



# Inside Indirect Tax

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## About this Newsletter

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

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# Global Rate Changes

- **Angola:**<sup>i</sup> On December 30, 2024, Angola published Law No. 18/24, which approves the 2025 general state budget, which, among other things, reduces the VAT rate on certain industrial equipment imports to 5 percent effective January 1, 2025.
- **Bahamas:**<sup>ii</sup> On February 26, 2025, the government of the Bahamas [introduced](#) the Value Added Tax (Amendment) Bill 2025 to the House of Assembly. The Bill proposes reducing the VAT rate on the importation and sale of unprepared food from 10 percent to 5 percent effective April 1, 2025.
- **Benin:**<sup>iii</sup> On February 18, 2025, Benin issued Circular No. 232 updating the conditions for foreign NGOs and associations with headquarters agreements to receive VAT exemptions for local expenses. The Circular mandates that NGOs must obtain prior authorization for VAT-free sales or VAT credit retrocession for their purchases. This authorization is issued within five working days by the tax authority. The threshold for requiring prior authorization has increased from F.CFA 500,000 to F.CFA 5,000,000, excluding food purchases. NGOs not subject to this procedure must request a tax clearance certificate and standardized invoice from vendors and use non-cash payment methods identifying the NGO. Previously, NGOs could make purchases up to F.CFA 5,000,000 without additional requirements. For hydrocarbon purchases, prior authorization is mandatory regardless of the amount. The tax authority retains the right to audit duty-free purchases and make necessary adjustments.
- **Canada:**<sup>iv</sup> On February 18, 2025, Nova Scotia's Finance Minister [released](#) the province's 2025-26 Budget, which, among other things, would reduce the harmonized sales tax (HST) by 1 percent from April 1, 2025.
- **Dominica:**<sup>v</sup> On February 26, 2025, the Prime Minister of Dominica [announced](#) that the government is considering raising the VAT rate from 15 percent to 16 percent or 17 percent.
- **Ecuador:**<sup>vi</sup> Effective February 1, 2025, Ecuador reduced the VAT rate to 0 percent for veterinary products and "nutritional balanced" pet food.
- **Estonia:**<sup>vii</sup> On February 17, 2025, the Estonian Parliament [accepted](#) for consideration Resolution No. 579 OE, which proposes reducing the VAT rate to 9 percent for basic food groups such as vegetables, dairy, meat, grain, and fish.
- **France:**<sup>viii</sup> On February 14, 2025, France [published](#) the Finance Act for 2025, which, among other things, clarifies that renewable energies qualify for the 5.5 percent reduced VAT rate and that fossil fuel boilers are no longer eligible for reduced VAT rates of 5.5 percent or 10 percent. In addition, the Finance Act for 2025 opens the "VAT group" to new sectors, by providing that remuneration paid by an employer who is a member of a "VAT group" can be exempt from payroll tax if this employer would not be subject to this tax if it were not a member of the group.
- **Greece:**<sup>ix</sup> On February 19, 2025, Greek tax authority [published](#) Circular A 1022/2025, clarifying the zero-rating procedure for excise goods like fuel, alcohol, and tobacco, intended for export or intra-EU sales. The zero-rating applies to goods from free customs zones, warehouses, or customs supervision areas, provided they are exported outside the EU or delivered to VAT taxable persons established within the EU, and that the corresponding Greek purchaser holds a VAT Exemption Certificate issued for taxpayers mainly carrying out exports and/ or intra-community supplies. Taxpayers must provide documentation such as customs export declarations, VAT-free invoices, and transport documents. Customs and tax authorities review the documentation to validate the exemption, and taxpayers must maintain records for audits. If goods enter the domestic market without VAT, taxpayers are liable for the VAT and penalties and interest.

- **Guyana:**<sup>x</sup> Effective January 29, 2025, Guyana **expanded** the list of zero-rated goods and services subject to raw materials, packaging materials, medical supplies, utilities, construction materials, agricultural and food items, household necessities, and educational materials. The export of certain goods and services also remains zero-rated. Businesses must maintain appropriate documentary proof of zero-rating and may need to seek approval from the Tax Exemption, Processing, and Verification Division of the tax authority for imported goods.
- **Italy:**<sup>xi</sup> On February 20, 2025, the Italian tax authority issued Letter No. 43/2025, clarifying the application of the reduced 10 percent VAT rate for instrumental concerts. In the case, a foundation organizing a virtual reality event, where the audience would use VR headsets to experience a deceased composer's performance with synchronized physical, artistic, lighting, and musical elements, sought clarification on whether ticket sales for the event would qualify for the reduced VAT rate. The tax authority determined that the event would not qualify as an instrumental concert because it involved pre-recorded music rather than a live performance. Consequently, the standard VAT rate of 22 percent would apply to the ticket sales.
- **Kazakhstan:**<sup>xii</sup> On February 18, 2025, the Investment Committee of the Ministry of Foreign Affairs of Kazakhstan has **expanded** the list of goods exempt from VAT when imported under investment contracts effective March 3, 2025. The newly added items include manganese ores and concentrates (with significant manganese content), various non-metallic compounds with oxygen, other sulfides, different types of chromates and dichromates, peroxochromates, hydrogen peroxide, oxalic acid (including its salts and esters), unprocessed manganese, and related powders.
- **Kazakhstan:**<sup>xiii</sup> On February 11, 2025, the Kazakh government **proposed** increasing the VAT rate to 16 percent and exempting agricultural producers from VAT to enhance the global competitiveness of domestic agricultural products. Additionally, the government proposed introducing a reduced VAT rate of 10 percent for the healthcare sector.
- **Kyrgyzstan:**<sup>xiv</sup> Effective January 1, 2025, Kyrgyzstan extended the list of goods exempt from VAT on importation to include metal-containing ores, concentrates, alloys, and refined metals for jewelry production; geosynthetic cement composite mats for the construction or rehabilitation of irrigation canals (effective until January 1, 2027); and breeding farm animals and seed materials, mineral fertilizers, and chemical plant protection products (effective until January 1, 2030). Kyrgyzstan further increased the excise duty rate for tobacco (excluding raw tobacco) from KGS 2,250 per ton to KGS 4,000, with further increases to KGS 4,250 from 1 January 1, 2026, and KGS 4,500 from January 1, 2027.
- **Mozambique:**<sup>xv</sup> On February 25, 2025, the government of Mozambique proposed to reintroduce until December 31, 2025, the VAT exemption for the sugar, cooking oil, and soap industries, including the raw materials and machinery used in these sectors.
- **Philippines:**<sup>xvi</sup> On February 5, 2025, the Philippines Senate tabled for consideration Senate Bill No. 2970, which, if approved, would exempt from VAT electricity and internet services.
- **Poland:**<sup>xvii</sup> The Polish Senate recently approved a bill, which, pending the President's signature, maintains a temporary reduced 8 percent VAT rate for certain agricultural goods and mixed fertilizers, clarifies reduced rates for fertilizers, plant protection products, and animal feed, ensures consistent treatment for medical devices, zero rates rescue ships and lifeboats not classified as seagoing vessels, and reduces the VAT rate for menstrual cups from 23 percent to 5 percent. The law is set to take effect on April 1, 2025.

- **Rwanda:**<sup>xviii</sup> On February 11, 2025, the government of Rwanda proposed tax reforms, including applying VAT on mobile telephones, hybrid vehicles, and on information, communication, and technology equipment. Additionally, the government proposed applying an excise duty of 15 percent on cosmetic and beauty products and introducing a 3 percent tourism levy on accommodation costs.
- **Saint Kitts and Nevis:** On December 31, 2024, the government of Saint Kitts and Nevis [issued](#) guidance on reducing the standard VAT rate from 17 percent to 13 percent for the first half of 2025, while transactions before this period will continue to incur the 17 percent rate. The 10 percent reduced VAT rate for commercial rentals, accommodation, and restaurant services remains unchanged. The guidance also details taxpayer responsibilities, outlines penalties for non-compliance, and introduces upcoming taxpayer education initiatives. Furthermore, the government will enforce strict monitoring to prevent price gouging during this transition.
- **Slovakia:** On January 2, 2025, the tax authority of Slovakia released FAQs on applying the reduced 5 percent VAT rate for accommodation services starting January 1, 2025, covering year-end applications and advanced payments from 2024, as well as VAT rates on goods and services provided by accommodation facilities. Additionally, the tax authority issued guidance for green energy producers on excise tax registration and payment, exempting small producers with power up to 50 kW from registration and allowing non-aggregation for multiple facilities. Registered taxpayers must file a monthly tax return. To read a report prepared by KPMG in Slovakia, please click [here](#).
- **Slovakia:** On January 15, 2025, the parliament of Slovakia reviewed four draft bills proposing amendments to the VAT law, which, among other things, would expand the list of goods eligible for a reduced VAT rate and lower the standard VAT rate from 23 percent to 20 percent. These changes are anticipated to take effect on July 1, 2025, subject to parliamentary approval, presidential consent, and publication in the Collection of Laws. Additionally, on January 17, 2025, the parliament of Slovakia introduced a draft bill to decrease the excise tax on unleaded motor fuels and diesel fuels, effective from July 1, 2025, to December 31, 2026, while adhering to the minimum taxation levels allowed by EU law. To read a report prepared by KPMG in Slovakia, please click [here](#).
- **Spain:**<sup>xix</sup> On February 24, 2025, the Spanish tax authority [issued](#) a Resolution clarifying that the super-reduced VAT rate of 4 percent applies to all types of bread, including special and gluten-free varieties. This follows Decision 1,610/2024 of the Spanish Supreme Court, which determined that excluding special bread from the 4 percent rate violates the principle of VAT neutrality and the jurisprudence of the Court of Justice of the European Union. The decision has ex tunc effect, meaning it applies from the date the rule came into force, subject to the limitations arising from the principles of legitimate expectations and legal certainty.
- **Ukraine:**<sup>xx</sup> On February 20, 2025, the Ukrainian State Fiscal Service [reminded](#) a VAT exemption on operations related to the sale of defense goods by enterprises operating under state contracts.



# Digitalized Economy Indirect Tax Updates

## Niger: Nonresident Digital Economy Providers Required to Register for VAT

On December 31, 2024, Niger [published](#) the Finance Act 2025, which, among other things, imposes new VAT obligations on digital economy providers. Effective January 1, 2025, the Act subjects the sale of goods and services via foreign and local digital platforms to a 19 percent VAT. Additionally, platforms are responsible for the VAT on sales, without distinguishing between B2B and B2C transactions. The Act mandates that foreign taxpayers appoint a representative in Niger to fulfill VAT obligations, as outlined in Article 249 of the tax code. However, the Act does not clarify the registration process or compliance requirements for foreign digital service providers beyond these stipulations.

The Finance Act requires the issuance of certified e-invoices for all transactions, detailing specific information such as the vendor's tax identification number, transaction details, and VAT amounts. Despite the new obligations, the Act does not amend existing sourcing rules, which determine VAT applicability based on the location of goods delivery or service usage within Niger. Platforms are held liable for VAT compliance, and non-compliance may result in penalties, including the suspension of access to non-compliant taxpayers' websites. The tax authorities [confirmed](#) these obligations through Circular No. 004 on January 24, 2025, but did not provide additional compliance details. For more information, click [here](#).

## Other Developments

- **Botswana:** On February 10, 2025, the Finance Minister of Botswana presented the 2025/2026 budget, proposing, among other things, introducing VAT on digital transactions by September 2025. To read a report prepared by KPMG in Botswana, please click [here](#).
- **Iceland:**<sup>xxi</sup> On December 30, 2024, Iceland [published](#) Regulation No. 1664/2024, which mandates reporting obligations for platform operators in alignment with OECD model rules, tailored for the European Economic Area (EEA). A platform operator falls within the reporting scope if it is not exempt (i.e., it has reportable sellers) and meets certain criteria related to its presence and activities in the European Economic Area (EEA). Specifically, the operator is included if it is tax resident in the EEA or fulfills any of the following conditions: it is registered under the laws of an EEA Member State, has its head office and effective management in the EEA, or maintains a permanent establishment in the EEA without qualifying as an operator outside the area. Additionally, operators that are neither tax resident nor incorporated or controlled in the EEA but engage in relevant activities for reportable sellers or related to the letting of immovable property in the EEA, and are not required to report in another jurisdiction, are also within the reporting scope. Platform operators must submit information on reportable sellers by January 31 of the following year and adhere to OECD due diligence standards. The regulation takes effect on January 1, 2025, and covers the 2025 calendar year and beyond.
- **Ireland:**<sup>xxii</sup> The Irish Revenue recently [published](#) guidance on the VAT rules for the taxi sector, particularly for fares secured through online platforms providers, whether established within or outside Ireland. Passenger transport services by taxi drivers are generally exempt from VAT, so taxi drivers cannot claim input VAT credits or related costs. However, the guidance emphasizes that taxi drivers must register and account for VAT when receiving taxable "reverse charge" services from another taxable person established outside of the State, with no minimum registration value. For example, if a taxi driver

acquires administrative services from a UK provider, they must register and account for VAT in Ireland. The guidance also states that services such as radio hire, taxi vehicle hire, general administration charges, and the provision of online taxi booking facilities to taxi drivers are taxable at the standard rate (currently 23%), and VAT on these services is not recoverable by taxi drivers.

- **Latvia:**<sup>xxiii</sup> On February 20, 2025, the Latvian tax authorities [published](#) guidance on the VAT treatment applicable to online platform transactions. It explains criteria for determining the sourcing rules based on the type of goods and services and clarifies VAT compliance under the One-Stop-Shop (OSS). Additionally, it covers registration requirements and a special VAT regime for small enterprises, allowing VAT exemptions in other EU countries if annual EU gross receipts remain below EUR 100,000.
- **Peru:**<sup>xxiv</sup> On January 21, 2025, the Peruvian tax authority [published](#) Superintendency Resolution No. 000010-2025/SUNAT, which establishes the online filing for the Tax on Remote Gaming and Sport Betting (Tax on RGSB) and Excise Duty on Remote Gaming and Sport Betting (Excise Duty on RGSB). Non-resident taxpayers and withholding agents must use the “Declaración y Pagos para No Domiciliados” platform, while resident taxpayers and withholding agents should use “Mis Declaraciones y Pagos” on the “Clave SOL” website, adhering to the respective schedules. Filings must be submitted using Virtual Form “0969” in specific scenarios, such as when revenues are received, prizes awarded, currency type selection, or tax payment adjustments.
- **Switzerland:** On January 28, 2025, the Swiss tax authorities released final guidelines for platform rules concerning goods, effective from January 1, 2025. (For KPMG’s previous discussion on the new rules, please click [here](#).) Under Article 20a of the Swiss VAT Act, any entity, Swiss or foreign, that facilitates the sale of goods through an electronic interface is treated as the seller for VAT purposes, implying they purchase goods from the original seller and resell them to the customer. Platforms must meet specific criteria, such as managing customer data and processing payments, to be considered facilitators. The rules apply to all sales, including domestic and international transactions, with platforms required to register for VAT if annual non-exempt transactions exceed CHF 100,000. Platforms must issue VAT compliant invoices and maintain transaction records for ten years. Additionally, they must provide information to the Swiss tax authorities upon request. For more information, click [here](#).
- **Türkiye:**<sup>xxv</sup> On February 27, 2025, Türkiye [published](#) General Communiqué No. 54, which, among other things, expands the VAT exemption for digital content creators to include individuals earning income from online courses, training, data processing, software development, and product promotion via internet platforms, effective January 1, 2024. This exemption applies if the income is taxed under the special regime of Article 20/B of the Individual Income Tax Law.
- **United States:** On January 4, 2025, the Indiana Department of State Revenue [published](#) Revenue Ruling # 2024-04-RST in which it determined that a taxpayer’s offerings, which included monthly online subscriptions, in-game items, and virtual currency for enhancing video game experiences, were not subject to sales and use tax. The taxpayer sold video games through related entities and third-party vendors, not directly to customers. Indiana imposes sales tax on retail transactions involving tangible personal property, including prewritten software, but not on access charges to prewritten software via the internet without permanent ownership. Additionally, sales tax applies to electronically transferred

digital products only if they are digital audio works, audiovisual works, or digital books. The Department concluded that the taxpayer's services did not qualify as tangible personal property or specified digital goods, thus exempting them from sales tax. For more information, click [here](#).

- **United States:** On January 29, 2025, the Rhode Island Division of Taxation [published](#) Ruling Request No. 2025-01 in which it held that a taxpayer's service of providing online ancestral and health history reports, derived from customers' DNA analysis, constituted the sale of vendor-hosted prewritten computer software and was subject to Rhode Island sales and use tax. Customers sent saliva specimens via kits provided by the taxpayer, and the analysis occurred outside Rhode Island. To access their personalized reports, customers purchased a subscription and accessed the information through the taxpayer's website. Rhode Island imposes tax on sales at retail, including vendor-hosted prewritten computer software accessed via the internet. The Division determined that the taxpayer's service was taxable as it involved the sale of vendor-hosted prewritten computer software, which was not customized for individual purchasers. For more information, click [here](#).
- **United States:**<sup>xxvi</sup> On February 21, 2025, the White House [issued](#) an executive memorandum under President Donald Trump's "America First" initiative, focusing on protecting U.S. technology companies from what is termed "overseas extortion." The memorandum directs scrutiny and potential counteractions against foreign tax and regulatory measures, with foreign Digital Services Tax (DST) being a key concern. It tasks the United States Trade Representative (USTR) with exploring trade remedies under the United States-Mexico-Canada Agreement (USMCA) and instructs Treasury officials to assess whether foreign tax policies violate U.S. tax treaties or warrant countermeasures under Section 891 of the Internal Revenue Code. Additionally, the memorandum establishes a reporting mechanism for American businesses to inform the USTR of foreign practices that disproportionately impact U.S. companies.

## Developments Summary of the Taxation of the Digitalized Economy

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



# E-Invoicing Updates

## Philippines: Pre-Border Technical Verification and Cross-Border Electronic Invoicing System

On January 20, 2025, the Committee for Pre-border Technical Verification and Cross-border Electronic Invoicing of the Philippines [published](#) Joint Administrative Order 001-2025, which provides guidelines for implementing Administrative Order No. 23/2024 dated May 13, 2024. This order requires the establishment of digital systems for pre-border technical verification (PTV) and a cross-border e-invoicing (CEI) system for all imported goods within two years. The CEI system will apply to all goods exported to the Philippines, necessitating exporters to register and issue e-invoices through the platform before exportation. These e-invoices must include 20 mandatory fields with specific data such as a unique universal identifier, stamp date and time, invoice number, issuance date, and contact details of involved parties, including exporters, importers, customs brokers, and manufacturers.

The guidelines also introduce a PTV system to ensure that exported commodities to the Philippines match declared specifications and are safe and of good quality. Accredited testing, inspection, and certification (TIC) companies will inspect commodities before export. The verification system will apply progressively to three product categories: “Agricultural products,” “Non-agricultural goods with health and safety issues,” and “Other goods” prone to misdeclaration. The CEI system’s mandatory use will roll out in three stages, with specific timelines for registration and implementation. The administrative order also outlines sanctions for non-compliance, including slower processing, rejection at the border, and financial penalties. The Bureau of Customs will define the effective dates for the PTV and CEI systems upon enacting the customs administrative order. For more information, click [here](#).

## Other Developments

- **Argentina:**<sup>xxvii</sup> On December 16, 2024, the Argentinean tax authority issued General Resolution [5616/2024](#), which outlines invoicing rules for foreign currency transactions in the country. The resolution mandates businesses to use the Central Bank’s exchange rate from the day before invoicing. E-invoices must be issued via the tax authority’s system, with compliance deadlines starting January 15, 2025, and extending to April 15, 2025.
- **Belgium:** Belgium’s new Coalition Government announced its 2025-29 tax plan, featuring near real-time reporting for B2B transactions by 2028, mandatory white cash registers for the hospitality sector, simplified VAT requirements, and exploring VAT receipt lotteries to combat fraud and encourage receipt requests. To read a report prepared by KPMG in Belgium, please click [here](#).
- **Botswana:**<sup>xxviii</sup> On February 10, 2025, Botswana’s Minister of Finance and Economic Development announced the implementation of an e-invoicing system during the Budget Speech to the National Assembly. The government plans to complete this system by March 2026, enabling real-time monitoring of VAT transactions and improving reporting accuracy. To read a report prepared by KPMG in Botswana, please click [here](#).
- **Dominican Republic:**<sup>xxix</sup> On February 10, 2025, the Dominican Tax Authority (DGII) [published](#) regulation 05-25, outlining the prerequisites for taxpayers to receive a tax credit for the expenses they incurred while implementing their e-invoicing systems. The DGII stated that taxpayers have a six-month period to apply for this credit. The application process involves submitting a request letter for the credit to the tax authorities, presenting a detailed

list of expenses incurred during the adoption of the e-invoicing system, providing pertinent accounting records and logs of implementation hours, and maintaining compliance with general tax rules. The maximum available tax credit is DOP 2 million.

- **Costa Rica:** On February 13, 2025, the Costa Rican Ministry of Finance issued Resolution MH-DGT-RES-001-2025, which extends the deadline for implementing Version 4.4 of the e-invoices from June 1, 2025, to September 1, 2025. Starting April 15, 2025, taxpayers who have successfully updated their systems to Version 4.4 may begin using the new version. The Ministry also announced that after September 1, 2025, it will not accept any previous versions of the technical documentation for e-invoices. As an exception, the tax administration will accept credit or debit notes related to documents issued in the 4.3 version. To read a report (in Spanish) prepared by KPMG in Costa Rica, please click [here](#).
- **Croatia:**<sup>xxx</sup> On February 27, 2025, the Ministry of Finance of Croatia announced plans to mandate e-invoicing for registered for VAT starting January 1, 2026, with others following a year later. The initiative aims to digitalize the tax system and reduce administrative burdens. A test environment will launch in September 2025.
- **Israel:**<sup>xxxi</sup> On January 1, 2025, the Israeli tax authority [updated](#) the VAT invoicing and reporting thresholds. Transactions above ILS 28,115 must not be paid in cash and must include the issuance of a tax invoice. A fine for late reporting has been increased to ILS 239 (for each two weeks of late reporting) starting July 1, 2024. Also, effective the same date, the penalty for poor recordkeeping has been increased by 1% of the total sum of the Dealer's revenue, and no less than ILS 359.
- **Malaysia:**<sup>xxxii</sup> On February 21, 2025, the Inland Revenue Board of Malaysia (IRBM) published version 4.2 of the e-Invoice Guideline, detailing new compliance deadlines. Taxpayers with annual revenues between RM500,000 and RM25 million must comply by July 1, 2025, while those with revenues up to RM500,000 have until January 1, 2026. An interim relaxation period is provided for both groups.
- **Nigeria:**<sup>xxxiii</sup> On February 18, 2025, the Federal Inland Revenue Service (FIRS) held a stakeholder engagement with large taxpayer groups to prepare for the pilot phase of an e-invoicing system launching in July 2025. The system known as "Merchant Buyer Solution" aims to ease compliance and enhance tax filing. Insights from the pilot will refine the system for broader use.
- **Pakistan:** On January 29, 2025, the Federal Board of Revenue (FBR) of Pakistan published Notification No. S.R.O. 69(1)/2025, requiring all registered persons to electronically link their fiscal devices with the FBR. These individuals must register, install, and integrate their electronic invoicing hardware and software with the FBR's computerized system and report this linkage online. Transactions not conducted through these linked devices are prohibited. The devices must issue e-invoices in a specified format, which the agency's systems will validate. The data provided by taxpayers will be used to pre-fill their sales tax returns. To read a report prepared by KPMG in Pakistan, please click [here](#).
- **Saudi Arabia:**<sup>xxxiv</sup> On February 28, 2025, the Zakat, Tax and Customs Authority (ZATCA) [announced](#) that the 21st group of taxpayers, whose VAT-liable revenues exceeded SAR 1.25 million in 2022, 2023, or 2024, must comply with the second phase of the e-invoicing system starting November 30, 2025.
- **Serbia:** Effective January 1, 2025, Serbia's Ministry of Finance amended the VAT Rulebook. Key changes include indicating the transaction date as the invoice issuance date, removing deadlines for invoices for multiple deliveries to the same person, and standardizing the transaction date presentation. Internal invoice deadlines are extended, affecting input tax deduction rights. To read a report prepared by KPMG in Serbia, please click [here](#).

- **United Arab Emirates:**<sup>xxxv</sup> In January 2025, the Ministry of Finance and Federal Tax Authority of the United Arab Emirates [launched](#) a consultation on the e-invoicing data dictionary, which outlines the technical specifications for e-invoice formats. Additionally, they decided to implement a “Decentralized CTC and Exchange Model” (DCTCE) within the PINT (Peppol International Invoice) framework. This model uses a 5-corner model and involves Accredited Service Providers. To read a report prepared by KPMG in the UAE, please click [here](#).
- **United Kingdom:**<sup>xxxvi</sup> On February 13, 2025, HM Revenue and Customs [launched](#) a consultation on the adoption of e-invoicing across UK businesses and the public sector. The consultation aims to collect opinions from businesses of all sizes, interest groups, representative bodies, industry bodies, and individuals, regardless of whether they currently use e-invoicing. The consultation will explore different e-invoicing approaches and gather views on standardizing e-invoicing and how to increase adoption of e-invoicing across UK businesses and government departments.

### Global E-invoicing & Digital Reporting Tracker

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

## Other Indirect Tax Developments and News from Around the World

### The Americas

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

- **KPMG in Chile** published a [report](#) discussing recent tax developments, including Circular No. 12/2025, which clarifies recent amendments to the VAT law. The report further covers tax authority Resolution No. 12/2025 on the obligation to provide printed representation of e-receipts and e-payment vouchers as well as Ruling No. 44/2025 on the consequences of a death of a partner on the application of the exemption for professional partnerships.

## Miscellaneous Developments in the Americas

- **Bahamas:**<sup>xxxvii</sup> The Department of Inland Revenue (DIR) recently [updated](#) the guidelines for the Registered Agent Declaration under the VAT Act, simplifying reporting obligations for companies with real estate interests in The Bahamas.
- **Costa Rica:**<sup>xxxviii</sup> On February 10, 2025, Costa Rica's Ministry of Finance released a draft decree for consultation, detailing, among other things, the VAT refund rules for school supplies and tech equipment for low-income households.
- **Uruguay:**<sup>xxxix</sup> On February 7, 2025, the tax authority of Uruguay clarified two scenarios for switching from the general to the minimum VAT regime. First, small businesses exceeding an income threshold of 305,000 Index Units and operating under the general VAT regime can return to the minimum regime if they did not surpass this threshold the previous year. However, they must stay under the general regime for three fiscal years before switching back. Second, general regime companies can switch if their last year's income was less than the threshold. These guidelines apply from the 2024 fiscal year onwards.

## Europe, Middle East, Africa (EMEA)

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

- **KPMG in Belgium** published a [report](#) discussing the tax reform measures outlined in the Belgian federal Coalition Agreement 2025-2029, following the formation of a new government on January 31, 2025. The reform aims to enhance the purchasing power of workers, boost economic competitiveness, and encourage climate-friendly investments while maintaining research and development tax regimes. Key indirect tax measures include VAT adjustments, such as reducing VAT on heat pumps and increasing it on fossil fuel boilers and introducing near real-time reporting for business-to-business transactions by 2028. The agreement also proposes lowering excise duties on electricity for businesses, removing excise on zero-sugar drinks, and exploring reductions to counter cross-border shopping. Additionally, the report highlights energy tax shifts to meet climate goals, packaging tax reductions, and the modernization of excise and customs duties legislation.
- **KPMG in Belgium** published a [report](#) discussing Circular 2025/C/6, which outlines the modernization of the VAT chain to improve VAT compliance, refund processes, and procedural rules. Key changes include new submission and payment deadlines for VAT returns, rules for correcting periodic VAT returns, adjusted penalties to enhance compliance, and the replacement of VAT current and special accounts with a VAT provision account. The transition period for these changes extends until October 1, 2025, with some administrative tolerances becoming permanent, such as extended submission deadlines if they fall on weekends or public holidays and adjusted penalties for late submissions and payments under specific conditions.
- **KPMG in the Czech Republic** published a [report](#) discussing the General Financial Directorate's (GFD) recent guidance on the VAT treatment of fuel cards, following the ECJ's decision in Vega International Car Transport, Case [C-235/18](#) (May 15, 2019), and [EU VAT Committee guidelines](#). The GFD's information clarifies that fuel card issuers can be considered exempt financial activities, but they may act as buyers and sellers using the

“commissionaire” model to claim full VAT deductions if certain conditions are met. These conditions include proving the transfer of ownership from the fuel vendor to the issuer and then to the cardholder, identifying the risk bearer of non-payment and damage, and ensuring the issuer does not alter the fuel. Additionally, a written contract reflecting economic reality must be concluded between the issuer and the cardholder.

- **KPMG in Germany** published a [report](#) discussing recent decisions from the Federal Fiscal Court (BFH) on the application of the VAT margin mechanism in the car trade and VAT assessment in criminal confiscation cases. Additionally, it includes updates from the Federal Ministry of Finance (BMF) on barter-like transactions in the waste disposal industry and lower tax court ruling on the interaction between healthcare related exemptions and the zero-rating for intra-EU sales.
- **KPMG in Poland** published a [report](#) discussing, among other things, a Supreme Administrative Court ruling from February 5, 2025, which determined that payments for failing to meet assumed profitability levels are not considered remuneration for services and are therefore not subject to VAT. This decision aligns with the 2021 explanatory notes on transfer pricing, which state that such payments, aimed at transfer price adjustments, fall outside VAT taxation. Additionally, the report covers a draft regulation from the Minister of Finance that extends the application of the VAT reverse charge mechanism for certain energy sales and greenhouse gas emission trading until December 31, 2026, requiring continued recording of these transactions in VAT returns.
- **KPMG in Poland** published a [report](#) discussing legislative amendments passed by the lower house of parliament on February 20-21, 2025, which include the application of the excise duty on tobacco products on new products like refillable e-cigarettes and nicotine pouches, with increased duty on single-use e-cigarette liquids. Additionally, the report covers a Supreme Administrative Court ruling clarifying that the VAT Act does not apply to the settlement of liabilities by way of set-off.
- **KPMG in Slovakia** published a [report](#) discussing the parliament’s approval of a second amendment to the financial transaction tax act, effective April 1, 2025. This amendment broadens the scope of persons exempt from being taxpayers, such as schools, and extends exemptions for attorneys and public universities. It also introduces a provision allowing taxpayers to deduct transaction tax paid by others when calculating their own transaction tax on recharged costs. Additionally, it removes the requirement to notify the tax collector about special accounts used for non-taxable financial transactions, like tax payments.

## European Union: VAT in the Digital Age Package Officially Approved

On March 11, 2025, the EU Council officially adopted the VAT in the Digital Age (ViDA) proposal, signaling significant upcoming changes to the EU VAT system. The ViDA proposal, first introduced in December 2022, underwent extensive discussions before the European Parliament approved it in February 2025. (For KPMG’s previous discussion on the ViDA proposal, [click here](#).) The proposal aims to modernize the VAT system through three main pillars: e-invoicing and digital reporting, platform economy, and single VAT registration. The implementation dates for these changes are primarily set for July 1, 2028, and July 1, 2030.

The first pillar, e-invoicing and digital reporting, mandates the use of e-invoices for cross-border transactions within the EU starting July 1, 2030. This includes issuing structured e-invoices within 10 days of the transaction and digitally reporting the data to tax authorities. Member States can make e-invoicing mandatory for domestic transactions from April 2025. Businesses



will need to adapt their invoicing and VAT reporting procedures to comply with these new requirements, which aim to standardize and streamline VAT processes across the EU.

The second pillar focuses on the platform economy, affecting VAT treatment for transactions involving online platforms and marketplaces. From July 1, 2028, digital platforms facilitating short-term accommodation rentals and passenger transport will be deemed vendors for VAT purposes, making them liable for VAT. However, platforms can avoid this liability if the underlying vendor provides a valid VAT number and declares their VAT obligations. This change aims to ensure proper VAT collection in the platform economy, though implementation dates may vary across Member States as Member States can postpone the introduction of this deemed vendor rule until January 1, 2030, adding complexity for businesses operating in multiple jurisdictions.

The third pillar, single VAT registration, aims to simplify VAT compliance for non-established traders by reducing the need for multiple VAT registrations across the EU. The One Stop Shop (OSS) regime will be extended to additional B2C sales, and a new OSS module will allow businesses to report intra-EU movements of their own goods. These changes, effective from July 1, 2028, will streamline VAT reporting and reduce administrative burdens for businesses. The reverse charge mechanism will also be expanded, further minimizing the need for VAT registrations in multiple Member States. To read a report prepared by KPMG in Ireland, please click [here](#).

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

On February 13, 2025, the Court of Justice of the European Union (ECJ) published the nonbonding Opinion of its Advocate General (AG) in P. S.A., Case [C-615/23](#), in which the AG opined that an ex post compensation for financial losses, the amount of which is limited by an EU regulation and is not based on the number of users, but on the vehicle-kilometers offered by reference to a flat rate, does not constitute consideration for a provision of services to the local authority making the payment. Nor does such compensation constitute consideration from a third party for the benefit of specific users of public transport because it does not affect directly, but at most indirectly, the price calculation made by the subsidized undertaking.

On February 27, 2025, the ECJ published its decision in Adjak, Case [C-277/24](#), regarding the right of individuals to participate in and challenge decisions on VAT debts of a company. In the case, an individual challenged the Polish tax authority's decision to deny their participation in tax proceedings determining the VAT debt of a company they had chaired. The Polish tax authority's practice did not allow third parties, such as former board members, to participate in these tax proceedings, nor did it provide adequate means for them to challenge the findings in subsequent joint and several liability proceedings. The ECJ held that the rights of the defense, and the principle of proportionality, does not preclude national legislation and practice that prevent a third party from participating in tax proceedings against a legal person. However, during any joint and several liability proceedings, the third party must be able to effectively challenge the findings and legal classifications made in the initial tax proceedings and have access to the tax authority's file.

Source: European Union; Poland - ECJ Advocate General Opines on VAT Treatment of Subsidized Services Provided by Taxable Person in Public Interest: P. S.A. (Case C 615/23) (VAT) (February 13, 2025), News IBFD; European Union; Poland - ECJ Decides on Right of Individuals to Participate in and Challenge Decisions on VAT Debts of Company: Adjak (Case C-277/24) (VAT) (February 27, 2025), News IBFD.

## Miscellaneous Developments in EMEA

- **Austria:**<sup>xi</sup> On January 29, 2025, the Austrian Federal Ministry of Finance [published](#) Federal Finance Court Decision No. RV/2100765/2024. In this case, a German limited partnership provided its marketing employees with Austrian-registered company vehicles for business and private use. The tax authority initially held that the taxpayer was subject to VAT because providing vehicles for private use is considered a vehicle rental taxable in the recipient's country of residence, Austria. However, the taxpayer argued against VAT liability, citing the inability to deduct VAT on the vehicles. Upon appeal, the Federal Finance Court sided with the taxpayer, determining that no taxable transactions occurred in Austria during the disputed year, thereby exempting the taxpayer from VAT.
- **Austria:**<sup>xii</sup> On February 6, 2025, the Austrian Federal Ministry of Finance [published](#) Federal Finance Court Decision No. RV/2100896/2019. In this case, a taxpayer purchased rental properties and assumed existing leases. The tax authority denied the taxpayer's VAT deductions, citing the tenant's VAT-exempt banking activities. The Federal Finance Court found that Section 6 of the VAT Act, as amended, does not apply to the taxpayer's rental income since the lease commenced after August 31, 2012. Additionally, vacant spaces and attics were not considered part of the VAT-liable area without evidence of intent to rent.
- **Austria:**<sup>xiii</sup> On February 13, 2025, the Austrian Federal Ministry of Finance [published](#) Federal Finance Court Decision No. RV/5100622/2022. In this case, the tax authority denied a taxpayer's VAT deductions, finding the invoiced services from related entities were not based on arm's length agreements or not rendered. The Federal Finance Court dismissed the taxpayer's appeal, determining the invoices were fictitious and the related companies lacked the necessary infrastructure to provide the services. The taxpayer failed to prove the transactions' legitimacy, making the denial of VAT deductions correct and the corporate tax assessments lawful.
- **Austria:**<sup>xiii</sup> On February 20, 2025, the Austrian Federal Ministry of Finance [published](#) Federal Finance Court Decision No. RV/7104484/2019. In this case, the taxpayer claimed VAT deductions for services invoiced by related companies. The tax authority denied the deductions, finding that the companies did not render the invoiced services and adjusted the taxpayer's income tax assessment. The taxpayer appealed, but the Federal Finance Court dismissed the appeal, determining that the companies were fraudulent and lacked the necessary resources to provide the services. Although the taxpayer acted in good faith, they failed to provide sufficient evidence to prove the transactions' legitimacy.
- **Denmark:**<sup>xiv</sup> On February 10, 2025, the Danish tax authority [published](#) Tax Council Binding Answer No. SKM2025.58.SR, clarifying the VAT on the sale of cars from a private collection. In this case, an individual acquired specialty cars for their collection over several years and now plans to sell part of this collection to a capital company they own. They sought confirmation on whether the sale of these cars falls outside the scope of the VAT Act. The Tax Council confirmed that the one-time sale of part of the car collection could occur without VAT, as the individual is not a taxpayer under the VAT Act. This decision considered that the cars were collected over many years, not purchased for resale, had not been marketed, and were registered for private use.
- **Denmark:**<sup>xiv</sup> On December 21, 2025, the Danish tax authority [published](#) National Tax Court Decision No. SKM2025.80.LSR, clarifying the VAT treatment on commercial sales of undeveloped land. In this case, the taxpayer, a taxable entity engaged in economic activities including real estate rental, purchased a property on December 1, 2006, consisting of 18,885 m<sup>2</sup> with a house and two barns. The house was rented out for residential

purposes from September 29, 2009. On November 22, 2013, the company obtained permission to subdivide the property into four plots for residential development, which were later sold between October 2020 and June 2021. The Tax Agency increased the taxpayer's VAT liability, determining that the sales of building plots were subject to VAT. The Tax Appeals Board recommended maintaining this increase. The National Tax Court upheld the decision, concluding that the sales were conducted in the taxpayer's capacity as a taxable entity engaged in economic activity under the VAT Act. Additionally, the taxpayer did not demonstrate that the land was solely used for VAT-exempt rental purposes after deregistration.

- **Estonia:**<sup>xlvi</sup> On February 4, 2025, the European Commission [proposed](#) extending until December 31, 2027 Estonia's right to restrict the deduction of VAT to 50 percent for passenger cars not fully used for business purposes, covering their purchase, lease, intra-Community acquisition, import, and related repair and fuel costs.
- **European Union:**<sup>xlvii</sup> On January 31, 2025, the European Commission sent letters of formal notice to Belgium, Bulgaria, Greece, Spain, Lithuania, Portugal, and Romania for not fully adopting [Directive \(2022/542\)](#) regarding VAT rates into their national laws by the December 31, 2024 deadline. This Directive allows Member States to apply reduced VAT rates, including zero-rates, on essential products such as food, medicines, and medical devices. It also opens country-specific VAT rate derogations to all Member States to ensure equal treatment across the EU. If these Member States do not comply within two months, the Commission may issue a reasoned opinion.
- **European Union:**<sup>xlviii</sup> On January 31, 2025, the European Commission issued letters of formal notice to Bulgaria, Cyprus, Greece, Ireland, Lithuania, Portugal, Romania, and Spain for failing to incorporate [Directive \(2020/285\)](#) into their national laws by the December 31, 2024 deadline. This Directive provides a special VAT scheme for small enterprises (SMEs), allowing them to sell goods and services without charging VAT and reducing their compliance obligations. It also enables SMEs from other Member States to benefit from VAT exemptions similar to domestic small businesses. If these Member States do not comply within two months, the Commission may issue a reasoned opinion.
- **European Union:**<sup>xlix</sup> On February 6, 2025, the European Parliament's Permanent Subcommittee on Tax Matters (FISC) conducted two public hearings on VAT in the European Union. The [first session](#), "A coherent tax framework for the EU's financial sector," addressed the challenges of the VAT exemption for financial services, which creates market distortions and administrative complexities. Experts proposed recalibrating VAT policies, such as introducing a 0% rate for financial institutions to recover VAT and foster a stable environment. The [second session](#) focused on "The Role of the EPPO and Eurofisc in Tackling VAT Fraud in the EU," highlighting the significant impact of VAT fraud and the need for coordinated efforts among EU Member States. Technological advancements like Transaction Network Analysis and artificial intelligence were discussed as tools for detecting fraud, alongside the ViDA legislative package. However, challenges remain, including inconsistent cooperation with third countries, necessitating stronger international agreements and diplomatic efforts.
- **European Union:**<sup>i</sup> On February 11, 2025, the European Commission [published](#) the 2025 Commission Work Programme titled "Moving forward together: A Bolder, Simpler, Faster Union." The program outlines key initiatives, including 45 new proposals and plans to withdraw 37 legislative proposals within six months. Priorities focus on sustainable prosperity, defense, security, and preparing for future challenges. In indirect taxation, the Commission proposes amendments to VAT rules for distance sales, a new Union Customs

Code, restructuring energy taxation, and regulating resources from the Emissions Trading System. The program includes a Communication on Implementation and Simplification to reduce administrative burdens, although it does not specifically address VAT, customs, and environmental tax issues.

- **European Union:**<sup>ii</sup> On February 28, 2025, the European Union published [Council Directive \(EU\) 2025/425](#) and [Council Implementing Regulation \(EU\) 2025/428](#), which introduce an electronic VAT exemption certificate. These amendments, specifically newly introduced articles 151a and 151b of the VAT Directive, establish the requirement for electronic certification and procedures for processing. Member States must incorporate these changes into their national laws by June 30, 2031, while allowing a transition period where both electronic and paper certificates are valid until June 30, 2032, to provide flexibility and time for IT system updates. The directive and regulation will take effect on March 20, 2025, with full implementation by July 1, 2032, at which point the paper-based system will be phased out, and only electronic certificates will be used to streamline VAT exemption processes and reduce administrative burdens.
- **European Union:**<sup>iii</sup> On February 26, 2025, the European Commission [adopted](#) a new package of proposals, including reforms to the Carbon Border Adjustment Mechanism (CBAM), as part of the Omnibus I package to simplify EU regulations and align competitiveness with climate goals. The proposed changes introduce a de minimis exemption for small importers, simplify compliance for larger importers, and enhance enforcement measures to prevent abuse. The European Commission plans a full review of the CBAM later in 2025 to explore potential expansions and support EU exporters, with a legislative proposal expected in early 2026.
- **France:**<sup>iii</sup> On February 14, 2025, France [published](#) the Finance Act for 2025, which, among other things, unifies and reduces the domestic VAT exemption threshold for small businesses to EUR 25,000 effective March 1, 2025. However, following a public consultation, French Government published a press release postponing the new threshold until June 1, 2025. Until then, the previous VAT exemption limits (applicable from January 1, 2025) remain in effect, and the tax authorities have issued a ruling clarifying transitional arrangements for 2025 (BOI-RES-TVA-000198, March 3, 2025).
- **Greece:**<sup>liv</sup> On December 27, 2024, the Supreme Administrative Court of Greece held that receiving subsidies does not automatically exclude an entity's activities from being classified as transactions subject to VAT. The case involved a non-profit entity promoting wines, which sought to overturn a lower court's decision rejecting its VAT refund claim. The central issue was whether subsidies received for wine promotion constituted taxable consideration for VAT purposes. The Supreme Administrative Court found that the lower court erred by not assessing whether the entity's activities were subject to VAT, emphasizing that VAT applies to transactions whenever goods or services are sold for consideration, regardless of the funding source.
- **Greece:**<sup>lv</sup> On February 19, 2025, Greece [published](#) Decision A.1015, which establishes a new administrative procedure for implementing the Protocol on Administrative Cooperation and Combating VAT Fraud, as well as Mutual Assistance for the Collection of Tax and Duty Claims under the Trade and Cooperation Agreement between the EU, the European Atomic Energy Community, and the United Kingdom. The decision designates the tax authority as the Central Liaison Office, serving as responsible for overseeing VAT fraud prevention and tax collection cooperation with the UK. The Directorate of Audits handles information exchanges and tax fraud investigations, while the Liaison Service executes assistance requests, including information gathering and debt recovery.



- **Greece:**<sup>lvi</sup> On February 19, 2025, Greece [published](#) Decision No. A 1022/2025, which revises the zero-rating procedures for intra-EU sales and acquisitions of goods intended for export or intra-EU sales. The decision mandates the submission of a Special Consumption Tax Declaration (DEFK) and a VAT Exemption Certificate with supporting documentation. The decision generally sets a nine-month deadline from the acceptance of the DEFK for exporting or delivering goods within the EU, which can be extended by up to four months. For holders of an Authorized Economic Operator (AEO) certificate, the deadline is commonly 20 months, with a possible extension of up to four months. Additionally, it details the procedure for finalizing the zero-rating by submitting a settlement account within two months after the deadline and imposes penalties for non-compliance.
- **Italy:**<sup>lvii</sup> On December 17, 2024, the Italian tax authority [published](#) Ruling Answer No. 261/2024, clarifying the applicable VAT rate for safety works and goods sold for these works at a former mining site managed by a social promotion association. In the case, the taxpayer sought confirmation on whether the reduced VAT rate of 10 percent could be applied to the goods and services purchased directly or through contracts for the safety works, as per specific provisions in the Italian VAT law. The tax authority concluded that the reduced VAT rate could not be applied to the safety works for the underground gallery visit path, as these works do not qualify as primary, or secondary urbanization works under the relevant laws. Consequently, the goods sold for these works also do not qualify for the reduced VAT rate.
- **Italy:**<sup>lviii</sup> On February 11, 2025, the Italian tax authority [published](#) Ruling Answer No. 24/2025, clarifying the VAT treatment of a VAT credit accrued by prior to joining a VAT group. In the case, the taxpayer, which operates in the flexible benefits market and provides travel agency services, had an excess VAT credit from 2023 due to the special VAT regime for travel agencies. In 2024, the taxpayer joined a VAT group and thus inquired whether this credit could be carried forward to benefit the VAT Group. The tax authority confirmed that the special VAT regime for travel agencies, which calculates VAT based on the margin, allows VAT credits to be carried forward to a VAT group. This ensures the correct determination of the taxable base without creating an undue tax burden. The tax authority emphasized that this approach aligns with the special regime's principles and avoids potential anti-avoidance concerns.
- **Italy:**<sup>lix</sup> On February 13, 2025, the Italian tax authority [published](#) Ruling Answer No. 33/2025, clarifying when a local fixed establishment (branch) should be considered as involved in a sale for VAT purposes. In the case, a German company that has an Italian branch questioned whether its branch should be considered significantly involved in transactions with Italian clients. The German company argued that the branch's role was mainly pre-contractual and facilitative, suggesting that VAT obligations should not apply to the branch. The tax authority determined that branch's involvement in facilitating agreements and managing orders with one customer constituted significant participation, making it subject to VAT obligations in Italy. However, for transactions with one vendor, the branch's role was deemed auxiliary, supporting the company's claim that VAT obligations should be fulfilled by the vendor. The tax authority further concluded that the branch's active operations in Italy precluded the use of certain refund procedures available to nonresidents.
- **Italy:**<sup>lx</sup> On February 18, 2025, the Italian tax authority [published](#) Ruling Answer No. 38/2025, clarifying the VAT treatment of expenses related to the employee temporary transfer (secondment). In the case, the taxpayer agreed to temporarily assign employees to another company, who would reimburse Alpha for the exact costs incurred, including wages and contributions, without any profit margin. The taxpayer argued that this reimbursement should not be subject to VAT, citing previous legal interpretations. However, following



an ECJ decision, Italian legislation now requires that such transactions, effective from January 1, 2025, be subject to VAT if there is a direct link between the services and the reimbursement. Consequently, the reimbursement for seconded employees must include VAT, as the transaction is considered taxable under the new legal framework.

- **Isle of Man:**<sup>lxi</sup> On February 6, 2025, the Treasury of the Isle of Man [announced](#) a reduction in the late VAT payment interest rate from 7.25 percent to 7 percent and the repayment interest rate from 3.75 percent to 3.5 percent, effective February 25, 2025.
- **Kenya:**<sup>lxii</sup> The Kenya Revenue Authority recently [published](#) guidance on Kenya's ongoing tax amnesty. The Tax Procedures (Amendment) Act, 2024 extended the tax amnesty period to December 31, 2023, and the amnesty end date to June 30, 2025. Taxpayers with outstanding principal tax for periods up to December 31, 2023, must apply for amnesty on associated interest or penalties and submit a payment plan to settle the principal tax. The iTax system has been updated to allow taxpayers to apply for amnesty and propose payment plans, with amnesty granted once principal taxes are fully settled by June 30, 2025. Conditions include clearing principal tax by the deadline, agreeing to payment terms, and facing enforcement measures upon default.
- **Lithuania:**<sup>lxiii</sup> On January 31, 2025, the Lithuanian parliament [accepted](#) for consideration Bill No. XVP-111, which would increase from EUR 45,000 to EUR 60,000 the annual VAT registration threshold for small and medium enterprises. In addition, on February 13, 2025, the Lithuanian parliament [accepted](#) for consideration Bill No. XVP-128, which would set new VAT registration thresholds of EUR 60,000 in 2026, EUR 70,000 in 2027, and EUR 85,000 from 2028 onwards. The bill would further clarify that a person controlling multiple entities must register for VAT if their combined remuneration surpasses the threshold and would mandate that taxpayers failing to register would be required to calculate and pay VAT on goods and services as if they were registered.
- **Lithuania:**<sup>lxiv</sup> On February 19, 2025, the Lithuanian government [announced](#) discussions on tax reforms, which would include introducing "sin taxes" on sugar and sweetened energy drinks and a 0.4 percent tax on bank assets. Moreover, the reforms could include stricter sanctions on VAT fraud and reconsideration of VAT taxpayer status for suspected evaders, with potential criminal liability for legal entities.
- **Moldova:**<sup>lxv</sup> On January 29, 2025, the Moldovan State Tax Service (STS) issued a clarification about the VAT treatment for transactions involving free economic zones (FEZs). According to Tax Code, goods and services sold to or from an FEZ and destinations outside Moldova's customs territory are zero-rated. This zero-rating also applies to transactions between FEZs and from the rest of Moldova to FEZs, except for shipping services. Goods entering an FEZ without being placed under the free zone's customs regime require a stamped and signed tax invoice by a customs officer to confirm their status as domestic goods.
- **Moldova:**<sup>lxvi</sup> On February 3, 2025, the Ministry of Finance of Moldova opened a consultation to amend VAT refund requirements. The proposed changes would require the STS to determine the VAT refund method within three days of request submission, with exceptions for certain cases. Currently, VAT refund applications are approved if the taxpayer has operated for at least two years, benefited from refunds at least twice, and the last VAT audit confirmed the requested refund amount. Additionally, the total amount of taxes must not exceed one percent of the total sales value during audited periods. The amendments propose maintaining the two-year operation requirement, ensuring the taxpayer has benefited from refunds twice, with a minimum gap of 12 months for large taxpayers and 24 months for others since the last refund period, and confirming refund amounts during audits. Changes to the VAT refund form are also suggested.

- **Moldova:**<sup>lxvii</sup> On February 20, 2025, the STS clarified that a company is not entitled to a VAT refund if its taxpayer status has been canceled. The STS explained that any excess VAT paid is carried over to the next tax period, and upon cancellation of taxpayer status, the company is treated as having made a taxable sale of goods and assets, requiring settlement of VAT based on market value. The procedure for VAT refunds, as outlined in the Regulation on VAT refund, does not include scenarios where the taxpayer status is canceled, thereby disqualifying the company from receiving a refund.
- **OECD:**<sup>lxviii</sup> On January 29, 2025, the Organization for Economic Cooperation and Development [published](#) a working paper titled “Carbon Border Adjustments: The potential effects of the EU CBAM along the supply chain,” which examines the implications of the EU’s Carbon Border Adjustment Mechanism (CBAM) on global trade and climate policy. Introduced in December 2022 as part of the “Fit for 55” package, the CBAM aims to prevent carbon leakage by imposing charges on emissions from specific goods (cement, iron and steel, aluminum, fertilizers, electricity and hydrogen) imported into the EU. The paper concludes that while CBAM can reduce carbon leakage and emissions, it only partially mitigates the negative impact of higher carbon prices and the removal of free allowances on CBAM-protected industries, potentially harming downstream sectors. The report suggests that expanding CBAM’s scope might reduce downstream leakage but would have limited effects on global emissions. Additionally, the implementation of CBAM could benefit non-EU countries with lower emissions and carbon pricing by reducing export levies to the EU.
- **Poland:**<sup>lxix</sup> The Polish Senate recently approved a bill, which, pending the President’s signature, extends the self-assessment requirement for sales of gas, electricity, and greenhouse gas emission allowances until December 31, 2026.
- **Portugal:**<sup>lxx</sup> On February 24, 2025, Portugal [published](#) Law No. 16/2025, which implements the new EU small and medium-sized enterprises (SME) regime. The law restricts access to the regime to entities not engaging in export operations and with annual turnover under EUR 15,000 and allows small businesses from other EU countries to claim VAT exemption if their EU gross receipts is below EUR 100,000. It sets conditions for Portuguese businesses to apply the exemption in other EU Member States, excludes occasional operations and transfers of new vehicles from the regime, and establishes rules for waiver, exemption, cessation, and VAT deduction or refund.
- **Saudi Arabia:**<sup>lxxi</sup> On February 17, 2025, Saudi Arabia’s Zakat, Tax, and Customs Authority (ZATCA) [published](#) guidance on recovering VAT for public benefit projects, such as constructing mosques, healthcare centers, and educational facilities. ZATCA emphasized that investors should ensure they meet eligibility requirements under Saudi regulations and complete the necessary registration procedures to secure a VAT refund. Contributors should review the eligibility criteria, the relevant tax circular, and the user guide on ZATCA’s website, and obtain approval from the relevant authority for their projects to ensure a successful VAT refund application.
- **Slovakia:**<sup>lxxii</sup> On February 14, 2025, the tax authority of Slovakia [published](#) the minutes from its January 23, 2025 methodological committee meeting, which aimed to unify the interpretation of VAT concerning real estate rental and related services. The committee concluded that if tenants can influence and pay for their actual energy consumption, these are considered separate transactions for VAT purposes. Otherwise, they are ancillary to the rental service. Similarly, additional services like cleaning are treated as individual transactions if tenants can choose providers; otherwise, they are part of a composite sale. The minutes also include guidelines on determining when VAT is due and examples in the annex.

- **Sweden:**<sup>lxxiii</sup> On January 28, 2025, the Swedish Tax Council [published](#) Advance Notice No. 76-24/I, regarding whether a transfer of asset from one company to its subsidiary qualifies as a transaction or as a VAT free transfer of a going concern if both entities perform VAT-exempt activities. The case involved X AB transferring all operational assets to its subsidiary as part of a restructuring aimed at improving business processes and regulatory compliance. The Tax Council concluded that such a transfer, involving the complete business operation, should in principle qualify as a transfer of a going concern given that the subsidiary would continue the business without interruption. However, a condition for applying the provision is that the tax that would otherwise have been levied on the transfer would have been deductible for the recipient. Since the subsidiary only conducts activities exempt from tax, the right to deduct input tax would not have existed for the subsidiary. Therefore, the transfer does not qualify as a transfer of a going concern.
- **Switzerland:**<sup>lxxiv</sup> On February 10, 2025, the Swiss tax authority [opened](#) a consultation on draft VAT practical guidelines focusing on VAT deduction. The guidelines detail the application of standard, reduced, and special VAT rates effective from January 1, 2024, and elaborate on various aspects such as the conditions for VAT deduction, methods for VAT deduction correction, and scenarios where deductions are permissible or excluded. The guidelines further clarify the exclusion and reduction of VAT deduction for tax-exempt services and include comprehensive examples and calculation methods.
- **Switzerland:**<sup>lxxv</sup> On February 25, 2025, the Swiss tax authority [published](#) a guidance on amendments to balance tax rates. The key changes include the option to choose more than two balance tax rates, with a new rate applicable if the activity's revenue exceeds 10 percent of the total taxable revenue. Additionally, corrections must be made when switching between the actual accounting method and the balance tax rate method, and specific procedures related to export deliveries and certain tax forms have been eliminated.
- **Switzerland:**<sup>lxxvi</sup> On February 25, 2025, the Swiss tax authority [published](#) a guidance on amendments to flat rate tax method. The key changes include the requirement for corrections when switching between the actual accounting method and the flat tax rate method, where previously deducted VAT must be reimbursed at the time of the switch, and such changes are permissible only after a full tax period. Additionally, specific procedures related to export deliveries and certain tax forms have been discontinued, and activities that require an additional flat tax rate can be directly applied for and declared in the VAT settlement, with subsequent review and approval by the tax authority.
- **Türkiye:**<sup>lxxvii</sup> On February 27, 2025, Turkey [published](#) General Communiqué No. 54, which, among other things, abolishes the cash refund mechanism for reduced-rate transactions effective the same day. Previously, taxpayers were eligible for cash refunds throughout the tax year for VAT paid on deliveries of residential properties that were subject to reduced VAT rates.
- **United Arab Emirates:**<sup>lxxviii</sup> On February 14, 2025, the Emirati Ministry of Finance [published](#) Cabinet Decision No. 127 of 2024, detailing the application of the VAT self-assessment mechanism on transactions involving precious metals, stones, and related jewelry among VAT-registered entities in the UAE. This decision mandates that VAT on these items, intended for resale or production use, will be accounted for by the recipient rather than the seller. It requires recipients to provide a written declaration of their intent and their registration with the Federal Tax Authority before the date of the sale. The decision also specifies that the self-assessment mechanism does not apply if the transaction is subject to a zero rate.

- **United Kingdom:**<sup>lxxxix</sup> On February 11, 2025, the UK Treasury [announced](#) the formation of a UK carbon border adjustment mechanism (CBAM) group to facilitate international collaboration and understanding regarding the UK's CBAM, set to launch in January 2027. This initiative aims to mitigate "carbon leakage" by adjusting for carbon costs on imports from countries with less stringent environmental regulations. The group will consist of international partners nominated by their respective governments, and the Treasury will control membership. Meetings are scheduled to occur online annually, with additional ad hoc sessions as needed, and will be chaired by the HM Treasury.

## Asia-Pacific (APAC)

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

- **KPMG in India** published a [report](#) discussing the 2025-2026 budget. The report explores the budget's provisions related to the mandatory registration and distribution of the Input Service Distributor (ISD), the launch of the Invoicing Management System (IMS), and an amnesty scheme for unresolved litigations. It further discusses a court ruling concerning the input tax credit on the construction of immovable property and retrospective amendment, the alteration of Rule 96(10) and the restrictions on claiming refunds, the period for amending the Customs Bill of Entry/Shipping Bill, and the prerequisites for utilizing the Remission of Duties or Taxes on Export Products (RoDTEP) scheme. Under this scheme, exporters can claim refunds on various embedded taxes and duties incurred during production. The 2025-2026 budget proposes several GST amendments, such as implementing a self-assessment mechanism for the distribution of GST credit by an ISD for inter-state transactions, introducing a tracking and tracing mechanism for certain goods or individuals, requiring taxpayers to deposit 10 percent of the penalty amount for appeals involving penalties without tax demand, and clarifying that goods stored in a special zone prior to export or domestic clearance will not be classified as goods services.
- **KPMG in Kazakhstan** published a [report](#) discussing recent amendments introduced by the Ministry of Finance to the Rules for VAT Refund and the Risk Management System effective February 11, 2025. These amendments expand the criteria for reducing VAT refunds, particularly targeting non-compliant taxpayers. Key changes include accounting for unpaid VAT obligations, reductions in VAT obligations through amended declarations, and extensions of VAT payment deadlines, all aimed at preventing unwarranted VAT refunds from the state budget.
- **KPMG in Malaysia** published a [report](#) discussing recent tax developments, including updated public ruling related to forms, returns, and payment methods under the Tourism Tax Act 2017, Sales Tax Act 2018, and Service Tax Act 2018 and updated guidelines on e-invoicing.

- **KPMG in Malaysia** published a [report](#) discussing the new self-assessment regime for stamp duty effective January 1, 2026 for instruments or agreements related to rental or lease, general stamping and securities; effective January 1, 2027, for instruments of transfer of property ownership; and effective January 1, 2028, for other instruments or agreements.
- **KPMG in the Philippines** published a [report](#) discussing Revenue Regulations No. 001-2025 and No. 002-2025. RR No. 001-2025 amends documentary requirements for determining excise tax exemptions on hybrid or electric vehicles. RR No. 002-2025 implements tax provisions of the Securitization Act of 2004, detailing tax exemptions for asset transfers to Special Purpose Entities, issuance and transfer of asset-backed securities, and income from such securities, with specific exemptions for low-cost or socialized housing-related securities.
- **KPMG in Singapore** published a [report](#) discussing tax proposals in the 2025 budget. With respect to the GST, the only proposal in the budget is the extension of the GST remission for Singapore real estate investment trusts and Singapore-listed registered business trusts in the infrastructure business, ship leasing and aircraft leasing sectors.
- **KPMG in Sri Lanka** published a [report](#) discussing the 2025 budget, which was presented to parliament on February 17, 2025. The budget includes several VAT changes, including the introduction of VAT on digital platform services, the abolishment of the SVAT scheme, VAT exemptions, and compliance-related proposals. Additional measures include mandatory use of POS machines, adjustments in the computation of film exhibition services, disallowance of deferred input tax, and writing off arrears from Tsunami projects.

## Miscellaneous Developments in APAC

- **Philippines:**<sup>lxxx</sup> On February 3, 2025, the Philippine Court of Tax Appeals published its decision in Case No. 10248, clarifying the right to VAT refunds related to zero-rated sales of services. The taxpayer, a Philippine regional headquarters of a Swiss company, sought a refund for unutilized VAT from its zero-rated service sales. The tax authority denied the refund, citing insufficient evidence. The Court of Appeals upheld this decision, noting the taxpayer's failure to substantiate its claim at the administrative level, comply with mandatory invoicing requirements, prove zero-rated sales, demonstrate inward remittance of payments through the Philippine banking system, adhere to central bank regulations, and provide adequate documentation for an offsetting arrangement for certain foreign currency payments.
- **Philippines:**<sup>lxxxi</sup> On February 4, 2025, the Philippine Court of Tax Appeals published its decision in Case No. 10494, clarifying the right to VAT refunds related zero-rated sales to entities registered with the Philippine Economic Zone Authority (PEZA). The taxpayer, a Japanese subsidiary providing manufacturing services, sought a refund for unutilized VAT credits from zero-rated transactions. The tax authority denied the claim, citing a lack of direct attributability between VAT incurred on purchases and zero-rated sales. The Court of Appeals partially granted the taxpayer's claim, confirming that the taxpayer was a VAT-registered entity, its sales to PEZA-registered entities were zero-rated transactions, and it was entitled to a refund for the unutilized VAT credits.



- **Philippines:**<sup>lxxxii</sup> On February 19, 2025, the Philippine Court of Tax Appeals published its decision in Case No. 10826, clarifying the right to VAT refunds related to purchases of goods and services linked to zero-rated sales. The taxpayer, a provider of business process solutions, offered zero-rated services to nonresident entities and sought a refund for unutilized VAT credits, which the tax authority initially denied. The Court of Appeals partially granted the taxpayer's additional refund request. The court recognized that the taxpayer had unutilized VAT credits linked to services provided to nonresident clients, was a VAT-registered entity that adhered to mandatory invoicing requirements, filed its claim on time, and engaged in both VAT-taxable and zero-rated sales, necessitating the apportionment of input VAT between these activities. The Court of Tax Appeals also explained that the refundable input VAT must: (1) not be transitional input VAT; (2) be actually due and paid, and supported by VAT invoices and official receipts; (3) be attributable to zero-rated sales; (4) not be applied against output tax during the subject quarter; and (5) not be applied against output tax in any subsequent period.

## About Inside Indirect Tax

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

### Footnotes

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