KPMG

Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Barbados:[i]** On March 11, 2025, Barbados published its 2025 budget statement, which includes the extension of VAT waivers on storage tanks and water pumps until March 31, 2028. A reduced 7.5 percent VAT rate on the first 250 kilowatt-hours of household electricity will be in effect until March 31, 2026. Effective April 1, 2025, duties and VAT will be removed on commercial kitchen equipment for registered restaurants and cookshops until March 31, 2027. Additionally, starting April 1, 2025, food and beverage concessions regarding wines and proteins currently given to hotels will be extended to restaurants not on a hotel compound that earn more than 60 percent of their revenue in foreign exchange, upon registration under the Tourism Development Act. In addition, VAT will be removed on select food items effective April 1, 2025. Import duty and VAT will also be removed on certain imported fruits. For more information, click here.
- **Benin:[ii]** On December 12, 2024, the Beninese Director General of Taxes announced the implementation of the 2025 Finance Law. Effective January 1, 2025, this law extends the VAT exemption until December 31, 2025, for qualifying vehicles and aircraft, including spare parts. It also continues the VAT exemption for compressed or liquefied gas containers, along with their accessories and equipment, whether imported, manufactured, or sold, through December 31, 2025. Additionally, the law provides a VAT exemption for imported materials and equipment used in specific installation projects for small and medium-sized enterprises (SMEs) not subject to a special tax regime, also through December 31, 2025. Furthermore, it introduces a VAT exemption for imports of dialysis kits, art productions, agricultural machinery and equipment, and processing units.
- **Cote d'Ivoire:[iii]** On January 6, 2025, the Ivorian tax authority published the Tax Annex to Finance Law No. 2024-1109, proposing, among other things, to repeal the VAT exemption for oil exploration operations.
- **Croatia:[iv]** On March 21, 2025, Croatia enacted Law No. 673, which extends the 5 percent reduced VAT rate for heating services provided by natural gas and thermal stations, as well as for sales of firewood, pellets, briquettes, and wood chips. This extension applies from March 31, 2025, to March 31, 2026, and includes associated fees. The law came into effect on March 30, 2025.
- **Ghana:[v]** On March 11, 2025, Ghana's Minister of Finance presented the 2025 budget, proposing, among other things, to reintegrate the 2.5 percent Ghana Education Trust Fund Levy (GETFL) and the 2.5 percent National Health Insurance Levy (NHIL) into the VAT structure and thus increasing the effective VAT rate to 21.75 percent. Additionally, the government plans to eliminate the 1 percent COVID-19 levy on goods and services, review the Energy Sector Levies Act (ESLA) to consolidate various levies, and reintroduce road tolls.
- **Grenada:[vi]** On March 7, 2025, the Grenadian Ministry of Finance presented the 2025 budget speech, in which the Ministry proposed, among other things, to extend the VAT exemption for specified food items and essential products for an additional year and to continue the reduced petrol tax rate of ECD 3.50 per gallon.
- **Estonia:[vii]** On March 12, 2025, the Estonian Parliament accepted for consideration Bill Nos. 596 SE and 593 SE, which include measures proposing to reduce the standard VAT rate from 22 percent to 20 percent while maintaining the reduced VAT rates of 9 percent and 5 percent on certain goods and services. Additionally, the bills propose to further reduce the VAT rate on potatoes, fruits, and vegetables from 22 percent to 5 percent. The proposed reduction of the standard VAT rate is set to enter into force on January 1, 2026.

- **European Union:**[vii] On March 19, 2025, the European Commission proposed a Council Regulation for establishing the Security Action for Europe (the SAFE Instrument), a temporary, emergency fund designed to provide up to EUR 150 billion in loans to EU Member States for defense investments. The Proposal includes a temporary VAT exemption on the sale, importation, and intra-EU sale of defense products procured through contracts supported by the SAFE Instrument.
- **Hungary:**[ix] On March 3, 2025, the Hungarian Parliament accepted a bill for consideration that includes measures proposing to apply a 5 percent reduced VAT rate to various basic foodstuffs, including cereal grains and expanded cereals, milk and dairy products, bread, natural honey, fresh vegetables, dried legumes, fresh fruits, dried fruits, and basic spices. If enacted, the law would come into force on September 1, 2025.
- **Hungary:**[x] On March 20, 2025, the Hungarian Parliament accepted a bill for consideration that includes measures proposing to apply a 5 percent reduced VAT rate to workplace, children, and social meals. If enacted, the law would come into force eight days after its enactment.
- **Jamaica:** On March 11, 2025, Jamaica announced several key tax changes in its 2025/26 Budget. Among other things, it proposes to introduce new general consumption tax (GCT) rules on electricity provided to households starting May 1, 2025. Instead of the first 150 kilowatt hours (kWh) of electricity being subject to a zero rate, the GCT rate will be reduced from 15 percent to seven percent, with a GCT waiver for consumers who use less than 250 kWh per month. Households that pre-pay their electricity bills will be subject to a seven percent rate, without relief. However, electricity provided to businesses will remain subject to the 15 percent rate. For more information, click here.
- **Kazakhstan:** The government of Kazakhstan recently proposed to increase its standard VAT rate from 12 percent to 16 percent effective January 1, 2026. For more information, click here.
- **Lithuania:**[xi] On March 5, 2025, the Lithuanian Prime Minister announced that the government plans to raise the reduced VAT rate that applies to centralized heating, firewood, public transport, books and non-periodical publications from 9 percent to 12 percent.
- **Lithuania:**[xii] On March 24, 2025, the Lithuanian Parliament accepted bills for consideration that include measures proposing to introduce a 5 percent reduced VAT rate for fresh fruits, vegetables, and berries, as well as organic products used in food production for preschools, general education and vocational training schools, higher education institutions, healthcare institutions, the national defense system, and statutory institutions of the internal service system. If enacted, the law will go into force on January 1, 2026.
- **Philippines:**[xiii] On March 21, 2025, the Philippines Food and Drug Administration expanded the list of medications exempt from VAT. The expanded list now includes the diabetes medications Gemigliptin and Sitagliptin, the hypertension medication Amlodipine, the cholesterol drug Atorvastatin, and Risperidone, which is used in the treatment of schizophrenia and bipolar disorder.
- **Romania:**[xiv] On February 25, 2025, the Romanian Ministry of Public Finance clarified that the 5 percent reduced VAT rate applies to storage batteries for photovoltaic systems. Additionally, the reduced VAT rate applies only to off-grid photovoltaic systems and does not extend to on-grid or hybrid systems.

- **Rwanda:**[xv] On March 19, 2025, the Rwandan Parliament approved amendments to the VAT law. The approved amendments include measures to reintroduce VAT on previously exempt items: information and communication technology equipment and services, shipment of goods by land, hybrid automotive vehicles, and their relevant batteries. It also extends the VAT exemptions on energy equipment until June 30, 2028, on industrial machinery and raw materials until June 30, 2026, and on imported electric vehicles and charging station equipment until June 30, 2028.
- **Tunisia:**[xvii] On March 5, 2025, the Tunisian Directorate General of Taxes published Common Note No. 7/2025, detailing VAT amendments under the 2025 Finance Law, effective from January 1, 2025. The amendments include reducing the VAT rate for low-voltage electricity for domestic consumption not exceeding 300 kilowatt-hours (kWh) per month from 13 percent to 7 percent, while maintaining the 13 percent rate for higher consumption levels. The amendments also abolish the 13 percent VAT rate on properties intended exclusively for housing and completed by real estate developers; and set a 7 percent reduced VAT rate on real estate built exclusively for residential purposes valued up to TND 400,000. A 19 percent rate applies to those valued over this amount, as well as to additional contracts drawn up separately for related appurtenances.
- **Venezuela:**[xviii] Effective March 13, 2025, Venezuela introduced a VAT and customs duties exemption regime for various imports until June 30, 2025. The regime provides a 90 percent exemption for imports made by individuals, companies, and the National Public Administration using their own resources, including animal products, durum wheat, and natural rubber latex. It also offers a 100 percent exemption for specific imports by certain government agencies, covering diverse goods like crude petroleum oils and natural graphite.
- **Vietnam:**[xix] On March 24, 2025, the Vietnamese Ministry of Finance launched a consultation on a draft resolution to further extend the application of the 8 percent reduced VAT rate on specified goods and services, from July 1, 2025, to December 31, 2026.

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Digitalized Economy Indirect Tax Updates

Other Developments

- **Chad:**[xx] On January 1, 2025, Chad implemented a series of VAT measures as part of its 2025 Budget. These measures included the requirement for both foreign and local e-commerce platforms to collect and remit VAT on transactions involving sales, services, and goods. Additionally, businesses seeking VAT deductions must now fulfill expanded requirements, such as electronically filing VAT annexes like invoices and customs documents and providing exemption certificates if applicable.
- **Iceland:** On December 30, 2024, Iceland enacted Regulation no. 1664/2024, implementing the OECD's Model Reporting Rules (MRR) for digital platforms, effective January 1, 2025. The regulation applies to platforms that facilitate the rental of real estate and movable property, and/or the sale of goods and personal services. It mandates that platform operators, meeting certain criteria related to tax residency or operational presence in the European Economic Area (EEA), register with the Icelandic tax authorities and report transactions annually. The regulation also includes the OECD MRR's reportable seller due diligence requirements. Non-compliance with these reporting requirements could result in daily fines or criminal liability in cases of intentional or gross negligence. For more information, click here.
- **India:**[xxi] Effective April 1, 2025, India abolished the 6 percent equalization levy applicable on payments to non-residents in respect of online advertisement services. Introduced in 2016, the equalization levy applied to online advertisement services, with the Indian customer acting as withholding agent. India repealed last year the 2 percent equalization levy on e-commerce for which nonresidents needed to register for with the Indian tax authorities.
- **Lithuania:**[xxii] On March 24, the Lithuanian tax authority published a set of frequently asked questions (FAQs) regarding tax obligations for influencer activities. The document covers a range of topics, including the procedures for reporting the start of individual activities, the appropriate activity code type for influencers, allowable expense deductions, and the VAT implications of influencer activities. It also provides guidance on when influencers must register as VAT taxpayers, the procedures for VAT registration, and the treatment of costs not included in the estimate of specific advertising services.
- **Rwanda:**[xxiii] On March 19, 2025, Rwanda's parliament approved the Draft Law on Income Tax 2025, which, among other things, introduces a digital services tax (DST). Under the proposed regime, companies providing digital services in Rwanda with substantial national presence would pay a tax of 1.5 percent of their gross revenues sourced in Rwanda. The bill also provides that a subsequent order from the tax authorities will determine the scope of taxable digital services, substantial national presence, registration declaration and payment modalities, and other relevant criteria.
- **Tunisia:**[xxiv] In March 2025, Tunisia clarified new tax obligations for online sellers and delivery services. Key measures include a 3 percent withholding tax on payments made by delivery service providers to online sellers or audiovisual broadcasters, applicable if the seller fails to provide a tax identification number. This applies to all transactions, regardless of their amount. Delivery service providers must also submit a monthly declaration detailing the withheld amounts, report these amounts in the annual tax return, and provide the full identity of beneficiaries in their tax filings. Non-compliance penalties include a tax fine

equivalent to the non-deducted amount, doubling for repeat offenses within two years, and criminal tax penalties for failure to withhold and pay the required tax within six months of the due date.

- **Ukraine:** The Ukrainian Cabinet of Ministers recently proposed legislation to implement the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income Derived Through Digital Platforms (DPI MCAA), introducing an income tax withholding requirement for digital platforms. The legislation, expected to be submitted to parliament by the end of April 2025, would require digital platform operators to report tax information on sellers and income generated through their platforms starting from January 1, 2026. It applies to platforms that are tax residents, established, or have an effective place of management in Ukraine and certain platforms outside the DPI-MCAA member states. Covered platforms must register within 60 days of establishing their status and conduct comprehensive verification of sellers. Penalties for non-compliance include fines and an extended statutory limitation period of five years. The legislation also stipulates that digital platforms must withhold and report income tax for Ukrainian individuals earning income through these platforms, potentially subject to a reduced 5 percent individual income tax and the regular 5 percent military tax under certain conditions. For more information, click here.
- **United Kingdom:**[xxv] On March 24, 2025, the Upper Tribunal dismissed an appeal by the UK tax authority (HMRC) against Bolt Services UK Limited regarding the applicability of the Tour Operators' Margin Scheme (TOMS) for VAT on Bolt's mobile ride-hailing services. TOMS is a special VAT accounting mechanism designed for businesses that buy and resell travel services as part of a tour package. It simplifies VAT obligations for tour operators and travel agents by allowing them to account for VAT only on the margin—the difference between the cost of services purchased and the selling price to the consumer. The Tribunal held that Bolt's services were comparable to those typically provided by tour operators or travel agents and were provided for the direct benefit of travelers without material alteration or further processing. The Tribunal found no error in the First-tier Tribunal's decision, confirming that Bolt's ride-hailing services fall within the scope of TOMS.

Taxation of the Digitalized Economy—Developments Summary

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

Other Developments

- **Belize:**[xxvi] On February 28, 2025, Belize's tax authorities announced a new e-invoicing system due to changes in the Sales Tax Act and urged taxpayers to prepare, with specific start dates and technical documentation to be provided soon.
- **Bolivia:**[xxvii] On February 24, 2025, Bolivia's tax authority postponed the e-invoicing requirement for groups 9 to 12 until September 30, 2025, with mandatory digital tax document issuance starting October 1, 2025.
- **Bulgaria:**[xxviii] On March 27, 2025, Bulgaria enacted the State Budget Act 2025, mandating, among other things, large enterprises to implement the Standard Audit File for Tax (SAF-T) by January 1, 2026 All remaining taxpayers will be phased-into the mandate by January 1, 2030. Monthly submissions are required, with specific annual deadlines for fixed assets and inventory data. Non-compliance incurs fines.
- **Costa Rica:**[xxix] On March 3, 2025, Costa Rica's tax authority issued Private Letter Ruling No. MH-DGT-006-2025, detailing e-invoicing requirements for transactions with foreign vendors. According to the ruling, for physical goods, standard customs procedures apply, and an e-invoice is not needed. However, for intangible goods or services, an e-invoice is mandatory. Additionally, identifying non-resident sellers in the "Issuer Information" section of the Purchase e-Invoice is required only for intangible goods or services.
- **Croatia:**[xxx] On February 27, 2025, Croatia's Ministry of Finance opened a public consultation on a bill to implement an e-invoicing mandate. Starting January 1, 2026, the system would gradually apply to specific sales activities, with full a e-invoicing mandate implemented by January 1, 2027.
- **Greece:**[xxxi] On March 13, 2025, the European Union published Council Implementing Decision 2025/502 authorizing Greece to implement an e-invoicing mandate. Furthermore, the Decision allows Greece to rule that the use of these e-invoices does not require acceptance by the recipient.
- **Jordan:**[xxxii] On January 18, 2025, Jordan published Regulation 2-2025, initiating the second phase of the JoFotara e-invoicing system. This phase, starting April 1, 2025, mandates that all required businesses and individuals generate invoices through the JoFotara e-invoicing system or an approved electronic system.
- **Philippines:**[xxxiii] On February 27, 2025, the Philippines' tax authority published Revenue Resolution 11-2025, mandating e-invoicing compliance by March 14, 2026, for e-commerce businesses, those under the Large Taxpayers Service, and those classified as Large Taxpayers.
- **Portugal:**[xxxiv] On March 11, 2025, the Portuguese government enacted Decree law n.º 13-A/2025, which permits small, medium, and microenterprises to continue using non-electronic invoices for business-to-government transactions until December 31, 2025. This deadline has been extended multiple times since 2020. However, the latest Decree-law mandates that starting from January 1, 2026, these businesses must invoice government entities electronically using the structured CIUS-PT schema.
- **Romania:**[xxxv] On March 7, 2025, the Romanian tax authority published a brochure on the VAT registration and e-invoicing rules for public institutions. Among other things, it covers situations where the national electronic invoice system, RO e-Factura, is not applicable to issued electronic invoices.

- **Saudi Arabia:**[xxxvi] On March 21, 2025, the Zakat, Tax and Customs Authority (ZATCA) announced that the 22nd group of taxpayers, whose VAT-liable revenues exceeded SAR 1 million in 2022, 2023, or 2024, must comply with the second phase of the e-invoicing system starting December 31, 2025.
- **Slovenia:**[xxxvii] On February 11, 2025, Slovenia's Ministry of Finance proposed a draft law for an e-invoicing mandate effective January 1, 2027. This mandate would cover B2B transactions, including cash and non-cash, and government entities, while exempting B2C transactions unless consumers opt for e-invoices. It would apply to all accounting documents in structured electronic formats. A "MiniCash Register" option for small businesses would simplify e-invoicing. Non-compliance could result in fines from EUR 100 to EUR 3,000.
- **Sweden:**[xxxviii] On February 27, 2025, the Swedish Customs Authority announced it will adopt the Peppol BIS Billing 3 format for invoicing customs duties, taxes, and fees starting April 6, 2025, replacing the current system.
- **United Arab Emirates:**[xxxix] On March 14, 2025, the UAE Ministry of Finance outlined the accreditation conditions for e-invoicing service providers. The process involves application, testing, and certification to ensure compliance with standards. Among other things, providers must have Peppol certification, two years of experience, meet registration and security requirements, and submit various documents, including tax and insurance proofs.

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.

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 Argentina** published a report discussing General Resolution (RG) 5663/2025, issued on December 3, 2025, which amends GR 5333 to introduce specific withholding regimes for VAT and income tax on transactions within the mining sector. This amendment requires holders of exploration or prospecting rights to provide relevant information as granted by mining authorities. Additionally, it extends the option for mining companies registered in the fiscal registry to file exclusion certificates for the withholding regimes for VAT and income tax, as outlined in GRs 830 and 2226.
- **KPMG in Canada** published a report discussing the latest changes in Canada, including the deferral of income tax payments and goods and services tax / harmonized sales tax (GST/HST) remittances.

- **KPMG in Canada** published a report summarizing the 2025 Manitoba budget, which, among other things, proposes to apply the retail sales tax to cloud computing services, such as subscriptions to software, data storage and remote computer processing, effective January 1, 2026.
- **KPMG in Canada** published a report discussing the 2025 Saskatchewan Budget, which, among other things, proposes to make permanent Saskatchewan's provincial sales tax (PST) rebate for new home construction and expands PST to apply to the sale of all vapor liquids, products, and devices effective June 1, 2025.
- **KPMG in Chile** published a report discussing recent tax developments in the country, including the tax treatment of financial advisory services provided from abroad, the tax base for VAT on the sale of real estate on the acquisition of which no VAT has been paid, the deduction of import VAT, and the timing of VAT credits in real estate purchases.
- **KPMG in Costa Rica** published a report discussing Executive Decree No. 44921-MH, which was published on March 25, 2025, and outlines a gradual reduction of the selective consumption tax on goods previously categorized as luxury items. The decree benefits personal care products like detergents and shampoos, as well as materials and equipment such as paints and electrical devices. The tax reduction schedule includes a gradual reduction to a 10 percent rate for 17 products starting March 31, exemption for 27 products by June 30, and a progressive reduction to a 15 percent rate for 16 products by September 30.
- **KPMG in Jamaica** published a report discussing the tax proposals presented by the Minister of Finance and the Public Service on March 11, 2025, as part of the budget for the financial year 2025/2026. The proposals include raising the general consumption tax (GCT) registration threshold from JMD10 million to JMD15 million over a 12-month period and reforming the GCT applied to electricity provided to residential customers.

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United States: Manufacturer's Prepared Foods Exempt from Sales Tax in Kentucky

On February 27, 2025, the Commonwealth Court of Appeals of Kentucky held that although certain of a taxpayer's products were "prepared foods" under Kentucky law, they were exempt from sales tax as they met an exception to the imposition of tax for prepared food sold by a manufacturer. [2023-CA-1192-MR. The taxpayer operated a deli, café, and grocery in one building, producing items like sandwiches, soups, and meatballs, In the back of the building, the taxpayer operated a commercial kitchen and bakery in which it produced about 200 products, including bulk quantities of "salads and spreads" such as chicken salad, pasta salad, quiches, pizzas, etc., which were sold in individual containers in the grocery and deli. A second building was used for making fresh and dry pasta. On audit, the Department of Revenue (Department) assessed additional sales tax on about 20 items (mainly salads and spreads) that it considered taxable "prepared food." After an unsuccessful protest to the Board of Tax Appeals, the taxpayer appealed to the Circuit Court, which reversed the assessment, prompting the Department's appeal to the Court of Appeals.

Kentucky exempts sales of food and food ingredients for human consumption, excluding "prepared food," from the retail sales tax. For the purposes of this case, prepared food is defined generally as items with two or more ingredients combined by the retailer for sale as a single item, except for prepared food sold without utensils provided by a seller that is properly classified under the North American Industrial Classification System (NAICS) as a manufacturer in sector 311. The Department argued the taxpayer's products were prepared food, while the taxpayer contended its products were made in bulk and repackaged, not intended for sale as single items. The appellate court found the statutory definition of "prepared food" was ambiguous and relied on Kentucky case law to narrowly construe tax exemptions against taxpayers. It determined that the taxpayer's salads and spreads were mixed or combined for sale as a single item, and accordingly, were properly considered prepared foods. [Here, it rejected a circuit court finding that they were not prepared foods.] It went on, however, to determine the taxpayer was primarily engaged in food manufacturing and therefore was properly considered a business that primarily manufactured perishable prepared foods under NAICS. The court noted that most of the taxpayer's facilities and employees were involved in food manufacturing, and it therefore constituted a plurality of the taxpayer's business. Thus, the taxpayer was deemed primarily engaged in perishable prepare food manufacturing, and its identified prepared food items were exempt from sales and use tax. For more information, click here.

Miscellaneous Developments in the Americas

- **Chile:**[xl] On March 20, 2025, the Chilean Internal Revenue Service published Official Letter No. 548, clarifying tax rules for a Chilean subsidiary of a UAE-based parent company. The Letter confirms that payments for advertising services are exempt from additional tax if they meet the criteria outlined in Article 14 of the Income Tax Law (LIR) and are subject to VAT if the services are provided or used in Chile.
- **Costa Rica:**[xli] On March 10, 2025, Costa Rica's Ministry of Finance published a draft decree amending VAT Regulations to align with Law No. 10140. The reform updates Articles 30 and 32, expanding full VAT credit eligibility to include electricity purchases for distribution. The decree expands the list of transactions eligible for full VAT credit to include sales to public and private entities with VAT exemptions and ensures that all exempt transactions under Article 8 are eligible.

- **Costa Rica:**[xlii] On March 10, 2025, Costa Rica's Tax Administration published a draft resolution for public consultation on mandatory forms for excise and consumption taxes. The resolution aims to standardize tax compliance procedures and integrate returns into the TRIBU-CR platform. Key aspects include the requirement for taxpayers subject to selective consumption tax, fuel tax, alcohol tax, and specific taxes on non-alcoholic beverages and perfumed soap to use new official forms and file returns electronically through TRIBU-CR. Non-compliance may result in penalties and interest charges.

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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 new VAT registration guidelines following a VAT law amendment effective January 1, 2025. The amendment introduces two gross receipts thresholds for mandatory VAT registration: CZK 2 million per year, requiring registration the following year, and a new threshold of CZK 2,536,500, which mandates immediate registration once exceeded. Gross receipts are now monitored annually, excluding sales before December 31, 2024. The amendment also impacts the VAT taxpayer status for those involved in VAT-exempt sales. The guidelines provide that registration applications must be submitted within 10 working days of exceeding the thresholds or making a taxable sale with deduction rights. Immediate registration is possible after exceeding CZK 2 million, but late applications result in registration at the start of the next calendar year. Transitional provisions state that if the gross receipts threshold is exceeded before December 31, 2024, the law in effect until that date applies, requiring registration applications within 15 days after the month the threshold was exceeded. Retroactive registrations for 2024 conditions will follow the pre-2025 law.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country. Among other topics, it covers recent court decisions on the application of the margin mechanism in the used car trade, the VAT assessment basis in cases of criminal confiscation of proceeds of crime, and the competing relationship between tax exemption regulations for VAT deduction. It also addresses recent tax authority decisions on barter-like transactions in the waste disposal sector.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country. Among other topics, it covers the adoption of the EU VAT in the Digital Age (ViDA) package. It also discusses recent court decisions on the liability of the property purchaser for incorrect tax statements in acquired rental agreements and the VAT refund procedure for final invoices with advance payment portions. Furthermore, it addresses recent tax authority guidance on sales of goods for equipping or maintaining a vehicle, as well as special regulations for small enterprises.
- **KPMG in Norway** published a report discussing a recent proposal to amend the VAT rules for cross-border trade in remotely deliverable services within the same legal entity, effective January 1, 2026. The proposal aims to amend the VAT rules to ensure that remotely deliverable services intended for use in Norway are taxed in Norway, even if the service is acquired by or delivered to a recipient domiciled outside Norway. If approved, the regime

will provide, among other things, that if a Swedish head office purchases services for use by a branch in Norway, VAT must be calculated by the branch on the service or on the portion of the service used in Norway. This also applies to processed services for the portion of the service purchased. Exemption from VAT liability exists when the service is self-produced by the foreign head office/branch or when the service is for use in VAT-liable activity in Norway.

- **KPMG in Poland** published a report discussing recent decisions of the Supreme Administrative Court (SAC). In one case, the SAC held that the act of transferring goods free of charge between separate businesses owned by spouses constitutes a free-of-charge transfer of goods under the VAT law. In another case, the SAC held that in the event of the expiry or early termination of a finance lease contract, the VAT taxable amount may be reduced by the value of the leased property returned.
- **KPMG in Poland** published a report discussing the extension of the application of the VAT self-assessment mechanism on gas and energy, as well as on services involving public trading in greenhouse gas emission (CO_2) allowances, until December 31, 2026. (To read KPMG's previous discussion of this measure, click here.) The mechanism stipulates that the tax is charged to purchasers or recipients for the sale of gas in the gas system, the sale of electricity in the electricity system, and the provision of services related to the transfer of CO_2 allowances. This applies when these transactions are conducted directly or through an authorized entity on a commodity exchange, as defined by the provisions on commodity exchanges, or on a regulated market or an organized trading facility (OTF) as defined by the Act on Trading in Financial Instruments. The mechanism was introduced on April 1, 2023, and was set to expire on February 28, 2025.
- **KPMG in Poland** published a report discussing amendments to the excise duty law effective from April 1, 2025. Among other things, it extends the excise duty regime to include nicotine pouches and other nicotine products, incorporating them into the excise duty roadmap; expands the definition of novel tobacco products; imposes excise duty on devices and sets of parts for vaping; and increases the levy on liquids in single-use e-cigarettes.
- **KPMG in Poland** published a report noting that on March 18, 2025, the European Commission issued an implementing regulation laying down rules for the application of the EU Carbon Border Adjustment Mechanism (CBAM) Regulation – specifically, the conditions and procedures related to the status of authorized CBAM declarants. Among other things, the CBAM sets out detailed rules for the submission of applications, as well as the criteria and procedures for adjusting the information provided and revoking the status of authorized declarants.
- **KPMG in Slovakia** published a report discussing frequently asked questions (FAQs) on the new Slovakian Financial Transaction Tax (FTT), which was introduced on April 1, 2025. (To read KPMG's previous discussion of the FTT, click here.) Among other things, it clarifies that a foreign company pays tax on financial transactions if it has a payment account with a local payment service provider or conducts business in the country. In that case, its financial transactions carried out on the account abroad and related to the activity conducted in Slovakia are subject to tax.
- **KPMG in the United Arab Emirates** published a report discussing new guidance on recent amendments to the country's VAT regulations issued by the Federal Tax Authority (FTA). (To read KPMG's previous discussion regarding the proposed amendments to the VAT regulations, click here.) Among other things, the report clarifies that full tax invoices must be issued by taxpayers for imported services subject to the VAT self-assessment mechanism unless an administrative exception is approved by the FTA. It also states that the zero-

rating of international shipping of goods is not compromised if the vendor subcontracts a part of the shipping service but remains contractually liable for both the domestic and international shipment of the goods. Moreover, it clarifies that where funds are not licensed by a competent authority in the UAE, the provision of fund management services would not qualify for the financial services exemption and would be subject to VAT. Additionally, it clarifies that a single composite sale does not exist where the seller charges a single price for all the components, but the price for each component is separately identified (where the tax invoice or underlying contract reflects the price of each component separately).

Roundup of Latest Court of Justice of the European Union Cases

On March 6, 2025, the Court of Justice of the European Union (ECJ) published the nonbinding Opinion of its Advocate General (AG) in Högkullen, Case C-808/23, in which the AG opined that management services provided by a holding company to its subsidiaries, such as company management, financing, real estate, IT, and personnel management, are not always unique services for which it is impossible to determine a comparable market value. The market value of such support services for VAT purposes must therefore be determined based on a comparable price.

On March 6, 2025, the ECJ published the nonbinding Opinion of its AG in Palmstråle, Case C-125/24, in which the AG opined that strict compliance with customs procedures is not necessary for the VAT exemption on reimported goods to apply if the substantive requirements for customs duty relief are met.

On March 13, 2025, the ECJ published its decision in Greentech, Case C-640/23, in which it held that a EU Member State may prevent a taxpayer from obtaining a refund of VAT charged on a transaction that tax authorities later decide is not subject to VAT during a tax audit, even if it appears impossible or excessively difficult for the taxpayer to obtain reimbursement of the VAT from the seller. However, in such circumstances, the taxpayer should be able to obtain a refund directly from the tax authorities.

Source: European Union; Sweden ECJ Advocate General Opines on Application of Open Market Value to Active Holding Company's Services: Högkullen (Case C-808/23) (VAT), (March 6, 2025), News IBFD; European Union; Sweden—ECJ Advocate General Opines on Conditions Under Which Reimportation of Goods is Exempt from VAT: Palmstråle (Case C-125/24) (VAT Customs), (March 6, 2025), News IBFD; European Union; Romania—ECJ Decides on Deduction of VAT Collected and Non-refundable under National Legislation: Greentech (Case C-640/23) (VAT), (March 13, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Bulgaria:**[xliii] On March 27, 2025, Bulgaria enacted a law that includes measures to reduce the VAT registration threshold from BGN 166,000 to BGN 100,000, effective April 1, 2025. The Bulgarian National Revenue Agency clarified that the threshold applies to both determining mandatory VAT registration and deregistration. Furthermore, VAT-registered persons with taxable gross receipts below BGN 100,000 over the last 12 consecutive months as of April 1, 2025, who wish to remain VAT-registered, are not required to submit a deregistration request.

- **Denmark:**[xliv] On February 28, 2025, the Danish Customs and Tax Administration (DCTA) published Tax Council Binding Answer No. SKM2025.111.SR, which clarified the VAT treatment of business activity transfers during corporate restructurings. In this case, a service company within a corporate group transferred a business activity to a newly established subsidiary through a contribution in kind. This business activity was subsequently transferred to another company within the group via a vertical merger. The key issue was whether this transfer qualified as a VAT-exempt transfer of a business, especially considering the subsequent vertical merger. Under the Danish VAT law, a transaction is subject to VAT if there is a transfer of goods or services for consideration. However, the transfer of a business as a going concern (TOGC) can be VAT-exempt if it involves the transfer of a complete economic unit that the buyer intends to continue operating. The buyer must be VAT registered if the seller was registered for the transferred activity. EU case law permits the consideration of subsequent transactions when determining VAT status. The Tax Council held that initially, the transfer did not meet the conditions for VAT exemption because the new subsidiary did not intend to continue the activity and was not VAT registered. However, the subsequent vertical merger with a company that was VAT registered and intended to continue the activity aligned with the principles allowing for VAT exemption.
- **Denmark:**[xlv] On March 4, 2025, the DCTA published Tax Council Binding Answer No. SKM2025.120.SR, which clarified the VAT exemptions for alternative investment fund (AIF) management services. In this case, the taxpayer provided management services to an AIF aimed at conducting collective investment through the acquisition, construction, leasing, operation, and sale of real estate in Denmark. The fund's assets were placed in a wholly owned subsidiary that had invested in a plot of land where townhouses and a community house were constructed. The townhouses were used for rental purposes and were divided into condominiums with the intention of later individual sales. Under the Danish VAT law, the management of investment funds is exempt from VAT. For a fund to qualify as investment fund, it must meet certain criteria, including collective investment and risk diversification. The Danish tax authority found that the management services provided to the fund were subject to VAT as the AIF did not satisfy the risk diversification condition, as they were dependent on limited market factors within a single geographic location. The Tax Council agreed with the tax authority, finding that the taxpayer's services were not covered by the investment fund management VAT exemption as the fund's investment did not meet the risk diversification condition.
- **Estonia:**[xlvi] On March 21, 2025, the EU Council published Council Implementing Decision 2025/539, allowing Estonia to continue limiting the right to deduct VAT on expenses related to passenger cars not wholly used for business purposes by up to 50 percent. This applies to purchases, leasing, maintenance, repair, and fuel expenses for such cars. In addition, the Decision exempts these cars from being treated as a provision of services if they are subject to the 50 percent VAT deduction limitation. It applies to passenger cars under 3,500 kilograms and with no more than eight seats, excluding cars for resale, hire, transportation for a fee, and driving lessons. The measure is effective from January 1 2025 to December 31, 2027.
- **European Union:**[xlvii] On March 3, 2025, the European Public Prosecutor's Office (EPPO) published its 2024 Annual Report. The report highlights that VAT fraud caused over EUR 13 billion in damages to the EU budget in 2024, accounting for more than half of the estimated EUR 24.8 billion in damages across 2,666 investigations. VAT fraud was the second most common offense, making up over 20 percent of cases, while non-procurement expenditure

fraud was the most common at 33 percent. Moreover, the report highlights the evolution of VAT fraud from traditional carousel schemes to more fragmented linear fraud, directly stealing VAT from customers. VAT fraud has expanded to various goods and services, often involving sophisticated crime groups that mix criminal activities with legitimate business interactions. Common goods used for VAT fraud include pre-owned cars, electronics, luxury products, and fuel.

- **European Union:**[xlviii] On March 13, 2025, the European Parliament approved amendments to the Agreement between the EU and Norway concerning administrative cooperation, fraud combatting, and VAT claim recovery. These amendments introduce new cooperative tools, including alternative information exchange methods, joint audits, and enhanced Eurofisc network governance. Similarly, on March 21, 2025, Norway's Ministry of Finance announced that it had submitted a proposal to the country's Parliament (Stortinget) seeking approval to implement the updated agreement.
- **European Union:**[xlix] On March 13, 2025, the European Commission published a Proposal for a Council Implementing Decision authorizing Slovakia to limit the right to deduct VAT on expenses related to motor vehicles not wholly used for business purposes to 50 percent, including related expenses such as fuel. Additionally, the non-business use of such vehicles, when included in a business's assets and subject to the 50 percent VAT deduction limitation, would not be considered as a provision of services for consideration.
- **France:**[l] On March 5, 2025, the French tax authority updated the list of airlines eligible for VAT zero rating. This applies to transactions involving aircraft used in international commercial traffic by qualifying airlines. Typically, airlines must provide a specific certificate to vendors to benefit from this exemption. However, those on the updated list, based on 2023 traffic data, are exempt from this requirement.
- **Germany:**[li] On March 13, 2025, the European Commission closed the infringement procedure against Germany regarding the incorrect application of VAT exemption rules for private tuition services. The procedure began with a formal notice sent to Germany on September 24, 2015, followed by a reasoned opinion on February 7, 2024.
- **Ghana:**[lii] On March 26, 2025, the Ghanaian Parliament approved amendments to the country's VAT law. The amendments include measures to repeal the Electronic Transfer Levy, which imposed a 1 percent levy on electronic transactions, and the Emissions Levy, which imposed a GHS 100 per ton charge on carbon dioxide emissions. Additionally, the amendments introduce a VAT exemption for motor vehicle insurance and extend the special import levy and the growth and sustainability levy periods to December 31, 2028.
- **Greece:**[liii] On March 12, 2025, the Greek Ministry of National Economy and Finance announced measures to introduce tax incentives aimed at supporting charitable organizations and encouraging donations. One key proposal is the automatic VAT exemption for donations, which eliminates the need for special approval from the Minister of National Economy and Finance when a donation agreement is made. Additionally, the bill would prohibit financial dealings between foundations and their administrators or relatives unless specified in the founding document, and it introduces transparency measures to prevent misuse for tax evasion purposes.
- **Italy:**[liv] On March 4, 2025, the Italian tax authority (ITA) published Letter No. 65/2025, clarifying that real estate services, including legal consultancy and brokerage, are subject to VAT in Italy if they are directly connected to a property located there. This applies even if the taxpayer resides in Argentina. The ruling determined that both the real estate brokerage services, which involve finding a buyer, and the legal consultancy for mortgage cancellation, which alters the property's legal status, have a direct connection to the property in Italy. Therefore, these services are taxable in Italy.

- **Italy:**[lv] On March 4, 2025, the ITA published Letter No. 64/2025, clarifying VAT treatment and fixed establishment (FE) rules for intra-EU purchases between a German medical technology company and its Italian subsidiary. The taxpayer, the Italian subsidiary, resells goods from the German parent company and employs a machinery expert for technical assistance and consultancy. The taxpayer sought clarification on the VAT treatment of these purchases and whether the expert's role constituted a FE. The ITA explained that under Italian VAT law, a FE is a VAT taxable entity only for operations it directly performs or receives, requiring a sufficient degree of permanence and a structured presence, including adequate human and technical resources. Although the expert might be considered a potential FE of the German company in Italy, he did not intervene in the intra-EU purchases due to his lack of direct participation in contract negotiations and conclusions. Consequently, the Italian subsidiary must handle VAT obligations through the VAT self-assessment mechanism.
- **Italy:**[lvi] On March 19, 2025, the ITA published Principle of Law No. 3/2025, clarifying that sums exchanged between two operators under a contract of proper co-interest, which involves mutual commitments without capital contributions and includes participation in both profits and losses, are outside the scope of the Italian VAT law.
- **Italy:**[lvii] On March 20, 2025, the ITA published Letter No. 76/2025, clarifying the VAT treatment of unreturned packaging and containers. The taxpayer, a company dealing with returnable packaging such as glass bottles, plastic crates, and wooden pallets, sought guidance on their VAT treatment. Italian law permits a simplified VAT procedure, allowing a single invoice to be issued by January 31 for all non-returned packaging from the previous year, using the "mercurial" value as the taxable base. The ITA confirmed that the taxpayer can use the "mercurial" value for the annual invoice if it reflects the normal value. For wooden pallets, the VAT self-assessment mechanism applies, and a single invoice must be issued for each buyer within the calendar year for all unreturned pallets. If packaging is returned after the year-end and VAT has been regularized through self-invoicing, the taxpayer can issue a credit note or a self-note to adjust the VAT accordingly. Returns beyond the year can be adjusted through a separate downward variation for VAT recovery.
- **Italy:**[lviii] On March 21, 2025, the ITA issued Letter No. 80/2025, clarifying the application of the Tour Operators Margin Scheme (TOMS). In this case, the taxpayer, a non-EU company that operates an online platform for booking tourist services, sought clarification on whether it could apply TOMS to the services it provides. The TOMS regime can be applied to individual tourist services provided by travel agencies if these services are "previously acquired in the agency's availability." This means that travel agencies must act in their own name and have secured the services from third-party providers before offering them to travelers. The VAT is calculated on the margin between the sale price to the traveler and the purchase cost from the provider. The ITA clarified that while travel agencies do not need to pre-purchase services, they must have them available before traveler requests. The taxpayer's model, which involves securing the right to dispose of accommodations in advance, appears to satisfy this requirement.
- **Lithuania:**[lix] On February 26, 2025, the Lithuanian State Tax Inspectorate launched a consultation on a draft amendment to the guidance regarding rounding rules. The proposal would clarify rounding rules for cash payments and for the simultaneous purchase of goods and services in cash, effective from May 1. It would also include rounding and calculation examples under different scenarios and specify when rounding is not applied, such as in cases where the total amount payable is under EUR 5.

- **Lithuania:**[lx] On March 10, 2025, the Lithuanian State Tax Inspectorate launched a consultation on a draft guidance regarding the one-stop shop VAT regime for intra-EU distance sales of goods (i.e., intra-EU sales of goods to final consumers for which the seller registers in one EU Member State while charging VAT in all Member States where consumption occurs). The draft guidance includes measures to: provide registration and deregistration information for taxpayers opting for this regime; specify that the Member State of identification is where the taxpayer is established; require taxpayers to furnish necessary information to the tax administrator, who will communicate electronically to the taxpayer; and mandate that taxpayers submit a VAT return after each calendar quarter by the end of the first month of the subsequent quarter.
- **Lithuania:**[lxi] On March 20, the Lithuanian State Tax Inspectorate launched a consultation on draft guidance concerning vouchers. Among other things, it clarifies that the sale of a multi-purpose voucher and the amounts received for unused multi-purpose vouchers are not subject to VAT; however, the transfer of goods or the provision of services in exchange for a multi-purpose voucher is subject to VAT. Additionally, the sale of goods or services related to a single-purpose voucher occurs when a taxpayer sells the voucher to a customer in their own name for consideration. When a customer exchanges a purchased single-purpose voucher for goods or services, this exchange is not regarded as a sale of goods or services subject to VAT. Finally, it clarifies that the price paid for goods or services sold using either single-purpose or multi-purpose vouchers is considered as consideration. Finally,
- **Moldova:**[lxii] On March 17, 2025, the Moldovan State Tax Service clarified that taxpayers could deduct VAT on imported goods starting from the tax period in which the goods are imported, and VAT is paid. The tax liability period for imported goods is determined by the date of declaration at customs or when customs payments are deferred. Import duties must be paid before the release of goods or within 10 days of the customs debt notification, given that full guarantees are provided. The right to deduct VAT arises once the taxpayer has a document from customs confirming VAT payment.
- **Norway:**[lxiii] On March 7, 2025, the Norwegian tax authority published Tax Appeals Board Decision No. SKNS1-2024-91, which clarified that VAT corrections are justified when they represent genuine price reductions resulting from defects in services or goods and must adhere to tax regulations. Furthermore, it emphasized that cases must be resolved promptly in accordance with the European Convention on Human Rights (ECHR).
- **OECD:**[lxiv] On March 13, 2025, the OECD published a Policy Brief on the EU Carbon Border Adjustment Mechanism (CBAM). Among other things, it analyzes the mechanism's goals, design, and effects on EU importers and foreign producers in sectors like cement and steel. The CBAM targets carbon neutrality by addressing emissions in imports but covers only a small portion of EU imports and production. It focuses on three greenhouse gases and would have applied to 171 million tons of CO_2 equivalent in 2022. The CBAM, along with EU Emission Trading System reforms, impacts value chains by raising production costs and reducing competitiveness for EU businesses, though it partially offsets economic effects by shifting production to non-EU countries. It helps prevent carbon leakage by promoting emission reductions and efficiency, redirecting EU demand to more efficient producers. Long-term effects are uncertain, with short-term challenges in measurement and verification.
- **Poland:**[lxv] The Polish government recently published draft regulations for the extension of the VAT self-assessment mechanism to energy-related transactions, as the current regulations expired on February 28, 2025. This measure, initially introduced on April 1, 2023, requires buyers, rather than sellers, to account for and remit VAT on transactions

involving gas, electricity, or emissions permits traded on exchanges. Poland extended this mechanism until December 31, 2026. The self-assessment mechanism applies to sales made to commodity exchanges, regulated markets, or organized trading platforms.

- **Portugal:**[lxvi] On March 24, 2025, Portugal published Decree-Law No. 34/2025, which includes a measure increasing the annual gross receipts threshold for the cash accounting VAT regime from EUR 500,000 to EUR 2 million for qualifying VAT taxpayers, effective July 1, 2025.
- **Portugal:**[lxvii] On March 24, 2025, Portugal published Decree-Law No. 35/2025, which includes measures to partially implement the EU's small business VAT reform. (To read KPMG's previous discussion of these measures, click here.) Previously, small domestic companies had to register for VAT in each Member State where they conducted taxable transactions. The new changes allow small enterprises based in Portugal with EU gross receipts under EUR 100,000 to benefit from the VAT exemption in other Member States, provided they notify Portuguese tax authorities and receive a special identification number. These enterprises will remain registered for VAT purposes only in Portugal. The law further includes measures for information exchange to monitor compliance. Among other things, Portugal eased the restrictions on the VAT exemption regime to include micro-enterprises with organized accounting and those dealing with recyclable waste and scrap.
- **Portugal:**[lxviii] On March 24, 2025, Portugal published Decree-Law No. 33/2025, which includes measures to partially transpose the EU directive on the VAT sourcing rules of virtual events and the special VAT regime for second-hand goods, works of art, antiques, and collectors' items. It amends the VAT law to change the sourcing rule for virtual event services, ensuring they are taxed where consumption occurs. Virtual event services and related ancillary services will be taxed at the recipient's location, with the consumer being taxed where they are established or reside. Additionally, it modifies the special VAT regime for second-hand goods, works of art, antiques, and collectors' items, removing the option for the margin regime when such items are acquired or imported at a reduced VAT rate, to prevent competition distortions.
- **Romania:**[lxix] On March 7, 2025, the Romanian tax authority published a brochure on the VAT registration and e-invoicing rules for public institutions. Among other things, it covers categories of public institutions subject to VAT; the validity of a VAT registration code for any taxable operation, whether exempt or zero-rated, that the institution conducts; VAT registration for intra-EU purchases or services; and the requirement for public institutions to submit Form 040 for VAT registration.
- **Rwanda:**[lxx] On March 19, 2025, the Rwandan parliament approved a draft bill introducing a 0.2 percent environmental levy on imported consumer goods packaged in plastic, including items like water, juices, body lotions, and clothes. Exemptions apply to specified single-use goods exempted under the East African Community Customs Management Act and pharmaceutical products. Additionally, it also approved other draft laws including: an increase in the levy on petrol and gas oil for strategic petroleum reserves from RWF 32.73 to RWF 50 per liter; a new tourism tax of 3 percent on accommodation costs, excluding VAT; and adjustments to the fuel levy on petrol and gas oil to 15 percent of their value, along with a new road maintenance levy on motor vehicles, with specific fees for different vehicle types.
- **Slovakia:**[lxxi] On March 4, 2025, Slovakia's tax authority published a guide on the application of the EU's small business VAT reform. This regime allows small businesses to apply for a tax exemption in other Member States if their EU annual gross receipts are below EUR 100,000 and do not exceed the national limit for small enterprises in the relevant Member State. In Slovakia, the national limit requires testing two thresholds: EUR 62,500 for

the current year and EUR 50,000 for the previous year. The guide explains the regime's application for foreign and domestic taxpayers, providing examples related to gross receipts threshold testing, reporting duties, and VAT expenses deduction rights.

- **Ukraine:**[lxxii] On March 10, 2025, Ukraine's State Tax Service (STS) clarified that Ukrainian companies with foreign branches must submit a VAT return for the reporting period when taxable activities occur. Branches cannot independently submit VAT reports; this responsibility lies with the parent company. The parent company must include all transactions conducted by its branch in its VAT reports, covering the sale and acquisition of goods and services within Ukraine and the provision of services outside Ukraine.
- **United Kingdom:**[lxxiii] On March 24, 2025, the U.K's Upper Tribunal (Tax and Chancery Chamber) published its decision in St. Patrick's International College Ltd., [2025] UKUT 00101 (TCC), in which it held that that the VAT exemption for education services excluding alternative higher education providers does not breach fiscal neutrality, as these providers are not comparable to universities or nonprofit institutions. In the case, three for-profit alternative providers appealed the denial of their VAT exemption claims. The tribunal upheld that the U.K. correctly implemented the VAT exemption under the Value Added Tax Act 1994, aligning with EU law. The tribunal found that alternative providers differ from higher education institutions (HEIs) and further education corporations (FECs) due to their commercial nature and less stringent regulatory requirements. The appeal was dismissed, confirming that the U.K. government can limit VAT exemptions to universities and certain charitable entities.

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Asia-Pacific (APAC)

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

- **KPMG in Japan** published a report noting that the 2025 tax reform bills were passed by the Japanese parliament on March 31, 2025. With respect to consumption tax, the reform will impact the tax treatment of lease transactions in response to the new lease accounting standards issued by the Accounting Standards Board of Japan (ASBJ Statement No.34 and Guidance No.33). These standards, effective from April 1, 2027, with early adoption allowed from April 1, 2025, require lessees to recognize all leases as right-of-use assets with associated depreciation and interest expenses. Traditionally, non-operating lease transactions are treated as asset transfers for consumption tax purposes, obligating lessors to pay consumption tax on the transfer of the lease asset, unless the taxpayer opts to recognize the revenue based on deferred payments. The tax reform will abolish this option and implement transitional rules. (To read KPMG's previous discussion of the 2025 tax reform, click here.)
- **KPMG in Malaysia** published a report discussing recent tax developments in the country. Among other things, the report discusses the publication of the Customs (Anti-Dumping Duties) (Expedited Review) Order 202, and the Customs Duties (Exemption) (Amendment) (No.2) Order 2025.

- **KPMG in Mongolia** published a report discussing recent tax developments in the country. Among other things, it states that effective January 1, 2025, vehicle taxes and road fees in the city of Ulaanbaatar increased, with vehicle taxes increasing from MNT 36,018 to MNT 162,081 and road fees from MNT 30,000 to MNT 150,000. Additionally, beginning January 1, 2027, Mongolia will introduce excise taxes on sweetened beverages containing more than five grams of sugar per 100 milliliters. The tax rates will be MNT 500 per liter in 2027, MNT 525 per liter in 2028, and MNT 550 per liter in 2029.
- **KPMG in Thailand** published a report discussing new guidance from the Thai Revenue Department (TRD) to revise the VAT deduction apportionment basis for taxpayers selling goods outside Thailand. The TRD clarified that a VAT-registered operator is required to complete two steps of common VAT deduction apportionment. Initially, a VAT-registered operator needs to apportion the VAT deduction to the operations not subject to VAT. Subsequently, the remaining VAT expense can be allocated among operations subject to VAT and operations not subject to VAT. In addition, these two steps must be completed every month in which a registered operator has income from operations not subject to VAT.

Miscellaneous Developments in APAC

- **New Zealand:**[lxxiv] On February 28, 2025, the New Zealand Inland Revenue Department (IRD) published Technical Decision Summary No. 25/03, clarifying GST deductions for indemnity payments made under a deed and shortfall penalties. In the case, the taxpayer, a company with both residential and commercial leases, made a payment to a tenant under a deed for failing to make building alterations by a specified date. The taxpayer sought clarification on the GST deduction for the payment made under the deed and the application of New Zealand GST law that imposes a shortfall penalty if a taxpayer fails to take reasonable care in their tax position. The IRD held that the payment was for a breach of contract, not an alteration of previously agreed consideration for services under the lease. Consequently, the taxpayer was not entitled to claim a GST deduction on the payment. Furthermore, it found the taxpayer not liable for the 20 percent shortfall penalty, as they consulted a qualified accountant and followed their advice. It concluded that the taxpayer took reasonable care, as the accountant was external, had adequate information, and there was no indication of incorrect advice or previous tax shortfalls.
- **New Zealand:**[lxxv] On March 3, 2025, the New Zealand Inland Revenue launched a consultation on Exposure Draft No. PUB00485, which addresses the GST treatment of deposits retained by sellers in cancelled land sale agreements. The proposed guidance clarifies that GST does not apply to the deposit because the seller does not transfer land or other services in return. If the seller has paid GST or the buyer has claimed a GST expense credit before the agreement's cancellation, these amounts must be reversed in the period when the agreement is cancelled. Additionally, when a land sale agreement is cancelled, no transfer of legal ownership occurs, meaning no sale of land takes place. Forfeited deposits are considered compensation for the buyer's failure to complete the purchase, not as payment for a sale.
- **New Zealand:**[lxxvi] On March 10, 2025, the New Zealand IRD issued Technical Decision Summary No. 25/05, providing clarity on GST expense deductions. The case involved a GST-registered company with multiple shareholders that had leased land to one of its shareholders. After selling the land, the company ceased making taxable sales but did not de-register for GST. Despite not engaging in taxable sales during this period, the company claimed GST expense deductions for legal fees incurred over the previous two years, which were related to a dispute with its shareholders. The Customer and Compliance Services

argued that the company was not engaged in any taxable activity and therefore was not entitled to the legal fee deductions, recommending that its GST registration be cancelled. The company countered by asserting that it was still engaged in a taxable activity, as the legal fees were connected to resolving the shareholder dispute, which prevented the completion or initiation of taxable activities. The Inland Revenue Department concluded that the company was indeed engaged in a taxable activity due to ongoing actions related to the termination of the activity. However, it had not sufficiently demonstrated that the legal services were used for making taxable sales. As a result, it also held that the company's GST registration should not be cancelled from the proposed date.

- **New Zealand:**[lxxvii] On March 31, 2025, New Zealand's IRD published Interpretation Statement IS 25/05 on GST rules for fees received by fund managers, focusing on the GST treatment of fees to fund managers, outsourced administrative services, and outsourced investment management services. It provides that fees paid to fund managers are exempt from GST as they are considered financial services. Outsourced administrative services provided by third parties are taxable, as they do not qualify as financial services. Outsourced investment management services can be exempt or taxable, depending on the authority and oversight involved in investment decisions. Further, the interpretation statement provides that the IRD will not enforce these changes for GST periods from April 1, 2025, to March 31, 2026, but expects compliance by April 1, 2026.
- **Philippines:**[lxxviii] On February 25, 2025, the Philippines' Bureau of Internal Revenue (BIR) published Revenue Regulations 010-2025 to clarify rules for businesses in free zones, addressing concerns raised after the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law. Among other things, the CREATE law altered VAT exemptions, eliminating the "cross-border doctrine" that treated the sale of goods and services by a VAT-registered seller to a registered enterprise in economic and freeport zones as a zero-rated export. Now, only goods and services directly used in registered projects by Registered Business Enterprises (RBEs) qualify for VAT-exempt treatment of imported goods and a VAT zero-rate on purchases from domestic businesses. RBEs include entities engaged in manufacturing, IT, and business process outsourcing (BPO) activities, with at least 70 percent of output exported. (To read KPMG's previous discussion of the CREATE law, click here). The new regulations aim to provide relief to vendors and exporters who lost VAT relief due to the law by stipulating that the local purchases of "export-oriented enterprises" will be zero-rated, while importations are VAT-exempt. The regulations state that, to qualify for zero-rated treatment for goods, an export-oriented enterprise's export sales must have accounted for at least 70 percent of its sales volume in the preceding year. Further, the goods must be "directly attributable" to the export activity of the enterprise. These enterprises must have their eligibility certified in advance by the Export Marketing Bureau of the Department of Trade and Industry.
- **Philippines:**[lxxix] On February 27, 2025, the Philippines' Court of Tax Appeals published its decision in CTA Case No. 10416, clarifying invoice requirements for VAT refunds on zero-rated sales. In the case, the taxpayer, a freight and cargo company, sought a refund of unused VAT credits on zero-rated sales to nonresident foreign companies. The BIR disallowed the refund due to a lack of factual or legal basis. On appeal, the court upheld the BIR's rejection of the taxpayer's refund claim. The court held that the taxpayer did not comply with the invoicing requirements because certain official receipts were dated outside the quarter at issue or outside the validity period; other receipts contained errors or didn't state the nature of services; and certain sales lacked official receipts registered with the BIR.

- **Philippines:**[lxxx] On March 25, 2025, the Philippines' Court of Tax Appeals published its decision in CTA Case No. 10920, clarifying invoice requirements for VAT refunds on zero-rated sales. In the case, the taxpayer, a VAT-registered company, provided business process outsourcing solutions and call center services to its nonresident foreign affiliates. The taxpayer sought a refund of its excess and unutilized VAT credits for Q1 2020, which was attributable to its zero-rated sales for the same quarter. The BIR sent the taxpayer a VAT refund notice only partially granting its VAT refund request. On appeal, the court denied the taxpayer's refund claim, finding that the taxpayer failed to prove its entitlement to the refund claim under substantive law, did not satisfy all the documentary and evidentiary requirements for the administrative claim, did not comply with the mandatory VAT invoicing requirements, and failed to establish that it was engaged in zero-rated sales for Q1 2020.
- **Thailand:**[lxxxi] On March 26, 2025, the Thai Revenue Department published a guide on VAT refunds for entrepreneurs. Among other things, the guide outlines a three-year period for submitting VAT refund requests after the return filing deadline for the relevant tax month or the date the tax was paid. It details procedures and relevant forms for claiming cash or credit VAT refunds, or cash refunds in specific cases. Moreover, it provides an extended deadline of January 31, 2027, for filing VAT refund requests online. The guide also specifies the necessary business documents required for expedited VAT refunds, describes the investigation and analysis process for suspicious refund requests, and explains the appeal procedure for disputing audit results or tax refund decisions.

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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.

Footnotes

i. Bloomberg Tax, Barbados Prime Minister Posts 2025 Budget Statement (March 14, 2025).
ii. Bloomberg Tax, Benin Tax Agency Posts 2025 Finance Law (March 10, 2025).
iii. Bloomberg Tax, Cote D'Ivoire Tax Agency (March 27, 2025).
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vi. Bloomberg Tax, Grenada MOF Presents 2025 Budget Speech (March 27, 2025).
vii. Bloomberg Tax, Estonia Parliament Considers Two Bills to Reduce Certain VAT Rates (March 18, 2025).
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ix. Bloomberg Tax, Hungary Parliament Considers Amendments Reducing VAT Rate on Certain Basic Foodstuffs (March 5, 2025).
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xxiv. Tunisia—Tunisia Clarifies New Tax Obligations for Online Sellers and Delivery Services (March 25, 2025), News IBFD.
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