



Inside Indirect Tax

December 2025



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 Azerbaijan recently announced plans to exempt from VAT locally produced passenger vehicles, the sale of locally manufactured trucks, and the import of their spare parts. Additionally, imports and sales of electric vehicles will remain exempt until 2027. A three-year VAT exemption will cover goods imported for shipbuilding and ship repair, while VAT will also be waived on fertilizers and on machinery and equipment imported for public-private partnership projects.
- **Belgium:** On November 24, 2025, the Belgian government reached an agreement on a budget covering multiple years, which, if approved by parliament, would, among other things, increase the VAT rate from 6 percent to 12 percent for hotels and camping, sports and leisure activities (e.g., cinema and festivals) and take-away meals. For pesticides, the rate will rise from 12 percent to 21 percent. The VAT rate on non-alcoholic beverages served at restaurants and cafés will decrease from 21 percent to 12 percent. To read a report prepared by KPMG in Belgium, click [here](#).
- **Cyprus:**ⁱⁱ On October 8, 2025, the Cyprus Tax Department [issued](#) Circular 6/2025 clarifying the application of reduced VAT rates for events provided along with catering or restaurant services. Entry fees for cultural events such as performances, concerts, exhibitions, and similar venues are subject to a reduced VAT rate of 5 percent, while restaurant and catering services are taxed at 9 percent. When a single price includes both entry and catering services, the 9 percent rate applies. However, if catering is ancillary, such as offering one or two drinks with a ticket, the 5 percent rate applies. Additionally, theatrical, musical, dance, and classical premieres in theaters qualify for a 3 percent VAT rate, with subsequent performances taxed at 5 percent.
- **Czech Republic:**ⁱⁱⁱ The Czech Republic recently outlined tax proposals in its draft government program statement. The plan includes introducing a zero percent VAT rate on prescription drugs and unifying the VAT rate on catering services and non-alcoholic beverages at 12 percent. It also proposes shortening the VAT refund period for unpaid invoices from six months to three months and initiating EU-level negotiations to raise the VAT registration threshold above CZK 2 million.
- **France:**^{iv} On November 19, 2025, the French tax authority [updated](#) its guidance on VAT rates for food. The guidance clarifies that the 5.5 percent reduced rate applies to most foodstuffs and certain ingredients. However, a 10 percent reduced rate applies to prepared foods sold for immediate consumption by takeaway or delivery (excluding alcoholic drinks) while medicines, confectionery, certain chocolates, margarines, and caviar remain taxed at the standard rate. The guidance explains the EU case law concept of “normal destination” (whether a product is ordinarily intended for human food), gives numerous examples (e.g., sushi, hot foods, vending portions), and confirms sellers need not verify buyers’ actual use. It also allows corrective invoicing and VAT adjustments for certain 2023 billing errors through December 31, 2025.
- **Georgia:**^v On November 14, 2025, Georgia [published](#) amendments to its Tax Code, which zero-rates the sale and import of investment gold effective January 1, 2026. For this purpose, investment gold is defined as gold bars or plates with a fineness of at least 995/1,000, or gold coins with a fineness of at least 900/1,000, issued after 1800 and used or intended to be used as legal tender in the country of issuance.

- **Ghana:** On November 13, 2025, Ghana's Minister of Finance [presented](#) the 2026 Budget Statement and Economic Policy to Parliament, proposing several tax reforms, including abolishing the COVID-19 Health Recovery Levy, ending the decoupling of GETFund and NHIL levies from the VAT base to allow VAT expense deductions, removing VAT on mining reconnaissance and prospecting, reducing the effective VAT rate from 21.9 percent to 20 percent, and increasing the VAT registration threshold from GHS 200,000 to GHS 750,000. The budget also extends VAT zero rating on locally manufactured textiles. For more information, click [here](#).
- **Greece:**^{vi} On November 11, 2025, Greece [published](#) Law 5246/2025, titled "Tax Reform for Demographics and the Middle Class - Support Measures for Society and the Economy," which, among other things, provides a 30 percent VAT reduction for specific Aegean islands with populations under 20,000 starting January 1, 2026, and extends the suspension of VAT on new constructions through 2026. It also includes a 50 percent reduction in unified property tax (ENFIA) from 2026 and full elimination by 2027 for primary residences in certain small settlements. Additional provisions extend incentives for building upgrades and long-term vacant properties. For more information, click [here](#).
- **Liberia:**^{vii} On November 7, 2025, Liberia's Minister of Finance and Development Planning [presented](#) the draft 2026 national budget to parliament. Among other things, the budget seeks to increase the GST rate from 12 percent to 13 percent.
- **Lithuania:**^{viii} On November 10, 2025, Lithuania [published](#) draft amendments to the Law on Lottery and Gambling Tax, proposing to increase the tax rate on lotteries from 18 percent to 25 percent and on gambling activities, including gaming machines, table games, bingo, betting, and remote gambling, from 22 percent to 30 percent. Additionally, the proposal substantially revises one-time licensing fees for operators, with amounts ranging from EUR 200,000 for bingo and betting licenses to EUR 2 million for all license types combined.
- **Mexico:**^{ix} On November 7, 2025, Mexico [published](#) its Economic Package for fiscal year 2026, introducing several changes related to VAT and excise taxes. Effective January 1, 2026, Mexico will apply a zero percent VAT rate to women's menstrual products, including panties, menstrual cups, and both reusable and disposable menstrual discs. In addition, excise tax rates for manufactured cigars and tobacco will increase from 160 percent to 200 percent, while rates for handmade cigars and tobacco will increase from 30.4 percent to 32 percent. The tax rate on gambling will increase from 30 percent to 50 percent and online gambling conducted by non-residents will also be subject to the tax. Additionally, video games with violent content will be subject to an excise tax of 8 percent, regardless of whether they are distributed via physical devices or digital downloads.
- **Netherlands:**^x The Dutch Tax Authorities recently issued a general news alert regarding the VAT rate increase for accommodation services to 21 percent effective January 1, 2026. The guidance clarifies that separate facilities, such as breakfast or access to a swimming pool, may still qualify for a reduced 9 percent rate if they meet the relevant criteria. For all-in prices covering both accommodation and other separable facilities, providers must apportion the total amount between the 21 percent and 9 percent VAT rates based on the market value of each component.

- **Netherlands:**^{xi} On November 11, 2025, the Netherlands government published a [bill](#) amending the Tax Plan 2025 to formally repeal the proposed VAT increase from 9 percent to 21 percent on goods and services in the sports, culture, and media sectors. To read KPMG's previous discussion of Tax Plan 2025, click [here](#).
- **Poland:** On October 28, 2025, Poland published preliminary comments on the draft amendment to the Polish VAT Act proposing increasing the VAT rate on non-alcoholic equivalents of alcoholic beverages (such as non-alcoholic beer, wine, cider, and drinks) and energy drinks containing at least 20 percent fruit or vegetable juice. Currently, these products are taxed at 5 percent (retail) and 8 percent (catering services). The proposed change would raise these rates to the standard rate of 23 percent. To read a report prepared by KPMG in Poland, click [here](#).
- **Russia:**^{xii} Effective January 1, 2026, Russia will increase the standard VAT rate from 20 percent to 22 percent.
- **Sweden:**^{xiii} On November 25, 2025, Sweden's Ministry of Finance [published](#) a draft bill proposing a temporary reduction of the VAT rate on food, excluding certain products such as tap water and alcoholic beverages, from 12 percent to 6 percent between April 1, 2026 and December 31, 2027.
- **Zimbabwe:**^{xiv} On November 27, 2025, the Minister of Finance, Economic Development and Investment Promotion [presented](#) the 2026 National Budget, which among other things proposes to increase the VAT rate from 15 percent to 15.5 percent effective January 1, 2026. To read a report prepared by KPMG in Zimbabwe, click [here](#).

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Digitalized Economy Indirect Tax Updates

ATAF: Guidance on Drafting Significant Economic Presence Legislation

In July 2025, the African Tax Administration Forum (ATAF) [released](#) its Suggested Approach to Drafting Significant Economic Presence (SEP) Legislation, aimed at addressing the shortcomings of the existing tax nexus rules by introducing the concept of SEP. It identifies that SEP is based on the revenue a multinational earns from certain transactions, with set thresholds to make sure the presence is truly "significant."

The SEP framework introduces a market-based nexus by defining significant economic presence through materiality thresholds and revenue derived from specified digital transactions. Unlike Digital Services Tax (DST), which applies to gross revenue and often falls outside the scope of tax treaties, SEP is designed as an income tax provision subject to existing Double Taxation Agreements. This distinction ensures SEP does not fall within the definition of "DST and relevant similar measures" under [Article 39 of the Pillar One Amount A, Multilateral Convention \(MLC\)](#), allowing countries to align with global standards while retaining taxing rights over non-residents.

Key elements of the suggested legislation include defining covered taxpayers, specifying in-scope digital services, rules for attributing revenues, determining taxable profits through deemed profit methods, and compliance requirements such as registration and filing. The ATAF emphasizes that SEP offers a viable alternative to DST, particularly for jurisdictions anticipating adoption of the Amount A MLC, which requires repeal of DSTs upon ratification. Countries implementing SEP would need to deactivate these rules for taxpayers covered under Amount A once the MLC becomes effective.

Source: African Tax Administration Forum (ATAF), Suggested Approach to Drafting Significant Economic Presence Legislation, July 2025.

European Union: Commission Paper on VAT Treatment of Free-of-Charge Access to Platform in Exchange for User Data

On November 17, 2025, the European Commission released the EU VAT Committee [Working Paper No. 1118](#), addressing Italy's request for guidance on the VAT treatment of free access to social media platforms in exchange for user data. The paper examines whether such arrangements constitute taxable sales under Article 2(1)(c) of the EU VAT Directive, which requires a direct link between the service provided and the consideration received. Under the EU VAT Directive, VAT is charged when services are provided for payment. In 2018, the VAT Committee considered whether users who get free IT services and allow platforms to use their personal data are providing an economic benefit that should be taxed. The Committee decided that simply allowing data use does not count as an economic activity for VAT purposes, unless the user acts like a business. Also, if a platform gives free IT services in exchange for data and treats all users the same, this does not create a taxable transaction because there is no direct link between the service and the data provided.

Italy has now raised a question about whether changing business models, where platforms offer different functionalities based on users' data permissions, could create a direct link between the service and the consideration (data), making such transactions subject to VAT.

In this regard, the Commission's Services analyzed three common models. First, if a platform gives free access and all users get the same features while their data is used, this is generally not taxable because there's no direct link between the data and the service received. Second, if users restrict data permissions and the platform reduces features in response, a direct link may exist, making the transaction potentially taxable. However, authorities must assess each case individually and face challenges in valuing the data exchanged for functionality. Finally, if users pay a subscription for enhanced or ad-free services, this is clearly taxable since there is a monetary payment. However, the Commission warned against using subscription prices to value non-monetary exchanges, as users provide varying amounts of data and platforms may still use some data even for paid services.

The paper invites EU Member States to provide feedback and acknowledges that legislative amendments to the EU VAT Directive may be necessary to address these issues comprehensively. For more information, click [here](#).

Mexico: Tax Provisions Affecting Digital Platforms in 2026 Tax Reform

On November 7, 2025, Mexico published its 2026 tax reform with most provisions taking effect January 1, 2026. The reform extends VAT and income tax (IT) withholding to transactions by digital platforms that collect payments on behalf of sellers, applying the same logic used for individuals to Mexican legal entities: platforms must withhold 50 percent VAT and 2.5 percent IT when a seller provides a tax ID (RFC), and 100 percent VAT and 20 percent IT when a seller does not. Platforms must issue e-invoices (CFDI) for withholdings and report information for all sellers, including nonresidents and Mexican sellers with offshore settlements. The law also raises the IT withholding for individuals selling through platforms from 1 percent to 2.5 percent and empowers the tax authority (SAT) to issue administrative rules clarifying scope and compliance. Moreover, platforms will be required to the SAT with online, real-time access to operational data and records related to Mexican transactions effective April 1, 2026.

The reform further expands the excise tax (IEPS) exposure for digital activity: it raises the IEPS on betting and sweepstakes from 30 percent to 50 percent and explicitly captures online offerings by nonresidents, with platforms required to withhold 100 percent of the IEPS and issue e-invoices. In addition, it creates an 8 percent IEPS on video games with violent or adult content sold physically or accessed/downloaded digitally, and it presumes 70 percent of mixed subscriptions' price relates to taxable content if not itemized. The SAT will require foreign providers and platforms to register, appoint a legal representative, and meet VAT-like obligations or face a temporary suspension of platform access in Mexico. For more information, click [here](#).

Other Developments

- **Botswana:** On October 31, 2025, Botswana published the Value Added Tax (Amendment) Act, 2025 (Act No. 16 of 2025) in the Government Extraordinary Gazette, officially promulgating the legislation. The Act introduces amendments to the VAT framework, though its commencement date has not yet been announced. Further updates regarding the effective date will follow once confirmed. For more information, click [here](#).
- **Canada:**^{xv} Canada recently [introduced](#) Bill C-15 as part of Budget 2025 implementation, proposing the repeal of the Digital Services Tax (DST) Act and its regulations. The repeal would apply retroactively to June 20, 2024.
- **Chile:**^{xvi} On October 23, 2025, Chile's tax authority (SII) [issued](#) Ruling No. 2152-2025 confirming that companies that are non-VAT taxpayers and use digital services provided by nonresident providers may request authorization to self-assess and pay VAT when the foreign provider is not registered under the simplified regime. In such cases, the company must issue a purchase invoice (*factura de compra*) including VAT. Companies that are VAT taxpayers and use foreign digital services do not need prior authorization but must also self-assess VAT through a purchase invoice.
- **Colombia:**^{xvii} Colombia recently drafted a resolution to implement the [Crypto-Asset Reporting Framework](#) (CARF), which standardizes the reporting of tax information on crypto-asset transactions for automatic exchange. The country signed the Multilateral Competent Authority Agreement under CARF on October 31, 2024, and plans to begin exchanging information by 2027.
- **Denmark:**^{xviii} On November 3, 2025, the Danish Tax Agency [launched](#) digital guidance to assist influencers, content creators, and streamers in understanding their tax obligations, including VAT registration requirements. The guidance clarifies when individuals must register for VAT and how to report income derived from digital content creation, including products and services received in exchange for promotional activities. The initiative follows a targeted audit revealing widespread non-compliance, prompting the agency to provide clearer instructions on VAT and other tax obligations.
- **Greece:**^{xix} On November 12, 2025, Greece's Ministry of Finance published Circular E.2094/2025 clarifying the scope and implementation of the digital transaction duty (DTD) introduced by Bill 5177/2025. The Ministry clarified that the DTD triggers from documents or records, allows ad valorem or fixed fees, caps certain open credit agreements at EUR 150,000, and preserves many prior exemptions while excluding transactions covered by VAT and specific regimes. The circular further clarifies the DTD treatment of leases, loans, current accounts, deposits/withdrawals, assignments of claims, movable-asset sales, IP licenses, and business transfers, exempts bond loans and some financial instruments, and sets filing obligations, timing rules, and special rules for renewals, capitalization of interest, and cross-border executions. To read a report prepared by KPMG in Greece, click [here](#).

- **Kazakhstan:**^{xx} On October 31, 2025, Kazakhstan's Ministry of Finance published Order of the Ministry of Finance No. 636, updating the VAT registration rules for foreign companies, effective January 1, 2026. Under the new procedure, foreign companies selling goods or providing services in Kazakhstan through online platforms must register for VAT once the first payment from a buyer is received. Registration requires submitting a confirmation letter with notarized and translated documents, including a power of attorney, to the State Revenue Committee within one month of the first payment. Upon receipt, the Committee requests a business identification number (BIN) from the Ministry of Justice, which is issued within one working day. To read a report prepared by KPMG in Kazakhstan, click [here](#).
- **Liberia:** On November 7, 2025, Liberia's Minister of Finance and Development Planning [submitted](#) the draft national budget for fiscal year 2026 to the National Legislature. Among other things, the budget proposes measures to enhance taxation of the digital economy, aiming to reduce revenue leakages and ensure fair contributions from cross-border digital transactions and global platforms.
- **Mauritania:**^{xxi} On November 5, 2025, Mauritania [published](#) the draft Finance Law for 2026, which, if approved, would introduce a new tax on electronic transactions (TTE) through amendments to the General Tax Code. The TTE would apply to mobile money services, electronic wallets, approved payment platforms, and commissions earned by authorized agents. The tax would be levied at 0.1 percent on the gross amount of electronic payments or transfers and 10 percent on commissions for cash deposit services. Exemptions would include transactions involving public bodies, humanitarian transfers, and payments below MRU 5,000.
- **Mexico:** On November 21, 2025, Mexico's tax administration published an updated list of non-resident providers of digital services that are registered for VAT in Mexico. As of August 31, 2025, the updated list states that 270 foreign digital service providers are registered for VAT. For more information, click [here](#).
- **South Africa:**^{xxii} On November 25, 2025, South Africa [released](#) a discussion paper proposing a 20 percent tax on gross gambling revenue from online betting, including interactive gambling. The proposal also considers requiring local online betting operators to register and share data with the tax authority to streamline administration and compliance.
- **Taiwan:**^{xxiii} On September 10, 2025, Taiwan's Ministry of Finance issued the "Operational Regulations for Levying Business Tax on Individuals Who Frequently Publish Creations or Share Information Online." The rules require domestic influencers earning income from monetized content such as videos, images, or text to register and collect business tax (Taiwan's VAT) when selling goods or services within Taiwan and meeting legal thresholds (TWD 100,000 for goods and TWD 50,000 for services). Platforms receiving advertising income are also subject to business tax. While registration and compliance obligations apply immediately, penalties for non-compliance will not be imposed until June 30, 2026.
- **Zimbabwe:**^{xxiv} On November 27, 2025, the Minister of Finance, Economic Development and Investment Promotion [presented](#) the 2026 National Budget, which, among other things, proposes to introduce effective January 1, 2026 a 15 percent Digital Services Withholding Tax in lieu of VAT on digital services to be withheld by paying agents that include financial institutions. To read a report prepared by KPMG in Zimbabwe, click [here](#).

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

Mexico: Updates to E-Invoicing System (CFDI) Included in 2026 Tax Reform

On November 7, 2025, Mexico published the 2026 tax reform in the official gazette, amending rules for the CFDI (the country's e-invoice). The reform requires CFDIs in the hydrocarbons sector to include a permit number and adds a veracity rule (Fracción IX to Article 29-A of the Federal Tax Code) that requires CFDIs to reflect real, legally valid transactions — not merely correct formatting. If a CFDI does not document an actual act (for example, a real transfer of goods, provision of services, or other valid legal operation), tax authorities will presume it false and apply penalties. The reform also codifies an extension of the CFDI cancellation period to the month when the annual income tax (ISR) return is filed, provided the recipient agrees; this change moves a prior administrative rule into law.

The reform gives the tax authority (SAT) stronger powers to verify CFDI authenticity: SAT can request evidence (photos, videos, audio, or other proof) and taxpayers will have five business days to respond, with SAT required to issue a decision within 15 business days. Article 49 Bis creates a fast-track enforcement procedure that allows immediate suspension of invoicing rights when SAT orders an on-site visit, mandates inspections at any location linked to questioned CFDIs, and requires a final decision within 24 business days; confirmed falsity will trigger public disclosure of the issuer's name and RFC (tax ID) and force third parties using those CFDIs to correct filings within 30 days. The reform also makes it an infraction (Article 83 CFF) to condition issuance of a CFDI on presentation of a personal ID or a fiscal status certificate. Businesses should strengthen transaction documentation (contract, delivery or service proof, payment evidence), enhance seller due diligence, and prepare for compliance and potential audits; the changes take effect January 1, 2026, with implementation details to follow in the 2026 Miscellaneous Fiscal Resolution. For more information, click [here](#).

Other Developments

- **Botswana:**^{xxv} On October 17, 2025, Botswana's parliament approved the VAT Amendment Act, 2025, which, among other things, mandates the use of electronic fiscal devices (EFDs). Registered sellers must issue fiscal receipts using approved EFDs for all taxable sales, unless exempted by the Minister of Finance. Penalties for non-compliance include fines of up to BWP 10,000 per month for failing to use an EFD or issue fiscal receipts. Tampering or issuing false receipts can result in fines of up to BWP 100,000 or imprisonment. The Act also introduces conditions for recipient-created invoices and strict sanctions for EFD misuse. The Finance Ministry will later define when these provisions will become effective and whether this law will lead to a full e-invoicing mandate.

- **France:**^{xxvi} On September 18, 2025, the French tax authority [announced](#) that the pilot phase of the e-invoicing mandate will begin on February 1, 2026. During this phase, businesses can test e-invoicing under real conditions without facing administrative penalties. The initiative is led by the *Agence pour l'Informatique Financière de l'État* (AIFE) and the *Direction Générale des Finances Publiques* (DGFIP) to ensure smooth adoption.
- **The Gambia:**^{xxvii} On October 31, 2025, the Minister of Finance and Economic Affairs [presented](#) The Gambia's 2026 Budget to the National Assembly, which, among other things, proposes to introduce an e-invoicing mandate. Specific dates for the e-invoicing mandate have not yet been announced.
- **Greece:**^{xxviii} On November 4, 2025, Greece's published Decision A.1145/2025, postponing Phase B of the e-waybill mandate for myDATA users. The new deadline is April 30, 2026, replacing the original date of December 1, 2025. Phase B centers on digitally tracking goods movement, transfer, and delivery.
- **Malawi:**^{xxix} On November 1, 2025, the Malawi Revenue Authority (MRA) [announced](#) an extension for implementing the Electronic Invoicing System (EIS) to February 1, 2026. The extension allows taxpayers more time to adapt to the system's technical requirements and operational processes. EIS replaces the Electronic Fiscal Devices (EFDs) mandate and offers benefits like stock monitoring and issuing electronic or physical invoices. After the transition, tax invoices from EFDs will no longer be accepted to claim VAT deductions. The software-based EIS aims to improve tax compliance and record keeping while supporting businesses with its user-friendly and cost-effective features. The MRA encourages taxpayers to adopt the system for a smoother transition.
- **Panama:**^{xxx} On November 12, 2025, Panama's tax authority [updated](#) the list of taxpayers required to issue e-invoices and provided a website for verifying the invoice issuer status of taxpayers.
- **Poland:** On November 1, 2025, Poland launched the KSeF Certificates and Permissions Module, enabling entrepreneurs to apply for invoice issuer certificates that authenticate issuers and assign unique codes to e-invoices issued in offline²⁴, offline, or emergency modes (these modes allow issuance when the central system is unavailable). Entrepreneurs must authenticate in KSeF as a taxpayer or authorized person (for example, with a trusted signature, qualified electronic signature, or qualified electronic seal). Certificates remain valid up to two years from issuance or first use, and users can generate them in the Module from October 2025 through January 2026, after which the feature moves to the KSeF 2.0 API and Taxpayer App in February 2026. To read a report prepared by KPMG in Poland, click [here](#).
- **Slovakia:**^{xxxi} On November 13, 2025, the Slovakian tax authority [released](#) a set of Frequently Asked Questions highlighting the main features and compliance deadlines for the upcoming e-invoicing mandate. This mandate is based on a draft amendment to the VAT Act, currently under consideration in parliament. Effective January 1, 2027, VAT taxpayers must issue and receive invoices in a structured XML format compliant with EU standards (EN16931), distributed via the Peppol network using access points known as "Digital Postmen." A transitional period will run from January 1, 2026, to January 1, 2027, allowing voluntary adoption. From July 1, 2030, VAT control and summary reports will be replaced by automatic data transmission. Cross-border e-invoicing within the EU is planned to begin in July 2030 in line with the EU ViDA Directive.

- **Slovenia:**^{xxxii} On November 6, 2025, Slovenia [published](#) Law No. 3032, regulating the exchange of e-invoices and documents. The law mandates businesses to issue e-invoices to other businesses and allows consumers to choose between e-invoices or paper invoices. The law further requires e-invoices issued to consumers to include a visual representation in a standard format. Consumers can revoke consent for e-invoices at any time and request paper invoices. Additionally, the law addresses e-invoice conversion standards and outlines exceptions. It takes effect on January 1, 2028, following its entry into force on December 6, 2025.
- **Sri Lanka:**^{xxxiii} On November 7, 2025, Sri Lanka's Ministry of Finance [presented](#) the 2026 budget speech, announcing the implementation of a national e-invoicing system for VAT. Sri Lanka introduced an API-based integrated framework to connect taxpayers' Enterprise Resource Planning (ERP) systems with the Revenue Administration Management Information System (RAMIS) — RAMIS is the tax authority's management information system and ERP refers to a company's accounting and operations software. After a pilot with companies that upgraded their ERPs for API integration, authorities expect to complete and implement the system this year. In phase one, authorities will expand the system to export-oriented enterprises and integrate selected pilot companies via API; in phase two they will onboard all VAT-registered taxpayers; and in phase three they will deploy e-invoicing through point-of-sale (POS) machines to record transactions in real time and to improve tax compliance, efficiency, and transparency of VAT administration via a fully web-based platform.
- **United Kingdom:**^{xxxiv} On November 28, 2025, the UK government [announced](#) that starting April 2029, businesses must issue all VAT invoices as e-invoices for both business-to-business and business-to-government transactions. This mandate is part of the Digital Adoption Package, which includes initiatives like expanding InnovateUK's BRIDGE AI program and promoting gigabit broadband solutions. In January 2026, the government will begin collaborating with stakeholders to design the e-invoicing regime, ensuring diverse perspectives are reflected in the policy and roadmap. The implementation roadmap will be published in the 2026 Budget, and the government will work closely with software providers, including Making Tax Digital (MTD) developers, to foster innovation and support a competitive market for e-invoicing solutions.

Global E-invoicing & Digital Reporting Tracker

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

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Canada** published a [report](#) discussing indirect tax measures in the 2025 federal budget announced on November 4, 2025. The budget eliminates the Underused Housing Tax (UHT) starting with the 2025 calendar year, ending filing and payment obligations for future years. It also removes the luxury tax on aircraft and vessels effective November 4, 2025, requiring vendors to file a final return for the period including that date, with automatic registration cancellations by February 1, 2028. Additionally, the budget clarifies that manual osteopathic services provided by non-physicians are taxable under GST/HST for sales made after June 5, 2025. To combat carousel fraud, a new self-assessment will be introduced for certain telecommunications transactions, with stakeholder feedback invited until January 12, 2026.
- **KPMG in Canada** published a [report](#) discussing indirect tax measures in Ontario's 2025 Fall Economic Update announced on November 6, 2025. The Update introduces a new Harmonized Sales Tax (HST) rebate for first-time home buyers on newly built or substantially renovated homes. This rebate eliminates the provincial portion of HST on qualifying homes valued up to CAD 1 million and applies a linear reduction for homes priced between CAD 1 million and CAD 1.5 million. Eligibility criteria will align with the proposed federal rebate, including primary residence requirements. The rebate applies to agreements of purchase and sale entered into on or after May 27, 2025, with construction starting before 2031 and substantial completion before 2036.

United States: Washington Issues Interim Guidance on Newly Taxable Services

Washington enacted [ESSB 5814](#) in May 2025, expanding "retail sales" to include several services that had not been taxed before. Effective October 1, 2025, sales tax applies to advertising services, custom software and customization of prewritten software, custom website development, information technology (IT) services, live presentations (such as webinars and workshops), investigation and security services (including security monitoring and armored car services), and temporary staffing services. The Department of Revenue recently [issued](#) interim guidance that explains how to tax these services, how to source them, and how to handle transactions used in multiple places. Washington generally uses destination-based sourcing, which taxes a service where the customer first uses it. If customers use a service in several locations, sellers can allocate the charge proportionally or equally among those locations. For digital or software-related services used both inside and outside the state, customers may use a Multiple Points of Use (MPU) exemption to self-report tax only on the Washington use, which shifts the tax reporting duty from the seller to the buyer. The guidance also clarifies what activities fall inside or outside each newly taxable category and provides examples, particularly for advertising (creative vs. dissemination), custom software and website development, IT services, live presentations, investigation/security services, and temporary staffing.

The Department addressed transition rules for existing contracts. If a contract was signed and fully paid before October 1, 2025, but the services occur after that date, sales tax does not apply; if the price was not paid by that date, sellers may continue pre-ESSB 5814 reporting only through March 31, 2026, after which retail sales tax applies. Material contract changes after October 1, 2025, trigger the new tax treatment. Because redefining these services as “retail sales” also affects Washington’s Business & Occupation (B&O) tax, most such transactions move into the Retailing classification at a 0.471 percent rate, while purchases for resale generally fall under Wholesaling at 0.484 percent. Transactions between affiliated group members for these services are typically excluded from “retail sales” and remain in the Service and Other Activities B&O classification at graduated rates (1.5 percent, 1.75 percent, or 2.1 percent starting October 1, 2025). The Department eliminated several prior exclusions from the definition of digital automated services (DAS) to align with the new taxable services but confirmed that professional services do not become taxable merely because they are delivered electronically. Sellers and buyers should retain contracts, invoices, sourcing records, exemption certificates (including MPU or reseller permits), and other documentation to substantiate how they applied these rules. The interim guidance remains in effect until the Department issues final guidance, or the legislature changes the law. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Bolivia:**^{xxxv} On November 25, 2025, Bolivia’s Executive Branch [submitted](#) the 2026 Economic Package Bill to the National Assembly, proposing the elimination of four taxes to encourage investment and economic growth. The taxes targeted for repeal include the Net Wealth Tax, Financial Transactions Tax, Gambling Tax, and Corporate Promotion Tax. The bill will undergo mandatory discussions in the lower house and Senate before potential enactment by the President.
- **Chile:**^{xxxvi} On October 29, 2025, the SII [issued](#) Letter No. 2220, clarifying the VAT treatment of services provided remotely from Colombia. The ruling addressed a case where a Chilean resident contracted a Colombian resident to provide services via technological means from Colombia. The SII confirmed that the services are exempt from VAT under Chile’s VAT, as they are subject to withholding tax under the Chile–Colombia tax treaty. This exemption applies when the services qualify as technical assistance, technical services, or consultancy services under the royalties article of the Chile–Colombia tax treaty.
- **Chile:**^{xxxvii} On November 5, 2025, the SII [issued](#) Letter No. 2272, clarifying that VAT withholding does not apply to taxpayers issuing e-invoices who are not listed in the official registry of taxpayers subject to VAT withholding. The ruling confirms that withholding requires both parties to be included in the respective registries of withholding agents and taxpayers subject to withholding. Consequently, construction companies must reimburse contractors for any improper withholding and correct related errors. The SII also stated that voluntary enrollment in withholding lists is not permitted.
- **Chile:**^{xxxviii} On November 12, 2025, the SII [issued](#) Letter No. 2354, clarifying VAT obligations related to credit card installment payments. The ruling states that these transactions do not constitute a sale of goods or service for VAT purposes because they involve transferring ownership of a claim to a third party without additional consideration. Therefore, the payment service provider is not required to issue tax documents to the taxpayer. The taxpayer may deduct as an expense the substantiated loss arising from the difference between the assigned debt and the advance received from the provider, subject to applicable conditions.

- **Chile:**^{xxxix} On November 12, 2025, the SII [issued](#) Letter No. 2357 clarifying VAT documentation requirements for imports of goods. In general, Customs must verify import values and issue customs documents, and only the values recorded in those customs documents entitle buyers to input VAT credit. Since October 25, 2025, goods sold from abroad to Chile trigger VAT as a remote sale or import, and a Chilean VAT-registered buyer who notifies the foreign seller or platform must declare and pay import VAT at entry, whereas failure to notify requires the seller/platform to add, withhold, declare, and remit VAT at sale. Taxpayers cannot cure understated or missing customs VAT by issuing local purchase invoices, though foreign expenses may be deductible for income tax purposes.
- **Chile:**^{xl} On November 12, 2025, the SII [issued](#) Letter No. 2358, clarifying VAT treatment for renewable energy accreditation charges and penalties. The ruling confirms that companies marketing electricity must purchase non-conventional renewable energy (NCRE) from generators and issue an e-invoice for this taxable service. Penalties for failing to meet the 10 percent NCRE requirement are calculated at 0.4 monthly tax units (UTM) per megawatt-hour of deficit, increasing to 0.6 UTM if repeated within three years. These penalties are not subject to VAT.
- **Guatemala:**^{xli} On November 18, 2025, Guatemala published Decree 17-2025 to streamline tax-credit refunds and offsets. The decree lets taxpayers ask the tax authority to apply tax credits against future liabilities instead of seeking a cash refund, shortens the authority's deadline to resolve refund requests from 60 to 30 days, and requires interest when the authority enforces an undue tax collection. The decree further expands refund procedures to cover tax credits arising from excess VAT credits and unoffset withholdings, while retaining a special audit-driven procedure for some claims. The decree preserves refund benefits for exporters and for taxpayers that sell to VAT-exempt customers and directs the tax authority to maintain a register now covering both exporters and sellers to exempt taxpayers to administer the special refund regime.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in the Czech Republic** published a [report](#) discussing updated tax obligations for entities providing passenger transportation services via mobile applications effective January 1, 2025. The guidance confirms that passenger transport services provided through mobile apps that are sourced in the Czech Republic constitute taxable sales for VAT purposes, regardless of whether the transport provider has the relevant trade license. Transportation providers must register for VAT if their annual gross receipts exceed CZK 2 million, or immediately if the gross receipts surpass CZK 2,536,500 during the taxable period. Access services provided by non-residents are also taxable, requiring Czech transportation providers to self-assess VAT and register as identified persons when applicable.

- **KPMG in the Czech Republic** published a [report](#) discussing a Supreme Administrative Court (SAC) ruling on the VAT treatment of building land and its implications under current law. The SAC clarified that under rules effective until June 30, 2025, land qualifies as building land and its sale is subject to VAT only if a structure is intended to be built and construction work or administrative acts support that purpose. Classification in a zoning plan alone was deemed insufficient; the parties' actual intention, reflected in the purchase agreement, must be considered. From July 1, 2025, the VAT Act simplifies the definition as land designated for construction in zoning documentation is treated as building land, making its sale taxable.
- **KPMG in the Czech Republic** published a [report](#) discussing the incoming government coalition's draft policy statement, which proposes several indirect tax changes. The plan includes increasing the threshold for mandatory VAT registration significantly above CZK 2 million, subject to EU approval, and reducing the deadline for returning VAT deductions on unpaid invoices from six months to three months. It also proposes introducing a unified VAT rate of 12 percent on catering services and non-alcoholic beverages and applying a zero percent VAT rate on prescription drugs. Additionally, the government commits not to introduce excise duty on still wine or a carbon tax on fuels.
- **KPMG in Ghana** published a [report](#) discussing the 2026 budget measures announced on November 18, 2025, which introduce significant indirect tax reforms. The proposals include repealing the COVID-19 Health Recovery Levy and decoupling the GETFund and NHIL levies, increasing the VAT registration threshold from GHS 200,000 to GHS 750,000, and repealing VAT on mineral exploration and reconnaissance. The budget also extends zero-rated VAT on locally manufactured textiles until December 2028. Additionally, the government will deploy digital systems to monitor and collect VAT, mainly targeted at cross-border transactions conducted on digital platforms and proposes to introduce and operationalize the use of fiscal electronic devices. Finally, the reform introduces a VAT Reward Scheme encouraging the public to collect and submit VAT receipts to promote compliance monitoring. The parliament of Ghana announced on November 27, 2025, that it had adopted the Value Added Tax Bill, 2025.
- **KPMG in Ireland** published a [report](#) discussing new guidance issued by the Irish Revenue Commissioners on November 9, 2025, regarding VAT grouping rules. The guidance aligns Irish rules with Court of Justice of the European Union (CJEU) judgments in *Skandia* (C-7/13) and *Danske Bank* (C-812/19) and practices in most EU Member States. Therefore, VAT grouping in Ireland only applies to the Irish establishment of the VAT group members (i.e. an Irish head office or branch) – any foreign establishments of that same legal entity are excluded from the scope of the Irish VAT group. Membership of a VAT group in another EU Member State may also now impact the analysis in Ireland. It applies immediately to VAT groups established from November 19, 2025, while existing groups benefit from a transitional period until December 31, 2026.
- **KPMG in Luxembourg** published a [report](#) discussing new VAT guidance issued on October 21, 2025, under [Circular 807-1](#), which repeals Circular 807bis and clarifies the VAT treatment of company cars following the Court of Justice of the European Union (CJEU) judgment in *QM* (C 288/19). The Circular confirms that employers can no longer allocate a "professional" portion to reduce the VAT base, making the entire consideration taxable. It reiterates that providing a car for private use against remuneration qualifies as a long term hire of a vehicle, subject to VAT where the employee resides. The guidance also addresses taxable basis rules, cross-border compliance obligations, and the use of the One-Stop-Shop for reporting. Employers must review arrangements to ensure VAT compliance in Luxembourg and other EU Member States.

- **KPMG in the Netherlands** published a [report](#) discussing the Dutch Supreme Court's referral of preliminary questions to the CJEU on November 21, 2025. The referral seeks clarification on whether the sale of real property used solely for VAT-exempt activities qualifies as a transfer of a going concern under Section 37(d) of the Dutch VAT Act, aligned with Article 19 of the EU VAT Directive. The case involves a developer who converted an office building into residential apartments and sold it after VAT-exempt rentals of these apartments. The CJEU will determine if such transfers fall under the relief provisions and whether the seller's intention to sell affects the application of the rules.
- **KPMG in Poland** published a [report](#) discussing recent VAT developments. In a recent decision, the Supreme Administrative Court clarified that transferring an organized part of an enterprise to another company that continues its operations satisfies conditions for VAT exemption under Article 6(1) of the VAT Act. Additionally, from January 1, 2026, the VAT registration threshold will increase from PLN 200,000 to PLN 240,000, with transitional provisions allowing immediate application for qualifying businesses.
- **KPMG in Serbia** published a [report](#) discussing the Ministry of Finance's draft law on fees for the use of public resources, expected to take effect on January 1, 2026. The proposal introduces changes to eco tax filing deadlines, requiring returns for the previous year to be submitted by April 30. It expands toll obligations to additional vehicle categories and introduces online toll payment, with rates set per kilometer for motorways and regional roads. The draft also revises fees for direct water pollution, road land use, installation of telecommunication equipment, and radio frequency usage. Additionally, it prescribes fees for short SMS codes and increases recycling coefficients for packaging materials.
- **KPMG in the United Arab Emirates** published a [report](#) discussing Federal Decree-Law No. 16 of 2025 and Federal Decree-Law No. 17 of 2025, which amend selected provisions of the UAE VAT Law and the Tax Procedures Law and take effect January 1, 2026. The report highlights that the VAT changes are limited but include practical clarifications—taxpayers no longer must issue tax invoices to themselves for certain business imports and businesses may carry forward excess recoverable VAT for up to five years before they forfeit the right to claim it. The Tax Procedures Law introduces broader reforms that impose a five-year limitation on the tax authority's use of credits and on refund claims, sets specific deadlines and procedures for refund requests (including carve-outs when credits arise after or close to the expiry of the standard period), narrows the mandatory scope of voluntary disclosures by allowing many errors to be corrected via tax returns, expands exceptions to the five-year audit limitation (increasing the authority's audit powers), requires the tax authority to issue implementation guidelines, and provides transitional relief that effectively gives businesses until December 31, 2026 to claim certain historic refunds.
- **KPMG in the United Arab Emirates** published a [report](#) discussing Cabinet Decision No. (153) of 2025, introducing a self-assessment requirement for local metal scrap transactions between VAT-registered businesses effective on January 25, 2026. The Decision defines metal scrap and processing, requires sellers to obtain a written declaration from buyers confirming their VAT registration and intention to reuse, recycle, or process the metal scrap, and instructs sellers to verify registration and to mark invoices when the new mechanism applies.

Roundup of Latest European Union VAT Cases

On November 13, 2025, the CJEU issued its decision in *FLO VENEER*, Case [C-639/24](#), in which it held that tax authorities cannot deny the zero-rating for intra-EU sales of goods solely because the evidence listed in Article 45a of the Implementing Regulation (i.e., evidence to support that goods moved from one Member State to another) was not provided. Instead, authorities must assess all available evidence to determine whether goods were shipped from one Member State to another within the EU.

On November 13, 2025, the CJEU published the nonbinding Opinion of its Advocate General (AG) in *Nekilnojamojo turto valdymas*, Case [C-544/24](#), in which the AG opined that national legislation imposing a fixed penalty component, without allowing tax authorities discretion to reduce or waive it, does not violate EU law, provided the measures are appropriate, necessary, and proportionate to ensure correct VAT collection and prevent evasion. The AG emphasized that such interest serves compensatory and preventive purposes, guarantees legal certainty, and promotes equal treatment of taxpayers.

On November 26, 2025, the European General Court (EGC) published the nonbinding Opinion of its AG in *A-GmbH*, Case [T-589/24](#), in which the AG opined that the outward-processing authorization is valid only when all concerned Member States provide prior consent, as required under Article 500 of the Community Customs Code. The Advocate General emphasized that consultation and agreement are mandatory to protect Member States' interests. Using customs offices not designated in the authorization breaches these conditions and precludes partial relief from import duties under both the former Community Customs Code and the current Union Customs Code.

On November 26, 2025, the EGC published its decision in *Versãofast, Unipessoal, Lda*, Case [T-657/24](#), in which it held that the VAT exemption for credit intermediation services under Article 135(1)(b) of the EU VAT Directive applies to activities of a credit intermediary that identifies and canvasses customers for mortgage loans, assists with preparatory work, communicates with credit institutions, and receives remuneration based on concluded agreements. The exemption applies even if the intermediary lacks authority to act on behalf of lenders and has no influence over loan terms, provided customers remain free to choose whether and with whom to contract.

On November 27, 2025, the CJEU published the nonbinding Opinion of its AG in *P-GmbH & Co. KG*, Case [C-565/24](#), in which the AG opined that the margin mechanism for travel agents should not apply to a situation in which a taxpayer purchases tourist services, in particular transportation services, from other taxpayers and subsequently provides them in its own name within the framework of excursions combined with the sale of goods, the purchase of which is not a condition for participation in the excursion, with the taxpayer charging participants a fee that does not cover the entire cost of the services purchased from other taxpayers, and the remainder of that cost being covered by revenue from the sale of goods, thus becoming a component of the price of those goods.

Source: European Union, Croatia; ECJ Decides That Tax Authorities Must Consider All Evidence Before Denying VAT Exemption on Intra-Community Supplies: *FLO VENEER d.o.o.* (Case C-639/24) (VAT)(November 13, 2025), News IBFD, European Union, Lithuania; ECJ Advocate General Opines that Fixed Late-Payment Interest on VAT Debts Is Compatible with EU Law: *Nekilnojamojo turto valdymas* (Case C-544/24) (VAT) (November 13, 2025), News IBFD; European Union; Germany; ECJ Advocate General Opines that Outward-Processing Authorization Is Invalid Without Consent of All Involved Member States: *A-GmbH* (Case T-589/24) (Customs)(November 26, 2025), News IBFD; European Union; Portugal, ECJ Decides that Credit Intermediary Activities Bringing Parties Together for Loan Agreements Are Exempt from VAT: *Versãofast* (Case T-657/24) (VAT)(November 26, 2025), News IBFD; European Union, Germany; ECJ Advocate General Opines Special VAT Scheme for Travel Agents Incompatible with Excursions Financed by Sales of Goods: *P-GmbH & Co. K* (Case C-565/24) (VAT)(November 27, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Austria:**^{xlii} On November 17, 2025, the Austrian Federal Ministry of Finance [published](#) Federal Finance Court Decision No. RV/5100090/2019 clarifying VAT deduction rules for invoices incorrectly issued by nonresident service providers. The case involved a German company that charged Austrian VAT on renovation services despite lacking a fixed establishment in Austria. The court confirmed that the reverse charge mechanism should have applied and denied the taxpayer's VAT deduction claim, noting insufficient evidence that invoice correction was impossible. It concluded that VAT shown on the invoice was not legally owed, and therefore, the deduction was correctly refused.
- **Bosnia and Herzegovina:** On November 14, 2025, Bosnia and Herzegovina's Indirect Taxation Authority [published](#) additional instructions on VAT refunds for nonresident. The guidance clarifies procedures for submitting refund requests, appointing tax representatives, and registering nonresidents to obtain a tax identification number. Requests must be signed by the tax representative and include an original proxy, invoices and customs declarations in electronic format, and a VAT status certificate issued within six months. All documents must be translated into one of the local languages, and amounts stated in BAM. The instructions aim to streamline compliance and improve communication with the authority.
- **Bulgaria:**^{xliii} On November 3, 2025, Bulgaria's parliament accepted for consideration Bill No. 51-502-01-57 to align with the European Union's special VAT mechanism for small enterprises. The proposal introduces a national gross receipts threshold of EUR 51,130 and an EU-wide threshold of EUR 100,000, along with simplified VAT rules and optional regimes for domestic and EU-level compliance. It also provides for special VAT identification numbers and revised invoicing requirements. Additional changes include updated registration rules for all vendors, limitations on VAT deductions for small businesses, and new invoicing deadlines.
- **Denmark:**^{xliv} On October 29, 2025, the Danish Customs and Tax Administration [published](#) City Court Decision No. SKM2025.607.BR, clarifying VAT deduction rules for subcontractor services. The court upheld the tax authority's denial of VAT deductions claimed by a business owner, citing insufficient documentation and the absence of VAT registration for the alleged subcontractors. The court found that the taxpayer failed to prove that the services were rendered or that the invoices were legitimate. As a result, the VAT deductions were disallowed, and the taxpayer remained liable for the assessed VAT and related tax obligations.
- **Denmark:**^{xlv} On October 30, 2025, the Danish Customs and Tax Administration [issued](#) Guidance No. SKM2025.610.SKTST. The tax authority changes its prior practice that treated all activities outside the VAT system—such as public-authority functions, non-economic activities, and deliveries by public institutions exempt under VAT Act as automatically “unrelated purposes” for determining whether VAT applies. Going forward, the tax authority will assess concretely whether a given activity qualifies as an “unrelated purpose.” If that assessment shows the activity is not unrelated, the business will not owe VAT when it uses assets from its business for that activity, and it will not owe VAT when it provides services for that activity.
- **Denmark:**^{xlvi} On November 3, 2025, the Danish Tax Agency [published](#) City Court Decision No. SKM2025.615.BR, clarifying VAT liability and deduction rights for advance invoicing of services between group-affiliated companies. In this case, the taxpayer failed to prove that VAT liability and the right to deduct VAT arose at the advance invoicing stage. The court held that VAT liability and deduction instead arose on the dates the individual services were performed.

- **Denmark:**^{xlvii} On November 6, 2025, the Danish Tax Agency [published](#) National Tax Court Decision No. SKM2025.626.LSR, clarifying the VAT treatment of cross-border repairs. The court ruled that shipping worn aircraft parts from Denmark to Germany for repair does not constitute a taxable sale if the parts are returned to Denmark. However, if the repaired parts are sent to another EU Member State, the taxpayer is considered to have made a taxable sale.
- **Denmark:**^{xlviii} On November 7, 2025, the Danish Tax Agency [published](#) Tax Council Binding Answer No. SKM2025.631.SR, clarifying the VAT treatment applicable to the sale of an apartment and two parking spaces. The Tax Council confirmed that the apartment sale would be subject to VAT as a new building if sold before occupancy or within five years after completion. By contrast, the sale of the parking-space rights will be VAT-exempt because it falls more than five years after completion.
- **Denmark:**^{xlix} Denmark recently warned businesses and tax agents about heightened risks of involvement in chain transactions fraud, following legislative changes effective from 2024. Under the amendments, company directors and owners may be held personally liable for VAT and tax debts linked to such fraud, and companies risk deregistration and penalties. Chain transactions fraud typically involves fictitious invoices and undeclared work among sellers or subcontractors. The tax authority launched an awareness campaign after a survey revealed that three in four companies cannot identify common warning signs, such as sellers frequently changing account details, offering unusually low prices, issuing non-compliant invoices, or refusing to provide VAT registration or identification documents.
- **Egypt:**ⁱ Egypt recently amended Law No. 157/2025 to clarify VAT treatment for construction services. For new contracts, the 14 percent general VAT rate applies to the full invoice value, and contractors, including subcontractors, can deduct VAT on all business inputs such as materials, tools, and equipment. Refunds are allowed for credit balances unutilized for six consecutive tax periods. For old contracts, VAT is calculated on 36 percent of the invoice value, but VAT deductions are prohibited. Renewed or expanded contracts convert to new contracts with full deduction rights. Additional provisions include VAT exemptions for advance payments and inventory deductions limited to items used in new contracts.
- **European Union:**ⁱⁱ On October 30, 2025, the Group on the Future of VAT (GFV) [published](#) the agenda of its 50th meeting, highlighting discussions on implementing the [VAT in the Digital Age](#) (ViDA) Directive. Key topics included draft explanatory notes on digital reporting requirements, the application of the deemed seller model in the platform economy, and updates on the import one-stop shop (IOSS) and one-stop shop (OSS) systems. Delegates also reviewed VAT treatment in the travel sector and discussed transparency, data protection, and national VAT rule updates. The meeting emphasized practical challenges and coordination among EU Member States for effective ViDA implementation.
- **European Union:**ⁱⁱⁱ On November 13, 2025, the European Commission [proposed](#) granting EU anti-fraud agencies immediate access to VAT data to strengthen enforcement against cross-border fraud. The amendment would allow the European Public Prosecutor's Office and the European Anti-Fraud Office to share VAT information under the bloc's tax data-sharing framework. Approval requires unanimity among all 27 Member States. The proposal complements existing measures, including real-time digital reporting, introduced earlier this year, which aims to curb VAT fraud.
- **European Union:**ⁱⁱⁱⁱ On November 13, 2025, the Council of the European Union [adopted](#) a position to abolish the customs duty exemption for goods valued under EUR 150, aligning customs treatment with existing VAT rules for low-value consignments. Implementation will be linked to the launch of the EU Customs Data Hub, expected in 2028, with a temporary solution planned for 2026. The reform aims to improve accuracy in value declarations, reduce shipment splitting, and curb undervaluation practices.

- **European Union:**^{liv} On November 14, 2025, the European Commission's VAT Committee [published](#) the agenda for its 128th meeting. Key topics include Belgium's request on VAT treatment of termination payments, Cyprus's request on VAT rates for social housing construction, and Italy's request on VAT treatment of IT services provided in exchange for personal data. The agenda also covers VAT refund period thresholds, implementation aspects of digital reporting obligations for intra-Community transactions, and recent CJEU case law, including *Arcomet Towercranes* (Case [C-726/23](#)). Additional items include revised guidance on consultation requests and updates on Member States' exercise of options under the VAT Directive.
- **European Union:**^{lv} On November 14, 2025, the European Commission's VAT Expert Group [published](#) the agenda of its 41st meeting. Key topics included a review of the group's rules of procedure and updated mandate, a study on challenges beyond the VAT in Digital Age (ViDA) initiative, and discussions on ViDA implementation strategy. The agenda covered draft Explanatory Notes on Digital Reporting, outcomes from the Fiscalis workshop on the platform economy, and the status of Single VAT Registration (SVR) and Secure Import One-Stop Shop (IOSS). The meeting also assessed VAT implications for travel packages.
- **European Union:**^{lvi} On November 17, 2025, the European Commission [released](#) a Staff Working Document evaluating the effectiveness of Council Regulation (EU) No 904/2010 on VAT administrative cooperation and fraud prevention for the period 2018–2024. The document highlights improved performance of cooperation tools, notably Eurofisc and the Transaction Network Analysis system, which identified EUR 12.7 billion in suspicious transactions in 2023. It also notes increased VAT declarations through the One-Stop-Shop compliance mechanisms, reaching EUR 26.3 billion in 2023. Persistent challenges include delays in information exchange and limited multidisciplinary cooperation with bodies such as OLAF and Europol. The Commission calls for enhanced data access, faster responses, and optimized tools ahead of reforms under the VAT in the Digital Age package.
- **European Union:**^{lvii} On November 20, 2025, the European Commission's Directorate-General for Taxation and Customs Union [published](#) its 2025 Management Plan, outlining priorities, including for VAT and related policies. The Plan emphasizes a comprehensive study on the future EU VAT system, aiming for simplification, digitalization, and integration of environmental considerations. It highlights further development of the Import One-Stop Shop and platform liability for B2C imports. Implementation of the VAT in the Digital Age (ViDA) package remains a key deliverable, alongside directives such as FASTER and DAC8/9. Additionally, the Plan addresses carbon pricing through the Carbon Border Adjustment Mechanism, with the definitive regime introducing financial obligations for importers from January 1, 2026.
- **European Union:**^{lviii} On November 19, 2025, the EU Council [approved](#) updated EU tax cooperation and transparency agreements with Switzerland, Liechtenstein, Andorra, Monaco, and San Marino, expanding automatic exchange of financial account information to include electronic money and digital currencies, and introducing new frameworks for VAT recovery and prevention of tax fraud. The agreements also strengthen due diligence and reporting requirements and will take effect on January 1, 2026.
- **France:**^{lix} On November 4, 2025, France [enacted](#) Law No. 2025-1044, reinstating previously applicable VAT exemption thresholds retroactively from March 1, 2025. This measure repeals the suspended reduction introduced by the 2025 Finance Law. The thresholds are set at EUR 85,000 for goods, accommodation, and on-premises food services; EUR 37,500 for other services; EUR 50,000 for professional services by lawyers, writers, and artists; and EUR 35,000 for non-professional. These thresholds restore the pre-2025 levels, while the 2026 Finance Bill under discussion proposes further adjustments.

- **France:**^{lx} On October 29, 2025, the French Administrative Court of Appeal of Paris [issued](#) Decision No. 24PA01195, clarifying the VAT treatment of advance payments for residential maintenance works. The court found that the company collected three advance payments for residential renovation work but neither recorded nor declared the VAT due at that time and lacked the required customer attestation needed to apply the reduced 10 percent VAT rate; without that attestation at the moment of collection, the standard 20 percent rate applies. The court rejected the company's reliance on administrative guidance allowing a reduced rate at the first advance payment because the attestation was produced years later, not at final billing or project completion.
- **France:**^{lxi} On November 19, 2025, the French General Directorate of Public Finance [updated](#) its guidance on the postponement of the abolition of the contribution on added value of companies (CVAE) until 2030. The update specifies CVAE rates of 0.19 percent for 2025, 0.28 percent for 2026 and 2027, 0.19 percent for 2028, and 0.09 percent for 2029. It also provides for proportional adjustments to CVAE relief for businesses with annual turnover below EUR 2 million and introduces a gradual reduction in the capping rate for the territorial economic contribution from 1.438 percent in 2025 to 1.25 percent from 2030 onward. These provisions apply to financial years beginning on or after January 1, 2025.
- **France:**^{lxii} On November 19, 2025, the French Administrative Court of Appeal of Paris [issued](#) Decision No. 25PA01723 clarifying VAT rules for advertising firms. The case involved a company providing advertising and promotional services in airport lounges. The court determined that the taxpayer failed to prove the services were provided outside France and confirmed the application of the 20 percent VAT rate based on supporting documents. It further rejected deductions for large "client gifts" (such as jewelry and alcohol) and photography expenses because the company did not substantiate business purpose or provide invoices.
- **Hungary:**^{lxiii} On November 17, 2025, the Hungarian government [submitted](#) to parliament Bill No. T/13110, which, among other things, increases the VAT exemption threshold in three stages: HUF 20 million in 2026, HUF 22 million in 2027, and HUF 24 million in 2028, up from the current HUF 18 million.
- **Isle of Man:**^{lxiv} On June 30, 2025, the Isle of Man [implemented](#) the VAT (Amendment) Regulations 2025, revising late payment penalties under the VAT Act 1996. The first penalty on outstanding VAT amounts paid between 15 and 30 days after the deadline increased to 3 percent from 2 percent, and the additional penalty for amounts still unpaid after 30 days also rose to 3 percent. The second penalty for VAT remaining overdue beyond 30 days increased to 10 percent from 4 percent. These measures apply to accounting periods commencing on or after June 1, 2025, and generally took effect from July 31, 2025.
- **Kenya:**^{lxv} On November 4, 2025, the Kenya Bureau of Standards announced the implementation of the [Standards \(Standards Levy\) Order 2025](#), published on August 8, 2025. The levy applies to in-scope manufacturers at a rate of 0.2 percent on monthly gross receipts from goods manufactured or services offered for sale, net of VAT, excise duty, and discounts. The classes of manufacturing subject to the levy are listed in the Order's First Schedule. Manufacturers with net gross receipts not exceeding KES 5 million are exempt. Payments must be made by the 20th day following each month through the Kenya Revenue Authority's iTax platform. For the first five years, the annual levy is capped at KES 4 million, increasing to KES 6 million thereafter.

- **Lithuania:**^{lxvi} On November 7, 2025, the Lithuanian State Tax Inspectorate [published](#) an updated guidance on the VAT treatment of social services, effective January 1, 2026. The guidance aligns with Lithuania's Social Services Law and EU rules (Article 132(1)(g) of the VAT Directive) and explains which providers qualify, including licensed institutions, accredited individuals, and, in certain cases, foster caregivers recognized as serving the public interest under Court of Justice of the EU case law. It details categories of social services (preventive, general, social care, social assistance, respite, and long-term care), sets provider qualification and licensing/accreditation standards, and confirms that ancillary goods and services provided to the same beneficiaries also remain VAT-exempt.
- **Lithuania:**^{lxvii} On November 13, 2025, the Lithuanian State Tax Inspectorate [published](#) an updated guidance concerning currency conversions of taxable value, effective January 1, 2026. Taxpayers must use the Euro/foreign currency rate set under the Financial Accounting Law at the taxation moment (typically the invoice date or the date risk passes for goods) and, for later changes to consideration handled via credit/debit note, use the original invoice's exchange rate if they can identify it; otherwise, they must use the rate on the date the adjustment is documented. The notice provides practical examples (e.g., purchases invoiced in Polish zloty, delayed invoices, pro forma vs. final invoices) and shows how to correct VAT returns when exchange rates or values change.
- **Lithuania:**^{lxviii} On November 19, 2025, the Lithuanian State Tax Inspectorate [published](#) an updated guidance on VAT deductions. The guidance clarifies required documentation to support VAT deductions (standard and simplified invoices, fuel receipts treated as invoices up to EUR 150, and procedures when a paper invoice is lost), how to handle advances and the final invoice, and the need for a real underlying transaction. It further clarifies VAT deductions for intra-EU acquisitions and reverse charge cases (including declaration boxes), import VAT (both customs-paid and VMI-accounted, and postal consignments), self-constructed fixed assets, assets received via capital contributions or reorganizations, and the agricultural special mechanism.
- **Moldova:**^{lxix} On November 4, 2025, Moldova's State Tax Service clarified that when a Moldovan resident buys goods abroad and resells them to a nonresident with ownership transferring outside Moldova, the transaction falls outside the scope of Moldova's VAT.
- **Moldova:**^{lxx} On November 7, 2025, Moldova's State Tax Service clarified that installation, assembly, and commissioning services provided to free economic zone (FEZ) residents are zero-rated. However, transport services performed by third-party entities remain subject to VAT under the general rules.
- **Moldova:**^{lxxi} On November 26, 2025, Moldova's Ministry of Finance launched consultations on proposed amendments to the VAT refund regulation to align with changes introduced by Law No. 139 of June 13, 2025, concerning VAT rules for electricity and gas sales. The proposal establishes refund procedures for entities applying the self-assessment requirement on such transactions. Refunds will be calculated based on the applicable VAT rate multiplied by the sales value and processed within 45 days, or 60 days if audit documents are contested. For large vendors exceeding MDL 10 million in deductible VAT, audits and refund decisions must be completed within 22 days, with confirmed amounts refunded in four annual installments. The amendments will apply from January 1, 2026.
- **Nigeria:**^{lxxii} Nigeria recently advanced a constitutional amendment aimed at curbing multiple taxation and improving fiscal clarity. The National Assembly completed the second reading of Bill HB 2545, which seeks to align revenue powers across federal, state, and local governments. Key provisions include introducing VAT into the exclusive legislative list to ensure national uniformity, prohibiting outsourcing of tax collection, and setting ceilings on

the number of income, consumption, or property taxes that may be imposed annually. The Bill also clarifies stamp duty jurisdiction and eliminates redundant local levies to reduce harassment of small businesses.

- **Nigeria:**^{lxxiii} The Nigerian Senate recently introduced the Customs, Excise, Tariffs, etc. (Consolidation) Act (Amendment) Bill 2025 (the “Bill”), which proposes replacing the current NGN 10 excise duty per liter on non-alcoholic, carbonated sugar-sweetened beverages with a levy calculated as a percentage of the retail price. The bill also seeks to allocate part of the excise revenue to health-promotion and disease-prevention programs. Additionally, it proposes expanding the definition of taxable beverages to include ultra-processed drinks, powdered mixes, syrups, energy drinks, juices, sweetened tea and coffee, and flavored dairy drinks.
- **Norway:**^{lxxiv} On November 21, 2025, the Norwegian Tax Appeals Board [issued](#) Decision No. SKNA15-2025-57, clarifying whether a company that is VAT pre-registered must refund previously deducted VAT when it merges into another company before commencing taxable activity. In this case, Company A was pre-registered for VAT in anticipation of commencing taxable business activities. Before starting these activities, Company A planned to merge into its parent Company B, which was also VAT pre-registered. The merger would result in Company A ceasing to exist as a separate entity, with its activities continuing under Company B. The company sought confirmation that this merger would not trigger an obligation to refund previously deducted VAT. The tax authorities concluded otherwise, and the company appealed. On appeal, the Tax Appeals Board held that the planned merger would result in the dissolution of Company A before it began the taxable activity for which it was pre-registered. The activity would continue under Company B, but the law ties pre-registration to the original entity. Therefore, the merger breaches the conditions of pre-registration, as the anticipated activity is not commenced by the pre-registered company. Consequently, it determined that the merger violated the requirements for VAT pre-registration, and Company A must refund the previously deducted VAT expenses.
- **OECD:**^{lxxv} On November 10, 2025, the OECD Economics Department [published](#) a working paper calling Brazil’s 2023 consumption tax overhaul an “historic achievement” that replaces five overlapping levies with a modern, dual VAT system—federal CBS and sub-federal IBS—governed by uniform national rules. The reform makes both taxes fully non-cumulative (businesses can deduct input VAT, eliminating tax-on-tax cascading), applies a broad base that zero-rates exports and taxes imports like domestic transactions, and shifts taxation from origin to destination (taxing where goods and services are consumed to end fiscal competition among states). The law also creates a selective federal excise (IS), limits reduced rates and exemptions to basics like food, healthcare and education with five-year reviews, introduces a “cashback” to offset VAT for low-income households, and establishes an IBS Steering Committee to ensure consistent sub-national administration. The OECD expects the changes to cut compliance costs, boost investment and trade neutrality, and improve regional revenue distribution, but it warns success depends on coordinated implementation during the 2026–2032 transition to full operation by 2033.
- **OECD:**^{lxxvi} On November 13, 2025, the OECD [published](#) its report on Effective Carbon Rates 2025, analyzing trends in carbon pricing across 79 countries that account for 82 percent of global greenhouse gas emissions. The report highlights that effective carbon rates, which combine carbon taxes, emissions trading systems (ETSs), and fuel excise taxes, have steadily increased since 2018. In 2023, 44 percent of emissions were subject to a positive carbon price, with ETS coverage more than doubling from 10 percent to 22 percent since 2018. Carbon tax coverage remains stable at around 5 percent, while ETS expansion continues globally, including new sectors such as shipping and agriculture. The report underscores growing flexibility in ETS design and compliance mechanisms to support broader adoption.

- **OECD:**^{lxxvii} On November 17, 2025, the OECD [published](#) its Tax Administration 2025 report, providing comparative data and insights on tax administration across 58 jurisdictions to help tax officials understand global trends and make cross-border comparisons. Among other findings, the report highlights that AI is now widely used for data analytics, improving taxpayer services, selecting cases for review, and automating repetitive tasks, which allows staff to focus on more complex responsibilities. Moreover, tax authorities now collect an average of 63 percent of government revenue, marking an 8-percentage point increase since 2014. There has been a significant shift from in-person interactions to online self-service channels, with in-person contacts dropping by 56 percent since 2014 and online contacts tripling since 2018. Electronic filing has become standard practice, with 90 percent of personal income tax, 96 percent of corporate tax, and 99 percent of VAT returns filed electronically in 2023, although on-time filing rates have remained largely unchanged.
- **Poland:**^{lxxviii} On November 12, 2025, the Polish Senate [accepted](#) for consideration Bill No. 528, which proposes amendments to the VAT Act. The bill would allow taxpayers with outstanding VAT amounts due on imported goods to file amended returns within four months after the month the liability arose; and beyond that period but no later than one month after the filing deadline for supplementary declarations for operators using simplified customs procedures. The measures would apply to imports for which a simplified declaration was filed after June 18, 2025.
- **Romania:** On November 18, 2025, Romania's Parliament adopted a law that would impose a fixed logistics tax of RON 25 on parcels entering Romania from outside the EU when the declared value of goods is under EUR 150; however, the law has not yet been promulgated or published in the official gazette and the Constitutional Court is considering a second challenge, so the measure could change. The tax targets parcels cleared into the EU market for free circulation regardless of where they enter the EU, and postal service providers—including the Romanian Post and private courier-postal operators—must collect the tax from the seller, sender, or online platform at delivery, remit receipts to the state budget by the 25th day of the following month, and report parcel counts by category; parcels that are not successfully delivered are exempt. The law assigns the tax authority (ANAF) and its Anti-Fraud General Directorate to monitor enforcement, imposes penalties of 2,000–10,000 lei for record-keeping or declaration failures, and treats failure to transfer collected taxes within 30 days as a criminal offense punishable by one to five years' imprisonment or a fine. For more information, click [here](#).
- **Romania:**^{lxxix} On November 17, 2025, Romania published Order No. 3168/2025, which approves technical rules for issuing certificates to implement import VAT postponement using the National Customs Decisions System (NCDS). The Order sets out procedures for electronically submitting, modifying, and revoking these certificates, in line with EU requirements for electronic information exchange between customs authorities and businesses. Transitional provisions allow paper certificates issued before NCDS implementation to remain valid, with future management handled through NCDS. Applications submitted before NCDS will follow the rules in force at the time. Romania also published Order No. 3167/2025 to approve technical rules for customs broker and express courier authorizations using NCDS.

- **South Africa:**^{lxxx} On November 12, 2025, South African Revenue Service (SARS) [published](#) Binding Private Ruling BPR 415, in which it held that a resident company (Applicant) must charge VAT when it transfers certain fixed assets and its 36.36 percent interest in a joint venture (JV) to a nonresident company whose rights were assigned to a South African resident. SARS found that, although the JV is separately VAT-registered, it operates the Applicant's assets on a cost-recovery basis (i.e., the JV only recovers direct costs and does not earn a profit), so the assets remain connected to the Applicant's enterprise. Therefore, the transaction constitutes a taxable sale under the VAT Act.
- **Switzerland:**^{lxxxi} Switzerland recently launched a consultation on draft legislation to introduce a carbon border adjustment mechanism (CBAM) on imported cement. If approved, the levy would apply to imports from countries without a carbon tax or with a lower rate than Switzerland's, ensuring equal CO₂ pricing for all cement used domestically. Goods from EU and EFTA countries are excluded due to equivalent regulations. Feedback on the proposal is open until February 20, 2026.
- **United Arab Emirates:**^{lxxxii} Effective January 1, 2026, the United Arab Emirates will introduce a sugar-content-based excise tax on sweetened beverages, replacing the current ad valorem rate of 50 percent. Under the new regime, tax rates will vary according to sugar content per 100 ml. Producers, importers, and stockpilers must register sweetened drinks as excise goods and submit certified laboratory reports accredited by the Ministry of Industry and Advanced Technology to verify sugar levels. The Federal Tax Authority has [issued](#) guidance to help businesses prepare for compliance with the upcoming changes.
- **United Kingdom:**^{lxxxiii} On October 29, 2025, the U.K.'s First-Tier Tribunal (Tax Chamber) (FTT) published its decision in *TSI Instruments Limited*, [\[2025\] UKFTT 01278 \(TC\)](#), regarding the right to deduct VAT on imports. In this case, a UK company imported scientific equipment owned by its customers into the UK for repair and servicing between 2019 and 2023. The taxpayer paid import VAT on these goods and claimed recovery of the VAT. HMRC denied the claim, arguing that the taxpayer was not entitled to deduct the import VAT because it did not own the goods. UK law establishes that the right to deduct import VAT does not arise solely because the importer pays the import VAT; rather, the goods must be used for the purposes of the taxpayer's business, and their value must be reflected in the price of the eventual sale to the customer. The FTT agreed, finding that the taxpayer imported goods for repair but did not own them; ownership remained with the customers. Although the taxpayer paid the import VAT, the value of the goods was not reflected in the price of the repair services. It held that the taxpayer cannot claim import VAT expenses for goods it does not own and whose value is not reflected in its sales to customers.
- **United Kingdom:**^{lxxxiv} On November 7, 2025, the U.K.'s First-Tier Tribunal (Tax Chamber) (FTT) published its decision in *1ST Alternative Medical Staffing Ltd.*, [\[2025\] UKFTT 1320 \(TC\)](#), regarding the VAT treatment of employment costs incurred by a nursing and care staffing company. In this case, the taxpayer, an employment business that provides nurses and other care assistants to hospitals and care homes, claimed its employment costs should be exempt from VAT as the provision of services closely connected to medical care under the EU VAT directive (which was applicable in the UK at the time). HMRC disagreed. On appeal, the FTT held that VAT exemptions for services closely related to medical care only apply to entities licensed by the government or granted exemption by Parliament, and since the company was not regulated by a statutory license, its appeal was dismissed. The tribunal further found that exempting such services would distort the commercial market, so even if the company were registered, its activities would still be subject to VAT.
- **United Kingdom:**^{lxxxv} On November 10, 2025, HMRC published [Revenue and Customs Brief 6 \(2025\)](#) explaining that, following the First-tier Tribunal decision in *Hastings Insurance Services Ltd* (UKFTT 275 (TC)) released March 3, 2025, insurance intermediaries who provided services connected to insurance outside the UK may reclaim input VAT incurred before January 1, 2024 even where the insured is in the UK.

- **United Kingdom:**^{lxxxvi} On November 25, 2026, the UK Treasury [announced](#) changes to the Soft Drinks Industry Levy (SDIL), expanding its scope to include more high-sugar beverages, including milk-based drinks. Currently, SDIL applies to pre-packaged drinks with added sugar, and with more than 5g of total sugar per 100ml. This will fall to 4.5g per 100ml. Drinks containing between 4.5g and 7.9g per 100ml will continue to fall into the lower levy band charged at GBP 1.94 per 10 liters (19.4 pence per liter). Drinks above 8g per 100ml are in the higher levy band, charged at 2.59 pence per 10 liters (0.25 pence per liter). Moreover, starting April 1, 2026, SDIL rates will increase in line with the Consumer Price Index (CPI), plus one-fifth of the “catch-up” increment to reflect the 27 percent CPI rise between 2018 and 2024. The levy does not apply to open-top drinks served in cafes and restaurants. A technical consultation on the draft legislation is planned for 2026, with the intention for the new rules to take effect from January 1, 2028.

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Asia-Pacific (APAC)

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

- **KPMG in Malaysia** published a [report](#) discussing recent indirect tax developments in the country. Among other things, it provides that the Royal Malaysian Customs Department has introduced new Sales Tax Policies, granting exemptions for motorcycles, imported soya beans, raw materials, cleanroom equipment, machinery, and spare parts. Manufacturers who imported or purchased eligible machinery and equipment between July 1 and September 26, 2025, are permitted to apply for refunds on Sales Tax paid, provided they meet specific conditions. Amendments to Service Tax Policies address financial services, rental or leasing, construction works, education, and private healthcare, with some provisions, such as exemptions for maintenance or repair services for foreign ships and aircraft, applying retrospectively from September 1, 2025. The report also highlights revised guides on Sales Tax exemptions and Service Tax for financial services, reflecting expanded scope and recent amendments. Additionally, new and amended legislation on customs and excise duties, including anti-dumping measures for certain iron and steel products from China, Korea, and Vietnam, took effect on November 1, 2025.
- **KPMG in Sri Lanka** published a [report](#) discussing the 2026 budget proposals announced on November 7, 2025, which include significant indirect tax measures effective April 1, 2026. Among other things, the proposals reduce the VAT and Social Security Contribution Levy (SSCL) registration thresholds from LKR 60 million to LKR 36 million annually. VAT and SSCL will replace the special commodity levy on imported coconut oil and palm oil, while VAT will replace the Commodity Export Subsidy Scheme (CESS levy) on imported fabric to align treatment with domestic production. SSCL will also apply to vehicles at importation, manufacture, and sale stages.

Miscellaneous Developments in APAC

- **China:**^{lxxxvii} On November 1, 2025, China’s Ministry of Finance [issued](#) Announcement No. 11/2025, outlining VAT policies related to gold transactions. The announcement states that when member units or clients trade standard gold through the Shanghai Gold Exchange or the Shanghai Futures Exchange, the selling party is exempt from VAT. Where physical delivery of gold takes place and a member unit purchases standard gold for investment purposes, the exchange applies a VAT levy-and-refund mechanism (VAT collected and then refunded), with the transaction also exempt from Urban Maintenance and Construction Tax and Education

Surcharges. In such cases, the exchange issues a VAT special invoice to the purchasing member unit based on the actual transaction price. Where a member unit purchases standard gold for non-investment purposes, or where a customer purchases standard gold, the transaction is exempt from VAT, and the exchange issues a general VAT invoice to the member unit or buyer based on the actual transaction price, the member or the customer is entitled to a VAT credit at rate of 6 percent based on the general VAT invoice amount. The announcement also clarifies the procedures for calculating the unit price, amount, and tax amount on VAT special invoices when a member unit purchases standard gold from the exchange for investment purposes and physical delivery takes place. These measures will be implemented from November 1, 2025, through December 31, 2027.

- **Japan:**^{lxxxviii} On October 17, 2025, the Tokyo Regional Taxation Bureau issued a [ruling](#) clarifying the Japanese Consumption Tax (JCT) treatment of satellite launch services. In this case, the taxpayer provides rocket-based satellite launch services under contracts with clients who own satellites. The service covers all stages required for launching a satellite, including rocket preparation and placement of the client-owned satellite into its designated orbit in outer space, starting from a launch facility in Japan equipped with rocket launch capabilities. Under Japan's Consumption Tax Act, services provided within the "Domestic Area" (Japan's territory, airspace, and waters) are taxable, while transportation spanning both the Domestic Area and an "Area Other Than the Domestic Area" may qualify for zero-rating. Outer space is considered an "Area Other Than the Domestic Area" because it is not under any national sovereignty, as per the Outer Space Treaty. According to the sourcing rules for transportation of goods spanning both the "Domestic Area" and an "Area Other Than the Domestic Area," transactions where either the origin or destination is within the "Domestic Area" are treated as taxable domestic transactions. Since this service originates from a launch site in Japan, it qualifies as a taxable transaction conducted within the "Domestic Area." However, the service is also eligible for JCT zero-rating.
- **Philippines:**^{lxxxix} On October 9, 2025, the Philippine Senate accepted for consideration [Bill No. 1450](#), which proposes abolishing the current VAT system and introducing a simplified VAT regime. The bill includes measures to repeal provisions of the National Internal Revenue Code (NIRC) that impose VAT, including those related to taxpayers and transactions, invoicing, digital transactions, and VAT expense deductions. It also seeks to repeal the 3 percent gross quarterly sales tax on non-registered taxpayers who are VAT-exempt due to gross annual sales of specified goods and services not exceeding PHP 3 million.
- **Singapore:** The Inland Revenue Authority of Singapore (IRAS) recently updated its guidance on completing GST returns, providing box-by-box instructions for Form GST F5. The guidance covers standard-rated, zero-rated, and exempt sales, taxable purchases, VAT collected and VAT expense, as well as specific disclosures for imports and special regimes. Notably, it highlights the requirement to report imports under the Import GST Deferment Scheme (IGDS) in Box 5 and removes cheque payment as an option for voluntary disclosure for wrongful GST collection. IRAS also revised its guidance on canceling GST registrations, requiring compulsory cancellation within 30 days for businesses that have ceased operations and allowing voluntary cancellation after two years for registrants. The update further clarifies the accounting for GST on assets in the final GST F8 by introducing the concept of "open market value." For more information, click [here](#).

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About *Inside Indirect Tax*

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

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