



Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Austria:**ⁱ On May 9, 2025, the Austrian Ministry of Finance [published](#) a draft of the Budget Accompanying Act 2025 (*Budgetbegleitgesetz 2025*) for public consultation, which, among other things, proposes to increase gambling levies for lotteries and electronic lotteries respectively from 16 percent to 17.5 percent and from 40 percent to 45 percent, and would exempt from VAT feminine hygiene products and contraceptives effective January 1, 2026.
- **Bahamas:**ⁱⁱ On May 28, 2025, the Prime Minister and Minister of Finance of the Bahamas presented the 2025–2026 budget, which, among other things, proposes reducing the VAT rate from 10 percent to 5 percent for essential goods such as baby and adult diapers, feminine hygiene products, prescription and non-prescription medications, and medical and dental supplies. Additionally, the budget would increase the VAT rate from 5 percent to 10 percent on sweets and sodas. Customs duty reforms include eliminating duties on refractory cement, mortars, copper fittings, screws, and various fasteners, and reducing duties on cleaning products, electric or battery-operated shavers, juice extractors, heavy-duty trucks, and all types of filters. To promote energy efficiency, the government plans to remove the 45 percent excise duty on butane fuel and introduce duty exemptions on energy-efficient household appliances. The supporting legislation has been laid before the House of Assembly, with the measures set to take effect at the beginning of the 2025–26 fiscal year on July 1, 2025, while the VAT rate reduction is expected to come into force on September 1, 2025.
- **Estonia:**ⁱⁱⁱ On May 5, 2025, the Ministry of Finance [proposed](#) to make the 24 percent VAT rate permanent. Effective July 1, 2025, Estonia will increase the standard VAT rate from 22 percent to 24 percent. This rate increase was initially intended to remain effective until the end of 2028 before reverting to 22 percent.
- **Kazakhstan:**^{iv} Kazakhstan's lower house of parliament recently approved draft amendments to the country's VAT law, including a proposed increase in the standard VAT rate from 12 percent to 16 percent—lower than the previously proposed 20 percent. If enacted, VAT rates for medicines and medical services will be reduced to 5 percent in 2026, increasing to 10 percent in 2027. Banking commissions will become subject to VAT, while core financial services such as bank transfers and payment card transactions will remain exempt to avoid cost increases.
- **Malta:**^v On May 13, 2025, Malta published [Legal Notice 88](#), which expands the VAT exemption for scheduled passenger transport services to include scheduled bus services, scheduled inter-island sea transport of passengers by authorized carriers, the carriage of school students to and from educational establishments, and special regular services for the carriage of workers to and from work. Additionally, the Legal Notice provides definitions for terms relevant to claiming the exemption, including "scheduled bus service," "scheduled inter-island sea transport of passengers," and "special regular services."
- **Moldova:**^{vi} On May 19, 2025, the Ministry of Finance of Moldova initiated consultations to expand the list of items eligible for a reduced VAT rate of 8 percent, which currently applies to medical services (excluding cosmetic services), raw materials for medications, and materials used in drug production. The proposal aims to include medical devices registered in the State Register.
- **Peru:**^{vii} On May 19, 2025, the Peruvian Congress began discussions on [Bill No. 11228/2024-CR](#), which proposes a temporary adjustment to the VAT rate from its current 16 percent. The bill proposes a VAT rate of 15 percent for 2026, 16 percent for 2027, and 17 percent from 2028 to 2030, applicable to individuals and entities earning business

income from all productive sectors subject to VAT, excluding companies within economic groups or related to other domestic or foreign economic groups.

- **Philippines:**^{viii} On April 28, 2025, the Philippine Food and Drug Administration (FDA) updated the list of VAT-exempt medications as per the Corporate Recovery and Tax Incentives for Enterprises Act. The updated list encompasses treatments for cancer, diabetes, hypertension, kidney issues, and tuberculosis.
- **Spain:**^{ix} On May 22, 2025, the Spanish government proposed to apply the standard VAT rate of 21 percent to short-term rentals of homes and apartments.
- **St. Lucia:**^x On May 20, 2025, the Prime Minister of St. Lucia announced the removal of the 12.5 percent VAT from a range of essential food items, effective July 1, 2025.
- **Switzerland:**^{xi} On May 15, 2025, Swiss lawmakers voted to extend the concessionary 3.8 percent VAT rate for hoteliers beyond 2027.
- **Türkiye:** On May 1, 2025, Türkiye [published](#) Presidential Decision No. 9770, extending the application period for the VAT exemption for construction work related to investments made within the scope of an investment incentive certificate for the manufacturing industry and tourism sector from December 31, 2025, to December 31, 2028. For more information, click [here](#).
- **Uruguay:**^{xii} On April 28, 2025, Uruguay published Decree No. 93/025, which extends the 9 percent reduction in the VAT rate for the tourism sector until April 30, 2026. This extension applies if payments are made through specified electronic methods.

Digitalized Economy Indirect Tax Updates

Chile: Guidance on new VAT marketplace rules and low-value goods

On April 30, 2025, the Chilean tax authority issued Circulars 38/2025 and 39/2025 to implement provisions from last year's tax reform, focusing on VAT marketplace rules, low-value goods rules, and marketplace compliance requirements. (For KPMG's previous discussion regarding the 2024 tax reform, click [here](#).) Circular 39/2025 outlines the VAT obligations for online marketplace operators, effective October 25, 2025. Operators must handle VAT for transactions if they economically exploit a platform that facilitates third-party transactions, the transaction is subject to VAT, and neither party involved is a VAT taxpayer. The Circular specifies different scenarios based on the seller's and buyer's locations and tax statuses, detailing when the platform operator is responsible for VAT collection and payment.

Additionally, Circular 39/2025 clarifies the simplified VAT mechanism for international sales of low-value goods (under \$500) destined for Chile, effective October 25, 2025. It introduces the concept of "remote sales" and outlines conditions under which these sales are taxable in Chile. The Circular also addresses transactions in foreign currencies and the responsibilities of buyers to inform sellers of their VAT status. Imports are exempt from VAT if the VAT was effectively charged by the remote seller or platform, verified by customs and tax authorities.

Circular 38/2025, introduces new compliance requirements for digital platform operators. These operators must ensure that their clients have informed the tax authority about their business activities before providing intermediary services. They must also report

annually on clients who declare they are not subject to this obligation and request proof of compliance every six months. Non-compliant taxpayers will face advance VAT withholding by intermediaries. Further resolutions will be published to clarify these obligations. For more information, click [here](#).

European Union: Draft directive to incentivize the use of VAT import one-stop-shop (IOSS)

On May 13, 2025, the Economic and Financial Affairs Council (ECOFIN) agreed on a [draft directive](#) aimed at promoting the use of the VAT import one-stop-shop (IOSS). The IOSS, introduced as part of the 2021 EU VAT e-commerce package, simplifies VAT collection for distance sales of imported goods valued up to EUR 150. Businesses registered under the IOSS charge VAT at the point of sale and remit it monthly through the IOSS portal, while unregistered businesses require customers to pay import VAT upon delivery.

The proposed directive seeks to incentivize IOSS registration by making sellers or marketplaces liable for import VAT if they are not registered under the IOSS. Non-EU traders without IOSS registration would need to appoint a tax representative, except those from Norway and the UK. The directive also allows Member States to hold indirect customs representatives and other responsible parties jointly and severally accountable for import VAT. The special arrangement, which shifts the VAT obligation to the customer, would be repealed to align with the directive's goals.

The European Parliament will review the agreed text and provide its opinion. The directive must be formally adopted by the Council before publication in the EU's Official Journal, with a proposed effective date of July 1, 2028. For more information, click [here](#).

Philippines: Guidance on application of VAT on cross-border digital services rules

On May 9, 2025, the Philippines Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular No. 47-2025, providing guidance on VAT rules for cross-border digital services through FAQs. (For KPMG's previous discussion regarding the new VAT digital services rules, click [here](#)). Nonresident digital service providers (NRDSPs) must register by June 1, 2025, using the VAT on Digital Services (VDS) Portal once available. Until then, NRDSPs or their appointed resident service providers should register via the Online Registration and Update System (ORUS) on the BIR website. The circular distinguishes between business-to-business (B2B) and business-to-consumer (B2C) transactions, requiring NRDSPs to verify buyers' business status using taxpayer identification numbers (TINs) and other registration documents. The circular mandates NRDSPs to register with the BIR even for exclusively B2B transactions and file tax returns accordingly. In B2B transactions, Philippine customers must withhold and remit the 12 percent VAT on purchases. If an NRDSP mistakenly pays VAT, they cannot seek a refund but may amend their filings to adjust for overpayment in future quarters. The Circular clarifies that the scope of the rules includes teleconsultation platforms, defining digital services as online consultations that require information technology for booking and delivery. Additionally, when NRDSPs make sales through an e-marketplace but receive payments directly, the e-marketplace is not liable for VAT, as it does not control the payment process. For more information, click [here](#).

Other Developments

- **Albania:** On May 14, 2025, the Albanian tax authorities published a [notice](#) reminding multinational companies providing digital services to consumers in Albania to appoint a tax representative in Albania, register for VAT, apply a 20 percent VAT rate on sales to final consumers, and pay the VAT through the representative. For services to businesses registered for VAT in Albania, the recipients must self-assess the VAT. The notice specifies that telecommunications, broadcasting, web services, software, databases, media, games, and distance teaching are subject to VAT. The authorities have been actively identifying

foreign entities engaging with Albanian consumers and have warned of administrative and legal actions for non-compliance. For more information, click [here](#).

- **Azerbaijan:**^{xiii} The tax authority of Azerbaijan is considering recommending revisions to the VAT rules relating to nonresident digital services sales, effective January 1, 2026. Key changes would include explicitly excluding business-to-business transactions from the rules, implementing mandatory VAT registration with a six-month transition period, shifting reporting requirements from monthly to quarterly, and providing additional clarifications to address implementation challenges.
- **Bosnia & Herzegovina:**^{xiv} On April 29, 2025, Bosnia & Herzegovina [published](#) Amendments and Supplementation of The Rules on The Application of The Value Added Tax Law, which, among other things, clarify that digital services encompass various offerings, including web hosting and remote maintenance, software procurement and updates, access to images, text, information, and databases, procurement of music, films, games, and related services, and organization of distance learning via the Internet.
- **Costa Rica:**^{xv} On April 29, 2025, the Costa Rican Tax Administration (DGT) released two draft resolutions for public consultation, aimed at advancing the country's digital transformation agenda. These resolutions propose the establishment of the TRIBU-CR Virtual Office as the official channel for filing tax-related requests and consultations, offering both general and restricted access to taxpayer services. Additionally, they mandate the use of specific electronic forms for reporting and self-assessing VAT on cross-border digital services, targeting non-resident digital service providers and intermediaries. The resolutions align with international practices to enhance VAT compliance and collection on digital transactions.
- **France:**^{xvi} On April 29, 2025, the French Ministry of Finance [unveiled](#) an e-commerce enforcement action plan designed to enhance oversight and combat VAT fraud. The plan includes increasing controls on foreign e-commerce platforms, ensuring equal scrutiny for both small and large entities, to address the imbalance between European and non-European operators. It also aims to prevent VAT fraud by identifying high-risk operators early and deregistering importers and fiscal representatives who fail to meet record presentation or solvency requirements. Additionally, France will advocate for ending the European Union's exemption of customs duties on parcels valued under EUR 150, as part of the Customs Union reform.
- **Kenya:** On April 29, 2025, Kenya published the Finance Bill, 2025, which, among other things, proposes to broaden the scope of the VAT rules for nonresident digital services providers to include internet-based radio and television broadcasting services, thereby taxing streaming services that were previously untaxed. It also proposes expanding the significant economic presence (SEP) tax to cover services provided through the internet or an electronic network beyond just those offered through digital marketplace and removing the KES 5 million registration threshold. Additionally, the bill clarifies that digital services provided to Kenyan consumers would be subject to excise tax and would extend this tax to services offered via the internet or an electronic network, beyond just those offered through digital marketplace. To read a report prepared by KPMG in Kenya, click [here](#).
- **Kenya:**^{xvii} On June 6, 2025, the Kenyan Tax Appeal Tribunal published its decision in *Multichoice Africa Holdings BV*, [\[2025\] KETAT 226 \(KLR\)](#), regarding the VAT qualification of digital satellite television services (DSTV). In the case, a nonresident company providing DSTV services contended that its DSTV services should be treated as traditional broadcasting, qualifying for VAT recovery, and argued against the retroactive application of the 2023 Digital Marketplace Supply Regulations. The Kenya Revenue Authority (KRA)

argued that DSTV services are digital in nature, falling under the digital marketplace category, thus disallowing VAT deductions. The Tribunal upheld the KRA's position, confirming that the services are digital services subject to VAT under Sections 5(7) to 5(9) of the VAT Act, and denied VAT deduction claims for business-to-consumer transactions on digital platforms.

- **New Zealand:**^{xviii} The New Zealand Inland Revenue recently published two draft guidance documents for consultation, clarifying GST obligations for services provided through electronic marketplaces. The [first guidance](#) states that GST listed services rules apply when sales are facilitated by a marketplace operator, distinguishing between direct marketplace interactions and non-marketplace transactions like physical store purchases. It outlines the GST treatment of transactions involving marketplace operators and listing intermediaries, emphasizing the marketplace's responsibility for GST and flat-rate GST credits. The [second guidance](#) explains how to identify sales that fall under GST listed services rules when combined with other goods or services, using standard GST principles to determine if transactions are single or multiple. Effective April 1, 2024, New Zealand requires marketplace operators to collect GST on accommodation and transportation services, with provisions for non-registered sellers and intermediaries. The guidance highlights that only sales made through a marketplace are subject to listed services rules, while other direct sales follow standard GST rules.
- **New Zealand:** On May 22, 2025, New Zealand published the 2025 budget, which, among other things, shelves the digital services tax legislation. To read a report prepared by KPMG in New Zealand, click [here](#).
- **Philippines:**^{xix} On June 11, 2025, the BIR issued RMC No. 58-2025, which extends the deadline for registration of all nonresident digital services providers from June 1, 2025, to July 1, 2025, due to the unavailability of the VAT on Digital Services (VDS) portal and the Online Registration and Update System (ORUS).
- **South Korea:** Effective July 1, 2025, South Korea will mandate certain nonresident digital intermediary service providers to collect and report monthly transaction details, such as information on transaction parties, number of transactions, and transaction amounts, to the Korean tax authority by the 15th of the month following each calendar quarter. Recent amendments clarify that these reporting requirements apply to nonresident providers, including online marketplace platforms, payment gateways, digital financial services, and foreign exchange dealers. The reporting requirement applies to transactions where the intermediary acts as a sales or settlement agent or otherwise facilitates the sale of goods or services. However, transactions involving the sale of goods or services by a foreign underlying seller are excluded. Companies not registered for VAT may need to register, and noncompliance could result in fines up to KRW 20 million. To read a report prepared by KPMG in South Korea, click [here](#).

Developments Summary of the Taxation of the Digitalized Economy

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

E-Invoicing Updates

- **Bulgaria:**^{xx} On May 9, 2025, Bulgaria's National Revenue Agency (NRA) launched a public consultation on the phased introduction of the Standard Audit File for Tax (SAF-T), set to commence in 2026. The consultation aims to discuss the structure, format, content, and submission process for transactional data. The rollout schedule would be as follows: large enterprises in January 2026, mid-sized enterprises in January 2028, and all other taxpayers in January 2030.
- **Denmark:** On March 7, 2025, the Danish tax authorities [announced](#) new bookkeeping rules effective January 1, 2026, for entities - who are not required to submit annual reports in Denmark - with an annual turnover exceeding DKK 300,000 for two consecutive years in Denmark. This change affects entities that are not established in Denmark, such as those solely registered for VAT in Denmark. The changes mandate the requirement for these companies to use digital bookkeeping systems capable of issuing, receiving and storing electronic invoices (e-invoices), and supporting data exchange via SAF-T standard files. To read a report prepared by KPMG in Denmark, click [here](#).
- **Dominican Republic:**^{xxi} On May 15, 2025, the General Directorate of Internal Taxes [extended](#) until November 15, 2025, the deadline for implementing e-invoicing for "local level" large and medium-sized taxpayers already in the adoption process.
- **European Union:**^{xxii} On May 21, 2025, the European Commission [published](#) a plan for a "Single Market Strategy" that highlights the necessity of implementing measures to ensure interoperability and adopting the European e-invoicing standard. The Commission recommends integrating an e-invoicing module into all accounting software solutions and auditing national certification schemes. Additionally, the Commission intends to pilot the reuse of e-invoicing data for sustainability reporting and improve customs transparency by connecting e-invoicing data with customs information. Lastly, the Commission proposes making the EU e-invoicing standard mandatory for public procurement processes.
- **Latvia:**^{xxiii} On April 16, 2025, the Latvian parliament began discussing a [proposal](#) to delay the implementation of the e-invoicing mandate from January 1, 2026, to January 1, 2027.
- **Malaysia:**^{xxiv} On April 30, 2025, the Malaysian tax authority (IRBM) [announced](#) the eligibility criteria for taxpayers to participate in the MyInvois e-POS pilot. The MyInvois e-POS System is a digital Point-of-Sale platform provided by the IRBM available for free to micro and small enterprises. It aims to enhance business efficiency and facilitate the e-invoicing implementation. It offers features for sales management, accounting, inventory management, and financial reporting, and allows sellers to generate e-invoices directly during transactions. Buyers can also request e-invoices after the transaction. To qualify for the MyInvois e-POS System, taxpayers must be Malaysian citizens operating a business in Malaysia with annual gross receipts of less than MYR 250,000. Interested taxpayers must register by June 30, 2025, and commit to using the system for at least six months.
- **Mozambique:**^{xxv} On March 27, 2025, the Mozambique Tax Authority (MTA) announced that starting in May 2025, VAT taxpayers must submit monthly invoice data reports online. The reports should include transaction details and VAT amounts. To read a report prepared by KPMG in Mozambique, click [here](#).
- **New Zealand:**^{xxvi} On April 8, 2025, the New Zealand Government [proposed](#) a change of the Government Procurement Rules. The proposal would require public agencies handling over 2,000 invoices annually to process e-invoices and mandate large sellers to submit them, effective January 1, 2026.

- **Oman:**^{xxvii} On May 12, 2025, the Oman tax authority and the Oman telecommunications company (Omantel) [announced](#) an agreement to implement an e-invoicing system. Initially planned for 2024, a pilot program using a 5-corner e-invoicing model is hinted to start in 2026.
- **Pakistan:**^{xxviii} On April 30, 2025, the Federal Board of Revenue Pakistan enacted Resolution F. No. 1(141) ST-L&P/2025/55105-R, amending the deadlines for taxpayers to comply with the obligation of integrating their hardware and software with the Federal Board of Revenue's computerized system for e-invoicing. The original deadlines set by Resolution S.R.O 709(I)/2025 were May 1, 2025, for corporate registered persons and June 1, 2025, for non-corporate registered persons. However, Resolution F. No. 1(141) ST-L&P/2025/55105-R extended these deadlines by one month to June 1, 2025, and July 1, 2025, respectively.
- **Spain:**^{xxix} On March 31, 2025, the Spanish Council of Ministers [approved](#) Royal Decree 6600/2025, delaying the implementation of the Veri*Factu certified billing system. The decree stipulates that individuals conducting business activities, non-residents operating economic activities through permanent establishments, and taxpayers under the special regime of assigned income must comply by July 1, 2026. Taxpayers under the general income tax regime should start complying by January 1, 2026. Furthermore, companies subject to the Immediate Supply of Information (SII) mandate are exempt from the Veri*Factu requirements. The deadline for software providers to prepare their solutions remains July 29, 2025.
- **Vietnam:** On March 20, 2025, Vietnam [published](#) Decree 70/2025/NP, which refines the provisions of Decree 123/2020/ND-CP, aiming to enhance compliance, simplify e-invoice issuance procedures, and improve integration with the tax authority's systems. It clarifies the responsibilities of taxpayers, intermediaries, and software providers, while expanding mandatory e-invoice usage across business sectors. Key updates include the subjects of application, invoice issuance and types, timing, content, invoices from cash registers, and provisions for replacing and adjusting e-invoices. To read a report prepared by KPMG in Vietnam, click [here](#).

Global E-invoicing & Digital Reporting Tracker

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

Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Bermuda** published a [report](#) discussing the direct and indirect tax proposals included in the 2025/26 Budget. The report analyses the proposed duty cuts on construction materials, motor vehicle spare parts and fuel, and the reduction in taxes on mobile phones, land tax base rates and licensing fees for private cars.
- **KPMG in Chile** published a [report](#) discussing, among other things, recent resolutions released by the Chilean tax administration (SII) on the VAT treatment for digital intermediation platforms and sales of movable goods located abroad, as well as the VAT treatment on the provision of professional services requiring the physical presence of employees at the client's premises. The report also addresses the modifications to the Chilean tax ID (Rol Unico Tributario), the representation process of taxpayers at the SII, and the penalty regime in cases of tax related felonies.

United States: Washington State Introduces Sales Tax and B&O Tax Amendments

The Washington state legislature recently passed several revenue-raising bills to address an impending budget deficit. On May 20, 2025, Governor Ferguson signed some of these bills into law and partially vetoed others. Three significant measures impacting businesses in Washington include [Senate Bill 5814](#), which broadens the retail sales tax base to encompass certain services; [House Bill 2081](#), which raises the tax rate for various classifications under the business and occupation (B&O) tax; and [Senate Bill 5794](#), which repeals several B&O tax preferences.

Senate Bill 5814, effective October 1, 2025, expands the definition of "sale at retail" to include specific services such as IT support, custom website development, security services, and live presentations. It also adds advertising services to the taxable category but excludes web hosting and certain media advertising. The bill introduces a carve-out for transactions between affiliated corporations, exempting them from sales tax, except for temporary staffing services. Additionally, SB 5814 makes custom software and its customization taxable and eliminates certain carve-outs from the definition of digital automated services, making them taxable.

House Bill 2081 modifies the B&O tax rates for various business classifications and introduces new surcharges. Effective October 1, 2025, the bill restructures rates for the Service and Other activities category and increases the surcharge on specified financial institutions. Starting January 1, 2026, a new surcharge applies to businesses with Washington taxable income exceeding \$250 million annually. The bill also addresses a Washington Supreme Court decision by clarifying the B&O deduction for investment income and providing statutory deductions for certain entities. Furthermore, effective January 1, 2027, the B&O rate for manufacturing, wholesaling, and retailing will increase.

Senate Bill 5794, effective January 1, 2026, eliminates several B&O tax preferences, including preferential rates for title insurance agents and exemptions for certain financial activities. The bill also imposes the B&O tax on the rental of space at self-service storage facilities starting April 1, 2026. Governor Ferguson used his line-item veto to reinstate the B&O deduction

for interest on loans secured by mortgages or deeds of trust for financial institutions. Consequently, other changes in the bill will proceed as planned, but the interest deduction remains unless the legislature overrides the veto. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Bahamas:**^{xxx} On May 28, 2025, the Bahamas government introduced the Value Added Tax (Amendment)(No.2) Bill 2025 in the House of Assembly to mitigate the impact of excess VAT credits and refund claims on public cash flow and establish new procedures for advance tax rulings (ATRs). The bill restricts VAT-registered businesses from claiming VAT credits on goods and services used in major construction projects unless they regularly engage in taxable real property transactions or receive an exception from the Department of Inland Revenue (DIR). It limits VAT refund claims to businesses with at least 50 percent zero-rated or reduced-rated transactions, shortening the refund claim period from three years to one year, while maintaining eligibility for charities and certain organizations. Additionally, the bill proposes amendments to ATR provisions under various acts, requiring taxpayers to pay a fee or provide security for ATR applications and complete transactions within a DIR-specified timeframe, with penalties for non-compliance. Taxpayers can appeal ATR decisions and penalties to the Tax Appeal Commission. These changes are expected to take effect on July 1, 2025.
- **Brazil:**^{xxxi} On June 2025, Brazilian authorities launched a [consultation](#) to gather feedback on regulations for the country's new VAT system. 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. The new system aims to streamline tax collection across federal, state, and municipal levels.
- **Curacao:**^{xxxii} According to news reports, the government of Curacao is considering replacing the current sales tax regime with a VAT system to enhance tax collection efficiency and broaden revenue generation. On May 7, 2025, the Minister of Finance [highlighted](#) the potential benefits but acknowledged challenges, such as increased tax burdens on lower-income groups. To address this, the government is exploring fixed monthly compensation for lower-income individuals, including minimum wage earners, to mitigate the regressive effects of VAT and protect vulnerable populations.
- **St. Vincent and the Grenadines:**^{xxxiii} On May 19, 2025, the Inland Revenue Department (IRD) of St. Vincent and the Grenadines [announced](#) the expansion of its upgraded e-tax platform to include online filing and payment of monthly VAT and PAYE obligations. This builds on the platform's February 2025 relaunch, which introduced individual income tax filing and payment. The enhanced system offers features like paperless filing, secure payments, faster processing, 24/7 access, and electronic receipts. IRD Client Relations Officers are assisting businesses with registration and portal use. Businesses are encouraged to utilize the platform for timely compliance and improved functionality.

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

- **KPMG in Austria** published a [report](#) discussing tax measures in the 2025 draft budget law. Among other things, the draft law proposes adjustments to the flat-rate VAT credit allowance, introduces VAT exemptions for contraceptives and feminine hygiene products effective January 1, 2026, and increases concession and gambling fees for certain lotteries.
- **KPMG in Austria** published a [report](#) discussing proposed changes to the Real Estate Transfer Tax (RETT) rules on share deals, aiming to align the treatment of asset and share deals in real estate transactions. The key proposals include lowering the RETT triggering threshold from 95 percent to 75 percent of share transfers in entities holding Austrian real estate, including indirect transfers, applying a uniform tax rate of 3.5 percent on the fair market value for transactions involving “real estate entities,” replacing the current 0.5 percent rate based on real estate value. The new rules would apply to transactions occurring after June 30, 2025, with transitional provisions in place.
- **KPMG in the Czech Republic** published a [report](#) discussing a decree from the Ministry of Finance on calculating floor area for VAT purposes, effective July 1, 2025. This decree responds to legislative changes related to real estate and construction, aligning with the 2024 consolidation package amendments to the VAT Act. The decree specifies how to calculate floor area by summing the areas of individual rooms and spaces, including specific guidelines for attics and cellars, and excludes certain areas like balconies and staircases. The decree aims to standardize floor area calculations for VAT, impacting definitions for social housing, VAT rate determinations, and taxation of property leases.
- **KPMG in Denmark** published a [report](#) discussing amendments to the VAT Executive Order, effective from July 1, 2025. The key change allows businesses to claim VAT deductions up to six months after the vendors’ invoice date within the current VAT return, removing the need to adjust prior returns based on invoice dates. Moreover, the amendment also requires consistent application of deduction principles across all vendor invoices, for instance, if deductions are made after purchase approval, this method must be used uniformly.
- **KPMG in Germany** published a [report](#) discussing recent tax developments, including recent decisions of the German Federal Fiscal Court related to the VAT treatment of administrative services provided to dependent foundations, the admissibility of a complaint against an incorrect tax statement challenging VAT assessments, and the VAT exemption for financial intermediation services.
- **KPMG in Kenya** published a [report](#) discussing tax measures in Finance Bill 2025. These include proposed amendments to the VAT sourcing rules for services and a provision allowing taxpayers to lodge a claim for a refund of excess tax within 12 months from the date the tax becomes due and payable. The Bill also proposes reducing the period after which a taxpayer can apply for a VAT refund on bad debts from three years to two years.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including a bill that would increase the VAT registration threshold from PLN 200,000 to PLN 240,000.
- **KPMG in Poland** published a [report](#) discussing recent decisions of the Supreme Administrative Court (SAC). In one case, the SAC held that cooperation with subcontractors and subsidiaries alone does not establish a fixed establishment under VAT rules. Instead, the tax authority must demonstrate that the company exercises control over the technical

and human resources necessary to conduct its business activities within the country. In another case, the SAC ruled that if the assignment of a financial leasing contract results in a change to the originally invoiced remuneration, the original invoice issued to the former lessee must be corrected. In such a case, a sale of goods is deemed to occur for VAT purposes. The correction also triggers a VAT adjustment, which must be made by the entity that originally deducted the VAT (i.e., the former lessee).

- **KPMG in the United Kingdom** published a [report](#) discussing two recent court decisions, *LLO Contracting Limited and Others and Candy*, that clarify the procedures available to taxpayers seeking refunds of overpaid Stamp Duty Land Tax (SDLT). The rulings confirm that taxpayers may either amend their SDLT return within one year of filing or submit an overpayment relief claim within four years of the transaction's effective date, provided certain statutory exclusions do not apply.

Roundup of Latest Court of Justice of the European Union Cases

On May 8, 2025, the Court of Justice of the European Union (ECJ) published the nonbinding opinion of its Advocate General (AG) in *Zlakov*, [Case C-744/23](#), in which it opined that a legal service offered free of charge to a client is still considered a taxable transaction for VAT purposes if a statutory fee is payable by the losing party upon success. The fact that the payment is uncertain, determined by law, or made by a third party does not exempt the service from VAT. The tax is based on the actual amount received.

On May 8, 2025, the ECJ published the nonbinding opinion of its AG in *Keladis I and Keladis II*, [Joined Cases C-72/24 and C-73/24](#), in which it opined that Customs authorities should not use EU-wide statistical data to determine the customs value of goods by applying secondary methods outlined in specific regulations. However, when using the last-resort method for valuing goods, customs can use statistical data if they've tried all other methods and failed. This should be done rarely and must allow businesses to explain their pricing. Using statistical data in this context isn't the same as setting minimum prices, if businesses can justify their low prices. A 90-day limit for using statistical data can be flexible but shouldn't be so long that it defeats the purpose of timely valuation.

On May 8, 2025, the ECJ published its decision in *P.S.A.*, [Case C-615/23](#), in which it held that the compensation a local authority pays to a company for providing public transport services, which covers their losses, should not be included in the company's taxable amount for that transaction.

On May 8, 2025, the ECJ published its decision in *L. s.c.*, [Case C-405/24](#), in which it held that EU law prohibits any Member State from excluding from the VAT exemption for small consignments of non-commercial goods sent by private individuals from a third country if such goods are imported through the Member State but destined for an individual residing in another Member State.

On May 15, 2025, the ECJ published its decision in *Tauritus*, [Case C-782/23](#), in which it held that under Article 70 of Regulation (EU) No 952/2013 (the Union Customs Code), when goods are imported into the EU and only a provisional price is known, such as one listed on a pro forma invoice, and the final price will be determined later based on objective, pre-agreed factors (like average exchange rates or commodity prices), the transaction value method must still be used to determine the customs value. In such cases, customs authorities should generally apply the simplified customs declaration procedure outlined in Articles 166 and 167 of the same regulation.

On May 22, 2025, the ECJ published the opinion of its AG in *Brose Priedviza*, [Case C-234/24](#),

in which the AG opined that the sale of a tool located in Bulgaria used by a subcontractor to manufacture components for zero-rated intra-EU sale should qualify as a domestic sale and not be considered part of the zero-rated sale of the components. The tooling sale is independent of the sale of the components, involves different parties, and does not qualify as an intra-EU transaction since the tool never left Bulgaria. As such, Bulgarian VAT applies, but the foreign purchaser retains the right to a VAT refund. Moreover, even if the tooling and component sales were artificially linked, the VAT treatment would still be the same because they are different transactions.

Source: European Union; Bulgaria - ECJ Advocate General Opines on VAT Treatment of Supply of Pro Bono Legal Services: *Zlakov* (Case C-744/23) (VAT), (May 8, 2025), News IBFD; European Union; Greece - ECJ Advocate General Opines on Use of Statistical Values in Customs Valuation: *Keladis I and Keladis II* (Joined Cases C-72/24 and C-73/24) (Customs, VAT), (May 8, 2025), News IBFD; European Union; Poland - ECJ Decides on VAT Treatment of Subsidized Services Provided by Taxable Person in Public Interest: *P. S.A.* (Case C 615/23) (VAT), (May 8, 2025), News IBFD; European Union; Poland - ECJ Decides on VAT Exemption of Imports of Small Consignments of Non-Commercial Goods from Third Countries: *L. s.c.* (Case C-405/24) (VAT), (May 8, 2025), News IBFD; European Union; Lithuania - ECJ Decides on Customs Valuation Methods and Retroactive Pricing Adjustments Declared by Importer: *Tauritus* (Case C-782/23) (CUSTOMS), (May 15, 2025), News IBFD; European Union; Bulgaria, ECJ Advocate General Opines on VAT Refund for Tooling Devices and Separation of Intra-Community Supplies: *Brose Prievidza* (Case C-234/24) (VAT), (May 28, 2025), News IBFD.

European Union: VAT Committee Publishes Minutes of 126th and 127th Meeting

On May 5, 2025, the EU VAT Committee published minutes from its 126th meeting, held on March 21, 2025, focused exclusively on the VAT in the Digital Age (ViDA) package.

[Working Paper No. 1102](#)—E-invoicing and Digital Reporting

The Working Paper addresses proposed amendments to Articles 218 and 232 of the EU VAT Directive (2006/112/EC), aimed at harmonizing mandatory e-invoicing rules across Member States by July 1, 2030. The paper clarified the scope of affected taxpayers and the implications for national reporting systems. As no objections were raised, the European Commission will proceed with drafting implementation guidelines.

[Working Paper No. 1103](#)—ViDA IOSS

The Working Paper examines proposed changes to Article 17(1)(e) of the Administrative Cooperation Regulation to enhance Import One-Stop Shop (IOSS) reporting. The amendments would require monthly IOSS reports to include the total value of goods imported per Member State of consumption. Delegations raised concerns about the use of EORI numbers to identify the Member State of consumption, particularly when the importer is a final consumer. The Committee acknowledged these limitations and confirmed plans to introduce static IOSS transaction reports by Member State.

On May 16, 2025, the EU VAT Committee published the minutes of its 127th meeting, held on May 14, 2025. The session covered a range of technical issues and legislative developments under the [EU VAT Directive](#), including the following papers:

[Working Paper No. 1104](#)—Slovakia: Mandatory VAT Grouping

Slovakia consulted the Committee on upcoming amendments to its VAT grouping rules, effective January 1, 2026. The proposal introduces a mandatory grouping regime, allowing

tax authorities to require formally independent taxpayers with financial, economic, and organizational links to be treated as a single taxpayer. The measure aims to curb tax planning practices exploiting the small and medium enterprises (SME) exemptions and deduction optimizations. The VAT Committee supported a dual approach—voluntary grouping for simplification and mandatory grouping to prevent abuse—provided it applies only to domestic entities.

[Working Paper No. 1106](#)—France: VAT Treatment of EV Battery Reinjection

France requested clarification on whether private individuals who reinject electricity from electric vehicle batteries into the public grid qualify as taxpayers under the EU VAT Directive. France argued that such reinjections constitute an economic activity, referencing the fungibility of electricity and ECJ case law. The VAT Committee disagreed, viewing the activity as private property management, not economic activity, since individuals return previously purchased electricity and pay only for net consumption. It noted that this assessment may evolve with technological developments.

[Working Paper No. 1107](#)—Italy: Barter Transactions and Taxable Amount

Italy raised concerns about legal uncertainty in valuing barter transactions, particularly between connected parties. It proposed applying Article 80 of the EU VAT Directive to address potential VAT evasion. The VAT Committee reaffirmed that Article 73 governs such transactions, with open market value applicable only under the specified conditions set out in Article 80(1) (a)-(c). It rejected Italy's broad interpretation of "connected parties," emphasizing that close ties must be assessed case-by-case.

[Working Paper No. 1108 REV](#)—SME Gross Receipts Threshold Calculation

The VAT Committee sought to clarify how Member States should uniformly calculate the annual gross receipts threshold for SME exemption eligibility. It confirmed that only specific transactions—such as taxed sales, zero-rated transactions, exports, intra-EU sales, and certain exempt services—should be included. VAT costs and capital asset disposals are excluded. The harmonized approach aims to ensure consistent application across the EU and prevent distortions.

[Information Paper](#)—Optional Provisions under the VAT Directive

This paper summarized Member States' notifications regarding the exercise of optional provisions under Articles 80, 101a, 167a, 199, and 199a of the EU VAT Directive. These allow national measures to be adopted without prior consultation, subject to post-implementation notification. The VAT Committee reminded Member States to submit timely updates and emphasized the importance of transparency via public platforms.

[Information Paper](#)—Recent ECJ Judgments

The VAT Committee presented an overview of 14 VAT-related judgments delivered by the ECJ between November 2024 and April 2025. The cases addressed various interpretative issues under the VAT Directive and may influence both national legislation and administrative practice.

Source: European Union - VAT Committee Publishes Minutes of 126th Meeting Concerning Implementation of Electronic Invoicing Rules and IOSS, May 6, 2025, News IBFD; European Union - VAT Committee Publishes Minutes of 127th Meeting Concerning Key Policy Discussion on SME Scheme, VAT Grouping and ECJ Case Law Developments, (May 19, 2025), News IBFD.

[Miscellaneous Developments in EMEA](#)

- **Austria:**^{xxxiv} On May 21, 2025, the Austrian Federal Ministry of Finance published [Federal Finance Court Decision No. RV/1100204/2021](#), clarifying the VAT treatment of

developed property sold through foreclosure. The case involved a taxpayer who, as sole owner of a plot of land, obtained a building permit for four single-family homes and entered into a civil law partnership with a construction firm to market the properties. The taxpayer contributed the land, while the firm undertook construction and claimed VAT on related costs. During a debt settlement procedure, the property, including the unfinished buildings, was sold at auction. The taxpayer, as the obligated party, did not waive the VAT exemption for the land transfer. The tax authority issued a VAT assessment, asserting that the conditions for VAT recovery had changed and that a VAT adjustment was required under the VAT law. On appeal, the Federal Finance Court ruled that the adjustment was unjustified. It found that the taxpayer had not claimed any VAT costs and had not exercised the option to tax the land transfer. The court emphasized that adjustment to claimed VAT expense require a change in the conditions within the same entrepreneur's business. Since the construction firm, not the taxpayer, was the entity that claimed the VAT expenses, and the taxpayer had not opted to become liable for VAT, the legal conditions for an adjustment were not met. The court also held that the taxpayer and the construction firm acted independently and not as a jointly operating civil partnership for VAT purposes.

- **Denmark:**^{xxxv} On May 6, 2025, the Danish Customs and Tax Administration published [Tax Council Binding Answer No. SKM2025.237.SR](#), clarifying the VAT treatment of cross-border fuel sales. In the case, the taxpayer buys fuel from subcontractors, primarily gas stations, in various countries, including Denmark, and then immediately resells the goods to its customers. The taxpayer's customers identify themselves to the gas stations using fuel cards issued by the taxpayer. The Tax Council determined that the taxpayer can be considered a commission agent who has purchased the goods from the associated subcontractors and resold them to its customers. Moreover, it was not an obstacle to considering the taxpayer as a commission agent that the taxpayer provides additional services related to the fuel, such as CO2 compensation, digital monitoring of fuel consumption, and digital location monitoring.
- **European Union:**^{xxxvi} On May 16, 2025, the European Commission published its report "[Health taxes from an EU perspective](#)," which analyzes the effectiveness, design, and potential harmonization of health-related taxes on high-fat, salt, and sugar (HFSS) foods and beverages, with a focus on sugar-sweetened beverages (SSBs). The report consolidates empirical evidence and simulations to assess the benefits and challenges of health taxation in the EU. The report concludes that well-designed taxes on high fat, salt, and sugar (HFSS) products are effective public health tools. Tiered tax structures can significantly reduce consumption and encourage product reformulation, especially given the elasticity of consumer demand. Sustained and substantial tax rates lead to more lasting behavioral change, while voluntary reduction programs are less impactful. Although concerns about cross-border shopping exist, evidence is limited and mostly relevant to smaller countries. While lower-income households bear a greater tax burden, they also gain the most in health benefits, supporting the case for targeted compensatory measures. HFSS taxes can generate modest revenue, though this may decline as consumption drops or products are reformulated. The report recommends centralized implementation, nutrient-specific targeting (e.g., sugar, salt, fat), and progressive tax designs. It also emphasizes aligning tax policy with broader health strategies, including marketing restrictions and consumer education, with an initial focus on sugar-sweetened beverages (SSBs) due to their clear definitions and strong evidence base.
- **European Union:**^{xxxvii} On May 21, 2025, the Council of the European Union adopted [Council Decision 2025/942](#), updating the EU's position within the Trade Specialized Committee on Administrative Cooperation in VAT and the Recovery of Taxes and Duties, established

under the EU–UK Trade and Cooperation Agreement. The Decision replaces Annex I to [Decision 4/2023](#), revising standard forms and procedures for exchanging VAT-related information between EU Member States and the UK. The amendment specifically updates the notification process for information requests, spontaneous exchanges, and feedback, as outlined in the Protocol on administrative cooperation and combating VAT fraud.

- **European Union:**^{xxxviii} On May 22, 2025, the European Parliament [approved](#) changes to the EU’s Carbon Border Adjustment Mechanism (CBAM) as part of the “Omnibus I” simplification package. The reforms introduce a 50-tonne exemption threshold, excluding around 90 percent of importers, mainly SMEs and individuals, while still covering 99 percent of emissions from targeted goods. The changes also streamline procedures for authorization, emissions reporting, and liability management, and introduce stronger anti-abuse measures. The proposal passed with broad support and now moves to negotiations with the EU Council. To read KPMG’s previous discussion of the EU’s CBAM, click [here](#).
- **Finland:**^{xxxix} On May 6, 2025, the Finnish tax authority published [Central Tax Board Preliminary Decision No. KVL:2025/19](#), clarifying the VAT treatment of fixed-term accommodation services. The case involved a provider offering furnished rooms under two types of agreements: short stay (daily pricing, up to one month, with utilities included) and flexible stay (monthly pricing, with utilities billed separately). Although the facilities resembled hotels, they could not be used as permanent residences. The tax authority ruled that short stay agreements are subject to VAT, as they closely resemble hotel services. In contrast, flexible stay agreements were treated as VAT-exempt rentals, as they function more like traditional leases, granting clients control over the space for a defined period.
- **France:**^{xl} On April 30, 2025, France [postponed](#) the planned reduction of the domestic VAT exemption threshold for small businesses through 2026. Initially set to take effect on March 1, 2025, under the Finance Law for 2025, the threshold was to be lowered to EUR 25,000. However, after consultations held on February 28 and April 30, 2025, the government opted to delay the reform. The measure will now be reconsidered as part of the Finance Law for 2026. In the interim, the existing thresholds remain in place under the previous version of the General Tax Code.
- **France:**^{xli} On April 30, 2025, the French General Directorate of Public Finance published [Guidance No. BOI-RES-TVA-000161](#) on the VAT treatment of company-provided vehicles used for both professional and private purposes. The guidance outlines VAT implications for different compensation models, including when no salary deduction or credit is applied. It provides guidance on territoriality, tax base, payment terms, and deduction rights. It also clarifies VAT obligations under domestic rules when both employer and employee are in France, and the optional use of the One-Stop-Shop (OSS) when the employer is based in another EU country. Full VAT deduction is allowed for vehicles permanently assigned to employees, and the guidance emphasizes that providing a vehicle for private use constitutes stipulated consideration.
- **France:**^{xlii} The French General Directorate of Public Finance updated its [guidance](#) on the VAT treatment of bundled and mixed sales, following public consultation and legislative changes introduced by the 2021 Finance Act. Among other things, the revised guidance clarifies how to determine whether distinct elements form a single sale, how to apply the correct VAT regime when elements fall under different rules, and how to treat complex cases such as bundled insurance or financial services, packaging, public procurement, and access rights. It also addresses the VAT treatment of certain services eligible for reduced rates.
- **France:**^{xliii} The General Directorate of Public Finance [opened](#) a public consultation on proposed updated guidance for the VAT treatment of works of art, collectors’ items, and

antiques. The update reflects changes introduced by the 2024 Finance Act. As of January 1, 2025, a reduced VAT rate of 5.5 percent applies in France to all qualifying sales, imports, and intra-EU acquisitions not subject to the margin mechanism. The draft guidance clarifies VAT rules on general taxation principles, special provisions for art and collectibles, public auctions, intra-EU transactions, and dealings with non-EU countries.

- **Italy:**^{xliv} On May 16, 2025, the Italian Revenue Agency issued [Circular No. 5/E](#), confirming the repeal of the VAT exemption for loans or secondments of personnel, effective January 1, 2025. The Circular clarifies that VAT applies even when the reimbursement is limited to actual cost, unless the transaction falls outside the VAT scope, such as those carried out by non-commercial entities during their institutional activities. The repeal applies only to contracts signed or renewed from January 1 onward, with no retroactive effect.
- **Italy:**^{xlv} On May 19, 2025, the Italian Revenue Agency published [Letter No. 136/2025](#), clarifying that reimbursements for co-employment costs under a business network contract are not subject to VAT. In the case, the taxpayer, a company formed through a business network contract, employed staff under a co-employment arrangement and distributed the associated costs to other companies in the network. The central question was whether these reimbursements were subject to VAT. The Agency concluded that the reimbursements were not subject to VAT, emphasizing that they represented a proportional allocation of personnel costs based on the actual services rendered by each worker to the respective companies. These payments were considered a mere transfer of funds, not a provision of services, and therefore fell outside the scope of VAT.
- **Mauritius:**^{xlvi} The Supreme Court of Mauritius recently issued its judgment in *Rogers Aviation International Ltd & Anor* (2025 SCJ 203). The case involved RAIL, a Mauritius-based company operating under a global business license, which acts as a General Sales Agent (GSA) for international airlines in various foreign jurisdictions. RAIL earns an overriding commission from ticket sales and classified this income as zero-rated under the VAT Act, claiming full deduction of VAT expenses. The Mauritius Revenue Authority (MRA) challenged this classification, arguing that the services were performed and consumed outside Mauritius and thus fell outside the scope of the VAT Act. As a result, the MRA disallowed part of the VAT deduction and issued an assessment for additional VAT, penalties, and interest. On appeal, the Mauritius Assessment Review Committee (ARC) ruled in favor of RAIL. It found that the services provided, including market setup, regulatory compliance, strategic planning, and administrative oversight were centrally managed from Mauritius. The ARC concluded that the overriding commission was consideration for the entire suite of services, not merely for ticket sales, and therefore qualified as a zero-rated sale. The Supreme Court upheld the ARC's decision, dismissing the MRA's appeal. It emphasized that the services performed under the GSA agreement were integral to the overall sale and were carried out in Mauritius. These services were not incidental but essential to the execution of the agreement. The court agreed that the commission reflected the full value of services rendered and confirmed that the transaction fell within the scope of the VAT Act and qualified as zero-rated.
- **Netherlands:**^{xlvii} On May 8, 2025, the Dutch State Secretary for Finance issued [Decree No. 2025-115705](#) that updates VAT administrative and invoicing rules. Key updates include recognizing digital payment transaction summaries for public transport or taxi services as valid invoices, provided they contain specific information such as the date of issuance, identity of the service provider, date of service, distance traveled, and VAT details. The Decree also incorporates the ECJ's ruling in *P sp. z o.o.*, Case [C-442/22](#) (January 30, 2024), which holds employees liable for incorrectly invoiced VAT unless the business failed to exercise due diligence. Additionally, the Decree extends the term for reclaiming overpaid

VAT beyond the standard five-year period for distance sales and digital services if another EU Member State imposes an additional assessment due to exceeding the threshold. Furthermore, the Decree addresses the issue of filing correct VAT returns and EC Sales Lists when a customer lacks a VAT identification number due to the small business scheme in their Member State and provides for a practical approval in this regard. The decree updates a previous decree from 2014 and took effect on May 9, 2025.

- **OECD:**^{xlviii} On May 15, 2025, the OECD published its paper on “[The effects of climate policies on emissions](#),” released under the Inclusive Forum on Carbon Mitigation Approaches (IFCMA). It evaluates how different climate policies impact greenhouse gas emissions. It finds that economic instruments, especially carbon taxes, subsidies, and emissions trading schemes (ETSs), are among the most effective tools. Carbon taxes show strong median emissions reductions. However, the effectiveness varies due to differences in implementation and local conditions. Despite their promise, carbon taxes are under-evaluated: about 80 percent of countries using them in key sectors lack formal impact assessments. This is largely due to limited data and the relatively recent adoption of many schemes. ETSs, by contrast, are better studied thanks to more accessible emissions data. The paper also notes a geographic imbalance in research, with most studies focused on North America and Europe, and calls for broader, harmonized evaluations, especially in emerging and developing economies, to support more inclusive and evidence-based global climate policy.
- **Portugal:**^{xlix} On May 19, 2025, the Portuguese Tax and Customs Authority issued [Circular No. 25069](#) to clarify tax simplification measures for periodic VAT returns under Decree-Law No. 49/2025, effective July 1, 2025. The circular states that quarterly VAT filers who switch to monthly filing are no longer required to maintain this status for three years. The tax authority will not change filing frequencies unless exceptions apply. Taxpayers with a gross receipt of EUR 650,000 or more in 2025 must continue monthly filings in 2026 and cannot change their frequency. Quarterly filers with the same gross receipt must declare changes to opt for monthly filing starting January 1, 2026.
- **Slovakia:**^l On April 14, 2025, the Council of the European Union [authorized](#) Slovakia to limit the right to deduct VAT incurred on motor vehicles and motorcycles not entirely used for business purposes to 50 percent, starting July 1, 2025. This limitation applies to purchases, leasing, intra-EU acquisitions, or imports of such vehicles, as well as related goods or services, including fuel. Furthermore, when these vehicles are part of a business's assets and subject to the 50 percent VAT deduction limit their non-business use will not be considered a provision of services for consideration.
- **Slovakia:**^{li} On May 7, 2025, Slovakia's tax authority published a [guide](#) clarifying the VAT rules for the local VAT self-assessment mechanism, effective January 1, 2025, due to amendments in VAT registration rules. The guide clarifies that from January 1, 2025, the local VAT self-assessment mechanism for sales of certain types of goods and services applies only if both the seller and the recipient are considered "taxpayers with an assigned VAT identification number" under the VAT Act. Otherwise, VAT on such transactions shall be payable by the seller if the seller is considered a "taxpayer." The guide provides several example cases on applying the rules specifically for construction works. The guide further outlines that the list of taxpayers registered for VAT, available on the tax authority's website, contains information on when an entity became a "taxpayer" and when it became a "taxpayer with an assigned VAT identification number."
- **Sweden:**^{lii} On May 6, 2025, the Swedish tax authority published [updated guidance](#), clarifying the VAT liability on imports. Among other things, the guidance specifies that if no

customs debt arises upon import, the person who would have been liable for customs duty is responsible for the VAT. Agents are not required to be VAT registered but must ensure importers have access to necessary information in a customs invoice for VAT reporting. Moreover, importers, who are VAT registered, are identified as declarants in customs declarations submitted to the tax authority before the duty decision on imported goods. Additionally, taxpayers must not use import VAT liability provisions in a way that constitutes tax evasion or abuse.

- **United Arab Emirates:**^{liii} On April 28, 2025, the United Arab Emirates' Federal Tax Authority (FTA) published [Public Clarification VATP042](#) on the VAT treatment of barter transactions, which involve exchanging goods or services without monetary payment, with each party making at least one sale to the other. Among other things, it clarifies that while VAT typically applies to monetary transactions, special valuation rules are used for barter arrangements. The value of the sale is determined by the fair market value of the non-monetary consideration received, excluding VAT. If both monetary and non-monetary considerations are received, the sale's value is the total of both, excluding VAT. To establish market value, the price of similar transactions in the UAE under comparable conditions is referenced first. If unavailable, the price of similar substitute transactions is considered, and if still undetermined, the replacement cost from an unrelated seller is used. Each party must issue a tax invoice for any taxable sale made in the transaction.
- **United Arab Emirates:**^{liv} On April 30, 2025, the FTA published [Public Clarification No. VATP043](#) regarding the domestic VAT self-assessment mechanism for precious metals and stones, effective February 26. The clarification outlines the expansion of the domestic self-assessment mechanism to include specified precious metals other than gold, precious stones other than diamonds, and jewelry made from these materials. It requires the recipient to be VAT-registered in the country, intend to resell or use the goods in manufacturing, and provide the seller with a written declaration of these facts. Sellers must receive and retain this declaration before the date of the sale and verify the recipient's VAT registration. The mechanism does not apply to jewelry manufacturing services, with certain exceptions.
- **United Kingdom:**^{lv} On April 24, 2025, the UK's First-Tier Tax (FTT) Tribunal published its decision in *Generic Maths limited*, [TC09497](#), clarifying the VAT exemption for provision of examination services. The case involved a VAT-registered online tutoring company that claimed a VAT exemption for its online teaching products, which included diagnostic assessments. HMRC denied the exemption, arguing that the product did not qualify as an examination service under the VAT Act. Upon appeal, the FTT determined that the VAT exemption applies to examination services in the education and training sector, such as accreditation, certification, and registration. However, it found that the taxpayer's product was perceived by consumers as an online teaching tool rather than an exempt examination service. Consequently, the FTT concluded that the taxpayer's product is subject to the standard VAT rate.
- **United Kingdom:**^{lvi} On May 7, 2025, the UK Supreme Court issued its decision in the joined cases *Bilta (UK) Ltd. v. Tradition Financial Services Ltd. and Nathanael Eurl Ltd. v. Tradition Financial Services Ltd.*, [\[2025\] UKSC 18](#). The case centers on a VAT fraud scheme involving carbon credit trading under the EU Emissions Trading Scheme (EUAs), where five companies were used as vehicles for missing trader intra-Community (MTIC) fraud. These companies incurred substantial VAT liabilities and were later liquidated, with HMRC as the principal creditor. The fraud exploited VAT-free cross-border trading within the EU, followed by domestic sales with VAT that was never remitted. The companies were part of complex, fast-moving chains of transactions designed to obscure the fraud. The liquidators

of the five companies brought claims against Tradition Financial Services Ltd. (TFS), a UK-based brokerage firm, alleging dishonest assistance in breaches of fiduciary duty by the companies' directors and liability under section 213 of the Insolvency Act 1986, which allows courts to order contributions to a company's assets from any person who knowingly participated in the carrying on of a business with intent to defraud creditors. The Supreme Court held that the firm could be held liable for knowingly participating in the fraudulent scheme. The Court found that the brokerage firm facilitated the fraud by introducing counterparties and negotiating trades, despite being aware of suspicious circumstances and failing to verify the legitimacy of its clients' activities. It clarified that liability under section 213 of the UK Insolvency Act 1986 is not confined to company insiders such as directors or managers. Instead, it extends to third parties who knowingly assist in fraudulent business conduct. As a result, the brokerage firm may be required to contribute to the assets of the insolvent companies upon their liquidation.

- United Kingdom:^{lvii}** On May 1, 2025, the UK's First-tier Tribunal (FTT) published its decision in *Turkish Food Supplies Ltd*, [\[2025\] UKFTT 00496 \(TC\)](#), clarifying the treatment of additional import VAT on advance payments. In the case, Turkish Food Supplies Ltd (TFS) appealed a demand from HMRC for additional import VAT, arguing that payments made to its Turkish vendor were advance payments under a long-term sales arrangement and not payments for specific imports. TFS had entered into informal "hedge agreements" to secure better pricing and ensure sales continuity. HMRC contended that these payments were for specific imported goods and that TFS had underdeclared the value of those goods. The law provides that import VAT is due on the transaction value of specific goods sold for export and defines a customs debt as applying to "specific goods." On appeal, the FTT found that the payments were not tied to specific imports but were general prepayments under a commercial arrangement. The hedge agreements, though informal and lacking detail, were supported by credible testimony and consistent business practices. HMRC failed to demonstrate that the payments were for specific goods or that the declared import values were incorrect. The FTT concluded that the payments were not for specific imports and thus not subject to additional VAT.
- United Kingdom:^{lviii}** On May 1, 2025, the UK's First-tier Tribunal (FTT) published its decision in *Get A Drip Ltd*, [\[2025\] UKFTT 00500 \(TC\)](#), addressing whether intravenous vitamin drips and injections sold by Get A Drip Ltd (GAD) qualified for VAT exemption as "medical care" under VAT law. HMRC had assessed the sales as standard-rated, while GAD argued they were exempt, having been provided by qualified medical professionals for therapeutic purposes. On appeal, the FTT found that in each case, the treatments were administered by registered nurses or doctors and were directed at addressing identifiable health disorders or physiological deficiencies. Thus, it accepted that the treatments had a therapeutic purpose, including the management of fatigue, nutrient deficiencies, and other conditions, and that they were not merely for general wellness or cosmetic enhancement. Although GAD had previously described its services in non-medical terms and had not initially registered with the Care Quality Commission (CQC), the FTT concluded that the nature of the services, as evidenced in the case studies, met the legal threshold for "medical care." The FTT emphasized that the exemption does not require a condition to be severe or curable, nor does it exclude treatments that improve well-being when tied to a diagnosed disorder. Accordingly, the FTT allowed the appeal, holding that the sales in question were exempt from VAT as medical care.
- United Kingdom:^{lix}** On May 22, 2025, the UK's Upper Tribunal (Tax and Chancery Chamber) published its decision in *Walkers Snack Foods Ltd*, [\[2025\] UKUT 00500 \(TC\)](#). In the case, Walkers Snack Foods Ltd appealed an HMRC decision that its "Sensations Poppadoms"

were standard rated for VAT. The First-tier Tribunal (FTT) had found that the products were “similar to potato crisps” and “made from the potato or from potato starch,” thus falling within excepted item 5 of Group 1, Schedule 8 of the VAT Act 1994, which excludes certain potato-based snack foods from zero-rating (to read KPMG’s discussion of the FTT decision, click [here](#)). The Upper Tribunal upheld the FTT’s findings, holding that it was reasonable to interpret “the potato” as including potato granules, and that the combined potato content (including starch and modified starch) of around 40 percent was sufficient to conclude the product was “made from the potato.” It found that the FTT’s multifactorial assessment, considering packaging, marketing, texture, appearance, and consumption context, reasonably supported the conclusion that Sensations Poppadoms were similar to potato crisps. It concluded that the FTT did not err in giving limited or no weight to the product’s name, specific flavors, or inclusion of gram flour, nor in rejecting arguments based on consumer perception or fiscal neutrality.

Asia-Pacific (APAC)

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

- **KPMG in Australia** published a [report](#) discussing the Australian Taxation Office's (ATO) issuance of updated [guidance](#) on May 7, 2025, regarding its supplementary annual GST return for large businesses that have undergone a GST assurance review. The ATO has refined the supplementary return to enhance its effectiveness, incorporating feedback from a pilot program with select Top 100 and Top 1,000 taxpayers. Businesses involved in this process were initially notified via email late last year. A formal notice to file, sent by both email and post, will be dispatched approximately four months before the filing deadline. The ATO indicated that businesses with early December balancing dates received their notice this month, with the return due on August 21, 2025.
- **KPMG in Australia** published a [report](#) discussing the ATO’s release of two draft GST legislative instruments for consultation, both set to replace existing determinations that will expire on October 1, 2025. [LI 2025/D6](#) pertains to the sale and acquisition of multimedia products, specifying that such transactions should be treated under intermediary arrangements as outlined in GST law, meaning intermediaries and principals are deemed to have agreed to these arrangements. [LI 2025/D7](#) addresses the waiver of the tax invoice requirement for recipients of “direct entry services,” or the bulk electronic clearing system. Under certain conditions, this waiver allows recipients to claim tax credits without holding a tax invoice.
- **KPMG in Kazakhstan** published a [report](#) discussing a government resolution that introduced changes to the rules for calculating excise taxes on gasoline, diesel fuel, and other petroleum products, effective May 11, 2025. A new mechanism applies when fuel prices exceed specific thresholds. The updates aim to reflect market conditions and align with current fuel prices.
- **KPMG in Malaysia** published a [report](#) discussing recent tax developments in the country, including a sales tax exemption and refund for mastectomy bras, as per the Ministry of Finance guidelines. The exemption applies from November 1, 2024, to December 31, 2027, allowing eligible individuals or companies to apply for refunds on sales tax paid

during specified periods. The report also highlights updates to indirect tax legislation, such as the Customs (Anti-Dumping Duties) Order 2025, which imposes duties on imports of Polyethylene Terephthalate from China and Indonesia, effective May 7, 2025, to May 6, 2030. Additionally, the Customs (Prohibition of Imports) (Amendment) Order 2025, effective July 1, 2025, modifies import regulations for plastics.

- **KPMG in Pakistan** published a [report](#) discussing recent tax developments in the country, including amendments to the excise law that allow for the seizure and destruction of goods with counterfeit tax stamps or without the required tax markings.

Miscellaneous Developments in APAC

- **Kazakhstan:**^{lx} Kazakhstan's lower house of parliament recently approved draft amendments to the country's VAT law, including a measure to lower the mandatory VAT registration threshold from 20,000 to 10,000 monthly calculation indexes.
- **Philippines:**^{lxi} The Philippines' Bureau of Internal Revenue (BIR) published [Revenue Memorandum Circular No. 37-2025](#), providing updated guidance on documentary requirements for VAT refund claims, effective April 10, 2025. Among other changes, the circular allows claimants to submit certified copies of invoices or receipts for sales and purchases instead of original copies. These must be certified by an authorized official or employee of the claimant entity. Additionally, claimants are no longer required to submit proof of registration with the Securities and Exchange Commission or the Department of Trade and Industry, copies of Import Entry and Internal Revenue Declarations, Informal Import Entry-related filings, or Single Administrative Documents. For claims involving amortized tax credits from capital goods importation filed quarterly, previous certifications from the Bureau of Customs Revenue Accounting Division may be used in place of certified copies, provided the original was submitted with a prior claim. For taxable periods beginning April 1, 2025, the BIR will verify export sales based on certifications from the Export Marketing Bureau (EMB) of the Department of Trade and Industry, eliminating the need for claimants to submit documents evidencing actual exports, as these will be reviewed directly by the EMB.
- **Philippines:**^{lxii} On May 16, 2025, the Philippine Court of Tax Appeals issued its decision in *Pure Essence International Inc.*, [CTA Case No. 10932](#), clarifying the right to VAT refunds related to zero-rated sales. In this case, the taxpayer, a renewable energy developer, sought a refund of unutilized VAT incurred on expenses related to its zero-rated sales of biofuel and alcohol to local customers. The Commissioner of Internal Revenue denied the claim, citing the taxpayer's failure to timely file amended VAT returns. On appeal, the Court partially granted the refund. It held that the taxpayer was entitled to a VAT refund on purchases of goods, properties, and services directly related to the exploration and development of renewable energy sources up to their conversion into power. The Court emphasized that only the portion of VAT expenses that was valid, substantiated, and not applied against VAT collected in the same or subsequent quarters could be refunded.
- **Singapore:**^{lxiii} On May 26, 2025, the Inland Revenue Authority of Singapore (IRAS) revised its [e-Tax Guide](#) concerning GST concessions for Singapore-listed real estate investment trusts (S-REITs) and qualifying registered business trusts (S-RBTs). The revision specifies that GST-registered S-REITs and S-RBTs are not obligated to submit a separate statement of claims for GST concessions unless IRAS explicitly requests it. It also includes editorial refinements to improve clarity on how GST claims should be documented under the enhanced concession program compared to standard tax rules.

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.

- i. Austria - MoF Issues Draft Budget Accompanying Act 2025 (May 6, 2025), News IBFD.
- ii. Bahamas - 2025-2026 National Budget: Government Introduces Targeted Tax Reductions on Essential Goods, Energy-Efficient Appliances, Construction Materials to Alleviate Inflationary Pressures (May 30, 2025), News IBFD.
- iii. Estonia - Government Advances Plan to Make 24% VAT Rate Permanent (May 13, 2025), News IBFD.
- iv. Tax Notes, Kazakhstan Drafts New Tax Code, May 6, 2025
- v. Malta - MoF Expands Scope of VAT Exemption for Scheduled Passenger Transport Services (May 22, 2025), News IBFD.
- vi. Moldova - Moldova Proposes to Extend List of Supplies Subject to Reduced VAT Rate (30 May 2025), News IBFD.
- vii. Peru - Peru Discusses Bill to Temporarily Reduce VAT Rate (May 27, 2025), News IBFD.
- viii. Bloomberg Tax, Philippines News Agency Announces Updated List of VAT-Exempt Medications for Various Diseases (May 1, 2025).
- ix. Tax Notes, Spanish Government Proposes 21 Percent VAT on Short-Term Rentals (May 28, 2025).
- x. St. Lucia Prime Minister Announces Plans for Tax Systems Reform, Removal of VAT on Essential Food Items Effective 1 July 2025, IBFD News (May 22, 2025).
- xi. CCH, Switzerland To Extend Cut-Rate VAT For Hotel Stays (May 15, 2025).
- xii. Bloomberg Tax, Uruguay Gazettes Decree Further Extending Reduced VAT Rate for Tourism Sector (May 5, 2025).
- xiii. KPMG International member firm in Azerbaijan.
- xiv. Bosnia and Herzegovina - Bosnia and Herzegovina Adopts Changes to VAT Implementing Regulation (May 7, 2025), News IBFD.
- xv. Costa Rica - Tax Administration Opens Public Consultation on Draft Resolutions for Digital Tax Compliance and Cross-Border VAT Reporting (May 2, 2025), News IBFD.
- xvi. CCH, France Announces E-Commerce Action Plan (May 8, 2025).
- xvii. KPMG International member firm in Kenya.
- xviii. New Zealand - Inland Revenue Issues Exposure Drafts on When GST Listed Services Are Supplied Through Electronic Marketplaces and on Mixed Supplies (May 19, 2025), News IBFD.
- xix. KPMG International member firm in the Philippines.
- xx. Bulgaria - NRA, Въвеждането на #SAFT (Стандартен одитен файл за данъчни цели) - международният стандарт за електронен обмен на данни между данъкоплатците и данъчните органи, ще започне с шестмесечен тестови период за избрана група данъкоплатци (May 9, 2025).
- xxi. Dominican Republic - DGII, Extensión De Plazo De Implementación De Facturación Electrónica Para Grandes Contribuyentes Locales Y Medianos (May 15, 2025).
- xxii. European Commission, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS (May 21, 2025).
- xxiii. Latvia – LATVIJAS REPUBLIKAS, seventeenth session of the winter session (April 16, 2025).
- xxiv. Malaysia - IRBM, FREQUENTLY ASKED QUESTIONS OF MYINVOIS E-POS SYSTEM (April 30, 2025).
- xxv. Mozambique - DGI, Aviso n. ° 40/AT/DGI/2025, pela Direção Geral de Impostos (May 27, 2025).
- xxvi. New Zealand - MBIE, Government Procurement Rules: Responsible expenditure of public fund (April 8, 2025).
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- xxviii. Federal Board of Revenue, F. No. 1(141) STL&P/2025/55105-R (April 30, 2025).

- xxix. Spain - Ministerio de Hacienda, Real Decreto 254/2025, modifica el Real Decreto 1007/2023 (April 1, 2025).
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- xxxv. Bloomberg Tax, Denmark Tax Agency Clarifies VAT Treatment of Cross-Border Fuel Sales (May 9, 2025).
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- xlvi. Mauritius - Supreme Court Rules in Favour of Taxpayer in VAT Zero Rating Dispute, (May 20, 2025), News IBFD.
- xlvii. Netherlands - Government Updates Decree on VAT Administrative and Invoicing Requirements, (May 8, 2025), News IBFD.
- xlviii. OECD - Carbon Taxes and Emission Trading Schemes Are Among Most Effective Economic Instruments in Emissions Policies, OECD Paper Says, (May 21, 2025), News IBFD.
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- lxiii. Bloomberg Tax, Singapore Tax Agency Updates e-Tax Guide on GST Concessions for S-REITs, S-RBTs (May 29, 2025)

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