, introduce a VAT exemption for computer software products and services, and identify export services eligible for the VAT zero-rate. The bill also assigns the Minister of Finance the responsibility to provide procedures for its application.
- **Zimbabwe:**[xviii] Effective January 1, 2024, the Zimbabwe Revenue Authority (ZIMRA) issued Public Notice 9 of 2024, outlining the tax changes introduced by the Finance Act 2023. These changes include limitations on VAT zero-ratings and exemptions, effective from January 1, 2024, with all remaining goods and services being standard-rated. The VAT zero rate is now limited to exports, in line with the destination principle, where goods and services are taxed in the jurisdiction where they are consumed. VAT exemptions are generally limited to the provision of accommodation in a dwelling, educational and training services from preschool to secondary school, the provision of medical services, and financial services.

Back to top Back to top

Digitalized Economy Indirect Tax Updates

Congo (Republic of): Non-Resident Digital Services Providers Required to Register for VAT

On December 29, 2023, the Republic of Congo published the Finance Act for 2024, which includes provisions requiring nonresident digital services providers to register for and collect VAT. The Finance Act, effective from January 1, 2024, imposes an 18 percent VAT on a wide range of digital services, including online advertising, data provision, online intermediation platforms, digital content services, software downloads, and more. It also includes commissions earned by digital intermediaries such as platforms. The regime applies to both business-to-business (B2B) and business-to-consumer (B2C) sales made within the Republic of Congo. The Finance Act specifies that digital services are taxable in the Republic of Congo if the service is performed there, which should be interpreted as where the customer is located.

The Finance Act also introduces marketplace rules, shifting the VAT obligation from the digital services provider to digital intermediaries involved in the sale of digital services. It mandates nonresidents to register, collect, and remit VAT once their activity falls within the scope of the Act, using a simplified remote registration procedure. In this respect, the Finance Act instructs the governmental agency responsible for control and regulation of electronic communication to establish an online registration portal. Nonresident digital services providers do not need to appoint a local fiscal representative unless they have a VAT registration requirement due to other provisions of the Act, such as selling goods located in the Republic of Congo. For more information, click here.

France: Tax Authority Guidance on VAT Treatment of Non-Fungible Tokens

On February 14, 2024, the French tax authority issued a public ruling, clarifying the VAT treatment of non-fungible tokens (NFTs). The ruling states that NFTs are not subject to any specific VAT regulations, and the usual principles and rules should apply. If an NFT represents ownership of a good or service, a transaction involving the transfer of an NFT concerns the good or service it represents, not the token itself. Thus, VAT rules must be applied on a case-by-case basis. The ruling provides guidance on the VAT treatment of three specific transactions: (1) creation and sale of digital collectible cards associated with NFTs, (2) creation and sale of digital graphic works associated with NFTs, and (3) financing of a video game in progress through the issuance of NFTs.

With respect to the first transaction, the ruling clarifies that the sale of digital cards determines the applicable VAT regime. The NFT generated for each card is considered a means of conducting a transaction on a digital card and does not represent a distinct service. If the digital collectible cards are issued through telecommunication networks in a largely automated manner with minimal human intervention, they qualify as “digital services” for VAT purposes and are taxable where the consumer is established.

With respect to the creation and sale of digital graphic works associated with NFTs, the ruling clarifies that the transfer of these rights is classified as a service provision. If human intervention remains predominant in the creation of the works, these services will not be considered as “digital services” for VAT purposes. However, the services provided by the platform to its members, which consist of creating the NFTs and enabling the transfers, are considered electronic services. Digital graphic works may be subject to a reduced VAT rate if they meet the criteria defined by the general tax code. Compositions created by the artist via computer processes and not entirely executed by hand are not eligible for the reduced VAT rate of 5.5 percent. However, if the graphic works meet the qualification criteria of “works of the mind” as per the intellectual property code, their transfer will be subject to the reduced VAT rate of 10 percent.

Finally, the ruling clarifies that the sales of digital objects representing game elements made by the company to finance the video game’s design are not subject to VAT at the time of the financing operation. However, if the game is realized and put into service, the game accessories associated with these tokens become usable by their owner. At this point, the accessories must be considered as intangible goods made available to the token holder and therefore taxed under VAT in the usual conditions. For more information, click here.

Morocco: Non-Resident Digital Services Providers Required to Register for VAT

On December 25, 2023, Morocco enacted the Finance Act for 2024, which includes provisions that clarify the VAT obligations of nonresident digital services providers, effective from January 1, 2024. Historically, Morocco has required that services, including digital services, used within the country be taxable. Nonresidents had to appoint a local fiscal representative to fulfill their VAT obligations in both business-to-consumer (B2C) and business-to-business (B2B) transactions. If a nonresident did not appoint a local fiscal representative in B2B transactions, a secondary VAT liability was imposed, making the recipient of the services liable to self-assess VAT under the reverse charge mechanism.

The Finance Act for 2024 changes the place of provision rules for “digital services” from “the place of use” to “where the customer is established.” Digital services are defined as any services provided via a remote communication tool, including intangible and other immaterial assets. Examples include provision and hosting of IT sites, remote maintenance of programs and equipment, provision and update of software and applications, and provision of digital content. The Finance Act specifies that digital services are taxable in Morocco if provided to a customer whose registered office, establishment, or tax domicile is in Morocco, or to a customer residing in Morocco on an occasional basis.

To simplify compliance for nonresident digital services providers, the Finance Act introduces a new simplified registration mechanism, which the Moroccan authority has yet to establish. This simplified registration mechanism applies to digital services made to final consumers (B2C sales) located in Morocco. For more information, click here.

Other Developments

- **Botswana:**[xix] On February 5, 2024, the Botswana Minister of Finance revealed in a 2024 Budget Speech that the country intends to reform its tax laws. These reforms include extending the VAT net to encompass digital sales of products and services by remote service vendors.
- **Bulgaria:**[xx] On February 27, 2024, the Bulgarian National Revenue issued guidance clarifying taxpayer obligations under the EU Directive that requires payment service providers to report on cross-border payments and their recipients, effective January 1, 2024. Under this directive, payment service providers in EU Member States must report certain information about the cross-border payments they facilitate. This information typically includes details about the payer, the payee, the payment amount, and the transaction date. This information is then shared by EU Member States through the Central Electronic System of Payment Information (CESOP). By collecting and analyzing this data, authorities can more effectively identify and investigate potential instances of VAT fraud. The guidance specifies a three-month reporting period, with reports due by the end of the month following the calendar quarter. The reporting start date is April 1, with a deadline of April 30, for the initial reporting period of January 2024 through March 2024. The guidance also clarifies that the reporting obligation applies to all countries of the European Economic Area (EEA), which includes EU countries as well as Iceland, Liechtenstein, and Norway.
- **Canada:**[xxi] On February 22, 2024, the Minister of Finance of the province of British Columbia delivered the Budget Speech for 2024, introducing Bill 3 – 2024: Budget Measures Implementation Act, 2024. This bill, if approved, would retroactively amend the definition of “software” in the Provincial Sales Tax (PST) Act from April 1, 2013. The current definition includes a software program delivered or accessed by any means, the right to use such a program, and a contractual right to receive modifications or new versions of the software programs**.** The proposed changes expand the definition of “software” to include “infrastructure as a service,” which covers access to computational services, and “software as a service,” which includes software maintained by the provider. The definition also now includes an application programming interface and the right to receive modifications to or new versions of software. The changes also redefine “use” to include the sending, receiving, downloading, viewing, or accessing of software by any means, including if the software is accessed directly or indirectly, or if the software is maintained by the provider or another person other than the user. To read a report prepared by the KPMG International member firm in Canada, please click here.

- **European Union:**[xxii] On February 2, 2024, the European Commission issued Commission Implementing Regulation (EU) 2024/432. This regulation determines that the information to be automatically exchanged under the Multilateral Competent Authority Agreement on automatic exchange of information on income derived through digital platforms (DPI-MCAA), signed by the competent authorities in Canada and specific EU members, is equivalent to the information specified under certain provisions of the EU DAC 7 reporting requirements. DAC 7 requires digital platforms facilitating the sale of accommodation, transportation, personal services, and goods to collect, verify and report data and information on reportable sellers to tax authorities. EU Member States are required to automatically exchange this information. The Regulation confirms that digital platforms reporting in Canada will not need to report in specified EU Member States because the information will be exchanged through the DPI-MCAA. Currently, the following EU Member States are signatories of the DPI-MCAA: Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, Ireland, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, and Sweden. This Regulation came into effect on February 25, 2024.
- **Greece:** On January 31, 2024, Greece issued Decision No. A. 1016/2024, providing clarifications on the implementation of the EU DAC 7 reporting requirements. DAC 7 requires digital platforms facilitating the sale of accommodation, transportation, personal services, and goods to collect, verify and report data and information on reportable sellers to tax authorities. EU Member States are required to automatically exchange this information. The Decision outlines the responsibilities of the tax authority, including receiving and transferring information, registering non-EU platform operators, determining exemptions from reporting obligations, conducting compliance controls, and imposing penalties. It also outlines the submission process and timelines for platform operators. Notably, operators requesting to be "excluded" from reporting rules must submit supporting documentation by October 31 each year. Those requesting exemption from reporting on the basis that the same data has been submitted by another operator must provide sufficient evidence by March 31 of the submission year. Operators meeting reporting requirements in another Member State can be exempted from reporting in Greece, provided they notify the tax authority within one month. Operators with no data on reportable sellers must submit a nil report electronically by January 31 of the following year. All operators must register with the tax authority's Mutual Data Submission System within one month of becoming "reporting" operators. To read a report prepared by the KPMG International member firm in Greece, click here.
- **Hungary:**[xxiii] On January 24, 2024, the Hungarian tax authority published guidance clarifying the EU DAC 7 reporting requirements. DAC 7 requires digital platforms facilitating the sale of accommodation, transportation, personal services, and goods to collect, verify and report data and information on reportable sellers to tax authorities. EU Member States are required to automatically exchange this information. The guidance explains that all organizations operating platforms used by sellers must comply with notification, registration, and reporting obligations. It defines what constitutes a platform, a seller, and reportable activities. Digital platform operators must register online with the Hungarian tax authority within 15 days of becoming subject to data reporting and report any changes in their details within 15 days. They must complete required due diligence procedures by December 31 of the relevant reporting year and retain all records for 10 years. The first DAC7 data report for 2023 was due on January 31, 2024, and operators must report quarterly. Platform operators failing to report, provide data, keep records, or submit inaccurate or late information risk a default fine of up to HUF 2 million, unless they have a valid reason for non-compliance.

- **Jordan:**[xxiv] On January 10, 2024, the Jordanian tax authority launched a platform that allows nonresident services providers to register for VAT, file returns and make payments.
- **Poland:** On February 13, 2024, Poland published a draft legislation transposing the EU DAC 7 reporting requirements. DAC 7 requires digital platforms facilitating the sale of accommodation, transportation, personal services, and goods to collect, verify and report data and information on reportable sellers to tax authorities. EU Member States are required to automatically exchange this information. The legislation is expected to become effective on July 1, 2024, but some of the new rules will be effective for entities that at any time in the period from January 1, 2023, to June 30, 2024, met the conditions for being recognized as a reporting digital platform operator. To read a report prepared by the KPMG International member firm in Poland, please click here.
- **South Africa:** On February 21, 2024, the South African Minister of Finance presented the country's 2024 budget. Among other things, the budget includes proposals to limit the application of the VAT digital services regime to non-resident vendors who provide electronic services to non-vendors or end-users and to exempt non-resident providers of electronic services from the requirement to appoint a representative in South Africa. To read a report prepared by the KPMG International member firm in South Africa, please click here.
- **Spain:**[xxv] On February 1, 2024, Spain issued Ministerial Order HAC/72/2024 approving the tax forms to be used for the EU DAC 7 reporting requirements. DAC 7 requires digital platforms facilitating the sale of accommodation, transportation, personal services, and goods to collect, verify and report data and information on reportable sellers to tax authorities. EU Member States are required to automatically exchange this information. The approved tax forms include (1) Tax Form 040, used for initial registration, modifications, and withdrawal in certain registries, and (2) Tax Form 238, which must be submitted annually by certain platform operators. The initial registration must be filed when the activity as a platform operator begins. Tax model 238 must be presented annually during January of the following year. The first information reporting under tax model 238 for data relating to 2023 must be submitted between February 6, 2024, and April 6, 2024. The Ministerial Order is effective from February 6, 2024.
- **Thailand:**[xxvi] According to news reports, on February 14, 2024, the Thai Prime Minister has asked the Ministry of Finance, and the directors of the revenue and customs departments to consider imposing VAT on low-value consignments. Currently, Thailand does not levy VAT on imports valued at THB 1,500 or less imported through a free trade zone. The Prime Minister highlighted three issues with such imports: false declarations of value, dumping of cheap products into the Thai market via online sources, and smuggling of goods through customs by declaring false information to avoid taxes.
- **United Kingdom:**[xxvii] On February 6, 2024, the UK Treasury enacted two regulations (The Value Added Tax (Distance Selling) (Amendments) and The Finance Act 2021, Section 95 and Schedule 18 (Distance Selling: Northern Ireland) (Appointed Day No. 2) Regulations 2024) that modify the application of two optional mechanisms available to Northern Ireland businesses for VAT accounting on remote sales of goods to EU consumers, effective from March 1, 2024. The One Stop Shop (OSS) mechanism pertains to VAT on remote sales of goods within the EU and Northern Ireland, while the Import One Stop Shop (IOSS) relates to VAT on remote sales of goods imported into the EU and Northern Ireland. The regulations amend the scope of the IOSS in line with the Windsor Framework. This means businesses using the mechanism will account for VAT on sales within the UK (including sales between Great Britain and Northern Ireland) on their UK VAT return. It also standardizes the penalties and interest regime for businesses using the IOSS and OSS mechanisms with the VAT penalties and interest regime that became effective in the UK on January 1, 2023.

- **United States:**[xxviii] On February 15, 2024, the Office of the United States Trade Representative published a joint statement between the United States, Austria, France, Italy, Spain, and the United Kingdom announcing that in light of the revised timeline for adoption and signature of the OECD's Pillar One Multilateral Convention, the countries have decided to extend until June 30, 2024, the political agreement set forth in the joint statement issued on October 21, 2021. Under the agreement, the five European countries will give tax credits to U.S. companies subject to their digital services taxes (DSTs) against any future income tax liabilities under the OECD Pillar One's amount A rules once they take effect. The credit amount will be the difference between a company's DST liability during the interim period and the amount of tax due under amount A rules in the first year of their implementation. That credit will then be applied to the company's amount A corporate income tax liability that accrued after the interim period. In exchange, the United States, which views DSTs as discriminatory against U.S. companies, agreed to withdraw proposed retaliatory tariffs on some U.S. imports of goods from the five countries. The U.S. government also promised that it will not take further trade action against those countries because of their DSTs until the interim period ends.

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.

Back to top
Back to top

E-Invoicing Updates

Colombia: Deadline Extension for Adoption of Electronic Equivalent Document Requirement

On January 31, 2024, the Colombian tax authority (DIAN) published Resolution 00008/2024, amending Resolution 000165/2023. Resolution 00008/2024 establishes the following implementation schedule for Electronic Equivalent Documents issued through cash registers with point of sale (POS) systems:

- May 1, 2024: Large taxpayers
- June 1, 2024: Income taxpayers not classified as large taxpayers
- July 1, 2024: Other entities and individuals

In addition, Resolution 00008/2024 establishes the following implementation schedule for other Electronic Equivalent Documents:

- August 1, 2024: Tickets for public utilities, passenger transportation by ground, and statements issued by financial and/or trust companies
- September 1, 2024: Tickets for passenger transportation by air and tickets for gambling games
- October 1, 2024: Tickets for tolls, tickets issued for the stock exchange, tickets for agricultural, and other commodities stock markets
- November 1, 2024: Entrance tickets to public performances of arts and other public shows, and movie tickets

Source: DIAN, Resolucion 000008 de 2024 (January 31, 2024)

Other Developments

- **Botswana:**[xxix] On February 5, 2024, the Finance Minister of Botswana released the Budget for 2024, which, among other things, includes a proposal for a three-year e-invoicing pilot project set to commence in December 2024. To read a report prepared by the KPMG International member firm in Botswana, please click here.
- **Cabo Verde:**[xxx] The Cabo Verde tax authority recently published guidelines for the country's VAT self-invoicing regime effective from January 1, 2024. The guidelines advise taxpayers, including public entities and international and non-governmental organizations, to use an online platform for self-invoicing, especially for vendors such as microenterprises with gross receipts not exceeding CVE 5,000 for goods or services. Under the VAT self-invoicing regime, purchaser-created invoices must meet certain criteria: they must be based on a prior agreement between the taxpayer and the purchaser; the purchaser must provide evidence that the vendor was informed and accepted the invoice; and the self-invoice must be issued in a specialized series of invoicing, clearly marked with "self-billing." Taxpayers, including public entities and international and non-governmental organizations, are advised to use the online platform for self-invoicing, especially for microenterprises with gross receipts not exceeding CVE 5,000 for goods or services. To read KPMG's previous discussion of the VAT self-invoicing regime, please click here.
- **Estonia:**[xxxi] On January 19, 2024, Estonia's Ministry of Justice published a revised draft law to set up a mandatory B2B e-invoicing system effective January 1, 2025. On February 1, 2024, Estonia's Ministry of Economic Affairs approved the revised draft law amending the Accounting Act which enacts voluntary B2B e-invoicing. Effective January 1, 2025, buyers will have the right to demand e-invoices from sellers for B2B transactions. However, it is noted in the revised draft that this date is subject to change. Additionally, the revised draft removes the references to the parallel use of both the Estonian e-invoicing standard and European e-invoicing standard. It is replaced with references to only the European e-invoicing standard (EN 16931), thereby discontinuing use of the Estonian e-invoicing standard.
- **European Union:**[xxxii] On February 19, 2024, the European Commission published a report evaluating the effects of adopting the EU's Directive on e-invoicing in public procurement. The report reviews the Directive's effect on the EU internal market and e-invoicing developments in Europe from 2014 to 2022. It found that the Directive continues to address ongoing challenges in the internal market for e-invoicing, but new challenges have emerged due to recent developments. The report estimates that automating the invoicing process has resulted in significant savings. It also found that the Directive aligns with the European e-invoicing standard and VAT in the Digital Age proposals. However, the report concludes that while the Directive has provided significant value, there are still challenges to be addressed, and there is a need to promote the adoption of e-invoicing and encourage interoperability within the EU.
- **Kenya:**[xxxiii] The Kenyan Revenue Authority (KRA) announced that its introduction of simplified pre-filled VAT returns will begin from the February 2024 tax period – a month later than originally announced. The KRA emphasizes that all VAT recovery claims must be supported by invoices generated by the e-invoicing systems. Any claims not validated through the systems or against existing customs import declarations will not be permitted. The KRA also reminded taxpayers to file their January 2024 VAT self-assessment returns by February 20, 2024. Upon the rollout of the simplified VAT return, taxpayers will need to confirm the accuracy of the declaration before submission. The KRA will continue to educate taxpayers on the simplified VAT Return filing process and assist them in complying with the electronic tax invoicing requirements.

- **Israel:**[xxxiv] On February 26, 2024, the Israeli tax authority extended the deadline for implementing the mandatory e-invoicing system to May 5, 2024. This extension aims to help business owners who have yet to finish the necessary technological upgrades due to ongoing conflict. Starting from this date, businesses receiving tax invoices over NIS 25,000 will only be able to claim VAT deductions if they possess an invoice allocation number. The tax authority had previously postponed the deadline to April 1, 2024, but has now decided to extend it further.
- **Latvia:**[xxxv] On January 25, 2024, the Latvian Cabinet of Ministers issued Order 72/2024, outlining a four-year strategy to combat the shadow economy, which includes the implementation of a B2B e-invoicing system by the end of 2025. This system would mandate all businesses in the country to use e-invoices and report them in real time to the tax authorities using the technical documentation and platform provided by the tax authorities. The tax authorities will soon provide further details about this aspect of the plan.
- **Malaysia:**[xxxvi] On January 19, 2024, the Inland Revenue Service of Malaysia (IRBM) announced the start of the country's e-invoicing system pilot on May 1, 2024. Over 50 companies have committed to participate in the system testing process. Since December 2023, the IRBM has held several sessions for the pilot project, aiming to ready companies for the system's full launch on August 1, 2024.
- **Malaysia:** On February 9, 2024, the Malaysian Inland Revenue Board (IRB) issued updated e-invoice guidelines and a Software Development Kit (SDK). The guidelines clarify the implementation timeline, persons exempted from issuing e-invoices, the rejection and cancellation of e-invoices, and the required fields for e-invoices. The SDK consists of two main types of application programming interfaces (APIs)—platform APIs and e-invoice APIs. These serve to facilitate interaction between taxpayer systems and the MyInvois System, enabling seamless submission, validation, and management of e-invoices. For more information, click here.
- **Mauritius:**[xxxvii] On January 29, 2024, the Mauritian Revenue Authority launched Phase II of the economic operator portal. Effective May 15, 2024, businesses with gross receipts exceeding 100 million Mauritian rupees who have received a notification from the Director General of the Revenue Authority will be required to issue e-invoices. The announcement emphasized that businesses could begin registering on the e-invoicing portal on a voluntary basis if their electronic billing system (EBS) complies with the Revenue Authority's e-invoicing requirements. Operators who have not yet adapted their EBS must do so immediately to issue e-invoices. The Revenue Authority's e-invoicing portal provides information on registration and a list of EBS solution providers.
- **Zambia:**[xxxviii] The Zambia Revenue Authority (ZRA) published a notice regarding the implementation of new e-invoice requirements. These measures were introduced under the Value Added Tax (Amendment) Act No. 27 of 2023 and the subsequent regulations. According to the notice, all VAT-registered taxpayers must issue e-invoices using the Smart Invoice system, effective from July 1, 2024. To read KPMG's previous discussion of Zambia's e-invoicing requirements, please click here.

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 Canada** published a report discussing tax measures in the 2024 budget for British Columbia, highlighting several changes to the Provincial Sales Tax (PST) rules. These changes include a reduction in the availability of PST refunds for goods acquired for export and resale outside British Columbia, effective from July 1, 2024, and an expansion of the definition of "software" for PST purposes, retroactive to April 1, 2013. The budget also allows for a PST refund for returned goods purchased from a seller who was not required to collect PST. It clarifies that clean energy projects qualify for the production machinery and equipment exemption from February 23, 2024. Furthermore, it aims to clarify the rules for services provided with taxable leased goods and expands the application of administrative penalties.
- **KPMG in Mexico** published a report discussing the Tax Master Plan 2024, published on January 22, 2024, outlining the strategies the Mexican tax authorities plan to implement in terms of audits, collection, and taxpayer assistance. The aim is to increase tax collection for the year by 10 percent or more. The plan involves the use of artificial intelligence to enhance tax collection, with a focus on areas such as e-invoicing, VAT refunds, trade and customs taxes, and payroll outsourcing. The tax authorities will closely monitor VAT refunds, zero-rated and exempt transactions, VAT associated with import activities, and the application of credits on excise tax. Additionally, in 2024, the authorities will concentrate on auditing digital platforms, e-commerce, and online payment platforms. Sectors such as automotive, pharmaceutical, construction, shipping and logistics, advertising, oil and gas, hospitality, metallurgy, finance and insurance, and alcoholic beverages will be specifically targeted for tax inspections.

United States: South Dakota Supreme Court Upholds Assessment of Use Tax on Equipment

On February 7, 2024, the South Dakota Supreme Court recently upheld in *Ellingson Drainage, Inc.* the assessment of use tax on construction equipment purchased out-of-state and brought into South Dakota for use in various projects throughout the three-year audit period. The taxpayer, a Minnesota-based company, did not pay sales tax on the equipment when it was purchased; the Department of Revenue subsequently assessed use tax on the depreciated value of the equipment when brought into South Dakota. The taxpayer objected to the imposition of the tax, arguing that some of the equipment at issue was used in South Dakota for one day only. The taxpayer subsequently filed suit alleging that imposition of the use tax violated the Commerce Clause because the tax was disproportionate to the taxpayer's activity in South Dakota. The taxpayer also made a Due Process Clause argument, but the court noted that the Supreme Court has held that the *Complete Auto* test "encompasses due process standards."

In addressing the taxpayer's constitutional challenges under the Commerce Clause, the court applied the four-part test set forth in *Complete Auto*. The taxpayer agreed that two of the prongs of the test were not at issue. The taxpayer had nexus with the state, and the imposition of use tax did not discriminate against interstate commerce. However, the taxpayer asserted that the tax was not fairly related to any benefit it experienced because the equipment was used in South Dakota for a short period only. In other words, the taxpayer asserted it did not receive commensurate value for the tax it paid. The court disagreed, noting that the taxpayer enjoyed the same benefits as any other person or business present in the state. And, having paid the use tax on its equipment that had otherwise not been subject to sales or use tax in another state, the taxpayer was able to bring the equipment back to work on jobs in South Dakota where it would continue to enjoy the privilege of conducting its business without being subject to additional use tax. The taxpayer also made a fair apportionment argument that the imposition use tax offended the external consistency test, which asks whether the state has taxed only the portion of the revenues from the interstate activity that reasonably reflects the in-state component of the activity being taxed. In the taxpayer's view, the use tax was unreasonable because 90 percent of its activities occurred outside the state. The court observed that the taxpayer's concept of external consistency appeared to mean that tax should be applied only when the property has come to rest in South Dakota, with "at rest" meaning that the property is in the state relatively permanently. However, the taxpayer had not identified any authority to support its view of "at rest," and what the court gleaned from other authorities was that tangible personal property is at rest when it is used and is no longer in transit through interstate commerce. The court also observed that the taxpayer's challenge was to the constitutionality of the use tax statute, not whether the statutory text should be applied in a different manner. In conclusion, the court dismissed the taxpayer's constitutional claims.

Back to top Back to top

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 a tax authority guidance on the VAT deduction limit for passenger cars with a purchase price of more than CZK 2 million. The report notes that for selected passenger cars costing more than CZK 2 million, the VAT deduction is limited to CZK 420,000. Vehicles that received an advance payment before the end of 2023 and those that have undergone technical improvements are not subject to this limitation. The limitation also does not apply to vehicles not part of the taxpayer's fixed assets. However, if such a vehicle is later classified as a fixed asset, the VAT deduction must be reduced. The sale of a vehicle with a limited VAT deduction does not allow for an adjustment of the VAT deduction above the limit. The guidance makes an exception for vehicles acquired for finance lease arrangements.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country. This includes tax authority guidance on the VAT treatment of a device bonus payment by a mobile communications company for the relinquishment of an end-user device by the agent of a cellular contract. It also covers the apportionment of VAT costs for

mixed-use cases based on the ratio of transactions, as defined by the "Usage of Overall Sales Key" provision in the German VAT law. Additionally, the report discusses a Lower Tax Court decision on the characteristics of being a trader for members of supervisory boards.

- **KPMG in Italy** published a report discussing new rules for Italian fiscal representative of non-EU companies. Under these new rules, Italian fiscal representatives are jointly liable with their represented companies. They are required to verify the accuracy and completeness of the information and documents provided by the non-EU company before applying for its Italian VAT registration. They must also fulfill several conditions to prove their trustworthiness as a fiscal representative and submit a guarantee to the Italian tax authorities. Fulfillment of these new obligations is a precondition for the inclusion of the Italian VAT number of the non-EU represented companies in the VAT Information Exchange System (VIES) database, and for intra-EU sales to and from Italy.
- **KPMG in the Netherlands** published a report on a December 22, 2023 Decree clarifying the application of the VAT zero rate (exemption with deductibility) for international transactions, effective from April 1, 2024. Among other things, the Decree includes more guidance regarding the standard of proof for zero-rated export and intra-EU sale of goods (ICSs), the way the zero rate can be applied in a chain of transactions that involve export from the EU, and the application of the triangulation simplification. The Decree also provides ample discussion of the required temporal and material link between sales and shipment to apply the zero rate for export and ICSs. In addition, adjusted texts of the templates for statements by acquirers to prove the zero rate in relation to ex works ICSs are included.
- **KPMG in the Netherlands** published a report discussing a recent decision of the Dutch Supreme Court on the qualification of land as developed or undeveloped for VAT purposes. This classification is significant for VAT purposes as the sale of developed land is generally VAT-exempt, while undeveloped land may be subject to VAT as a building site, often exempting the acquisition from real estate transfer tax. The case revolved around a plot of land with a 96-meter long retaining wall. The court ruled that the wall was negligible compared to the undeveloped part of the land, hence, the entire plot should be considered as undeveloped. The court provided a step-by-step plan for qualifying land with remnant buildings for VAT purposes, offering practical guidelines. First, taxpayers should determine if the undeveloped land is linked to any buildings on the plot. If not, then taxpayers should assess if the building is negligible compared to the undeveloped land. If a developed part of the plot is significant compared to the undeveloped part, and the undeveloped part is not linked to the developed part, the taxpayers should then consider if there are parts that should be treated separately for VAT purposes.
- **KPMG in Nigeria** published a report discussing new tax and customs incentives for the gas sector, including (1) an import duty waiver for equipment related to compressed natural gas (CNG) and liquefied petroleum gas (LPG); (2) a VAT zero-rate regime for feed gas, CNG and related equipment, imported LPG and related equipment, and all equipment related to the expansion of CNG and LPG; and (3) the withdrawal of certain debit notes issued to petroleum marketers who import LPG.
- **KPMG in Poland** published a report discussing a recent appeal to the Supreme Administrative court (SAC) regarding the applicable VAT rate for take-away meals delivered through various methods like "drive-in," "walk-through," "in-store," and "food court." The court of first instance held that any delivery of take-away meals should be subject to the 5 percent reduced VAT rate.

- **KPMG in South Africa** published a report discussing tax measures in the 2024 budget, which was presented on February 21, 2024. Among other things, the budget proposes clarifying the VAT treatment of pre-cut fruits and vegetables, rental stock under the National Housing Programme, and the Mudaraba Islamic financing arrangement. Other changes aim to provide VAT relief for non-resident lessors of ships, aircraft, or rolling stock, and to redefine the VAT treatment of services to non-resident subsidiaries of South African companies. The foreign donor-funded project regime will be reviewed, and specific rulings regarding VAT accounting for gambling will be incorporated. Other proposed amendments concern the tax period for unclaimed VAT deductions, VAT claw-back on recovered debts, and the VAT treatment of sales by educational institutions. Proposals also include extending the period to account for VAT on imported services and introducing mechanisms for refunds of overpaid VAT on imported goods/services.
- **KPMG in Spain** published a report (in Spanish) discussing new guidance that clarifies the application of the mandatory corrective self-assessment procedure for taxpayers seeking to amend their tax self-assessments.

European Union: Court of Justice of the European Union Asked to Clarify the VAT Treatment of Transfer Pricing Adjustments

On November 28, 2023, the Bucharest Court of Appeals in Romania requested a preliminary ruling from the Court of Justice of the European Union (ECJ) in *Arcomet Towercranes*, Case C-726/23. The case pertains to whether transfer pricing adjustments, in accordance with the OECD Guidelines, fall within the scope of VAT. The case involves a Romanian company, part of an international crane rental group, that purchases or rents cranes from within the group and then sells or rents them to customers. The group's parent company, a Belgian company, seeks vendors and negotiates contractual terms.

In 2010, a transfer pricing study assessed the financial result that associated entities should record, between -0.71 percent and 2.74 percent, in line with transfer pricing rules. The company recorded a surplus profit for 2011, 2012, and 2013, and received three equalization invoices from the Belgian company without VAT. The company partially attributed these invoices to intra-EU purchases of services and self-assessed VAT on them under the VAT self-assessment mechanism.

However, tax inspectors concluded, following a tax inspection, that the equalization invoices pertained to management services acquired by the company from the Belgian company. They denied the right to deduct the self-assessed VAT relating to those invoices but retained the VAT collected, stating that the provision of services and the necessity to perform them for taxable transactions had not been justified.

Thus, the Bucharest Court of Appeals has asked the ECJ to clarify:

1. Whether the amount invoiced by a company (the principal company) to an associated company (the operating company), which equals the amount necessary to align the operating company's profit with the activities performed and the risks assumed, constitutes a payment for a service that falls within the scope of VAT as per Article 2(1)(c) of the Directive.
2. If the answer to the first question is affirmative, the case seeks to interpret Articles 168 and 178 of the Directive. It questions whether tax authorities can require, in addition to the invoice, documents (for example, activity reports, [works] progress reports, and so forth) justifying the use of the services purchased for the purposes of the taxpayer's taxable transactions, or if the analysis of the right to deduct VAT must be based solely on the direct link between purchase and provision or the taxpayer's economic activity as a whole. For more information, click here.

European Union: Court of Justice of the European Union Asked to Clarify the VAT Treatment of Transfer Pricing Adjustments

On February 1, 2024, the ECJ published the non-binding opinion of its Advocate General (AG) in the *Adient* case, Case C-533/22, regarding whether a toll manufacturer constitutes a fixed establishment for VAT purposes of a foreign related entity. The case involves SC Adient Ltd & Co. KG, a company established in Germany, and SC Adient Automotive România SRL, another company within the same group. On June 1, 2016, Adient Ltd & Co. KG entered into a contract with Adient Automotive România SRL to provide a comprehensive service consisting of both the manufacture and assembly of upholstery components, as well as ancillary and administrative services. Adient Ltd & Co. KG purchases the raw material which it sends to Adient Automotive România SRL for treatment. Adient Ltd & Co. KG is the legal owner of the raw materials, semi-finished products, and finished products throughout the treatment process. The Romanian tax authority concluded that Adient Ltd & Co. KG had technical and human resources in Romania through Adient Automotive România SRL, with the result that it satisfied the conditions for a fixed establishment for VAT purposes in Romania. Consequently, the services rendered to Adient Ltd & Co. KG by Adient Automotive România SRL were subject to VAT in Romania and Adient Automotive România SRL was required to collect Romanian VAT. Adient Ltd & Co. KG argued that the conditions for a fixed establishment in Romania were not satisfied and lodged a complaint against the decision of the tax authority.

The AG clarified that clarified that the same human and technical resources cannot be used at the same time both to provide and receive the same services. Therefore, there could not be a taxable transaction in the present case, even if it were to be found that a fixed establishment existed. The AG further clarified that an independent company cannot simultaneously be a fixed establishment of another independent company, even if they belong to the same group. The contract for the provision of services does not mean that the seller is performing a taxable transaction in favor of a fixed establishment of the service recipient formed based on that contract. The sourcing of those services depends neither on the nature of the output transactions (sale of goods or services) of the service recipient, nor on the place of 'consumption' of the specific manufacturing services. Furthermore, a fixed establishment exists only if it substitutes for a head office located within the territory of another Member State.

Roundup of Latest Court of Justice of the European Union Cases

On February 1, 2024, the European Court of Justice (ECJ) published the non-binding opinion of its Advocate General (AG) in the *Adient* case, Case C-533/22, in which the AG opined that an entity cannot be considered a fixed establishment of another entity based solely on a link under company law. A complex service contract does not automatically mean the service provider is conducting a taxable transaction for a fixed establishment of the service recipient. Furthermore, a fixed establishment is only such if it can substitute for a head office in another Member State, requiring necessary human and/or technical resources for the recipient to sell goods or services on site, similar to a head office.

On February 8, 2024, the ECJ published its decision in *Valentina Heights*, Case C-733/22, in which it held that Member States cannot make the reduced VAT rate for hotel accommodation dependent on the establishment holding a categorization certificate or a provisional categorization certificate. It further held that the application of the reduced rate should not be limited to specific aspects of hotel accommodation provision. If it is, it must comply with the principle of fiscal neutrality.

On February 22, 2024, the ECJ published its decision in *Gemeente Dinkelland*, Case C-674/22, in which it held that EU law does not require the payment of interest to a taxpayer from the payment of VAT that is later refunded by the tax authority. This applies when the refund partly results from the taxpayer not fully exercising their right to deduct VAT due to accounting errors, and partly from a retroactive amendment of the rules for calculating deductible VAT related to the taxpayer's general costs.

On February 26, 2024, the ECJ published a preliminary ruling request in the *Tauritus* case, Case C-782/23, on whether the transaction value method can be applied when the final price is higher than the customs value declared in the declarations of the goods at issue and whether the price adjustments constitute a "condition of sale" precluding the application of that method.

Source: European Union; Romania - ECJ Advocate General Opines on Existence of Fixed Establishment When Two Independent Entities Belong to Same Group: *Adient* (Case C-533/22) (VAT), (February 1, 2024), News IBFD; European Union; Portugal - ECJ Decides on Determination of Taxable Amount when Wrong VAT Rate is Included in Invoices for Sale of Second-Hand Motor Vehicles: *Sancra* (Case C-377/23) (VAT), (February 22, 2024), News IBFD; European Union; Bulgaria - ECJ Decides on Application of Reduced Rate for Accommodation Services: *Valentina Heights* (Case C-733/22) (VAT), (February 9, 2024), News IBFD; European Union; Netherlands - ECJ Decides on Default Interest on Tax Refund Due to Adjustments on Tax Return: *Gemeente Dinkelland* (Case C-674/22) (VAT), (February 22, 2024), News IBFD; Lithuania; European Union - ECJ Preliminary Ruling Request (Customs): *Tauritus* (Case C-782/23) – Lietuvos Vyriausiasis Administracinis Teismas Submits Referral on Amendments of Customs Value of Goods Declared Based on Adjusted Transaction Value, (February 26, 2024), News IBFD

Miscellaneous Developments in EMEA

- **Belgium:**[xxxix] On March 14, 2024, the Belgian parliament approved a law implementing the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member State 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. Under the Belgian bill, small businesses with a gross receipt under EUR 25,000 can apply for a VAT exemption, excluding certain sectors. Small businesses in other EU states can also apply for a VAT exemption in Belgium if their EU gross receipts do not exceed EUR 100,000 and their Belgium gross receipts do not exceed EUR 25,000. The exemption must be requested before starting activities, and if the EU gross receipts exceed EUR 100,000, the Belgian tax administration must be notified within 15 days. If the gross receipts exceed EUR 25,000, the exemption does not apply for one year unless the excess is within 10 percent of the threshold.
- **Cameroon:**[xl] On December 19, 2023, Cameroon published the Finance Law 2024, which includes measures introducing new conditions for VAT deductibility. These conditions include the issuance of the relevant invoices via the tax administration's invoice tracking system, the issuance of VAT withholding certificates via the tax administration's electronic system, and the registration of vendors as active taxpayers at the time of invoicing.
- **Denmark:**[xli] On February 9, 2024, Denmark launched a public consultation on proposed legislation for green tax reforms aimed at reducing greenhouse gas emissions by 70 percent by 2030. The reforms include a new CO_2 tax to be phased in from 2025, with final

rates in 2030 set at DKK 750 per ton for companies not under the EU Emissions Trading System (EU ETS), DKK 375 per ton for companies under the EU ETS, and DKK 125 per ton for mineralogical companies. The legislation also plans to restructure the existing energy and CO2 tax to DKK 750 per ton of CO2 and extend it to ferries, fishermen, and domestic aviation.

- **Denmark:**[xlii] On February 14, 2024, the Danish Customs and Tax Administration published Tax Council Binding Answer No. SKM2024.90.SR, clarifying the VAT exemption for the provision of collective investment fund management services. In the case, the taxpayer, an investment management company, sought confirmation on whether certain recipients of alternative investment funds (AIF) management services qualified as investment associations, and if management services provided to capital association departments of an AIF are VAT-exempt. The Tax Council confirmed that the service recipients did qualify as investment associations based on criteria like collective investment objectives, risk diversification principles, state supervision, and competitive conditions. It also confirmed that the provision of services to AIFs was VAT-exempt.
- **European Union:**[xliii] On January 31, 2024, the VAT Committee of the European Commission updated the Guidelines Resulting From Meetings of the VAT Committee. These guidelines cover topics discussed in meetings held between November 23, 1977, and November 20, 2023. It also published an Index of Guidelines, encompassing all topics discussed in these meetings. Although the results and agreements from these meetings are not legally binding, they provide guidance on the application of the EU VAT Directive (2006/112). The outcomes are classified based on the level of agreement among Member States.
- **France:**[xliv] On February 13, 2024, the French Supreme Administrative Court (Counseil d'Etat) ruled that a UK-based taxpayer can recover EUR 2.3 million in VAT refunds for hydraulic products purchased from intragroup factories and later resold. The Counseil d'Etat overturned a previous ruling by the Paris Administrative Court of Appeal, which stated that the taxpayer did not comply with proper VAT invoicing and was not entitled to a VAT refund. However, the Counseil d'Etat observed that the applicant had produced an extract from the commercial and companies register establishing that the entity located in Switzerland was its branch. In addition, it was not disputed that the invoices produced mentioned the VAT identification number of the British company, thus establishing, at least in part, the payment by it of the VAT relating to the products that were delivered to it in France by its French subsidiary and that it was likely to use for the needs of its own operations.
- **France:**[xlv] On February 21, 2024, the French tax authority published amendments to the guidance relating to the VAT-group regime. The amendments stipulate that an entity not incorporated or not yet liable to VAT when the VAT group was established can join the VAT group during the mandatory three-year period, provided it meets the other required conditions. The deadline for a representative to provide a computerized update of the tax data of each member of the VAT group to the tax authority has also been moved from January 31 to January 10, starting in 2024.
- **Germany:**[xlvi] On February 7, 2024, the European Commission issued a reasoned opinion (the second stage of an infringement procedure) to Germany for not correctly implementing EU rules on VAT exemptions for private tuition services. According to the EU VAT Directive, Member States must exempt private tuition related to school or university education from VAT. However, Germany requires private teachers to present a certificate from a German authority and prove that the tuition services are for professional or examination preparation. According to the European Commission, this does not comply with EU law as interpreted by the ECJ. Since Germany has not taken appropriate measures to comply with

the VAT exemption rules, the European Commission has given it two months to fulfil its obligations under the VAT Directive. If Germany fails to comply, the case may be referred to the ECJ.

- **Ghana:**[xlvii] Effective February 1, 2024, Ghana introduced a new Emissions Levy. The levy is designed to put a price on carbon emissions from various industry sectors and vehicles. The levy is GHS 100 per ton of carbon emissions for industries such as construction, manufacturing, mining, oil and gas, and electricity and heating. For vehicles, the levy ranges from GHS 75 to GHS 300 per year, depending on the engine size.
- **Greece:**[xlviii] On February 6, 2024, Greece announced a new system for VAT declarations, effective from January 1, 2024, using pre-filled data from the myDATA digital platform managed by the Independent Authority for Public Revenue (AADE). From this date, VAT declarations must adhere to the principle that income cannot be understated, and expenses cannot be overstated, beyond what is reported on the myDATA platform. Taxpayers may deviate from this rule of up to 30 percent for both income and expenses. This deviation rate will be reviewed periodically, to gradually reduce it to zero. An alternative data transmission method is also available to address any discrepancies in income or expenses, ensuring accurate VAT declarations.
- **Hungary:**[xlix] Effective February 1, 2024, taxpayers in Hungary can submit their VAT returns via the eVAT system, which was launched by the tax authority on January 1, 2024. The system is currently optional. As per the Hungarian VAT Act, taxpayers can submit their VAT returns through the General Form Filling Program (ÁNYK), the eVAT system's web-based platform, or its machine-to-machine (M2M) connection. Taxpayers with fewer than 100,000 invoices can choose between the web-based platform or the M2M connection, while those with over 100,000 invoices must use the M2M connection. If taxpayers subject to the small business taxation regime and taxpayers performing solely VAT-exempt activities must prepare and submit a VAT return, they should only use the ÁNYK. eVAT system users are exempt from preparing and submitting the Domestic Recapitulative Statement. Self-revisions for VAT returns are currently only possible through the General Form Filling Program. This will change from July 1, 2024, when the eVAT system will also offer this functionality. The eVAT system includes source data such as customs decisions, data from real-time invoice and cash register reporting systems. To read KPMG's previous discussion of Hungary's e-VAT system, please click here.
- **Israel:**[l] On January 29, 2024, the Israeli Parliament accepted Bill No. P/4242/25 for consideration. The bill proposes to require the recipient of construction services and personnel services, which include cleaning, guarding, and security, to self-assess VAT under the reverse charge mechanism.
- **Italy:**[li] On January 30, 2024, the Italian Revenue Agency issued Letter No.26/2024 clarifying the VAT treatment of the transfer of land as part of a project financing agreement for the construction and management of a school building. In the case, a municipality entered into an agreement stipulating that the municipality would provide a company with various contributions, including the transfer of three plots of land. However, the municipality and the company disagreed on the VAT implications of the land transfer. The Italian Revenue Agency, in its response, stated that each operation within the exchange (land for services) should be examined individually for VAT purposes. The agency concluded that the operations carried out by the company are subject to VAT, with the tax becoming due at the time of payment, which, for the land transfers, would be the signing of the notarial deed.

- **Italy:**[lii] On February 23, 2024, the ITA issued Letter No. 52/2024, clarifying the VAT obligations of a company that was part of a VAT group but survived a merger with entities outside the VAT group. In the case, the taxpayer had suspended VAT during the group's existence and sought clarification on whether the annual VAT return should be presented by the surviving company or the representative of the VAT group. The ITA clarified that the surviving company must submit VAT on behalf of the merged companies for the tax period preceding the incorporation. This is because the merger involves a universal succession of the surviving company in the active and passive legal positions of the merged companies, and the surviving company takes over the subjective positions of the merged companies from the date of legal effectiveness of the merger.
- **Sierra Leone:**[liii] Effective January 10, 2024, Sierra Leone increased its GST registration threshold from SLE 100,000 to SLE 500,000.
- **South Africa:**[liv] On February 21, 2024, the South African Legal Information Institute published the Tax Court judgment for Case No. VAT 22184 on the classification of a tourism company's services for VAT purposes. The case involved a destination management company that provided services to foreign tour operators (FTOs). The taxpayer argued that it provided a single service of assembling tourism packages to these FTOs outside South Africa, which it argued should be subject to the VAT zero-rate. It further stated it did not provide the actual tourism services like accommodation, transport, etc., included in the tour packages, but merely booked these on behalf of the FTOs. Therefore, it only levied VAT on its commissions, not on the costs of the tourism services paid by the FTOs. However, SARS disagreed, stating that the taxpayer provided "tour packages and related goods or services to non-resident tourists and/or foreign tour operators." According to SARS, the taxpayer provided the actual tourism services to the foreign tourists when they were in South Africa. Hence, SARS believed that the transactions, i.e., both the commissions charged by the taxpayer and the costs of the tourism services paid by the FTOs, were subject to VAT at the standard rate and that the VAT zero-rate should not apply in this instance. The tax court found in favor of the taxpayer, holding that it correctly applied the zero-rate to its services as it merely assisted with tour assembly and served as a conduit between FTOs and local providers. The court also noted that the tax authority's approach was inconsistent with its previous approvals and the evidence presented.
- **Sweden:**[lv] On December 21, 2023, the Swedish Tax Board issued Advance Notice No. 66-23/I, the VAT treatment of bundled financial services transactions. The case involved two entities within a deregistered VAT group. One entity provided credit brokerage and administrative services to the other, with these services divided into two separate agreements. The applicants argued that these services should be considered a single bundled transaction, exempt from VAT as financial services. The Tax Board determined that when assessing whether bundled transactions constitute a single transaction for VAT purposes, the circumstances surrounding contracts, invoicing, and pricing do not hold the same significance for internal services provided between related entities as they do for services marketed to external customers with limited opportunities to customize the content in more standardized contracts. The Tax Board concluded that both credit management and mediation services hold independent value for the recipient entity. Therefore, the Tax Board ruled that the services under the contracts should be treated as two separate transactions, each subject to its own VAT treatment.

- **Sweden:**[lvi] On February 2, 2024, the Swedish tax authority issued Statement No. 8-2749853, clarifying its stance on the apportionment of deductible VAT. According to tax authority, a purchase or import must generally be linked to an outgoing transaction that either does or does not allow for VAT deduction. However, in case of mixed use the deductible VAT must be apportioned. The tax authority's view is that the provisions in the VAT Act should be applied so that the apportionment on a reasonable basis as far as possible corresponds to the resource consumption in the operation. However, the provisions on annual gross receipts as an apportionment base in the EU VAT Directive can be chosen by a taxpayer instead of the provision in the VAT Act. The VAT Directive cannot be applied directly if the VAT deduction partially refers to a deduction limitation or if the deductible VAT refers to purchases that are partially to be used privately or for a non-economic activity.
- **Sweden:**[lvii] On February 2, 2024, the Swedish tax authority issued Statement No. 8-2749880, regarding an Administrative Court of Appeal ruling on the VAT deduction on costs for a VAT group that operates an investment business through a private equity fund. The court found that the VAT group's primary business consists of making direct or indirect equity investments and managing these holdings to increase the value of their portfolio companies. This activity is considered non-economic and falls outside the scope of VAT. However, the VAT group also provides some services for a fee to an investment company, which is considered economic activity. Therefore, an apportionment of the deductible VAT must be made between the group's economic and non-economic activities. The court found that most costs are attributable to the investment business, and the distribution key applied by the Swedish tax authority, which relates costs to taxable income, is fair. The company has appealed the decision to the Supreme Administrative Court, which has decided not to grant a review permit.
- **Sweden:**[lviii] On February 15, 2024, the Swedish tax authority updated its guidance on the VAT exemption for services provided by insurance brokers or intermediaries, including claim settlement services. The updated guidance clarifies that services contributing to insurance transactions, including essential claim settlement services, may fall under the "services ancillary to insurance transactions" category and be exempt from VAT. However, claim settlements unrelated to customer solicitation and back-office activities, such as customer acquisition and connection with insurers, do not qualify for the exemption as they lack the essential characteristics of an insurance agent's activity.
- **Sweden:**[lix] On February 20, 2024, the Swedish Tax Authority issued Statement No. 8-2785199. This statement updates its position on the transfer of assets in a business transfer due to amendments to the VAT law. The tax authority clarifies that the transfer of assets in a business is not considered a delivery of goods or services, provided that the VAT that would otherwise have been levied on the transfer would be deductible for the recipient of the assets, or that the recipient would be entitled to a refund of this tax. However, the provision on business transfer is not applicable if VAT should be levied on the transfer of any of the assets, such tax is only partially or not at all deductible for the recipient, and the application of the provision would result in a distortion of competition or tax evasion. This new position, which should be applied from July 1, 2023, replaces the previous one from 2017.
- **Sweden:**[lx] On February 22, 2024, the Swedish Tax Authority issued updated guidance regarding the concept of economic activity. The updated guidance clarifies that contributions that a community association levies on its members are not compensation for a service provided or a delivery of goods. The transaction is therefore not subject to VAT. Moreover, a member's contribution to an economic association to finance the association's construction of a broadband communication network, to which the members were allowed to connect their properties, is not a transaction subject to value added tax.

- **Türkiye:**[lxi] On February 10, 2024, Türkiye issued General Communiqué No. 50. The Communiqué amends the General Communiqué on VAT Implementation and explains changes to the VAT Law. The Communiqué sets the partial VAT self-assessment limit at TRY 6,900 for 2024, up from TRY 2,000 in 2023, effective from March 1, 2024. The Communiqué provides examples on how taxpayers can claim VAT credits through the VAT return No. 2. It also explains how to calculate late payment interest for tax debts in refunds and states that any VAT credit from transactions resulting in a refund cannot be offset against the tax liability accrued in the VAT tax return No. 2, submitted due to self-assessed VAT. Additionally, some services provided to public economic enterprises will be included within the scope of the VAT self-assessment requirement from March 1, 2024. The Communiqué came into effect on February 10, 2024.
- **Ukraine:**[lxii] On February 9, 2024, the Ukrainian State Fiscal Service (SFS) clarified that a reduced VAT rate of 7 percent applies to imports and sales of medications and medical equipment in Ukraine. This rate applies if the items can be produced and used in Ukraine and are listed in the state register of medications or medical equipment. If these conditions are not met, a standard VAT rate of 20 percent applies. However, during martial law, a temporary VAT exemption applies to imports and sales of medicines and medical devices intended for use by healthcare institutions and persons participating in measures to ensure national security and defense and provide medical assistance to individuals injured due to the Russia-Ukraine war.
- **Ukraine:**[lxiii] On February 20, 2024, the SFS clarified that a VAT exemption applies to the provision of charitable assistance, which includes donations of goods or services to lawful charitable organizations. However, if any compensation is received, the transactions will be subject to VAT. Legal entities receiving charitable assistance must keep records of the receipt, storage, distribution, and use of such assistance. Charitable assistance in the form of excisable goods, securities, intangible assets, and goods or services intended for business use are not exempt and are subject to VAT.
- **Ukraine:**[lxiv] On February 21, 2024, the SFS clarified that the VAT base for goods or services should be calculated based on the agreed contractual value. This includes any payments made and the value of any assets transferred to the taxpayer by the buyer or a third party as compensation. Fines and penalties related to nonperformance or improper performance of contractual obligations are not included in the VAT base. The SFS also stated that while fines or penalties for damaged goods are not included in the VAT base, compensation received for damaged or destroyed goods should be included.
- **United Kingdom:**[lxv] On December 15, 2023, the UK's First Tier Tribunal (Tax Chamber) (FTT) published its decision in *Bolt Services UK Ltd,* [2023] UKFTT 01043 (TC) regarding whether ride hailing services qualify for the application of the tour operators margin mechanism (TOMS). TOMS is a mechanism for businesses that buy and resell travel, accommodation, and other services. It applies to the sale of goods or services for the benefit of travelers. When TOMS applies, VAT is due on the margin, not the selling price. In this case, an on-demand private hire passenger transport service provider, appealed against HMRC's decision that TOMS did not apply to the services it provided. The taxpayer argued that they provide services like those of tour operators or travel agents, such as airport transfers and chauffeur services. The taxpayer further argued that they purchased services from drivers, including the car, fuel, and driving, which directly benefit the traveler. However, HMRC disagreed, stating that the taxpayer's services are not commonly provided by tour

operators or travel agents. In addition, tour operators and travel agents typically cater to pre-booked journeys, often abroad, which is not what the taxpayer offers. The FTT held that the taxpayer's services are commonly provided by tour operators or travel agents when viewed from a high-level or general perspective. In addition, although the taxpayer indirectly benefited from the driver's services, these services directly benefited the travelers and were not materially altered or processed. Therefore, the FTT concluded that TOMS does apply to the taxpayer's services.

- **United Kingdom:**[lxvi] On February 2, 2024, the UK's First-Tier Tribunal (Tax Chamber) (FTT), in *DuelFuel Nutrition Ltd.,* [2024] UKFTT 104 (TC) upheld a January 2022 determination by HMRC that flapjacks (baked bars) should be standard-rated for VAT purposes. In the case, the taxpayer sells flapjacks in three flavor varieties: peanut butter and chocolate; pecan, maple, and chocolate; and berries and white chocolate. The taxpayer also sells orange and chocolate cake slices, lemon drizzle cake slices, and chocolate brownies. The UK VAT law generally provides that the sale of food for human consumption is zero-rated for VAT purposes; however, confectionery, like chocolates, sweets, and biscuits, is subject to the standard rate. In January 2022, HMRC issued the taxpayer a decision letter stating that their products are subject to the standard VAT rate because they fall within the scope of the confectionery exception. The taxpayer argued that its products should be zero-rated because they are considered cakes, which are specifically excluded from the confectionery exception. It ultimately appealed HMRC's determination to the FTT in April 2022. The FTT found that an "ordinary person" would not consider the taxpayer's products to be cakes. The taxpayer's flapjacks and cake slices, which HMRC classified as confectionery, are thus subject to the standard VAT rate. The FTT's decision was based on a multifactorial assessment that considered marketing, appearance, flavor, texture, ingredients, and manufacturing process. The FTT noted that the taxpayer's products are targeted at individuals who exercise regularly and are made with protein powders instead of conventional flour, which an ordinary person would not consider an ingredient in a traditional cake.
- **United Kingdom:**[lxvii] On February 14, 2024, the UK Supreme Court published its decision in UK *Jersey Choice Ltd (Appellant)*, [2024] UKSC 5, regarding whether the withdrawal of the VAT low value consignment relief constituted a customs duty charge. In the case, the taxpayer, a company registered in Jersey (one of the Channel Islands), grows and maintains horticultural products in Jersey and exports these in small packets by mail order, mainly to consumers in the United Kingdom. VAT was not charged because low value consignment relief (LVC Relief) was applied, which exempted goods valued below GBP 15. The EU VAT Directive did not apply to the Channel Islands. In 2012, the UK removed the LVC Relief on mail order imports from the Channel Islands to combat "round tripping," a process where goods were exported from the UK to the Channel Islands and then re-imported into the UK without payment of VAT. The taxpayer however argued that this removal equated to a customs duty being imposed, which they claimed was contrary to EU laws and principles, including the free movement of goods. The Supreme Court noted that a customs duty had to satisfy two tests: it must apply only to imported products; and it must not be part of a general system of internal dues applicable systematically to categories of products according to objective criteria applied without regard to the origin of the products. The court found that the VAT charged on imports from the Channel Islands did not meet these criteria. It was not a customs duty just because it was imposed at the border, and it was applied to both domestic and imported goods. The court also characterized the charge as internal

taxation, in line with the EU's Exemptions Directive which grants the ability to apply the exemption and remove the charge. Further, it held that the principles of equal treatment and proportionality were not applicable, leading to the dismissal of JCL's appeal.

- **Zimbabwe:**[lxviii] Effective January 1, 2024, Zimbabwe reduced its VAT registration threshold from $40,000 to $25,000.

Back to top Back to top

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

- **KPMG in India** published a report discussing tax measures in the Interim Union Budget 2024, which, among other things, includes a proposal to make the Input Service Distributor (ISD) mechanism mandatory for the distribution of GST credit and to amend the definition of ISD to include domestic sales falling under the self-assessment mechanism procured on behalf of a distinct person. The report also highlighted the introduction of penalty provisions for non-compliance with certain special procedures, including the failure to register specific machines used in the manufacture of special goods such as tobacco and hookah.
- **KPMG in India** published a report discussing a recent decision of the Delhi High Court in *Pyramid Infratech Private Limited* on the constitutionality of anti-profiteering provisions under the GST law. The petitioners, companies from various sectors, challenged these provisions, which require sellers to pass on any benefits from a tax rate reduction or GST credit to their customers. Among other things, they argued that the terms "commensurate" and "profiteering" were unclear, the statute did not provide clarity on cost or duty adjustments, and that mandating price reduction as the only way to pass on benefits was arbitrary. They also questioned the legality of penalty notices or orders issued by the National Anti-profiteering Authority (NAA). However, the court upheld the constitutionality of the provisions, stating they were not a price control measure but related to the objectives of the GST regime. The court also noted that there is no fixed method for determining profiteering as the facts of each case may be different, and the NAA has to determine the appropriate methodology on a case-to-case basis.
- **KPMG in Malaysia** published a report summarizing recent tax developments in the country. These include an increase in the service tax rate, the publication of tax authority guidance related to sales tax registration exemption for listed activities and manufacturing operations, and amendments to the excise tax regime.
- **KPMG in Malaysia** published a report discussing the publication of regulations to expand the scope of the service tax regime, effective February 26, 2024. These regulations broaden the scope of taxable services for accommodation providers and food and beverage providers to include any other services outside the accommodation premises or establishment but under the control of the service provider. It also extends the scope of taxable services for brokering or underwriting services beyond financial services. In addition, it expands the scope to include providers of maintenance or repair services, and logistics services. The report highlights that the service tax will only apply to new taxable services provided after the effective date. The tax will not apply to services paid for before the effective date, even if providers render these services on or after the effective date.
- **KPMG in Malaysia** published a report discussing the publication of several tax authority service tax guidance. This includes guidance for determining the date for charging service tax on new taxable services, as well as the service tax rate for the provision of various

taxable services.

- **KPMG in the Philippines** published several reports discussing recent tax developments in the country. The first report discusses Revenue Memorandum Circular (RMC) No. 5-2024, which provides a framework for assessing the final withholding tax and VAT self-assessment requirement purchases of cross border services. The second report addresses the removal of the VAT exemption on the sale or importation of goods related to the prevention and treatment of COVID-19, effective from January 1, 2024. The third report covers the new threshold for VAT-exemption on the sale of house and lots and other residential dwellings, also effective from January 1, 2024.
- **KPMG in Singapore** published a report discussing tax measures in the Singapore 2024 budget presented on February 16, 2024. Among other things, the budget includes measures to revise and extend the tax incentive programs for funds managed by Singapore-based fund managers (qualifying funds) under the Singapore Income Tax Act. It proposes to extend the fund tax incentives for these qualifying funds, including the GST remission program for qualifying expenses through December 31, 2029.

Miscellaneous Developments in ASPAC

- **Australia:**[lxix] On February 21, 2024, the Australian Tax Office (ATO) initiated a consultation on Draft Miscellaneous Taxation Ruling No. MT 2024/D1. This draft ruling presents the ATO's preliminary view on the time limits for claiming GST credits. The proposed binding ruling seeks to clarify several aspects: the four-year entitlement period for the credits under the GST Act, with exceptions; the determination of the end date of this four-year period; the extent to which the credits are considered in an assessment; when objections to assessments preserve a taxpayer's entitlement to a tax credit; and the relationship between the limiting provisions and requests for private rulings or amendments to assessments.
- **Vietnam:**[lxx] On February 27, 2024, the Vietnamese National Assembly accepted for consideration a bill to amend the VAT law. Among other things, the bill proposes to introduce rules to determine VAT timing, clarify the VAT rate for imports and exports, amend regulations on VAT deductions, refunds, refund procedures, calculation prices, tax-exempt individuals, and tax rates. It also proposes to repeal certain provisions regulating invoices and documents.

Back to top Back to top

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Back to top Back to top

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