Inside Indirect Tax

May 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
- Digitalized Economy Indirect Tax Updates
  - European Union
  - Germany
- Digitalized Economy—other developments
  - Canada
  - Canada
  - Poland
  - Sweden
  - Ukraine
  - United Kingdom
- Developments Summary of the Taxation of the Digitalized Economy
- E-invoicing Updates
  - Bolivia
  - Denmark
  - Malaysia
  - Malaysia
  - Peru
  - Paraguay
  - Poland
  - Poland
  - Saudi Arabia
  - Saudi Arabia
  - Singapore
  - Vietnam
- New! E-invoicing developments timeline
- Other Indirect Tax Developments and News from Around the World
  - Overview of Indirect Tax Developments in the Americas from KPMG International Member firms
  - KPMG in Canada
  - KPMG in Canada
  - KPMG in Chile
  - KPMG in Chile
  - KPMG in the United States
- Miscellaneous developments in the Americas
  - Argentina
  - Bahamas
  - Ecuador
  - Ecuador
- Overview of Indirect Tax Developments in Europe, Middle East, Africa from KPMG International Member firms
  - KPMG in Austria
  - KPMG in Bahrain
  - KPMG in the Czech Republic
  - KPMG in Germany
  - KPMG in Germany
  - KPMG in Italy
  - KPMG in Italy

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- KPMG in the Netherlands
- KPMG in the Netherlands
- KPMG in Poland
- KPMG in Serbia
- KPMG in Serbia
- KPMG in the United Kingdom
- European Union: Distinction Between Single Purpose Voucher and Multi-Purpose Voucher Clarified
- Roundup of Latest Court of Justic of the European Union Cases
- European Union: VAT Committee Working Papers
- European Union: VAT Expert Group
- European Union: Group on the Future of VAT

• Miscellaneous Developments in EMEA
- Angola
- Austria
- Belgium
- Belgium
- Congo (Republic of)
- Denmark
- European Union
- Finland
- Finland
- Finland
- Hungary
- Latvia
- Moldova
- Romania
- South Africa
- Uganda
- United Arab Emirates
- United Kingdom
- United Kingdom
- United Kingdom

• Overview of Indirect Tax Developments in ASPAC from KPMG International Member Firms
- KPMG in India
- KPMG in Malaysia

• Miscellaneous Developments in ASPAC
- Australia
- Australia
- China
- French Polynesia
- New Zealand
- Philippines

Global Rate Changes

- **Angola:**[i] On April 1, 2024, the Angolan General Tax Administration announced proposed changes to the VAT law. These include measures to reduce the VAT rate to 5 percent for widely consumed food items and agricultural inputs; reduce the Stamp Duty to 1 percent from 7 percent, applicable to taxpayers under the General VAT Regime who carry out exclusively exempt transactions; introduce a 12-month deferral on VAT payments pertaining to the import or transmission of specified materials and industrial equipment; extend the right to deduct period from 2 months to 12 months; and increase the deduction rate for VAT, under the simplified regime, from 10 percent to 7 percent.
- **Belgium:** On May 6, 2024, the Belgian Federal Public Services announced a proposal to expand the scope of the VAT reduced rate regime for the demolition and reconstruction of buildings throughout the Belgian territory, effective from June 1, 2024. If approved, the regime will apply a 6 percent reduced VAT rate to real estate works involving the demolition and joint reconstruction of residential buildings for long-term rentals through specified organizations, and to properties that are rented for at least 15 years. However, the proposal excludes the sale of new housing, including for private rentals, from the scope of the reduced VAT rate. Additionally, it provides a transitional measure, regarding formalities, for unfinished projects starting prior to the effective date.
- **Cyprus:** Cyprus has enacted legislation that allows taxpayers to apply for a 5 percent reduced VAT rate for the purchase or construction of a residence within one year of acquiring the residence. For more information, click here.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **Cyprus:** Cyprus has extended the application of the temporary VAT zero-rate regime for specified meat and vegetable food products, women's hygiene products, and diapers through June 30, 2024. For more information, click here.
- **Ecuador:** On April 1, 2024, Ecuador published Resolution No. NAC-DGERCGC24-00000013, which includes measures applying a 5 percent reduced VAT rate to local transfers of construction materials, due to internal armed conflict.
- **European Union:** On April 8, 2024, the Council of the European Union confirmed the extension of the suspension of import duties and quotas on Ukrainian exports to the EU until June 5, 2025, as the current regime expires on June 5, 2024.
- **Finland:** On April 16, 2024, Finland announced a proposal to increase its standard VAT rate from 24 percent to 25.5 percent effective September 1, 2024, end the application of the reduced VAT rate to candies and chocolates, increase the excise duties on tobacco and soft drinks, and increase the car taxation of electric and hybrid vehicles.
- **Lithuania:** On May 9, 2024, the Lithuanian tax authorities published an addendum to the commentary (general explanation) to Point 3 of Part 3 of Article 19 of the VAT law regarding the application of the reduced VAT rate of 9 percent for accommodation services provided under the legal acts regulating tourism activities.
- **Netherlands:** On May 15, 2024, the new government coalition parties published the general coalition agreement. The agreement includes proposed tax changes, including repealing the reduced VAT rate of 9 percent for accommodation rental and cultural goods (books etc.) and services (theatre visits etc.) as of 2026. It further proposes increasing the tax rate for the betting tax from 30.5 percent to 37.8 percent and reducing environmental taxes on energy and CO2. To read a report prepared by the KPMG International member firm in the Netherlands, please click here.
- **Romania:** Effective March 29, 2024, Romania amended the VAT zero-rating regime that applies to goods and services provided to public hospitals, introducing additional conditions for eligibility. Prior to the amendment, a VAT rate of zero percent applied to construction, modernization, and rehabilitation services provided to recognized non-governmental organizations (NGOs) for hospitals, as well as for the delivery of medical equipment and related goods. The amendments introduce additional conditions for eligibility, including the requirement for NGOs making the acquisitions to provide them free of charge to public hospitals. The regime is also extended to acquisitions made by companies wholly owned by NGOs, under certain conditions. However, in this situation, the transaction would be VAT exempt, as opposed to zero-rated, as companies wholly owned by NGOs cannot deduct the VAT for such acquisitions. To read KPMG's previous discussion of this measure, click here.
- **Slovak Republic:** On April 17, 2024, the Slovak Republic accepted for consideration a draft bill proposing a temporary reduction of the VAT rate on gasoline and diesel fuels to 8 percent. If enacted, the reduced rate will apply from July 1, 2024, to December 31, 2025.
- **Türkiye:** On April 27, 2024, Türkiye published General Communiqué No. 51 on the Value Added Tax Law, clarifying that sales of food items by establishments offering food and beverage services cannot be considered simple sales of food items, which are subject to a 1 percent reduced VAT rate. Instead, they qualify as sales of services that include food, and are therefore subject to a 10 percent VAT rate. This means that services offered in places such as coffee houses, country cafes, tea gardens, tea shops, reading rooms, cafeterias, pastry shops, restaurants, including liquor-serving restaurants, kebab houses, and similar establishments are subject to a 10 percent VAT rate, excluding the portion of services that pertain to alcoholic beverages in these places.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **Uganda:** On March 28, 2024, Uganda published its VAT Amendment Bill 2024. Among other things, the bill expands the list of VAT-exempt institutions to include the African Reinsurance Corporation, the International Regulatory Board of the East African Power Pool, and the Islamic Cooperation for Development of the Private Sector. The bill further expands the list of VAT-exempt sales to include the sale of an electric vehicle, or its body and frame manufactured or fabricated locally, electric vehicle charging equipment or charging services, pesticides (other than those packaged for personal or domestic use), hoes, fertilizers, seeds, seedlings, and cooking stoves which use ethanol and are assembled in Uganda up to June 30, 2028.
- **Ukraine:** Effective from April 1, 2024, Ukraine introduced a 7 percent reduced VAT rate on unregistered medicines under access programs. The reduced VAT rate will apply to the import of these medicines within the framework of specified extended access programs or post-clinical trial access programs. It will also apply to the donation of these imported medicines within Ukraine to healthcare providers and patients involved in these access programs.

Digitalized Economy Indirect Tax Updates

European Union: VAT Committee Working paper on VAT treatment of "crypto art"

On March 4, 2024, the European Commission (EC) published VAT Committee Working Paper 1080, which explores the VAT treatment of "crypto art," a subgenre of digital art that uses blockchain technology. The paper investigates whether the trading of crypto art can be classified as a taxable digital service or if it can be exempted as a financial transaction. It also considers if these trades could fall under the special regime for the sale of artworks, which includes the margin mechanism or a reduced VAT rate, or if they could be exempted as services provided by artists.

The paper concludes that crypto art does not qualify for VAT exemption for financial services as it has uses beyond being a means of payment. It also does not fall under the special regimes for works of art as it is not a tangible property and is not included in the list of qualifying works. Lastly, it is doubtful that the VAT exemption for services provided by artists could apply to crypto art as it did not exist before the implementation of the EU VAT Directives on January 1, 1978. For more information, click here.

Germany: Federal Tax Court Holds VAT Identification Numbers not Sole Proof of VAT Taxpayer Status

On January 31, 2024, Germany's federal tax court (BFH) published its decision in case V R 20/21 regarding whether a VAT identification number (ID) is the only way to establish that customer are taxpayers for VAT purposes. Under the EU VAT Directive, sales of digital services are sourced where the customer is established. However, while for sales to final consumers (B2C) the seller is responsible to collect VAT effective 2015, for sales to business customers (B2B) the customer is liable to self-assess VAT under the reverse charge mechanism. The case involved a foreign corporation, X, which operated an online marketplace in Germany. X charged users fees for access to and use of the marketplace. Until December 31, 2014, X only considered those users who provided a valid VAT identification number as VAT taxpayers. However, beginning January 1, 2015, X altered its procedure and began identifying users as VAT taxpayers based on three criteria, including based their sales or service fees, or their registration on a specific platform reserved for commercial dealers.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

During a special VAT audit for the first quarter of 2015, the auditors argued that only those users who provided a valid VAT ID number should be treated as VAT taxpayers. The auditors deemed the three additional criteria used by X as insufficient to determine if a user is a trader. The lower tax court partially upheld the company's claim. It ruled that the use of a valid VAT identification number is not a requirement to consider a user as a trader. However, it also held that the company had not convincingly demonstrated that the recipients of its services were traders. The court stated that while the company had developed understandable criteria for determining a user's trader status, these criteria were insufficient to identify the users. As a result, the court held that the sales in question did not qualify as B2B sales and thus, the sales were not subject to the reverse charge mechanism.

The BFH ruled that the appeal was justified and sent the case back to the lower court for further investigation. The BFH clarified that the use of a valid VAT identification number is not a requirement to consider a user as a VAT taxpayer. However, the VAT taxpayer must be sufficiently identifiable. The BFH found that the lower court had not sufficiently investigated the facts of the case. It ruled that the court had incorrectly denied the application of the reverse charge mechanism on B2B sales without investigating the correctness of the details given by the plaintiff regarding the identity of the recipients of the service. As the case was not ready for a decision, it was returned to the lower tax court for further investigation. To read a report prepared by the KPMG International member firm in Germany, please click here.

Other Developments

- **Canada:** On April 16, 2024, Canada's Finance Minister presented the 2024 federal budget, which, among other things, proposes to implement the Crypto-Asset Reporting Framework (CARF) established by the OECD. This framework mandates annual reporting to the Canada Revenue Agency (CRA) by crypto-asset service providers, such as crypto exchanges, brokers, dealers, and operators of crypto-asset automated teller machines, that are resident in Canada or conduct business in Canada. These providers must report the annual value of specific crypto-asset transactions for each Canadian and non-resident customer and each crypto-asset. Transactions include exchanges between the crypto-asset and fiat currencies, exchanges for other crypto-assets, and transfers of the crypto-asset. Providers must also report information on customers who transfer crypto-assets to a merchant in exchange for goods or services exceeding $50,000. In addition to information on crypto-asset transactions, crypto-asset service providers would be required to obtain and report information on each of their customers, including name, address, date of birth, jurisdiction(s) of residence, and taxpayer identification numbers for each jurisdiction of residence. These measures will take effect in 2026, allowing the first reporting and exchange of information under the CARF to occur in 2027 for the 2026 calendar year. To read a report prepared by the KPMG International member firm in Canada, please click here.
- **Canada:** On April 16, 2024, Canada's Finance Minister presented the 2024 federal budget, which, among other things, reaffirms Canada's commitment to the OECD Pillar One. However, in view of delays in implementing the Pillar One multilateral treaty, the budget reiterates the government's plan to enact a digital services tax, which is currently before Parliament in Bill C-59. The Digital Services Tax would begin to apply for calendar year 2024, with that first year covering taxable revenues earned since January 1, 2022. To read a report prepared by the KPMG International member firm in Canada, please click here.
- **Poland:** On March 22, 2024, the Government Legislation Centre of Poland published a new bill implementing the DAC7 Directive. This bill mandates platform operators to verify whether the activities facilitated through their digital platforms are reportable. It also establishes a mechanism for the exchange of information between Member States. Furthermore, the bill aims

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

to improve the current methods of cooperation between state administrations by introducing the possibility of joint audits. As part of the reporting duties, the bill requires collecting information on sellers who conduct transactions via platforms and reporting this information to the Head of the National Revenue Administration. To read a report prepared by the KPMG International member firm in Poland, please click here.

- **Sweden:** On March 28, 2024, the Swedish tax authority issued a ruling clarifying the VAT treatment of non-fungible tokens (NFTs) linked to a digital work. The ruling defines NFTs as unique blockchain records signifying ownership of specific assets. It explains that an NFT typically includes two components: the ownership of the digital work and the NFT itself, both of which are interdependent and represent a single transaction for VAT purposes. This combination constitutes a new digital service. The ruling also addresses instances where the transfer of an NFT includes copyright, stating that if the copyright is not linked to the NFT, it is considered two separate transactions. However, if the NFT represents both the ownership and its copyright, a case-by-case evaluation is required. For more information, click here.
- **Ukraine:** The State Fiscal Service (SFS) of Ukraine recently issued a guidance letter clarifying the application of VAT to digital services provided by nonresidents. According to the Ukrainian Tax Code, sales of goods and services, including digital services, are generally subject to VAT at the standard rate of 20 percent. Digital services are defined as services provided through the internet that operate mainly without human intervention, such as software installation, online advertising services, and access to electronic information. If these services are provided by a nonresident to an individual entrepreneur in Ukraine, they are subject to VAT. Whether the VAT must be determined and remitted by the individual entrepreneur depends on their VAT registration status in Ukraine. If the entrepreneur is not registered, the nonresident digital service provider must determine and remit the VAT if they are registered as a VAT payer in Ukraine. If the entrepreneur is registered, they must calculate and remit the VAT.
- **United Kingdom:** On March 6, 2024, the UK government launched a consultation on the implementation of the OECD's Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS). is a framework developed by the Organisation for Economic Co-operation and Development (OECD) to provide a standardized approach for the automatic exchange of tax-relevant information on transactions in crypto-assets. This framework aims to enhance tax transparency and compliance in the rapidly evolving crypto-asset market. It requires reporting Crypto-Asset Service Providers (RCASPs) to collect and report data on crypto-asset users and transactions to tax authorities, which in turn exchange this data with the tax authorities of the jurisdictions where the taxpayers are resident. The consultation seeks views on the rules and commentary for both the CARF and CRS 2.0, which have been agreed at the international level to ensure consistency across jurisdictions. The consultation is divided into four main sections: the CARF, the CRS, views on domestic reporting, and a summary of consultation questions. The government is particularly interested in hearing from businesses, legal, accountancy and tax advisory firms, representative bodies and trade associations, academic institutions and think tanks, and any stakeholders with an interest in the implementation of the CARF or CRS. .

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.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

E-Invoicing Updates

- **Bolivia:** On April 19, 2024, Bolivia's tax authority issued Resolution RND No. 102400000012, which identifies the eleventh group of taxpayers that are mandated to adapt and implement their computer billing systems according to the new electronic invoicing system of the country. Starting from February 1, 2025, these taxpayers will need to issue digital tax documents using the online billing modality assigned to them. To read a report (in Spanish) prepared by the KPMG International member firm in Bolivia, please click here.
- **Denmark:** On March 11, 2024, the Danish Business Authority (ERST) issued guidelines and requirements for custom digital bookkeeping systems (DBS). These guidelines distinguish between standard and custom-developed systems. For standard systems, the provider is responsible for compliance, while for custom-developed systems, the responsibility falls on the company. Custom-developed systems can be tailored to individual companies or be foreign systems not marketed in Denmark. They must meet several requirements, such as ongoing transaction registration, secure storage of documents for five years, appropriate IT security measures, and support for administrative process automation. The rules on digital bookkeeping come into effect on January 1, 2025, for companies required to keep accounts using a non-registered accounting system, and not earlier than July 1, 2026, for companies with net gross receipts over DKK 300,000 in the previous two fiscal years using a non-registered accounting system, with these dates being only the expected enforcement dates.
- **Malaysia:** On April 6, 2024, the Inland Revenue Board of Malaysia (IRBM) published version 2.1 of the E-invoice Specific Guidelines. The updated guidelines now mandate certain fields for invoices issued by digital platforms, making the seller and buyer's email optional, but requiring the original invoice reference number and currency exchange rate indication. The guidelines also include new changes related to the recipient's shipping details. Furthermore, the IRBM adjusted the invoice remittance process, setting a size limit for files containing consolidated invoices for validation at 5 MB per submission, with no more than 100 invoices per submission, and each invoice not exceeding 300 KB. The revised guidelines also address self-billed invoices, cross-border transactions, and currency exchange rates. Alongside this, the IRBM introduced version 2.3 of the general E-invoice Guideline, which, while not introducing major changes, simplifies the language and graphics used to describe existing processes and provides clarifications. To read a report prepared by the KPMG International member firm in Malaysia, please click here.
- **Malaysia:** On March 25, 2024, the lower house of the Parliament of Malaysia, known as the Dewan Rakyat, tabled the Income Tax (Amendment) Bill 2024 ("ITA Amendment Bill") and Labuan Business Activity Tax (Amendment) Bill 2024 ("LBATA Amendment Bill") for their first reading. These bills were subsequently passed the following day. The ITA Amendment Bill proposes a change allowing businesses issuing consolidated e-invoices to provide receipts in any format, not just printed. Both the ITA and LBATA Amendment Bills also propose requiring e-commerce platform providers to issue a self-billed e-Invoice, in accordance with the conditions and specifications set by the Director General of Inland Revenue. These proposals would be effective from January 1, 2024. To read a report prepared by the KPMG International member firm in Malaysia, please click here.
- **Peru:** On March 27, 2024, the Peruvian tax authority published Resolution N.° 000063-2024/SUNAT, which delays the start date for certain taxpayers to register their sales and purchases using the Integrated System of Electronic Records (SIRE). The SIRE, which comprises the Sales and Income Registry electronic module (RVIE) and the Purchase

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

Registry electronic module (RCE), is already operational for some taxpayers. However, most were originally required to comply with this mandate from April 2024. Under the new resolution, the compliance date for these taxpayers has been postponed to August 1, 2024.

- **Paraguay:** On April 26, 2024, Paraguay's tax authority published Resolution 06/2024, which governs the issuance of electronic tax documents through the "E Kuatia'I" system and sets the start date for small taxpayers to comply with the country's e-invoicing mandate. The Resolution includes an annex that outlines a schedule for taxpayers to adhere to the e-invoicing mandate, based on the last digit of their tax ID: those ending in 0, 1, and 2 must comply by June 1, 2024; those ending in 3, 4, and 5 by July 1, 2024; and those ending in 6, 7, 8, and 9 by August 1, 2024. In addition to these deadlines, the Resolution instructs taxpayers to obtain the Qualified Electronic Signature Certificate (CCFE) and the electronic enablement as an issuer of e-invoices from the tax authority during April, May, and June respectively, using the user's confidential access key.
- **Poland:** On April 3, 2024, the Ministry of Finance initiated a public consultation to collect feedback on draft legal solutions proposing mandatory usage of the National e-Invoicing System (KSeF). The proposed amendments include a delay in the mandatory introduction of KSeF, considering a single implementation date for all taxable entities, including both active taxpayers and VAT-exempt taxpayers. Additionally, the amendments propose the ability to issue invoices offline, following a structured invoice template, during the transition period. These offline invoices, which must contain a QR code, can be provided by taxable entities to buyers outside KSeF. Furthermore, taxable entities must upload these offline invoices to KSeF on the next business day after issuance. To read a report prepared by the KPMG International member firm in Poland, please click here.
- **Poland:** On April 26, 2024, the Ministry of Finance and the National Tax Administration announced revised deadlines for the phased implementation of the National e-Invoice System (KSeF), following an external audit. The e-invoicing mandate will be implemented in two stages. The first stage, starting from February 1, 2026, will apply to taxpayers established in Poland with gross receipts exceeding PLN 200 million in 2025. The second stage will include all other taxpayers from April 1, 2026. The authorities clarified that the delay is necessary to rectify various flaws identified in the system's architecture, source codes, and database.
- **Saudi Arabia:** On March 29, 2024, the Zakat, Tax and Customs Authority (ZATCA) announced the criteria for the tenth wave of taxpayers to implement the "Integration Phase" of E-invoicing. ZATCA clarified that this wave includes all taxpayers who made over SAR 25 million in revenue during 2022 or 2023, subject to VAT. Starting from October 1, 2024, ZATCA will require all targeted taxpayers in the tenth wave to integrate their e-invoicing solutions with the FATOORA platform.
- **Saudi Arabia:** On April 26, 2024, the Zakat, Tax and Customs Authority (ZATCA) announced the criteria for the eleventh wave of taxpayers to implement the "Integration Phase" of E-invoicing. ZATCA clarified that this wave includes all taxpayers who made over SAR 15 million in revenue during 2022 or 2023, subject to VAT. Starting from November 1, 2024, ZATCA will require all targeted taxpayers in the eleventh wave to integrate their e-invoicing solutions with the FATOORA platform.
- **Singapore:** On April 15, 2024, the Inland Revenue Authority of Singapore (IRAS) revealed its plan to progressively implement InvoiceNow, a national e-invoicing framework based on the Peppol network, for businesses registered under the Goods and Services Tax (GST). This mandate, covering both business-to-government (B2G) and business-to-business (B2B) transactions, requires GST-registered businesses to use InvoiceNow solutions to send

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

invoice data to IRAS via Peppol Access Point service providers. The phased implementation begins with voluntary early adoption by GST-registered businesses starting May 1, 2025, followed by newly incorporated companies voluntarily registering for GST from November 1, 2025, and then all new voluntary GST-registrants from April 1, 2026. As per the announced model, taxpayers must submit invoice data for standard-rated sales, zero-rated sales, and standard-rated purchases where they are claiming or will claim GST credits. They must send this invoice data to IRAS either on the date when the relevant GST return is filed or by the filing due date of the relevant GST return, whichever is earlier.

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 of Manitoba, including increasing the sales tax registration threshold from CAD 10,000 to CAD 30,000 effective January 1, 2024. This change is intended to align its regime with the federal CAD 30,000 GST/HST registration threshold.
- **KPMG in Canada** published a report discussing tax measures in the 2024 federal budget, including a proposal to repeal the temporary zero rating of certain face masks or respirators and certain face shields under the GST/HST, effective for sales made on or after May 1, 2024.
- **KPMG in Chile** published a report discussing recent tax developments in the country, including a tax authority guidance on correcting erroneous VAT invoices under a tax-exempt housing construction project.
- **KPMG in Chile** published a report discussing recent tax developments in the country including recent tax authority guidance on the VAT treatment of pension advisory services, application of additional VAT to sale or importation of nectars, isotonic drinks and hypotonic drinks, and VAT exemption on interest following amendments to the law on money lending transactions.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

United States: Video on Demand and Pay-Per-View Programming are Exempt Cable Services

The Louisiana Board of Tax Appeals recently concluded that a cable television provider was not liable for local sales taxes on its sales of Video on Demand and Pay-Per-View programming. The matter involved several parishes that had audited the taxpayer and issued separate assessments that were consolidated before the Board. In this case, the taxpayer provided cable television services to subscribers via satellite transmission and broadband and offered subscribers the ability to purchase Video on Demand and Pay-Per-View programming for an additional cost. Under Louisiana law, there is a prohibition against imposing state and local sales taxes on amounts collected from a cable television subscriber for "regular service, installation and repairs." The issue before the Board was whether the Video on Demand and Pay-Per-View transactions were considered "regular cable services" so that they were exempt from sales tax. The parishes appeared to argue that the transactions were akin to the sale or rental of tangible personal property. The Board noted at the outset that the case was very similar to Normand v. Cox Communications in which a Louisiana court determined that Cox's Pay-Per-View and Video on Demand were regular cable services. However, unlike in Cox Communications where all programming was streamed in real time, the programming at issue could be downloaded and viewed later. The Board, however, did not find the temporary storage of data in a customer's cable box to require it to reach a different conclusion than the Cox Communications court. Importantly, the customer was still restricted in its viewing and use of the programming because all programming had to be decoded and interpreted by the set-top box, the programming could not be viewed on a different device, and the customer had no access to the content if their cable subscription expired. Further, the customers' objective in purchasing the programming was to watch a movie or live event, not to obtain possession of packetized data. The parishes, the Board noted, urged it to find that Cox Communications was wrongly decided because the term tangible personal property was broadly defined. However, the Board noted that if the taxpayer's programming was tangible personal property because the programming itself could be perceived, the cable exemption would be read virtually out of existence (except for installation and service) as all programming can be seen and heard. The Board also rejected the parishes' assertion that the transactions at issue were taxable telecommunications services. Audio and video programming services were specifically excluded from the definition of telecommunications services. Finally, there were two Parishes that asserted direct-to-home satellite services were taxable; the Board also rejected this position as being preempted by the federal Telecommunications Act of 1996. For more information, click here.

Miscellaneous Developments in the Americas

- **Argentina:** On April 16, 2024, the Argentine government published General Resolution 550. This resolution suspends the advance collection of VAT on the import of various goods carried out by micro, small, and medium-sized companies. The suspension applies until the end of the 120-day term (counted from March 18, 2024) established by General Resolution 5490, which suspended the advanced VAT collection system for the import of food, medicines, and cleaning products. The goods that are exempt from the advanced VAT collection system on imports made by small companies are specified in an annex added to General Resolution 5490. To be excluded from the advance collection of VAT, companies must be registered in the "MiPyMES" registry of the Subsecretary of Small Enterprises of the Ministry of Economy.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **Bahamas:** On April 2, 2024, the Bahamian Department of Inland Revenue published the finalized version of the VAT guidance for cruise line operations and private islands, following a consultation period on the draft version of the guidance. The guidance covers sourcing, VAT liability, sales to employees, standard-rated on-island services provided by cruise lines and local businesses, VAT registration responsibility, operating inputs, pricing for on-island and on-board sales, among other administrative matters. To read KPMG's previous discussion of the VAT guidance, click here.
- **Ecuador:** On March 28, 2024, Ecuador issued Circular No. NAC-DGECCGC24-00000002, clarifying the VAT treatment of local transfers of movable property and provision of services. The circular explains that for these transactions, the tax event occurs either when goods are delivered or when complete or partial payment or credit is made, whichever comes first. For services provided by progress of work or stages, the tax event corresponds to the delivery of each progress certificate. In specific cases, when credit or debit notes must be issued, the VAT rate of the modified sales receipt should be applied.
- **Ecuador:** On April 24, 2024, Ecuador issued Resolution No. NAC-DGERCGC24-00000016, amending procedures for refunding tax credits generated by VAT withholding at the source. The resolution changes documentation requirements for tax credit refund requests, including requiring monthly VAT declarations from taxpayers under the Simplified Regime for Entrepreneurs and Popular Businesses (RIMPE), submission of withholding invoices in a digital spreadsheet list, revised copies of the appointment of a legal representative, and a ledger of the VAT withholding account for taxpayers obligated to keep accounting. The resolution also states that tax credit refund requests must be presented for monthly periods in chronological and consecutive order, removing the stipulation that they will accumulate for up to 12 periods of the same tax year. The resolution also removes content on notifications, requests for additional information, and exceptions to electronic documentation requirements.

Europe, Middle East, Africa (EMEA)

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

- **KPMG in Austria** published a report discussing recent tax developments in the country, including recent tax authority guidance that provides that amounts charged by a parent company for services provided by its board members to its subsidiaries are subject to VAT and not eligible for the partial VAT exemption for board renumeration.
- **KPMG in Bahrain** published a report discussing recent tax developments in the Gulf Cooperation Council (GCC) region, including the publication of an updated VAT general guide in Bahrain , which provides instructions on the recent extension of the period for keeping records and accounting books.
- **KPMG in the Czech Republic** published a report discussing draft amendments to the VAT law, which includes changes to the treatment of the construction sector. Among other things, if enacted, the amendment will clarify the definitions of buildings for housing and social housing purposes, no longer referring to the Construction Act but to the real estate register. The concept of internally produced fixed assets, where taxpayers claim full VAT

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

deduction during construction and reduce it only when the fixed assets are put into use, would be eliminated. A taxpayer who self-manufactures fixed assets (or carries out technical improvements to these assets through their own activity) while purchasing goods and services for this purpose would reduce the VAT deduction on these received transactions already at the time of claiming the VAT deduction. Moreover, the five-year time test for VAT exemption on selected real property will be removed, with only the first sale after construction or substantial change being taxed. Further the term "substantial change" will be redefined as a modification that increases the price by 30 percent or more. If a building's purpose changes due to construction or assembly work, the standard VAT rate will apply. The right to deduct VAT when registering for VAT will also change, allowing for a deduction even if the fixed assets are only put into use after becoming a VAT payer.

- **KPMG in Germany** published a report discussing recent indirect tax developments in the country, including recent court rulings on the VAT deductions for works of art, the VAT treatment for the transportation of stray animals by animal welfare associations, and tax authority guidance on the rental of living space and the related VAT deduction from a heating system.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country. These include VAT measures in the Annual Tax Act 2024, and recent court rulings on VAT deductions for health resorts and the VAT margin mechanism for works of art.
- **KPMG in Italy** published a report discussing Legislative Decree no. 39, extending the scope of the Special Self-Disclosure regime to eligible violations committed by Italian VAT-registered companies (even if not established in Italy) in 2022 and in all prior years still open to assessment (i.e., from 2018). The Decree further extends the self-disclosure deadline from March 31, 2024, to May 31, 2024. The main VAT violations eligible for the regime include the filing of incorrect VAT returns (normally subject to a minimum penalty of 90 percent of the undeclared VAT) and incorrect invoicing (normally subject to a minimum penalty of 90 percent of the non-invoiced VAT). The special regime does not apply to omitted or late payment of VAT, and omitted VAT returns.
- **KPMG in Italy** published a report discussing an agreement between Italy and the United Kingdom, entered into on February 7, 2024. This agreement allows UK companies not established in Italy to submit direct claims for refunds of VAT paid on goods and services in Italy in relation to their business activities under the procedure outlined in Council Directive (EU) 560/1986 ("Thirteenth Council Directive"). The agreement applies retroactively to refund claims relating to periods from January 1, 2021.
- **KPMG in the Netherlands** published a report discussing the launch of a consultation on a proposal to change the division exemption in real estate transfer tax on April 8, 2024. Among other things, the proposed changes would limit the division exemption, making it subject to the conditions that the property must be transferred as part of a business, that the business must be continued for three years, and that the acquired shares must also be held for three years. This would make it more difficult to separate business units with a view to sell (carve-out). However, it would introduce a specific exemption for so-called dispute divisions, for which no business requirement is stipulated. This would make it easier to set up personal holding structures and allow (quarreling) shareholders of real estate companies to go their separate ways.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **KPMG in the Netherlands** published a report discussing tax measures in the upcoming 2025 Tax Plan package. These include proposed changes to the VAT regulations to offer the option of multi-year adjustment of the VAT deducted on services related to immovable property. It also proposes to increase the energy tax rates for natural gas and tighten the CO2 tax on industrial emissions.
- **KPMG in Poland** published a report discussing a recent decision by the Provincial Administrative Court. The court held that the establishment of transmission easement by contract falls within the scope of service provision under specific provisions of the VAT Act. However, to make it taxable, the entity rendering such services must be a VAT payer in terms of that taxable activity. If the property on which the transmission easement is established is not used in business activity, it must be assumed that the taxpayer does not act as an entity pursuing business activity with respect to such a transaction.
- **KPMG in Serbia** published a report discussing amended guidance on the criteria for determining activities that affect the environment for purposes of the fee for protection and improvement of the environment ("Eco Tax"), as well as on the method for determining the amount of Eco Tax due.
- **KPMG in Serbia** published a report discussing amendments to the Serbian VAT rulebook published on April 4, 2024. The changes include a tax exemption for the sale of goods under customs warehousing procedure, removing the need for invoice certification by customs authorities. Instead, a declaration in electronic form confirming the goods are under customs warehousing procedure is required. The amendments also clarify tax exemptions for the sale of goods and services based on international agreements. These exemptions apply as per the agreement in effect on the day of the sale or the conclusion of the agreement. Lastly, the VAT refund for first-time apartment buyers can now only be claimed based on the fiscal receipt from the VAT payer—seller, eliminating the option to claim this refund based on any other invoice or document.
- **KPMG in the United Kingdom** published a report discussing tax measures announced from the "Tax Administration and Maintenance Day" (TAM Day) on April 18, 2024. These include the launch of a new consultation on the VAT treatment of private hire vehicles, which seeks views on potential ways the government may be able to mitigate unintended consequences on the personal hire vehicle sector and passengers, and a consultation on the VAT treatment of charitable donations targeting a VAT relief for low value goods donated by businesses to charities.

European Union: Distinction between Single Purpose Voucher and Multi-Purpose Voucher Clarified

On April 18, 2024, the Court of Justice of the European Union (ECJ) published its decision in M-GbR, Case C-68/23, regarding the distinction between a single-purpose voucher (SPV) subject to VAT upon each (re)sale and a multi-purpose voucher (MPV) subject to VAT upon redemption. The case involved a German reseller of so-called "X-cards" issued by a UK company, which can be used to purchase digital content. The X-card is country-locked, meaning it can only be used by end users in one country (Germany in this case). The German reseller argued that the X-cards were MPVs because the VAT treatment of the X-cards was not clear at the time of sale and did not charge VAT on the resale of the cards. The German tax authorities disagreed, arguing that the X-cards were SPVs, and that German VAT was due on the resale of the X-cards.

The ECJ held that to qualify as an SPV, two conditions must be fulfilled at the time the voucher is issued: the place of taxation of the goods or services for which the voucher can be redeemed must be known; and the VAT payable on those goods or services must

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

be known. The court found that the first condition was met because the X-cards could only be used in Germany and the digital services for which the X-cards could be redeemed are generally taxable at the place of destination (i.e., the customer's place of residence). The court remanded to the referring court, however, to determine whether all the services for which the X-cards can be redeemed are taxable at the same VAT rate (and tax base) and thus whether the second condition for SPV treatment was met.

The court also stated that even if the referring court finds that the X-cards must be treated as MPVs, resale of the X-cards may still be subject to VAT as a distinct provision of an independent service (e.g., a distribution or marketing service) to the person who ultimately sells the goods or services in return for redemption of the MPV. To read a report prepared by the KPMG International member firm in the Netherlands, please click here.

Roundup of Latest Court of Justice of the European Union Cases

On April 11, 2024, the ECJ published its decision in Legafact, Case C-122/23, in which it held that the EU VAT Directive does not prevent national legislation that makes entitlement to the value added tax (VAT) exemption for small enterprises conditional on the taxpayer applying for VAT registration within a prescribed period if their annual turnover exceeds the specified amount. The ECJ further held that such taxpayers may incur a tax debt if they failed to apply for VAT registration within the time limits.

On April 11, 2024, the ECJ published the non-binding Opinion of its Advocate General (AG) in Syndyk Masy Upadłości A, Case C-709/22, in which the AG opined that EU law does not prevent a national legislation and practice from denying insolvency administrators the ability to transfer funds from a taxpayer's VAT account, created in application of the split payment mechanism (introduced in Poland from July 1, 2018), to a designated bank account, as long as the taxpayer still has outstanding VAT debts.

On April 18, 2024, the ECJ published its decision in Companhia União de Crédito Popular, Case C-89/23, in which it held that transactions related to the organization of auction sales of goods provided as a pledge are not considered ancillary to the main transaction related to the granting of credit secured by a pledge. Therefore, they do not share the same tax treatment for VAT purposes and should thus be subject to VAT.

Source: European Union; Bulgaria—ECJ Decides on Application of VAT Exemption in Case of Late Compulsory VAT Registration: Legafact (Case C-122/23) (VAT), (April 11, 2024), News IBFD; European Union; Poland—CJ Advocate General Opines on Refusal to Allow Transfer of Funds from VAT Account in Event of Insolvency: Syndyk Masy Upadłości A (Case C-709/22) (VAT), (April 11, 2024), News IBFD; European Union; Portugal—ECJ Decides on VAT Treatment as Autonomous or as Ancillary Supply of Sale at Auction of Pledged Goods: Companhia União de Crédito Popular (Case C-89/23) (VAT), (April 18, 2024), News IBFD.

European Union: VAT Committee Working Papers

On April 11, 2024, the VAT Committee of the European Commission held its 124th meeting. The VAT Committee is an advisory committee consisting of representatives of the Member States and of the Commission and examines the application of EU provisions raised by the Commission or a Member State. It published the following working papers from the meeting:

- Working Paper No. 0924 covers the VAT aspects of centralized clearance for customs upon importation. It provides an update on the application by EU Member States of deferred payment and postponed accounting for the payment of import VAT, as the application of either of these payment systems is a prerequisite for Member States to participate in centralized clearance for imports on their territory. To read a KPMG report on the VAT implications of the customs reform, click here

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- Working Paper No. 1073 is a follow-up on matters concerning the implementation of the new VAT SME mechanism applicable from January 1, 2025. The SME mechanism is designed to simplify VAT arrangements for small businesses, although they may still have obligations. The process of entering the SME mechanism, both domestically and cross-border, is discussed, emphasizing the role of the Member State of establishment. Regular reporting is crucial under the SME mechanism, and the document outlines the consequences of non-compliance and how to correct reported values. If a business exceeds the Union annual gross receipts threshold, it must leave the SME scheme immediately and submit a final report within 15 working days. The Member State of establishment must promptly deactivate the individual identification number of a taxpayer if necessary. The document also covers legal protection for taxpayers, the scope of the SME mechanism, excluded transactions, and the consequences of exceeding the domestic threshold. Finally, it outlines the steps to follow if the place of establishment changes. To read a KPMG report on the mechanism, click here
- Working Paper No. 1080 is on the question raised by Denmark to clarify the VAT treatment of the trade of non-fungible tokens (NFTs). The paper explores whether the trading of crypto art is a taxable digital service or can be exempted as financial transactions. It also considers whether these trades could fall under the special regime for the sale of artworks (i.e., when either the margin mechanism or a reduced VAT rate applies). Furthermore, it examines the potential applicability of the exemption for services provided by artists. To read KPMG's discussion and observations on this working paper, click here.
- Working Paper No. 1082 discusses the queries of the Slovak Republic about the operations of public bodies. It highlights the importance of determining whether these activities are considered economic and thus subject to VAT, defining an economic activity as one that is permanent and carried out for remuneration. The paper further explores conditions where a public body, despite engaging in activities ordinarily subject to VAT, can be considered as non-taxpayers. For example, activities pursued by public bodies under a special legal regime applicable to them may be viewed as activities pursued as public authorities, potentially rendering them non-taxable. The document concludes with a list of questions for consideration when assessing the VAT status of activities undertaken by public bodies. These questions pertain to the interpretation and application of the VAT Directive in relation to the activities of public authorities.
- Working Paper No. 1083 pertains to Slovenia's consultation regarding provisions on VAT groups, which will come into effect on January 1, 2025, and the scheme will be operational from January 1, 2026. Specifically, Slovenia intends to incorporate the provisions related to the formation of VAT groups, as derived from Article 11 of the EU VAT Directive (2006/112), into its national legislation and has sought the VAT Committee's opinion on these provisions.
- Working Paper No. 1084 addresses the question posed by Denmark regarding the application of the VAT exemption for school and university education. Denmark specifically inquired about the treatment of teaching provided by self-governing evening schools, private and municipal music schools, private dance schools, private gyms, or similar entities, which are currently generally exempted in Denmark. The VAT Committee responded that recent ECJ rulings have clarified "school and university education," but their interpretation does not necessarily apply to other services such as evening classes, music, dance, or fitness facilities. Such services may not qualify for the VAT exemption, as they could be considered recreational rather than an integral part of the education system in all Member States.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- Working Paper No. 1085 focuses on a proposal from Germany for a flat-rate VAT mechanism for small public enterprises with taxable gross receipts below EUR 45,000. The mechanism would allow these entities to determine their VAT deduction based on a percentage reduction of their output tax. Despite recognizing the mechanism's potential to simplify VAT for small enterprises, the Commission Services have raised concerns about the legal basis for the measure and the practical application of the mechanism. They have requested further clarification from Germany on how the mechanism would be implemented and how potential tax evasion opportunities would be mitigated. The document also includes an annex detailing the proposed mechanism, a formula for calculating the flat-rate VAT deduction rate, and an illustrative example.

Source: European Union—VAT Committee Publishes Agenda of 124th Meeting, (April 15, 2024), News IBFD.

European Union: VAT Expert Group

On April 11, 2024, the European Commission published the minutes of the 35th VAT Expert Group (VEG) meeting held on March 18, 2024. The VEG is an advisory body established by the European Commission to provide expert advice on VAT matters. The group consists of individuals with significant experience and knowledge in the field of VAT, including representatives from business and tax practitioner communities, as well as academics and researchers. The VEG provides input and advice on the preparation of legislative acts and other policy initiatives around VAT. It also provides insight into the practical implementation of legislative acts and EU policies in the member states.

During the meeting, the Commission services presented the second iteration of the Explanatory Notes on the new SME mechanism, enriched with practical examples and figures. The group suggested further precision and examples, setting a deadline for final comments on the draft for April 22, 2024.

The group also engaged in a preliminary discussion on potential areas of work following the adoption of the VAT in the Digital Age (ViDA) package, with the aim of further improving the VAT system. They were invited to produce a report on this topic by the end of 2024. Updates were provided on the negotiations on the ViDA legislative package, the customs reform, and the adoption of Commission Decision (EU) 2024/775, which relates to relief from import duties and VAT exemption for goods for persons in Ukraine. In addition, one member provided an update on efforts in the harmonization of postal/express electronic advanced data in Europe, revision of e-invoicing standards, and the digital product passport.

Source: European Union—VAT Expert Group Publishes Minutes of 35th Meeting (April 15, 2024), News IBFD.

European Union: Group on the Future of VAT

On April 17, 2024, the Group on the Future of VAT (GFV) of the European Commission (the Commission) published the minutes of its 44th meeting, which was held on March 21, 2024. The GFV is a committee that focuses on the future development and implementation of VAT policies. It is composed of representatives from various sectors, including government, business, and academia. The group discusses and provides insights on VAT-related issues, aiming to improve the efficiency, fairness, and simplicity of VAT systems.

The GFV delegates discussed the implementation of the new Special Scheme for Small Enterprises (SMEs) as a key item. They reviewed the second iteration of the Explanatory Notes on the SME scheme, which now includes practical examples and figures. The delegates also provided various comments on the document and asked for additional examples. The Commission services further unveiled the first draft of the guide to the SME scheme,

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

designed to explain the scheme's key elements and practical functioning to small enterprises. They also announced the construction of a SME web portal, featuring a "SME VAT simulator" and a "SME-on-the-web" database. These tools will help small enterprises check their potential eligibility for the cross-border SME mechanism and validate their "EX" VAT identification numbers. The Commission services plan to launch a press campaign this autumn to promote the SME web portal and the new rules, effective from January 1, 2025.

The meeting also included a presentation of the first analysis on the implementation of the Single VAT Registration (SVR) elements of the ViDA package. The analysis will serve as the basis for a workshop scheduled for the end of June in Helsinki. It outlined potential IT changes, areas needing updates, and identified where updates of the Implementing Acts, Explanatory Notes, and Guides are necessary. Other discussion points included the ongoing negotiations of the ViDA legislative package, customs reform, and the decision to exempt import duties and VAT for goods distributed free of charge to those in Ukraine.

Source: European Union—Group on the Future of VAT Publishes Minutes of 44th Meeting, (April 22, 2024), News IBFD.

Miscellaneous Developments in EMEA

- **Angola:** On April 1, 2024, the Angolan General Tax Administration announced proposed changes to the VAT law, including increasing the VAT registration threshold to AOA 25 million.
- **Austria:** On April 17, 2024, the Austrian Federal Ministry of Finance published Federal Finance Court Decision No. GZ. RV/2100824/2022. The case involved a German-based limited partnership that generated sales from lecturing activities in Austria and claimed a VAT deduction based on a 1.8 percent average rate of total sales. The tax office and the Federal Finance Court denied the deduction, stating that there was no domestic income or operation with related operating expenses. They also stated the VAT law, which allows for VAT expense deduction based on the 1.8 percent average rate, does not apply to the taxpayer as they did not have a registered office or permanent establishment in Austria.
- **Belgium:** On April 8, 2024, Belgium extended the deadline for certain taxpayers to report information related to their allocation of VAT deductible expenses. This extension was made to coincide with the deadline for filing the periodic VAT declaration and was extended to August 9, 2024, for both monthly and quarterly depositors. Since January 1, 2024, Belgium has allowed taxpayers with taxable and exempt activities (mixed entities), and taxpayers with activities both within and outside the VAT scope (partial entities), who can deduct their VAT expenses in relation to their taxable activities, to do so based on several specified allocation methods. These taxpayers are required to periodically report certain information related to these methods. Belgium also clarified that for taxpayers using one of these methods, the actual allocation method, the periodic declaration must include a breakdown of VAT proportions in percentages. This includes VAT on operations exclusively allocated to sectors with full deduction rights, VAT on operations exclusively allocated to sectors with no deduction rights, VAT on operations allocated to both sector types, and the specific calculation method used for transactions involving both deductible and non-deductible sectors. Moreover, every incoming VAT invoice must be assigned to a specific sector. For 2024, taxpayers can provide estimates during the first return. The final figures must be communicated in their periodic VAT declaration relating to the third quarter of 2024 (no later than October 21, 2024) or to November 2024 (no later than December 20, 2024).

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **Belgium:** On April 19, 2024, the Belgian Federal Public Service clarified that the VAT exemption for small businesses can be invoked by small businesses, excluding VAT groups, whose annual gross receipts in the previous calendar year did not exceed EUR 25,000. Small businesses with gross receipts below EUR 25,000 in 2023 will receive a letter from the tax authorities in May via MyMinfin (taxpayer portal), explaining the terms and conditions of the regime. Companies that qualify for the new regime and want to participate must submit an online application by June 1, 2024.
- **Congo (Republic of):** On March 18, 2024, the Congolese Ministry of Finance published Instruction No. 0339, on the application of the VAT measures in the 2024 Finance Law. Among other things, the instruction covers the harmonization of the VAT legislations of Central African Economic and Monetary Community (CEMAC) member states, the applicability of VAT to transactions carried out in the Republic of the Congo, the inclusion of certain entities and individuals as taxpayers, the determination of the VAT base, the application of VAT rates, and requirements for invoicing, accounting, and reporting.
- **Denmark:** On April 8, 2024, the Danish Customs and Tax Administration launched a consultation on Draft Control Signal No. 23-1599535, to clarify the implications of "duly justified" reporting errors or omissions in a VAT Information Exchange System (VIES) report on EU sales. Among other things, it seeks to clarify that duly justified reporting errors and omissions allow a vendor to still zero-rate intra-EU sales if they failed to report the EU sales in a list or submitted a list with incorrect delivery information. The zero-rating retroactively lapses if a vendor fails to timely meet listed conditions. It also clarifies how a vendor can properly justify VIES shortcomings through a showing of good faith, and how the tax authority can consider a lack of response to reminders as an indication of a lack of good faith. The guidance has been implemented in the Danish Legal guidance under section D.A.10.1.1.3.
- **European Union:** On April 10, 2024, the European Parliament adopted a text approving an amendment to the administrative cooperation pact between the European Union and Norway. The agreement provides for improvements in how the bloc and the country cooperate on administrative tax matters, the recovery of tax debts, and tackling VAT fraud. The amendment is intended to align the EU-Norway agreement with the latest amendments to the EU legislation on VAT administrative cooperation introduced after the deal was concluded in 2018.
- **Finland:** On April 8, 2024, the Finnish Supreme Administrative Court published Decision No. KHO:2024:53, clarifying when companies can form a VAT group. In the case, the taxpayer provided financial services to certain group companies, while other companies offered VAT-exempt social and health care services. The taxpayer sought to form a VAT group, which the tax authority denied because it would be contrary to the purpose of the law to grant the possibility of group registration to companies that are not active in the financial or insurance sector. The Supreme Administrative Court determined that the taxpayer and the other companies in the group were allowed to form a VAT group, transactions within the group would not be subject to VAT, and transactions between group members would not be considered sales for VAT purposes. This would contradict the purpose of the VAT group. Therefore, the court concluded that the taxpayer could not be considered a business operator that primarily sells financial services, as most of its financial services were not sold outside the group.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **Finland:** On April 9, 2024, the Finnish Tax Administration published Guidance No. VH/253/00.01.00/2024, an updated VAT guide for real estate investments. Among other things, the new guide covers the definition of "real estate investment" under the VAT Act, situations that necessitate a review of the VAT deduction included in a real estate investment, and the procedure for such a review.
- **Finland:** On April 18, 2024, the Finnish Supreme Administrative Court published Decision No. KHO:2024:60, clarifying the VAT exemption for independent associations. The case involved a VAT-registered company that sold information-related services exclusively to related Finnish occupational pension insurance companies to aid them in handling statutory duties. Initially, the Central Tax Board had classified this company as an independent association under article 60a of the Finnish VAT Act, which would exempt it from VAT on its sales. However, the Tax Administration later denied this exemption, arguing that the company's services did not promote general-purpose activity as required the EU VAT Directive. The company appealed this decision and the Supreme Administrative Court ruled in its favor. The court clarified two points. Firstly, that the provision in the EU VAT Directive used by Tax Administration to deny the exemption does not apply to insurance and reinsurance activities. Secondly, it clarified that article 60a of the VAT Act, which defines independent associations, is not limited to associations whose members are engaged in activities of general interest. Instead, it only requires that the activities of the member pension companies do not take place in the form of a business or entitle them to a deduction. Therefore, the company was entitled to the VAT exemption.
- **Hungary:** Hungary published its Audit Plan for 2024, summarizing the main areas of tax audits planned for 2024. The plan notes that certain sectors, including motor vehicle trade, security services, IT and telecommunication product trade, online sales, food and agricultural product trade, construction, event management, tourism, and beauty treatment services, among others, will receive particular attention. The tax authority will also focus on discrepancies between submitted returns and available data, prioritizing high-risk taxpayers that could significantly impact the budget. In addition to audits, the authority plans to assist taxpayers in complying with tax rules and adapting to legislative changes. Customs audits will focus on VAT and registration duty for new vehicles, accuracy of customs value, product safety for imported goods, illegal trade of smuggled goods, and enforcement of local and international restrictions, bans, and sanctions.
- **Latvia:** On April 8, 2024, the European Commission adopted Proposed Council Implementing Decision No. COM (2024) 152, authorizing Latvia to increase its VAT registration threshold from EUR 40,000 to EUR 50,000 until December 31, 2024.
- **Moldova:** On March 14, 2024, the Moldovan State Tax Service clarified that the VAT treatment of foreign language teaching services in classrooms depends on the type, nature, and essence of the services. Thus, the service's nature is staff training and improvement, it could qualify for the VAT exemption for educational services.
- **Romania:** On April 8, 2024, the European Commission published Proposed Council Implementing Decision No. COM (2024) 154, extending the authorization it granted Romania to limit the VAT deduction right for motorized vehicles to 50 percent until December 31, 2026.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **South Africa:** On April 12, 2024, the South African Revenue Service (SARS) published Constitutional Court Judgment for Case No. CCT 209/22, clarifying the VAT treatment applicable to loan covers provided free of charge. In the case, a company provided VAT exempt loans and taxable services (e.g., initiation and services fees). In addition, the company offered customer a free of charge loan cover whereby if a borrower was unable to repay the loan due to circumstances such as retrenchment or death, the outstanding amount would be covered up to a specified maximum. The taxpayer argued that the loan cover should be included in its taxable activity when computing its VAT deduction apportionment right, which SARS disagreed with. The Constitutional Court held that the provision of the loan cover was not disqualified from being a taxable sale merely because it was provided free of charge. The court also found that the loan cover was a mixed sale made in the course and furtherance of the company's exempt activity of lending money for interest and its enterprise activity of lending money for fees. The court remitted the matter to SARS for further examination and assessment, with a view to determining an appropriate apportionment.
- **Uganda:** On March 28, 2024, Uganda published its VAT Amendment Bill 2024, which includes measures to increase the threshold for refunds in the case of overpaid tax from UGX 5 million to UGX 10 million. Additionally, the bill designates the recipient of the proceeds of an auction as the seller of goods and the person liable to pay VAT in the case of the sale of goods through auctioning.
- **United Arab Emirates:** On March 25, 2024, the Federal Tax Authority of the UAE released a guide on VAT groups. The guide covers the implications of forming a VAT group, including having a single VAT Registration Number and filing a single tax return. It also states that VAT is not chargeable on intra-group transactions and that one member of the VAT group should be appointed as the representative member. The guide outlines the eligibility criteria for forming a VAT group, which includes having a primary business or fixed establishment in the country. It also provides additional criteria for government entities forming VAT groups and discusses the anti-avoidance criteria for refusing the formation, amendment, or disbanding of a VAT group.
- **United Kingdom:** On April 4, 2024, the United Kingdom's HM Revenue and Customs (HMRC) updated VAT Notice 700/1, which pertains to VAT registration requirements. The updates include new information on when and how non-established taxpayers (NETPs), including overseas seller NETPs, need to register for VAT, as well as penalties for noncompliance. The updates also remove information on voluntary registration for NETPs and amend information on the use of Making Tax Digital for keeping digital records. Additionally, the Notice provides information on penalties for failing to inform the HMRC of registration liability and reflect the new annual EUR 10,000 EU registration threshold for distance selling into EU Member States.
- **United Kingdom:** On April 9, 2024, the UK's Upper Tribunal (Tax and Chancery Chamber) in Innovative Bites Ltd., [2022] UKFTT 352 (TC), dismissed an appeal by HMRC against a decision of the First-Tier Tribunal (Tax Chamber) (FTT) in favor of a U.K.-based wholesaler of American snacks, including Twinkies, that sells oversize marshmallows to British retailers. The case revolved around whether the marshmallows should be classified as confectionery, which would make them standard-rated. HMRC argued that the marshmallows, which were marketed as an ingredient for s'mores, should be standard rated as they could be eaten as a snack. However, the FTT found that the marshmallows were primarily used for roasting over

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

an open flame, based on their marketing, packaging, and placement in stores. The Upper Tribunal ruled that the FTT did not make a legal error when it determined that the taxpayer's marshmallows were zero-rated for VAT purposes under the VAT Act. To read KPMG's previous discussion of the FTT's decision in this case, click here.

- **United Kingdom:** On April 15, 2024, HMRC published a VAT Brief explaining the interpretation of the VAT and excise laws from January 1, 2024, following the enactment of the Retained EU Law (Revocation and Reform) Act 2023 and section 28 of the Finance Act 2024. The document states that despite these changes, HMRC's policy regarding VAT and excise remains unchanged, and the associated legislation will continue to be interpreted as before. Businesses can no longer rely on the direct effect of EU law, as UK law is now supreme. HMRC does not foresee any negative impacts for businesses due to the removal of the direct effect of EU law but will issue further guidance if needed.

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

- **KPMG in India** published a report discussing a recent decision of the Indian Supreme Court that held that a taxpayer providing various services to foreign buyers of exported goods on a principal-to-principal basis was not providing "intermediary services" for service tax purposes and is thus not subject to service tax. While the decision relates to the repealed service tax, the principles can be applied to transactions subject to the GST regime.
- **KPMG in Malaysia** published a report discussing recent tax developments, including the issuance of new service tax guides. These include guides on improvements to the service tax treatment of logistics services, the determination of the service tax rate for the provision of various taxable services, and the treatment of maintenance services provided in relation to residential homes.

Miscellaneous Developments in ASPAC

- **Australia:** The Australian Taxation Office (ATO) recently launched a consultation on a draft GST determination, draft determination 2024/D1, regarding the sale of food marketed as a prepared meal. The consultation, stems from a court case where the Federal Court ruled that a range of frozen food products sold by a taxpayer, which included vegetables, spices, seasonings, and grains, were not GST-free as they were marketed as prepared meals. The draft determination explains the ATO's interpretation of "food of a kind marketed as a prepared meal" and provides examples of how this applies to various products.
- **Australia:** On April 8, 2024, the Australian Serious Financial Crime Taskforce (SFCT) announced that it is cracking down on illegal financial activities such as false invoicing. False invoicing involves issuing invoices for non-existent goods or services, allowing businesses to illegally claim deductions and GST credits.
- **China:** The Chinese Government recently announced plans to implement reverse invoicing requirements for those trading in scrap metal and facilitating trade-in of old consumer goods. This means the buyer, not the seller, will provide an invoice and handle any VAT due. The aim is to help buyers provide proof of purchases for income tax deductions. Sellers with monthly sales under CNY 100,000 will be exempt from VAT, while those exceeding this threshold will receive a one percent VAT credit.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

- **French Polynesia:** On April 12, 2024, French Polynesia published Law No. 2024-8, which, among other things, modifies the tax benefits related to hybrid and electric vehicles. This includes an exemption from registration duties for new electric vehicles depending on their engine capacity, and an exemption from VAT on the importation of hybrid and electric vehicles.
- **New Zealand:** On April 12, 2024, the New Zealand Inland Revenue published Technical Decision Summary No. 24/07. The case involved a restaurant owner who was found to have fraudulently suppressed cash sales and underreported GST and income tax. The tax authority reassessed the income tax and GST and imposed a penalty. The taxpayer disputed the reassessments but failed to prove them incorrect. The tax authority concluded that the taxpayer was not entitled to certain deductions due to lack of records, and that there was no evidence of a predetermined compliance investigation, and it was deemed likely that the taxpayer had evaded tax.
- **Philippines:** On April 11, 2024, the Bureau of Internal Revenue of the Philippines issued Revenue Regulation No. 3-2024, which clarifies certain measures introduced in the Ease of Paying Taxes Act. Among other things, it clarifies specific amendments to the process of claiming VAT credits and the procedure for VAT refunds. It also provides clarity on VAT exemptions, the VAT treatment of the sale or exchange of services, and the use or lease of properties.

About *Inside Indirect* Tax

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

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

Footnotes

i. Angola Tax Agency Announces Revision of VAT Code, Bloomberg Law News (April 22, 2024).
ii. Belgium MOF Announces Proposed Amendments Concerning VAT Reduction on Demolition, Reconstruction of Buildings, Bloomberg Law News (May 9, 2024).
iii. Ecuador Gazettes Resolution Applying Reduced VAT Rate to Local Transfers of Construction Materials, Bloomberg Law News (April 23, 2024).
iv. European Union; Ukraine -Council of the EU Renews Suspension of Import Duties, Quotas on Ukrainian Exports to EU, (April 9, 2024), News IBFD.
v. Finland—Government Agrees on Financial Policy for 2025-2028 and Announces Tax Increases, (April 16, 2024), News IBFD.
vi. Lithuania—Lithuania Proposes Reinstating Reduced VAT Rate for Catering Services, Takeaway Food, (April 22, 2024), News IBFD.
vii. Lithuania Tax Agency Seeks Comments on Application of Reduced VAT Rate for Accommodation Services, Bloomberg Law News (April 12, 2024).
viii. Romania—Romania Amends VAT Exemptions for Certain Deliveries to Hospitals, (April 3, 2024), News IBFD.
ix. Slovak Republic—Slovak Republic Proposes to Temporarily Reduce Rates of VAT, Excise Duty for Gasoline and Diesel Fuels, (April 22, 2024), News IBFD.
x. Türkiye—Türkiye Clarifies Certain Aspects of VAT Rate Implementation, (April 30, 2024), News IBFD.
xi. Uganda—Budget 2024: Uganda Proposes to Impose VAT on Goods Supplied by Taxable Employers to Employees at No Consideration, (April 12, 2024), News IBFD.
xii. Ukraine—Ukraine Introduces Reduced VAT Rate for Certain Medicines, (March 29, 2024), News IBFD.
xiii. Iurie Lungu, Ukraine Explains Foreign Digital Service Suppliers' VAT Liability, Tax Notes (Apr. 29, 2024).
xiv. Erhvervsstyrelsens, "Krav til digitale specialudviklede bogføringssystemer" (March 11, 2024).
xv. SUNAT, "RESOLUCIÓN DE SUPERINTENDENCIA QUE POSTERGA LA OPORTUNIDAD DESDE LA CUAL DEBEN LLEVAR SUS REGISTROS EN EL SISTEMA INTEGRADO DE REGISTROS ELECTRÓNICOS LOS SUJETOS OBLIGADOS A ELLO A PARTIR DEL PERÍODO ABRIL DE 2024 (March 27, 2024).
xvi. DNIT, "RRESOLUCIÓN GENERAL DNIT N° 06" (March 6, 2024).
xvii. Ministerstwo Finansów "Summary of the KSeF audit" (April 26, 2024).
xviii. ZATCA, "Zakat, Tax and Customs Authority Determines the Criteria for Selecting the Targeted Taxpayers in Wave 10 for "Integration Phase" of E-invoicing" (March 28, 2024).
xix. ZATCA, "Zakat, Tax and Customs Authority Determines the Criteria for Selecting the Targeted Taxpayers in Wave 11 for "Integration Phase" of E-invoicing" (March 26, 2024).
xx. IRAS, "GST InvoiceNow Requirement" (April 15, 2024).
xxi. Argentina—Tax Authority Temporarily Suspends Advance Collection of VAT Upon Import of Goods by Small Companies, (April 22, 2024), News IBFD.
xxii. Bahamas—Department of Inland Revenue Issues Finalized VAT Guidance for Cruise Line Operations, Private Islands, (April 4, 2024), News IBFD.
xxiii. Ecuador Gazettes Circular Clarifying VAT Application for Local Transfer of Movable Property, Provision of Services, Bloomberg Law News (April 3, 2024).
xxiv. Ecuador Tax Agency Issues Resolution on Requirements for Refunds of Tax Credits From VAT Withholding at Source, Bloomberg Law News (April 29, 2024).
xxv. Angola Tax Agency Announces Revision of VAT Code, Bloomberg Law News (April 22, 2024).
xxvi. Austria MOF Clarifies Input VAT Flat Rate for Foreign Entrepreneurs, Bloomberg Law News (April 22, 2024).
xxvii. Belgium—Ministry of Finance Clarifies 2024 Tolerance for VAT Deduction Based on Pro Rata Allocation, (April 11, 2024), News IBFD.
xxviii. Belgium—Belgium Clarifies Option to Use VAT Exemption for Small Businesses, (April 22, 2024), News IBFD.
xxix. Republic of the Congo MOF Posts Instruction on VAT Application Under 2024 Finance Law, Bloomberg Law News (April 3, 2024).
xxx. Denmark Tax Agency Seeks Comments on Draft Control Signal on VIES Reporting Errors, Omissions, Bloomberg Law News (April 11, 2024).
xxxi. Denmark Tax Agency Clarifies Invoicing Requirements for VAT Deduction by Joint-Stock Company, Bloomberg Law News (April 17, 2024).
xxxii. Denmark Tax Agency Clarifies VAT Liability Increase, Non-Approved Input VAT Deduction on Rental Home Construction, Bloomberg Law News (April 24, 2024).
xxxiii. CCH, EU Set To Expand VAT Cooperation With Norway (April 16, 2024).

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS016408-2A

xxxiv. Finland Supreme Administrative Court Clarifies VAT Treatment for Services Provided by Group Companies, Bloomberg Law News (April 12, 2024).
xxxv. Finland Tax Agency Updates VAT Guidance on Review Procedures for Real Estate Investments, Bloomberg Law News (April 12, 2024).
xxxvi. Finland Supreme Administrative Court Clarifies VAT Exemption for Independent Associations, Bloomberg Law News (April 24, 2024).
xxxvii. Hungary—Tax Authority Publishes Audit Plan for 2024, (April 9, 2024), News IBFD
xxxviii. European Union; Latvia—European Commission Proposes to Authorize Latvia to Apply Higher VAT Registration Threshold for Small Businesses, (April 9, 2024), News IBFD
xxxix. Lithuania Tax Agency Seeks Comments on Proposed Amendments to VAT Law Commentary on International Trade, Bloomberg Law News (April 22, 2024).
xl. Moldova—Foreign Language Teaching Services May Be VAT Exempt, STS Says, (April 2, 2024), News IBFD.
xli. European Union; Romania—European Commission Proposes to Maintain Restrictions on Right to Deduct VAT on Motor Vehicles in Romania, (April 9, 2024), News IBFD.
xlii. South Africa Tax Agency Posts Constitutional Court Decision Clarifying Loan Tax Treatment Under VAT Act, Bloomberg Law News (April 17, 2024).
xliii. Uganda—Budget 2024: Uganda Proposes to Impose VAT on Goods Supplied by Taxable Employers to Employees at No Consideration, (April 12, 2024), News IBFD.
xliv. United Arab Emirates Tax Agency Posts Guide on VAT Groups, Bloomberg Law News (April 5, 2024).
xlv. United Kingdom Tax Agency Updates VAT Notice on Registration Requirements, Bloomberg Law News (April 9, 2024).
xlvi. Tax Notes, Mega Win for British Snack Company in VAT Dispute (April 10, 2024).
xlvii. United Kingdom—No Change to VAT Law Following EU Exit, Says UK Tax Authority, (April 18, 2024), News IBFD.
xlviii. CCH, Australia Responds To GST Court Ruling On Prepared Meals (April 4, 2024).
xlix. CCH, Australia Focusing On Invoice-Related GST Fraud (April 9, 2024).
l. CCH, China Introducing VAT Reverse Charge On Scrap Dealers (April 18, 2024).
li. French Polynesia—French Polynesia Adopts Various Tax Measures, Including Higher Tax for Financial Entities, (April 19, 2024), News IBFD.
lii. New Zealand Tax Agency Issues GST, Income Tax Decision Clarifying Shortfall Penalties for Suppressed Cash Sales, Bloomberg Law News (April 19, 2024).
liii. Philippines Tax Agency Posts Revenue Regulation on Amendments of Specific VAT, Percentage Tax Provisions, Bloomberg Law News (April 17, 2024).

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. USCS016408-2A