Inside Indirect Tax

February 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.

Table of Contents

Global Rate Changes

- **Algeria:**[i] On December 31, 2024, Algeria published the Finance Law for 2025, which, among other things, reduces to 9 percent until December 31, 2027 the VAT rate for services related to tourism, including hotels, spas, classified touristic restaurants, and rental of travel and tourist transport vehicles.
- **Bahamas:**[ii] On January 8, 2025, Prime Minister and Minister of Finance of the Bahamas announced that effective April 1, 2025, the VAT rate for all food sold in stores in the Bahamas will be reduced from 10 percent to 5 percent. This will include fresh fruits and vegetables, baby food, lunch snacks and frozen foods. However, the 10 percent VAT rate will still be payable on prepared foods sold in delis.
- **Bangladesh:**[iii] On January 22, Bangladesh published changes to the VAT and supplementary duties affecting various products and services. The updates include reducing the supplementary duty on mobile phone services from 23 percent to 20 percent, eliminating the 10 percent duty on internet service providers, and adjusting VAT rates as follows: locally sold medicines to 2.4 percent from 3 percent, non-branded clothing to 7.5 percent from 15 percent, and sweet shops and non-air-conditioned hotels to 10 percent from 15 percent. Additionally, the VAT rate on branded clothing increased to 10 percent from 7.5 percent, and a new 10 percent VAT rate was introduced for motor vehicle garages and workshops. In addition, the government announced its internation to reverse the VAT rate increase on restaurant services.
- **Bolivia:**[iv] On January 2, 2025, Bolivia published Supreme Decree No. 5303, which exempts from VAT the importation of crude petroleum oil, gasoline for motor vehicles, and diesel oil.
- **Congo (Republic of):**[v] On December 31, 2024, the Republic of the Congo published the Finance Law for 2025, which, among other things, exempts from VAT mineral water and butane gas produced in Congo, as well as for all inputs and services contributing to their packaging. It also exempts the importation of photovoltaic panels by startups and very small businesses. The law further introduces a reduced VAT rate of 5 percent for certain everyday consumer goods, diesel and lubricants imported by resident forestry companies, and the sale and import of certain food items. This reduced rate also applies to transactions made by developers and companies in special economic zones.
- **Cyprus:** On December 20, 2024, the tax authority of Cyprus announced a decision by the Council of Ministers to apply a zero percent VAT rate on the delivery of certain essential goods. This tax relief, which began on November 4, 2024, will continue until December 31, 2025. The goods benefiting from the zero VAT rate include both liquid and powdered baby milk, diapers, and female hygiene protection products. Additionally, certain fresh or simply refrigerated vegetables and fresh fruits are also subject to this zero VAT rate. To read a report prepared by KPMG in Cyprus, please click here.
- **Finland:**[vi] On January 14, 2025, the Finnish tax authority published Guidance No. VH/2161/00.01.00/2022, clarifying the applicable VAT rates for books, newspapers, magazines, and similar materials. The guidance covers several key areas including: definitions of relevant terms, the increase of the VAT rate to 14 percent for sales, corporate acquisitions, and imports of books effective from January 1, 2025 the application of the general 25.5 percent VAT rate to sales of paid podcast subscriptions, the eligibility for VAT deductions on purchases of newspapers, magazines, and books for business use, VAT liabilities on goods previously deducted but used for personal purposes, and regulations concerning international transactions.

- **Ireland:**[vii] The new Irish coalition government is considering reintroducing of the reduced VAT rate of 9 percent (from 13.5 percent currently) for the hospitality sector.
- **Italy:** Effective January 1, 2025, Italy applies a reduced VAT rate of 10 percent to sales of services for the management, storage and temporary deposit of urban waste and special waste, excluding landfill disposal and incineration without efficient energy recovery. In addition, sales of winter sports and mountaineering courses, as respectively identified by the winter sports federations recognized by the Italian National Olympic Committee (CONI) and the regulations on the mountain guide profession, provided by qualifying registered members are subject to the reduced VAT rate of 5 percent, insofar as they are not VAT exempt.
- **Lithuania:**[viii] On December 30, 2024, the Lithuanian Parliament accepted Draft Bill No. XVP-90 for consideration, which proposes to apply a reduced VAT rate of 9 percent on essential food products and related catering and beverage services, excluding alcoholic beverages. The list of eligible food products will be determined and updated by the Lithuanian government or an authorized institution. The law is set to take effect on July 1, 2025, with the government scheduled to adopt the necessary implementing legal acts by April 30, 2025.
- **New Caledonia:**[ix] On January 16, 2025, New Caledonia's Congress adopted several changes to the general consumption tax (TGC), specifically removing exemptions for various services and products. These changes affect professional training services provided by both public organizations and private individuals registered with the Direction de la Formation Professionelle Continue (DFPC), as well as the sale of electronic books, building land and buildings, books, and press publications.
- **Peru:**[x] On December 29, 2024, Peru extended the reduced VAT rates for hotels, restaurants, and tourist accommodations through December 31, 2027. These sectors are subject to an 8 Percent VAT rate for fiscal years 2025 and 2026, and at a 12 percent rate for fiscal year 2027.
- **Poland:**[xi] On January 20, 2025, Poland published Regulation No. 60, which amends the VAT regulations to exempt certain imports by the armed forces of countries participating in the Partnership for Peace, including NATO members. The regulation specifically exempts imports of fuels, oils, and lubricants intended solely for use in official vehicles, aircraft, or vessels of the armed forces or their civilian personnel while in Polish territory. Additionally, it exempts imports of goods other than fuels, oils, or lubricants that are intended exclusively for personal use by the armed forces or their civilian personnel during their stay in Poland for joint defense operations.
- **Portugal:**[xii] On December 31, 2024, Portugal published the 2025 State Budget Law, which, among other things, extends VAT exemptions for agricultural products such as fertilizers and animal feed until December 31, 2025, and continues a reduced 6 percent VAT rate for infant food products, special medical foods, and bullfight show tickets. In addition, the law eliminates previous Special Consumption Tax exemptions for non-environmentally friendly petrol and energy products used in energy production, fully subjecting them to taxation, and increases taxes on tobacco and cigarillos to better align with national averages.
- **Saint Kitts and Nevis:**[xiii] The government has published a guidance note detailing the temporary reduction of the standard VAT rate from 17 percent to 13 percent, effective for the first half of 2025. This VAT Relief Holiday, starting January 1, 2025, applies only to sales made from this date, with prior transactions still subject to the 17 percent rate. The reduced 10 percent rate for commercial rentals, accommodation, and restaurant services remains unchanged. The guidance outlines strict monitoring measures under the Consumer

Protection Act to prevent price gouging and ensure compliance. It also covers applicable rates, VAT liability determination, exemptions, monitoring and enforcement protocols, taxpayer responsibilities, and forthcoming educational initiatives for taxpayers.

- **Slovakia:**[xiv] The Slovak parliament recently accepted four draft bills amending the VAT Act for consideration. Two bills aim to expand the list of goods eligible for the 5 percent reduced VAT rate to include more food and hygiene items. Another bill proposes reducing the standard VAT rate from 23 percent to 20 percent, reverting to the rate in effect until December 31, 2024. The final bill seeks to increase the turnover thresholds for mandatory VAT registration for businesses in Slovakia from EUR 50,000 and EUR 62,500 to EUR 75,000. These changes are proposed to take effect on July 1, 2025.
- **Slovakia:**[xv] On January 2, 2025, the Slovak tax authority published FAQs detailing the application of new VAT rates effective from January 1, 2025, for services provided by operators of accommodation facilities. The new standard VAT rate is set at 23 percent, with reduced rates of 5 percent and 19 percent. Specifically, the VAT rate for accommodation services classified under the Statistical Classification of Products by Activity (CPA) code 55 has been reduced from 10 percent to 5 percent. The FAQs address how these VAT rates apply to accommodation services around the turn of the year, advance payments made in 2024, and other related services such as meals, parking, and late check-outs. Additionally, they cover the VAT treatment of goods consumed during stays and services that are ancillary to accommodation.
- **Slovenia:** On November 13, 2024, the government of Slovenia published a draft bill proposing changes to the Excise Duties Act (ZTro-1), including a 7 percent increase in excise duties on alcohol and an increased quantitative limit for small beer producers. The bill also introduces a digital form of the basic certificate required for excise duty exemption, effective January 1, 2025, with some provisions starting from January 1, 2026. For more information, click here.
- **Trinidad and Tobago:**[xvi] Effective January 1, 2025, Trinidad and Tobago has waived all customs duties, VAT, and online purchase tax on specific sporting equipment and electric vehicle chargers and parts. The exemption includes items such as gymnastic apparatus, fitness equipment, and electric vehicle components, including chargers for various voltages.
- **Venezuela:**[xvii] On January 10, 2025, Venezuela published Decree 5,079, implementing a tax waiver for the import and sale of hydrocarbon-derived fuels in Venezuela, including inputs and additives to enhance gasoline quality. VAT, custom duties, financial transactions tax, and other applicable taxes on these fuels are waived for transactions by the state, state-owned, mixed, and private companies. The waiver takes effect on January 12, 2025, and last for one year.

Back to top Back to top

Digitalized Economy Indirect Tax Updates

Philippines: Implementing Regulations for New Nonresident VAT Digital Services Rules

On January 27, 2025, the Bureau of Internal Revenue (BIR) of the Philippines issued Revenue Regulation No. 03-2025, which provides details on the application of VAT on digital services as mandated by Republic Act No. 12023. (For KPMG's previous discussion on the Philippines implementing new VAT obligations for nonresident digital services providers, click here.) The regulation defines "digital services" as services delivered over the internet or other electronic networks that are essentially automated, including online platforms, cloud services, and digital goods, all taxed at a 12 percent rate when used or consumed within the Philippines. Transactions are sourced to the Philippines based on several criteria to determine the consumer's location, such as payment and communication methods, billing address, and other location-establishing information.

The regulation stipulates that nonresident digital service providers (DSPs) must register with the BIR within 60 days from the effective date of the regulation and are subject to VAT 120 days after it takes effect. These DSPs do not need a local representative but can appoint one for tax-related matters. Local DSPs must fulfill regular VAT obligations, and if operating as electronic marketplaces, they must also handle VAT on transactions by nonresident sellers on their platform. Nonresident DSPs selling to local consumers must file VAT returns electronically and pay the VAT due within 25 days after each taxable quarter ends. Failure to comply with these regulations can lead to penalties, including criminal, civil, and administrative charges, and possible suspension of business operations for non-compliance. For more information, click here.

Other Developments

- **Belgium:**[xviii] On January 31, 2025, five Belgian political parties agreed on a coalition program outlining their governance principles and key policies. The agreement specifies that if no consensus is reached at the European or international level by 2027, Belgium will independently introduce a digital services tax. This tax will adhere to the principle of maintaining a level playing field, ensuring that it does not disproportionately burden Belgian companies compared to their foreign counterparts operating within the national market.
- **Colombia:**[xix] On December 19, 2024, the tax authority of Colombia issued Administrative Regulation 199, detailing the requirements for digital platform operators to comply with the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income Derived through Digital Platforms (DPI MCAA) starting from tax year 2025. The regulation defines key terms such as "digital platform," "platform operator," and "reportable vendor," among others, and outlines the due diligence activities required of operators. Platform operators subject to the reporting obligations are any platform operator (a) with Colombian tax residence and (b) platform operators that are not Colombian tax residents but: (i) are governed by the laws of Colombia or (ii) have their effective seat of administration in the Country. It mandates that operators must report relevant information online in XML format by the last business day of February following the identification year of the reportable vendor. Failure to report accurately and on time, or failure to update the national tax registry to reflect the obligation for automatic information exchange, will result in penalties as specified in the Tax Code articles 651 and 658-3, respectively.
- **Colombia:**[xx] The Ministry of Finance of Colombia recently announced plans to apply 19 percent VAT on online gambling.

- **Czech Republic:**[xxi] On January 8, 2025, the Czech tax authority issued a notice detailing the information collection and reporting obligations for specified platform operators. According to the notice, platform operators hosting sellers from specified countries, currently including the United Kingdom, Canada, and New Zealand, must collect information on those sellers starting from January 1, 2025. Additionally, they are required to report the collected information to the Specialized Tax Authority by January 31, 2026.
- **Greece:**[xxii] On January 22, 2025, the Greek tax authority published a Circular updating the format and content of declarations for filing and reporting withheld taxes, set to take effect for payments made on or after December 1, 2024. These updates introduce a streamlined process for submitting the digital transaction fee, applicable to transactions requiring tax withholding and reporting. (For KPMG's previous discussion on the Greek digital transaction fee, click here.) The new procedure mandates simultaneous reporting and payment of the withheld tax along with the digital transaction fee. While the fee is typically filed through a monthly declaration, certain transactions, like stamp duty on lease agreements, necessitate an annual submission. This ensures compliance with the updated regulatory framework, as outlined in the newly published decision.
- **Italy:** On December 31, 2024, Italy published Law no. 207, which, among other things, expands the scope of the Italian digital service tax (DST). Initially introduced on January 1, 2020, the DST previously targeted businesses with worldwide revenues of at least EUR 750 million and revenues from digital services in Italy of at least EUR 5.5 million. The law makes significant changes by eliminating the revenue threshold from digital services in Italy, meaning any business exceeding EUR 750 million in worldwide revenues is now subject to DST if it earns any revenue from digital services in Italy. Additionally, a new payment on account system requires businesses to pay 30 percent of the previous year's DST liability by November 30, with the remaining balance due by May 16 of the following year. To read a report prepared by KPMG in Italy, click here.
- **Kenya:** On December 13, 2024, Kenya published the Tax Laws (Amendment) Act, 2024, which, among other things, amends the Excise Duty Act, 2015 to include excisable services provided by nonresidents via digital platforms. This change, effective immediately, subjects nonresident digital service providers to the same excise duty obligations as local providers. The excise duty, set at 15 percent, now applies to various digital services such as money transfers, betting, gaming, prize competitions, and online advertisements for certain products. Nonresidents must comply by applying for an operating license and face penalties for non-compliance. Excise duty payments are due within specific periods depending on the service type, including 24 hours from the closure of transactions for betting and gaming transactions. To read a report prepared by KPMG in Kenya, click here.
- **Malta:**[xxiii] On January 17, 2025, Malta published amendments to the Cooperation with Other Jurisdictions on Tax Matters Regulations, aligning with the latest EU Directives regarding joint audits, data protection, and penalties for non-compliance by Malta platform operators. These amendments modify the original transposition of the DAC7 Directive, by including updates in connection with the conduct of joint audits, data protection and penalties for non-compliance by reporting Malta platform operators.
- **Morocco:**[xxiv] On December 20, 2024, Morocco published the Finance Law for 2025, which, among other things, clarifies the criteria for determining when digital services provided remotely by nonresidents are considered sold to customers in Morocco. These criteria include using a Moroccan address for invoicing, payment through a bank card from a Moroccan institution, accessing services via an IP address located in Morocco, or using

Morocco's international telephone code. Additionally, the law changes the return filing frequency for these nonresident service providers from a monthly to a quarterly basis, which must be filed through a dedicated electronic platform that the tax authority has to setup.

- **United Arab Emirates:** On January 14, 2025, the Federal Tax Authority (FTA) of the United Arab Emirates published VAT Public Clarification (VATP039) regarding cryptocurrency mining, following the extension of VAT exemption to certain virtual asset activities as outlined in Cabinet Decision No. 100 of 2024. The FTA defines cryptocurrency mining as the use of specialized computers to validate blockchain transactions, potentially earning rewards. The clarification specifies that the VAT exemption for virtual assets does not cover cryptocurrency mining. It states that mining for others is a taxable service (either at 5 percent or 0 percent), depending on the fee arrangement. Conversely, mining for personal gain is not taxable due to the lack of a direct connection between the activity and the reward, and no identifiable service recipient. VAT related to costs incurred in mining for others is recoverable, but not for personal mining. Additionally, UAE businesses must apply the reverse charge mechanism for VAT if they receive mining services from a nonresident, and nonresident providers must register for VAT if selling to UAE final consumers. To read a report prepared by KPMG in the UAE, click here.
- **Vietnam:**[xxv] The National Assembly of Vietnam recently adopted amendments to the Law on Tax Administration, which modify tax registration, declaration, and payment obligations for e-commerce and digital platform-based businesses. The amendments extend the requirement to register for tax, declare, and make payments to include foreign sellers with a permanent establishment in Vietnam, previously only applicable to those without such an establishment. Additionally, the law mandates that organizations that are operators of foreign digital platforms deduct and pay taxes on behalf of the foreign sellers. Finally, organizations, whether domestic or foreign, managing e-commerce platforms are responsible for withholding, declaring, and paying taxes on behalf of business households and individuals operating through these platforms, unless they are ineligible for this arrangement. While the law becomes effective on January 1, 2025, the specific changes concerning e-commerce activities will start on April 1, 2025.
- **Vietnam:**[xxvi] On December 31, 2024, Vietnam's General Department of Taxation issued Letter No. 6369/TCT-DNL, directing 100 banks and intermediary payment service providers to inform their branches about the obligation to withhold and remit taxes for transactions involving certain foreign e-commerce sellers who have not complied with registration, declaration, and tax payment requirements in Vietnam.

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.

Back to top Back to top

E-Invoicing Updates

- **Cambodia:**[xxvii] On December 12, 2024, Cambodia launched a voluntary e-invoicing system for business-to-government (B2G) transactions. The e-invoicing system offers features such as real-time VAT data validation, scalable design, cost efficiency, seamless integration with existing Enterprise Resource Planning (ERP) systems, enhanced audit readiness, and remote access. Initially, the voluntary phase will focus on B2G transactions to build trust and familiarity. Plans are in place to extend mandatory e-invoicing to business-to-business transactions in 2025, and later to business-to-consumer transactions.
- **Egypt:**[xxviii] On January 9, 2025, the Egyptian Tax Authority announced the sixth sub-phase of the second stage of the e-receipt system rollout under Resolution No. 455/2024. Effective January 15, 2025, taxpayers listed on the official page of the Egyptian Tax Authority are required to issue e-invoices for goods and services sold to end consumers.
- **Greece:**[xxix] On January 13, 2025, the European Commission proposed to allow Greece to implement a mandatory e-invoicing system for business-to-business transactions. This system will integrate directly with the myDATA platform, facilitating real-time, high-quality data collection. The proposal did not set a specific start date for introducing the e-invoicing system in Greece but indicated that authorization for its implementation could occur between July 1, 2025, and June 30, 2026, with the possibility of an extension.
- **Hungary:**[xxx] The Hungarian Government had initially planned to require e-invoices for electricity and natural gas transactions involving businesses effective January 1, 2025. However, due to concerns from taxpayers, the government has postponed the implementation date to July 1, 2025. According to Government Decree no. 273/2007, there is no mandated specific format or method for exchanging e-invoices. Therefore, electricity and natural gas traders, distributors, and operators can choose any format and method approved by the Hungarian tax authority.
- **Italy:**[xxxi] On January 28, 2025, Italy's tax authority announced an extension of its pilot program that uses e-invoice data to pre-fill VAT declarations. This program includes the preparation of draft registers, summary statements, periodic settlement reports, and the annual VAT declaration. Additionally, the tax authority has increased the transaction display limit on its online portal from 1,000 to 2,000 transactions per month for taxpayers. Those with more than 2,000 transactions per month can download their transaction details in a machine-readable format. The agency has also finalized the technical specifications for electronically transmitting data for the 2024 VAT declarations.
- **Norway:**[xxxii] On January 16, 2025, the Ministry of Finance of Norway commissioned a study to evaluate the potential for imposing an electronic invoicing mandate for domestic business-to-business transactions. The Norwegian Tax Directorate is carrying out this study, with results expected by mid-June 2025.
- **Paraguay:**[xxxiii] On December 30, 2024, the Paraguayan tax administration (DNIT) issued Resolution 21/2024, mandating new medium and large taxpayers to transition to e-invoicing. These taxpayers are divided into eight groups, each with a designated start date ranging from March 3, 2025, to December 1, 2026, and government sellers specifically starting on January 2, 2026. Taxpayers must issue all tax documents electronically, except for the Virtual Withholding Receipt. DNIT will list and notify the affected taxpayers through its website and the "Marandu" tax mailbox. Taxpayers may request a one-time extension to delay their start date by submitting a request 30 days in advance with valid reasons and documentation.

Additionally, starting April 1, 2025, all new legal entities must use the E-Kuatia or E-Kuatia'i System for issuing electronic tax documents, with DNIT ceasing the provision of stamps for paper-based documents, except for the Virtual Withholding Receipt.

- **Saudi Arabia:**[xxxiv] On December 27, 2024, the Zakat, Tax and Customs Authority (ZATCA) announced that the 19th group of taxpayers, whose VAT-liable revenues exceeded SAR 1.75 million in 2022 or 2023, must comply with the second phase of the e-invoicing system starting September 30, 2025.
- **Saudi Arabia:**[xxxv] On January 31, 2025, the Zakat, Tax and Customs Authority (ZATCA) announced that the 20th group of taxpayers, whose VAT-liable revenues exceeded SAR 1.5 million in 2022 or 2023, must comply with the second phase of the e-invoicing system starting October 31, 2025.
- **Venezuela:**[xxxvi] On December 19, 2024, the Venezuelan tax authority published ruling SNAT/2024/000102, which outlines the eligibility criteria for taxpayers to use e-invoicing, the necessary compliance standards, and the mandatory content of these invoices. The ruling further outlines procedures to follow during outages. While e-invoicing is not mandatory in Venezuela, taxpayers interested in this method must seek authorization from the tax authority before implementation.

Back to top Back to top

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 Mexico** published a report (in Spanish) discussing the approval by state legislatures during December 2024 of economic packages for 2025, which include changes to the tax on the final sale of alcoholic beverages in several states, effective mostly from January 1, 2025. The report details new taxes and modifications in states like Morelos, Michoacán, Nayarit, Oaxaca, and San Luis Potosí, each with specific provisions regarding the taxable base, rate, and exemptions. For instance, Morelos and San Luis Potosí introduced a new tax on the final sale of alcoholic beverages with specific rates and bases, while Oaxaca offers a 100 percent exemption for artisanal and ancestral mezcal.

United States: Illinois Guidance on Physical Presence and Sourcing of Transactions

The Illinois Department of Revenue recently published PIO-125 regarding the rules for physical presence and the recent changes to sourcing. It specifies that a retailer establishes a physical presence in Illinois if it operates a business location or has an agent within the state, either permanently or temporarily. Additionally, a retailer without a physical location in Illinois can still establish physical presence through contracts with Illinois residents who either promote the retailer's business using promotional codes or sell similar products, provided the income from these contracts exceeds $10,000 in the previous year.

Retailers selling into Illinois must verify quarterly whether they have established nexus in the state. If a retailer determines it has a physical presence or meets certain economic thresholds, it must collect and remit Retailers' Occupation Tax (ROT) at the applicable state and local rates for each sale and file all required returns for one year. After this period, the retailer must reassess its nexus status annually. If nexus is no longer established, the retailer resumes quarterly checks.

Effective January 1, 2025, Illinois has implemented new sourcing rules for sales. Retailers with a physical presence in Illinois will generally use origin-based sourcing, while those without will use destination-based sourcing. Out-of-state retailers with a physical presence in Illinois must use destination-based sourcing for sales originating outside the state and origin-based sourcing for in-state sales. The guidelines also outline steps for retailers to determine the sourcing of sales in Illinois based on five primary factors: the location of the retailer's headquarters, inventory, sales personnel, the binding point of sale, and the location where payment is processed, or invoices are issued.

Miscellaneous Developments in the Americas

- **Argentina:**[xxxvii] On December 30, 2024, the Argentinean tax authority issued General Resolution 5,623. This Resolution puts a hold on the advance collection of VAT on the import of food, medicines, and cleaning products included in the basic consumption basket. This suspension will remain in effect until December 31, 2025.
- **Argentina:**[xxxviii] On December 30, 2024, the Argentinean tax authority issued General Resolution 5, 624, extending the suspension of a regime that exempts importers from the advance collection of income tax and VAT until June 30, 2025, previously set to end on December 31, 2024. This suspension does not affect micro- and small businesses, imports on behalf of the National State, or imports exempt from federal taxes under Law 27,701.
- **Bahamas:**[xxxix] On January 2, 2025, the Inland Revenue Department of the Bahamas published new guidelines for utilizing its VAT stamp portal. Taxpayers are required to create and confirm an account via email, log in to fill out the stamp form, and make a payment through the official website. If an application is rejected, the taxpayer will receive an explanation via email. For document stamping, taxpayers must bring their payment confirmation and documents to the Inland Revenue Department. Immediate on-site stamping is available for up to five documents, while six or more documents require a submission form and a three-business-day processing time before the stamped documents can be submitted to the Bahamas Registrar General for official recording.
- **Brazil:**[xl] On January 16, 2025, Brazil published Complementary Law 214/2025, which enacts the VAT reform that was approved in December by the parliament. (For KPMG's previous discussion on the tax reform, click here.)
- **Jamaica:**[xli] On January 29, 2025, Jamaican tax authority launched a Special Arrears Settlement Program, enabling taxpayers to have interest, penalty, and surcharge (IPS) waived or remitted if they pay their outstanding principal taxes by March 31, 2025. This opportunity is available to individuals, businesses, and organizations, helping them resolve tax debts across various taxes including education, corporate income, individual income, PAYE, special consumption, general consumption, asset, and partnership income taxes. To be eligible, taxpayers must clear their principal arrears for tax years up to 2024 and periods

into 2025, while also meeting their current filing obligations, such as submitting income tax returns by March 17, 2025. The IPS waiver percentage will match the percentage of the principal paid.

Back to top Back to top

Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bahrain** published a report discussing a range of recent tax and regulatory updates across the Middle East. Key highlights include Bahrain's tax authority updating several VAT manuals and the UAE clarifying the procedure for correcting VAT return errors.
- **KPMG in Croatia** published a report discussing recent amendments to the tax laws. The updates to the VAT law include raising the VAT registration threshold from EUR 40,000 to EUR 60,000, and introducing new provisions for deducting VAT based on resolutions from the Croatian tax authority. The report also covers VAT exemptions for EU taxpayers under the under the small and medium-sized enterprises (SME) regime, the elimination of the reciprocity requirement for VAT refunds for non-EU taxpayers, and changes in the taxation of virtual services, now based on the recipient's location.
- **KPMG in the Czech Republic** published a report discussing recent changes to the taxation of immovable property effective from January 1, 2025. The amendment to the Real Estate Tax Act has introduced new tax subjects and bases, particularly for forest land, where tax calculation now depends solely on the area rather than pricing regulations. Additionally, the definition of publicly accessible land has been refined, and significant modifications have been made to the coefficients used for calculating taxes.
- **KPMG in the Czech Republic** published a report discussing recent amendments to the VAT Act. These amendments include extended time limits for correcting the tax base to seven years for guarantees while maintaining a three-year limit for advances, and a reduced time limit to two years for claiming VAT deductions. The rules for correcting VAT deductions and tax bases now also apply to persons who are no longer taxpayers. Additionally, the amendment simplifies the correction of irrecoverable debts by allowing creditors to reduce their tax base for small debts (defined as up to CZK 10,000 and six months overdue) after two written notices. Customers are also required to monitor and correct their VAT deductions for unpaid debts within six months of the due date.
- **KPMG in Germany** published a report discussing recent indirect tax updates from the Federal Tax Court (BFH), lower ax courts, and the Federal Ministry of Finance (BMF). The report covers BFH cases dealing with issues such as the transfer of a going concern, corrections related to shifts in sales throughout the year, tax groups where the controlling company engages in sovereign activities, and the VAT treatment of management services within a group practice. It also covers lower tax court cases clarifying direct claims against tax offices when providers lack assets and the VAT treatment of advance payments. Finally, the report covers a recent BMF guidance on VAT deductions for credit institutions.

- **KPMG in Hungary** published a report discussing the upcoming changes effective from March 1, 2025, regarding the assignment of import VAT deduction rights to indirect customs representatives. The new regulations will enforce stricter conditions, including a requirement for importers to file VAT returns monthly and not be classified as risky taxpayers. If an importer does not qualify as a reliable taxpayer, the indirect customs representative must conduct a partner check to mitigate tax risks. The responsibility to ensure these conditions are met and to perform the partner verification will fall on the indirect customs representatives, although importers must also participate by declaring the fulfillment of specific conditions. The report advises reviewing and updating contractual structures to clearly define responsibilities due to these changes. Importers holding an import VAT self-assessment license will remain unaffected by this amendment.
- **KPMG in Italy** published a report discussing recent tax measures adopted in the 2025 budget law, including the application of VAT on training services provided to authorized loan staff companies and the introduction of a self-assessment requirement in contracting agreements in the logistics sector. The latter measure is further discussed in a separate report.
- **KPMG in Malta** published a report discussing the extension of exemptions and reduced rates under the Duty on Documents and Transfers Act. The report highlights the continuation of various schemes, including the First-time and Second-time Buyers' Schemes, the transfer of family businesses, and incentives for old and vacant properties as well as properties in urban conservation areas. These extensions, detailed in Legal Notices 325 and 363 of 2024, aim to support property and family business transactions by extending duty relief and income tax exemptions until the end of December 2025, with specific documentation deadlines set for early 2026.
- **KPMG in Poland** published a report discussing, among other things, recent Supreme Administrative Court decisions. First the court held that an online platform assisting customers with submission of a credit application to a bank was not engaged in a purely technical activity and was rendering agency services exempt from VAT. The court further held that all parties under a consortium agreement involving the exchange of medical services for which they are remunerated is subject to VAT on the services they provide and all transactions among the consortium members must be supported by invoices. The court also held that the exchange of one currency for another does not meet the definition of a "thing" under VAT regulations and, consequently, is not subject to VAT. Finally, the report covers the Ministry of Finance introducing a VAT Taxpayer List API, enabling entities to verify VAT registration status through detailed or quick checks.
- **KPMG in Poland** published a report discussing, among other things, the EU Council approving Poland's continued application of the split payment mechanism. The split payment mechanism applies to certain sales of goods and the provision of certain services that are susceptible to fraud, with the invoice value exceeding PLN 15,000 gross. As part of it, sellers must hold separate, blocked VAT accounts to which VAT amounts are transferred, while the net amount is paid to their regular accounts. The funds in the blocked account can only be used for specific purposes, such as paying VAT owed to the tax authority or VAT from invoices received from other sellers. In cases where input VAT exceeds output VAT, the refund must be made within 60 days to the taxpayer's regular account.
- KPMG in Poland published a report discussing, among other things, a Supreme Administrative Court decision that whether a component is treated as a separate good for VAT purposes is determined under the VAT Act, and not based on the Polish Civil Code. In addition, the report covers proposed amendments to the VAT Act that would postpone changes to the VAT rates and extend the application of the self-assessment requirement.

- **KPMG in Serbia** published a report discussing recent amendments to the Rulebook on VAT, effective from January 1, 2025, with specific changes applying from July 1, 2025. These amendments include an extended application of tax base determination by assessment to all cases where the tax debtor is unaware of the tax base amount on the tax liability date. The amendments also address adjustments in the tax base, stipulating that taxpayers must issue a debit note for any increase and a credit note for any decrease, with specific conditions for correcting deductible VAT. Additionally, the rulebook now allows issuing invoices before the sale or advance payment for certain services, with specified rules for invoice cancellation and corrected invoices. The deadline for issuing invoices for successive deliveries has been removed, and the deadline for creating an internal invoice has been extended to the 10th day of the month following the tax period in which the basis for creating the internal invoice occurred.
- **KPMG in Uganda** published a report discussing the enactment of the South Sudan Financial Act 2024/2025, which introduced significant changes to the taxation landscape effective December 2, 2024. The Act revised Business Profit Tax (BPT), Withholding Tax (WHT), Excise Tax, and Customs Duties, impacting various sectors.

Miscellaneous Developments in EMEA

- **Algeria:**[xlii] On December 31, 2024, Algeria published the Finance Law for 2025, which, among other things, modifies the chargeable events for VAT, where for certain real estate transactions by developers, the chargeable event now occurs at the partial or total collection of the price. The law further revises the VAT credit refund procedure, requiring applications to be submitted by the 20th day of the month following the quarter in which the VAT credit arises, and alongside the balance sheet in cases of business cessation.
- **Azerbaijan:**[xliii] On January 7, 2025, Azerbaijan's president signed a decree amending VAT refunds for specific goods and services. The decree outlines measures to clarify the VAT refund process for nonresidents on non-commercial goods and medical services provided by both medical institutions and private providers, particularly when these goods are shipped, or the individuals leave the country by air or water. It specifies that VAT refunds for medical services are contingent upon the nonresident leaving Azerbaijan within 90 days of receiving the services. Additionally, it states that VAT refunds for these medical services will only be issued for transactions made through non-cash payments.
- **Denmark:**[xliv] On December 30, 2024, the Danish Official Gazette published Law No. 1693, which introduced several VAT-related changes effective from January 1, 2025. The law establishes a zero VAT rate on domestic passenger air transport, revises the VAT exemption under the small and medium-sized enterprises (SME) regime, and clarifies legal stipulations for bookkeeping timelines.
- **Denmark:**[xlv] On January 14, 2025, the Danish tax authority published Tax Council Binding Answer No. SKM2025.10.SR, clarifying VAT deductions on the acquisition of a medical clinic's assets. In the case, a company took over the operation of a medical clinic and acquired all the clinic's assets except for the provider number and associated capacity, which were acquired by a business wholly owned by a doctor employed by the inquirer. Subsequently, the inquirer entered into a cooperation agreement with this company, under which the inquirer was compensated for medical consultations provided to patients. The seller of the assets applied VAT to the purchase price. However, the Tax Council determined that the inquirer cannot deduct the VAT on the purchase price of the assets, as the VAT was imposed in violation of the VAT law, considering the transfer of assets as part of a business transfer. On the other hand, the Tax Council confirmed that the services provided

by the inquirer to the company, which holds the provider number, are VAT-exempt medical consultations, which would also apply if the company were a partnership.

- **Denmark:**[xlvi] On January 20, 2025, the Danish tax authority published Eastern Regional Court Decision No. SKM2025.27.OLR, clarifying the VAT refund eligibility for payments to owners' associations by their members. The court found that the association performed independent economic activities such as auditing, bookkeeping, marketing, and legal services, qualifying it as a taxpayer under the VAT law. Although typically, homeowners' associations are not considered taxpayers as their primary role is property management and representing owners' interests, this association's activities warranted its taxable status. The court also determined that the services provided to members were subject to VAT as they were delivered for consideration and related to the association's economic activities, thus requiring the members' payments to be treated as consideration for these taxable services.
- **European Union:**[xlvii] The VAT Expert Group (VEG) of the European Commission recently published the minutes of their 38th meeting. The group reviewed the VEG Report on VAT post-ViDA, proposing key deliverables for a robust VAT system to enhance EU economic competitiveness, and exchanged views on this. Preliminary thoughts on the implementation of digital reporting requirements and electronic invoicing were shared, including a timeline and plans for a Fiscalis workshop in Vienna from April 8-10, 2025. Updates were provided on the VAT in the Digital Age package, the ongoing efforts to secure the IOSS system, the launch of the new small and medium enterprises Web Portal, and the need to prioritize the travel and tourism sectors to boost competitiveness. The meeting concluded with plans to develop explanatory notes for the Platform Economy element of the ViDA package, involving collaboration from businesses and Member States.
- **European Union:**[xlviii] The EU VAT Committee recently published the agenda of its 125th meeting. Key discussions included the implementation of the Single VAT Registration and Import One Stop Shop under the VAT in the Digital Age package, with ongoing IT improvements and a new project group to secure the IOSS. The meeting also covered the collection of over EUR 26 billion in VAT through e-commerce in 2023, progress in the small and medium enterprises VAT regime, and the publication of the 2025 VAT-exempt gold coins list. Additional topics included updates on the VAT in the Digital Age, guidelines on various VAT regimes, and the ongoing OECD work. Member States raised issues on VAT grouping, exemptions for international trade, and special arrangements for second-hand goods. The committee also reviewed new VAT Directive articles and recent ECJ judgments.
- **European Union:**[xlix] On January 29, 2025, the European Parliamentary Research Service (EPRS) published a briefing on the EU's ongoing efforts to combat VAT fraud, highlighting the critical importance of VAT revenue for national budgets and the EU. The briefing details the various types of VAT fraud, with missing-trader intra-EU (carousel) fraud being the most notorious. It discusses policy measures like the removal of the low-value consignment exemption and emphasizes the role of cross-border cooperation in enforcement. The briefing further points out the primary causes of VAT revenue losses, including fraud, evasion, and corporate bankruptcies, and describes the methods fraudsters use, such as inflating input VAT claims or underreporting output VAT. It underscores the connection of VAT fraud to organized crime and the financial losses it incurs annually, advocating for strengthened VAT regulations and cooperation to improve fraud detection and prevention.
- **Finland:**[l] On January 20, 2025, the Finnish tax authority updated Guidance No. VH/6319/00.01.00/2024 on VAT refunds for businesses established in another EU Member State. This guidance includes updates to VAT rates, adds information on intra-EU purchases by EU businesses who are considered small-scale operators, and discusses the tax

liability for construction services related to specific activities on properties. Furthermore, the guidance outlines VAT refund conditions for EU businesses and provides detailed procedures for applying for VAT refunds and appealing tax refund or assessment decisions.

- **Finland:**[li] On January 20, 2025, the Finnish tax authority updated Guidance No. VH/7656/00.01.00/2024 on VAT refunds for businesses established outside the EU. This updated guidance includes changes to VAT rates and introduces tax liability specifics for construction services related to machinery, equipment, and furniture used in special activities on properties. It covers the VAT refund conditions for nonresident business operators, specifies the activities that qualify for refunds in Finland, including activities subject to a zero percent tax rate, and outlines eligible purchases for tax refunds. Additionally, the guidance details the procedures for applying for VAT refunds and the process for appealing against refund or assessment decisions.
- **Finland:** On January 21, 2025, the Finnish tax authority updated Guide No. VH/5624/00.01.00/2024 concerning VAT application on the transfer of the right to use real estate. The guide addresses both taxable and tax-exempt transfers, detailing the conditions and requirements for VAT application, including illustrative examples. It explores scenarios involving multiple rentals of the same space, clarifies the nature of activities whether they are transfers, temporary uses, or other service sales, and outlines the procedures for applying VAT. Additionally, the guide defines when the VAT liability starts, the necessary registration processes, and how the VAT liability can be terminated.
- **Finland:**[lii] On January 22, 2025, the Finnish tax authority updated Guide No. VH/5455/00.01.00/2024 on VAT for taxpayers. This guide covers a range of topics including the scope of VAT, the obligation of businesses selling goods and services in Finland to pay VAT, details on VAT rates such as the standard 25.5 percent, reduced rates of 14 percent for restaurant services and certain goods, and 10 percent for newspapers and specific transfers. It also explains VAT deduction rights, calculation procedures, and the processes for VAT declarations, payments, and registration.
- **Finland:**[liii] On January 23, 2025, the Finnish Supreme Administrative Court published decision KHO:2025:9 concerning the VAT liability for shared spaces in property arrangements under the Land Use and Building Act. The case revolved around whether the companies involved could opt to apply VAT on the transfer of usage rights to shared facilities, based on a communal arrangement specified in section 164 of the Land Use and Building Act. The Court ruled that the transfer of such rights can indeed be subject to VAT, allowing the companies to register for VAT purposes. According to the Court, the arrangement constitutes a continuous provision of services, which is taxable under the VAT law.
- **France:**[liv] On January 8, 2025, the French tax authority updated its guidance on the procedures for adjusting incorrectly invoiced VAT. When VAT is wrongly charged for a non-taxable transaction or at a higher rate than legally allowed, the issuer of the invoice must pay the erroneously invoiced VAT. However, in line with rulings from the Court of Justice of the European Union and the French Administrative Supreme Court, if VAT is mistakenly charged for an exempt transaction or at an incorrect rate, it can be corrected. This correction involves issuing an amended invoice to the customer before regularizing the VAT with the tax authorities, ensuring there is no loss of tax revenue.
- **Greece:**[lv] On January 24, 2025, the Greek statistical authority announced the new Intrastat thresholds for 2025, increasing the arrivals threshold from EUR 150,000 to EUR 200,000 per year, while maintaining the dispatches threshold at EUR 90,000 per year.

- **Guinea Bissau:**[lvi] On January 1, 2025, Guinea-Bissau reportedly introduced a new VAT regime, replacing the previous General Sales Tax system. Under the new system, taxpayers whose taxable sales exceed XOF 10 million over a 12-month period must register for VAT. However, those with taxable sales between XOF 10 million and XOF 40 million have the option to choose a simplified VAT regime. The standard VAT rate under this new regime is 19 percent, but a reduced rate of 10 percent applies to basic goods and services, including certain imports. All exports are zero-rated.
- **Hungary:**[lvii] On January 26, 2025, Hungary published Decree No. 5/2025, which raises the VAT exemption threshold for small enterprises from HUF 12 million to HUF 18 million, effective retroactively from January 1, 2025. Businesses can choose this exemption for 2025 if their domestic sales did not exceed HUF 18 million in 2024 or are not expected to exceed that amount in 2025. Those who previously did not qualify under the old threshold can now opt for the exemption retroactively until February 28, 2025. Upon opting in, businesses must amend any 2025 invoices within eight days and adjust previously filed VAT returns if necessary. However, receipts issued before opting in do not require amendments, and no VAT needs to be assessed, declared, or paid on them, except in cases where VAT exemption is not applicable. This change also means that businesses lose the right to deduct VAT retroactively for 2025 if they opt for the exemption.
- **Italy:**[lviii] On December 18, 2024, the Italian tax authority published Ruling Answer No. 266/2024, which clarifies the application of transfer pricing adjustments for VAT purposes in intercompany transactions. The tax authority confirmed that transfer pricing adjustments affect the VAT taxable base if contractual clauses clearly indicate an intention to adjust the agreed consideration, either upward or downward. In this specific case, the parties aimed to align their transaction consideration with the arm's length principle, making the entire amount of the taxpayer's second invoice relevant for VAT purposes. As the second invoice related to exports reflected the balance of the export transactions made, the transfer pricing adjustment qualified as a zero-rated export transaction.
- **Italy:**[lix] On December 30, 2024, the Italian tax authority published Protocol No. 460166/2024, which implements the rules for the VAT exemption under the small and medium-sized enterprises (SME) regime. Starting January 1, 2025, eligible small enterprises in Italy must electronically submit a designated form to the tax authorities to participate in this scheme and will receive a unique identification number that combines their VAT number with the suffix "EX." The submission process and the specifics of the required communication are detailed in.
- **Latvia:**[lx] On January 2, 2025, the Latvian tax authority updated its guidance on the application of One-Stop Shop VAT compliance regimes applicable to telecommunications, broadcasting, and digital services. The material covers a range of topics including general definitions, examples, binding regulations, types of services eligible for these regimes, taxpayer registration, exclusion criteria for using EU or non-EU regimes, declaration submissions, tax payments, determining the sourcing for services to taxable or non-taxable entities in other EU countries, and VAT refunds for services purchased domestically.
- **Latvia:**[lxi] On January 2, 2025, the Latvian tax authority published guidance the VAT exemption under the small and medium-sized enterprises (SME) regime. The guide includes information on the introduction of the SME VAT regime and adjustments to the domestic VAT registration threshold. It details the calculation methods and examples for the VAT registration threshold, conditions for deferred registration allowing postponement of VAT obligations, and the application of the SME cross-border regime. Additionally, it covers the quarterly reporting requirements for SMEs registered in another Member State, the

process for exiting the regime if gross receipts exceed the set threshold, and the criteria and procedures for SMEs from other Member States to qualify for the regime in Latvia, including registration and transaction reporting.

- **Latvia:**[lxii] On January 2, 2025, the Latvian tax authority updated its guidance on the VAT treatment applicable to various services. The guide outlines the basic principles for determining the sourcing rules of services, registration requirements, and their reporting obligations. It highlights a zero percent VAT rate for international passenger transport and services related to the handling and storage of goods in import, export, or transit scenarios. Additionally, it addresses special cases where the sourcing rules for services linked to real estate, cultural events, and digital services, supplemented by relevant examples.
- **Latvia:**[lxiii] On January 2, 2025, the Latvian tax authority updated its guidance on VAT rules for e-commerce transactions. The update includes clarifies the VAT rules relating to distance selling within the EU and from third countries, detailing the application of the various One Stop Shop VAT compliance regimes. It reminds taxpayers to maintain detailed records for 10 years and submit VAT returns either quarterly or monthly. Additionally, the guidance clarifies the responsibility of e-commerce platforms in facilitating VAT and outlines the EUR 10,000 threshold, effective from July 1, 2021, which determines the sourcing rules such that VAT is paid in the buyer's country, supplemented by various situational examples.
- **Latvia:**[lxiv] On January 2, 2025, the Latvian tax authority updated its guidance on the application of VAT for domestic sales of goods, intra-EU acquisitions, special VAT regimes, and imports. The guidance clarifies that non-taxable entities are deemed taxable if they purchase goods within the EU, with a EUR 10,000 threshold on the cumulative purchase amount, excluding new vehicles and excise goods. The guidance also details special tax regimes for transactions involving timber, scrap metal, farmers, and construction services, among others.
- **Liberia:** In November 2024, the Ministry of Finance and Development Planning announced its intention to replace the current 10 percent goods and services tax with an 18 percent VAT by 2026.
- **Lithuania:**[lxv] On January 17, 2025, Lithuania published Order No. VA-5, which establishes rules for the registration, deregistration, VAT identification number assignments, and reporting for Lithuanian taxpayers who register to apply the VAT exemption under the small and medium-sized enterprise (SME) regime. The order specifies eligibility conditions for taxpayers to register as VAT taxpayers in other EU Member States, provides guidelines on how to complete, submit, and correct reports, and details the requirement for taxpayers to notify authorities within 15 working days if they exceed the EU annual gross receipts threshold of EUR 100,000. Additionally, it outlines conditions under which taxpayers may voluntarily deregister from VAT in other EU Member States.
- **Lithuania:**[lxvi] On January 21, 2025, the Lithuanian tax authority published Letter No. R-249, outlining amendments to VAT and corporate income tax regulations concerning passenger cars. With respect to VAT, the amendments introduce new rules for VAT deductions on the purchase or import of passenger cars, which are now limited by CO2 emissions, alongside clarifications on VAT deductions for these vehicles.
- **Lithuania:**[lxvii] On January 27, 2025, the Ministry of Finance of Lithuania proposed additional amendments to the VAT Law, expanding the SME regime, adjusting sourcing rules for services, simplifying VAT registration for international transactions, and implementing new invoice requirements. These legislative changes are set to be expedited and, if approved, will take effect on May 1, 2025.

- **Moldova:**[lxviii] On January 6, 2025, the State Tax Service (STS) of Moldova clarified a newly approved VAT refund request form. Starting January 1, 2025, taxpayers must use this new form to submit their refund requests. Taxpayers must specify the amount of VAT they are seeking to refund on the form. Failure to indicate this amount will result in the non-processing of their request. Additionally, taxpayers must detail the tax periods and the specific article of the Tax Code under which they are requesting the refund. The new VAT refund request form is available for download from the STS website.
- **Pakistan:**[lxix] On January 24, 2025, Pakistan's Federal Board of Revenue published S.R.O. No. 55 of 2025 mandating that registered manufacturers of goods must now submit Annex-J with their monthly tax return, which details the goods produced and goods sold during the preceding period. Additionally, registered commercial importers are required to complete and file Annex-H1 alongside their monthly return, providing details of goods purchased or imported and goods sold during the preceding period. This move aims to enhance transparency and compliance in the reporting processes of manufacturing and import sectors.
- **Portugal:**[lxx] On January 2, 2025, the Portuguese tax authority published Circular No. 25056, clarifying updates to the VAT Code and related legislation for 2025. The circular highlights several key changes, including the clarification that bicycles, whether motorized or not, are not considered tourist vehicles and are eligible for VAT deductions. It introduces a reduced VAT rate for infant and young children's food products, such as follow-on formulas and medical foods. Additionally, reduced VAT rates now apply to tickets for certain cultural events unless they are already exempt. The circular also confirms VAT refunds for public interest entities making purchases related to defense, security, or relief efforts, extends temporary exemptions for specific products and services until December 31, 2025, and recognizes PDF invoices as valid electronic invoices for tax purposes until the same date.
- **Romania:**[lxxi] On January 16, 2025, the Ministry of Finance of Romania published a draft bill proposing a second amendment to Order No. 3.044/2024, which outlines the procedure for approving VAT reimbursements for acquisitions made by non-governmental organizations (NGOs) and their wholly owned companies for hospitals they operate. These acquisitions must qualify for indirect VAT exemption. This amendment aims to synchronize the approval process with recent legislative changes introduced by Law No. 313/2024, which offers indirect VAT exemptions through refunds for certain hospital-related deliveries to NGOs and their wholly owned companies. Law No. 313/2024 specifically restricts these VAT exemptions to transactions occurring within the last five years before Law No. 204/2024 took effect.
- **Saudi Arabia:** On December 29, 2024, the Zakat, Tax and Customs Authority of Saudi Arabia (ZATCA) announced an extension of its amnesty initiative until June 30, 2025. This initiative waives fines and penalties associated with corporate income tax, withholding tax, VAT, excise tax, and real estate transaction tax. The amnesty covers penalties for late registration, delayed payments, late filing of tax returns, amendments in VAT returns, violations detected during VAT field inspections, and breaches of e-invoicing regulations. However, it does not apply to fines paid before June 1, 2022, tax evasion fines, or fines related to returns due after January 1, 2025. To take advantage of this amnesty, taxpayers must register with ZATCA, submit any outstanding returns, and either pay their tax liability or apply for an installment plan.

- **Slovakia:**[lxxii] On December 27, 2024, the Slovak tax authority published a comprehensive guide on the new Financial Transaction Tax (FTT), set to take effect on January 1, 2025. (For KPMG's previous discussion on the new FTT, click here.) The guide provides detailed explanations on key aspects such as the definition of "taxpayer," the financial transactions that are exempt from the FTT, the calculation and reporting of the tax amount, and the obligations of taxpayers. It also includes an annex with Frequently Asked Questions (FAQs), which address the liabilities of foreign legal entities under various scenarios, such as having a Slovak bank account, being registered for VAT in Slovakia, or operating a permanent establishment in the country for income tax purposes. The FAQs further detail the specific costs subject to the FTT, the types of securities and financial instruments that are exempt, and the exclusion of cash pooling transactions from the FTT.
- **Slovakia:**[lxxiii] On December 20 and 27, 2024, the Slovak tax authority published several guides on to clarify the application of the newly introduced Tax on Sweetened Soft Drinks (TSSD) for different business entities, including producers (guide available here), sellers other than producers (guide available here), and exporters (guide available here) of sweetened soft drinks. (For KPMG's previous discussion on the new tax, click here.) These guides detail specific responsibilities such as registration, reporting, and payment duties related to TSSD and address frequently asked questions, particularly concerning transactions around the turn of the year 2024 and 2025 and those involving cross-border elements.
- **Slovakia:**[lxxiv] On January 24, 2025, the Slovak tax authority published Guide No. 1/DPH/2025/I, detailing the changes stemming from the recent amendment to the VAT Act, which took effect on January 1, 2025. The guide addresses several key updates, including modifications in the VAT deduction for the purchase of movable tangible property and services, and an extension of the VAT deduction correction obligation related to the initial use of goods and services. It also discusses revisions to VAT deduction corrections and introduces provisions for correcting previously corrected tax deductions in cases of unlawful appropriation of goods. Additionally, the guide covers changes concerning the adjustment of VAT deductions on investment property and outlines special regulations for applying the VAT exemption in another EU Member State for domestic small businesses.
- **Slovenia:**[lxxv] On December 31, 2024, the Slovenian Ministry of Finance published guidance regarding the VAT exemption under the small and medium-sized enterprise (SME) regime. The guidance clarifies that a taxpayer in Slovenia qualifies for a VAT exemption if its annual gross receipts do not exceed EUR 60,000 in the previous or current calendar year. It includes instructions on how to calculate annual gross receipts, specifying which transactions to include or exclude, and outlines the guidelines for transitioning between VAT regimes. Additionally, it explains the conditions that might lead to a temporary or permanent exclusion from the SME regime, particularly for cross-border activities, such as exceeding gross receipts thresholds or failing to meet reporting obligations. The guidance also provides the legal bases for the regime, useful links, and relevant definitions.
- **Slovenia:**[lxxvi] On January 15, 2025, the Slovenian Ministry of Finance published guidance on VAT registration. The guidance clarifies the specific conditions under which a taxpayer is subject to VAT, the non-mandatory appointment of a tax representative for taxpayers from other EU Member States, and the procedures for issuing VAT identification numbers. The guidance also details VAT registration for taxpayers established in Slovenia, including specific VAT exemptions and obligations, and lists taxpayers exempt from VAT identification, such as certain farming households and non-resident taxpayers. Additionally, it includes a section with questions and answers to clarify VAT identification obligations.

- **Türkiye:** [lxxvii] On December 30, 2024, Türkiye published General VAT Communiqué increasing the VAT refund limit for transactions eligible for the reduced VAT rate from TRY 90,800 to TRY 130,700 for the tax year 2025.
- **United Arab Emirates:**[lxxviii] On December 27, 2025, the United Arab Emirates (UAE) published Cabinet Decision No. 127 of 2024, which broadens the scope of the VAT self-assessment requirement to include all precious metals and gems for VAT-registered businesses. Under this decision, sellers in these sectors will no longer collect VAT on business-to-business transactions or pay the tax to the Federal Tax Authority. Instead, VAT-registered buyers are responsible for accounting for VAT on their purchases and sales of these items on their VAT returns. This new regulation supersedes Cabinet Decision No. 25 of 2018, which was limited to transactions involving gold and diamonds among registered dealers.
- **United Kingdom:**[lxxix] On January 14, 2025, the U.K. Upper Tribunal (Tax and Chancery Chamber) published its decision in FS Commercial Ltd., [2025] UKUT 00013 (TCC), regarding clarifying the timely issuance of VAT invoices. The dispute originated from the taxpayer's 2018 VAT return, where the UK tax authority (HMRC) requested invoices to verify claims related to transactions with a seller. The taxpayer failed to produce the requested invoices, leading to HMRC issuing VAT assessments. Despite later attempts to introduce these invoices during their appeal to the First-Tier Tribunal (FTT), the FTT found that the FTT's role in such appeals is supervisory, limiting its ability to overturn HMRC's reasonable determinations. The Upper Tribunal upheld the decision emphasizing that taxpayers cannot circumvent HMRC's discretion by withholding invoices during an inquiry and then presenting them during an appeal.
- **United Kingdom:**[lxxx] On January 9, 2025, the FTT published its decision in Global By Nature Limited, [2025] UKFTT 24 (TC), regarding whether protein powders may qualify as zero-rated products. The FTT determined that the protein powders at issue do not qualify as sports drinks for VAT purposes due to their low carbohydrate and salt content, which are essential for replenishing electrolytes after exercise. Consequently, these products are zero-rated under U.K. VAT law, which generally applies to food items, including drinks. HMRC had initially categorized the protein powders as standard-rated, asserting they were marketed to enhance physical performance and aid recovery post-exercise.
- **United Kingdom:** On January 14, 2025, the U.K. Upper Tribunal (Tax and Chancery Chamber) published its decision in Sonder Europe Limited, [2025] UKUT 00014 (TCC), regarding the application of the Tour Operators' Margin Scheme (TOMS) for VAT purposes. The taxpayer, a company that leased apartments to provide short-term accommodation to travelers, had previously been found by FTT to qualify for TOMS, meaning they could calculate VAT on the margin between the rent they collected and the cost of leases. HMRC challenged this, arguing that the taxpayer's services did not qualify under TOMS as the apartments were leased for years and then sub-licensed short-term without substantial alteration or processing, which they claimed did not directly benefit the travelers as required by EU VAT Directive provisions. The Upper Tribunal agreed with HMRC, noting that the services provided to travelers were materially different from those the taxpayer acquired from the landlords, thus falling outside the scope of TOMS.

Back to top Back to top

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

- **KPMG in Indonesia** published a report discussing the new VAT base calculation from January 1, 2025, as outlined in Regulation No. 131 of 2024 (PMK-131) by the Minister of Finance. The regulation introduces changes in VAT calculations, distinguishing between luxury and non-luxury goods. For luxury goods, VAT is calculated based on the full selling price or import value, while for non-luxury goods, it is based on 11/12 of the selling price or import value, termed as "Other Value." This adjustment aims to maintain the effective VAT impact at 11 percent for non-luxury goods despite the VAT rate increase to 12 percent. The regulation also specifies a transition period until January 31, 2025, during which the "Other Value" tax base will be used. Additionally, KPMG highlights that during this transition, VAT invoices must comply with new guidelines to reflect these changes accurately.
- **KPMG in South Korea** published a report discussing the "2025 economic policy direction" announced by the Korean government on January 2, 2025. This policy includes financial incentives and tax benefits to encourage foreign investment. Key measures include extending the tax relief period for importing capital goods from six to seven years, and offering exemptions on corporate tax, acquisition tax, and property tax for foreign companies that establish operations in designated "opportunity development zones" in non-metropolitan areas.
- **KPMG in Malaysia** published a report discussing recent tax developments, including a new service tax exemption on fees or commissions imposed by local commodity trading platforms and recent indirect tax legislation on excise duties and customs.

Miscellaneous Developments in APAC

- **Australia:** On January 20, 2025, Australia launched a consultation on the Miscellaneous amendments to Treasury Portfolio Laws Autumn 2025, which proposes to correct technical or drafting defects, remove anomalies, address unintended outcomes to various tax laws, including the GST Act.
- **Vietnam:**[lxxxi] Vietnam recently published Decision 01/2025/QĐ-TTg and Resolution No. 174/2024/QH15, which repeal the exemption for customs duties and VAT on goods valued under 1 million VND sent via express delivery. Therefore, from January 14, 2025, the VAT exemption for these goods has ceased (Resolution No. 174/2024/QH15) and from February 18, 2025, the customs duties exemption for these goods has also ceased (Decision 01/2025/QĐ-TTg).

Back to top Back to top

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.

Back to top Back to top

Footnotes

i. Algeria - Finance Law 2025: Algeria Introduces Amendments to VAT Regime (January 2, 2025), News IBFD.
ii. Bahamas - Government Announces 50% Reduction in VAT Rate for Food (January 10, 2025), News IBFD.
iii. Bloomberg Tax, Bangladesh Gazettes Law Announcing Supplementary Duties, VAT Rates on Various Products, Services (January 27, 2025); CCH, Bangladesh Abandons Indirect Tax Hikes (January 20, 2025).
iv. Bloomberg Tax, Bolivia Gazettes Decree on VAT Exemption for Specified Imports, Incentives for Reinvestment of Profits (January 8, 2025).
v. Orbitax, Republic of the Congo Finance Law for 2025, (January 1, 2025).
vi. Bloomberg Tax, Finland Tax Agency Updates Guidance on VAT for Books, Newspapers, Magazines (January 16, 2025).
vii. CCH, New Irish Government To Cut VAT On Hospitality (January 16, 2025).
viii. Bloomberg Tax, Lithuania Parliament Considers Draft Bill to Introduce Preferential VAT Rate on Essential Food Products (January 3, 2025).
ix. New Caledonia - Congress Closes Loopholes in General Consumption Tax (January 21, 2025), News IBFD.
x. Peru - Congress Extends Reduced VAT Rate for Hospitality Sector (January 6, 2025), News IBFD.
xi. Bloomberg Tax, Poland Gazettes Regulation Providing VAT Exemptions for Specified Imports by Armed Forces (January 23, 2025).
xii. Portugal - Budget for 2025 in Depth: Measures Confirm Heavier Taxation on Certain Non-Environmentally Friendly Products (January 7, 2025), News IBFD.
xiii. St. Kitts and Nevis - Government Releases VAT Reduction Guidance for 2025 (January 10, 2025), News IBFD.
xiv. Slovak Republic - Parliament Considers Bills to Lower VAT Rates, Apply Higher Registration Thresholds, Expand Reduced VAT Categories (January 27, 2025), News IBFD.
xv. Slovak Republic - Tax Authority Clarifies VAT FAQs on Accommodation Facilities Services (January 8, 2025), News IBFD.
xvi. Trinidad and Tobago - Government Waives Customs Duty, VAT, Online Purchase Tax on Sporting Equipment, Electric Vehicle Chargers (January 7, 2025), News IBFD.
xvii. Venezuela - Venezuela Waives VAT, Financial Transaction Tax on Import, Sale of Hydrocarbon Fuels (January 27, 2025), News IBFD.
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