



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

- **Australia:**ⁱ The Australian Tax Office (ATO) published a new [draft GST Determination, GSTD 2024/D2 Goods and services tax: supplies of sunscreen](#). The Determination clarifies that sunscreen products will be GST-free if they are for skin application, have an SPF of 15 or more, are listed on the Australian Register of Therapeutic Goods (ARTG), and are marketed primarily as sunscreen. The guidance is intended to help taxpayers determine when sunscreen products are GST-free, especially for products with dual features like moisturizers or tints.
- **Bahamas:**ⁱⁱ On June 27, 2024, the Bahamas published the [VAT \(Amendment\) Act, 2024](#), which, among other things, restricts zero-rated property transfers to direct family members and confines zero-rated transfers during divorce to the spouses involved. The Act further encourage investment in real estate trusts by making interest acquisitions zero-rated and sets a fixed fee for deeds of exchange due to owner errors, provided the property value is under BSD 500,000.
- **Denmark:**ⁱⁱⁱ On August 27, 2024, the Danish government launched a consultation on a draft legislative proposal to implement a VAT zero-rate for domestic air passenger transport, effective from January 1, 2025. The initiative aims to level the playing field for airlines operating within Denmark, ensuring fair competition regardless of whether an airline flies domestically or internationally. Under the current rules, domestic airlines are at a disadvantage compared to international carriers, as they cannot deduct VAT on goods and services related to domestic flights. The bill also proposes to extend the VAT exemption for first sales of artworks by artists or their heirs to include other goods and services up to DKK 50,000. If approved, these measures will apply from January 1, 2025, and will not apply to the Faroe Islands or Greenland.
- **France:**^{iv} On August 7, 2024, the French tax authority has updated its [guidance](#) on the rules governing the application of the standard rate VAT rate.
- **Georgia:**^v On August 9, 2024, the Georgian Ministry of Finance clarified that electricity is generally subject to the VAT zero-rate, except when sold to final consumers for their own use. The Georgian Energy Exchange Market, launched on July 1, 2024, is not a final consumer, so electricity provided to it is also subject to the VAT zero-rate. However, if the Georgian Energy Exchange Market sells electricity to final consumers, it is subject to VAT at the standard rate.
- **Lithuania:**^{vi} On August 8, 2024, the Lithuanian tax authority published [guidelines](#) for VAT exemptions for various educational and training services. The guidelines specify which services provided by educational institutions, including preschool, primary, secondary, higher education, vocational training, and non-formal education institutions, qualify for VAT exemption under Lithuanian VAT law. They emphasize the legal requirements and conditions that institutions must meet to be eligible for such exemptions, providing clarity on how VAT applies to different educational services.
- **Malta:**^{vii} Malta's Tax and Customs Administration recently published a guidance clarifying the application of the VAT zero-rate for the sea transportation of passengers between the islands of Malta and Gozo by authorized carriers and other scheduled sea transport recognized by the Commissioner. To qualify for the zero rate, services must meet specific conditions, including operating on a pre-approved schedule and fixed route, using registered and licensed vessels, and making schedules publicly available at least three months in advance. Excluded services include excursions, on-demand transport, and vessel hire.

The guidance also details the application process for recognition by the tax authority and specifies that food and beverages on board are not part of the zero-rated transport service.

- **Moldova:**^{viii} On August 7, 2024, the Moldovan government approved the Medium-Term Expenditures Framework (MTEF) for 2025-2027. Among other things, the MTEF includes applying the standard VAT rate to land and lease of land; services of organizations in the field of science and innovation accredited by the National Agency of Quality Assurance in Education and Research; and production by the curative production workshops adjacent to the psychiatric hospitals of the Ministry of Health, where people with disabilities work.
- **Montenegro:**^{ix} On August 15, 2024, the government of Montenegro released a draft bill to amend the VAT law. The bill proposes amendments to the categories of goods, services, and imports subject to reduced VAT rates: 7 percent for basic human consumption products and drugs, and 15 percent for books and accommodation services. It also addresses VAT exemptions on imports and other rates. Additionally, it includes a measure to apply the 15 percent rate to marina services until Montenegro joins the EU.
- **Nigeria:** The Nigeria Customs Service (NCS) released guidelines for the implementation of the zero percent duty rate and VAT exemption on selected basic food items. The zero percent duty rate applies to a defined list of food items that are considered essential under the standard consumer diet, including husked brown rice, grain sorghum, millet, maize, wheat, and beans (but not the respective seeds). The special tax concession will be effective from July 15, 2024, to December 31, 2024. For more information, click [here](#).
- **Philippines:**^x On August 27, 2024, the Philippines Bureau of Internal Revenue published [Memorandum Circular No. 93 of 2024](#), which provides an updated list of medicines that are VAT-exempt, based on advice it received from the country's Food and Drug Administration. Specifically, the list of cancer drugs eligible for VAT exemption has been expanded by five. In addition, four drugs for hypertension have been newly listed, alongside two medicines for the treatment of mental illnesses. Two drugs have been removed from the list of exempt medicines for the treatment of hypertension.
- **Switzerland:**^{xi} On August 14, 2024, the Swiss Federal Council agreed on the need for a VAT rate increase to fund the country's pension fund. Swiss voters will have to sign off on the VAT increase in a referendum.

Digitalized Economy Indirect Tax Updates

Peru: Nonresident Digital Services Providers Required to Collect VAT Effective December 1, 2024

On August 4, 2024, Peru published Legislative Decree N° 1623/2024, implementing a VAT on the cross-border provision of digital services and the import of intangible goods. The regime imposes an 18% VAT on the provision of "digital services," defined as services provided over the internet or any other network, which are primarily automatic and rely on technology to function. Additionally, commissions received by nonresident intermediaries involved in the sale of services and goods in Peru also qualify as digital services. The decree provides a

non-exhaustive list of transactions qualifying as digital services, including online access and/or transmission of digital content, information storage, access to social networks and/or the provision of additional content or functions on these, services provided by online magazines or newspapers, remote conferencing services, and services that help facilitate the sale of goods or services. Furthermore, VAT applies to the import of intangible goods acquired for definitive download through the internet or any other network. However, the rules do not apply to tangible property imported into Peru, as the Peruvian customs authority will assess VAT during the customs clearing process.

The regime applies to covered services made to natural persons who do not carry out business activities located in Peru. The customer location can be determined by the IP address of the device used by the customer, the country code of the SIM card of the mobile device being used, the billing address of the customer, or bank details such as the location of the bank account used for payment. The decree does not include any specific provisions shifting the VAT obligation from the digital services provider to nonresident digital intermediaries facilitating such sale. Therefore, any VAT due on a transaction made through a third-party digital intermediary remains the responsibility of the original seller.

The decree does not include a VAT registration threshold for nonresident digital services providers. Once registered, nonresidents are assigned a tax identification number. The decree explicitly clarifies that the registration of a nonresident digital services provider does not create a permanent establishment for income tax purposes. In case of non-compliance, the tax authorities have the power to require financial intermediaries to withhold VAT on in-scope transaction. The application of VAT by the financial intermediary will not exempt the nonresident provider from any VAT obligations (and any associated penalties or interest). For more information, click [here](#).

On August 24, 2024, Peru published [Supreme Decree No. 157-2024-EF](#), which mainly addresses the issue of undue or excessive payments. It outlines the procedures for compensation of the perceptions and retentions of the tax made unduly or excessively to natural persons who do carry out business activities. It also provides guidelines for the compensation or return of undue or excessive payments made by nonresident taxpayers.

On August 31, 2024, Peru published [Resolution No. 000173 2024/SUNAT](#), which details the registration mechanism for the new remote seller regime. To read a report on the registration mechanism prepared by the KPMG member firm in Peru, please click [here](#).

On September 13, 2024, Peru published [Legislative Decree No. 1644](#), which, among other things, delays the implementation of the remote seller rules from October 1, 2024 to December 1, 2024.

Other Developments

- **Australia:** On August 27, 2024, the state of Victoria proposed [the Short Stay Levy Bill 2024](#), which would introduce a levy on short stay accommodations in the state effective from January 1, 2025. The levy, amounting to 7.5 percent of the total booking fee, would apply to stays of less than 28 days in premises that are not the principal place of residence of the owner or renter. The responsibility for the levy would fall on the provider of a booking platform or the owner or renter of the premises. Those accepting bookings for short stays would be required to register with the Commissioner and lodge returns every three months or annually, depending on their total booking fees. If premises are declared as not short stay accommodation but are later found to be, both the declarer and the booking platform provider would be held jointly liable for the levy. To read a report prepared by the KPMG International member firm in Australia, please click [here](#).

- **Belarus:**^{xii} On August 2, 2024, the Belarusian Ministry of Taxes and Duties issued Guidance Letter 2-1-13/02227 clarifying the VAT and corporate tax treatment of sales conducted through an online marketplace. In the case at hand, a seller entered into an agreement with an online marketplace allowing for discounts on goods, accruing points to the seller for each discount given. These points can be used to reduce the service fee paid to the marketplace. If there are unused points, the marketplace pays the seller a “bonus for granting discounts.” In case of returned goods, the points accrued to the seller are reduced. If the points for returned goods exceed the points accrued in the reporting period, the marketplace issues the seller a “reward for overspending points.” The ministry clarified that the VAT base includes the purchase price paid by buyers, the value of points issued to the seller, and the bonus for granting discounts. In case of returned goods, the VAT base and VAT calculated on it will be reduced, and any amounts by which the VAT base was increased should be deducted from the seller’s VAT base.
- **Denmark:** The Danish Tax Agency (DTA) is expanding its use of payment information from financial intermediaries to conduct VAT audits on companies selling goods or services to Danish customers. This practice, which has been successful in previous VAT audits, will now extend to other tax areas, including combating the “black economy.” The DTA obtains this payment data based on a license granted by the Danish National Tax Board, allowing it to collect payment information from financial institutions. The data helps the DTA identify online purchases made by Danish customers using credit cards and calculate potential VAT due. For more information, click [here](#).
- **Ecuador:** On July 31, 2024, Ecuador’s Tax Authority published [Resolution No. NAC-DGERCGC24-00000029](#), establishing the obligations, deadlines, and procedures for the Single Income Tax for Sports Betting Operators (IRUPD). (To read KPMG’s previous discussion on the IRUPD, please click [here](#).) The Resolution mandates that both resident and non-resident sports betting operators register in the Unique Taxpayer Registry (RUC), issue e-receipts for sales and withholdings, and adhere to specified tax filing deadlines. The taxable base, excluding prize money won by players, is subject to a flat tax rate of 15 percent. Transitional provisions require current operators to register or update their RUC within a set timeframe from the resolution’s effective date.
- **European Union:**^{xiii} On July 2, 2024, the Tax Disputes Commission of Lithuania lodged a request for a preliminary ruling to the Court of Justice of the European Union (ECJ). Case [C-472/24, Žaidimų valiuta](#). The dispute concerns the VAT treatment of transactions related to the sale of “Gold” from a computer game. The applicant argues that the income from the sale of in-game Gold should be classified as income from an exempt activity as it is either a virtual currency or a multi-purpose voucher. The Lithuanian tax authority disagrees, arguing that the applicant’s income from the sale of in-game Gold is subject to VAT. The Tax Disputes Commission has referred two questions to the ECJ for a preliminary ruling: 1) whether the sale of in-game gold falls within the scope of financial transactions exempt from VAT under Article 135(1)(e) of the [EU VAT Directive](#), and 2) if the sale of in-game gold is not exempt, how should its taxable value be determined according to the provisions of the VAT Directive.
- **Greece:**^{xiv} On September 3, 2024, the Greek Ministry of National Economy and Finance published a [draft bill](#), titled “Digital Transaction Fee and Other Provisions,” proposing to replace the stamp duty with a predictable and transparent digital transaction fee effective January 1, 2025. This fee would apply to a variety of transactions, including loans, deposits, compensation, and awards, when at least one party involved is a tax resident in Greece or has a permanent establishment in the country. The bill also imposes the fee on public

sector transactions such as government leases, compensations, grants, and services. The fee will be imposed regardless of where the transaction takes place or where the contract is formed or executed. Transactions concluded on or before December 31, 2024, will remain subject to stamp duty.

- **Japan:**^{xv} On July 30, 2024, the National Tax Agency (NTA) of Japan [published](#) Frequently Asked Questions (FAQs) about the upcoming “Platform Taxation” regime. (For KPMG’s previous discussion on Japan’s new platform regime, click [here](#).) Effective April 1, 2025, this regime will make digital platform operators solely responsible for the consumption tax (Japanese value added tax) on cross-border electronic services for Japanese consumers, rather than foreign sellers. The FAQs, which include 18 topics for foreign sellers and 32 for digital platform operators, address practical aspects of the regime, such as invoicing flow, small business exception eligibility, and input tax credit calculation. They also clarify the tax treatment of in-game money in online video games, stating that the consumption tax will be levied when in-game items are sold, not when in-game money is initially issued. However, under certain conditions, platform operators may choose to pay the tax at the initial issuance of the in-game money. The NTA plans to publish an English version of the FAQs on its website later.
- **New Zealand:** On August 26, 2024, New Zealand’s parliament accepted for consideration the [Taxation \(Annual Rates for 2024–25, Emergency Response, and Remedial Measures\) Bill](#), which, among other things, would require a nonresident sellers to adopt a 3-month taxable period if their only sales in New Zealand are remote sales taxable goods, listed services (i.e., non-exempt sales of accommodation services in New Zealand, ride-sharing or ride-hailing services or delivery services for beverages or food), or remote services provided to a person resident in New Zealand (other than services that are physically performed in New Zealand by a person who is in New Zealand at the time the services are performed). The bill would further allow operators of electronic marketplaces and underlying sellers to opt accounting for GST on a sale of taxable accommodation made through an electronic marketplace on the completion of the performance of the services. Moreover, the bill would introduce technical amendments related to the platform economy to address minor issues with the rules that were not anticipated at the time of their introduction (e.g., requirement on platforms to provide certain taxable information and correction information). Finally, the bill would implement the Organisation for Economic Development (OECD) crypto-asset reporting framework ([CARF](#)). To read a report prepared by the KPMG International member firm in New Zealand, please click [here](#).
- **Russia:**^{xvi} On July 31, 2024, the Federal Tax Service (FTS) of Russia published Guidance Letter No. 16-18/081555, clarifying that Russian resident legal entities and individual entrepreneurs are required to act as a tax agent and calculate and remit the VAT on purchases of digital services made from nonresidents.
- **Russia:**^{xvii} On August 19, 2024, the Russian Federal Tax Service (FTS) clarified VAT obligations for online sellers of goods from Eurasian Economic Union (EAEU) countries (i.e., Russia, Armenia, Belarus, Kazakhstan, and Kyrgyzstan) selling to individuals in Russia. The FTS clarified that foreign sellers from EAEU countries selling goods to Russian buyers through their own online stores, as well as foreign marketplaces from the EAEU through which goods are sold to individuals in Russia, are subject to VAT and must register with the FTS. The application for registration must be submitted through the VAT office (online portal) of the FTS.

- **Saudi Arabia:**^{xviii} The Zakat, Tax and Customs Authority (ZATCA) recently launched a public consultation on proposed amendments to the VAT regulations. A key change involves the amendment to Article 47, which defines the VAT liability for online marketplaces. The proposed amendments would impose stricter conditions under which an online marketplace facilitating the sale of digital services for nonresidents can limit their VAT liability. The amendments would also introduce an additional VAT liability for marketplaces facilitating domestic sales when the Saudi seller is not registered for VAT.
- **Spain:**^{xix} On July 19, 2024, the High Court of Justice of Catalunya (Tribunal Superior de Justicia de Cataluña) issued [decision 678/2023](#), declaring null and void the ordinance that imposed a 1.25% delivery fee on e-commerce companies. The Barcelona City Council had approved this fee on February 24, 2023, for delivery companies distributing goods purchased online with revenues over EUR 1 million. The taxpayer appealed against the ordinance, arguing that it contravened the free movement of goods, the digital single market, and the right to confidentiality of communications, and that it was discriminatory and contrary to the law regulating local taxation. The Tribunal Superior de Justicia de Cataluña agreed with the taxpayer, ruling that the fee was in fact a tax on income obtained by companies distributing goods purchased through electronic commerce, despite being termed as a “fee.”
- **Switzerland:**^{xx} On August 22, 2024, Switzerland published [Law No. FF 2024 438](#), which, among other things, introduce new VAT collection obligations for digital platforms facilitating the sale of goods. (For KPMG’s previous discussion on the new platform rules, click [here](#).)
- **United Kingdom:** On August 1, 2024, the UK tax authority (HMRC) published [guidance](#) on the reporting rules for digital platforms, which will be required to comply with the [OECD Model Reporting Rules](#) for Digital Platforms starting January 1, 2024. These rules apply to platforms that reside, are managed, or have a management location in the UK, and connect sellers to customers to sell goods or services. The guidance outlines the information to be collected, due diligence requirements, timelines, and penalties for non-compliance. Reports must be submitted for sellers that live in the UK or another country and actively sell or receive payment for goods or services on the platform. Reports for the year ending December 31, 2024, must be submitted by January 31, 2025. Penalties for non-compliance range from GBP 1,000 for not notifying HMRC, up to GBP 5,000 and a daily penalty of GBP 600 for not reporting by the deadline, and up to GBP 100 for each inaccurate, incomplete, or unverified seller’s record. HMRC plans to launch a digital platform reporting service, details of which will be published once available.

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

- **Brazil:** On August 1, 2024, Brazil published two Technical Notes on the changes to the e-invoicing system related to the ongoing indirect tax reform, which will replace multiple federal, state, and municipal taxes into a VAT regime. [Technical Note 001](#) details changes to the layout of the e-invoice for services (NFS-e) as a result of the tax reform the NFS-e issuance process. Technical Note NT 2024.002 outlines new required fields for electronic invoices (NF-e and NFC-e models) and adjustments to the e-invoice for services (NFS-e), reflecting the replacement of existing federal, state, and municipal taxes with the contribution on goods and services (CBS) and the tax on goods and services (IBS). A new selective tax on hazardous goods is also expected by 2027. The implementation timeline includes a testing phase from September 1, 2025, to October 30, 2025, and a production phase from October 31, 2025, to December 31, 2025, with full effect starting January 1, 2026. To read a report prepared by the KPMG International member firm in Brazil, please click [here](#).
- **Bulgaria:**^{xxi} According to news reports, following recent VAT amendments that allow taxpayers to withhold payment until they receive a receipt and use the tax authority's mobile application to verify reported transactions by scanning QR codes on invoices, the Bulgarian tax authorities are conducting a campaign to target businesses that fail to issue receipts, particularly along the Black Sea coast. The country's tax authority has conducted 1,800 inspections since the campaign began, identifying non-compliance in 1 out of every 14 establishments. Businesses can receive a 20 percent reduction in penalties if they settle within 14 days.
- **Colombia:**^{xxii} On July 10, 2024, the tax authority of Colombia issued concept No. 535, determining the scope of the penalty for noncompliance e-invoicing mandate. The tax authority clarified that the penalty for issuing invoices without meeting the established requirements, as outlined in paragraph 3 of article 616-1 of the Tax Statute, is applicable for non-compliance with any of the legal and/or regulatory requirements of the documents that make up the invoicing system. The penalty, as per article 652 of the Tax Statute, is one percent of the value of the invoiced operations without compliance with the legal requirements, not exceeding 950 UVT. The tax authority further clarified that the term "established requirements" refers to those of legal rank and those established by the tax authority through resolution for the documents that make up the invoicing system. For example, for e-invoices, the applicable framework corresponds to the content in Resolution 165 of 2023 and its Technical Annex 1.9, or the norm that modifies, repeals, or replaces it. To read a report prepared by the KPMG International member firm in Colombia, please click [here](#).
- **Colombia:** On July 30, 2024, Colombia's tax authority announced changes to the e-invoice requirements and extended the deadline for implementing the requirement to issue equivalent documents. For public services, including utilities and passenger transport, the deadline for submitting these digital documents has been pushed back to November 1, 2024. The amendments further clarify that while the visual representation (for example, the PDF) of a validated e-invoice can include information in languages other than Spanish and currencies other than the Colombian Peso (COP), the e-invoice data sent to the tax authority must remain in Spanish and use the COP as the currency.
- **Costa Rica:** On August 7, 2024, Costa Rica released Resolution MH-DGT-RES-0018-2024, mandating that the tax authority introduce a transparent tool for checking the status of e-receipts. This tool, accessible through the Virtual Tax Authority (ATV) system for

identified users and the ATV public portal for all users, allows taxpayers and the public to verify whether invoices have been accepted or rejected by the tax administration. The provisions of this regulation took immediate effect. To read a report prepared by the KPMG International member firm in Costa Rica, please click [here](#).

- **Moldova:**^{xxiii} On August 15, 2024, Moldova published approved VAT amendments as part of its Tax and Customs Policy for 2025. Among other things, effective January 1, 2026, it cancels the prohibition on deducting VAT related to procurement from sellers required to issue e-invoices. It also introduces the obligation to use e-invoices for transactions with business entities outside Moldova's tax system (e.g., the Transnistria region) and for goods and services related to technical and investment assistance projects under international agreements.
- **Philippines:** On July 12, 2024, the tax authority of the Philippines (BIR) issued Revenue Memorandum Circular No. 077-2024, providing clarifications on Revenue Regulation 7-2024, as amended by Revenue Regulation 11-2024. Under these regulations and the Ease of Paying Taxes Act (EOPT), sellers must issue invoices for all goods and services sold, making the issuance of official receipts no longer allowed. According to the Memorandum, VAT-registered individuals must issue invoices for all transactions, regardless of the amount. Non-VAT registered individuals must issue a registered non-VAT invoice for sales of goods or services valued at or above PHO 500. However, if a buyer requests an invoice, the seller must provide one, regardless of the transaction amount. The Memorandum further clarifies that enhancements to the Computerized Accounting Systems (CAS) of taxpayers, required by the EOPT, must be implemented by December 31, 2024. Extensions for these enhancements, not exceeding six months from December 31, 2024, may be granted by the Regional Director or Assistant Commissioner of the Large Taxpayer Service. To read a report prepared by the KPMG International member firm in the Philippines, please click [here](#).
- **Poland:**^{xxiv} On July 4, 2024, the Polish Minister of Finance [announced](#) a delay in implementing changes to the JPK_VAT declaration, due to the postponement of the e-invoicing (KSeF) mandate. These changes, which will take effect on February 1, 2026, include a new timeframe during which taxpayers will not need to include the KSeF invoice number in their sales records. This period will extend from February 1, 2026, to July 31, 2026. Additionally, the obligation to include data from fiscal receipts recognized as simplified invoices in the JPK_VAT declaration has been postponed until the end of July 2026. The effective date for this regulation has also been moved to February 1, 2026.
- **Romania:**^{xxv} On August 2, 2024, the Romanian Ministry of Finance issued Urgent Ordinance 70/2024, mandating Romanian taxpayers to approve a new monthly list of their VAT transactions. The list, derived from the e-invoicing system information, will serve as a pre-filled return that needs to be reconciled with their regular VAT return for the Ministry of Finance and the tax authority. The tax authority has set a six-month penalty-free period for this new reporting regime, from August 2024 to January 1, 2025. Moreover, the tax authority has extended the deadline for taxpayers to explain any differences between the VAT returns and new eVAT reports from 5 to 20 days. Taxpayers must confirm the list by the 25th of the following month, and any discrepancies must be reported to ANAF within 10 days. Failure to address these differences could lead to potential fines and audits.
- **Romania:**^{xxvi} On July 26, 2024, Romania published Order No. 3789/2024, approving the procedure for registration in the Mandatory RO e-Invoice Register, as well as the model, content, and instructions for completing Form (082). This procedure, regulated by Emergency Government Ordinance (EGO) No. 69/2024, will become operational from July 1, 2025. Until June 30, 2025, certain entities, including NGOs, political parties,

cults, and individual farmers applying the special VAT scheme, are not required to use the RO e-invoice system. However, starting July 1, 2025, these entities must register in the Mandatory RO e-Invoice Register for invoices issued from that date, unless they chose to use the RO e-Invoice system earlier. Entities established after June 30, 2025, must request registration in the Mandatory RO e-Invoice Register before commencing economic activities, with registration being completed within three days. Once registered, entities can only be removed from the Register if they are also removed from the Taxpayers' Register. The order took effect immediately upon publication.

- **Romania:** Effective January 1, 2025, nonresident taxpayers registered for VAT purposes in Romania will be required to submit SAF-T reports. SAF-T data will be used by the tax authorities for reconciliation and pre-filled VAT returns. The deadline for SAF-T reporting is the last day of the month following the reporting period, with a grace period until July 31, 2025, for returns from January-June 2025. Failure to submit reports can result in fines of up to EUR 1,000 EUR, while incomplete or incorrect submissions may incur fines of up to EUR 300 EUR. To read a report prepared by the KPMG International member firm in Romania, please click [here](#).
- **Serbia:** Effective September 1, 2024, Serbia updated the Rulebook on Electronic Invoicing. Key changes include the ability for users to determine entity status and tax periods within the System of Electronic Invoices (SEF), and the introduction of new tax categories (S20, S10, AE20, AE10) replacing previous ones. Separate invoices are required for the sale of buildings, and electronic recording of recoverable VAT can be done manually or automatically, with specific data requirements and deadlines. Automatic data entry occurs after the tax period ends, and corrections must be made if changes affect recoverable VAT records. The deadline for electronic recording of VAT is the 10th day of the month following the relevant tax period. Additionally, delivery notes and shipping documents can now be attached to e-invoices. To read a report prepared by the KPMG International member firm in Serbia, please click [here](#).
- **Chinese Taipei:**^{xxvii} On August 7, 2024, Chinese Taipei amended provisions of the "Value-Added and Non-Value-Added Business Tax Act" (BTA) regarding e-invoices and digital reporting rules. The changes mandate that business operators issuing e-invoices must transmit these invoices and related necessary information to the E-invoice Integrated Service Platform within specific deadlines: 7 days for B2B e-invoices and 2 days for B2C e-invoices. Noncompliance with these deadlines will result in a fine ranging from TWD 1,500 to TWD 15,000. Late payment fees for overdue taxes will be calculated according to the Tax Collection Act. The Ministry of Finance will announce the implementation date and subsequent rules for these changes.
- **Türkiye:**^{xxviii} On August 2, 2024, the Türkiye published [Law No. 7524](#), which, among other things, increases penalties for issuing fraudulent e-invoices. The penalties differ by taxpayer type. For Capital Companies, the penalty for first degree irregularities is TRY 20,000, and for second degree irregularities, it is TRY 10,000. For first class traders and freelance professionals excluding capital companies, the penalties are TRY 10,000 and TRY 5,000 for first and second degree irregularities respectively. Second class traders face penalties of TRY 5,000 for first degree and TRY 3,500 for second degree irregularities. Those subject to income tax by declaration method, not included above, will be penalized TRY 3,500 for first degree and TRY 2,250 for second degree irregularities. Those whose earnings are determined by a simple method will face penalties of TRY 2,250 for first degree and TRY 1,500 for second degree irregularities. Tradesmen exempt from income tax will be penalized TRY 1,500 for first degree and TRY 1,000 for second degree irregularities.

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](#) discussing recent tax developments in the country, including tax authority ruling clarifying that the granting of the concession does not constitute a taxable event for VAT purposes, but the services provided for the maintenance, cleaning, and improvement of the kiosks are subject to VAT. In another ruling, the tax authority clarified that professional services companies that fail to comply with the requirements to qualify as such, will lose the VAT exemption applicable to this type of taxpayers as from the first day of the month following the occurrence of such non-compliance
- **KPMG in Costa Rica** published a [report](#) discussing recent amendments to the Regulations of the Law of the Free Trade Zone Regime in Costa Rica. The amendments, published on August 9, 2024, introduce significant changes for companies engaged in Integrated Logistics Services (SEL). The updates include new obligations for inventory planning and management, the requirement for computerized information systems, the need for written contracts defining commercial relationships, and specific provisions for controlling the entry and exit of goods purchased in the local market by companies in free trade zones.
- **KPMG in Costa Rica** published a [report](#) discussing a new law (No. 10491) that became effective mid-August 2024. Law No. 10491, also known as the “Law to Facilitate the Regularization of the Tax Condition in Support of Formality and the Reactivation of the Economy,” introduces amendments and extends benefits to sectors heavily impacted by health restrictions. It temporarily replaces the business closure penalty with a monetary penalty and allows taxpayers to request installment payments for VAT debts incurred before March 2022. To qualify for these benefits, taxpayers must be up to date with their obligations.

United States: Texas: Credit Card Processing Fees Passed on to Customers are Taxable

The Texas Comptroller's Office recently issued [Memorandum 202406004M](#) clarifying the sales tax treatment of separately stated credit card processing fees. When a retailer passes on credit card processing fees, even if separately stated from the underlying taxable item, such fees are included in the "sale price" and subject to Texas sales and use tax. When a retailer passes on the processing fee, it is passing on the cost of an expense incurred in connection with the sale of a taxable item. To the extent the item is not taxable, tax does not apply to the passed-on credit card processing fee.

There are several exclusions from the definition of sales price in Texas. One such exclusion applies to "finance, carrying and service charges, or interest from extending credit to a creditor." The Comptroller clarified that a retailer in this situation is not engaging in business as a credit card payment processor or financial institution. Rather, the retailers are merely passing on the expense of such services; therefore, the referenced exclusion does not apply. The memorandum also clarifies that electronic payment processing is not data processing due to a specific exclusion for such charges. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Argentina:**^{xxix} Argentina recently published General Resolution No. 5554/2024, announcing that effective September 1, 2024, it will stop withholding income tax and VAT on local electronic payments. Under the change, withholding tax will no longer be collected on payments to local merchants, landlords, and service providers of all sizes that are facilitated by digital payment processing firms.
- **Bahamas:**^{xxx} On June 27, 2024, the Bahamas published the [VAT \(Amendment\) Act, 2024](#), which, among other things, corrects cross-reference errors and adjusts fines for late stamping of instruments to ensure timely compliance. The Act mandates the payment of outstanding real property tax and VAT for unstamped documents to be admitted as evidence. It further implements a 6-month period of leniency for the submission of unstamped instruments. During this period, VAT is calculated based on the market value of the property at the time the conveyance was executed, rather than at the time of submission.
- **Canada:**^{xxxi} On August 8, 2024, the Ministry of Finance British Columbia [updated](#) its Provincial Sales Tax (PST) Bulletin regarding the application of PST to legal services. The update clarifies that legal services provided to the federal government are exempt from PST if the relevant federal department provides its PST exemption number. The Bulletin also specifies that legal services purchased from small sellers are exempt from PST. Additionally, the bulletin corrected previous misinformation in the "Services That Are Not Legal Services" section, ensuring that non-legal services resulting in legal advice are not taxable if separately itemized.
- **Chile:**^{xxxii} The President of Chile has introduced a bill to the Chamber of Deputies to establish a new VAT regime for individuals selling at fairs, which are open spaces where mainly non-perishable food is sold directly to consumers. These fairs operate from Tuesday to Sunday and must be registered with a Municipal authority. The bill would clarify that sellers at fairs are the taxpayers. The VAT base would be the gross sales price with electronic payments via a pre-approved e-service operator required for traceability. The VAT rate would be 1.5 percent, which would be withheld by the e-service operator. Sellers must be registered with the Municipality and the tax authority and operate exclusively at fairs. If approved, sellers must comply by July 31, 2025.

- **Ecuador:**^{xxxiii} On August 15, 2024, Ecuador published Circular No. NAC DGECCGC24-00000005, clarifying requirements for taxpayers providing transportation services (excluding taxis) and their users. Among other things, the circular provides that only authorized commercial land transportation operators can invoice for these services. In addition, properly supported services by authorized operators, not including taxis, are taxed at a zero percent VAT rate.

Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bahrain** published a [report](#) regarding updated versions of the [VAT Financial Services Guide](#) and [VAT General Guide](#) that clarify the VAT treatment of interchange fees and punitive charges. Interchange fees received by issuing banks must be determined for VAT purposes without netting off debit and credit amounts. If these fees relate to merchants/acquirer banks resident in Bahrain, they are subject to VAT at the standard rate. Punitive charges are considered taxable if they represent consideration for services provided, except for payments related to indemnification of actual damages. Businesses, particularly banks, should understand these updates and their impact on their operations for proper VAT reporting.
- **KPMG in the Czech Republic** published a [report](#) on a recent judgment by the Supreme Administrative Court (SAC) regarding the burden of proof and evidence requirements in VAT deduction cases. The case involved a company that sold building accessories to German customers and used an external provider for larger orders. The tax authority assessed additional VAT on the assembly work performed by the external provider, claiming that the company failed to prove the scope and price of the work and the expenses should thus not be deductible. The company provided various documentary and witness evidence, but the tax authority still considered it insufficient. The SAC held that requiring an excessive standard of proof could violate fundamental rights and that it is not possible to prove past facts with absolute certainty.
- **KPMG in Ireland** published a [report](#) on Tax compliance obligations of Irish regulated funds, including VAT, FATCA and common reporting standard (CRS), payroll tax, investment undertaking tax, and withholding tax.
- **KPMG in Ghana** published a [report](#) on the 2024 Mid-Year Budget, which would, among other things, exempt from VAT active pharmaceutical inputs and finished products, require the onboarding of 2,000 taxpayers on the VAT e-invoicing platform by end of the year, and require the development of guidelines for the implementation of the Emissions Levy and Environmental Excise Duty.

- **KPMG in Poland** published a [report](#) discussing, among other things, a recent judgment by the Supreme Administrative Court (SAC), in which the SAC held that despite the repeal of a provision in the VAT Act, taxpayers in the hotel business still retain the right to deduct VAT incurred on catering and lodging services provided they continue to meet the conditions provided by the repealed provision.
- **KPMG in Poland** published a [report](#) discussing, among other things, a recent judgment by the Supreme Administrative Court (SAC), in which the SAC held incompatible with the EU VAT Directive the Polish provision making the exercise of the right to deduct VAT in the same accounting period as that in which the VAT is due subject to entry of the VAT due in the tax declaration submitted within a three-month period following the end of the month in which the tax liability arose in relation to the goods acquired.
- **KPMG in the United Kingdom** published a [report](#) on a consultation on the Welsh Landfill Disposals Tax (LDT). The current rates for LDT are GBP 103.70 per ton for most wastes and GBP 3.30 per ton for qualifying materials. The Welsh Government commissioned a review of the LDT, which found that the significant difference between the lower and standard rates contributed to waste misdescription. The government is now seeking views on three alternative proposals for the lower rate: abolishing it, substantially increasing it, or changing the materials to which it applies. The intention is to discourage waste misdescription and support Wales' commitment to becoming a Zero Waste Nation by 2050.

Roundup of Latest Court of Justice of the European Union Cases

On August 5, 2024, the Court of Justice of the European Union (ECJ) published an order in *Dragoram Tour*, [Case C-763/23](#), in which it held that the purchase of air tickets from other taxpayers and their subsequent resale to individuals at a price including commission is covered by the special VAT regime applicable to travel agents. This applies even if the transaction is not accompanied by additional services, other than information and advisory services. Under the special VAT regime for travel agents, travel agents are not required to account for VAT on each individual sale and purchase. Instead, they calculate the VAT payable as a percentage of the profit margin on the relevant transactions, thus simplifying the VAT accounting process for tour operators and travel agents. Additionally, the ECJ held that Member States may introduce an exception to the application of the special VAT regime for travel agents, allowing them the option to apply the normal VAT regime in the case of international passenger transport.

Source: Romania - ECJ Decides on Whether Resale Transactions Carried Out by Travel Agents Fall Within Travel Agents VAT Special Scheme: *Dragoram Tour* (Case C-763/23) (VAT), (August 6, 2024), News IBFD.

European Union: VAT Cases to be Transferred to European General Court Effective October 1, 2024

On August 12, 2024, the European Union Parliament and Council approved [Regulation 2024/2019](#), which amends the jurisdiction of the Court of Justice of the European Union (ECJ). This Regulation transfers the jurisdiction for preliminary rulings from the Court of Justice to the General Court in the fields of VAT, excise duties, customs, transport, and greenhouse gas emissions, effective from October 1, 2024, by amending Protocol No. 3 on the Statute of the ECJ.

The aim of this reform is to reduce the workload of the ECJ in the sphere of preliminary rulings, allowing it to continue fulfilling its mission of ensuring that the law is observed in the application and interpretation of the Treaties within a reasonable period. Nonetheless, the ECJ will retain jurisdiction to adjudicate on requests for preliminary rulings that, although connected to the specific areas mentioned above, also concern other areas. It will also retain jurisdiction over requests for preliminary rulings that, even if they fall within one or more of the specific areas, raise

independent questions of interpretation of: (1) primary law, including the Charter of Fundamental Rights of the European Union; (2) public international law; or (3) general principles of EU law.

Additionally, the General Court will have the authority to refer cases that fall within its jurisdiction to the ECJ if a decision of principle is likely to affect the unity or consistency of EU law. For reasons of legal certainty and expedition, every request for a preliminary ruling must be submitted to the ECJ. The ECJ will then determine, in accordance with the detailed rules set out in its Rules of Procedure, whether the request falls exclusively within one or several specific defined areas and, accordingly, whether it should be transmitted to the General Court. To read KPMG's previous discussion of this measure, click [here](#).

Consequently, on August 30, 2024, the ECJ published [Press Release No. 126/24](#), detailing significant amendments to the Rules of Procedure for both the ECJ and the General Court to reflect these changes. Changes to the ECJ's Rules of Procedure include detailed rules for handling preliminary ruling references to determine jurisdiction, provisions for expeditious handling of references from the General Court, and rules for the online publication of written observations after case closure. Changes to the General Court's Rules of Procedure include structural and organizational changes, such as the creation of an intermediate chamber of nine judges, and new rules for handling preliminary ruling references from the ECJ. In addition, the ECJ adopted new Practice Rules for the General Court's Rules of Procedure. These rules clarify specific provisions and assist parties' representatives and interested persons in understanding procedural requirements, particularly regarding the lodging, presentation, translation of documents, and interpretation at hearings.

Source: CCH, ECJ To Pass Tax Cases To General Court From October, August 14, 2024; European Union - Important Amendments to Rules of Procedure Related to Transfer of Jurisdiction for Preliminary Rulings to General Court Enter Into Force, (September 3, 2024), News IBFD.

Miscellaneous Developments in EMEA

- **Denmark:**^{xxxv} On August 27, 2024, the Danish Ministry of Taxation [launched](#) a consultation on Draft Bill No. 2024-3678 to amend the VAT Act. Among other things, the bill proposes to increase the VAT exemption threshold for first sales of artworks from DKK 300,000 to DKK 350,000. It also proposes to establish a legal basis for the Minister of Taxation to set timing rules for posting purchase VAT deductions in VAT accounts and authorize the Minister of Taxation to determine when VAT account postings can be made concurrently with business account postings to avoid interest expenses. If approved, these measures will apply from January 1, 2025, and will not apply to the Faroe Islands or Greenland.
- **Finland:**^{xxxvi} On July 4, 2024, the Finnish Tax Administration published [Central Tax Board Preliminary Decision No. KVL:2024/26](#) on the VAT treatment of transfer of certain rights related to immovable properties. In the case, the taxpayer (A), a mutual real estate company, owned a building with residential apartments, commercial spaces, and 41 parking spaces in a garage. According to its articles of association, its shares entitled shareholders to control these spaces. The parking spaces were managed by an external company, and tenants could enter into various parking agreements. One of the taxpayer's shareholders (B) controlled residential apartments and commercial spaces and rented them out. The taxpayer did not grant parking rights to B, nor did B sell or transfer the parking rights. Most of the parking spaces would be used by the tenants of the residential apartments. The Central Tax Board examined the nature of the taxpayer's transfer of parking rights to tenants. Relying on the ECJ decision in *Henriksen*, [Case C-173/88](#) (July 13, 1989), it held that when the taxpayer transferred parking rights to tenants of the residential and commercial spaces, this was

seen as part of a single economic transaction, closely related to the tax-exempt rental of immovable property. It is irrelevant that the taxpayer did not directly lease the residential or commercial spaces to the same parties, as the lessor was the company's shareholder who controlled the spaces according to the articles of association. As a result, the transfer of parking rights to tenants was not considered a taxable rental of vehicle parking areas under the VAT Act. Instead, it should be classified as a VAT exempt transfer of a right related to immovable property.

- **Finland:**^{xxxvii} On August 9, 2024, the Finnish Ministry of Finance published the country's draft 2025 budget. Among other things, the budget includes measures to increase the VAT registration threshold from EUR 15,000 to EUR 20,000. To read KPMG's previous discussion of these measures, click [here](#).
- **Finland:**^{xxxviii} On August 22, 2024, the Finnish tax authority published [updated guidance](#) on the VAT rules for financial services. The guidance clarifies the scope of the term "financial services" for the VAT exemption under the EU VAT Directive and Finnish VAT law. It clarifies that the VAT exemption for financial services is based on the nature of the service and not the identity of the provider or recipient, or the method of delivery. The guidance further clarifies the application and scope of the services listed as qualifying for the VAT exemption. In this regard, it provides that for the application of the VAT exemption for granting of loans for consideration, a service involves granting a loan when it consists of providing capital for the recipient's use in exchange for consideration. Similarly, for loan intermediation, a service must, overall, constitute a distinct whole that fulfills the specific and essential functions of a loan intermediation service to be considered VAT exempt. Furthermore, payment services include services related to deposit and current accounts, payments, and transfers. A service is considered a payment service, particularly when it involves debiting an account, crediting an account, or making an entry in an account. However, a service can also be considered a payment service even if it does not involve debits, credits, or entries.
- **France:**^{xxxix} On July 8, 2024, the French tax authority [published](#) an updated letter template for the designation of VAT representatives.
- **Isle of Man:**^{xl} On August 1, 2024, the Isle of Man Treasury [announced](#) the reduction of interest rates for VAT late payment and repayment to 7.5 percent and 4 percent, respectively, effective August 20, 2024.
- **Kazakhstan:**^{xli} Kazakhstan's Ministry of Finance and the Ministry of Digital Development, Innovation and Aerospace Industry launched a consultation on a proposed "Digital VAT Pilot Project" to modernize and simplify the VAT refund process using digital Kazakh tenge (KZT). The proposal requires participating taxpayers to open digital accounts in participating banks, make settlements with vendors using digital tenge, pay VAT to the budget using digital tenge, and submit claims for excess VAT refunds as indicated in their VAT returns. The tax authorities would provide guidance, process payment data, and confirm and refund VAT based on the taxpayer's refund request for the relevant period. The tax authorities would have 15 business days to process a refund, starting 30 calendar days after the VAT return filing deadline. The tax authorities would conduct a desk audit to produce a report on the approved refund amount and any unconfirmed VAT. Refunds would be approved if the VAT was overpaid on goods from direct sellers, payments were made using digital accounts, the goods were used in zero-rate VAT transactions, and direct sellers have filed their VAT returns.
- **Kenya:**^{xlii} On July 31, 2024, the Kenyan Court of Appeal upheld a decision of the Kenyan High Court that the country's 2023 Finance Act is unconstitutional because lawmakers did not follow the correct procedure in approving the legislation. Among other things, the

Act introduced a VAT exemption for exported services, a withholding tax on digital content creators' income, and a new digital asset tax on income derived from the transfer or exchange of digital assets. On August 20, 2024, the Kenyan Supreme Court granted the government a stay against the Court of Appeal Ruling. The status quo therefore remains until the Supreme Court hears and determines the substantive matter. To read KPMG's previous discussion of this Act, click [here](#).

- **Kenya:**^{xliii} On August 23, 2024, Kenya proposed extending the tax amnesty period for penalties and interest on unpaid taxes for the period ending December 31, 2022, from June 30, 2024, to June 30, 2025. Under the program, taxpayers wishing to benefit from the amnesty must apply, pay all outstanding principal taxes by the new deadline, avoid incurring further tax debt, and sign a commitment letter to settle all owed taxes. (To read KPMG's previous discussion of the tax amnesty program, click [here](#).) The proposal also includes amendments to relieve taxpayers of unpaid taxes where the tax authority determines that recovery may be difficult or impossible, expensive, inequitable, or cause hardship. Additionally, it proposes authorizing the tax authority to approve tax reliefs and excluding weekends and public holidays when calculating the period for lodging tax objections.
- **Moldova:**^{xliv} On August 8, 2024, the Moldova State Tax Service (STS) clarified that VAT incurred on goods and services purchased to enhance corporate culture is not deductible if the organization of entertaining activities is not part of the taxpayer's business activity.
- **Moldova:**^{xlv} On August 13, 2024, Moldova's STS clarified that a taxpayer in Moldova can deduct VAT paid on purchased goods or services based on several types of documents, including VAT invoices, documents confirming VAT remittance for assets from insolvency proceedings or encumbered assets, customs documents for imported goods, and fiscal documents for small sales transactions. Registered taxpayers can also deduct VAT for goods and services purchased from entities in the self-proclaimed Pridnestrovian Moldavian Republic if they have proof of VAT payment to the Moldovan budget. Additionally, taxpayers can deduct VAT on imported goods even if they have an outstanding debt to the nonresident seller, provided they have a document from Moldovan customs confirming VAT payment. This rule applies even if the seller's claim period for the debt has expired.
- **Moldova:**^{xlvi} On August 15, 2024, Moldova published amendments to the VAT law that are effective January 1, 2025. These amendments include narrowing the range of fixed assets eligible for a VAT exemption when included in a company's statutory capital. The exemption will now apply to machines and mechanical devices; electrical equipment and their parts; devices for recording or reproducing sound, and television devices for recording or reproducing images and sound; vehicles, aircraft, and ships; optical, photographic, or cinematographic instruments and devices. It also extends the right to deduct VAT for goods destroyed due to exceptional situations. Moreover, effective January 1, 2026, it cancels the prohibition on deducting VAT related to procurement from sellers required to issue e-invoices.
- **Moldova:**^{xlvii} On August 15, 2024, Moldova's STS clarified that a Moldovan resident taxpayer that is not registered as a VAT payer in Moldova and that imported services rendered by a nonresident must pay the VAT due on those services in Moldova no later than the 25th of the month following the reporting month in which the services were received.
- **Montenegro:**^{xlviii} On August 15, 2024, Montenegro released a draft bill to amend the VAT law. Among other things, the bill proposes the removal of the exemption for low-value consignments, which is currently set at EUR 75.

- Norway:**^{xlix} On August 14, 2024, the Norwegian Tax Authority (NTA) issued a [Binding Advance Ruling](#) on the VAT treatment of used car sales. In this case, the taxpayer sells cars on commission for private individuals and businesses. The company handles all aspects of the sale, including car preparation, advertising, customer contact, re-registration, and settlement. It temporarily registers the cars in its name with the Road Administration at the time of sale before they are registered in the final buyers' names. The taxpayer argued that these sales qualify as VAT-exempt commission sales as it considered acting in its own name but for the original owner's account. The NTA determined that the company is not selling cars on commission because the contracts reveal that the original car owner retains full liability for any potential defects or issues with the car, not the company. This means that the company is acting more like an agent in the sale, selling the cars in the name of the original owner and for the original owner's account, rather than selling the cars in its own name. Therefore, the company's role does not meet the definition of a commission agent in this context, and its sales are not considered commission sales.
- Slovakia:**^l On August 23, 2024, Slovakia's Ministry of Finance launched a consultation on proposed changes to the VAT Law aimed at reducing tax evasion and the VAT gap. Among other things, it proposes expanding cases requiring correction of deducted VAT, defining "investment property" more precisely, and amending rules for VAT adjustments on investment property. These changes are set to take effect on January 1, 2025, with some exceptions effective from July 1, 2025.
- South Africa:**^{li} On August 1, 2024, the South African government launched a consultation on proposed tax measures in the drafts [Taxation Laws Amendment Bill \(TLAB\)](#), [Revenue Laws Amendment Bill \(RLAB\)](#), [Tax Administration Laws Amendment Bill \(TALAB\)](#), and various draft regulations to implement the 2024 budget measures. (To read KPMG's previous discussion of South Africa's 2024 budget, click [here](#).) Among other things, these measures include proposals to provide VAT relief for non-resident lessors of parts of ships, aircraft, or rolling stock required to deregister as a result of recent amendments to the VAT Act; clarify the VAT treatment of the provision of services to non-resident subsidiaries of companies based in South Africa; and review the foreign donor-funded project regime. In addition, the bills would enhance the efficiency of the tax dispute resolution process by introducing Alternative Dispute Proceedings (ADP) at the objection phase, rather than only at the appeal stage. The bills would also extend the period within which VAT must be accounted for and paid by recipients of imported services, offering more flexibility in managing VAT obligations. The bills would further allow for VAT refunds when the amount of tax chargeable is reduced due to subsequent events related to the importation of goods by non-registered VAT vendors or in cases of imported services where no assessment is made. Finally, the bills would also waive the requirement for representative VAT vendors appointed by electronic services providers to reside in South Africa and extend this concession to non-resident VAT vendors with limited or no presence in South Africa under specified conditions.
- South Africa:**^{lii} On August 8, 2024, the South African Revenue Services (SARS) announced interim tax changes to address the issue of unpaid customs duties and VAT on clothing imports through e-commerce, which has led to unfair competition. In the announcement, SARS acknowledged that this issue stems from a SARS customs concession for goods valued at less than ZAR 500, where importers may pay a flat rate of 20 percent instead of customs duties and VAT. To rectify this, SARS will align with the World Customs Organization (WCO) framework, categorizing goods into four groups: correspondence/documents with no commercial value, low-value consignments below a de minimis threshold, low-value dutiable consignments requiring simplified declarations, and high-value consignments subject to full declaration and normal procedures. The changes include introducing VAT in

addition to the 20 percent flat rate by September 1, 2024, and reconfiguring the 20 percent flat rate into the WCO regime with appropriate duty rates for the first three categories by November 1, 2024.

- **Sweden:**^{liii} On August 15, 2024, the Swedish Tax Agency [updated](#) its guidance in response to an ECJ judgment concerning VAT on management fees ([C-179/23](#), *Credidam*). (For KPMG’s previous discussion on the ECJ case, click [here](#).) The updated guidance clarified two key points: First, management fees that collective management organizations charge, constituting of a percentage of the remuneration resulting from private copying activities, are subject to VAT. Second, these management fees remain subject to VAT even when the services they pertain to are auxiliary to the execution of transactions not subject to VAT.
- **Türkiye:**^{lv} On August 21, 2024, Turkey published [Presidential Decision No. 8787](#) implementing changes to customs tax rules for goods sent to individuals through postal or express cargo transportation not in commercial quantities. According to Presidential Decision No. 8787, the maximum value of goods sent to an individual (excluding medicine) decreased from EUR 150 to EUR 30. The fixed tax rate for goods from European Union countries increased from 20 percent to 30 percent, and for goods from other countries, the rate increased from 30 percent to 60 percent. Goods listed in List (IV) annexed to Special Consumption Tax Law No. 4760, which includes items such as caviar, perfumes, air conditioning units, refrigerators, washing machines, mobile phones, and video game consoles, are subject to an additional 20 percent tax rate.
- **United Kingdom:**^{lvi} On July 18, 2024, the U.K. First-Tier Tribunal (Tax Chamber) (FTT) published its judgment in *Lycamobile UK*, [\[2024\] UKFTT 638 \(TC\)](#), holding that VAT is levied on telephone bundles containing limits on text messages and data at the point of purchase, not usage, irrespective of overall usage. The FTT supported HMRC’s view that the full consideration received for each plan bundle should be considered for VAT purposes, regardless of usage. The FTT disagreed with the taxpayer’s claim that activating a plan bundle was not chargeable to VAT because, at that time, it was not possible to identify the nature and extent of the services which were to be provided.
- **United Kingdom:**^{lvii} On August 1, 2024, the FTT published its judgment in *Mark Glenn Ltd.*, [\[2024\] UKFTT 715 \(TC\)](#), holding that hair enhancement services should be standard-rated for VAT purposes, as significant hair loss in women is not considered a disability with long-term and substantial adverse effects. The FTT concluded that the taxpayer’s hair treatment system does not treat a condition affecting an individual’s ability to carry out everyday activities, and thus does not qualify for zero-rated VAT.
- **United Kingdom:**^{lviii} On August 15, 2024, the UK tax authority (HMRC) released an updated [guidance](#) explaining the VAT treatment on goods dispatched from Northern Ireland to the EU. The updated guidance reflects that, starting from July 1, 2021, the EU-wide threshold for distance sales of goods to someone who is not VAT-registered in an EU Member State is set at GBP 8,818 (EUR 10,000) in a calendar year.

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

- **KPMG in Cambodia** published a [report](#) discussing a new desktop application called “GDT e-Administration,” which replaces the e-Documents Submission System on E-filing. This application allows taxpayers to electronically submit various administrative letters and documents without physically visiting the tax authority. The documents that can be submitted include enterprise information updates, payment of stamp duty for property transfers, administrative protest letters against tax reassessments, requests for tax installment payments, and more. Taxpayers can also track the status of their submissions using a QR code or barcode. However, certain documents and requests will still follow the existing procedures.
- **KPMG in Malaysia** published a [report](#) discussing Service Tax Policy 4/2024 (Amendment No 1) regarding the Service Tax treatment of logistic services. The Service Tax Policy clarifies that all logistic services under Group J, First Schedule of the Service Tax Regulations 2018 provided within or between designated areas and special areas are not subject to Service Tax. However, any person providing logistic services in a designated or special area, or any person in these areas providing logistic services to customers in Malaysia, are subject to Service Tax. The conditions for Service Tax exemption on door-to-door delivery services have been updated, and logistic services related to transit activities are exempted from Service Tax. These amendments are effective March 1, 2024.
- **KPMG in New Zealand** published a [report](#) on The Taxation (Annual Rates for 2024-25, Emergency Response and Remedial Matters) Bill), which, among other things, includes the removal of the requirement to notify Inland Revenue of an election to zero-rate financial services (a “B2B election”); enabling services provided to temporarily imported commercial vessels to be zero-rated; providing greater flexibility for taxpayers to have taxable period end dates other than month end; and allowing for one-off adjustments for a change of use to apply to assets purchased before April 1, 2023
- **KPMG in Vietnam** published a [report](#) discussing, among other things, that VAT paid to overseas vendors registered for VAT in Vietnam is deductible for Vietnamese businesses and that VAT deductions for overseas sellers and the expansion of e-invoicing mandate for retailers.

Miscellaneous Developments in ASPAC

- **China:**^{lix} On July 31, 2024, China’s Ministry of Finance announced that the national government will gradually reform the country’s consumption tax system to provide local governments with more control over revenues. The plan involves transferring the collection of consumption tax from the central government to local governments, expanding local revenue sources, and granting expanded taxing authority to local governments. Additionally, the management of non-tax revenue, such as proceeds from real estate sales, will be standardized and delegated to local governments. The consumption tax, which currently applies to selected consumer goods, may also see adjustments in rates and the timing of tax imposition.

- **Japan:**^{lx} On August 27, 2024, the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) in Japan has [proposed](#) a changes to the procedural rules for the export consumption tax exemption related to sales to foreign tourists. The current mechanism, known as the Retail Export Scheme, allows registered retailers to sell products to foreign tourists at duty-free prices without the need for refund procedures at the airport. However, concerns about abuse have prompted the need for an overhaul. The proposed reform would replace the mechanism with a refund procedure that requires customs to confirm that goods purchased by foreign tourists have been taken out of Japan, aiming to address the flaws in the current system.
- **New Zealand:**^{lx} On August 30, 2024, the Inland Revenue of New Zealand released an [Exposure Draft](#) for public consultation on the GST treatment of fees associated with managed funds. According to the draft, fees paid to a fund manager for their services to investors are exempt from GST, while administrative services provided by third-party providers are taxable. The GST treatment of investment management services provided by third-party investment managers depends on their level of authority and oversight. If the investment manager has authority to make and implement investment decisions, it is exempt from GST. If their recommendations are subject to scrutiny and the fund manager can veto them, it is taxable. If the fund manager has the right to veto decisions but the investment manager can give instructions to a supervisor, it is exempt. If the fund manager or supervisor can override investment decisions without scrutiny, the investment manager is likely exempt. The draft aims to clarify the GST obligations for these fees and services. Once finalized, the Interpretation Statement will be applied prospectively.

About *Inside Indirect Tax*

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

Footnotes

- i. CCH, ATO Clarifies GST Exemption for Sunscreen Products (August 21, 2024).
- ii. Bahamas - Inland Revenue Department Publishes Value Added Tax (Amendment) Bill 2024, (August 8, 2024), News IBFD.
- iii. Denmark - Government Opens Public Consultation on Zero VAT Rate for Domestic Air Travel, (September 3, 2024), News IBFD.
- iv. CCH, France Updates Guidance On VAT Standard-Rated Supplies (August 15, 2024).
- v. Georgia - Supplies of Energy by Georgian Energy Exchange Market Are Subject to VAT, MoF Says, (August 19, 2024), News IBFD.
- vi. Lithuania - Tax Authorities Clarify VAT Exemptions for Educational and Training Services, (August 12, 2024), News IBFD.
- vii. CCH, Malta Guides On Zero Rate For Maritime Passenger Transport Services (August 6, 2024).
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