



Inside Indirect Tax

May 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

- **Algeria:**ⁱ In March 2025, the National Tax Administration (NTA) of Algeria clarified the scope and conditions of VAT exemptions as outlined in the 2025 Finance Law. The exemptions target depreciable assets acquired by companies involved in the production, transport, distribution, and sales of electricity, as well as those engaged in the transport, distribution, and sales of gas by pipeline. To qualify, these assets must be used exclusively for these specified activities. The VAT exemptions are applicable from January 1, 2025, and will remain in effect until December 31, 2026.
- **Armenia:** The Armenian parliament approved a law to double the tax rates on online casinos and bookmakers, effective April 1, 2025. The new tax rates are set at 0.35 percent for casinos, up from 0.175 percent, and 0.2 percent for bookmakers, up from 0.1 percent. These rates may continue to increase annually until a dedicated gambling oversight body is established to monitor financial operations. For more information, click [here](#).
- **Canada:** On April 10, 2025, Prince Edward Island's Finance Minister presented the province's 2025 budget, including several tax proposals, including raising the tobacco tax from 29.52 cents to 30 cents per cigarette and increasing the real property transfer tax rate to 2 percent for properties valued at CAD 1 million or more and for first-time homebuyers, effective April 28, 2025. To read a report prepared by KPMG in Canada, click [here](#).
- **European Union:**ⁱⁱ On April 7, 2025, the European Commission [adopted](#) Decision 2025/676, extending the temporary exemption from import duties and VAT in Lithuania and Poland until December 31, 2025. This exemption applies to goods distributed or made available free of charge to individuals fleeing Ukraine. Eligible goods must be distributed by state or approved charitable organizations or remain property of such organizations while being made available. Lithuania and Poland must report to the Commission by March 31, 2026, detailing the nature, quantities, and value of exempted goods, authorized distributing organizations, and measures to prevent misuse.
- **France:**ⁱⁱⁱ On April 2, 2025, the French Ministry of Finance [initiated](#) a public consultation to explore the possibility of extending the reduced 10 percent VAT rate in the intermediate housing sector.
- **France:**^{iv} On April 9, 2025, the French tax authority [updated](#) its guidance concerning VAT exemption rules for the medical and paramedical professions. The update addresses several key areas: exemptions for personal care services related to medical diagnoses or treatments provided by qualified professionals; the extension of exemptions to care-related goods like orthopedic insoles; exclusions from exemptions for non-care related income including sales of prostheses to non-patients and property rentals; exemptions for joint practice arrangements, occasional practitioner substitutions, and care in private clinics or nursing homes; exemptions for biomedical analysis aimed at disease prevention, diagnosis, or treatment; and exemptions for custom dental prostheses made to a practitioner's order, while standard materials and non-prescribed prostheses remain taxable.
- **France:**^v On March 26, 2025, the French General Directorate of Public Finance published an [administrative doctrine](#) outlining the VAT rules for hotel and similar accommodation services, as well as furnished rentals for residential use. It outlines conditions for VAT exemption and taxation, including the duration of stay, the provision of furnished accommodations, and ancillary services like breakfast, cleaning, linen, and reception. The document specifies that certain rentals are taxable regardless of VAT exemptions lessees might have for their own operations. It also covers reduced VAT rates of 10% and 5.5% for specific services and the taxation of unfurnished or furnished properties considered as furnished accommodations.

- **Ireland:**^{vi} On April 3, 2025, Ireland further extended the reduced 9 percent VAT rate for sales of gas and electricity until October 31, 2025, instead of the previously set deadline of April 30, 2025.
- **Italy:**^{vii} On April 11, 2025, the Italian Revenue Agency [published](#) Ruling Answer No. 96/2025, providing clarification on the application of the reduced 10 percent VAT rate for certain theme park services. The taxpayer, a theme park operator, suggested that parking services and the rental of umbrellas and cabanas were essential due to limited public transport options and insufficient free amenities. The Agency partly accepted the operator's request, ruling that parking services qualify for the reduced 10 percent VAT rate due to their necessity for park access. However, the rental of umbrellas and cabanas qualifies for the reduced VAT rate only in a water park and remains subject to the standard 22 percent VAT rate in an amusement park.
- **Kazakhstan:** On April 11, 2025, the Ministry of Industry and Construction announced an expansion of the VAT exemption list to include 21 new categories of vehicles, agricultural machinery, and their components. The updated list now covers items such as paints and varnishes based on polyesters and polymers, plastic and vulcanized rubber products, several types of conveyors and elevators, air conditioning equipment, agricultural dryers, battery chargers, and color image monitors. This VAT exemption is applicable to the sale of these goods within Kazakhstan. To read a report by KPMG in Kazakhstan, please click [here](#).
- **Kenya:**^{viii} On March 20, 2025, the Kenyan National Assembly [accepted](#) for consideration the Value Added Tax (Amendment) Bill No. 11 of 2025, which, among other things, would clarify the effective date of the VAT exemption for sales of manufacturing capital goods granted before January 1, 2024, for investments of at least KES 2 billion. The bill would specify that the effective date of the First Schedule of the VAT Act is 12 months from the commencement of the Tax Laws (Amendment) Act.
- **Namibia:** On March 20, 2025, the Finance Minister of Namibia presented the 2025/26 Budget, proposing, among other things, to amend the zero-rated sales schedule of the VAT Act to include State-acquired commercial properties. To read a report prepared by KPMG in Namibia, click [here](#).
- **Netherlands:**^{ix} On April 18, 2025, the government published the Spring Memorandum 2025 proposing, among other things, to cancel the planned increase in the VAT rate for sports, culture, and media from 9 percent to 21 percent. To read a report prepared by KPMG in the Netherlands, click [here](#).
- **Nigeria:**^x On April 18, 2025, the Nigeria published an executive order granting a 2-year exemption from import duty and VAT on critical raw materials necessary for pharmaceutical production. The federal government has approved comprehensive guidelines for implementing this order. According to a press release from the Nigeria Customs Service, the exemption applies to active pharmaceutical ingredients, excipients, and other vital raw materials required for manufacturing essential medicines, long-lasting insecticidal nets (LLINs), rapid diagnostic kits, reagents, and packaging materials. This benefit is available only to manufacturers of pharmaceutical products who possess a tax identification number (TIN) and are recognized by the Federal Ministry of Health and Social Welfare.
- **Rwanda:**^{xi} On April 17, 2025, Rwanda published Ministerial Order No. 001/25/10/TC specifying financial and insurance services exempted from VAT. The exempted financial services include interest income on investments and loans, dividend income, invoice discounting commissions, fees for current account operations, agency banking commissions, mobile banking commissions, salary remittance commissions, income from foreign exchange operations, money remittance commissions, income from foreign

correspondent banks, grant income, write-backs on non-performing loans, provisions, depreciations, cash surpluses, gains on asset disposals, recoveries from written-off loans, loan recovery expenses, revaluation income, and miscellaneous services such as courier income, term deposit closure penalties, bank guarantee commissions, capital market services, operations of the National Bank of Rwanda, and transfer of shares. For insurance services, VAT exemptions apply only to premiums charged on life and medical insurance services.

- **South Africa:** South Africa has withdrawn the proposed 0.5 percent increase in the VAT rate. To read a report prepared by KPMG in South Africa, click [here](#).
- **Slovakia:**^{xii} On April 17, 2025, the Slovak Republic [published](#) a bill amending the Law on State Support for Rental Housing, which also extends the application of the 5 percent reduced VAT rate to sales of non-residential premises intended for housing or accommodation, provided certain conditions are met.
- **Türkiye:** On March 15, 2025, Türkiye published Presidential Decision No. 9583, which adjusted the special consumption tax (SCT) rates and fixed SCT amounts for certain tobacco products, effective immediately upon publication. The SCT rates decreased from 53.5 percent to 50 percent, while the fixed SCT amounts increased from approximately \$0.31 to \$0.39. For more information. Click [here](#).

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Digitalized Economy Indirect Tax Updates

Brazil: Proposed Digital Detox Contribution

On March 18, 2025, Brazil's Congress accepted for consideration a [proposed legislation](#) that would introduce a "digital detox" contribution, known as CIDE–Digital Detox, impacting both local and foreign providers of specific digital products or services to Brazilian consumers. The taxable event for this contribution would be the generation of revenue from the economic use of digital platforms, social networks, streaming services, online games, and other interactive digital content in Brazil. This tax would apply regardless of whether the services are offered for free or for a fee, including those supported by advertising revenue or data monetization. It would also apply to services provided by foreign entities if accessed by users in Brazil. Legal entities with annual gross revenue exceeding BRL100 million from these activities in the previous year would be subject to this tax.

The tax base for CIDE–Digital Detox would be the gross revenue generated from these activities, with a tax rate set at 1 percent. For foreign entities, the tax base would consider revenues from Brazilian users. The rate may be reduced by up to 0.5 percent for entities implementing effective measures for parental control, content restriction, elimination of compulsive engagement mechanisms, data protection, and promoting disconnection after prolonged use. Further regulations would detail the requirements for rate reduction and compliance verification. If enacted, the federal tax authority would oversee the tax, which would be due annually by the last day of March. The funds would support the National Fund for Children and Adolescents. For more information, click [here](#).

European Union: Electronic Marketplaces Qualify as Undisclosed Agents pre-2015 Amendments According to Advocate General

On April 10, 2025, the Court of Justice of the European Union (ECJ) published the nonbinding opinion of its Advocate General (AG) in Xyraltý, Case C-101/24. The case examines whether an electronic marketplace functioned as an undisclosed agent under Article 28 of the EU VAT Directive before 2015, when Article 9a of the EU VAT Implementing Regulations clarified the role of marketplaces in facilitating digital services.

The AG concluded that under Article 28, a taxpayer (e.g., a marketplace) who participates in a service transaction on behalf of another (e.g., an app developer) but under their own name is considered the seller for VAT purposes, creating a legal fiction of two transactions: a deemed purchase by the intermediary and a deemed sale by the intermediary. This interpretation applies even if the end user is aware of the app developer's identity. The AG emphasized that the assessment should consider all available information, including contractual relations, to determine if a taxpayer acts in their own name. In the context of app stores, the platform sets uniform conditions for access, and the app store acts as the direct seller of the application for VAT purposes.

Regarding the applicable sourcing rules applicable at the time the transaction took place, the AG reaffirmed that Article 28 introduces a legal fiction involving two consecutive services. For the first service, sold to the intermediary, the sourcing of the services in question should be determined by Article 44 of the EU VAT Directive, typically the place of establishment of the taxpayer. The second service, aimed at non-taxpayers, follows Article 45 of the EU VAT Directive, identifying the sourcing as the seller's place of establishment. The AG argued that the fictitious service should be treated as sold to the taxpayer, with the sourcing of the transaction governed by Article 44, maintaining consistency and avoiding complications in VAT assessment and collection. Note that effective 2015, the sale of digital services to a final consumer within the EU is taxable where the final consumer is established. For more information, click [here](#).

Saudi Arabia: Clarification and Expansion of VAT Obligations of Online Marketplaces

The Zakat, Tax and Customs Authority (ZATCA) Board of Directors recently published Resolution No. (01-06-24) amending the Implementing Regulations of the Value Added Tax Law ("VAT Regulations"). In April 2025, ZATCA released a guide clarifying these amendments. The guide provides a detailed explanation of the tax position for different scenarios related to online marketplaces, defining an online marketplace as an electronic or digital platform that enables sellers to display or provide their products. It further clarifies that marketplaces function as undisclosed agents, resulting in a deemed buy/sell transaction for VAT purposes. It also outlines the VAT obligations of each party involved in transactions between nonresident sellers and online marketplaces, and between online marketplaces and customers.

Starting from January 2026, an amendment to the VAT rules will expand the VAT obligations of online marketplaces. Marketplaces acting as intermediaries for unregistered resident sellers will be deemed to purchase and resell goods/services, making them responsible for VAT collection and payment. This creates two transactions: one from the resident seller to the online marketplace, and another from the online marketplace to the customer. In the case of resident sellers to online marketplaces, goods/services from unregistered resident sellers via a taxable marketplace are outside the VAT scope, and sellers need not issue tax invoices or collect VAT. For sales from online marketplaces to customers, marketplaces dealing with unregistered customers must register for VAT, with sales taxed on the full value paid by customers. To read a report prepared by KPMG in Saudi Arabia, please click [here](#).

South Africa: Amendments to Nonresident VAT Digital Services Rules

On March 14, 2025, South Africa [published](#) regulations prescribing electronic services for purposes of the definition of “electronic services,” which exclude business-to-business (B2B) transactions from the scope of the nonresident VAT digital services rules effective April 1, 2025. The exclusion applies only to sellers that provide digital services to registered vendors in South Africa and does not negate any potential historic liabilities.

On April 2, 2025, the South African Revenue Service (SARS) [published](#) the updated Frequently Asked Questions (FAQs) relating to the VAT rules applicable to nonresident digital services providers. The updates reflect the exclusion of B2B transactions and the new rules for digital platform intermediaries facilitating the sale of digital services. Regarding the B2B exclusion, the FAQs clarify that nonresident digital services providers that sell only to businesses may request the VAT registration status of such businesses or perform a VAT Vendor Search on the SARS website to determine the VAT registration status of these businesses. Nonresidents unable to determine whether they make sales only to VAT-registered vendors are required to register for VAT should the registration threshold be exceeded.

With respect to the new digital platform intermediation rules, the FAQs clarify that before April 1, 2025, the sale of digital services through an intermediary platform was considered to be made by the intermediary, not the principal, if the intermediary was a vendor and the principal was not a resident and not a registered vendor. This applied until such time as the principal confirms that it is registered for VAT and the principal will commence accounting for such sales on their own VAT return. However, from April 1, 2025, a such a sale is deemed to be made by the intermediary, not the principal, if the electronic services are sold through an intermediary platform on behalf of the principal, the intermediary is a vendor, the principal is not a resident, and the intermediary and the principal agree to treat the sales made by the intermediary on behalf of the principal as being made by the intermediary. In this case, intermediaries are liable to account for the VAT on sales made on behalf of a foreign electronic services provider, regardless of whether the principal is registered or not. The intermediary and the nonresident digital services provider will be jointly and severally liable for performing the relevant duties under the VAT Act and for paying the relevant tax on the taxable sales made under such agreement.

Other Developments

- **Australia:**^{xiii} On April 22, 2025, Australia published the [Taxation Administration \(Reporting Exemptions for Electronic Distribution Platform Operators\) Determination 2025](#), introducing reporting exemptions for electronic distribution platform (EDP) operators effective July 1, 2025. These exemptions apply when multiple EDPs are involved in a transaction, and the first platform does not provide any consideration while another EDP operator does and has a reporting obligation; when transactions involve digital products or services with foreign sellers and Australian end users, and the EDP is liable for GST; and when transactions are not currently required to be reported, pose a low risk of noncompliance, or the reported information would be of low quality.
- **European Union:**^{xiv} The Centre for European Policy Studies recently [published](#) a study, sponsored by the Greens/European Free Alliance group in the European Parliament, suggesting that a five percent digital services tax (DST) across the European Union could generate up to EUR 37.5 billion, providing a significant revenue source amid fiscal pressures. Alternatives to the DST, such as a digital permanent establishment tax, a destination-based cash-flow tax, and expanding VAT on digital transactions, are also being considered. While some EU Member States like France, Italy, and Spain have already implemented

national digital taxes, the European Commission's 2018 proposal for an EU-wide DST was withdrawn pending international negotiations at the Organization for Economic Cooperation and Development.

- **European Union:**^{xv} On April 3, 2025, the European Commission published [Implementing Regulation 2025/648](#), amending [Implementing Regulation 2015/2378](#) to require Member States to annually report statistical data on mandatory automatic information exchanges by platform operators and expand this data to include the number of joint audits initiated and participated in by Member States. This regulation will be binding and directly applicable in all Member States starting April 23, 2025.
- **Namibia:** On March 20, 2025, the Finance Minister of Namibia presented the 2025/26 Budget, proposing, among other things, to introduce new VAT rules on the import of digital services. To read a report prepared by KPMG in Namibia, click [here](#).
- **Norway:**^{xvi} On April 4, 2025, the Norwegian government [proposed](#) amendments to the Tax Administration Act. The changes would incorporate the OECD's [Model Rules for Reporting by Platform Operators](#) into Norwegian law and set new reporting requirements for digital platforms that facilitate real estate and transport equipment rentals, and service sales. The rules, effective from January 1, 2026, would mandate platforms to report information about both Norwegian and foreign taxpayers, and to retain relevant documentation for at least five years. The sale of goods would be exempt from these rules.
- **Norway:**^{xvii} On April 10, 2025, the Norwegian government [proposed](#) a new Law on Visitor Contribution to the parliament. The law would allow municipalities to voluntarily impose a three percent overnight accommodation tax on short-term stays to finance tourism-related public goods. The tax would apply to all providers of short-term accommodation, with tax collection responsibilities falling to the intermediary if the provider is not registered in the VAT Register. The law, expected to enter into force later in 2025, also considers a visitor tax on cruise passengers.
- **Philippines:**^{xviii} On April 25, 2025, the Philippine Bureau of Internal Revenue (BIR) [issued](#) Revenue Regulation No. 14-2025, which mandates VAT on Nonresident Digital Services Providers (NRDSPs). (For KPMG's previous discussion on the new VAT rules for nonresident digital services providers, click [here](#)). The regulation requires NRDSPs to register online with the BIR by June 1 and will be subject to VAT from June 2 onwards. The regulation also allows the Commissioner of Internal Revenue to extend the deadlines for the transition period if necessary.
- **Portugal:**^{xix} On March 27, 2025, the Portuguese Tax and Customs Authority [issued](#) Circular No. 25064, providing clarification on VAT sourcing rules for services offering virtual access to cultural, artistic, sporting, scientific, educational, and recreational services. The circular specifies that if these services are provided to taxpayers, including ancillary services, they are taxed where the recipient has its headquarters, permanent establishment, or domicile. The taxpayer receiving the services is required to self-assess VAT under the reverse charge mechanism. If the services are related to demonstrations or events broadcast or made available to final consumers, they are taxed where the recipient is established or has their domicile or habitual residence. The service provider is required to collect the VAT applicable to these services. The circular also states that mere intermediation services related to the ticket sales are excluded from ancillary services.
- **Sri Lanka:** On April 11, 2025, Sri Lanka adopted Value Added Tax (Amendment) Act No 04 of 2025, which, among other things, requires nonresident digital services providers to register for and collect VAT effective October 1, 2025. The Act empowers the Commissioner

General of Inland Revenue (CGIR) to prescribe the procedure for registration, payment, and compliance requirements. To read a report prepared by the KPMG member firm in Sri Lanka, click [here](#).

- **Taiwan:**^{xx} Effective April 7, 2025, Taiwan [raised](#) the VAT registration threshold for nonresident digital services providers from TWD 480,000 to TWD 600,000.
- **Uganda:** Uganda is considering several tax bills, including the Income Tax (Amendment) Bill 2025, which, if approved, would exclude the applicability of digital services tax on a nonresident person deriving income from providing digital services in Uganda to an associate in Uganda. Instead, the proposal seeks to impose withholding tax at 15 percent on income of a nonresident person derived from providing digital services in Uganda to an associate in Uganda. Currently, income of such a nonresident person has been subjected to withholding tax at 5 percent. This implies that nonresident persons providing digital services to associates in Uganda will be subject to withholding tax at a rate of 15 percent instead of digital services tax at a rate of 5 percent. To read a report prepared by KPMG in Uganda, please click [here](#).
- **United Kingdom:**^{xxi} On May 6, 2025, the UK's Treasury [opened](#) a consultation on the tax treatment of remote gambling. The consultation proposes the introduction of a single remote gambling tax, called the Remote Betting & Gaming Duty (RBGD), which would simplify the current three-tax system. The RBGD would apply to all remote gambling, including betting and gaming activities offered remotely, such as online casinos, bingo, and general and pool betting. The consultation also seeks stakeholders' views on the treatment of free bets, free plays, and prizes, as well as the registration, returns, and sanctions related to the proposed tax. If approved, the new tax could come into effect in October 2027 or later.

- **United States:**^{xxii} On March 31, 2025, the Office of the United States Trade Representative (USTR) [published](#) a report, identifying, among other things, electronic commerce and audiovisual trading barriers across the globe, including DSTs, significant economic presence standards, and streaming taxes.

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

Other Developments

- **Brazil:**^{xxiii} On April 8, 2025, Brazil announced changes to e-invoice layouts due to the tax reform. Starting July 1, 2025, NT 2025.002 changes will be available for testing. From October 1, 2025, the new layout will be mandatory in production, with full implementation of new fields and rules effective January 1, 2026. For more information, click [here](#).
- **Bulgaria:**^{xxiv} On March 27, 2025, Bulgaria [enacted](#) the State Budget Act 2025, mandating large enterprises to implement the Standard Audit File for Tax (SAF-T) by January 1, 2026. All remaining taxpayers will be phased-into the mandate by January 1, 2030. Monthly submissions are required, with specific annual deadlines for fixed assets and inventory data.
- **Cote d'Ivoire:**^{xxv} On February 1, 2025, the Ivory Coast government [announced](#) a phased implementation of the country's e-invoicing mandate. Starting from April 1, 2025, and concluding in September 2025, the implementation schedule is as follows: April 1, 2025 for businesses under the Normal Real Tax Regime (R  el Normal d'Imposition—RNI); June 1, 2025 for businesses subject to the Simplified Real Tax Regime (R  el Simplifi   d'Imposition—RSI); August 1, 2025 for businesses under the Micro Enterprise Regime (RME), and September 1, 2025 for businesses subject to the Enterprising State Tax (TEE) and the Municipal Tax for the Entrepreneur (TCE).
- **Greece:**^{xxvi} On April 1, 2025, the Independent Authority for Public Revenue (AADE) [extended](#) deadlines for the e-waybill submission framework, implemented in two phases. Phase A involves consignment notes with voluntary compliance until June 1, 2025, for certain Greek taxpayers and mandatory compliance from June 2, 2025. Other taxpayers have voluntary compliance until November 30, 2025, and mandatory compliance from December 1, 2025. Phase B requires digital monitoring of goods via the myDATA platform, with voluntary compliance from August 1, 2025, to November 30, 2025, and mandatory compliance starting December 1, 2025.
- **Israel:**^{xxvii} On March 17, 2025, the Knesset Finance Committee [approved](#) tax measures, including changes to the e-invoicing rollout timeline based on transaction value. The threshold will be reduced to ILS 10,000 on January 1, 2026, and to ILS 5,000 on June 1, 2026. The committee proposed prohibiting income tax deductions for expenses in e-invoices without an approved invoice allocation number starting August 2025. Additionally, detailed VAT report requirements will be reduced to ILS 500,000 from October 2025. These measures require Knesset plenum approval.
- **Mozambique:**^{xxviii} In April 2025, Mozambique's tax authority introduced new procedures for VAT taxpayers' monthly invoice reporting. Starting May 2025, taxpayers must submit invoice data monthly via the MTA's website. Software developers must contact MTA for SAF-T file requirements. Non-compliance may result in legal penalties.
- **Poland:**^{xxix} On April 11, 2025, Poland's Ministry of Finance proposed delaying the prohibition of certain invoices issued using cash registers until December 31, 2026. The mandatory KSeF introduction remains unchanged: February 1, 2026, for large taxpayers and April 1, 2026, for others. To read a report prepared by KPMG in Poland, click [here](#).
- **Slovakia:**^{xxx} On March 21, 2025, Slovakia's Financial Administration [proposed](#) introducing an e-invoicing platform for B2B transactions to digitize and automate invoice processing using PEPPOL. The proposal aims to streamline data transfer to the financial administration, but no implementation date was specified.

- **Spain:**^{xxxix} On March 31, 2025, the Spanish Council of Ministers [adopted](#) a Royal Decree delaying the general implementation of the VeriFactu billing system to January 1, 2026. POS software providers must comply by July 29, 2025, and companies using the Immediate Supply of Information (SII) for self-billing are exempt. To read a report prepared by KPMG in Spain, click [here](#).
- **Vietnam:**^{xxxix} On March 20, 2025, Vietnam issued Decree 70/2025/NP, amending e-invoicing regulations. It allows third parties to issue e-invoices with written agreements, mandates specific invoicing timelines for various services, and permits non-resident e-commerce sellers to register voluntarily. These changes take effect on June 1, 2025. 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.

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Canada** published a [report](#) discussing the elimination of the federal fuel charge, its impact on businesses, and subsequent changes in provincial carbon pricing measures effective April 1, 2025.
- **KPMG in Costa Rica** published a [report](#) (in Spanish) discussing several consultations issued by the tax authorities about amendments to fiscal periods, guidelines for tax form submissions, monthly summary report of clients, suppliers, and specific expenses not covered by an electronic receipt.
- **KPMG in Chile** published a [report](#) discussing recent tax developments, including tax authority rulings regarding the VAT treatment of advertising services provided from abroad, the VAT treatment of lease agreements with purchase option for real estate, and the VAT treatment of the auction of goods delivered as collateral, as well as a Resolution establishing the procedure through which taxpayers can request from the authority a reasonable estimation of the VAT payable when they cannot clearly or reliably determine the tax owed.

- **KPMG in Mexico** published a [report](#) (in Spanish) providing guidance on Mexico City's tax for polluting gas emissions, detailing registration, calculation, and declaration procedures for entities exceeding CO₂ equivalent thresholds.

United States: Texas Comptroller Adopts Revised Data Processing Rule

The Texas Comptroller of Public Accounts (Comptroller) [amended](#) its rule on data processing services, with the most significant changes revolving around bundled transactions. The Texas rule now provides that if a data processing service is sold for a single charge with another service that does not have a separate value, and the other service is ancillary to the data processing service, the entire charge will be taxable as a data processing service. Conversely, if a data processing service is sold for a single charge with another service, and the data processing does not have a separate value, the data processing service is ancillary to the other service. The Comptroller will consider whether the services are distinct and identifiable and whether each service is of the type that is commonly provided on a stand-alone basis or commonly provided as an additional service for a greater single value to determine if the data processing service and other service have separate value.

The new rule abandons the “essence of the transaction” evaluation (i.e., what the buyer wants) and focuses on what the service provider is doing. The rule clarifies that routine or repetitive manipulation of data by the seller of data processing is a factor that suggests its data processing service is not ancillary and, therefore, is taxable. For example, per the rule, the insertion of data into form title or loan documents for a client would ordinarily be a taxable data processing service. The primary service is the compilation, retrieval, and accurate manipulation of the data into the forms, even though there may be an element of independent judgment in correctly entering the data. On the other hand, manipulation of data that depends on the external knowledge and discretionary judgment of the service provider is a factor that suggests the data processing activity is ancillary to another service and should not be taxable. For example, the preparation of a title opinion would not ordinarily be a taxable data processing service. The primary service is the application of legal knowledge and judgment to a set of facts, even though there may be elements of data processing. These examples are illustrated in the recent opinion in *Hegar v. Black, Mann, & Graham, L.L.P.* The rule provides several other examples of services that are and are not taxable data processing services based on the routine and repetitive manipulation test or the use of external knowledge and discretionary judgment test.

A significant modification from the proposed rule to the adopted rule was applying an effective date of October 1, 2025, for marketplace provider services. The rule states marketplace provider services may be providing taxable data processing services when they perform the computerized entry, retrieval, search, compilation, manipulation, or storage of data or information provided by the purchaser or the purchaser's designee. For example, storing product listings and photographs, maintaining records of transactions, and compiling analytics are taxable data processing services.

Finally, the newly adopted rule provides that a data processing service performed in Texas but used in multiple states is exempt from tax to the extent the service is used outside of Texas. Further, the Comptroller is to develop a form that a purchaser may provide to the seller by indicating the use in multiple states and indicating that the purchaser assumes responsibility for paying the required tax. A purchaser may use a reasonable and consistent method supported by its business records to allocate the service between jurisdictions. Under the prior rule, the purchaser was required to demonstrate that the non-Texas use was attributable to a separate, identifiable business segment to avail itself of the multistate benefit if its principal place of business was Texas.

Miscellaneous Developments in the Americas

- **Guatemala:**^{xxxiii} Effective April 7, 2025, the Central Bank of Guatemala (BANGUAT) requires exporters under general, optional, and special electronic regimes to submit VAT credit requests through a formal written request to the General Manager, replacing the SAT-2062 form. Exporters must include specific details such as the resolution number, authorized amount, case file number, authorized period, and bank account information, along with the applicable regime. Requests involving dismissed adjustments or late payment interest should omit the "Regime" description. Exporters in the special regime will continue using the SAT-2062 form. This change aims to enhance the efficiency and clarity of VAT credit processing for both taxpayers and BANGUAT.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Austria** published a [report](#) discussing recent tax developments, including several recent decisions by the Austrian Federal Finance Court. One case involved the court allowing VAT deductions despite the absence of an invoice, challenging traditional VAT estimation practices. Another case addressed the treatment of VAT in rental contracts, highlighting that while rentals for business purposes are VAT-exempt, landlords can opt for full taxation if tenants meet specific criteria. The court ruled that even when the option to apply VAT cannot be exercised initially, the 20 percent VAT must be added to the tax base. Additionally, the court emphasized the importance of explicitly naming perpetrators in voluntary self-disclosures for late VAT return submissions to avoid financial criminal penalties.
- **KPMG in Belgium** published a [report](#) discussing the Belgian government's approval of a draft program law introducing several tax measures from the Coalition Agreement 2025-2029. The law permanently establishes a 6% VAT rate for dwellings sold after demolition and reconstruction, with specific conditions on usage and living area. Changes effective July 1, 2025, include abolishing the reduced VAT rate on coal and increasing the VAT rate on fossil fuel heating systems.
- **KPMG in Cyprus** published a [report](#) discussing Circular 3/2025 issued by the Tax Department on April 8, 2025, which clarifies the VAT treatment of unredeemed vouchers with expiration dates. For multi-purpose vouchers, VAT is accounted for at redemption, so no VAT is due if they expire unredeemed. For single-purpose vouchers, VAT is accounted for at issuance, and no VAT adjustment is needed if they remain unredeemed.
- **KPMG in Germany** published a [report](#) discussing various tax-related topics, including the coalition agreement between the new governing parties. The report also covers recent decisions from the Federal Fiscal Court (BFH) on various VAT matters, including the VAT treatment of fitness studio services during lockdown, bonus payments in central settlement

businesses, and VAT deductions by insolvency administrators both during company setup and business continuation.

- **KPMG in Ghana** published a [report](#) discussing tax proposals in the 2025 budget, which include reintegrating the Ghana Education Trust Fund Levy (GETFL) at 2.5 percent, the Covid-19 Health Recovery Levy (CHRL) at 1 percent, and the National Health Insurance Levy (NHIL) at 2.5 percent into the VAT structure. This move reverses their standalone application, which had increased the effective VAT rate to 21.9%. The proposals also aim to undertake a comprehensive VAT reform in April 2025, review all taxes, fees, and charges at ports, expand the scope of the voluntary disclosure program, and update VAT exemptions for raw materials and essential medicines.
- **KPMG in Italy** published a [report](#) discussing On April 14, 2025, Regulation no. 178713/2025 was published, enforcing the requirement for non-EU companies operating in Italy through a fiscal representative to provide a EUR 50,000 guarantee valid for 36 months, as stipulated under Legislative Decree no. 13/2024. This obligation extends to non-EU companies already registered in the VAT information exchange system (VIES) as of the regulation's publication date. These companies must submit the guarantee within 60 days, by June 13, 2025.
- **KPMG in Italy** published a [report](#) discussing On April 17, 2025, Regulation no. 186368/2025 was published, providing clarification on the eligibility criteria for fiscal representatives of both EU and non-EU companies. The regulation also outlines the obligation for non-EU companies operating in Italy through a fiscal representative to submit a guarantee, as mandated by Legislative Decree no. 13/2024. Existing fiscal representatives of both EU and non-EU companies are required to submit a self-declaration of eligibility and, if applicable, the necessary guarantee within 60 days from the date of publication, i.e., by June 16, 2025.
- **KPMG in Kenya** published a [report](#) discussing a recent Court of Appeal's ruling on the VAT treatment of commercial property sales. The taxpayer argued that the sale of commercial property falls under the definition of land, which is exempt from VAT. The Court of Appeal emphasized the distinction between land and buildings under the VAT law and decided that commercial buildings are taxable. It found no ambiguity in the VAT law, which exempts residential premises and land but not commercial premises. Consequently, the court held that KRA lawfully applied VAT on the sale of commercial property.
- **KPMG in Namibia** published a [report](#) discussing the 2025/26 Budget proposal presented by the Finance Minister of Namibia on March 20, 2025, which would, among other things, amend the zero-rated sales schedule to include state-acquired commercial properties.
- **KPMG in Norway** published a [report](#) discussing proposed changes to the VAT rules for services between a head office and affiliated branches. The proposed changes, which are set to take effect from January 1, 2026, aim to ensure that services for use in Norway are taxed in Norway, even if the service is acquired by or delivered to a recipient domiciled outside Norway. The proposal also includes new provisions regarding VAT liability for foreign financial businesses.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including new rules for keeping books of account and records of tangible and intangible assets. A draft regulation was published on April 3, 2025, requiring businesses to include additional data in their books, such as counterparties' Polish Tax Identification Numbers, National e-Invoicing System invoice numbers, and data confirming the acquisition or removal of an asset from the records. Another draft regulation published on April 2, 2025, introduces the obligation to keep revenue registry and the list of tangible and intangible assets using

dedicated software.

- **KPMG in Poland** published a [report](#) discussing recent tax developments, including a judgment from the Supreme Administrative Court that found the two-year time limit for using 'bad debt relief' under the VAT Act to be incompatible with EU law. According to the court, there were no grounds to deny a business operator the right to use the bad debt relief after the two-year deadline. The court stated that while the EU VAT Directive allows for a time limit, the principles of tax neutrality and proportionality make it difficult to justify a two-year limit.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including proposed amendments to the National Revenue Administration Act and the VAT Act. The bill proposes solutions such as correcting a return after a customs and fiscal audit has been completed and filing a return within 14 days from the date of initiation of a customs and fiscal audit. Additionally, the report discusses a Supreme Administrative Court case regarding VAT on selling real estate through an attorney. The court ruled that such transactions are not subject to VAT as they do not involve activities characteristic of a person engaged in real estate trading.
- **KPMG in Saudi Arabia** published a [report](#) discussing the approval of Board Resolution No. (01-06-24) by the Zakat, Tax, and Customs Authority (ZATCA) on April 18, 2025, which amends the Implementing Regulations VAT. The report highlights key updates, including new conditions for forming VAT groups, clarifications on services subject to VAT, adjustments to nominal sale provisions, and the introduction of zero-rating for certain customs duty situations and services to non-Gulf Cooperation Council residents. Additionally, the amendments address government subsidies, online marketplace regulations, restrictions on input VAT deductions, and tax refunds for tourists. These changes are effective immediately, except for specific provisions with later effective dates.
- **KPMG in Slovakia** published a [report](#) discussing the European Commission's proposal to authorize Slovakia to limit the right for VAT deduction on motor vehicles and motorcycles to 50 percent starting July 1, 2025. This measure aims to simplify the current system, which is seen as administratively burdensome. The limitation will apply to vehicles used for both private and business purposes, as well as related services and fuel. Exceptions include vehicles used for resale, rental, passenger transport, driving lessons, testing, and replacements. The authorization will be valid until June 30, 2028, with the possibility of extension.
- **KPMG in Spain** published a [report](#) discussing the tax amendments for the real estate sector in Catalonia, including an increase in transfer tax rates for property acquisitions, with a new 20 percent rate for large-scale property owners and entire residential buildings, effective June 27, 2025. Additionally, stamp duty rates have increased, particularly in cases where the VAT exemption is waived. The legislation also introduces various allowances, such as a 100 percent allowance for non-profit housing cooperatives and a 50 percent allowance for properties converted into social housing or used as business headquarters.
- **KPMG in Uganda** published a [report](#) discussing the proposed tax amendments for 2025/2026, which include an anti-fragmentation rule for imported goods to prevent VAT registration avoidance, the inclusion of UN-related agencies for VAT exemption, and adjustments to exempt sales to promote renewable energy and the textile industry. Additionally, the amendments would introduce a zero-rating for aircraft sales to incentivize

investment in aircraft purchases.

European Union: Transfer pricing arrangements may be subject to VAT (CJEU Advocate General)

On April 3, 2025, the Court of Justice of the European Union (ECJ) published the nonbinding Opinion of its Advocate General (AG) in *Arcomet Towercranes*, Case [C-726/23](#), regarding the VAT treatment of intra-group transactions and transfer pricing arrangements. The case involves a taxpayer within a global group specializing in crane rentals, facing a tax dispute over transactions with its Belgian head office. A transfer pricing study conducted in December 2010 led to an agreement ensuring a Romanian group entity a specific profit margin range, with adjustments through annual invoices if margins exceeded set limits. The Romanian entity received three invoices excluding VAT from the Belgian head office for profits exceeding the expected range in 2011, 2012, and 2013. The Romanian tax authority denied the entity's right to deduct VAT on these invoices, arguing that the company failed to justify the provision of the invoiced services or their necessity for taxable operations due to the lack of supporting documentation.

The AG addressed two key questions. Firstly, whether Article 2(1)(c) of the VAT Directive should be interpreted to mean that an amount billed by one company to a related company, aligning the operating company's profit with its activities and assumed risks according to OECD margin principles, constitutes a payment for a service and is therefore subject to VAT. The AG opined that the determination of whether a transfer pricing adjustment falls within the scope of VAT needs to be made on a case-by-case basis, considering the economic and commercial reality of the transactions. The AG concluded that the remuneration of intra-group services, provided by a parent company to a subsidiary and calculated according to the transactional net margin method recommended by the OECD principles, should be considered as the counterpart of a service provided for a fee and subject to VAT.

Secondly, the AG considered whether the tax authority can require documentation beyond the invoice, such as activity reports or work statements, to justify the use of purchased services for taxable activities. The AG noted that the ECJ's consistent jurisprudence on VAT deduction requires a direct and immediate link between a particular upstream operation and one or more downstream operations, giving rise to a right of deduction. The AG proposed that Articles 168 and 178 of the VAT Directive should be interpreted as not opposing a tax administration requiring a taxpayer seeking VAT deduction to provide other documents besides the invoice, provided that these documents are requested in accordance with the principle of proportionality and are capable of proving the existence of the services in question and their use for the needs of the taxpayer's taxed operations. For more information, click [here](#).

Roundup of Latest Court of Justice of the European Union Cases

On April 3, 2025, the ECJ published its decision in *Veliko Tarnovo*, Case [C-164/24](#), in which it held that tax authorities cannot de-register a person for VAT due to noncompliance with VAT obligations without first analyzing the nature of the infringements and the conduct of the taxpayer.

On April 3, 2025, the ECJ published the nonbinding Opinion of its AG in *Kosmiro*, Case [C-232/24](#), in which the AG opined that factoring services, whether involving the sale of debts or financing guaranteed by invoices, should be treated as taxable transactions under the EU VAT Directive. The AG clarified that the factoring commission and arrangement fee charged by factors are considered remuneration for debt collection services, which are subject to VAT, rather than exempt financial services like the granting of credit. The AG emphasized that the EU VAT Directive's exception for debt collection is sufficiently precise to have a direct effect, allowing it to be invoked against conflicting national laws that might classify factoring services

as exempt financial transactions.

On April 30, 2025, the ECJ published its decision in *Wrocławiu*, Case [C-278/24](#), holding that a current or former board member of a company may be held jointly and severally liable for the company's unpaid VAT debts if those debts arose during their time in office. However, this liability is limited to tax arrears, and enforcement directly against the company must have failed in whole or in part. Moreover, to be exempt from this liability, the board member must prove they filed for the company's insolvency on time or that not doing so was not their fault. They must demonstrate that they acted diligently in managing the company's affairs and simply stating that the government was the only creditor when the company became insolvent is not sufficient to prove diligence.

Source: European Union; Bulgaria ECJ Decides on Compatibility of National Measure Permitting Automatic Deregistration of Taxable Persons with VAT Directive: *Cityland* (Case C-164/24) (VAT), (April 3, 2025), News IBFD; European Union; Finland—ECJ Advocate General Opines on VAT Implications for Factoring Companies: *Kosmiro* (Case C-232/24) (VAT), (April 3, 2025), News IBFD; European Union; Romania—ECJ Advocate General Opines on VAT Treatment of Transfer Pricing Adjustments: *Arcomet Towercranes* (Case C-726/23) (VAT), (April 4, 2025), News IBFD; European Union; Poland—ECJ Decides on Joint and Several Liability of Board Members for VAT Debts of Company: *Genzyński* (Case C-278/24) (VAT), (April 30, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Algeria:**^{xxxiv} On April 14, 2025, the Algerian tax authority clarified amendments to the VAT taxable event for real estate development activities, introduced under the 2025 Finance Law. The amendment changes the taxable event from legal or physical delivery to the partial or total collection of the property's sale price. This applies to the sale of buildings for residential, commercial, professional, or industrial use by real estate developers. For advances received before the enactment of the 2025 Finance Law where VAT was not collected, VAT becomes due upon the legal or physical delivery of the property, adhering to the principle of non-retroactivity of tax laws.
- **Algeria:**^{xxxv} The Algerian tax authority recently clarified the procedure for requesting a VAT refund. To submit a VAT refund request, taxpayers must approach the appropriate authority managing their file. For those ceasing their activities, requests must be submitted along with the cessation of activities financial statements to ensure special processing. Refund requests can only be made for the VAT credit accumulated during the relevant quarter and must align with the credit balance for that quarter. The tax authority is required to notify the taxpayer of its decision via registered letter with acknowledgment of receipt or hand delivery, starting the statutory time limit for appeal from the date of receipt. If the refund request is partially or fully rejected, the tax authority must inform the taxpayer of their right to contest the decision, following specified procedures outlined in the law. The notification must clearly indicate the possibility of filing a litigation claim, the competent authority to receive the claim, and the legal deadline for submission.
- **Austria:**^{xxxvi} On April 15, 2025, the Austrian [Federal Ministry of Finance published Federal Finance Court Decision No. RV/1100335/2021](#), clarifying VAT deductions for apartment rental activities. In this case, a taxpayer claimed VAT deductions related to renting a three-room apartment. The Austrian tax authority denied these deductions, considering the rental activity a hobby and disregarding the VAT expense deductions. The taxpayer argued that the rental should be considered a business activity, thus entitling them to VAT deductions. On appeal, the Federal Finance Court found that the rental agreement between the taxpayer and her mother was not conducted under typical market conditions, indicating a familial arrangement rather than a business transaction. Consequently, the rental activity did not constitute an activity for VAT purposes, thus denying the claimed deductions and input

tax credits.

- **Austria:**^{xxxvii} On April 18, 2025, the Austrian Ministry of Finance published [Federal Finance Court Decision No. RV/7103141/2024](#), addressing whether a taxpayer can claim VAT deductions based on fraudulent invoices issued by a sham company. In this case, the taxpayer, a sole proprietor running a horse boarding business, hired a company for construction work. The construction company further subcontracted some services related to the construction and issued invoices with VAT to the taxpayer. The taxpayer paid the invoices and claimed VAT deductions, but these claims were denied. On appeal, the Federal Finance Court upheld the denial. It found that the taxpayer failed to conduct due diligence to verify the legitimacy of the construction company, neglecting several verification measures expected of a prudent entrepreneur. Furthermore, despite the services being recorded as provided, they were not directly provided by the construction company, and the taxpayer had no contractual relationship with them.
- **Belgium:**^{xxxviii} On April 4, 2025, the Belgian Federal Public Service Finance [clarified](#) the VAT reporting requirements for mixed and partial taxpayers in 2025. Mixed taxpayers (i.e., those with taxable and exempt sales) using the general apportionment method must annually report both provisional and definitive apportionment figures in their VAT returns by specific deadlines. Those using the actual allocation method must report detailed information about the proportion of VAT related to operations eligible for full, partial, or no deduction. A tolerance for 2025 allows extended deadlines for monthly and quarterly filters, with final figures due by specific dates later in the year.
- **Bosnia & Herzegovina:**^{xxxix} On March 27, 2025, the Bosnian-Herzegovinian's parliament accepted [Bill No. 02-02-1-1829/24](#) for consideration, which proposes amendments to the VAT law. Among other things, the bill aims to introduce measures that grant resident individuals the right to a VAT refund on their first residential property purchase, allow nonresident individuals to obtain VAT refunds on goods purchased in the country and taken out, excluding certain goods, and impose specific penalties on taxpayers for improper calculation, payment, and filing of VAT.
- **Denmark:**^{xl} On March 27, 2025, the Danish Customs and Tax Administration published [Tax Council Binding Answer No. SKM2025.165.SR](#), clarifying the VAT treatment of management services provided to an alternative investment fund (AIF). In this case, the taxpayer, a licensed AIF manager, provided management services to an AIF involved in acquiring, building, leasing, operating, and selling real estate in Denmark. The taxpayer sought clarification on whether it could take advantage of the VAT exemption for managing investment funds and avoid the obligation to pay VAT for the management services provided. The Tax Council found that the fund's investments did not satisfy the condition that the fund must invest based on a principle of risk diversification, and the taxpayer's services were thus not covered by the VAT exemption for managing investment funds under the VAT law.
- **Denmark:**^{xli} On April 2, 2025, the Danish Customs and Tax Administration published [City Court Decision No. SKM2025.180.BR](#), clarifying the VAT treatment of car purchases by a sole proprietorship. In this case, the taxpayer, a VAT-registered sole proprietorship providing private security services, purchased several cars and deducted VAT on these purchases. Upon inspection, the tax authority denied the taxpayer's VAT deductions on the purchases. The court held that the taxpayer did not provide evidence that the three vehicles were used for VAT-liable activities or that it operated a car dealership. It also held that the taxpayer's purchase of a vehicle from a leasing company was deemed a taxable delivery of goods rather than a leasing service. Additionally, the court found that the taxpayer failed to

demonstrate correction of sales VAT invoiced to leasing companies during specified periods, leading to the denial of the refund claim.

- **Denmark:**^{xliii} On April 11, 2025, the Danish Customs and Tax Administration published [Tax Council Binding Answer No. SKM2025.208.SR](#), clarifying the VAT liability of an association providing consultancy services. In this case, the taxpayer was an association responsible for implementing a comprehensive project to ensure the restoration and renovation of listed and protected houses in a Danish city. The taxpayer sought clarification on whether it qualified as a taxpayer operating an independent economic activity, as well as whether it conducted sales subject to VAT through the delivery of administration and project management services, and the resale of advisory services to the private owners of the specified properties. The Tax Council found that the taxpayer was indeed a taxpayer operating an independent economic activity in its provision of services to the private owners of the properties and conducted sales subject to VAT through the delivery of administration and project management services, and the resale of advisory services to the private owners of the properties.
- **Denmark:**^{xliii} On April 25, 2025, the Danish Customs and Tax Administration published [National Tax Court Decision No. SKM2025.221.LSR](#), clarifying VAT deductions for the purchase of diamonds. In the case, the taxpayer was primarily involved in owning and managing shares in subsidiaries and investing in securities, argued that a diamond was intended for resale as part of an economic activity. However, the National Tax Court determined that the purchase constituted passive investment, not economic activity, as it did not involve taxable transactions. The diamond had not been resold, nor had any other investment objects been bought or sold during the registration period. Consequently, the National Tax Court agreed with the tax authority's assessment that the company's activities resembled those of a private investor managing personal assets, thus falling outside the scope of VAT.
- **European Union:**^{xliv} On April 15, 2025, the EU's Group on the Future of VAT (GFV) released the [minutes](#) of its 48th meeting from March 28, 2025. The meeting focused on several key topics, including the VEG's Report on VAT after ViDA, which aims to modernize the EU VAT system by simplifying the framework, updating it for digital developments, and integrating sustainability, with reforms proposed for financial services and tourism. Additionally, the meeting discussed a study on VAT challenges beyond ViDA, emphasizing simplification, digitalization, and environmental alignment. Updates on ViDA implementation were also provided, particularly concerning Digital Reporting Requirements and e-invoicing, with plans for guidelines and explanatory notes. The meeting reviewed several working papers: [GFV No. 144](#) on the platform economy, [GFV No. 145](#) on the implementation plan for the Single VAT Registration (SVR) component of ViDA, and [GFV No. 146](#) on the IOSS Project Group's efforts to combat tax evasion, with pilot testing and a draft Commission Regulation anticipated in 2026.
- **European Union:**^{xlv} On April 15, 2025, the EU's VAT Expert Group (VEG) published the minutes of its 39th meeting held on March 26, 2025. The meeting addressed a study on VAT challenges beyond the ViDA initiative, clarifying that it is not an Impact Assessment and excludes areas like travel, tourism, and financial services. The group reviewed progress on ViDA implementation, focusing on Digital Reporting Requirements and e-invoicing, with plans for supporting guidelines and input gathered from a recent workshop in Vienna. Working papers [VEG No. 125](#) and [No. 126](#) outlined timelines for developing explanatory notes on platform rules and the implementation plan for the Single VAT Registration component of ViDA, respectively. [VEG No. 127](#) updated the ongoing work of the Import

One-Stop Shop (IOSS) project group, aiming to strengthen the verification process for VAT identification numbers.

- **European Union:**^{xlvi} On April 22, 2025, the European Commission published [Commission Implementing Regulation 2025/772](#), amending rules related to the European Union Emission Trading System (EU ETS) and adjustments to the free allocation of emission allowances starting January 1, 2026. The regulation raises the threshold for adjustments from 100 to 300 allowances and eliminates free allocations for sub-installations that have ceased operations. It removes the concept of electricity generators from Directive (EU) 2023/959 and introduces climate-neutrality reporting requirements for operators with climate-neutrality plans, with reports due by March 31, 2026, and every five years thereafter. Additionally, it allows district heating operators to receive an additional 30 percent in allowances if they provide evidence of significant emission-reducing investments by 2030. The regulation will take effect twenty days after its publication and will apply to allocations from January 1, 2026. Directive 2003/87/EC serves as the legal basis for the EU ETS, aiming to reduce greenhouse gas emissions in a cost-effective and economically efficient manner.
- **Finland:**^{xlvii} On April 17, 2025, the Finnish Supreme Administrative Court published Decision No. KHO:2025:33, which clarified the VAT application for purchased services related to wind farm projects in Finland's exclusive economic zone (EEZ). The decision involved a company planning to build a wind farm in Finland's EEZ that purchased research and analysis services from nonresident providers without Finnish permanent establishments. The Taxpayers' Rights Enforcement Unit argued that the VAT Act applied because Finland has jurisdiction over research activities in the EEZ and can impose taxes. The company contended that neither the VAT Act nor the Finnish EEZ Act granted Finland taxing authority over these services. The Supreme Administrative Court rejected the company's appeal, ruling that the activities are under Finland's jurisdiction and that the company must pay VAT on the services using the reverse charge mechanism.
- **Finland:**^{xlviii} On March 19, 2025, the Finnish Supreme Administrative Court published [Decision No. KHO:2025:20](#), addressing whether a taxpayer is entitled to a VAT refund for purchases related to the sale of credit brokerage services when the buyer is a business with a place of business or a fixed establishment outside the EU. In this case, the taxpayer, part of a Nordic group with a Swedish parent company, provides VAT-exempt credit brokerage services to banks and financial institutions in Finland, Norway, and other EU countries. The company sought a VAT refund for purchases related to these services, arguing that the EU VAT Directive allows for such refunds when services are sold to buyers established outside the EU. The Supreme Administrative Court concluded that the taxpayer is entitled to a VAT refund for purchases related to the sale of credit brokerage services when the buyer's place of business or fixed establishment is outside the EU. The court assessed the applicability of the VAT Directive's provision and determined that the right to a VAT refund should be based on the Directive, which allows for a refund if the service is sold to a buyer established outside the EU, regardless of the existence of a fixed establishment within the EU. If the buyer's fixed establishment receives and uses the service for its own needs, the refund is allowed if the fixed establishment is outside the EU.
- **Finland:**^{xlix} On April 2, 2025, the Finnish tax authority published [Updated Guidance No. VH/8016/00.01.00/2024](#), clarifying the VAT exemption for health and medical care services. The guidance explains that the VAT treatment of these services depends on the person performing the service and the type of service provided. The VAT Act exempts healthcare services provided by certain state or private providers, as well as healthcare professionals who are registered or practice under a statutory right. It also states that the resale of health and medical care services, including ambulance services, is exempt from VAT, even if the

reseller is not registered in the national register of service providers. Additionally, VAT cannot be deducted on purchases of VAT-exempt health and medical care services.

- **Finland:**ⁱ On April 15, 2025, the Finnish tax authority published [Central Tax Board Preliminary Decision No. KVL:2025/14](#), clarifying the VAT treatment of distributions of state-paid compensation. In the case, the taxpayer, a collective management organization, received a certain share of the loan compensation appropriation included in the state budget and paid the loan compensation to the author of a specific work. The taxpayer sought clarification on whether the lending compensation paid by the state was consideration for the sale of a service falling within the scope of VAT. The Central Tax Board determined that the taxpayer sold a service for consideration in its own name on behalf of the author when it received the lending remuneration. This remuneration was deemed consideration for the right to lend copies of the work to the public. Consequently, the taxpayer was required to pay VAT on the lending compensation received from the state.
- **France:**ⁱⁱ On February 27, 2025, the French Administrative Court of Montreuil published [Decision No. 2112744](#), clarifying the application of VAT to administrative processing fees for vehicle damages. In this case, the taxpayer, a vehicle rental company, argued that administrative fees charged to clients for damage management were not subject to VAT, as they did not constitute a service rendered for consideration. The company claimed these fees were penalties for financial loss due to vehicle damage, not related to the rental service. However, the tax authority maintained that these fees were for services provided to clients, such as damage assessment and insurance coordination, and thus taxable. The tribunal agreed with the tax authority, determining that the fees were indeed for services provided to clients and subject to VAT.
- **France:**ⁱⁱⁱ On February 27, 2025, the French Administrative Court of Montreuil published [Decision No. 2305195](#), clarifying the reduced VAT rate on specialized publications. In this case, the taxpayer argued that its magazine should be taxed at the reduced VAT rate of 5.5 percent applicable to books, rather than the standard rate of 20 percent, because each issue constitutes a homogeneous set with intellectual content. The tribunal agreeing, determining that the magazine, primarily focused on sewing, provided a comprehensive presentation of clothing and accessory models based on seasonal trends and fashion, along with recurring sections such as designer showcases, interviews with professionals, a glossary of sewing terms, and general advice for creating garments from patterns. Additionally, the Tribunal found that the magazine had a pedagogical nature, with a minimal advertising component, contributing to its overall homogeneity.
- **Ghana:**ⁱⁱⁱⁱ On April 2, 2025, Ghana repealed the electronic transfer and emissions levies through the Electronic Transfer Levy (Repeal) Act 2025 and the Emissions Levy (Repeal) Act 2025, which were passed by parliament on March 26, 2025. Additionally, the President assented to several other Acts introducing changes in indirect taxation. These include the Value Added Tax (Amendment) Act 2025, which exempts motor vehicle insurance from VAT, and amendments to other taxes and miscellaneous levies. The changes extend the application period for the special import levy and the growth and sustainability levy from December 31, 2024, to December 31, 2028, and increase the growth and sustainability levy rate on gold mining companies from 1 percent to 3 percent of gross production.
- **Ireland:**^{liv} On March 31, 2025, the Irish Court of Appeal published its decision in *Covidien Ltd.*, [\[2025\] IECA 75](#), addressing whether a taxpayer is entitled to fully deduct VAT relating to management services received where noneconomic activities are carried out. In the case, the taxpayer, an Irish parent company of a global healthcare and medical products group sought to fully deduct VAT incurred from acquiring management services from its

US group company. The Irish tax authority denied full deductions, arguing that the taxpayer was also engaged in non-economic activities, being the holding of shares, and that VAT recovery consequently should be partially restricted. On appeal, the Irish Court of Appeal held that the taxpayer could not fully deduct the VAT because the services were not solely used for taxable sales. The court determined that the Tax Appeals Commission (TAC) and the High Court, which had reviewed the case before it reached the Court of Appeal, erred by not correctly applying the "used for" test, as some services were used for noneconomic activities, such as managing other group companies for no consideration. It emphasized the importance of determining whether the VAT expenses were used for taxable transactions, either directly or as overhead.

- **Italy:**^{lv} On April 22, 2025, the Italian Revenue Agency [published](#) Ruling Answer No. 118/2025, providing clarification on the VAT obligations for professional fees received by heirs. The taxpayer, an heir of a deceased professional, received fees for services rendered by the deceased to a company that later went bankrupt. The taxpayer sought guidance on whether it was necessary to reopen the deceased's VAT number to meet VAT obligations for these fees. The Agency clarified that heirs must fulfill VAT obligations even if the deceased's VAT number is closed, which includes issuing invoices for the services rendered by the deceased. Additionally, it was clarified that the bankruptcy trustee could issue a self-invoice to document the compensation payment to the taxpayer. Furthermore, the compensation must be paid to the taxpayer gross of the tax, and the taxpayer is responsible for requesting the reopening of the VAT number if necessary.
- **Italy:**^{lvi} On April 3, 2025, the Italian tax authority (ITA) [published](#) Ruling Answer No. 87/2025, clarifying the VAT treatment of transactions involving sports properties. The case involved a non-EU company renting a racetrack from an Italian company for sporting events, which included services like hospitality, catering, and organizational support. The racetrack owner applied the standard VAT rate, and the taxpayer questioned whether the service should be classified as a mere rental of real property or a complex service linked to sporting practice, potentially exempt under the EU VAT Directive's exemption for certain activities in the public interest. The ITA clarified that a VAT exemption could not be applied because the racetrack owner was a profit-making enterprise, not a nonprofit. Consequently, the service was related to real estate property located in Italy and subject to VAT.
- **Italy:**^{lvii} On April 11, 2025, the Italian tax authority (ITA) [clarified](#) the data reporting obligations for qualifying payment service providers (PSPs) under the EU's information reporting requirement for payment service providers. Qualifying PSPs must collect, store, and transmit payment data records to the tax authorities if they facilitate more than 25 cross-border payments to the same payee in a calendar quarter. PSPs are not responsible for assessing the relevance of the information they collect and transmit. The responsibility for determining the functionality of this information in achieving the EU's anti-fraud objectives lies with the EU legislator, which has already deemed this information crucial for fraud prevention.
- **Italy:**^{lviii} On April 17, 2025, the ITA published [Letter No. 115/2025](#), clarifying VAT deduction rules in cases where taxpayers fail to register purchase invoices. In this case, a company did not register certain purchase invoices received in the 2023 tax year by the applicable deadline, resulting in the VAT on those invoices not being included in its VAT declarations for 2023. Seeking clarification on recovering the deduction and potential sanctions, the ITA explained that the taxpayer, despite having the relevant purchase invoices, failed to register them and deduct the related VAT, effectively renouncing its right to do so. The taxpayer was barred from submitting a supplementary declaration for this purpose, and the obligation to register purchase invoices remains mandatory.

- **Latvia:**^{lix} On April 7, 2025, the Latvian State Revenue Service issued an [updated guidance](#) on the application of VAT to construction services. The guidance covers the application of the VAT self-assessment mechanism to domestic construction work when both the service provider and recipient are VAT-registered in Latvia. It clarifies that the mechanism does not apply to maintenance, cleaning, or replacement work for building equipment that does not affect the internal and external walls. It also defines what constitutes construction work, outlines VAT reporting procedures for construction service providers, including the reporting of VAT expenses, and details billing procedures when the service recipient makes non-cash payments.
- **Latvia:**^{lx} On April 3, 2025, the Latvian parliament [adopted](#) amendments to its VAT law, including measures to enhance the tax authority's ability to utilize payment service providers' information on cross-border payments. Additionally, the amendments refine the notification process for tax-related decisions, expand publicly accessible information on taxes, and ensure certain data sets are available as open data. The measures are effective from May 1, 2025.
- **Lithuania:**^{lxi} On March 26, 2025, the Lithuanian government [proposed](#) a new law to introduce a tax on sugar-sweetened beverages, with rates ranging from EUR 0.10 to EUR 0.30 per liter based on sugar content. "Sugar" is defined as a product from sugar beets or other sources, and sugar-sweetened beverages include those with at least five grams of sugar or sweeteners per 100 ml. The tax excludes alcoholic beverages, medicines, dietary supplements, infant formulas, special dietary foods, and certain unsweetened fruit and vegetable juices, as well as dairy products and milk. It will apply to manufacturers, importers, and EU buyers when products enter the market. Tax rates vary depending on sugar and sweetener content, and drinks requiring dilution will be taxed on the final volume. Businesses must keep accurate tax records, including for spoiled or destroyed beverages. If approved, the law will take effect on January 1, 2026.
- **Lithuania:**^{lxii} On April 16, 2025, the Lithuanian State Tax Inspectorate [launched](#) a consultation on a draft amendment to the VAT Law concerning real estate rentals. It states that long-term residential property rentals (over two months) are exempt from VAT, while short-term rentals are subject to standard VAT rates. Exemptions do not apply to accommodation services like hotels or short-term residential leases. The definition of residential properties includes various social housing types. For non-residential real estate, VAT exemptions apply unless the rental involves parking spaces, garages, or equipment like safes. Businesses can opt to apply VAT to otherwise exempt rentals if renting to VAT-registered entities, with this choice binding for 24 months.
- **Lithuania:**^{lxiii} On April 18, 2025, Lithuania published [Law No. XV-155](#), which amends the VAT Law. Among other things, the law outlines that in B2B transactions, taxpayers offering certain services may opt to calculate VAT using a specific procedure—excluding taxpayers that are under Lithuania's small business regime. Once this choice is declared, it must be applied consistently for at least 24 months across all relevant transactions, and the declaration must follow the central tax administrator's procedure. Additionally, VAT costs can only be deducted if the taxpayer holds a valid VAT invoice, and the law also clarifies VAT registration requirements and the mandatory information that VAT invoices must include.
- **Malta:**^{lxiv} On April 7, 2025, the Maltese Tax and Customs Administration [published](#) guidelines to clarify the interpretation and application of VAT Act provisions concerning the EU exemptions for small enterprises in Malta or EU Member States. A small enterprise in Malta must have domestic annual gross receipts not exceeding EUR 35,000 to qualify for the exemption. The guidelines further define "gross receipts" and include specific exempt

transactions, such as immovable property and financial services, unless deemed ancillary. An anti-abuse provision requires related entities to consider combined gross receipts to prevent exceeding the threshold.

- **Mauritius:**^{lxv} On March 29, 2025, the Mauritius Revenue Authority (MRA) published [VAT Ruling No. 119](#), clarifying the application of the VAT exemption for the transfer of a going concern. In this case, the taxpayer, a bank, acquired certain operations from another bank, but not the bank itself. The acquisition included some employees, some customers, and a branch that was leasehold property. The acquired bank would continue to exist and operate independently of the transfer. The taxpayer sought clarification regarding the VAT treatment of the partial acquisition. The MRA clarified that the transaction did not qualify as an exempt transfer of a business as a going concern under the VAT Act because the other bank would not cease business operations; therefore, the acquisition was subject to VAT.
- **Mauritius:**^{lxvi} On March 29, 2025, the MRA published [VAT Ruling No. 120](#), clarifying the VAT implications of transitioning out of the Deferred Duty and Tax Scheme (DDTS). The DDTS is a customs regime that allows designated retailers to sell goods with duties and taxes, including VAT, deferred at the point of sale, primarily targeting travelers and diplomatic personnel. In this case, the taxpayer, a company operating a single outlet in a highly touristic area of Mauritius, intended to exit the DDTS and adopt a VAT-free or VAT refund model. As part of this transition, the company would pay a one-off VAT amount on its existing inventory. The taxpayer sought clarification on whether it could reclaim that VAT or recover excess VAT in future periods. The MRA ruled that the taxpayer would not be entitled to a refund of the one-off VAT payment, nor could it claim repayment of excess VAT in subsequent periods unless it satisfied the specific conditions under Section 24 of the VAT Act. Instead, any excess VAT must be carried forward to offset future VAT collected on sales. Th
- **Moldova:**^{lxvii} On March 28, 2025, the Moldovan State Tax Service (STS) clarified the VAT treatment of the sublease of immovable property. In this case, the taxpayer rents immovable property from a state institution, which issues invoices without VAT. The entity then subleases one-third of the rented space to another resident legal entity. The issue was whether the sublease of immovable property by a VAT-registered legal entity to another legal entity is subject to VAT, and whether the re-invoicing of utility expenses (e.g., electricity and heating) is also subject to VAT. The STS clarified that the sublease of immovable property by a VAT-registered entity during its business activities is subject to VAT. However, the re-invoicing of utility expenses does not constitute a taxable sale of goods or services and is thus not subject to VAT.
- **Moldova:**^{lxviii} Moldova recently launched a consultation on proposed amendments to the VAT law to align the VAT treatment of electricity and gas sales with the EU VAT Directive. The amendments aim to introduce definitions for "collected VAT" and "deductible VAT," and to establish a special regime for the import and sale of natural gas and electricity through networks. Under this regime, the place of taxation before final consumption is where the customer has established their business. At the final consumption stage, VAT is applied where the goods are used. The amendments also define the place of taxation for services related to gas and electricity networks, in line with EU rules. A new VAT self-assessment mechanism is proposed for procurement operations and the delivery of electricity and gas to traders, simplifying VAT compliance. This includes provisions for VAT refunds for entities applying the self-assessment. If adopted, the changes will take effect on January 1, 2026.
- **Norway:**^{lxix} On April 2, 2025, the Norwegian Tax Administration published [Tax Appeals Board Decision No. SKNS1-2025-7](#), clarifying the VAT treatment of services related to

a marketplace for crowdfunding and the secondary trading of shares. In this case, the taxpayer, an investment firm in Norway, operated a digital platform facilitating both crowdfunding and secondary share trading. The firm received an advisory opinion from the Tax Office regarding the VAT treatment of services provided under two agreements: a start-up agreement and an engagement agreement. The Tax Office concluded that services under the start-up agreement were subject to VAT, while those under the engagement agreement qualified as VAT-exempt intermediary services, as they involved activities integral to the mediation of financial transactions. The taxpayer appealed, arguing that its services constituted ordinary taxable administrative services rather than VAT-exempt mediation. It claimed that its role was limited to providing a platform and information, without actively bringing buyers and sellers together or participating in negotiations. According to the taxpayer, the platform merely facilitated transactions and did not involve an intermediary function that would qualify as mediation of financial instruments. The Tax Appeals Board dismissed the appeal, holding that the taxpayer's services related to arranging share issues and operating a secondary trading platform constituted the provision of financial services. As such, these services are exempt from VAT.

- **Norway:**^{lxx} On April 2, 2025, the Norwegian tax authority published [Tax Appeals Board Decision No. SKNS1-2024-119](#), clarifying the VAT treatment of loyalty program transactions involving the issuance and redemption of bonus points. In the case, the taxpayer is an investment firm operating a digital platform where members could earn and use points ("A points") to purchase goods and services from participating partners. The points carried a base value in local currency and were exchanged between the platform operator and its partners. The tax authority concluded that the transactions between the taxpayer and its partners were subject to VAT because the points are considered services with economic value exchanged for consideration. On appeal, the Tax Appeals Board dismissed the appeal, holding that the sale and redemption of points constituted the provision of services for consideration under the VAT Act. The Board emphasized that the points had economic value and were exchanged in a commercial context, and that the EU VAT voucher directive was not directly applicable in Norway. The points did not qualify as multi-purpose vouchers due to the absence of a fixed redemption value for users. As a result, the platform operator is required to charge VAT on the base value of points sold to issuing partners, and redeeming partners must also charge VAT when selling points back to the operator.
- **Norway:**^{lxxi} On April 2, 2025, the Norwegian tax authority published [Tax Appeals Board Decision No. SKNA8-2025-9](#), clarifying the VAT deductibility of costs related to the development of construction-ready plots. The case involved a company that developed land into plots, both with and without infrastructure, and sought to deduct VAT on the basis that the development constituted a capital good eligible for retroactive deduction. The tax authority partially denied the deduction, allowing it only for plots that included infrastructure. On appeal, the Tax Appeals Board upheld the position, concluding that plots without infrastructure do not qualify as capital goods under the VAT Act. However, the Board confirmed that infrastructure elements, such as roads, water systems, and electricity, may qualify as capital goods if the associated VAT exceeds NOK 100,000. In such cases, VAT incurred on infrastructure development may be deductible, provided the conditions for capital goods treatment are met.
- **Norway:**^{lxxii} On April 4, 2025, the Norwegian Tax Administration published [guidance](#) on whether, in the case of a merger between two companies, the acquiring company can claim a VAT deduction for invoices issued to the transferring company after the merger has been completed and the transferring company has been removed from the company register. The guidance clarifies that the acquiring company cannot claim a VAT deduction for invoices addressed to the transferring company after the merger. However, an exception applies

during a “transition phase,” during which invoices issued in the name of the transferring company may be used by the acquiring company to claim VAT, provided the merger date is properly documented. This transition phase typically extends up to one ordinary tax period following the merger.

- **Norway:**^{lxxiii} On January 16, 2024, the Norwegian tax authority published [Binding Advance Ruling No. 12/2024](#), clarifying the VAT implications of a corporate restructuring involving a demerger and merger. In this case, the taxpayers, the owners of a company, wanted to reorganize their company to separate the company’s real estate into a different company. The taxpayers wanted to own all operations through a holding company and retain the company’s corporate registration number. In the outlined plan, the shareholders of the company would establish a holding company with an equal distribution of ownership, and then the holding company, in turn, would establish two new wholly owned subsidiaries (Operations 2 and Property). The tax authority ruled that the demerger and merger between the original company and Operations 2 would not constitute an adjustment event for VAT purposes. However, the transaction would trigger an obligation to calculate withdrawal VAT, as the transfer of goods, even temporarily, out of a business is treated as a taxable event. The tax authority further clarified that Operations 2 should not be VAT-registered during the brief period of business transfer, as it does not meet the conditions for registration. Additionally, no VAT adjustment agreements are required between the original company and Operations 2 since any capital goods are immediately transferred back.
- **Norway:**^{lxxiv} On January 20, 2025, the Norwegian tax authority published [Binding Advance Statement No. 15/2024](#), clarifying the VAT treatment of operating subsidies received by companies managing workplace canteens. The case involved a taxpayer contracted to operate canteens on behalf of an employer, where most users did not pay directly at the point of sale. Instead, the employer deducted meal costs from employees’ salaries and paid the operator a pre-agreed operating subsidy, which was included on the invoice. The tax authority determined that the taxpayer was operating under a “management fee” model rather than as an independent service provider, as outlined in a 2001 Norwegian Ministry of Finance letter. As a result, the subsidy constituted consideration for a taxable sale and was therefore subject to VAT.
- **Norway:**^{lxxv} On April 8, 2025, the Norwegian tax authority published [Tax Appeals Board Decision No. SKNS1-2025-13](#), clarifying the VAT treatment of domestic shipping services provided to foreign businesses registered under the VEOC (VAT On E-Commerce) regime. The case involved a shipping service provider that sought a binding advance ruling on whether its services, delivering goods from VEOC-registered sellers abroad to Norwegian consumers, qualified for zero-rating under the VAT Act, which applies to international shipments. The tax authority rejected the application of the exemption, and the taxpayer appealed, arguing that the services formed part of international shipments and should be zero-rated. The Tax Appeals Board dismissed the appeal, concluding that the services were purely domestic in nature and based on separate shipping agreements. As such, they did not meet the criteria for the zero rate for international shipments.
- **Norway:**^{lxxvi} On January 21, 2025, the Norwegian tax authority published a [guidance](#), clarifying the concept of capital goods under the VAT Act, specifically regarding “construction activities.” The guidance explains that the tax law’s distinction between improvements and repairs/maintenance should also apply to VAT. Typically, the right to deduct VAT is based on the anticipated use at the time of acquisition, but for capital goods, it is adjusted over time if their connection to VAT-liable activities changes. The guidance introduces the concept of “deemed maintenance,” allowing immediate deduction for costs that replace maintenance,

even if they technically qualify as improvements. This rule applies to both standard upgrades and modifications, provided the functional properties of the item are maintained. The tax authority emphasizes that the same criteria for distinguishing between maintenance and improvement in tax law should apply to VAT, ensuring consistency in tax treatment.

- **Portugal:**^{lxxvii} On March 26, 2025, the Portuguese tax authority [published](#) Circular Letter No. 25062, detailing the newly approved special exemption regime for small businesses. Eligible businesses must not engage in export activities and should not have exceeded annual gross receipts of EUR 15,000 in the previous year. The regime now extends to businesses with organized accounting, those conducting imports, and those involved in specific transactions listed in Annex E of the VAT Code, provided they meet the criteria. The regime excludes businesses without a domicile or headquarters in Portugal, occasional transactions, and certain intra-EU transactions. Businesses must comply with declaration obligations, including declaring the start, change, or cessation of activities. If a business exceeds the gross receipts threshold or engages in excluded activities, it must transition to the standard tax regime. The circular also outlines the process for businesses to opt into or out of the special exemption regime and the necessary regularizations for previously deducted taxes.
- **Portugal:**^{lxxviii} On March 27, 2025, the Portuguese tax authority [published](#) Circular Letter No. 25063, clarifying changes to the special taxation regime for second-hand goods, art objects, collectibles, and antiques. For these items VAT is applied only to the profit margin of the reseller rather than the total sale price. The changes clarify that the margin scheme cannot be applied to art objects, collectibles, or antiques acquired or imported at a reduced VAT rate. The Circular further clarifies transitional provisions allowing resellers to deduct VAT on certain pre-existing stock.
- **Portugal:**^{lxxix} On April 8, 2025, Portugal's tax authority [published](#) Circular No. 25065 on the new cross-border VAT exemption regime for small businesses. This regime allows eligible businesses with headquarters in Portugal or other EU Member States to benefit from VAT exemption on cross-border transactions, provided their annual EU gross receipts not exceed EUR 100,000. According to the Circular, businesses must notify the tax authority to obtain an "EX" identification number and submit quarterly declarations via the SME application on the Finance Portal. The Circular details eligibility, registration, and declaration requirements, emphasizing that businesses benefiting from this exemption cannot deduct VAT on exempt transactions. The regime is effective from April 2025, with specific provisions for businesses established outside the EU, who must transition to the standard tax regime by July 1, 2025, if they do not meet the exemption criteria.
- **Saudi Arabia:** On April 9, 2025, the Zakat, Tax, and Customs Authority (ZATCA) published the implementing regulations for the real estate transaction tax (RETT), effective immediately alongside the RETT law, which was initially published on October 11, 2024. The regulations outline key provisions such as the definitions of real estate and real estate companies, the scope of relatives up to the third degree, the treatment of real estate transactions involving share transfers, and the valuation of real estate with usage rights exceeding 50 years. Additionally, the regulations specify transactions exempt from RETT, the applicable exemptions, and the dates for real estate transactions and RETT payments. For more information, click [here](#).
- **Slovakia:**^{lxxx} On April 4, 2025, the Slovak Financial Directorate [published](#) guidance for domestic taxable entities that delayed their VAT registration despite exceeding the gross receipts threshold of EUR 49,790 before December 31, 2024. Entities that apply for VAT registration after January 1, 2025, must use the old registration form and will be registered under the rules effective until December 31, 2024. The guidelines specify that these entities must determine the period they should have been VAT payers, starting 22 days after the deadline for registration and ending the day before official registration. During this period,

they must file monthly VAT returns and control statements, even if no transactions occurred, and calculate VAT retrospectively on transactions. The guidance also covers the obligation to issue corrective invoices and the right to deduct VAT on expenditures used for taxable transactions. The deadline for VAT payments remains 25 days after the end of each month.

- **Slovakia:**^{lxxxii} On April 29, 2025, the Slovak Ministry of Finance [clarified](#) the application of the Financial Transaction Tax (FTT) effective from January 1, 2025. The guidance addresses the personal scope of the FTT, including individual entrepreneurs, legal entities, or branches of foreign persons who are clients of a payment service provider performing financial transactions and have a registered seat or place of business in the Slovak Republic, or carry out an activity in the Slovak Republic. The guidance also clarifies the application of FTT on recharged costs related to financial transactions and provides details about FTT on cash pooling transactions.
- **Slovakia:**^{lxxxiii} On April 15, 2025, the Slovak parliament [accepted](#) for consideration a bill amending the FTT Act. The bill would expand the categories of individuals and entities exempt from the FTT, including individual entrepreneurs and low-revenue legal persons and branches of foreign entities. These are entities whose taxable income does not exceed EUR 100,000 in the previous corporate income tax period. If passed, the changes would be effective from October 15, 2025.
- **Slovakia:**^{lxxxiii} On April 29, 2025, Slovakian tax authority [issued](#) a guide clarifying the VAT treatment of leasing contracts with a purchase option. Effective from January 1, 2025, the transfer of goods under such contracts is treated as a sale of goods, in line with the ECJ case law. This amendment applies to contracts concluded on or after January 1, 2025. Contracts concluded before this date remain unaffected and are still treated as a provision of service. The guide also clarified the tax liability, the tax base for the transaction of transfer of goods, and the invoicing requirement.
- **South Africa:** On March 28, 2025, the South African Revenue Service (SARS) [published](#) VAT Ruling No. VR 009, providing clarity on the application of zero-rated VAT for services related to foreign investments. The ruling was sought by a taxpayer who was a service provider in the South African collective investment scheme (CIS) and operated in the financial services industry. The taxpayer provided administration and management services to South African customers for their foreign investments. The taxpayer sought to understand if the zero rate of VAT under Section 1(2)(g)(i) of the VAT Act could be applied to these services. SARS clarified that the taxpayer could apply the zero rate to services provided under the deeds with the trustees of the CIS portfolios. This applies to the management of CIS portfolio assets located outside South Africa and not listed on a South African exchange. However, the taxpayer was required to keep relevant documentation, such as tax invoices.
- **South Africa:**^{lxxxiv} On March 28, 2023, the South African Revenue Service [published](#) Supreme Court of Appeal Decision No. 1192/2023, clarifying the non-deductibility of VAT on entertainment expenses. The case involved a taxpayer in mining and construction. The Tax Court initially denied the taxpayer's VAT deduction for accommodation and food for employees on projects. The Supreme Court upheld this, stating that VAT incurred on such expenses is not deductible unless meeting specific exceptions. The court also noted the taxpayer did not recoup these expenses from its employees and failed to justify these costs to its clients.
- **Switzerland:**^{lxxxv} On April 17, 2025, the Swiss federal tax authority [updated](#) its guidance on the VAT grouping regime following recent amendments to the VAT Act. Key changes allow all entities, not just legal ones, to form a VAT group if conditions are met. The guidance outlines how to join or leave a VAT group, eligibility conditions, changes in

group composition, tax representative rules, group taxation effects, and administrative requirements. Additionally, it highlights changes to specific VAT provisions and notes that, starting in 2027, VAT registration and reporting must be conducted exclusively through the ePortal.

- **United Arab Emirates:**^{lxxxvi} On April 14, 2025, the UAE Federal Tax Authority (FTA) issued [Public Clarification VATP041](#), replacing VATP036, to address the VAT treatment of SWIFT messages used by financial institutions. UAE banks and exchange houses incur international bank charges from foreign banks for using the SWIFT communication system. These charges are evidenced by SWIFT messages, which do not meet VAT invoice requirements. Financial institutions can recover VAT on these charges under the reverse charge mechanism if the costs are incurred for taxable sales and supporting documents are retained. The FTA clarified that financial institutions are considered to make taxable sales to themselves when receiving interbank services from foreign banks, thus they must account for VAT. However, due to the impracticality of issuing tax invoices for each SWIFT transaction, the FTA allows SWIFT messages to serve as sufficient documentation if they contain specific details.
- **United Kingdom:**^{lxxxvii} On April 4, 2025, the First-Tier Tribunal (FTT) Tax [published](#) a decision in the case involving Eurolaser IT Limited, addressing VAT assessments and penalties if the taxpayer knew or should have known that their transaction was connected to VAT fraud. The FTT found that the taxpayer, through its self-employed consultant, knew or should have known of VAT fraud within its supply chain, involving defaulting sellers. The consultant's knowledge was attributed to the taxpayer, resulting in the denial of zero-rating, despite HMRC's acknowledgment that the company's director was unaware of the fraud. The FTT determined that the taxpayer did not take every reasonable step to prevent its participation in fraudulent transactions, which involved back-to-back deals and uncommercial mark-ups.
- **United Kingdom:**^{lxxxviii} On April 24, 2025, HMRC [opened](#) a technical consultation on draft legislation for a carbon border adjustment mechanism (CBAM), which will impose a carbon price on certain imported goods from sectors vulnerable to carbon leakage, effective January 1, 2027. The consultation seeks stakeholder feedback on the legislative drafting to ensure accurate policy implementation, focusing on the tax scope, liability calculation, and administrative elements. Impacted businesses include importers and downstream producers in sectors like aluminum, cement, fertilizers, hydrogen, and iron and steel. The government also released a CBAM policy update detailing the scope of the mechanism and design.
- **United Kingdom:**^{lxxxix} On April 24, 2025, HMRC [published](#) a policy paper addressing the use of VAT grouping within the care industry, specifically concerning state-regulated care providers forming VAT groups with non-state-regulated providers. HMRC has identified these VAT grouping structures as a method of tax avoidance, allowing state-regulated providers to reclaim VAT on welfare services that are typically exempt. In response, HMRC will immediately scrutinize and potentially refuse new VAT group registrations that facilitate such structures and will review existing VAT groups to ensure compliance. HMRC will investigate suspected avoidance schemes, exercising its authority to remove parties from VAT groups if necessary. State-regulated care providers, advisors, and local authorities should review their VAT practices and seek professional advice.
- **United Kingdom:**^x On April 28, 2025, HMRC and the UK Treasury announced several consultations on proposed amendments to various taxes, including [the soft drinks levy](#), [landfill tax](#), and [VAT relief for business donations to charity](#). For the soft drinks levy, they propose lowering the minimum sugar content for qualifying drinks, removing exemptions for certain milk-based and milk substitute drinks, and introducing a "lactose allowance."

The landfill tax consultation suggests transitioning to a single rate by 2030, removing certain exemptions and mechanisms by 2027, and increasing rates for unauthorized waste disposals. Additionally, they seek input on VAT relief for charitable business donations, aiming to simplify the distinction between donations for resale and those used by charities.

- **United Kingdom:**^{xcii} On April 28, 2025, HMRC published responses to consultations on various tax and customs issues. The consultations covered [vaping products duty](#), [customs treatment of post and parcel exports](#), and [temporary imports of goods](#) into the UK. For vaping products, HMRC will implement a vaping duty stamps mechanism with hybrid physical and digital elements starting October 1, 2026, and announced a forthcoming nicotine approval mechanism consultation. Regarding post and parcel exports, a new authorization scheme for foreign postal operators will be introduced, and HMRC will review and clarify export and transshipment memorandums of understanding. For temporary imports, HMRC plans to simplify procedures, improve user experience, and remove certain restrictions, with these changes taking effect in 2025.

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Asia-Pacific (APAC)

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

- **KPMG in Malaysia** published a [report](#) discussing recent tax developments, including a clarification of the service tax treatment on the issuance of virtual credit cards, as well as amendments to the customs duty and excise tax legislations.
- **KPMG in Malaysia** published a [report](#) discussing the Ministry of Finance's decision to defer the proposed expansion of the scope for Service Tax and the review of Sales Tax rates, which were initially set to take effect on May 1, 2025. The deferment aims to refine the amendments and ensure smooth implementation.
- **KPMG in Sri Lanka** published a [report](#) discussing the enactment of the Value Added Tax (Amendment) Act No. 04 of 2025, which introduces several changes to the VAT framework. Notably, the Act extends VAT to services provided by non-residents via electronic platforms starting October 1, 2025, replaces the simplified VAT scheme with a risk-based refund scheme, and mandates electronic filing of VAT returns by July 1, 2025. It also introduces new VAT exemptions, such as for certain milk products, and removes others, like those for aircraft parts. Additionally, the Act mandates VAT registration for all commercial importers and exporters, regardless of exemptions, and increases contributions to the VAT Refund Fund.

Miscellaneous Developments in APAC

- **Australia:**^{xciii} As of March 26, 2025, the Australian Taxation Office opened a consultation on [Draft GST Ruling No. GSTR 2005/6DC](#), which addresses the application of subsection 38-190(3) of the GST Act. This subsection can negate the GST-free status of certain services provided to non-residents when those services are delivered to another entity in Australia. The draft ruling clarifies the conditions under which a service is considered GST-free, including the nature of the agreement with the non-resident and the actual recipient of the service in Australia. The ruling also explains the apportionment of GST when services are only partially GST-free and provides numerous examples to illustrate the application of these rules.

- **New Zealand:**^{xciii} On April 7, 2025, the Inland Revenue of New Zealand [published](#) a discussion document proposing reforms to the GST policy for unincorporated joint ventures (JVs). The document suggests treating JVs as separate entities for GST purposes, allowing members to individually account for GST on sales made and received. It also proposes optional registration for JVs carrying on taxable activities, and amendments to the definition of "participatory security" to ensure interests in joint venture property are not exempt sales. The document further outlines transitional rules for existing GST-registered joint ventures, allowing them to deregister and apply flow-through treatment.
- **Philippines:**^{xciv} On March 25, 2025, the Philippine Court of Tax Appeals issued a decision in CTA Case No. EB 2788, addressing an input VAT refund claim on zero-rated transactions. The taxpayer, a company representing or brokering ships, sought a refund for unutilized VAT credits linked to alleged zero-rated transactions, asserting that services provided to nonresident clients occurred in the Philippines. The Bureau of Internal Revenue (BIR) denied the refund, citing non-compliance with invoicing requirements and insufficient documentation for zero-rated sales. The Court of Appeals upheld the denial, concluding the taxpayer failed to meet the necessary documentary and evidentiary standards and that the "manning agreements" provided did not demonstrate that the services were conducted in the Philippines.
- **Philippines:**^{xcv} On April 4, the Philippine Court of Tax Appeals issued a decision in CTA Case No. 10805, clarifying that the taxpayer's sales to ECOZONE-registered entities qualify for VAT zero-rating and the taxpayer is thus allowed to claim a VAT refund of VAT credits related to such export transactions.
- **Philippines:**^{xcvi} On April 3, 2025, the Philippine Court of Tax Appeals issued a decision in CTA Case No. EB 2839, addressing the issue of VAT refunds on zero-rated sales of a Philippine company engaged in clinical research to its affiliate in the U.K. The Court of Tax Appeals upheld the BIR's refund denial because (1) the refund application was filed with the incorrect office, (2) the transactions between the taxpayer and the affiliate were not conducted at arm's length, and (3) the affiliate was effectively considered a resident foreign corporation doing business in the Philippines due to common ownership, agency relationship, similarity in main business activities, and the affiliate's financial contributions to the taxpayer.
- **Philippines:**^{xcvii} On April 15, 2025, the Philippine Court of Tax Appeals issued a decision in CTA Case No. 10464, addressing input VAT refunds on zero-rated sales of goods of a mining company. The Court of Appeals upheld the BIR's refund denial because the sales invoices did not state "zero-rated" and were missing the bill of lading or air waybill. Additionally, the Court of Appeals was found that the remittance amounts in U.S. dollars mostly did not match the sales amounts in the final invoices.

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

Footnotes

- i. Algeria—National Tax Administration Issues Clarification on Scope and Conditions of VAT Exemptions in 2025 Finance Law (April 3, 2025), News IBFD.
- ii. European Union; Lithuania; Poland—European Commission Extends Relief from Import Duties, Grants VAT Exemption for Goods Distributed Free of Charge to Persons Fleeing Russia's Military Aggression (April 8, 2025), News IBFD.
- iii. Bloomberg Tax, France Tax Agency Seeks Comments on Extending Reduced VAT Rate Scope in Intermediate Housing Sector (April 7, 2025).
- iv. Bloomberg Tax, France Tax Agency Posts Updated Administrative Doctrine Clarifying VAT Exemptions for Medical, Paramedical, Professions (April 14, 2025).
- v. Bloomberg Tax, France Tax Agency Issues Administrative Doctrine on VAT Rules for Specific Accommodation Services, Furnished Rentals (April 1, 2025).
- vi. Bloomberg Tax, Ireland MOF Announces Further Extension of Temporary Reduce VAT Rate on Gas, Electricity (April 9, 2025).
- vii. Bloomberg Tax, Italy Tax Agency Clarifies Application of Reduced VAT Rate for Certain Theme Park Services (April 16, 2025).
- viii. Kenya Lower House Considers Bill Clarifying Effective Date of VAT Exemption for Capital Goods Supplies (April 14, 2025).
- ix. Netherlands Spring Memorandum 2025 Confirms Cancellation of VAT Increase for Sports, Culture, Media: Proposes Stock Option Incentive for Start-Ups and Scale-Ups. News IBFD, (April 22, 2025)
- x. Nigeria—Federal Government Exempts Pharmaceutical Raw Materials From Import Duty and Value Added Tax (April 3, 2025), News IBFD.
- xi. Rwanda—Government Issues List of VAT-Exempt Financial and Insurance Services (April 24, 2025), News IBFD.
- xii. Slovak Republic—Slovak Republic Gazettes Bill Amending Law on State Support for Rental Housing, VAT Law (April 17, 2025), News IBFD.
- xiii. Bloomberg Tax, Australia Gazettes Legislative Instrument on Reporting Exemptions for Electronic Distribution Platform Operators (April 28, 2025).
- xiv. Bloomberg Tax, EU Digital Tax Could Raise €37.5 Billion, Study Finds (April 2, 2025).
- xv. European Union—European Commission Adopts Amended Regulation to Implement DAC7 (April 9, 2025), News IBFD.
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- xxii. United States—USTR Flags Denmark's Streaming Tax and Germany's IP Withholding Tax as Barriers to US Exporters in 2025 Trade Report (April 2, 2025), News IBFD.
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- xxiv. Bulgaria—Народно събрание на Република България, Закон за държавния бюджет на Република България за 2025 г.
- xxv. УКАЗ № 53 (March 27, 2025).
- xxvi. Cote d'Ivoire—DGI, GUIDE UTILISATEUR FACTURE NORMALISEE ELECTRONIQUE (FNE) & RECU NORMALISE ELECTRONIQUE (RNE) (February 2025).
- xxvii. Greece—AADE, ΑΠΟΦΑΣΕΙΣ Αριθμ. Α. 1052 (April 1, 2025)
- xxviii. Israel—רוחשה נוהה מוצמצל יוסימ ידעצ תישילשו היינש האירקל הרשיא מיפסכה תדעו", לארשיב מיסמה תושר"לארשיב"March 172025,

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