



# Inside Indirect Tax

July 2025



## About this Newsletter

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

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# Global Rate Changes

- **Bahamas:**<sup>i</sup> On May 28, 2025, the Bahamian Office of the Attorney General and Ministry of Legal Affairs published the [VAT Amendment \(No. 2\) Bill, 2025](#). Among other measures, the bill proposes increasing the VAT rate from 5 percent to 10 percent on sweets and sodas and reducing the VAT rate to 5 percent on specified medical and hygiene products.
- **Bangladesh:**<sup>ii</sup> On June 2, 2025, Bangladesh's Minister of Finance presented the FY 2025/2026 National Budget to the parliament. Among other things, it provides that the VAT on construction company services will increase from 7.5 percent to 10 percent, while the VAT on online product sales commissions will rise from 5 percent to 15 percent.
- **Bhutan:**<sup>iii</sup> On June 25, 2025, Bhutan's parliament approved measures to reduce the GST rate from 7 percent to 5 percent.
- **Estonia:**<sup>iv</sup> On June 19, 2025, Estonia's parliament [adopted](#) a bill to permanently increase the standard VAT rate from 22 percent to 24 percent, effective July 1, 2025.
- **Fiji:**<sup>v</sup> On June 27, 2025, Fiji announced tax measures in its National Budget for 2025–2026. Among other provisions, the government proposes reducing the standard VAT rate from 15 percent to 12.5 percent, effective August 1, 2025. Additionally, E-wallet services will be VAT-exempt, and VAT refunds will be available for residential solar investments and termite-related reconstruction. Mechanical harvester services provided by cooperatives will be zero-rated.
- **Finland:**<sup>vi</sup> On June 19, 2025, Finland's Ministry of Finance [launched](#) a consultation to further reduce the application of its reduced VAT rate from 14 percent to 13.5 percent. The revised rate would apply to food, restaurants, passenger transport, accommodations, medicines, and cultural and sports activities. The change is proposed to take effect on January 1, 2026.
- **France:**<sup>vii</sup> On May 28, 2025, France clarified that the reduced VAT rate of 5.5 percent that applied to Covid-19 related products until December 31, 2024, is no longer applicable. Instead, these products are subject to the standard VAT rate of 20 percent.
- **France:**<sup>viii</sup> On June 5, 2025, the French General Directorate [launched](#) a public consultation on proposed changes to the application of VAT rates for energy subscriptions and sales. The consultation proposes abolishing the reduced 5.5 percent VAT rate for electricity and gas delivery subscriptions and replacing it with the standard 20 percent VAT rate. This change would apply to subscriptions covering periods beginning on or after August 1, regardless of the payment or invoicing date. Additionally, the eligibility criteria for the reduced VAT rate on heat sales would be revised so that at least 50 percent of the energy used to produce the heat must come from renewable sources.
- **Georgia:**<sup>ix</sup> On May 30, 2025, Georgia's Ministry of Finance (MoF) issued a public ruling clarifying that the VAT exemption applicable to educational services provided by an educational institution also applies to school student transportation and meal services. The MoF explained that the provision of transportation and meal services for students, provided by or on behalf of an educational institution to facilitate the educational process, are considered auxiliary to educational services. Therefore, these services are exempt from VAT.
- **Greece:**<sup>x</sup> On June 24, 2025, the Greek Ministry of Finance submitted a draft bill for public consultation proposing amendments to VAT legislation to align with EU law. Among other things, the bill introduces a reduced 6 percent VAT rate for the import of works of art and similar items.
- **Jamaica:**<sup>xi</sup> On March 11, 2025, Jamaica's Ministry of Finance presented the 2025–2026 budget, proposing indirect tax measures, including a reduction in the General Consumption Tax (GCT) rate on electricity for post-paid residential customers to 7 percent, effective May 1, 2025.
- **Kyrgyzstan:**<sup>xii</sup> On June 17, 2025, Kyrgyzstan's Ministry of Agriculture launched a public consultation on a [draft resolution](#) to introduce a VAT exemption on various foodstuffs, including bread, pasta, flour, legumes, vegetables, meat, dairy products, and juice, effective until 2030.

- **Kyrgyzstan:**<sup>xiii</sup> On June 3, 2025, Kyrgyzstan's Cabinet of Ministers published [Resolution No. 315](#) introducing a VAT exemption for the export of motorcycles, mopeds, bicycles with auxiliary engines, and sidecars from Free Economic Zones (FEZ) to Kyrgyzstan, effective January 1, 2026. This exemption also applies when these goods are transferred to individuals who are not FEZ residents.
- **Lithuania:**<sup>xiv</sup> Lithuania has [revised](#) its VAT system by introducing two reduced VAT rates: 5 percent and 12 percent. The VAT rate on books and publications is lowered from 9 percent to 5 percent to enhance educational access and support the publishing sector. Other goods and services previously taxed at 9 percent will now face a 12 percent VAT rate, affected sectors include tourism, transport, accommodation, and cultural events. Additionally, certain VAT exemptions have been removed, with residential heating and hot water now taxed under general VAT rules, and the reduced rate for firewood is eliminated in line with EU environmental commitments. These changes will be effective from January 1, 2026.
- **Mauritius:**<sup>xv</sup> On June 5, 2025, Mauritius presented its 2025-2026 budget, introducing several indirect tax measures. Among other things, it clarifies that a service provided to a foreigner outside Mauritius at the time the service is performed will not be zero-rated if the service is utilized in Mauritius. In addition, the following goods and services will now be zero-rated: fruit and vegetable purées for infants, canned and frozen packed vegetables, and hairdressing services. For more information, click [here](#).
- **Mozambique:**<sup>xvi</sup> On May 21, 2025, Mozambique published Law No. 3/2025, reintroducing VAT exemptions for the sugar, cooking oil, and soap industries. The exemptions apply to sales of final products, raw materials, and services related to sugarcane agriculture and industrial production. The VAT exemption will remain in force until December 31, 2025.
- **New Caledonia:**<sup>xvii</sup> On June 5, 2025, the New Caledonian Parliament reviewed a government proposal dated May 28, 2025, which introduces revised General Consumption Tax (GCT) rates effective July 1, 2025. The proposed changes include a 3 percent rate for e-books, book imports, building land for first-time buyers, feminine hygiene products, and certain construction and retail items. It also proposes a 6 percent reduced VAT rate for professional training services and sports facility admissions.
- **Philippines:**<sup>xviii</sup> On June 13, 2025, the Philippine Department of Finance directed the Bureau of Internal Revenue to implement VAT exemptions on an expanded list of medicines for cancer, diabetes, hypertension, high cholesterol, dialysis, and mental illnesses, effective June 4, 2025.
- **Romania:**<sup>xix</sup> On June 23, 2025, Romania's Government Plan proposed eliminating VAT incentives on real estate and consolidating the VAT structure into two rates. A draft bill submitted on July 4, 2025, introduces a 21 percent standard VAT rate and an 11 percent reduced rate, effective August 1, 2025. Transitional provisions allow the 9 percent VAT rate to apply to qualifying real estate transactions until July 31, 2026, subject to specific contractual and payment conditions.
- **Romania:**<sup>xix</sup> On June 5, 2025, Rwanda published Laws No. 009/2025 and No. 011/2025, amending the VAT and excise duty frameworks. Effective May 29, 2025, the measures reintroduce VAT on previously exempt items: information and communication technology equipment and services, shipment of goods by land, hybrid automotive vehicles, and their batteries. They also extend 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. To read KPMG previous discussion of these measures, click [here](#).
- **Slovakia:**<sup>xxi</sup> On June 19, 2025, Slovakia's parliament rejected several tax proposals, including a proposal to reduce the standard VAT rate from 23 percent to 20 percent.
- **St. Kitts and Nevis:**<sup>xxii</sup> On June 23, 2025, the government announced the official dates for the remaining Discounted VAT Rate Days. The Discount Days are intended to boost local commerce and alleviate financial burdens on citizens through reduced VAT rates on select goods and services. The Back-to-School VAT Discount Days are scheduled for August 15-16, 2025, offering reduced VAT rates on eligible items, excluding vehicle purchases. The Christmas VAT Discount Days will occur on December 12 and 20, 2025, and will include vehicle purchases, allowing consumers to save on larger investments.

- **Tanzania:**<sup>xxiii</sup> On June 12, 2025, Tanzania presented its 2025-2026 budget, proposing several VAT-related measures. These include exemptions for cooking gas tanks, cylinders, and natural gas; zero-rating for fabrics, garments, and fertilizers; and a VAT rate reduction from 18 percent to 16 percent on online business-to-customer transactions. The budget also introduced integration of invoicing systems with the Tanzania Revenue Authority and administrative reforms under the Tax Administration Act.
- **Türkiye:**<sup>xxiv</sup> On June 2, 2025, Türkiye [introduced](#) a new investment incentive framework under Presidential Decision No. 9903, effective May 30, 2025. Among other things, the decision provides VAT exemptions on domestic and imported machinery and equipment used in qualifying investments.
- **Uganda:**<sup>xxv</sup> On June 30, 2025, the President of Uganda signed several tax measures into law. Amendments to the VAT law include measures specifying that solar lanterns and their raw materials are exempt from VAT. The amendments also correct previous drafting errors to ensure that textile producers and garment manufacturers receive VAT exemptions on specified materials and items. Additionally, they introduce a VAT exemption for biomass pellets and official transactions of United Nations-related and specialized agencies. The amendments also include zero-rating the sale of aircraft, expanding beyond leasing to incentivize aircraft sales.
- **Vietnam:**<sup>xxvi</sup> Vietnam's National Assembly has approved a proposal to maintain the concessionary 8 percent VAT rate, instead of the standard 10 percent, through December 31, 2026. While the lower rate currently excludes sectors such as telecommunications, financial services, insurance, real estate, mining, and excise goods, lawmakers have agreed to expand its scope to include transportation services, logistics, and information technology services. The extension prevents the measure from expiring on July 1, 2025.

## Digitalized Economy Indirect Tax Updates

### Pakistan: Digital Economy Withholding Tax Regimes in 2025 Finance Law

Pakistan's Finance Act 2025 introduces a final-withholding income tax regime for domestic e-commerce and a new gross-basis levy on non-resident providers with a "significant digital presence" in the country.

The Final Tax Regime (FTR) applies to local sales facilitated by platforms or marketplaces operated within Pakistan. Under this regime, payments to resident sellers of digitally ordered goods or electronically delivered services are subject to withholding at source; the withholding rate ranges from 0.25 percent to 2 percent of the gross amount. For electronic payments, the obligation lies with the payment intermediary; for cash-on-delivery transactions, it shifts to the courier.

For sales tax purposes, the existing 1 percent marketplace withholding on third-party sales is replaced by a 2 percent charge, collected either by the payment intermediary (for digital payments) or by the courier (for cash-on-delivery). The definition of "online marketplace" is broadened to include any interface that facilitates buyer-seller interactions for consideration. Sellers, including nonresidents, using such platforms must register for both income tax and federal sales tax, and marketplaces are prohibited from hosting unregistered vendors. Payment intermediaries and couriers must file quarterly withholding statements, while marketplaces are required to submit monthly vendor-level reports detailing gross receipts and remittances.

The Act also introduces a 5 percent Digital Presence Proceeds Tax (DPPT), levied on the gross receipts of foreign sellers when annual revenue from Pakistani users exceeds PKR 1 million and at least one nexus criterion is met. These criteria include billing in local currency, maintaining a Pakistani user base, providing delivery or after-sales support, or engaging in targeted marketing. The DPPT applies to proceeds from digitally ordered goods and services, including advertising, offered by online marketplaces, e-commerce platforms, social media and online advertising providers, streaming services, and e-store platforms operating from outside Pakistan. The responsibility for tax collection lies with domestic financial intermediaries that facilitate cross-border payments (i.e., banking companies, financial institutions, licensed exchange companies, and payment gateways). For advertising, foreign suppliers with a digital presence in Pakistan making payments to social media or online platforms targeting Pakistani users must deduct tax at the specified 5 percent rate. For more information, click [here](#).



## Other Developments

- **Canada:**<sup>xxvii</sup> On June 24, 2025, the Ministry of Finance of British Columbia (BC) published updated Bulletins [PST 105](#) (software) and [PST 107](#) (telecommunication services), clarifying that for Provincial Sales Tax (PST) purposes, software is taxable based on where the purchaser's mobile device is ordinarily situated, using factors such as area code, billing address, or IP address to determine location. Bulletin PST 105 outlines rules for determining when electronic devices are "ordinarily situated" in British Columbia for Provincial Sales Tax (PST) purposes. Stationary devices, such as desktops and TVs, are considered situated in BC if located at a BC address, while mobile devices, like phones and tablets, are deemed situated if they have a BC area code or billing address. Vendors must retain documentation to claim PST exemptions on devices used outside BC. The bulletin differentiates taxable software from non-taxable services, stating that services like testing or repairing existing software are PST-exempt unless software is supplied under the same contract. It also introduces rules for incidental software, which is PST-exempt if it is secondary to a non-taxable service contract, has no separate price, and adds minimal cost. However, PST applies if the software supports other software or telecommunications functions. Additionally, online marketplace facilitators must register, collect, and remit PST on software for BC-based devices, marketplace fees, and related services, regardless of their location. PST Bulletin 107 aligns with these rules, confirming that mobile devices with a BC area code or billing address and stationary devices at a BC address incur PST on associated services. Carriers must retain evidence when exempting out-of-province users.
- **Canada:**<sup>xxviii</sup> On June 29, 2025, the Canadian Department of Finance [announced](#) that the Minister of Finance and National Revenue intends to repeal Canada's Digital Services Tax (DST).
- **Denmark:**<sup>xxix</sup> On June 2, 2025, Denmark's National Tax Court published [National Tax Court Decision No. SKM2025.297.LSR](#), addressing whether a student who bought and sold "skins" for a video game in 2020 was engaged in an economic activity subject to VAT under the Danish VAT Act. The taxpayer, an amateur video game player, purchased and resold skins at a small profit without including VAT in the transactions. After reviewing the case, the Danish Tax Appeals Agency concluded that the student's activities did not constitute an economic activity under VAT law. The skins were acquired for personal gameplay as a private individual, used in-game, and later sold to other private players in the same condition. The resale prices were roughly equal to the original purchase prices, indicating no profit motive or business intent. The agency concluded that the student's actions were driven by personal interest in enhancing the gaming experience, not by commercial purpose; thus, the student was not engaged in an economic activity subject to VAT.
- **Denmark:**<sup>xxx</sup> On June 26, 2025, the Danish Customs and Tax Administration issued [Tax Council Binding Answer No. SKM2025.359.SR](#), which clarifies the VAT obligations of a non-EU-based company that developed a marketing platform. In the case, the taxpayer was established in a non-EU country and had developed API integration software through which marketing services were provided. It had purchased a license for a third-party financial mobile application to install the API functionality, thereby creating a marketing platform. It sold access to the marketing platform to third-party business customers, who could advertise goods and services to the third-party's private customers on the mobile app. The Tax Council confirmed that the taxpayer, by selling access to the marketing platform, should not be considered an intermediary of the specific deliveries made as a result of the marketing conducted by the businesses on the app. The individual businesses themselves handled the delivery of goods and services to customers, as well as setting the terms and conditions applicable to the deliveries. The businesses also set conditions for the execution of sales and acceptance of payment. It made no difference for this assessment whether what was delivered via the marketing platform was a good or a service, as the concept of an intermediary in the VAT Directive applies uniformly regardless of the context in which it is used. Therefore, the taxpayer should not be considered to have received and delivered the goods and services in question. When the taxpayer provided access to the marketing platform (the API service) to Danish business customers established in Denmark, the place of delivery for this service was in Denmark. The API service was therefore subject to VAT in Denmark. However, the delivery was subject to the VAT self-assessment mechanism as the taxpayer was not established in Denmark. Therefore, it was the taxpayer's Danish business customers who were liable to pay VAT on this delivery.

- **Finland:**<sup>xxxii</sup> On June 25, 2025, Finland's Ministry of Finance [launched](#) a public consultation on proposed amendments to its implementation of the EU DAC7 reporting rules for digital platforms, effective January 1, 2026. DAC7 requires the automatic exchange of information (AEOI) to apply to digital platforms that facilitate the sale of goods, the rental of immovable property (e.g., accommodation), the provision of personal services, and the rental of any mode of transport. The draft proposes extending reporting obligations to include situations in which the seller of the service or property in question is located in a non-EU Member State, provided that the country in question exchanges information with Finland under the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income Derived Through Digital Platforms (DPI-MCAA).
- **France:**<sup>xxxiii</sup> On June 17, 2025, the French Council of State referred a priority question of constitutionality regarding the French digital services tax (DST) to the French Constitutional Court for the first time since enactment of the tax in 2019. The referral (decision no. 502728) was prompted by a taxpayer seeking a refund of DST payments, arguing that the tax violates rights protected under Articles 6 and 13 of the Declaration of the Rights of Man and of the Citizen of 1789. The Council of State deemed the taxpayer's arguments sufficiently serious and novel to merit constitutional review. Key concerns raised include breaches of equality principles, discriminatory exclusions, unjustified differences in treatment between digital and non-digital services, and group-based threshold rules that create unequal treatment. Other issues include territoriality rules and calculation methods for the "national presence coefficient," which allegedly lack objectivity and rationality, as well as enforcement disparities disadvantaging foreign operators. For more information, click [here](#).
- **Germany:**<sup>xxxiii</sup> On June 3, 2025, Germany announced consultations on a proposed 10 percent digital advertising tax, modeled after Austria's 5 percent advertising levy. The draft legislation targets large technology companies, aiming to ensure fair contributions for their use of national media and infrastructure.
- **Ireland:**<sup>xxxiv</sup> On June 26, 2025, Irish Revenue [published](#) updated VAT guidance clarifying the place of taxation rules for virtual events, effective January 1, 2025. Among other things, it provides that for B2C transactions, the place of taxation is where the non-taxable customer is established, requiring VAT registration or use of the One Stop Shop (OSS) mechanism for VAT compliance. B2B rules remain unchanged. The guidance also addresses hybrid events, in which attendees attend both in person and virtually. In addition, the Revenue updated its [guidance](#) on the VAT treatment of education and vocational training also to reflect the changes.
- **Italy:**<sup>xxxv</sup> On June 4, 2025, the Italian Tax Authority clarified that bonuses awarded to users of online games are excluded from the taxable base of the DST. Only the actual remuneration received by platform operators for intermediation services constitutes taxable digital revenue. For more information, click [here](#).
- **Mauritius:**<sup>xxxvi</sup> Mauritius has announced plans in its 2025-2026 budget to impose VAT on specified digital or electronic services provided by nonresident providers to customers in Mauritius. For more information, click [here](#).
- **Mexico:**<sup>xxxvii</sup> On June 20, 2025, the Mexican tax authority published an updated list of nonresident digital service providers registered in Mexico. As of April 30, 2025, the list includes 260 registered nonresident providers. For more information, click [here](#).
- **Rwanda:**<sup>xxxviii</sup> Rwanda enacted a new Digital Services Tax (DST) law, effective May 29, 2025. The DST applies to revenues from digital services provided by non-resident entities to Rwandan users. Companies providing digital services in Rwanda with a substantial national presence will pay a tax of 1.5 percent on their gross revenues sourced in Rwanda.
- **Tanzania:**<sup>xxxix</sup> Tanzania enacted its Finance Act 2025, effective July 1, 2025. Starting September 1, 2025, when a taxable sale at the standard rate is made to a person in Tanzania who is not VAT-registered (i.e., B2C), and payment is made through a bank or an electronic payment system approved by the tax authority, the applicable VAT rate will be reduced from 18 percent to 16 percent. The tax authority is expected to specify the eligible persons and the implementation procedures for application of the reduced rate. Providers will be required to submit proof of payment, either bank or electronic, demonstrating that the consideration was made through an approved system or in a manner directed by the tax authority. In addition, the law also provides that the term "online intermediation services," as included under the definition of "electronic services," now explicitly covers online accommodation marketplaces, and payment services platforms.

- **Uganda:**<sup>xli</sup> On June 30, 2025, the President of Uganda signed several tax measures into law, including a proposal concerning the Digital Services Tax (DST). Uganda currently operates a dual DST regime: a 5 percent DST on B2C transactions and a 15 percent DST withholding tax on B2B transactions. As an anti-abuse measure, the legislation now extends the 15 percent withholding tax to transactions between related parties that may be artificially structured as B2C to benefit from the lower rate. For more information, click [here](#).
- **United Kingdom:**<sup>xlii</sup> On June 20, 2025, the UK tax authority, HMRC, issued [guidance](#) stating that online marketplaces are responsible for VAT on goods sold by overseas businesses through the marketplace when those goods are located in the UK at the point of sale. Marketplace operators must take reasonable steps to determine if a seller is established outside the UK, tailoring their approach based on factors like business size and risk systems. While HMRC does not mandate specific checks, it provides examples to guide marketplaces in assessing a seller's UK establishment status. These include verifying the seller's principal place of business, VAT registration, Companies House registration, director residency, financial information, commercial background, geolocation data, and UK phone number. Platforms must retain evidence of these checks, as HMRC may request it to evaluate the adequacy of the actions taken. If indicators suggest uncertainty about a seller's UK establishment, further checks should be conducted. For more information, click [here](#).
- **Vietnam:**<sup>xliii</sup> On June 9, 2025, Vietnam issued [Decree No. 117/2025/ND-CP](#), effective July 1, 2025, outlining the tax obligations for business activities on e-commerce platforms by individuals and households. The decree mandates that managing organizations of e-commerce platforms and organizations with other digital economic activities are responsible for deducting and paying VAT and personal income tax (PIT) on domestic revenue generated by these businesses. Managing organizations include platform owners or authorized managers who facilitate payments through various methods. They must withhold and pay VAT for domestic transactions and PIT for resident individuals or households on both domestic and international transactions, and for non-residents on domestic transactions. If e-commerce platforms lack direct payment functions, the tax responsibility falls on the business individuals or households themselves.

## Developments Summary of the Taxation of the Digitalized Economy

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

# E-Invoicing Updates

## Other Developments

- **Argentina:**<sup>xliii</sup> On June 2, 2025, Argentina's Official Gazette published General Resolutions Nos. 5705/2025 and 5707/2025, introducing updates to the simplified VAT filing and digital bookkeeping processes. Resolution 5705/2025, effective immediately, requires taxpayers to validate and adjust pre-filled VAT data. Resolution 5707/2025, effective December 1, 2025, mandates monthly electronic registration of specified transactions and submission of the Digital VAT Book within 15 days of the following month, with certain exemptions.
- **Croatia:**<sup>xliiv</sup> On June 13, 2025, Croatia's parliament enacted the new Fiscalization Act, mandating electronic invoicing for domestic B2B transactions starting January 1, 2026. VAT-registered businesses must issue e-invoices in accordance with EN 16931-1:2017 standards and transmit data in real time to the tax authority. Non-compliance, including failure to issue or validate e-invoices, will incur penalties. Technical specifications will be published by the tax authority.
- **Dominican Republic:**<sup>xliv</sup> On June 3, 2025, the Dominican tax administration (DGII) announced that small, micro, and all other taxpayers and public entities not included in previous phases of implementation of the Dominican e-invoicing mandate must start complying with that mandate by May 15, 2026.



- **Eswatini:**<sup>xlvi</sup> On March 27, 2025, Eswatini's Public Procurement Regulatory Agency issued an RFP to develop fiscalization technology for the Eswatini Revenue Service. The proposal includes an e-invoicing system, fiscal devices, API integration, mobile apps, VAT compliance tools, and blockchain-based transaction integrity. Submissions were due by May 16, 2025, with the provider announcement expected by mid-June 2025.
- **Greece:**<sup>xlvii</sup> On June 13, 2025, the Greek Ministry of Finance announced the postponement of the mandatory B2G e-invoicing deadline for general government expenditures from June 1, 2025, to September 1, 2025. This change does not affect the existing requirement for B2G e-invoicing for contracts managed by central government authorities and other public contracting entities.
- **Latvia:**<sup>xlviii</sup> On June 5, 2025, Latvia's parliament approved amendments to the Accounting Law, officially postponing the mandatory implementation of business-to-business electronic invoicing to January 1, 2028. The legislation, published in the Official Gazette on June 11, 2025, encourages voluntary adoption from March 30, 2026. Since January 1, 2025, e-invoicing has remained mandatory for B2G transactions, with invoices submitted via national or PEPPOL channels and transmitted to the tax authority.
- **Malaysia:**<sup>xliv</sup> On June 5, 2025, Malaysia's tax authority updated e-invoicing guidelines, setting compliance deadlines for taxpayers not covered in previous phases. Taxpayers with revenue over MYR 5 million must comply by July 1, 2025, those over MYR 1 million by January 1, 2026, and those over MYR 500,000 by July 1, 2026. New businesses starting in 2026 must comply by July 1, 2026. Transactions over MYR 10,000 cannot use consolidated invoices starting January 1, 2026.
- **Mauritius:**<sup>i</sup> The 2025–2026 budget of the government of Mauritius, introduced on June 5, 2025, proposes to expand the e-invoicing mandate to taxpayers with annual revenue of MUR 80 million or more the current threshold is MUR 100 million. While specific compliance deadlines remain pending, implementation is expected during the 2025–2026 fiscal year.
- **Nigeria:**<sup>li</sup> In November 2024, Nigeria's Federal Inland Revenue Service announced the adoption of the Merchant Buyer Solution (MBS), an e-invoicing initiative aimed at enhancing tax administration. The system, based on the PEPPOL framework, mandates clearance and reporting for B2B and B2G transactions, with each invoice requiring a reference number, QR code, and digital signature. Full implementation is expected in July 2025, pending presidential approval.
- **Pakistan:**<sup>liii</sup> On June 20, 2025, Pakistan's Federal Board of Revenue issued Notice F. No. 1(141) ST-L&P/2025/77394-R, extending deadlines for e-invoicing compliance under Resolution S.R.O 709(I)/2025. Corporate taxpayers must now integrate their systems by July 1, 2025, while non-corporate taxpayers have until August 1, 2025. Tier-1 retailers and businesses in consumer goods are currently required to comply with e-invoicing.
- **Poland:**<sup>liiii</sup> On May 30, 2025, Poland issued additional guidance on the National e-Invoicing System (KSeF), confirming no changes to its implementation timeline. The guidance raised the VAT exemption threshold to PLN 240,000 and introduced the "offline24" mode indefinitely. It also expanded the scope of recipients outside KSeF to include individuals not engaged in business and entities lacking identification numbers.
- **Saudi Arabia:**<sup>liv</sup> On June 30, 2025, Saudi Arabia's Zakat, Tax and Customs Authority announced that VAT-registered taxpayers with VAT-liable revenues exceeding SAR750,000 in 2022, 2023, or 2024 must comply with the 23rd wave of e-invoicing integration. These taxpayers are required to integrate their e-invoicing systems with the Fatoora platform by March 31, 2026.

## 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

## America

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

- **KPMG in Costa Rica** published a [report](#) discussing implementation of the TRIBU-CR platform, the new platform for the digital tax system in Costa Rica. The TRIBU-CR platform includes 27 modules that will be implemented in phases. The full rollout of all modules is expected to be completed by 2028. The report outlines key changes in tax compliance, including updates to electronic invoicing, VAT reporting, and taxpayer obligations. The system is operational from May 12, 2025.

### United States: Colorado Appeals Court Holds Streaming Subscriptions Subject to Sales Tax

The Colorado Court of Appeals (Court) ruled that Netflix subscriptions are tangible personal property subject to the Colorado retail sales tax. The primary question in the matter was whether Netflix's digital streaming subscriptions constitute "tangible personal property" and are thus subject to tax under state's century old sales tax law. The Court ruling overturned a district court holding that the subscriptions to the streaming service did not meet the statutory definition of tangible personal property.

The Colorado retail sales tax is imposed on "the purchase price paid or charged upon all sales and purchases of tangible personal property at retail." The law references that tangible personal property means "corporeal personal property" which embraces all goods, wares, merchandise, products, and commodities, and all tangible or corporeal things and substances that are dealt in and capable of being possessed and exchanged. Netflix argued that tangible personal property includes only physical objects that have a real body that can be both seen and touched, while the Department of Revenue (Department) asserted that tangible personal property includes things that are perceptible to the senses, have some degree of "physical presence capable of transfer," and ultimately are not intangible rights. [Note that Department rules and statutory amendments adopted over time made clear that subscriptions to streaming services and various digital goods were within the ambit of the tax; the focus of the decision here was solely on the meaning of tangible personal property as embodied in the original sales tax of 1932.]

The Court sided with the Department, emphasizing that the contemporaneous understanding of "corporeal" in 1933—as reflected in Black's Law Dictionary—included all things perceptible by the bodily senses, not just touch. The Court noted that while physical touch once distinguished corporeal from incorporeal property, by 1933 the law evolved along with advancing technology concluding that "corporeal" encompasses all things perceptible to any of the bodily senses, not just touch. "The images and sounds that a Netflix subscription permits customers to view and hear physically exist because subscribers can perceive them with their eyes and ears," the Court wrote. Therefore, a Netflix subscription is tangible personal property subject to the retail sales tax. In a bit of gilding the lily, the Court closed by noting that ruling for the taxpayer would "[cast] aside nearly a century of historical practice simply because technological advancements have altered the specific form of delivery...." For more information, click [here](#).

### Miscellaneous Developments in the Americas

- **Argentina:**<sup>iv</sup> On June 2, 2025, Argentina's tax authority (ARCA) issued [General Resolution 5705](#), introducing a new system, the VAT Portal (Portal IVA), to streamline VAT filing by consolidating various forms into a single form (F. 2051). This system will unify the digital VAT record and VAT return in one service, called "Simple VAT", which includes electronic document registration (i.e., invoices issued and received electronically), VAT determination, and payment determination. VAT registered taxpayers must use Simple VAT for returns beginning November 2025, with optional use starting June 2025. Additionally, effective from December 1, 2025, [General Resolution 5707](#) requires VAT exempt persons to complete the digital VAT record and eliminates the optional simplified VAT return for small taxpayers starting July 1, 2025.

- **Bahamas:**<sup>lvi</sup> On May 28, 2025, the Bahamian government published the [VAT Amendment \(No. 2\) Bill, 2025](#), proposing several changes effective July 1, 2025. These include implementing tiered penalties for false VAT declarations in property transfers and requiring real estate agents to file declarations for newly-constructed dwellings. The bill disallows VAT deductions for major construction unless it involves the sale of a taxable property. In addition, it also provides detailed rules for carrying forward excess VAT credits and refund claims, which must be filed within a year of eligibility.
- **Brazil:**<sup>lvii</sup> Brazil's Federal Revenue Service announced that a pilot testing phase of the systems necessary for administration of the jurisdiction's new VAT regimes was launched July 1, 2025. The federal Contribution on Goods and Services (CBS) and state-level VAT (IBS) will replace existing taxes like PIS, COFINS, IPI, ICMS, and ISS. CBS and IBS will debut at reduced rates in 2026, fully replacing PIS and COFINS in 2027. ICMS and ISS will be gradually phased out starting in 2029, with a 10-percentage-point reduction applied annually until their abolition in 2033 (To read KPMG's previous discussion of Brazil's indirect tax reform measures, [click here](#)). The pilot will involve 500 corporate taxpayers from various sectors. Business representatives will contact large taxpayers to participate in the pilot. The Federal Revenue Service will also request involvement from businesses that have participated in the cooperative compliance program CONFIA, among others. An increasing number of these taxpayers will be onboarded over the course of the second half of 2025, depending on progress toward the technical development of the systems.
- **Chile:**<sup>lviii</sup> On June 5, 2025, Chile's Internal Revenue Service issued [Letter No. 1083](#), clarifying the anti-avoidance rules regarding the use of VAT credits in corporate mergers. In this case, an advisor to a corporate group planned to merge a real estate company with a successor company to organize activities more efficiently and reduce the number of entities subject to VAT. The advisor sought clarification on whether allocating the successor company's VAT credit toward the absorbed company's outstanding VAT debt would constitute abuse or tax evasion under the Tax Code. The tax authority clarified that the successor company's use of the VAT credit following the merger would not, in principle, be considered evasive. However, the conclusion will depend on determinations made following an inspection, such as the economic activities carried out by the merged entities before and after the merger.
- **Colombia:**<sup>lix</sup> On May 28, 2025, Colombia's Ministry of Finance and Commerce, Industry and Tourism published [Decree No. 0566](#), introducing a tax refund mechanism for exporters. Effective three months from publication, the decree allows exporters to obtain a security equivalent to 3 percent of the free on board (FOB) value of the exported industrial goods or of 2 percent of the value of the qualifying exported service through tax refund certificates (CERT), which may be used to offset various tax liabilities.
- **Colombia:**<sup>lx</sup> On May 22, 2025, Colombia's Supreme Tax Court issued Decision No. 28,140, overturning prior rulings of the Colombian tax authority that required large taxpayers to act as VAT withholding agents in transactions with non-resident service providers. The court clarified that the Colombian Tax Code does not designate large taxpayers as VAT withholding agents for services rendered by non-resident service providers. Non-resident service providers are responsible for filing their own VAT return and paying the tax when the service recipient is not a VAT taxpayer. In these cases, foreign service providers are not subject to any VAT withholding mechanism.
- **Jamaica:**<sup>lxi</sup> On March 11, 2025, The 2025–2026 budget for the government of Jamaica proposes an increase in the general consumption tax (GCT) exemption threshold from JMD 10,000,000 to JMD 15,000,000 for micro, small, and medium enterprises (MSMEs).
- **Suriname:**<sup>lxii</sup> On June 23, 2025, Suriname's Ministry of Finance issued Decree O.G. 2025 No. 60, establishing detailed rules for VAT refunds under the VAT Act. Effective May 29, 2025, the decree provides clarity on the timing, procedures, and compliance requirements for VAT refunds. Under the new framework, businesses can claim a VAT refund when their deductible VAT expenses exceed the VAT payable for a filing period, with the standard refund period starting on the 16th day of the month following the tax period. For late filings, the refund period begins the day after the VAT return submission. The tax authority can suspend refunds for up to 2 months if it suspects under reporting or excessive deductions, with written notification to the taxpayer. To qualify for a refund, businesses must meet conditions such as valid VAT registration, consistent and timely filing of accurate returns over the previous 12 periods, full settlement of VAT liabilities, maintaining proper records for at least 10 years, and adhering to language, currency, and invoicing regulations. If the tax authority fails to process a refund within the specified timeframe, taxpayers are entitled to annual interest compensation at a rate of 14 percent.

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

- **KPMG in Bahrain** published a [report](#) discussing recent tax developments across the GCC region as of June 22, 2025. The report highlights that Bahrain's National Bureau for Revenue (NBR) has published an updated version of the Transfer of a Going Concern (TOGC) VAT guide. It also includes updates from Saudi Arabia, such as the Zakat, Tax and Customs Authority (ZATCA) workshops on zakat base calculation, dispute resolution, tax obligations for foreign companies, and e-invoicing integration.
- **KPMG in Bahrain** published a [report](#) discussing recent indirect tax developments across the GCC region as of June 29, 2025. The report highlights updates from Bahrain, including revised VAT Real Estate and Retail & Wholesale guides issued by the NBR. It also covers Saudi Arabia's criteria for the 23rd wave of e-invoicing integration and the UAE introduction of controls for natural losses of excise goods, alongside workshops addressing VAT and excise tax compliance challenges.
- **KPMG in Chile** published a [report](#) discussing recent tax developments in the country. Among other topics, it covers tax authority guidance on appointing a representative for business groups and the VAT treatment of the sale of copper concentrates.
- **KPMG in Cyprus** published a [report](#) discussing amendments to the VAT Law, effective from January 1, 2025. The amendment clarifies that virtual participation in events does not count as "admission" for taxation purposes. For B2B services, the place of taxation is based on the recipient's location. This means no VAT is charged for B2B customers in non-EU countries, as the sale is outside Cyprus VAT scope. Similarly, no VAT is charged for B2B customers in EU member states. For B2C services, the place of taxation is where the recipient is established or resides. No VAT is charged for B2C customers in non-EU countries, while VAT is charged at the applicable rate for B2C customers in EU member states.
- **KPMG in the Czech Republic** published a [report](#) discussing the VAT treatment of compensation for stolen goods. The report highlights that the Coordination Committee of the Chamber of Tax Advisors and the General Financial Directorate (GFD) recently issued a discussion paper concluding that compensation for stolen goods is subject to VAT only if the right to dispose of the goods as the owner is transferred to another person, and there is a direct link between the stolen goods and the compensation. Additionally, for compensation to be considered a sale of goods for consideration, it must be determined by mutual agreement whether the right to dispose of the goods was transferred and if the compensation received directly relates to the delivery of the goods.
- **KPMG in Kenya** published a [report](#) discussing tax measures in the 2025-2026 budget presented on June 12, 2025. The report outlines key indirect tax proposals, including a measure to reduce the period in which a taxpayer can apply for a refund of VAT on bad debts from three years to two years.
- **KPMG in Mauritius** published a [report](#) discussing the 2025-2026 budget, which includes several indirect tax measures. Key proposals include a reduction in the VAT registration threshold from MUR 6 million to MUR 3 million, effective October 1, 2025, with mandatory registration for Pleasure Craft License holders regardless of gross receipts. The threshold for non-payment of VAT on imported capital goods will decrease from MUR 1 million to MUR 500,000 to ease business cash flow. Additionally, fines will increase for various VAT-related offenses, such as failure to register, submit returns, pay taxes, or provide accurate documentation.
- **KPMG in Moldova** published a [report](#) discussing ongoing consultations initiated by the State Tax Service and the Ministry of Economic Development and Digitalization on proposed changes to indirect tax calculation methods. These changes aim to align with Law No. 214, effective January 1, 2025, introducing expanded reporting obligations for banks, business individuals, and e-money issuers.
- **KPMG in Nigeria** published a [report](#) discussing tax measures in Nigeria Tax Administration Act, 2025, aimed at reforming the country's tax system. The legislation seeks to modernize tax collection, enhance compliance, and expand the VAT base through digital filing via an electronic fiscal system. Moreover, it introduces a unified tax administration, mandatory tax identification, monthly VAT return requirements, and penalties for non-compliance, while also consolidating existing tax laws to streamline administration and reduce duplication.

## Roundup of Latest Court of Justice of the European Union Cases

- **C-433/24**

On June 12, 2025, the Court of Justice of the European Union (ECJ) published the nonbinding opinion of its Advocate General (AG) in *Galerie Karsten Greve*, [Case C-433/24](#), involving application of the EU VAT Directive margin scheme for art sales. The AG opined that while only natural persons can be considered the creators of artworks under the scheme, the sale of such works may be carried out by either natural or legal persons. The AG rejected proposals to redefine “creator” to include legal persons based on factors like ownership or management roles, citing a lack of legal basis. However, EU Member States may allow taxable dealers to apply the margin scheme when the natural person creator plays a decisive role in the legal entity and benefits directly from the sale proceeds.

- **C-125/24**

On June 12, 2025, the ECJ published its decision in *Palmstråle*, [Case C-125/24](#), in which it held that under the EU VAT Directive and the Union Customs Code, a VAT exemption for the reimportation of goods into the EU is still valid even if there are formal procedural errors (e.g., such as failing to present the goods to customs or not properly declaring them for free circulation), as long as there is no attempt to deceive the authorities.

- **C-785/23**

On June 19, 2025, the ECJ published its decision in *Bulgarian Posts*, [Case C-785/23](#), in which it held that the VAT exemption for certain activities in the public interest under Article 132(1)(a) of the EU VAT Directive does not apply to postal services provided under separate contracts by a licensed universal service provider when those services are tailored to specific customer needs and are not made available to the general public. Such services, offered under more favorable conditions than those approved by the national regulator or defined in universal service standards, fall outside the scope of the VAT exemption.

Sources: European Union; France - ECJ Advocate General Opines on Application of VAT Margin Scheme to Works of Art Supplied Through Legal Persons: *Galerie Karsten Greve* (Case C-433/24) (VAT), (June 12, 2025), News IBFD; European Union; Sweden - ECJ Decides on Conditions Under Which Reimportation of Goods is Exempt from VAT: *Palmstråle* (Case C-125/24) (VAT), (June 12, 2025), News IBFD; European Union; Bulgaria - ECJ Decides on VAT Treatment of Universal Postal Services: *Bulgarian Posts* (Case C-785/23) (VAT) (June 19, 2025), News IBFD; European Union; Italy - ECJ Decides on Classification of Additional Tax on Electricity Excise Duty as '[an]other indirect tax': *Hera Comm* (Case C-645/23) (Excise), (June 19, 2025), News IBFD

## Miscellaneous Developments in EMEA

- **Bahrain:**<sup>lxiii</sup> On June 25, 2025, the Bahraini National Bureau for Revenue (NBR) updated its [VAT guide](#) for the retail and wholesale sectors to clarify the treatment of raffle programs. When a VAT-registered business offers prizes, such as vehicles or electronics, as part of a raffle conducted in the course of its regular activities and has deducted VAT expenses on the purchase of those prizes, the subsequent transfer to the winner is considered a deemed sale subject to VAT at the standard rate. However, if the prize is awarded to a non-resident and the conditions for export are met, the transaction may qualify for zero-rating.
- **Denmark:**<sup>lxiv</sup> On May 28, 2025, the Danish Customs and Tax Administration issued [Binding Answer No. SKM2025.296.SR](#), clarifying the VAT treatment of board member fees. The case involved a lawyer who invoiced a foreign foundation for board fees that included VAT. The tax authority concluded that the fees were not subject to VAT, as the taxpayer did not assume individual responsibility or economic risk and acted solely within the collective authority of the board. As such, the activity did not constitute an independent economic activity for VAT purposes.
- **Denmark:**<sup>lxv</sup> On June 11, 2025, the Danish Tax Council issued [Binding Answer No. SKM2025.321.SR](#), clarifying VAT and excise tax obligations for Danish businesses importing goods from other EU countries. The case involved a grocery retailer planning to collect goods from a Danish supplier's warehouse located in another EU country and transport them to Denmark at its own expense. The tax authority confirmed that under the place of taxation rules, VAT would be due in Denmark and exempt in the other EU country, since the buyer was VAT-registered and arranged the transport.



- **European Union:**<sup>lxvi</sup> On July 24, 2025, the European Commission released its [Annual Report on Taxation 2025](#). The report highlights ongoing structural weaknesses in the EU's indirect tax systems, particularly in VAT compliance and policy. In 2022, EUR 89 billion in potential VAT revenue was lost, with the largest gaps in Romania, Malta, and Italy. The report suggests broadening the VAT base as a more efficient approach than raising standard rates, while acknowledging the need for targeted relief due to social considerations. It emphasizes the urgency of addressing VAT fraud, especially the Missing Trader Intra-Community (MTIC) fraud, and anticipates that the VAT in the Digital Age (ViDA) initiative will help reduce fraud and compliance costs by 2030. Environmental taxes have decreased in relative importance, contributing only 2.1 percent of GDP in 2023, due to stagnant tax rates, inflation, and legislative delays. The report calls for better alignment of environmental taxation with climate goals and advocates for digital tools and real-time data exchange to improve enforcement. Overall, the Commission urges Member States to modernize indirect tax frameworks to ensure fiscal resilience, equity, and competitiveness.
- **European Union:**<sup>lxvii</sup> On June 18, 2025, the European Parliament and the Council reached a [political agreement](#) to simplify the Carbon Border Adjustment Mechanism (CBAM), with an intent to ease compliance for small and medium-sized enterprises (SMEs) and occasional importers. Part of the broader “Omnibus I” package, the reform introduces a 50-tonne annual de minimis threshold per declarant, below which CBAM obligations, such as reporting and certificate surrender, will no longer apply. This measure is expected to exempt around 90 percent of importers while still covering more than 99 percent of embedded CO<sub>2</sub> emissions. Additional simplifications include streamlined authorization for CBAM declarants, reduced reporting frequency, and simplified emissions calculation and verification procedures. Formal adoption and publication in the Official Journal of the European Union are the next steps before the changes enter into force.
- **Finland:**<sup>lxviii</sup> On June 2, 2025, Finland’s Ministry of Finance [launched](#) a public consultation on a revised soft drinks tax proposal, following feedback from the European Commission. The updated draft incorporates changes approved under EU State aid rules, planned tax increases for 2023–2025, and higher excise duties on low-alcohol fermented beverages such as beer, cider, and wine. A key feature of the proposal is a progressive tax structure based on sugar content, expanding the number of brackets from two to six categories. On average, the tax on sugar-containing drinks would rise by EUR 0.15 per liter. The consultation runs until August 6, 2025, with the amendments expected to take effect on January 1, 2026.
- **France:**<sup>lxix</sup> On May 28, 2025, the French General Directorate of Public Finance updated its administrative doctrine to postpone implementation of reduced VAT exemption thresholds. The revised guidance extends the application of the basic gross receipts thresholds—EUR 25,000 for 2024 and EUR 27,500 for 2025—from March 1 to December 31 of each respective year.
- **France:**<sup>lxx</sup> On May 28, 2025, the French General Directorate of Public Finance updated its administrative doctrine to reflect the increase in the financial transaction tax rate. Effective April 1, 2025, the rate applicable to acquisitions of capital securities and similar instruments has been raised to 0.4 percent.
- **France:**<sup>lxi</sup> On May 30, 2025, the French Administrative Court of Montreuil issued [Jurisprudence Letter No. 18](#), clarifying the VAT deductibility of costs related to energy-saving certificates. The case involved an energy company that resold surplus certificates obtained through its delegated energy-saving operations. The French tax authorities had denied the company’s VAT deduction on invoices for energy renovation works. However, on appeal, the court ruled that the costs were necessary for the resale of the certificates and therefore deductible, entitling the taxpayer to a discharge of VAT arrears.
- **France:**<sup>lxxi</sup> On May 30, 2025, the French Administrative Court of Montreuil issued [Jurisprudence Letter No. 18](#), clarifying the VAT deduction coefficient for banks. The case involved a French branch of a bank that provided home loans. The bank excluded a corporate tax credit from its VAT deduction coefficient denominator. The tax authorities challenged this exclusion, arguing that the credit received for granting interest-free loans to first-time homebuyers should be included. The court ruled that the taxpayer was not entitled to relief from the assessed VAT and late payment interest, finding that self-deliveries of fixed assets subject to VAT do not constitute turnover and are excluded from the coefficient, that the corporate tax credit compensates banks for forgone interest and acts as a subsidy directly linked to the transaction price, and that the credit is therefore considered turnover for banks and should be included in the coefficient denominator.

- **Greece:**<sup>lxxii</sup> On June 18, 2025, the Greek Public Authority for Public Revenue [clarified](#) that when documentation is unavailable to support the valuation of commercial pleasure vessels, the VAT taxable value must be based on the vessel's market value at the time its commercial license is revoked. Although the law typically requires submission of documents such as a shipyard invoice, insurance policy, or a certificate from the Hellenic Chamber of Shipping, the circular acknowledges that these may not always be obtainable. In such cases, the absence of documentation does not eliminate the VAT obligation, and the value must still be determined in accordance with the applicable legal framework to ensure consistent tax enforcement.
- **Greece:**<sup>lxxiii</sup> On June 24, 2025, the Greek Ministry of Finance submitted a draft bill for public consultation proposing amendments to bring VAT legislation in alignment with EU law. Among other things, the bill introduces new VAT exemption thresholds for small businesses, including a EUR 10,000 threshold for domestic turnover and EUR 100,000 EU-wide threshold for non-established businesses. It also sets out reporting obligations for businesses using the exemption across borders.
- **Hungary:**<sup>lxxiv</sup> On June 18, 2025, the European Commission issued a reasoned opinion to Hungary for failing to align its retail tax regime with the EU freedom of establishment rules. The Commission found that the structure of Hungary's retail tax disproportionately burdens foreign-controlled retail companies operating as integrated entities or linked undertakings, subjecting them to steeply progressive gross receipts-based rates. In contrast, domestic retailers using franchise models are not taxed at the highest rates, as their gross receipts are not consolidated. This disparity restricts the ability of foreign companies to restructure their operations in a comparable manner and constitutes a barrier to establishment under EU law. The Commission found that despite commitments under its Recovery and Resilience Plan to phase out the retail tax, Hungary has continued to extend the measure without a clear timeline for repeal. Hungary now has two months to respond before the Commission may refer the case to the Court of Justice of the European Union.
- **Ireland:**<sup>lxxv</sup> On June 4, 2025, the Irish Revenue authority issued [new guidance](#) on application of the EU small business VAT reform in Ireland. Under the regime, effective January 1, 2025, the EU allows member states to exempt small businesses established within the EU with annual gross receipts up to EUR 85,000 from being required to charge VAT. (To read KPMG's previous discussion of the EU small business VAT reform, click [here](#).) Non-established businesses may now benefit from the exemption in Ireland, provided their gross receipts in the country remain below the threshold and their total EU-wide gross receipts do not exceed EUR 100,000. The guidance also outlines new reporting obligations for businesses using the exemption across borders, including quarterly submissions to the Irish tax authority.
- **Italy:**<sup>lxxvii</sup> On June 12, 2025, the Italian Revenue Agency issued [Answer No. 155/2025](#), clarifying eligibility for VAT refunds on depreciable goods acquired by VAT groups. The taxpayer, a VAT group operating in the renewable energy sector and engaged in construction of photovoltaic systems, sought confirmation that it could recover VAT on costs related to depreciable assets used in its business. The tax authority confirmed that VAT refunds are permitted for purchases of depreciable goods, including photovoltaic systems, even if the VAT group has existed for less than two years, provided that its members have been active for a longer period. The refund applies to goods used for business purposes over the medium to long term, regardless of ownership, if the assets are instrumental to the business. Additionally, refunds exceeding EUR 30,000 may be granted without a guarantee if the taxpayer satisfies specific financial and compliance conditions.
- **Italy:**<sup>lxxviii</sup> On June 17, 2025, Italy published [Law Decree No. 84/2025](#), introducing significant changes to VAT compliance rules. Effective July 1, 2025, companies listed on the stock exchange and included in the FTSE MIB index will no longer be subject to the split payment mechanism for sales to public authorities, aligning with Italy's plan to phase out this special VAT measure. Additionally, the decree expands the VAT self-assessment mechanism for services in the transportation, freight handling, and logistics sectors, removing the previous requirement for the purchaser's labor and equipment ownership. This expansion is subject to EU Council approval, and without it, the decree modifies the optional regime to include all subcontractors in the supply chain.
- **Latvia:**<sup>lxxix</sup> On June 3, 2025, the Latvian State Revenue Service issued [guidance](#) clarifying the VAT treatment of sales of land plots with infrastructure. The taxpayer, a limited liability company, requested guidance on whether the sale of newly created land units with added infrastructure, such as water, sewage, and storm drainage systems, qualified as sales of unused real estate for VAT purposes. The tax authority clarified that VAT

applies to the sale of such land plots when they are considered building land, which was the case here due to the existence of a valid building permit. It further clarified that the infrastructure in question does not qualify as unused real estate, and that the change in land use from agricultural to residential construction does not affect the VAT applicability.

- **Latvia:**<sup>lxxx</sup> On June 9, 2025, the Latvian State Revenue Service issued [guidance](#) on Law No. 106, which became effective July 1, 2025. The law amends the micro-enterprise tax (MUN) and VAT obligations for transactions involving goods or services from abroad. The guidance clarifies that from July 1, a MUN payer that registers in the VAT Payer Register under a special procedure may receive paid goods or services from abroad and retain their MUN payer status, provided they do not provide services to VAT-registered entities in other EU member states and their gross receipts in Latvia does not exceed EUR 50,000 in a calendar year. It further clarifies that MUN payers registered under the special VAT procedure must submit VAT payment notifications by the 20th of the month following the receipt of the service or purchase of the good and remit the VAT within 23 days.
- **Lithuania:**<sup>lxxxi</sup> On June 18, 2025, Lithuania's parliament passed a comprehensive tax reform package, effective January 1, 2026. Among other things, the package adds a new sugar tax to be applied to sweetened beverages, with rates based on sugar content. Additionally, a 10 percent security contribution will be imposed on most non-life insurance contracts, excluding certain vehicle and agricultural policies.
- **Moldova:**<sup>lxxxii</sup> On May 29, 2025, the State Tax Service (STS) clarified that a business entity making VAT-exempt sales exceeding the VAT registration threshold of MDL 1.2 million must switch from the special SME tax regime to the standard income tax regime in the following tax period. In the case reviewed, the entity exceeded the threshold in October 2023 but remained eligible for the SME regime through the end of 2023. As such, it was required to apply the standard regime starting January 1, 2024. If the entity does not exceed the threshold in 2024, it may requalify for the SME regime in 2025 by indicating this choice in its accounting policy by April 25, 2025.
- **Moldova:**<sup>lxxxiii</sup> The Moldovan Ministry of Finance has proposed amendments to simplify the VAT refund process by merging the current two-step application system, refund and compensation, into a single form. This unified application would be processed in two stages by the State Tax Service (STS). Additionally, the refund threshold would increase from 20 percent to 50 percent, enhancing taxpayers' ability to reinvest recovered amounts and support economic continuity. The refunded VAT amounts would be subject to audits annually for large taxpayers and every 24 months for others. If adopted, the changes will take effect upon publication in the Official Gazette of Moldova.
- **Norway:**<sup>lxxxiv</sup> On June 2, 2025, the Norwegian Tax Administration published [Tax Appeals Board Decision No. SKNS1-2025-22](#), addressing VAT deductions for accommodation and transport expenses when incurred by a joint venture construction company. In this case, the taxpayer had provided lodging, meals, and transport for employees and subcontractors near a remote worksite. The tax authority initially denied VAT deductions, citing the private nature of the expenses. However, the Appeals Board ruled that accommodation, food service, and cleaning costs at barracks were deductible as they were closely tied to business activities and not considered private. Transport costs were also deductible, except for travel between the train station and the worksite, which was deemed private commuting.
- **Norway:**<sup>lxxxv</sup> On June 2, 2025, the Norwegian Tax Administration published [Tax Appeals Board Decision No. SKNS1-2025-23](#), addressing VAT deductions for accommodation expenses incurred by a company providing maintenance and insulation services for industrial projects in the oil and gas sector. The company had claimed VAT deductions for lodging both employees and hired personnel near remote work sites. The tax authority initially denied the deductions, arguing the costs were not sufficiently linked to the company's registered business activities. On appeal, the Board partially upheld the claim, allowing VAT deductions for accommodation expenses at one specific site, finding they were directly connected to business operations and essential for fulfilling contractual obligations—rather than general travel expenses.
- **OECD:**<sup>lxxxvi</sup> On June 17, 2025, the OECD released [Tax Administration Digitalisation and Digital Transformation Initiatives](#), offering a detailed look the modernization of tax administrations through digital tools and technologies. Nearly all administrations now require digital identities to access secure services, with full online VAT return filing and payment widely available. Around 38 percent of administrations prefill VAT returns, and

nearly a third offer fully prefilled versions requiring no taxpayer input. More than 80 percent have developed application programming interface (APIs), with many supporting VAT return filing and data uploads. Artificial intelligence is used by 72 percent of administrations, primarily for detecting tax evasion and fraud and for risk assessments. Data sharing is also expanding, with 80 percent of administrations receiving VAT-relevant data from other government entities and over 75 percent from banks and insurers. More than half use real-time analytics for fraud detection. Nearly 80 percent of administrations have adopted digital transformation strategies aligned with broader government initiatives, and over 70 percent have appointed dedicated leadership roles such as Chief Digital Officers to guide implementation.

- **Poland:**<sup>lxxxvii</sup> The lower chamber of the Polish parliament, the Sejm, has approved a series of bills aimed at simplifying the tax system and raising the VAT exemption threshold, effective on January 1, 2026. Key changes include amendments to the Law on National Revenue Administration and VAT Law, allowing taxpayers to correct tax returns after customs and tax inspections and submit initial tax returns within 14 days of such inspections. These changes, effective October 1, 2025, aim to reduce late payment interest.
- **Portugal:**<sup>lxxxviii</sup> On June 4, 2025, the Portuguese Official Gazette published [Supreme Administrative Court Judgment No. 6/2025](#), which clarifies application of the EU VAT Directive's standstill clause concerning VAT deduction exclusions. The case centered on a Swiss motor vehicle company that contested the Portuguese Tax Authority's partial denial of a VAT refund for expenses incurred during a promotional event. The standstill clause allows EU Member States to maintain existing restrictions on VAT deduction rights, even if these restrictions conflict with the Directive's general principles of VAT neutrality. The Tax Authority contended that these exclusions were not covered by the standstill clause. However, the Court determined that the clause does apply to VAT deduction exclusions that were in effect at the time of Portugal's accession to the EU. It affirmed that Member States can retain such exclusions, including those related to promotional expenses, until harmonized EU rules are established. The Court concluded that the Portuguese VAT Code aligns with EU law by utilizing the standstill clause to exclude certain expenses from deduction.
- **Saudi Arabia:**<sup>lxxxix</sup> On June 27, 2025, Saudi Arabia's Zakat, Tax and Customs Authority (ZATCA) [extended](#) its tax amnesty initiative until December 31, 2025. The program offers full exemption from fines related to VAT, income tax, withholding tax, excise tax, and real estate transaction tax, provided taxpayers rectify their compliance status. Eligibility requires submission of overdue returns and either full payment or adherence to an approved installment plan within the initiative period.
- **Slovakia:**<sup>xc</sup> The Slovak parliament has initially approved a proposal to exempt companies with annual taxable income not exceeding EUR 100,000 and all self-employed individuals from a financial transaction tax. This tax, introduced in 2024 as part of a budget consolidation package, imposes a 0.4 percent fee on bank transfers, capped at 40 euros per transaction. If finalized, the exemptions would begin on October 15, with costs estimated between EUR 35 million and EUR 50 million. The financial impact will be offset by canceling a national bank holiday.
- **Slovakia:**<sup>xcii</sup> On June 19, 2025, the Slovak Financial Administration published [Guide No. 5/DPH/2025/IM](#), providing FAQs about application of the EU small business VAT reform in Slovakia. The guide covers eligibility for VAT-registered taxpayers with gross receipts below EUR 100,000 in 2024 and 2025, restrictions on applying the exemption to domestic sales, procedures for contesting the rejection of SME status by EU countries, ability to claim the exemption despite exceeding national gross receipts thresholds in other EU countries, and concurrent use of the SME regime and the One-Stop-Shop (OSS) regime in different EU countries.
- **Slovakia:**<sup>xciii</sup> Effective July 1, 2025, Slovakia will implement a VAT self-assessment mechanism for certain cross-border imports. The rule applies to Slovak-based taxpayers holding a valid Authorized Economic Operator (AEO) permit. Under this system, the importer must calculate and report the VAT due on imported goods in their tax return for the relevant period, shifting the responsibility for VAT accounting from the seller to the buyer.
- **Sweden:**<sup>xciii</sup> On June 10, the Swedish Tax Agency released [Statement No. 8-206936-2025](#), addressing the Supreme Administrative Court decision in a recent case concerning the VAT treatment of business transfers. Under EU VAT law and Swedish tax regulations, the transfer of a business as a going concern (TOGC) is generally treated as a non-taxable transaction. However, the right to deduct VAT depends on whether the



recipient uses the assets for taxable activities. If the recipient engages solely in VAT-exempt activities, the deduction of VAT may be denied. In the case at hand, the taxpayer intended to transfer assets to a subsidiary as part of a business transfer. The tax authority deemed the transfer non-taxable, despite neither party having the right to deduct VAT. The Supreme Administrative Court concluded that the transfer did not qualify for VAT deduction, as the subsidiary was engaged exclusively in exempt activities. The court further noted that allowing VAT-exempt transfers in such circumstances could confer a competitive advantage on taxpayers acquiring assets through business transfers, compared to those acquiring assets through other means.

- **Sweden:**<sup>xciiv</sup> On June 18, 2025, the Swedish Tax Agency issued [Position Statement No. 8-214432-2025](#), clarifying that sales of electricity, gas, water, and heat by landlords are VAT-exempt when charged at a flat rate as part of rent; the charges are, however, taxable when based on actual consumption. Electricity for vehicle charging is generally taxable unless included in a VAT-exempt parking rental. Landlords may deduct VAT expenses on metering and charging infrastructure used for taxable sales, as these costs are not linked to residential use.
- **Ukraine:**<sup>xciiv</sup> On June 30, 2025, Ukraine's State Tax Service [clarified](#) that when a VAT payer receives an advance payment in foreign currency for services rendered to a non-resident within Ukraine, the VAT base must be determined using the official exchange rate of the National Bank of Ukraine applicable on the previous business day the funds are credited to the payer's account.
- **United Arab Emirates:**<sup>xciiv</sup> On May 27, 2025, the United Arab Emirates Federal Tax Authority published a [guide](#) detailing the VAT rules for taxpayers receiving services from nonresidents when the place of taxation is within the UAE. The guide specifies that taxpayers must account for VAT using the VAT self-assessment mechanism, unless the services are exempt when provided by a local vendor. It also outlines the obligations for accounting for VAT and issuing tax invoices for cross-border services, along with the documentation needed to recover VAT expenses.
- **United Kingdom:**<sup>xciiv</sup> On June 5, 2025, the UK First-Tier Tribunal (FTT) published its decision in *Performance Leads Ltd. v. HMRC*, [\[2025\] UKFTT 00660 \(TC\)](#) addressing whether the services provided by Performance Leads Ltd. to independent financial advisers qualify as VAT-exempt financial intermediary services under the UK VAT Act, or if they are taxable advertising or promotional services. Under the UK VAT Act, intermediary services related to financial transactions are exempt from VAT when the seller acts in an intermediary capacity. However, advertising and promotional services are not exempt. In this case, Performance Leads Ltd. operated a website that connected potential clients with financial advisers based on the client's needs and location. The company did not publicly promote specific advisers but instead facilitated private connections between clients and advisers. HMRC denied the company's VAT refund request, arguing that its services constituted either advertising or were related to nonexempt supplies. However, the tribunal found that Performance Leads Ltd. acted as a financial intermediary by bringing together advisers and clients to facilitate financial services. It emphasized that the company did not advertise specific advisers and operated through private contracts with advisers rather than engaging directly with the public. The tribunal ultimately ruled in favor of Performance Leads Ltd., holding that its services qualify as VAT-exempt financial intermediary services. As a result, the company is entitled to a refund of overpaid VAT.
- **United Kingdom:**<sup>xciiv</sup> On June 13, 2025, the UK tax authority, HMRC, published a [policy paper](#) on the VAT treatment of income raised from charity fundraising events, following the U.K. Upper Tribunal's January 9 judgment in *Yorkshire Agricultural Society* ([\[2025\] UKUT 00004](#)). The paper explains that events qualify for VAT exemption only if they are primarily held and advertised as fundraisers. The tribunal ruled in favor of the Yorkshire Agricultural Society, clarifying that an event can have more than one primary purpose, with fundraising being one of them. It also found that the requirement for an event to be promoted primarily for fundraising was incompatible with European legislation. As a result, the word "primarily" should be disregarded, allowing for a broader interpretation of the exemption criteria. HMRC emphasizes the importance of maintaining clarity and providing evidence when applying the VAT exemption for fundraising events organized by charities and qualifying bodies. It insists that fundraising must be a significant and inseparable primary purpose of the event, clearly supported by documentation. Events must be advertised as fundraising activities to ensure transparency about their purpose. HMRC also clarifies that events not primarily organized for fundraising, but which incidentally generate profit, do not qualify for the exemption. Charities are required



to provide robust documentation to demonstrate the fundraising nature of their events. Additionally, HMRC stresses that the exemption is not intended for regular trading activities. Fundraising events should be distinct and out of the ordinary. While annual events may qualify, semi-regular or continuous activities are less likely to be considered “events” for the purposes of the relief.

## Asia-Pacific (APAC)

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

- **KPMG in Australia** published a [report](#) discussing the ATO’s June 20, 2025 consultation on three draft GST legislative instruments. The proposals include updated determinations for second-hand goods acquisitions and simplified GST accounting methods for supermarkets and convenience stores, replacing instruments set to sunset on October 1, 2025. A third instrument addresses extensions for register notices under the Foreign Acquisitions and Takeovers Act.
- **KPMG in Bangladesh** published a [report](#) discussing the Finance Ordinance 2025, which introduces significant changes to income tax and VAT regulations, effective July 1, 2025. The VAT-related proposals include reduced advance tax rates for manufacturers and increased rates for commercial importers, along with higher VAT on online sales and certain stages of manufacturing. The ordinance also introduces new exemptions for LNG, computer monitors, aircraft lease rent, and packaged liquid milk. Additionally, industry-specific VAT exemptions for sectors such as mobile phone manufacturing and pharmaceuticals will remain in effect until June 2030.
- **KPMG in India** published a [report](#) discussing a recent court decision in which the High Court of Sikkim granted a refund of unutilized GST credits in the context of a business closure, despite the absence of explicit provisions for such refunds in GST law.
- **KPMG in Korea** published a [report](#) discussing a Tax Tribunal decision on applying the VAT zero-rate. In the case, a Korean company (“A”) provided immune cell therapy services to cancer patients in Korea, involving collaboration with a Japanese company (“B”) and another company (“C”). Blood samples collected in Korea were sent to Japan for culturing immune cells, which were then returned to Korea for injection into patients. Company A argued that the service should be zero-rated for VAT, claiming the essential part of the therapy occurred in Japan. The Tax Tribunal rejected this argument. It determined that the place of taxation is based on where the core service is performed. Since key medical activities, such as blood collection and injection, were conducted in Korea, the Tribunal concluded that the service was domestic and not eligible for VAT zero-rating.
- **KPMG in Malaysia** published a [report](#) discussing the review of the sales tax regime and expansion of the scope of the service tax. Effective 1 July 2025, Sales Tax rates will remain low (0% or 5%) for essential goods, while non-essential items like salmon, imported fruits, and racing bicycles will see increases—either from 0 percent to 5 percent or from 5 percent to 10 percent. Service Tax will also broaden in scope to cover various sectors, including but not limited to, leasing, construction, financial services, private healthcare, education for non-Malaysians, and wellness services, with rates ranging from 6 percent to 8 percent. Different registration thresholds apply for various services. Reliefs and exemptions may be available for intra-group transactions and certain contracts. Importantly, companies taking steps to comply will not face penalties or prosecution until December 31, 2025.
- **KPMG in Pakistan** published a [report](#) discussing tax measures in the Finance Bill, 2025. Among other things, it includes proposals to redefine the scope of “tax fraud” by including specific illustrative acts that may constitute tax fraud, a proposal to withdraw exemptions on photovoltaic cells, and a proposal to mandate sales tax registration for all persons, including non-residents, selling digitally ordered goods within Pakistan via online marketplaces, websites, or software applications.

## Miscellaneous Developments in APAC

- **Fiji:**<sup>xcix</sup> On June 27, 2025, Fiji announced tax measures in its National Budget for 2025-2026. Among other things, it proposes that from January 1, 2026, businesses with gross receipts above FJD 50,000 must register for the VAT Monitoring System. E-wallet services will be VAT-exempt, and VAT refunds will apply to residential solar investments and termite-related reconstruction. Mechanical harvester services by cooperatives will be zero-rated.
- **Nepal:**<sup>c</sup> On May 29, 2025, Nepal's Ministry of Finance announced VAT-related measures in its 2025–26 budget. These include abolishing VAT on services provided by digital “devotees” and imposing penalties, interest, and fines on international travel service providers and ticket holders with unpaid VAT liabilities.
- **Taiwan:**<sup>c</sup> Taiwan's Ministry of Finance published a release explaining that foreign crew members on passenger cruise ships are permitted to apply for a VAT refund after making purchases at certain stores in China. They may use self-service KIOSKS, E-VAT machines, or VAT refund counters to receive small refunds in cash, by check, or on credit card. Alternatively, they can apply manually at customs offices near the wharves where their ships dock. Customs officers will verify that the goods match the VAT refund application form and then fax the documents to Chunghwa Telecom, which handles the refund process. Required documents include the application form, invoices, a passport or entry/exit permit copy, and a credit card copy. The goods must be unused and intact.

# About Inside Indirect Tax

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

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