



Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Azerbaijan:**ⁱ On September 5, 2024, Azerbaijan published [Decision No. 383](#), which approves a list of 136 fixed assets that are exempt from import VAT when subject to a leasing contract. The list includes various items such as hot water boilers, centrifugal milk separators, threshing machines, rotary machines, and equipment for the sugar industry.
- **Bahrain:** The National Bureau for Revenue of Bahrain recently updated its [list](#) of zero-rated basic food items. To read a report prepared by the KPMG International member firm in Bahrain, please click [here](#).
- **Costa Rica:**ⁱⁱ The Costa Rican Legislative Assembly has approved a reduction of the VAT rate to 1 percent on the sale and import of reef-safe sunscreen. To qualify for the reduced VAT rate, sun protection products must be registered with the Ministry of Health and must not contain chemical components harmful to coral reefs, as determined by the Ministry of Environment and Energy (MINAE). The bill now awaits the President's signature and publication in the Official Gazette to become effective.
- **Estonia:**ⁱⁱⁱ The government of Estonia has recently proposed a rise in the standard VAT rate from 22 percent to 24 percent, anticipated to take effect from July 1, 2025. Additionally, the Estonian parliament has, on September 10, 2024, taken into consideration [Bill No. 492 OE](#). This bill proposes a reduced VAT rate of 5 percent on various items including: 1) foodstuffs, beverages, and other items for human consumption such as seasonings and preservatives, but not including alcohol and tobacco products; 2) animal feed, inclusive of raw materials, additives, and industrial waste used in animal feed production; and 3) services provided by restaurants and caterers.
- **Ethiopia:**^{iv} On August 29, 2024, the Ethiopian Ministry of Finance published [VAT Directive No. 1341/2024](#), which outlines the application of VAT on water, electricity, and transport services. The directive includes measures such as providing a VAT exemption for water and electricity consumption up to a certain threshold for low-income households. It also clarifies that the VAT exemption for mass transport services will remain in effect. Additionally, the directive imposes VAT on transport services using vehicles with a loading capacity of less than eight individuals.
- **Finland:**^v On September 23, 2024, Finland's government tabled [Bill HE 141/2024 vp](#), which, among other things, proposes to increase the reduced VAT rate of 10 percent to 14 percent effective January 1, 2025. However, newspapers, periodicals, and public broadcasting would continue to be subject to a 10 percent reduced rate. Additionally, menstrual pads, incontinence pads, and child diapers would be subject to a reduced VAT rate of 14 percent instead of the standard rate.
- **Greece:**^{vi} On September 20, 2024, the Greek tax authority [clarified](#) that when private passenger cars are fully rented with a driver, the service providers are considered to provide passenger transport services for VAT purposes. These services are subject to the reduced VAT rate of 13 percent. Businesses also have the right to deduct VAT on expenses related to the purchase, import, or intra-community acquisition of such cars, as well as for fuel, repairs, maintenance, rental, and operating costs, regardless of whether the cars are used for rental services with or without a driver.

- **Kyrgyzstan:**^{vii} On August 27, 2024, Kyrgyzstan published Resolution No. 512 exempting from VAT the following imports effective September 10, 2024: cast iron or cast steel parts for specific machines, certain types of pipes and hoses, electric generating sets, hydraulic systems, parts of hydraulic power units and engines, transformers with a capacity of up to 1 kVA, and digital control panels with a built-in computing machine for voltage not exceeding 1,000 V. In addition, effective September 18, 2024, Kyrgyzstan removed the VAT exemption on 317 medicines, medical devices, and raw materials used in medicine production. These items were previously included in a list approved by the Cabinet of Ministers on April 18, 2023.
- **Latvia:**^{viii} The Latvian Ministry of Finance recently proposed extending the application of the reduced VAT rate of 12 percent on specific fresh fruits, berries, and vegetables indefinitely. Currently, this reduced rate applies from January 1 to December 31, 2024.
- **Malta:**^{ix} On September 13, 2024, Malta published Legal Notice 228, which classifies psychotherapy and counselling professions as medical professions, making them eligible for as VAT exempt transactions under the Fifth Schedule of the VAT Act. This amendment aligns with the EU Member States' requirement to define medical and paramedical professions for VAT exemption related to healthcare. Furthermore, the services by dental technicians and the provision of dental prostheses by dentists and dental technicians have been included in the Fifth Schedule.
- **Monaco:**^x On September 19, 2024, Monaco published Sovereign [Ordinance No.10,832](#). Among other things, the Ordinance provides that from January 1, 2024, hotel accommodation services for up to 30 nights with specific amenities will be subject to a 10 percent VAT rate, and the sale of condoms will be subject to a 5.5 percent VAT rate.
- **Nigeria:**^{xi} Effective September 1, 2024, Nigeria exempts from VAT the following goods and services: equipment and infrastructure used for the expansion of compressed natural gas (CNG) and liquefied petroleum gas (LPG); domestic liquefied natural gas (LNG) processing facilities and equipment; electric vehicles and parts for assembling electric vehicles; biogas and biofuel equipment and accessories; CNG conversion and installation services; LPG conversion and installation services; and manufacturing, assembly and sale of electric vehicles.
- **Netherlands:** On September 17, 2024, the Dutch government has issued the 2025 Tax Plan, in which, among, other things, it proposes to repeal the reduced VAT rate on lodgings and certain cultural goods and services (e.g., media and books) effective January 1, 2026. To read a report prepared by the KPMG International member firm in the Netherlands, please click [here](#).
- **Poland:**^{xii} On September 10, 2024, Poland published a [draft bill](#) to amend the VAT law. The bill proposes the following VAT measures: applying a zero percent VAT rate for rescue vessels and lifeboats used at sea that are not seagoing ships; extending the 8 percent VAT rate for medical devices approved under the previous Act on Medical Devices; reducing the VAT rate on menstrual cups from 23 percent to 5 percent; and increasing the VAT rate for specified hemp products from 8 percent to 23 percent.
- **Slovakia:** Effective January 1, 2025, Slovakia will increase the standard VAT rate from 20 percent to 23 percent. In addition, the reduced VAT rate of 10 percent will increase to 19 percent. Finally, the loss of goods and services subject to the reduced VAT rates of 19 percent and 5 percent will be amended. For instance, basic foods, medicines, books, newspapers, catering, accommodation in the tourism industry or entry to sports grounds

will be subject to the 5 percent rate while other food and electricity will be subject to the 19 percent rate. To read a report prepared by the KPMG international member firm in Slovakia, please click [here](#).

- **Slovenia:**^{xiii} On September 2, the Slovenian lower house of Parliament accepted [Bill No. 1683-IX](#) for consideration to amend the VAT Act. The bill includes measures that propose to transpose EU Directive 2022/542 regarding VAT rates; exempt VAT for goods and services provided to victims of natural disasters under specific conditions application of the standard VAT rate (22% %) for drinks with added sugar or sweeteners, which are currently subject to a lower VAT rate (9.5%); and limit the application of the lower VAT rates for phytopharmaceuticals and artificial fertilizers starting December 31, 2031.
- **Spain:**^{xiv} Effective October 1, 2024, Spain applies a 2 percent VAT on bread, milk, and fruits, which were previously temporarily taxed at a zero percent rate. Additionally, the VAT on pasta and seed oils increased from 5 percent to 7.5 percent.
- **Switzerland:**^{xv} The Swiss government recently proposed to increase the VAT rate by 0.7 percent to fund the nation's pension tax reforms.
- **Thailand:**^{xvi} Thailand recently the application of the 7 percent VAT rate until September 30, 2025.
- **United Kingdom:**^{xvii} On September 5, 2024, the United Kingdom published the [Value Added Tax \(Caravans\) Order 2024](#) to ensure that residential caravans continue to be eligible for the zero percent VAT rate, similar to other forms of accommodation.
- **Uruguay:**^{xviii} On September 23, 2024, Uruguay published [Decree No. 256/024](#) extending until April 30, 2025, the application of the 13 percent reduced VAT rate for tourism activities paid with a credit card, debit card or e-money payment instrument. The reduced rate applies to services such as gastronomy, catering, car rental, and real estate mediation.
- **Venezuela:**^{xix} Effective September 1, 2024, Venezuela has extended the exoneration from VAT and import taxes for certain goods until December 31, 2024. This extension, established by Decree 4,985, covers a wide range of goods listed in the appendices of Decree 4,907. Eligible legal entities, individuals, and government agencies can benefit from a 90 percent reduction in import tax and VAT for certain goods, as well as a total exoneration for other goods subject to obtaining a "certificate of no national production" or "insufficient national production." The exoneration also applies to goods exclusively made by specific entities.

Digitalized Economy Indirect Tax Updates

Chile: New Reporting and VAT Obligations for Digital Platforms and Remote Sellers

The Chilean Congress has approved the Tax Compliance Bill, which introduces new reporting and VAT collection obligations for platform operators and remote sellers of goods to consumers in Chile. The Bill mandates that digital platform operators verify the tax compliance of entities offering products or services on their platforms and report annually to the tax authority. The Bill also clarifies VAT obligations for digital platforms, deeming the operator a taxpayer for transactions subject to VAT. Furthermore, the Bill clarifies that all remotely provided services are sourced to Chile when the consumer is in Chile.

For remote sellers of low-value goods, the Bill introduces a new VAT collection obligation. Nonresident sellers of goods sold remotely to final consumers in Chile will be liable to register for and collect VAT if the consignment value does not exceed \$500. The Bill also expands the simplified VAT compliance regime currently applicable to remote sellers of services to remote sellers of goods. The Bill is expected to take effect 12 months after its publication in the official gazette, except for the new reporting obligations for platform operators, which should become effective 6 months after the publication. To read a report prepared by the KPMG International member firm in Chile, please click [here](#).

Ethiopia: New VAT Rules for Nonresident Remote Services Providers

In July 2024, Ethiopia's House of Peoples' Representatives approved Proclamation No. 1341/2024, which, among other things, requires nonresident digital services providers to collect VAT on remote services. Remote services are defined as services that are provided by a seller from a place of business outside Ethiopia to a recipient in Ethiopia. Moreover, nonresident providers may also be liable for VAT on the provision of the following services: services physically performed in Ethiopia; immovable property services, inbound tourism products (e.g., accommodation, meals, transportation, tours, or other tourist activities in Ethiopia); agency or booking services relating to a provision of an inbound tourism product; and telecommunications services that can only be used in Ethiopia.

The regime applies to services made to final consumers (B2C sales) in Ethiopia. For remote services, a recipient is considered an Ethiopian resident if at least two of certain conditions apply, such as having a billing address or bank account in Ethiopia. The Proclamation further clarifies that an electronic distribution platform is liable for remote services it facilitates under certain conditions. Taxpayers must register for VAT if they perform taxable sales above ETB 2,000,000 in any 12-month period. The proclamation also states that taxpayers must issue VAT-compliant invoices, with requirements to be set in future regulations. Penalties will follow the provisions in the general VAT law. For further information, [click here](#).

Philippines: New VAT Rules for Nonresident Digital Services Providers

On October 3, 2024, the Philippines passed Republic Act No. 12023, imposing VAT on the sale of digital services by foreign providers. The new regime stipulates that digital services provided by nonresident digital service providers (DSPs) and consumed in the Philippines will be considered to have been performed or rendered in the country, and thus subject to VAT. The definition of digital service encompasses any service provided over the internet or other electronic networks using information technology, where the provision of the service is essentially automated. Services falling under this definition include online search engines, online marketplaces, cloud services, online media and advertising, online platforms, and digital goods.

Nonresident DSPs will be liable for charging and remitting VAT on digital services consumed in the Philippines by non-VAT registered customers. If the customers are VAT-registered, they will be required to withhold the VAT. If a nonresident DSP is classified as an online marketplace, it will also be liable to remit VAT on the sales made by nonresidents that it facilitates, if it controls key aspects of the sale and performs any of the following: setting the terms and conditions of the sale, or involvement in the ordering or delivery, directly or indirectly.

Nonresident DSPs will be required to register for VAT with the Bureau of Internal Revenue if their gross sales breach the PHP 3 million threshold. In the event of failure to register, the Commissioner of Internal Revenue (CIR) would be entitled to block the site of the service providers with the assistance of the Department of Information and Communications Technology (DICT), through the National Telecommunications Commission (NTC). In addition, VAT-registered nonresident DSPs must issue an invoice that complies with certain prescribed information and are not required to maintain regular accounting records and subsidiary sales or purchase journals.

The law will take effect on October 18, 2024, and the tax authorities will have 90 days to issue implementing regulations. The compliance requirement will begin 120 days from the issuance of the regulations to regulations (by June 1, 2025, at the latest). To read a report prepared by the KPMG International member firm in the Philippines, please click [here](#).

Other Developments

Bulgaria:^{xx} On September 18, 2024, the Bulgarian Ministry of Finance launched consultation on proposed amendments to the VAT law, including measures to implement the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025.

Canada:^{xxi} On August 30, 2024, the United States [initiated](#) dispute settlement consultations with Canada over its newly enacted digital services tax (DST). Canada's DST, enacted under Bill C-59, imposes a 3% tax on revenues deemed connected to Canada from online marketplaces, online targeted advertising, social media platforms, and user data. It applies to companies or groups with annual global revenues of EUR 750 million or more and Canadian digital services revenue exceeding CAD 20 million. (For KPMG's previous discussion on Canada's DST, click [here](#).) The United States claims that Canada's DST appears to target and discriminate against U.S. companies in favor of Canadian ones. The U.S. argues that this DST is inconsistent with the United States-Mexico-Canada Agreement, as it fails to accord equal treatment to U.S. services, service providers, investors, and their investments, compared to their Canadian counterparts.

Canada:^{xxii} On September 10, 2024, the Canada Revenue Agency (CRA) published [guidance](#) on new Reporting Rules for Digital Platform Operators. Under these rules, platform operators resident in Canada or nonresident but allowing sellers to sell goods or offer services in Canada must collect and report information on sellers, deemed as reportable sellers, to the CRA. A reportable seller is generally a seller registered on a digital platform, residing in Canada or another country implementing the rules, and performing in-scope activities (i.e., sale of goods; rental of real or immovable property (both residential and commercial); rideshare and delivery services; and personal services) to customers in Canada or other countries implementing these rules. Reporting platform operators must report identification and activity information on each reportable seller, such as the seller's name, primary address, tax identification number, financial account identifiers, and consideration paid or credited. The first information return is due by January 31, 2025, for the 2024 calendar year, and reporting platform operators must obtain a business number, and an information returns RZ program account to file.

Colombia:^{xxiii} On August 28, 2024, the Colombian tax authority issued Ruling 713 further clarifying the significant economic presence (SEP) regime applicable to nonresident companies for the digital sale of goods and provision of services to clients or users located in Colombia. According to the Ruling, nonresident companies are considered to have an SEP in Colombia if they systematically interact with clients or users in the country, such as by providing the opportunity to view prices in Colombian Pesos (COP) or allowing payment in COP. The SEP regime applies when two conditions are met: the number of clients or users located in Colombia exceeds 300,000, and the income obtained in the year surpasses 31,300 UVTs. For related parties, these thresholds apply in an aggregate manner. (For KPMG's previous discussion on Colombia's SEP, click [here](#).)

Croatia:^{xxiv} Croatia recently launched a consultation on proposed changes to the VAT law effective January 1, 2025, including measures to implement the EU sourcing changes for live streaming of events provided to final consumers, shifting the place of taxation from where the event takes place to the place where the consumer is established.

Greece: On September 16, 2024, Greece published Law 5135/2024 replacing the current stamp duty with a digital transaction fee, effective from December 1, 2024. This fee will apply to a variety of transactions, including loans, current accounts, deposits and withdrawals, sale of movable property or intangible goods, transfer of business, settlements, compensation, fees, default interest and statutory interest, bank checks, subscriptions paid to professional chambers, associations, clubs, and societies, prizes and awards, and other specified contracts. The fee will also apply to transactions involving the state or general government entities, such as leases of real estate, compensation, subsidies, financial support, grants, remuneration for services, fees for participation in councils and committees, collection of fines and similar revenues, transactions conducted in land registry offices, and issuance of certificates and evidentiary documents before courts. The fee will be imposed regardless of where the transaction or contract takes place or is formed or executed, as long as at least one party has tax residency in Greece or a permanent establishment in Greece related to the transaction. To read a report prepared by the KPMG International member firm in Greece, please click [here](#).

Iceland:^{xxv} On September 10, 2024, the Finance Minister of Iceland presented the 2025 Budget Bill to the parliament, which, among other things, proposes to require streaming service providers to pay up to 5 percent of their annual subscription fees from Iceland or to invest directly in creating Icelandic audio and video content. If these providers invest enough in Icelandic content, they will not have to pay the new fee. In addition, on September 25, 2024, the Minister of Finance opened for consultation proposed amendments to various laws on taxes and charges. With respect to VAT, the amendments would remove the joint and several liability for agents and representatives of foreign entities that conduct taxable transactions in Iceland.

Luxembourg:^{xxvi} On September 16, 2024, the tax authorities of Luxembourg issued [guidance](#) outlining obligations under the [EU Directive](#) imposing reporting and exchange of information obligations for activities of certain digital platform operators. Platform operators must provide their name and tax identification number (TIN), while third-state operators must provide additional details such as their postal address, email addresses, VAT status in the EU, and seller residency. DAC7 declarations require further information, including the operator's head office address and individual identification number (NII). Details about each seller and real estate rentals must also be provided. All procedures must be completed electronically via the state platform MyGuichet, and information relating to sellers can be declared by importing or dragging and dropping an XML file.

Monaco:^{xxvii} On September 19, 2024, Monaco published [Sovereign Ordinance No. 10,832](#). Among other things, the Ordinance provides that from January 1, 2024, taxpayers facilitating sales of goods through an electronic interface, such as a marketplace or platform, are liable for import VAT if the goods are in Monaco at the time of arrival of the shipment to the purchaser, and such a taxpayer intervenes without being deemed to have made the sale. The Ordinance also implements sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025.

Netherlands: In July 2024, the Dutch tax authority extended a waiver of default penalties until January 1, 2025, for nonresident taxpayers who are not compliant with the One Stop Shop (OSS) mechanisms of the EU VAT e-commerce package. For more information, click [here](#).

Nigeria: ^{xxviii} Effective September 9, 2024, the Nigeria is enforcing an electronic money transfer levy (EMTL) of NGN 50 on any electronic receipt or transfer of NGN 10,000 and above received by customers of any bank. Financial institutions, fintech companies, and online banking institutions in Nigeria are now required to comply with this regulation and must remit the collected levy by the business day following the transfer.

OECD:^{xxix} On October 2, 2024, the OECD released [XML Schemas and User Guides](#) to facilitate the exchange of information between tax authorities under the Crypto-Asset Reporting Framework (CARF). In addition to this, the OECD also published [FAQs](#) to provide guidance on the CARF, including clarifications on non-custodial services.

Poland:^{xxx} On September 10, 2024, Poland published a [draft bill](#) that includes measures to implement the EU sourcing changes for live streaming of events provided to final consumers from the place where the event takes place to the place where the consumer is established, effective January 1, 2025.

Thailand:^{xxxi} On September 24, 2024, Thailand published [Royal Decree No. 788](#), which exempts from VAT cryptocurrency and utilization digital token transfers made through or by a digital asset broker, or transferred to a digital asset trader in accordance with the Digital Asset Business Act. It also defines “utilization digital tokens” as tokens that establish the right to acquire goods, services, or any other specified rights.

Developments Summary of the Taxation of the Digitalized Economy

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

E-Invoicing Updates

Greece: Introduction of Mandatory E-Waybill

On July 31, 2024, Greece's Ministry of Finance and the Independent Authority for Public Revenue (A.A.D.E.) issued Decisions A. 1122/2024 and A. 1123/2024, introducing a new e-waybill system, which includes electronic delivery notes and digital tracking of shipments. Decision A. 1122/2024 outlines the application scope, exceptions, and timeframe for the obligations related to this system. It mandates taxpayers delivering goods within Greece to issue a pre-validated e-waybill through the MyData portal before delivering the goods. The e-waybill submission and acceptance notification requirements will be implemented in two phases.

Phase I targets taxpayers with annual gross receipts of EUR 200,000 or more in their 2022 income tax report. It also includes entities engaged in sectors like energy products (fuel), pharmaceutical products, medical consumables, building materials, and the production, processing, and marketing of olive fruit and olive oil, regardless of their gross revenues. These taxpayers must start complying with this mandate from December 1, 2024.

Phase II involves all other taxpayers specified in the decision's annexes. Compliance with the e-waybill becomes compulsory for these taxpayers from April 1, 2025.

Decision A. 1123/2024 focuses on the e-waybill's technical aspects. It defines the content and format of digital traffic documents, the process, the transmission channels to the myDATA platform of the A.A.D.E, and any other special topics related to the digital tracking of goods traffic. To read a report prepared by the KPMG International member firm in Greece, please click [here](#).

Other Developments

- **Costa Rica:**^{xxxii} On September 18, 2024, Costa Rica's tax authority published [draft Resolution MH-DGT-RES-000-2024](#) proposing updates to the e-invoicing system. The proposed updates aim to modify the technical requirements for creating, formatting, and managing e-invoices, credit notes, and debit notes. The tax authority proposes to introduce additional fields in various sections of the e-document's schema, including headers, details about the goods or services, summary and totals of the e-document, reference information, and sections related to document security and other miscellaneous information. The tax authority further recommends adding fields such as "System Provider," "Economic Activity Code of the Receiver," and "Foreign Non-Domiciled" to help identify e-invoicing systems and types of issuer identification. The draft also outlines information requirements for e-invoicing system providers.
- **Democratic Republic of Congo:**^{xxxiii} On September 5, 2024, the tax authority of the Democratic Republic of the Congo [announced](#) the start of the first pilot phase of the e-invoicing (Facture Normalisee) and electronic tax devices mandate. Starting September 15, 2024, businesses that meet specific criteria set by the tax authority will be required to comply with the mandate. To facilitate the implementation, the tax authority has approved the use of "e-UF" devices for businesses without invoicing software and "e-MCF" devices for those with e-invoicing software. The tax authority has assembled a dedicated team to offer assistance and training to the selected businesses during this transition.

- **Estonia:**^{xxxiv} On September 18, 2024, the Parliament of Estonia **adopted** a law mandating the use of the European e-invoicing standard, unless the buyer and seller agree on a different format. This law does not prohibit the use of current invoice formats. When issuing e-invoices, businesses can use either the Estonian or the European format (EN 16931). The law further promotes the use of e-invoicing solutions for sending and receiving e-invoices. Unlike other e-invoicing laws, this law transfers the responsibility from the seller to the buyer, giving the buyer the right to request an e-invoice from the seller. All entities registered as e-invoice receivers in the e-business register, including public sector accountants, have this right. The law will become effective on July 1, 2025.
- **Ghana:**^{xxxv} On September 4, 2024, the tax authority of Ghana **announced** the deployment of the second phase of the country's e-invoicing system for 2,000 taxpayers. The tax authority has released several lists, containing the names and tax IDs of taxpayers mandated to comply. To aid in the transition, the tax authority will conduct onboarding seminars for the businesses involved. However, the specific dates for these taxpayers to start complying with the e-invoicing mandate have not been disclosed yet.
- **India:**^{xxxvi} On September 9, 2024, the GST Council **recommended** extending the e-invoice mandate to include B2C transactions. At present, e-invoicing is mandatory for businesses with gross receipts of INR 5 crore or more, but only for B2B transactions. The GST Council recommends starting with a pilot program for voluntary e-invoicing in selected sectors and states and considering collaborating with states that are willing to participate in this initiative.
- **Kyrgyzstan:**^{xxxvii} On August 23, 2024, Kyrgyzstan issued Resolution 499, which exempts taxpayers providing transportation services and goods delivery services from the mandatory use of cash registers until January 1, 2025. This provision also exempts businesses selling goods or providing services online from this requirement until November 1, 2024.
- **Nigeria:**^{xxxviii} On September 18, 2024, the Chairman of the Federal Inland Revenue Service (FIRS) in Nigeria announced plans to expand the country's electronic invoicing system. At present, the e-invoicing mandate in Nigeria is only applicable to certain import and export transactions.
- **Saudi Arabia:**^{xxxix} On August 30, 2024, the Zakat, Tax and Customs Authority (ZATCA) announced the criteria for the fifteenth group of taxpayers required to comply with the second phase of the e-invoicing system implementation. The fifteenth group will include taxpayers whose VAT-liable revenues exceeded SAR 4 million in 2022 or 2023.
- **Saudi Arabia:**^{xl} On September 27, 2024, the ZATCA announced the criteria for the Sixteenth group of taxpayers required to comply with the second phase of the e-invoicing system implementation. The sixteenth group will include taxpayers whose VAT-liable revenues exceeded SAR 3 million in 2022 or 2023.
- **Serbia:**^{xli} On September 18, 2024, the Ministry of Finance of Serbia initiated a public consultation on a draft Law on the introduction of an Electronic Delivery Notes mandate. The proposed law mandates both public and private sector entities to send electronic delivery notes for each movement of goods they control, with certain exceptions. Non-compliance with the law's obligations could result in fines ranging from RSD 50,000 to RSD 2,000,000. To support these changes, an IT solution managed by the Central Information Intermediary, a unit within the Ministry of Finance, will be used for the sending, receiving, recording, processing, and storing of electronic goods delivery notes. If approved, the law will become effective from January 1, 2026. However, certain obligations, such as the sending, presenting, and receiving of electronic delivery notes during goods movement or inspection, will not apply to private sector entities and transporters until October 1, 2027. To

read a report prepared by the KPMG International member firm in Serbia, please click [here](#).

- **Serbia:**^{xliii} On September 15, 2024, the Ministry of Finance of Serbia released version 3.10 of the electronic recording of VAT deduction system. This update will enable access to the user interface of the electronic VAT deduction recording module on the DEMO version of the System of Electronic Invoicing (SEF), as well as access to the application interface of the electronic VAT deduction recording module. Additionally, the Internal Technical Manual was updated to reflect these changes and is also published on the Ministry of Finance’s website. To read a report prepared by the KPMG International member firm in Serbia, please click [here](#).
- **United Kingdom:**^{xliiii} On September 23, 2024, the HM Treasury announced a series of reforms, known as the “HMRC package,” aimed at improving the UK’s tax system and strengthening the economy’s foundations. Among these updates, the HMRC plans to launch a consultation on e-invoicing, seeking input from businesses on how it can foster investment and encourage the adoption of e-invoicing. To read a report prepared by the KPMG International member firm in the United Kingdom, please click [here](#).

Global E-invoicing Developments Timeline

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

Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Chile** published a [report](#) on recent tax developments in the country, including a tax authority ruling clarifying the VAT treatment applicable to services provided to a Chilean public entity and another tax authority ruling clarifying the scope of the VAT exemption for sales and general construction contracts financed by housing subsidies.
- **KPMG in Mexico** published a [report](#) discussing how tax authorities can temporarily restrict the use of digital seal certificates for issuing e-invoices if taxpayers fail to meet certain obligations. These restrictions apply if taxpayers fail to file their annual return or more than two advance monthly payments, cannot be located during administrative procedures or audits, issue tax receipts for non-existent, simulated, or illicit operations, or if there are discrepancies between declared taxable activities, income, and withheld taxes and the documents or databases submitted to tax authorities. Affected taxpayers can submit a clarification request to address irregularities or explain the reasons for the restriction, with authorities required to issue a resolution within 10 days, during which the use of the certificate must be allowed.

United States: Texas Comptroller Issues Guidance on Membership Fee Combined with Other Services

The Texas Comptroller of Public Accounts (Comptroller) recently issued a letter ruling on the taxability of membership fees for a product that combined nontaxable business consulting services with taxable data processing and information services. The taxpayer provides “consulting and coaching services” to contractors in the HVAC, electrical, plumbing and roofing industries. The services include assistance in identifying and executing strategic business goals; website creation and maintenance; and access to a library of tools such as call scripts, dispatching procedures, and budget templates.

In its decision, the Comptroller identified the assistance in making and meeting strategic goals as a nontaxable business consulting service. However, website creation was identified as a taxable data processing service, and access to the library of assistance tools was identified as a taxable information service. The Comptroller rejected the taxpayer’s argument that access to the library of tools was an “inconsequential perk” with only “nominal value” because it was advertised as a valuable benefit on the taxpayer’s website. After determining the membership fees were paid for both taxable and nontaxable services, the Comptroller applied its rules for determining taxability of the transaction. Under the rules, the business consulting service could not be treated as an unrelated service because the taxpayer did not also provide it on a stand-alone basis. Considering the entire transaction, the Comptroller determined that the entire transaction was presumed taxable because the taxable component reflected more than five percent of the total charge. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Anguilla:**^{xliv} On September 16, 2024, the tax authority of Anguilla [announced](#) that all operators of short-term accommodation must register under the General Sales Tax Act and obtain a valid business license by October 1, 2024. Failure to comply with these requirements will result in violations of the law and the issuance of citations.
- **Curaçao:**^{xlv} The government of Curaçao recently released its Budget policy document for the fiscal year 2025, which, among other things, proposes simplifying the turnover tax system and broadening the tax base by 2026.
- **Dominican Republic:**^{xlvi} On July 24, 2024, the tax authority of the Dominican Republic published [Ruling No. GLN 4111XXX](#), clarifying that certain artistic and cultural services, including musical presentations in events, restaurants, and clubs, are exempt from the value-added tax (ITBIS).

Europe, Middle East, Africa (EMEA)

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

- **KPMG in Austria** published a [report](#) on recent tax developments in the country, including the Austrian parliament passing a bill that increases the VAT registration threshold to EUR 55,000 effective January 1, 2025.
- **KPMG in Estonia** published a [report](#) on amendments to the Motor Vehicle Tax Act and modifications to the Traffic Act, which will take effect in 2025. The Traffic Act introduces a registration fee for automobiles and vans, consisting of a basic component, a CO2 emissions component (except for electric vehicles), and a mass component for automobiles. The Motor Vehicle Tax Act imposes an annual tax liability on vehicle owners or authorized users, with different rates based on vehicle categories and parameters such as age and engine power.
- **KPMG in Italy** published a [report](#) on an Italian Supreme Court ruling clarifying that special purpose vehicles (SPVs) can recover VAT on consultancy services in merger leveraged buyout (MLBO) transactions. The Supreme Court held that the SPV should be considered as a taxpayer for VAT purposes because the acquisition of the target company amounts to preparatory activities for economic activities that will be performed following the acquisition. As a result, the VAT incurred on consultancy services should be recoverable to the extent that these services are preliminary to and intended for an economic activity performed by the target company after the merger. This decision overturns a previous interpretation by the Italian tax authority and allows SPVs to recover VAT in MLBO transactions.
- **KPMG in Luxembourg** published a [report](#) regarding a draft bill that would, among other things, amend the sourcing rules for live streaming of events to the location of the consumer, clarify the application of the 8 percent reduced VAT rate to works of art, and restructure the special mechanism for small enterprises to increase the VAT registration threshold to EUR 50,000 and extend the application of the VAT registration threshold to small enterprises established in other EU Member States.

- **KPMG in Mauritius** published a [report](#) regarding the Mauritius Finance Act 2024. This act has introduced a Tax Amnesty Scheme called CTASS, allowing taxpayers to settle their outstanding tax and contributions arrears. The scheme covers assessments pending as of 30 June 2024, including tax arrears under assessments issued or returns submitted. It applies to various legislations such as the Income Tax Act, VAT Act, and more. The CTASS offers a 100% waiver of penalties and interest for tax arrears and a 75% waiver of surcharges for contributions arrears. The deadline for application is 31 March 2025, and all arrears must be settled by 26 June 2025. KPMG can assist taxpayers in Mauritius with the CTASS application process and ensuring compliance with tax regulations.
- **KPMG in the Netherlands** published a [report](#) on a draft bill that would introduce a VAT recovery adjustment requirement on services related to immovable property effective January 1, 2026. The bill would implement a five-year VAT adjustment period on the acquisition of immovable property services (e.g., renovations and major maintenance) of at least EUR 30,000.
- **KPMG in Poland** published a [report](#) on recent tax developments in the country, including a draft bill, which would, among other things, amend the sourcing rules for live streaming of events to the location of the consumer, exclude works of art subject to the reduced VAT rate from the scope of the margin mechanism, and simplify the special mechanism for small enterprises to extend the application of the VAT registration threshold to small enterprises established in other EU Member States. In addition, the report discusses a recent judgment by the Supreme Administrative Court (SAC) holding that that sales documented by receipts can be corrected if the VAT rate applied was too high, even without invoices. The SAC also stated that a tax authority can deny a refund to a taxpayer who mistakenly used an inflated VAT rate, citing unjust enrichment, but only if it proves that the taxpayer's financial burden from the incorrect tax was fully offset.
- **KPMG in Poland** published a [report](#) on recent tax developments in the country, including a draft bill, which would, among other things, apply the standard VAT rate to sales of cannabis sativa products, extend the application of the self-assessment requirement for gas in the gas system, electricity in the power system and services consisting in trading in greenhouse gas emission allowances, and replace the obligation to integrate cash registers with a new reporting obligation on payment transactions by acquiring agents. The report further discusses a recent judgment by the SAC holding that an employer is responsible for false invoices issued by an employee if the employee acted without the employer's knowledge and consent, provided that the employer failed to exercise due diligence in supervision.
- **KPMG in Poland** published a [report](#) stating that starting January 1, 2025, a new deposit-refund system for beverage packaging will be implemented. The deposit will be refundable when packaging is returned, with no receipt required. Retail and wholesale outlets over 200 m² are required to collect and return deposits and accept returned packaging. Smaller shops have similar obligations for reusable glass bottles up to 1.5 liters and can voluntarily join the system for other packaging. The deposit will be charged on every sale of the product in the distribution chain. Current VAT regulations do not include deposits in the tax base, but new rules will apply to the deposit-refund system. Deposits will not be included in the tax base, meaning they will not be covered by VAT. At the end of each year, entities introducing products in beverage packaging will declare VAT on unreturned deposits. If there is an excess of packaging, it can be carried over to the next year's settlement.

- **KPMG in Poland** published a [report](#) on recent tax developments in the country, including a SAC judgment holding that a non-compete compensation for a former management board member is not subject to VAT as the board member does not qualify as a taxpayer for VAT purposes. In addition, the report discusses another SAC judgment holding that a taxpayer's failure to verify whether the person passing as the contractor's representative acts on its behalf results precludes the application of the zero-rating for intra-EU sales of goods.
- **KPMG in Serbia** published a [report](#) discussing amendments to the VAT Rulebook, effective from September 1, 2024. The changes include a modification of the tax base, allowing the recipient of goods and services to decrease their calculated VAT if they create an internal invoice and correct the VAT deduction. The requirement to possess a document on the decrease in tax base for decreasing calculated VAT has been removed. There are also new rules regarding tax exemptions, deductions of VAT, and the issuance of invoices. The amendments also introduce new requirements for VAT records, including the necessity to record data on the amount of VAT that can and cannot be deducted and corrections of deductions. Furthermore, the amendments provide specific rules for filling out the POPDV form in case of invoice cancellation, and stipulate that the amount of VAT calculated for the sale of goods and services is reduced by the amount of VAT calculated based on the collected advance payment for such sale.
- **KPMG in Slovakia** published a [report](#) regarding a tax reform that was recently adopted by the parliament. Among other things, the reform introduces a tax on financial transactions conducted by individuals, entrepreneurs, legal entities, or Slovak branches of foreign entities starting April 1, 2025. The tax will apply to transactions resulting in the debit of funds from the taxpayer's bank account and the use of a payment card. The tax rate will be 0.4 percent, with a maximum of EUR 40 per transaction, except for cash withdrawals, which will have a tax rate of 0.8 percent. Banks and, in certain cases, taxpayers will be responsible for paying this tax. Certain transactions, such as tax payments and transfers between a taxpayer's own accounts, will be exempt. The reform also introduces an obligation to maintain a business account.
- **KPMG in Spain** published a [report](#) discussing changes to VAT form 303 to implement the corrective VAT return system. This system, introduced by Law 13/2023, replaces the previous dual system for correcting tax returns. The corrective return allows for the rectification, completion, or amendment of data in already filed self-assessments without waiting for an administrative decision. However, traditional rectification procedures can still be used in certain cases. Changes to form 303 include new boxes for identifying the corrective VAT return and its reasons. The new corrective VAT system will apply from September 2024 for monthly VAT returns and from the third quarter of 2024 for quarterly VAT returns.

European Union: ECJ Clarifies Classification of Pension Funds as Special Investment Funds for VAT Exemption Purposes

On September 5, 2024, the Court of Justice of the European Union (ECJ) published its decision in *X, Fiscale Eenheid Achmea, Y, Pensioenfondsvoor Fysiotherapeuten, BPL Pensioen, BPFL, Cases C-639/22 to C-644/22*, regarding whether certain Dutch pension funds may qualify as "special investment funds," such that management services provided to such funds are exempt from VAT. (To read KPMG's discussion of the AG's Opinion in this case, click [here](#).) Article 135(1)(g) of the [EU VAT Directive](#) exempts from VAT the management of special investment funds as defined by Member States. In the joined cases, a Dutch pension fund purchased asset management services from an investment manager outside the Netherlands, and another provided such services to pension funds. These taxpayers

challenged the VAT calculated by the Dutch tax authorities on these services, arguing that the pension funds which purchased those services or to which those services were provided is a “special investment fund” within the meaning of Article 135(1)(g) of the EU VAT Directive. Consequently, the purchase or provision of those services is exempt from VAT. The Dutch pension funds in question operate based on “pension benefit agreements” with fixed pension benefits, differing from agreements on contributions or capital. They are monitored by the state regarding their policy coverage ratio, which affects their financial situation, contribution levels, and pension entitlements. Contributions are set by the pension funds to cover increased pension obligations, with some funds consulting employer and worker organizations. Pension entitlements and benefits are generally based on remuneration and years of employment and may be adjusted based on financial performance and consumer price index changes. Pension funds may also decrease entitlements if financial conditions worsen.

The ECJ held that special investment funds include undertakings for collective investment in transferable securities (UCITS), which are collective investment undertakings that pool and spread investments over transferable securities, and whose units can be repurchased or redeemed based on investment performance. Thus, for the pension funds to be considered a special investment fund, their members must bear the investment risk, meaning their pension benefits must depend significantly on the fund’s investment performance. If the pension benefits are predefined based on employment duration and salary, and not primarily on investment performance, the fund may not qualify for the VAT exemption. To determine if the pension benefits are significantly impacted by investment performance, factors such as the collective nature of the risk, the duration of pension accrual, interruptions in accrual, and employer guarantees are relevant but not decisive. The primary consideration is whether the pension benefits depend mainly on the fund’s investment performance. Moreover, even if a pension fund does not meet this criterion, the fund must be regarded as a special investment fund if the legal and financial position of a unitholder in that fund is comparable to that of the unitholders in pension funds with a defined contribution plan, where members bear the investment risk. The ECJ has sent the case back to the referring court to determine whether the pension funds at issue meet these criteria. To read a report prepared by the KPMG International member firm in the Netherlands, click [here](#).

Roundup of Latest Court of Justice of the European Union Cases

On September 5, 2024, the ECJ published the non-binding opinion of its Advocate General (AG) in *Dranken Van Eetvelde NV*, Case [C-331/23](#), in which the AG opined that Article 205 of the EU VAT Directive allows third-party tax liability only if the person and their tax debt are known. The liability for an unknown third party whose tax debt is merely estimated cannot be based on Article 205 of the EU VAT Directive. However, Article 273, which allows Member States other obligations which they deem necessary to ensure the correct collection of VAT and to prevent evasion, might apply.

On September 5, 2024, the ECJ published its decision in *H GmbH (Droit direct au remboursement de la TVA)*, Case [C-83/23](#), in which it held that a service recipient cannot directly request a VAT refund from the tax authority of their Member State if the service provider mistakenly invoiced and paid VAT to that Member State instead of the correct one if the tax authority has already refunded the VAT to the seller, which has gone into liquidation, of the service.

On September 12, 2024, the ECJ published its decisions in *Casino de Spa SA and Others*, Case [C-741/22](#), and *Chaudfontaine Loisirs SA*, Case [C-73/23](#), in which it held that EU Member States may treat online lottery ticket purchases differently from other forms of online gambling, excluding the latter from the VAT exemption on gambling as long as these differences significantly influence consumer choices. In such cases, EU law takes precedence over conflicting national laws. Additionally, EU law on recovering wrongly paid amounts allows taxpayers to claim a VAT refund if collected in violation of the EU VAT Directive, provided the refund does not lead to unjust enrichment. Furthermore, if a VAT exemption is deemed unlawful State aid, a taxpayer who did not benefit from the exemption cannot seek damages equivalent to the VAT they paid.

On September 12, 2024, the ECJ published its decision in *L BV*, Case [C-243/23](#), in which it held that the principle of fiscal neutrality prevents Member States from excluding significant construction works, treated as services, from the extended VAT adjustment period for immovable property if these works have an economic life similar to a new building. The court also confirmed that this rule has direct effect, meaning taxpayers can invoke it in national courts against tax authorities to ensure the extended VAT adjustment period applies, even if national law does not explicitly provide for it.

On September 12, 2024, the ECJ published its decision in *NARE-BG*, Case [C-429/23](#), in which it held that EU Member States may deny a taxpayer the right to deduct VAT paid before their VAT registration if the deduction request is made after the national limitation period has expired. This applies even if national COVID-19 measures extended deadlines for other taxes but did not include VAT.

On September 12, 2024, the ECJ published the nonbinding opinion of its AG in *A, B and Foreningen C*, Case [C-573/22](#), in which the AG opined that Article 370 of the EU VAT Directive, which allows Member States to continue to tax the activities of public radio and television bodies, is applicable to the taxation of these activities financed by a statutory fee paid by owners of devices capable of receiving programs. This is applicable even if, after January 1, 1978, the licensing system changed so that the fee is levied not only for owning a radio or television set, but also for owning any other device that can be used to receive those programs, such as smartphones and computers. Article 370 should further apply to the taxation of the activities of public radio and television bodies financed by a statutory fee in a situation where, after January 1, 1978, the licensing system was altered so that a small portion of the revenue from that fee may be used to finance the activities of entities other than public radio and television broadcasters.

On September 12, 2024, the ECJ published its decision in *Novo Nordisk AS*, Case [C-248/23](#), in which it held that EU Member States may not enact legislation that prevents a pharmaceutical company from reducing its VAT taxable amount when it has to pay part of its revenue from publicly funded drug sales to the state health insurance agency through the tax authority. This is true even if the company can reduce its taxable amount for other payments, like those under a price volume agreement or for research and development costs.

On September 12, 2024, the ECJ published its decision in *Syndyk Masy Upadłości A*, Case [C-709/22](#), holding that Poland's split payment mechanism, which requires that VAT deposited in a separate VAT account held by a provider at a bank can only be used for specific tax purposes, is permissible under EU VAT law.

On October 4, 2024, the ECJ published its decision in *UP CAFFE d.o.o.*, Case [C-171/23](#), in which it held if it is proven that a company was created with the intention of abusing the VAT exemption regime for small enterprises, then the newly formed company cannot benefit from this VAT exemption. This applies even if the country in question does not have specific national laws against such practices.

On October 4, 2024, the ECJ published its decision in *Voestalpine Giesserei Linz, Case C-475/23*, in which the ECJ held that a national practice that denies a taxpayer the right to deduct VAT on goods that are provided free of charge to a subcontractor is not allowed if those goods are essential for the business's taxable activities and their costs are part of the business's overall expenses. In addition, the ECJ held that Member States may not deny a taxpayer the right to deduct VAT if it has not kept separate accounts for its fixed establishment in the country where the tax inspection happens is not allowed if the tax authorities can still verify whether the business meets the requirements for VAT deduction.

Source: European Union; Belgium—ECJ Advocate General Opines on Scope of Joint and Several Liability for Participation in VAT Frauds and Liability of Unknown Third Party for Tax Debts According to Principle of Proportionality Applied to Penalties: *Dranken Van Eetvelde* (Case C-331/23) (VAT), (September 5, 2024), News IBFD; European Union; Germany—ECJ Decides on Refund of Undue VAT Paid to Purchaser in the Event of Supplier Insolvency: *H GmbH (Droit direct au remboursement de la TVA)* (Case C-83/23) (VAT), (September 5, 2024), News IBFD; European Union; Belgium—ECJ Decides on VAT Treatment of Online Lotteries Offered by Public and Private Operators: *Casino de Spa and Others (Case C-741/22)* (VAT), (September 12, 2024), News IBFD; European Union; Belgium—ECJ Decides on Difference in VAT Treatment for Online Gambling Offered by National Lottery and by Private Economic Operators: *Chaufontaine Loisirs* (Case C-73/23) (VAT), (September 12, 2024), News IBFD; European Union; Belgium—ECJ Decides on Whether Right to Deduct VAT Applies When Renovation Works Are Carried Out on Building Acquired as Capital Goods: *Drebers (L BV)* (Case C-243/23) (VAT), (September 12, 2024), News IBFD; European Union; Bulgaria—ECJ Decides on Right to Deduct Input VAT of Supplies Received by Taxable Person Prior to Registration as Such: *NARE-BG* (Case C-429/23) (VAT), (September 12, 2024), News IBFD; European Union; Denmark—ECJ Advocate General Opines on Lawfulness of Charging VAT in Respect of Radio and Television Licence Fee: *A, B and Association C* (Case C-573/22) (VAT), (September 12, 2024), News IBFD; European Union; Denmark—ECJ Advocate General Opines on Lawfulness of Charging VAT in Respect of Radio and Television Licence Fee: *A, B and Association C* (Case C-573/22) (VAT), (September 12, 2024), News IBFD; European Union; Hungary—ECJ Decides on Adjustment of Taxable Amount for Payments Related to Research and Development in Health Sector: *Novo Nordisk* (Case C-248/23) (VAT), (September 12, 2024), News IBFD; European Union; Hungary—ECJ Decides on Adjustment of Taxable Amount for Payments Related to Research and Development in Health Sector: *Novo Nordisk* (Case C-248/23) (VAT), (September 12, 2024), News IBFD; European Union; Poland—ECJ Decides on Refusal to Allow Transfer of Funds from VAT Account in Case of Insolvency: *Syndyk Masy Upadłości A* (Case C-709/22) (VAT), (September 12, 2024), News IBFD; European Union; Croatia—ECJ Decides on VAT Liability Where VAT Fraud or Abusive Practices Are Presumed: *UP CAFFE* (Case C-171/23) (VAT), (October 4, 2024), News IBFD; European Union; Romania—ECJ Decides on Deductibility of VAT on Assets Made Available to Subcontractors Free of Charge: *Voestalpine Giesserei Linz* (Case C-475/23) (VAT), (October 4, 2024), News IBFD.

Miscellaneous Developments in EMEA

- **Bahrain:**^{xlvii} On September 4, 2024, Bahrain's National Bureau for Revenue published an updated English-language guide on VAT rules for real estate, effective January 1, 2025. The update specifies that renting space for retail or promotional stands will no longer be VAT-exempt and will be subject to a 10 percent VAT rate if provided by a taxpayer. However, designated spaces within shopping malls or similar areas that function like standard shops will still be considered VAT-exempt real estate, provided certain conditions are met.

- **Bulgaria:**^{xlviii} On September 18, 2024, the Bulgarian Ministry of Finance [launched](#) a consultation that includes measures to implement the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member States to maintain small business exemptions up to EUR 85,000 and extends these exemptions to small businesses in other EU states, provided their gross receipts in the non-established state are below the national threshold and their total EU gross receipts are below EUR 100,000. Non-EU businesses are not eligible for these exemptions. Additionally, a new reporting obligation would require registered entities to disclose data on long-term assets and material stocks quarterly. Moreover, the proposal would include a special VAT procedure on imports for investment projects, aligning with EU Regulation 2023/2831, and updates to the exemption of certain financial services to match the 2021-2027 programming period in Bulgaria. Finally, the amendments suggest calculating the taxable turnover for second-hand goods and travel services based on total remuneration instead of using the margin scheme, reflecting current tax practices.
- **Croatia:**^{xlix} On September 9, 2024, the European Commission adopted a [proposal](#) extending, until December 31, 2027, the authorization granted to Croatia to restrict VAT deduction rights on the purchase and lease of passenger cars, including the purchase of all goods and services connected to them.
- **Croatia:**^l Croatia recently launched a [consultation](#) on proposed changes to the VAT law effective January 1, 2025. Key measures include raising the annual threshold for mandatory VAT registration from EUR 40,000 to EUR 50,000 and allowing VAT refunds for non-EU businesses from any country by removing the reciprocity condition. The changes will also implement the EU's small business VAT reform, permitting small business exemptions up to EUR 85,000 and extending these to small businesses in other EU states under certain conditions. Additionally, the proposal includes measures that provide that any additional VAT charged by the tax authority for a particular transaction will be eligible for VAT deduction by the recipient, requiring the vendor to issue a corrective invoice. It will also be possible to deduct additional import VAT charged by the Customs Authority. Finally, nonresident VAT refund claim requests will be open to non-EU businesses from any country.
- **Denmark:**^{li} On September 2, 2024, the Danish tax authority published [Tax Council Binding Answer No. SKM2024.430.SR](#), clarifying the VAT exemption for the management of special investment funds. In the case, the taxpayer entered into an agreement with an investment management company to provide various accounting and administrative services specifically for managing investment fund departments that qualify as investment funds under the VAT Act. These services included preparing annual reports, calculating and publishing distribution shares, reporting to authorities, managing investment transactions, and more. The management company used these services exclusively for each department within the fund, and all services were department specific. The Danish tax authority concluded that these services, tailored for the administration of the funds, qualify for the VAT exemption under the VAT Act.
- **Germany:**^{lii} On September 9, 2024, the European Commission published a [proposal](#) extending, until December 31, 2027, the authorization granted to Germany, allowing it to restrict the right to deduct VAT on business goods and services used for private purposes. This proposal follows Germany's formal request on February 19, 2024, due to the impending expiry of the current authorization on December 31, 2024.

- **Germany:**^{liii} On September 26, 2024, the General Secretariat of the Council of the European Union requested the Permanent Representatives Committee to ask the Council to adopt the implementing decision authorizing Germany to continue applying a temporary VAT self-assessment mechanism for transfers of emission allowances traded in the national system under the Fuel Emission Allowance Trading Act. Germany was originally authorized to apply this measure in 2021, and it was scheduled to end on December 31, 2024. If approved, the authorization will be extended until December 31, 2026.
- **Finland:**^{liv} On September 23, 2024, the Finnish Supreme Administrative Court issued [Decision No. KHO:2024:106](#), clarifying the VAT treatment of company-provided parking leases. In this case, the taxpayer, a parking facility company, offered cost-based parking services to shareholders through mandatory subscription agreements. The taxpayer transferred parking space usage rights to tenants or owners of residential plots, who subsequently leased these rights to their residents. The lease agreements required tenants or owners to become shareholders of the taxpayer and pay associated fees. The tax authority and the Administrative Court initially determined that these transactions constituted a right to use property, rather than a lease. However, upon appeal, the Supreme Administrative Court reversed the decision and held that these parking arrangements were not part of a single economic entity with the transfer of residential or commercial premises and should be considered as leasing vehicle parking areas under the VAT Act. The taxpayer did not own or manage residential or commercial premises, nor did it engage in VAT-exempt leasing of such spaces. Consequently, the transfer of parking spaces was subject to VAT as leasing vehicle parking areas.
- **Israel:**^{lv} On September 9, 2024, the Israeli tax authority published [Circular No. 3/24](#), announcing that effective January 1, 2025, the gross receipts threshold amount for a taxpayer for the purpose of monthly or bi-monthly VAT reporting for the year 2025 will be increased from ILS 1,670,000 to ILS 1,725,000.
- **Kenya:**^{lvi} On July 11, 2024, the Kenyan High Court ruled that entrance fees and subscription fees charged by golf clubs are exempt from VAT. In the case, the Kenyan Revenue Authority (KRA) had issued VAT demand notices based on the claim that the exemption under Public Notice No. 20 of 2001 was revoked by the Statutory Instruments Act, 2013, when the VAT Act 2013 came into force. The taxpayers argued that even if the public notice was allegedly repealed, they were not informed of any intention to impose VAT on these fees. The High Court determined that the public notice created a legitimate expectation of continued exemption, noting that the VAT Act 2013 did not withdraw the exemption or impose VAT on the fees. The court concluded that the tax authority failed to prove the revocation of the exemption and upheld the exemption for the fees.
- **Moldova:**^{lvii} On June 30, 2024, the Moldova State Tax Service (STS) approved a new form of certificate for attestation as a VAT taxpayer. The new form was approved in accordance with Directive 2008/9 laying down detailed rules for VAT refunds provided for in the EU VAT Directive. This certificate will be issued to taxpayers not established in the EU Member State of refund but established in another EU Member State. Taxpayers can request and generate the certificate online, which will be valid for one year and include a QR code for authenticity verification. Scanning the QR code will display the electronic certificate with details about the issuing authority and the taxpayer. Taxpayers can also request authentication of the electronic certificate by the STS.
- **Monaco:**^{lviii} On September 19, 2024, Monaco published [Sovereign Ordinance No. 10,832](#). Among other things, the Ordinance provides that starting January 1, 2025, taxpayers in Monaco will be eligible for a VAT exemption if their previous year's gross receipts do not

exceed EUR 85,000 for goods, hotel accommodation, and restaurant services; EUR 37,500 for other services; and EUR 50,000 for services by authors and performing artists. The exemption will end if the current year's gross receipts exceed EUR 93,500, EUR 41,250, and EUR 55,000, respectively. It also provides that retroactively from January 1, 2024, VAT on electricity for electric vehicles used for deductible operations can be deducted.

- **Netherlands:**^{lxix} The Dutch tax authority recently issued guidance on the implementation of the EU small business VAT reform, effective from January 1, 2025. Under the new rules, small businesses in the Netherlands with annual gross receipts under EUR 20,000 can be exempt from VAT and related obligations but cannot recover VAT on expenditures. The changes will allow nonresident businesses with EU-wide turnover under EUR 100,000 to benefit from the regime if their sales in the Netherlands fall below the national threshold. Additionally, the current three-year lock-in period for businesses using the regime will be removed, allowing them to unsubscribe at any time and rejoin after the remainder of the calendar year and the following year.
- **Norway:**^{lx} On October 2, 2024, Norway signed a renegotiated agreement with the EU to enhance administrative cooperation in combating international VAT fraud. The original agreement, effective since September 1, 2018, facilitates information exchange, control cooperation, and VAT claim collection. The amendment allows the Norwegian tax authority to access more advanced EU tools for tackling VAT fraud. This agreement must be approved by the Norwegian Parliament to take effect.
- **Poland:**^{lxi} The Polish Council of Ministers approved a legislation that includes measures to implement the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member States to maintain small business exemptions up to EUR 85,000 and extends these exemptions to small businesses in other EU states, provided their gross receipts in the non-established state are below the national threshold and their total EU gross receipts are below EUR 100,000. Non-EU businesses are not eligible for these exemptions. The legislation also provides that taxpayers will no longer be able to apply the special margin mechanism to works of art, collectors' items, and antiques that have been taxed at a reduced rate of VAT.
- **Poland:**^{lxii} On September 10, 2024, Poland published a [draft bill](#) to amend the VAT law. Among other things, the bill includes measures extending the VAT self-assessment mechanism for gas, electricity, and greenhouse gas emission allowance services until December 31, 2026.
- **Romania:**^{lxiii} On September 6, 2024, Romania [approved](#) a new tax amnesty regime, which grants qualifying taxpayers a cancellation of penalties, interest, and other sanctions. The regime applies to VAT obligations but excludes amounts owed to the EU budget, tax liabilities related to transactions involving criminal proceedings, tax liabilities determined by a final criminal court decision, or those connected with criminal offenses subject to penalty waiver conditions under the "Law on Preventing Tax Evasion." The amnesty is available for tax liabilities connected with tax periods up to August 31, 2024, including overdue tax liabilities (principal), additional tax liabilities established based on an assessment notice communicated until August 31, 2024, even if not overdue, additional tax liabilities assessed through an assessment notice issued and communicated until September 6, 2024 (the date on which the amnesty entered into force), tax obligations assessed through ex officio assessment notices or through overdue tax statements filed after September 1 but prior to filing the cancellation request, and any other enforceable payment obligations transferred to the tax authorities for recovery between September 1 and the date of the cancellation request. To take advantage of the regime, taxpayers must apply by filing a cancellation

request by November 25, 2024, pay all outstanding taxes and mandatory charges as of August 31 by the application date, but no later than November 25, pay all taxes and mandatory charges due between September 1 and the application date, and file all tax returns by the application date.

- **Slovakia:**^{lxiv} On October 3, 2024, Slovakia's parliament approved a [law](#) introducing a new tax on financial transactions, effective January 1, 2025. The tax applies to individual entrepreneurs, legal entities, and branches of foreign entities using payment service providers. The tax rates are 0.40 percent on debit financial transactions (capped at EUR 40 per transaction), 0.8 percent on cash withdrawals, EUR 2 annually for payment card usage, and 0.40 percent on recharging costs.
- **Slovenia:**^{lxv} On September 2, 2024, the Slovenian lower house of Parliament accepted [Bill No. 1683-IX](#) for consideration to amend the VAT Act. The bill includes measures that propose increasing the VAT registration threshold from EUR 50,000 to EUR 60,000 and introducing new rules for VAT group formation; exempting VAT for goods and services provided to natural disaster victims under specific conditions. Finally, the bill would implement the EU's small business VAT reform, effective from January 1, 2025. This reform allows EU Member States to maintain small business exemptions up to EUR 85,000 and extends these exemptions to small businesses in other EU states, provided their gross receipts in the non-established state are below the national threshold and their total EU gross receipts are below EUR 100,000. Non-EU businesses are not eligible for these exemptions.
- **Switzerland:**^{lxvi} On September 9, 2024, Switzerland published [Law No. RO 2024 485](#) amending the VAT ordinance, effective January 1, 2025. The law includes measures requiring any change in a VAT group's representation to be reported to the tax authority; clarifying services excluded from the VAT scope; mandating that taxpayers wishing to switch to annual VAT reporting must request this within 60 days after the start of the tax period for the change; and allowing the application of the margin tax marketplaces facilitating the sale of goods provided the underlying seller resides in Switzerland and is not registered as VAT taxpayer.
- **Switzerland:**^{lxvii} The Swiss Finance Ministry announced that from 2025, the interest rates for default interest, repayments, and conditional payment obligations will be set at 4.5 percent, while the interest rate for voluntary advance payments for direct federal tax will increase to 0.75 percent. In 2024, these rates were 4.75 percent and 1.25 percent, respectively.
- **Türkiye:**^{lxviii} On September 10, 2024, Türkiye launched a consultation on a Draft General Communiqué explaining amendments to the VAT Law. Among other things, it clarifies the application of the VAT exemption for (1) the delivery, modification, maintenance, repair, manufacture, and construction of sea, air, and railway transportation vehicles; (2) services provided at ports and airports; (3) the delivery of machinery and equipment, and the sale and lease of software and intangible rights within the scope of the investment incentive certificate; and (4) deliveries and services for construction projects in the earthquake zone by foreign institutions. It also addresses the VAT treatment of attorney fees imposed on the opposing party by courts or enforcement offices, the tax audit requirement for deducting VAT carried over from acquired companies, and the requirement for a positive tax audit report in VAT refund claims.

- **Uganda:**^{lxiix} On September 16, 2024, the Ugandan Revenue Authority [introduced](#) a tax amnesty program for waiving interest and penalties on outstanding principal tax as of June 30, 2023. The program provides a deadline of December 31, 2024, for taxpayers to pay their outstanding principal tax. The program applies to domestic taxes, including corporate income tax, individual income tax, rental income tax, PAYE withholding tax, VAT, and stamp duty.
- **Ukraine:**^{lxiix} Ukraine's State Tax Service (STS) recently clarified that if taxpayers under the simplified tax regime who are not registered for VAT purposes import goods into Ukraine, such taxpayers must pay VAT during customs clearance of goods, subject to the exemption threshold.
- **Ukraine:**^{lxxi} Ukraine's parliament is considering measures to abolish or reduce the VAT and customs duty exemption threshold for online purchases, currently set at EUR 150.
- **United Kingdom:**^{lxxii} On September 12, 2024, the UK's Upper Tribunal (Tax and Chancery Chamber) published its decision in TalkTalk, [\[2024\] UKUT 00284 \(TCC\)](#), addressing whether a discount offered but not taken up could reduce the consideration for VAT purposes and whether a taxpayer met the conditions under UK VAT law for this purpose. The taxpayer offered the discount at issue from January 1 to April 30, 2014, but only about 3 percent of customers availed it. The First-tier Tribunal (FTT) had previously ruled that the terms of the discount did not meet the criteria for reduced VAT consideration under the VAT Act 1994, as the discount was not a pre-existing contractual term but was contingent upon customers opting for the SPD each month. (To read KPMG's previous discussion of the FTT's decision of this case, click [here](#).) The Upper Tribunal upheld this decision, agreeing that the sales terms did not inherently allow for a discount for prompt payment unless the discount offer was specifically accepted by the customer within the required timeframe.
- **United Kingdom:** On August 29, 2024, the UK's First Tier Tribunal (FTT) published its decision in Barclays Service Corporation & Anor, [\[2024\] UKFTT 785 \(TC\)](#). In the case, the taxpayer, Barclays Service Corporation (BSC), a US-based company with a UK branch, provided intra-group services to the Barclays UK VAT group. The UK branch was established in 2017 to monitor and update the intragroup outsourcing agreements under which BSC provided services in the USA to other Barclays entities. The taxpayer applied to join the UK VAT group, with effect from December 1, 2017, but HMRC rejected this application on the basis that, among other things, BSC did not have a fixed establishment in the UK as required by the VAT Act. The FTT held that for a fixed establishment to exist for this purpose, the UK branch had to possess or control sufficient human and technical resources in the UK to make a meaningful commercial contribution to the non-UK company (i.e., BSC) as of the date of the application. It found that BSC did not have the necessary minimum human and technical resources on December 1, 2017, the date of the application, and thus did not qualify as having a fixed establishment. Although BSC had employed four employees in the UK, most did not start working until later in December, and the one manager who started on December 1 was still primarily engaged in her previous role with Barclays. Due to this lack of resources, the FTT concluded that BSC's UK branch could not be considered a fixed establishment for VAT purposes on the relevant date.
- **United Kingdom:**^{lxxiii} On September 18, 2024, HMRC issued new [Guidelines for Compliance](#) to assist taxpayers in planning, carrying out, and reviewing accounting and compliance processes for VAT. The guidelines set out HMRC's recommended approach to VAT compliance management, including in relation to sales, purchases, and the preparation of the VAT return. The controls included within the guidelines are designed to help businesses reduce the risk of error when accounting for VAT.

- **Uzbekistan:**^{lxxiv} Uzbekistan’s president issued a decree approving measures to provide full or partial VAT refund and exemptions. Taxpayers no longer need to provide stamped shipping documents for VAT refunds; real-time electronic confirmation from customs authorities is sufficient, including for transactions before August 30, 2024. The decree also establishes a temporary partial VAT refund program for tourist and hotel accommodation services from October 1, 2024, and for public catering companies from January 1, 2025, to January 1, 2028. Refunds for public catering companies will depend on the proportion of their noncash gross receipts, with refunds processed by the 25th day of the relevant month. Additionally, the decree notes that the Ministry of Economy and Finance and the State Tax Committee will draft a law for a VAT exemption on sales of vacant nonagricultural land through electronic auctions, effective January 1, 2025.

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

- **KPMG in Australia** published a [report](#) discussing a judgment of the Supreme Court of New South Wales (NSW) holding that payments to drivers by a ridesharing company are not considered wages subject to payroll tax. The court determined that although the arrangements between the taxpayer and drivers qualified as a “relevant contract,” the payments made to drivers were not for or in relation to the performance of work under that contract. Instead, the taxpayer was seen as a payment collection agent, and therefore, the payments did not constitute wages and were not subject to payroll tax. This decision could have implications for other gig economy participants and industries with similar tripartite arrangements. The tax authority is expected to appeal the decision to the NSW Court of Appeal.
- **KPMG in India** published a [report](#) on the 54th GST Council meeting, held in September 2024, which focused on streamlining GST procedures and reducing litigation. Key points discussed included the implementation of a GST amnesty, exemptions on imports of services by foreign airline branches, IGST refunds for exporters, the sourcing of advertising services, GST credits for demo vehicles, and GST rate changes for various items. The meeting concluded with plans to discuss industry expectations in the next meeting scheduled for November 2024.
- **KPMG in Malaysia** published a [report](#) discussing recent tax developments in the country, including a penalty and surcharge remission program, tax authority guidelines on the service tax treatment of logistics services, and updates service tax guides.

Miscellaneous Developments in ASPAC

- **Australia:**^{lxxv} The Australian Taxation Office (ATO) has released new resources to assist businesses in determining the correct tax treatment of sales of food, beverages, and health products and services. These resources include tools such as a [GST food and beverage search tool](#), a detailed [food list](#), and information on the ATO’s [arrangement](#) with barcode provider GS1 Australia. The ATO advises businesses to regularly review the GST status of their products, especially when there are changes in the product itself, its marketing, or its use by the public.

- **India:**^{lxxxvi} On September 10, 2024, the Central Board of Indirect Taxes and Customs (CBIC) published [Circular No. 230/24/2024-GST](#) clarifying the sourcing rules for comprehensive advertising services provided by Indian advertisers to foreign clients. According to the circular, such services are generally considered sourced to the location of the recipient of the services, making it an export of services. The circular distinguishes between cases where the Indian advertising company directly provides the services and cases where they only facilitate the provision of services between foreign clients and Indian advertisers. If the Indian advertising company merely facilitates the provision of advertising services between foreign clients and the Indian advertisers, its services will be sourced at the place of the seller.
- **India:**^{lxxxvii} On September 10, 2024, the CBIC published Circular No. 232/26/2024-GST clarifying that data hosting services provided by Indian service providers to foreign cloud computing service providers are taxable at the location of the recipient of services, making it an export of services. The circular states that data hosting services do not fit under specific criteria and should be determined under the default provision of the Integrated Goods and Services Tax Act.
- **Uzbekistan:**^{lxxxviii} On August 21, 2024, the Uzbek State Tax Committee announced several tax support measures, including a VAT exemption on purchases of land at auction, offering a cashback of 20 percent of VAT paid to hotels and tour operators starting from October 1, 2024, providing cashback on a portion of VAT to catering establishments from January 1, 2025, and using electronic export information from the customs authority as the basis for VAT refunds without additional documents.

About *Inside Indirect Tax*

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

Footnotes

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- v. Finland—Government Submits Bill on Items Subject to Reduced VAT Rates (September 27, 2024), News IBFD.
- vi. Greece—Tax Authority Clarifies That Specific Car Rental Services Are Eligible for Reduced VAT Rate (September 27, 2024), News IBFD.
- vii. Kyrgyzstan—Cabinet of Ministers Exempts Import of Equipment for Renewable Power Plants from VAT (September 17, 2024), News IBFD; Kyrgyzstan—Kyrgyzstan Abolishes VAT Exemption on Import of Certain Medicines (September 19, 2024), News IBFD.
- viii. Latvia—Ministry of Finance Presents Draft Amendments to Reduced VAT Rate for Certain Food Products (September 30, 2024), News IBFD.
- ix. Malta—Government Extends VAT Exemption for Healthcare Services to Psychotherapy, Counselling, Dental Professions (September 19, 2024), News IBFD.
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- xiii. Bloomberg Tax, Slovenia Lower House Considers Bill to Amend VAT Act, (September 6, 2024).
- xiv. CCH, Spain Hikes VAT On Basic Foodstuffs (October 1, 2024).
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- xvi. Thailand—Cabinet Approves Extension of VAT Rate Reduction to 30 September 2025 (September 19, 2024), News IBFD.
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- xxxviii. **FIRS, FIRS to introduce e-invoice to enhance Nigeria’s tax system (September 18, 2024).**
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- xlviii. **CCH, Bulgaria Issues Key Tax Law Amendments (September 23, 2024).**
- xlix. **European Union; Croatia—European Commission Proposes to Extend Croatia Special Measure Allowing 50% Input VAT Deduction on Purchase or Leasing of Passenger Cars, (September 10, 2024), News IBFD.**
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