



# 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

- **Algeria:**<sup>i</sup> On October 14, 2025, Algeria presented the 2026 Finance Bill, proposing, among other things, to extend the application of the reduced VAT rate of nine percent to rehabilitation of old residential buildings, catering and accommodation by healthcare institutions, vocational center services, and public passenger transport by bus and rail.
- **Belgium:**<sup>ii</sup> On October 13, 2025, Belgium [submitted](#) a draft VAT bill to the Chamber of Representatives, proposing, among other things, to apply the reduced VAT rate of six percent on sales and imports of works of art, collectors' items, and antiques, unless the margin mechanism applies.
- **Bolivia:**<sup>iii</sup> On September 17, 2025, Bolivia's Chamber of Deputies [accepted](#) for consideration Bill No. 630/2024-2025, which proposes a temporary VAT exemption on imports and a zero VAT rate on domestic sales of electric vehicles and related equipment for a period of 10 years. The measure would apply to land and water electric vehicles, conversion kits, and components such as batteries, control systems, and photovoltaic cells used in electric mobility.
- **Colombia:** On October 17, 2025, Colombia's Mining-Energy Planning Unit (UPME) issued Resolution 736 of 2025, expanding the list of energy projects eligible for tax benefits under Law 1715 of 2014, as amended by Law 2099 of 2021. The resolution extends VAT exclusions and customs duty exemptions to additional goods and services, including trailers and semi-trailers used in biomass energy projects, electric vehicle components and assembly services, electric rail transport infrastructure, and industrial refrigeration and heating systems. It also covers equipment for process optimization in the hydrocarbon sector and various stages of the green and blue hydrogen value chain, such as production, storage, and end-use. To read a report prepared by KPMG in Colombia, click [here](#).
- **Costa Rica:**<sup>iv</sup> On October 9, 2025, the Costa Rican Legislative Assembly accepted Bill No. 25239 for consideration, proposing VAT reform measures. The bill seeks to progressively reduce the standard VAT rate from 13 percent to 10 percent for specified goods and services. It would introduce requirements to detail price breakdowns and automatic data exchange with designated tax agencies. Sellers retaining tax benefits would be subject to penalties. The bill would also encourage transferring VAT rebates to consumers and mandate evaluations of consumer benefit, with potential rate reversion if less than 70 percent of the reduction is passed on.
- **Dominica:** On October 1, 2025, Dominica extended VAT exemptions on essential food items for six months as part of its 2025-2026 budget measures. The government also reinstated the highway maintenance levy and increased charges on older vehicle imports. Effective January 1, 2026, visitors will be subject to a new \$30 "Nature Island Fund" fee alongside higher eco-tourism charges. For more information, click [here](#).
- **Egypt:**<sup>v</sup> On October 23, 2025, the Ministry of Finance [published](#) Ministerial Decisions No. 417/2025, which, among other things, increases the schedule tax set out in serials (3/c, d) and (4) under item "Second" of the schedule of goods and services attached to the VAT Act by 15 percent annually, starting on January 1, 2026, for three years, and then reduce this rate to 12 percent annually, starting on January 1, 2029.
- **Estonia:**<sup>vi</sup> On June 9, 2025, the Estonian Parliament [accepted](#) for consideration Resolution No. 672 OE, which proposes reducing the VAT rate to 9 percent for basic food groups, including vegetables, dairy, meat, grain, and fish.

- **France:**<sup>vii</sup> On October 22, 2025, the French General Directorate of Public Finance [launched](#) a public consultation on guidance relating to changes to the application of the reduced VAT rates for energy renovation and solar equipment installation in residential buildings over two years old, in order to take into account the latest legislative and regulatory developments. The guidance clarifies the renovation services qualifying for the 5.5 percent VAT rate as of January 1, 2025. From March 1, 2025, fossil fuel boilers have been excluded from both the 5.5 percent and 10 percent reduced VAT rates. Additionally, the 5.5 percent VAT rate has been extended to solar electricity equipment of up to nine kilowatts-peak from October 1, 2025. Effective February 16, 2025, compliance to qualify for reduced rates has been simplified by replacing written attestations with certifications on quotes or invoices. In addition, the FTA reversed its previous position and now considers that work carried out by a subcontractor is eligible for the reduced rates, provided that it meets all the necessary conditions.
- **Germany:** On October 15, 2025, Germany proposed reducing the VAT rate to seven percent for restaurant and catering services, excluding beverages, effective January 1, 2026. To read a report prepared by KPMG in Germany, click [here](#).
- **Greece:**<sup>viii</sup> On July 28, 2025, Greece [published](#) Law No. 5222, which, among other things, applies a 6 percent reduced VAT rate to imports of works of art and cultural goods.
- **Greece:**<sup>ix</sup> On November 7, 2025, Greece's [Parliament](#) passed a tax reform bill, which, among other things, reduces VAT rates by 30 percent for remote Aegean islands with populations under 20,000 and belonging in the Prefectures of Northern Aegean, Evros, and Dodecanese, effective January 1, 2026. The bill also extends the suspension of VAT on new constructions through 2026 to support housing development.
- **Ireland:** On October 7, 2025, Ireland's Minister for Finance [presented](#) the Budget 2026, proposing, among other things, to reduce the VAT rate on new apartment sales from 13.5 percent to nine percent from October 8, 2025 through December 31, 2030; to lower the VAT rate on food, catering, and hairdressing services from 13.5 percent to nine percent starting July 1, 2026; to extend the temporary nine percent VAT rate on gas and electricity charges through December 31, 2030; to raise excise duty by EUR 0.50 on a pack of 20 cigarettes, with pro rata increases on other tobacco products, from midnight on October 7 and to introduce a tax of EUR 0.50 per milliliter on e-liquids for e-cigarettes from November 1, 2025; and to increase the carbon tax on auto fuels to EUR 71 per ton of CO<sub>2</sub> from October 8, 2025, with the same rate taking effect for other fuels on May 1, 2026. To read a report prepared by KPMG in Ireland, click [here](#).
- **Latvia:**<sup>x</sup> The reduced VAT rate of 5% to books, press, and other publications is now added a requirement for that publication to be in Latvian, Latgalian, or Livonian languages, as well as in the official languages of the European Union, European Economic Area, Switzerland, EU candidate countries, and OECD. To read a report prepared by KPMG in Latvia, click [here](#).
- **Latvia:** As part of a pilot project from July 1, 2026, to June 30, 2027, a reduced VAT rate of 12 percent is planned for the following food product groups: all types of bread, including rye, wheat, mixed flour, and other cereal breads, including gluten-free bread; fresh, sterilized, or pasteurized milk, excluding ultra-sterilized (UHT) milk; fresh chilled poultry meat (chicken, turkey, duck, goose, guinea fowl, quail); fresh poultry eggs in shells. The reduced 12 percent VAT rate up to these changes was applied only to baby food and fresh fruits, berries, and vegetables characteristic of Latvia. To read a report prepared by KPMG in Latvia, click [here](#).

- **Lithuania:**<sup>xi</sup> On June 17, 2025, the Lithuanian parliament accepted an [amendment](#) No. XV-287. Starting January 1, 2026 a reduced VAT rate of 12 percent will be applied to accommodation services, passenger transportation and visits to art and cultural institutions. A reduced VAT rate of 5 percent will be applied to printed and electronic books and non-periodical publications, excluding those comprising 80 percent or more advertising content or consisting mainly of music or video material. A reduced VAT rate will no longer be applied to energy and firewood provided for residential heating.
- **Morocco:**<sup>xii</sup> On October 21, 2025, Morocco [published](#) the Finance Bill for 2026, which, among other things, proposes to expand the import and domestic sales VAT exemption for fertilizers and growing media is expanded, harmonize the VAT exemptions for investment projects, extend the VAT exemption for sports joint-stock companies through 2030.
- **Romania:**<sup>xiii</sup> On September 23, 2025, Romania [published](#) Order No. 1,515/313, increasing the VAT rate from nine percent to eleven percent for sales of fertilizers, pesticides, seeds, and other products intended for sowing or planting. It also applies to services commonly used in agricultural production.
- **Saint Lucia:** On July 23, 2025, Saint Lucia announced an extension of the VAT waiver on select building materials until May 2026. Initially introduced in August 2023, the waiver applies to essential items such as plywood, lumber, and solar systems. For more information, click [here](#).
- **Saint Vincent and the Grenadines:**<sup>xiv</sup> On October 27, 2025, the Prime Minister of Saint Vincent and the Grenadines announced an expansion of the list of goods and services subject to the zero percent VAT rate to include additional essential food products and adult care items.
- **Slovakia:**<sup>xv</sup> On September 24, 2025, Slovakia [published](#) Law 261/2025, which, among other things, increases the VAT rate from 19 percent to 23 percent on high-sugar and high-sodium foods, including sweets, sweetened soft drinks, and salty snacks.
- **Trinidad and Tobago:** On October 13, 2025, Trinidad and Tobago's Minister of Finance [presented](#) the 2026 budget, proposing, among other things, to remove VAT on additional basic food items, including salt, coconut water, and locally grown produce, effective October 17, 2025. From January 1, 2026, VAT exemptions will apply to agricultural machinery, hydroponic components, and animal feed. The budget also introduces a five percent tax on single-use plastics and a 0.25 percent asset levy on commercial banks and insurance companies. Finally, customs duties on luxury electric vehicles and excise duties on alcohol and tobacco are increased to boost revenue. For more information, click [here](#).
- **Türkiye:**<sup>xvi</sup> On October 21, 2025, Türkiye's parliament accepted for consideration a draft omnibus law, which, among other things, would introduce a temporary VAT exemption for sales of goods and services to the Union of European Football Associations (UEFA), participating teams, and non-resident entities involved in the 2026 and 2027 UEFA finals and the 2032 European Championship. VAT related to these transactions will remain creditable and refundable. Additionally, the VAT exemption on property transfers by municipalities and provincial administrations would be extended to include Investment Monitoring and Coordination Presidencies, aligning tax treatment across local government bodies.
- **Uruguay:** Effective October 1, 2025, Uruguay implemented reductions in the specific internal tax (IMESI) on gasoline sales at service stations located near border crossings. Under Resolution No. 1.609/2025, a 33 percent IMESI reduction applies to gas stations within 20 kilometers of border crossings with Argentina, while a 30 percent reduction applies to those near the Brazilian border. To read a report prepared by KPMG in Uruguay, click [here](#).



- **Uruguay:**<sup>xvii</sup> On October 23, 2025, Uruguay’s Ministry of Economy and Finance [issued](#) Decree No. 220/025, granting a temporary VAT exemption for specific tourism services provided to non-resident individuals. The exemption applies from November 15, 2025, to April 30, 2026, and is contingent upon payment through foreign credit or debit cards or e-money instruments, with the collecting entity being Uruguayan resident. Covered services include culinary services from restaurants and similar establishments, catering events, other event-related services, and car rentals without a driver.

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## Digitalized Economy Indirect Tax Updates

### **Bhutan: Nonresident Providers Required to Register for GST from January 1, 2026**

Bhutan recently confirmed the implementation of its long-awaited goods and services tax (GST) regime, which will take effect on January 1, 2026, replacing the existing sales tax framework. The GST Amendment Law 2025 sets a standard GST rate of five percent, reduced from the originally proposed seven percent. The regime introduces registration obligations for nonresident providers of imported business-to-consumer (B2C) services. Nonresidents must register if their sales exceed BTN 5 million in the previous or upcoming 12 months, or BTN 2.5 million in the previous six months, and must appoint a local representative.

GST applies to sales made in Bhutan if services are physically performed in the country, relate to land located in Bhutan, or involve imported B2B or B2C services. Nonresident providers are liable to account for GST on sales of “imported B2C services” that occur in Bhutan. This is defined as services provided by a person not resident in Bhutan to a Bhutanese consumer. The law further clarifies that electronic services encompass a wide range of activities when provided or delivered via a telecommunications network. These include websites, web-hosting, remote maintenance of programs and equipment, software and its updates (with certain exceptions), virtual currencies, images, text, information, access to databases, self-education packages, music, films, games, and broadcasts or events of a political, cultural, artistic, sporting, or scientific nature, including broadcast television services delivered electronically. In cases involving electronic distribution platforms, the platform itself is responsible for collecting GST.

Registered vendors must issue serially numbered tax invoices with specific details. The law also provides for compulsory registration by the tax authority if a person fails to register despite meeting the threshold. Penalties include a 15 percent annual rate for late payments, and repeated failure to file returns may result in criminal charges and fines. For more information, click [here](#).

### **European Union: CJEU Confirms Electronic Marketplaces Qualify as Undisclosed Agents Pre-2015 Amendments**

On October 9, 2025, the Court of Justice of the European Union (CJEU) issued its decision in *Xyrality*, Case [C101/24](#), confirming that electronic marketplaces may qualify as undisclosed agents under Article 28 of the EU VAT Directive, even before the 2015 introduction of Article 9a in the VAT Implementing Regulations. The case involved a German developer selling mobile applications through an Irish-operated app store, where in-app purchases were processed and charged by the platform.

The CJEU held that when a platform acts in its own name but on behalf of a developer, it is deemed to be an undisclosed agent under Article 28 of the EU VAT Directive. This creates a legal fiction of two transactions: one from the developer to the platform and another from the platform to the end customer.

The CJEU clarified that the intermediary's role and control over the transaction determines whether Article 28 applies. It emphasized that post-sale order confirmations naming the developer and showing domestic VAT do not override the intermediary's status if the platform appears to the customer as the contracting party. The sourcing rules must be applied separately to each leg of the deemed buy-sell.

Additionally, the CJEU ruled that Article 203, which states that VAT charged on an invoice is owed, does not impose a VAT liability on the developer merely because its name and VAT rate appeared on order confirmations sent to consumers. Since consumers cannot deduct VAT, the risk Article 203 aims to prevent does not exist. For more information, click [here](#).

## Digitalized Economy – Other developments

- **Chile:**<sup>xviii</sup> On October 16, 2025, Chile's tax authority (SII) [published](#) Ruling No. 2066-2025, clarifying the VAT treatment of offshore software licensing services. The ruling confirms that such services provided to Chilean entities are subject to VAT under the general rules, regardless of whether the foreign seller contracts directly or through a Chilean intermediary. When the Chilean recipient is a VAT taxpayer, the reverse charge mechanism applies, requiring the local entity to issue a purchase invoice, file the VAT return, and remit the tax directly to the authorities. The foreign seller is thereby relieved of VAT collection obligations.
- **Chile:**<sup>xix</sup> The SII recently implemented a series of VAT-related measures affecting the sale of low-value goods into Chile. (For KPMG's previous discussion on Chile's new low value goods rules effective October 25, 2025, click [here](#).) Under [Joint Resolution Ex. SII No. 141-2025 and SNA No. 4260-2025](#) (dated October 15, 2025), Chilean platform operators must submit shipment-level data to validate VAT exemptions, including tax ID, confirmation of VAT charge, and tracking identifiers. [Resolution Ex. SII No. 142-2025](#) (dated October 16, 2025) removed the exclusion of goods subject to special import taxes from the simplified VAT regime, allowing broader eligibility for goods valued under USD 500. Finally, [Resolution Ex. SII No. 145-2025](#) (dated October 16, 2025) introduced new filing rules requiring domestic platforms to charge 19 percent VAT to Chilean consumers (not VAT taxpayers) purchasing low-value goods from foreign sellers via these platforms.
- **Colombia:** On September 30, 2025, Colombia's Tax Authority (DIAN) issued Resolution 228 to amend reporting obligations for digital platform operators, originally established under Resolution 199 of December 2024. The resolution clarifies the scope of operators subject to reporting, including nonresidents facilitating taxable activities for Colombian sellers. The DIAN expanded definitions for "relevant activities" to include services and goods sold for consideration and refines jurisdictional criteria for reporting. The resolution also introduces due diligence requirements aligning with international standards and mandates reporting of financial account identifiers when available. These changes apply to the October-December 2025 reporting period. For more information, click [here](#).
- **Colombia:**<sup>xx</sup> On October 14, 2025, Colombia's Constitutional Court [published](#) Decision No. C-431, validating the emergency tax measures [introduced](#) under Executive Decree No. 175-2025 during the state of internal unrest. The decree imposes temporary taxes, including VAT on online gambling. The Court upheld the constitutionality of these measures, provided that the revenue is exclusively allocated to specific public sector budget items such as health, education, and defense. If collections exceed the authorized budgetary needs, taxpayers may request refunds or offsets within five years.

- **Denmark:** On October 2, 2025, Denmark published [Executive Order No. 1155](#), establishing reporting obligations for crypto asset service providers under its implementation of the EU's [DAC8 directive](#). Effective January 1, 2026, the order requires providers operating in Denmark to collect and report customer and transaction data, verify tax residency, and notify authorities of non-compliance. These obligations apply to both individuals and entities facilitating crypto asset exchanges or transfers for users in Denmark. To read a report prepared by the KPMG EU Tax Center, click [here](#).
- **Denmark:**<sup>xxi</sup> On October 2, 2025, Denmark [published](#) Executive Order No. 1159 amending the [DAC7](#) reporting obligations for digital platform operators. Effective January 1, 2026, the order introduces a new "Identification Service," allowing platform operators to verify sellers' identity and tax residence electronically. When using this service, operators must report only the seller's name, identification reference, and issuing Member State. Additionally, the Danish Tax Agency may now register or deregister platform operators in the EU's central register.
- **European Union:**<sup>xxii</sup> On October 16, 2025, the European Parliament's Subcommittee on Tax Matters [held](#) an interparliamentary meeting to discuss the taxation of digital activities at national and international levels. The session focused on the potential implementation of a digital services tax (DST), its technical parameters, and the challenges of taxing digital companies. Speakers from the European Commission and several Member States emphasized the need for a multilateral solution, highlighting the OECD's Pillar One framework as the preferred approach. While DST is viewed as a possible interim measure, concerns over double taxation persist. The meeting also addressed administrative and economic implications of DST across jurisdictions.
- **Finland:**<sup>xxiii</sup> On October 9, 2025, the Finnish parliament [accepted](#) for consideration Bill No. HE 140/2025 vp, which proposes amendments to DAC7 and DAC8 reporting obligations for digital platform operators. The bill would require operators to conduct due diligence and report sales and rental activities involving sellers in jurisdictions participating in the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income Derived Through Digital Platforms (DPI MCAA). It mandates information exchanges within four months after each reporting period and sets January 31, 2027, as the first reporting deadline for non-EU countries, with exchanges commencing by April 30, 2027. If enacted, the law will take effect on January 1, 2026.
- **France:**<sup>xxiv</sup> On October 30, 2025, the French National Assembly [approved](#) amendments to the Finance Bill for 2026 in its first reading, including an increase in the digital services tax from 3 percent to 6 percent and a rise in the group revenue threshold from EUR 750 million to EUR 2 billion.
- **Greece:**<sup>xxv</sup> On September 11, 2025, Greece signed the DPI MCAA, joining 31 other jurisdictions. The agreement, based on OECD Model Rules, enables automatic exchange of data collected by digital platform operators regarding income earned by sellers in the sharing and gig economy and through online sales. The OECD confirmed Greece's participation in its October 8 update. The DPI MCAA aims to strengthen transparency and compliance across jurisdictions through coordinated reporting.
- **Iceland:**<sup>xxvi</sup> On October 9, 2025, Iceland proposed introducing a five percent cultural contribution tax on revenues earned by streaming services offering video-on-demand (VOD) in Iceland effective January 1, 2026. The tax would decrease to zero percent if the streaming service directly invests at least five percent of that revenue in new Icelandic content. The proposal exempts public service media, small services (under ISK 20 million in annual revenue or under 1 percent of Icelandic households), and services that only carry sports, news, or religious content.



- **Netherlands:**<sup>xxvii</sup> On October 3, 2025, the Dutch Ministry of Finance [launched](#) a public consultation on draft legislation introducing new VAT obligations for digital platforms facilitating short-term accommodation rentals and road passenger transport in line with the [VAT in the Digital Age](#) package. Effective from July 1, 2028, the proposed rules would require platforms to collect and remit VAT on services offered through their systems and maintain records verifying the VAT status of service providers. Platforms would become liable for VAT unless providers can demonstrate compliance or exemption under the Dutch small business rules.
- **Russia:**<sup>xxviii</sup> On October 2, 2025, Russia's Ministry of Finance published draft amendments to the Tax Code proposing VAT rules for imported e-commerce goods purchased by individuals through online platforms. If the value of goods is below the Eurasian Economic Union's customs duty-free threshold, VAT would be collected by the foreign or Russian platform acting as a tax agent and remitted monthly. For goods exceeding the threshold, buyers must pay VAT before registering the customs declaration. The VAT rate would be phased in as follows: five percent in 2027, 10 percent in 2028, 15 percent in 2029, and 20 percent from 2030.
- **Türkiye:**<sup>xxix</sup> On October 30, 2025, a draft bill was submitted to Türkiye's Grand National Assembly proposing an increase in the digital services tax rate for foreign digital service providers from 7.5 percent to 12.5 percent. The standard rate of 7.5 percent would continue to apply to domestic providers.
- **United States:**<sup>xxx</sup> On October 26, 2025, the United States announced preliminary trade agreements with Cambodia, Malaysia, and Thailand that include provisions preventing the imposition of digital services taxes that would discriminate against U.S. companies.
- **Uruguay:**<sup>xxxi</sup> On October 1, 2025, Uruguay's General Directorate of Taxation [published](#) Consultation No. 6679, clarifying the VAT treatment of a subscription service offered by a Swiss entity without a permanent establishment in Uruguay. The service, which includes audiovisual content such as recipes and tutorials, was deemed subject to VAT when consumed in Uruguay. Although the income qualifies as business profits taxable in Switzerland under the 2010 Uruguay-Switzerland tax treaty and is not subject to Uruguay's nonresident income tax (IRNR), Uruguayan VAT applies due to the nature of the digital content.
- **Zambia:**<sup>xxxii</sup> On October 15, 2025, the Zambia Revenue Authority announced the implementation of a 10 percent excise duty on gaming and betting, applicable to amounts staked by players. The duty is payable by betting and gaming companies beginning with transactions from September 2025. Companies are required to manually compute and remit the excise duty using their Withholding Tax accounts, selecting "Lumpsum Payment" as the payment type. Payments are due by the 15th of the month following the transaction period.

## Taxation of the Digitalized Economy – Developments Summary

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

- **Angola:**<sup>xxxiii</sup> On September 23, 2025, Angola's General Tax Administration [postponed](#) the introduction of mandatory e-invoicing. From January 1, 2026, large taxpayers, government suppliers, and transactions over AOA 25 million must comply. The regime, under President al Decree No. 71/25, extends to all VAT-registered taxpayers by September 2026.
- **Australia:**<sup>xxxiv</sup> On August 25, 2025, the Australian government [announced](#) its plan to make Peppol-based e-invoicing the default for government procurement. Non-Corporate Commonwealth Entities (NCEs) must achieve 30 percent e-invoice receipt by July 2026 and full automation by December 2026. Vendors are not legally required to use e-invoicing but may face it as a contractual obligation.
- **Brazil:** On September 30, 2025, Brazil released the Practical Guide for EFD-ICMS/IPI (Version 3.2.0), impacting 2026 fiscal reporting. Key changes include the inclusion of IBS, CBS, and IS in fiscal documents, creating discrepancies between document and operation values. Businesses must adapt ERP and tax systems for compliance with the new SPED Fiscal layout. For more information, click [here](#).
- **Brazil:** In October 2025, Brazil's tax authorities announced that the Brazilian Nomenclature of Services (NBS) will be mandatory for classifying services on all national NFS-e starting January 1, 2026. This standardization aligns with global CPC standards and supports the implementation of IBS and CBS taxes. Businesses must adapt ERP systems to comply with updated XML schemas and validation rules. For more information, click [here](#).
- **Chile:**<sup>xxxv</sup> On October 3, 2025, Chile's tax authority [mandated](#) digital content creators (DCCs) to issue e-invoices (BHEs) for income earned through social media platforms. BHEs must detail payment specifics, platform name, and convert foreign payments to Chilean pesos.
- **Egypt:**<sup>xxxvi</sup> On September 25, 2025, the Egyptian tax authority [issued](#) Resolution No. 361 of 2025, requiring taxpayers listed in the resolution to issue electronic tax receipts starting November 15, 2025. They must also register for the incentive program "Your Invoice – Your Protection and Your Prize" by the same date.
- **Ireland:**<sup>xxxvii</sup> On October 8, 2025, Ireland's tax authority [announced](#) a phased rollout for mandatory e-invoicing to comply with EU ViDA requirements by July 1, 2030. Phase 1 begins in November 2028 for large corporates, Phase 2 in November 2029 for all VAT-registered businesses in intra-EU trade, and Phase 3 in July 2030 for all cross-border EU B2B transactions. To Read a report prepared by KPMG in Ireland, click [here](#).
- **Kazakhstan:** On July 18, 2025, the President signed the new Tax Code of Kazakhstan (Law of the Republic of Kazakhstan No. 214-VIII dated July 18, 2025), introducing updates to the e-invoicing system effective January 1, 2026: Recipients (Non-VAT taxpayers) must confirm or reject invoices within 10 days, with unconfirmed ones deemed accepted. VAT offsets must be recorded before filing returns. Local recipients of services from non-residents must issue e-invoices. In addition to commission agents, freight forwarders, and international transportation taxpayers, new categories have been added, including taxpayers under the simplified declaration regime, providers of medical services, sellers of medicines, and law firms providing legal assistance.
- **North Macedonia:**<sup>xxxviii</sup> The Public Revenue Office (PRO) announced the implementation of an e-invoicing system to record all non-cash transactions via standardized e-invoices. Key benefits include eliminating paper documents, reducing logistics costs, automating booking with QR codes, and enhancing transaction security. The system is expected to go live in the third quarter of 2026. To read a report prepared by KPMG in North Macedonia, click [here](#).

- **Pakistan:**<sup>xxxix</sup> On September 24, 2025, Pakistan's Federal Board of Revenue [issued](#) S.R.O. 1852, postponing the e-invoicing mandate for sales tax registered persons. Public companies, companies with gross receipts exceeding PKR 1 billion, importers, and individuals with gross receipts over PKR 100 million must register by October 15, 2025, test systems by October 25, 2025, and issue e-invoices by November 1, 2025. Other stages of compliance have been established for December 2025.
- **Portugal:**<sup>xl</sup> On October 9, 2025, the Portuguese Parliament began [considering](#) Bill No. 37/XVII/1, which allows PDF invoices to count as e-invoices for tax purposes until December 31, 2026. The law would take effect on January 1, 2026.
- **Philippines:**<sup>xli</sup> On September 5, 2025, the Philippines Bureau of Internal Revenue [extended](#) the e-invoicing compliance deadline to December 31, 2026, for e-commerce businesses, Large Taxpayers Service members, and those under the Ease of Paying Taxes Act. Future mandates will include exporters, tax-incentivized businesses, and other designated taxpayers. For more information, click [here](#).
- **Saudi Arabia:**<sup>xlii</sup> On September 30, 2025, the Zakat, Tax and Customs Authority (ZATCA) [announced](#) the criteria for taxpayers in the 24th wave of the electronic invoicing integration phase. Taxpayers with VAT-liable revenues exceeding SAR 375,000 during 2022, 2023, or 2024 must integrate their e-invoicing systems with the Fatoora platform by June 1, 2026. For more information, click [here](#).
- **Serbia:** On October 3, 2025, Serbia's Ministry of Finance published an amendment to the Rulebook on Electronic Invoicing, effective October 11, 2025. The amendment allows notifications on deductible VAT to be sent via SEF, although it remains optional, providing additional functionality for business operations. To read a report prepared by KPMG in Serbia, click [here](#).
- **Slovenia:**<sup>xliii</sup> On October 23, 2025, Slovenia's Ministry of Finance [announced](#) the adoption of a bill mandating e-invoicing for domestic B2B transactions starting January 1, 2028. E-invoices will be exchanged through four secure methods without tax authority reporting. Paper invoices will remain valid for B2C and foreign B2B transactions, with consumers able to request them. For more information, click [here](#).
- **Tunisia:**<sup>xliv</sup> On October 14, 2025, the Tunisian government introduced its 2026 Finance Bill, which, among other things, proposes requiring the issuance of e-invoices for both goods and services, broadening the current requirement that only applies to goods. If approved, the Financial Bill would take effect on January 1, 2026, but a different effective date may be approved for changes related to e-invoicing. For more information, 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 Costa Rica** published a [report](#) discussing six resolutions issued by the General Directorate of Taxation on October 3, 2025, to support the launch of the new digital tax platform “TRIBU-CR.” The resolutions cover several topics, including deadline extensions for VAT and corporate income tax, updates to reporting procedures for credit and debit card transactions, and amendments to self-assessment and administrative sanction forms. The resolutions also revise registration and deregistration procedures in the Unified Tax Registry. Additionally, the National Registry suspended implementation of a resolution concerning capital gains tax on real estate, citing the absence of technical and legal conditions required for verification under the new system.
- **KPMG in Trinidad and Tobago** published a [report](#) discussing the indirect tax measures introduced in the 2026 National Budget, presented on October 13, 2025. The government introduced a five percent tax on the cost, insurance, and freight (CIF) value of single-use plastic imports and a TTD 0.05 per kilowatt-hour electricity surcharge for commercial and industrial users. Customs duties and excise taxes on rum, beer, spirits, and tobacco were increased, along with adjustments to license and processing fees. The budget also removed VAT on agricultural machinery, hydroponic components, and animal feed. Additionally, the taxation regime for luxury electric vehicles was revised to include customs duty, VAT, and motor vehicle tax based on engine size.
- **KPMG in Uruguay** published a [report](#) (in Spanish) discussing proposed amendments to the international purchase regime under the 2025-2029 National Budget Bill. Among other things, the bill would increase the annual limit for tax-free shipments from \$200 to \$800, allowing the limit to be used in one shipment or split across up to three shipments, and applying VAT to the invoice or declared value of goods. International agreements, such as those with the United States, will remain respected, ensuring the current duty-free regime for U.S. purchases within the agreement’s limits.
- **KPMG in Uruguay** published a [report](#) (in Spanish) discussing Law No. 20,419, which introduces a simplified customs procedure allowing micro, small, and medium-sized retail businesses to import goods intended for final consumers without paying VAT or the specific internal tax (IMESI). However, companies operating under the “draw back” regime established by Decree No. 367/995 are excluded from this benefit.

### United States: Logistics Provider’s Non-Returnable Packaging Materials Subject to Sales Tax in Indiana

On September 25, 2025, the Indiana Department of State Revenue determined in Revenue Ruling #2025-04-RST that a logistics company’s purchases of non-returnable wrapping materials, as well as machinery and equipment used in providing assembly and packaging services, are subject to sales and use tax. The taxpayer operates multiple distribution centers in Indiana, providing services such as supply chain management, warehousing, order fulfillment, assembly and packaging, and transportation management. The taxpayer receives customer-owned



products, stores them, and prepares them for shipment using non-returnable packaging materials such as bags, boxes, bubble wrap, labels, stretch wrap, tape, pallets, and crates.

The taxpayer requested guidance on whether its non-returnable packaging materials were exempt as sales of wrapping materials and containers for use in shipping or delivery of tangible personal property, and whether its purchases of packaging equipment used to package and repackage products for customers were exempt as manufacturing machinery, tools, or equipment for direct use in production.

The Department explained that the exemption for non-returnable packaging materials applies only if the materials are used for shipping or delivering tangible personal property that the acquirer processes or services for the owner and that will be sold by the owner as part of their manufacturing or production business. The Department cited to *Faris Mailing, Inc. v. Indiana Dep't of State Revenue* to clarify that fulfillment and packaging services, such as those provided by the taxpayer, do not transform a customer's products or create a new marketable product. Therefore, the taxpayer's use of non-returnable packaging materials to ship customer-owned products did not meet the requirements to qualify for the non-returnable packaging materials exemption.

Similarly, with respect to the exemption for manufacturing machinery and equipment, the Department concluded that the taxpayer's activities of packaging and repackaging customer-owned products did not constitute direct production or manufacturing. The Department explained that merely assembling or packaging items does not transform the items into new products and, therefore, does not qualify for the manufacturing exemption.

## Miscellaneous Developments in the Americas

- **Bolivia:**<sup>xlv</sup> On October 12, 2025, Bolivia's National Tax Service [published](#) Resolution No. 102500000040, outlining VAT credit distribution rules for oil block operators with specific contracts. Operators must submit a monthly credit distribution form online by the 10th of the following month, even if no VAT credit is available. They are also required to provide copies of current operating contracts if not registered by November 1 and report changes affecting credit distribution within five business days. The deadline for registering or confirming fiscal documents in the Registry of Purchases and Sales is extended to the 13th of each tax period. Credit distributions for April to September may be regularized until November 10.
- **Chile:**<sup>xlvi</sup> On October 16, 2025, the SII [published](#) Letter No. 2072, clarifying that an exporter cannot offset VAT withheld on "purchase invoices" from a fruit producer against the VAT it charges on services. Under the VAT Law (Articles 2(3), 3, and 10), SII may shift the tax collection to the buyer, who must withhold, declare, and pay that VAT in full as a withholding agent. These are distinct transactions—sales of goods vs. services—with separate accounting (debits/credits) and reporting. Both amounts must be declared independently in the VAT return, with no netting permitted.
- **United Nations:**<sup>xlvii</sup> On October 24, 2025, the UN Committee of Experts on International Cooperation in Tax Matters approved a new workstream on indirect taxes during its 31st session. The Committee agreed to establish a subcommittee to address VAT/GST implementation gaps in developing countries. The subcommittee will prioritize guidance on cross-border VAT/GST dispute resolution, sector-specific treatment, particularly in construction, and taxation of digital platforms. It will also revisit previously suspended topics, including VAT/GST interaction with other taxes and treatment of government entities, charities, and donor-funded projects. The subcommittee is tasked with proposing priorities and identifying additional areas for consideration, with deliverables expected by 2028.

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

- **KPMG in Bahrain** published a [report](#) discussing updates issued by the National Bureau for Revenue (NBR) to several VAT guides throughout 2025, aimed at clarifying the application of the VAT law and executive regulations. The revised guides address zero-rating conditions for exports, treatment of multiple sales in a single export, and VAT implications for the transfer of a going concern. Updates to the healthcare guide include an expanded list of zero-rated medicines and medical equipment. The real estate guide clarifies when owners' associations are conducting economic activity. Additional changes cover the VAT treatment of raffle prizes, qualifying transport assets for zero-rating, and updated procedures for VAT registration and group registration.
- **KPMG in Belgium** published a [report](#) discussing Circular 2025/C/62, which announces the indefinite postponement of the modernization of the VAT chain. (For KPMG's previous discussion on the modernization of the VAT chain, click [here](#).) The transitional measures, originally set to expire on September 30, 2025, will remain effective until further notice. Taxpayers must continue using the existing payment modalities, including account number BE22 6792 0030 0047 and the structured communication from the VAT return receipt. The refund mechanism for accumulated VAT credits, including advance and unallocated payments, will also remain in place. Additionally, extended submission deadlines and penalty relief for late filings will continue to apply. The Federal Public Service Finance will announce the end of the transition period on its website.
- **KPMG in Hungary** published a [report](#) discussing the indirect tax proposals included in the draft autumn tax package released for public consultation on October 15, 2025. Among other things, the draft would let the tax authority appoint a VAT group representative in certain cases, clarify that all group members remain jointly and severally liable, and set joining rules when a non-group member transfers with legal succession. Starting in 2026, taxpayers would be required to file the VAT return's Domestic Purchases Listing (Page M) with more detailed data, including deducted tax. If taxpayers register retroactively, they would be required to file missing monthly returns. The draft would further narrow self-audit rights tied to expired periods, limit when taxpayers can amend or withdraw applications and replace Section 195 self-audits with a 15-day application to reduce liability. Finally, the draft would extend special retail fuel tax rates for tax years beginning in 2026 and keep the zero percent advertisement tax rate through December 31, 2026.
- **KPMG in Germany** published a [report](#) discussing proposed VAT changes under the draft Tax Amendment Act 2025, expected to take effect from January 1, 2026. In addition to proposed VAT rate changes, the proposal would introduce a centralized customs clearance for import VAT, simplifying compliance for cross-border traders. Additionally, the notification process for VAT assessment notices would be streamlined by removing the requirement for recipient consent in digital delivery.
- **KPMG in Poland** published a [report](#) discussing, among other things, [proposed](#) amendments to the VAT Act and related legislation. The bill would allow individuals engaged in agricultural activity on jointly owned property to register as separate VAT taxpayers and remove restrictions on VAT deductions for activities deemed fictitious or invalid. It also proposes applying a zero percent VAT rate to insurance services and services linked to VAT-

exempt imports, abolishing separate inventory reporting, extending VAT group operations, and clarifying VAT settlements under the deposit return scheme. Additionally, the bill introduces a mechanism to verify a taxpayer's VAT register status for the previous five years. Finally, the report covers a recent court ruling, confirming that companies formed by local governments to perform public tasks are not VAT taxpayers.

- **KPMG in Poland** published a [report](#) discussing, among other things, the EU Council [authorizing](#) Poland to continue limiting VAT deductions to 50 percent on the purchase, importation, intra-EU acquisition, hire, or leasing of certain motorized road vehicles and related expenses, where businesses do not use the vehicles exclusively. This measure remains in effect until December 31, 2028. In addition, the report covers a recent decision by the Supreme Administrative Court clarifying that parties who directly pay subcontractors must apply the split payment mechanism under Article 108a(1a) of the VAT Act.
- **KPMG in Poland** published a [report](#) discussing, among other things, a recent decision by the Supreme Administrative Court (SAC) holding that taxpayers must first calculate the deductible VAT attributable to business use of vehicles under Article 86(2a)-(2h) of the VAT Act, and then apply the 50 percent deduction under Article 86a(1). Moreover, the report covers a proposal which would raise both fixed and variable fees on sugar or sweetener content in beverages, introduce a capped fixed fee on caffeine or taurine in energy drinks, and increase the lump-sum tax on EU/EEA competition and betting winnings from 10 percent to 15 percent.
- **KPMG in Poland** published a [report](#) discussing, among other things, a draft regulation to align the JPK\_VAT return with the National e-invoice System (KSeF)-including tags for invoices issued during outages or outside KSeF-and with the deposit-refund system by requiring VAT reporting of unredeemed deposits on beverage packaging, and it is now in public consultation.
- **KPMG in Poland** published a [report](#) discussing recent SAC rulings on indirect tax matters. The Court held that granting a one-off loan qualifies as an occasional transaction for VAT purposes, as it does not involve the use of company assets. Consequently, VAT incurred on related supervision services is not deductible as such services pertain solely to VAT-exempt transactions. In a separate ruling, the SAC clarified that funds received through a consortium leader from the National Centre for Research and Development (NCBR) for co-financed R&D projects are not subject to VAT because it does not directly affect the service price, relates to project use and IP rights and benefits project units, and, since the project is not directed at NCBR, the subsidy does not constitute remuneration for services provided to NCBR.
- **KPMG in Malta** published a [report](#) discussing tax measures introduced in the 2026 budget, including the increase of the eco-contribution on overnight stays from EUR 0.50 to EUR 1.50 per night to support tourism infrastructure and environmental improvements. Additionally, the government plans to develop measures aimed at establishing a reliable indirect tax framework for industries such as gaming.
- **KPMG in the Netherlands** published a [report](#) discussing a decree issued by the Deputy Minister of Finance on October 15, 2025, which clarifies the scope of the VAT exemption for intermediation activities in shares and securities transactions. Effective October 16, 2025, the exemption applies to corporate finance services that include all four stages of a transaction: orientation and introduction, information and preparation, negotiation, and contract conclusion. An interruption in the process does not disqualify the exemption. Services that do not cover all stages require separate assessment. Technical or advisory services that do not result in a securities transaction, such as valuation advice or legal support, are excluded. Aggregated third-party securities transactions, including those conducted on stock exchanges, fall within the exemption's scope.

- **KPMG in Norway** published a [report](#) (in Norwegian) discussing the government's 2026 budget proposal, which introduces several indirect tax measures. The proposal reduces the VAT exemption threshold for electric cars from NOK 500,000 to NOK 300,000 starting in 2026, with a full repeal of the exemption planned for 2027. It also includes changes to VAT rules relating to cross-border services between head offices and branches and modifies the right to write off VAT on receivables between related companies.
- **KPMG in Serbia** published a [report](#) discussing two draft laws on green taxation, proposed to take effect from January 1, 2026. The Draft Law on Greenhouse Gas Emissions Tax would impose a levy of EUR 4 per ton of CO<sub>2</sub> equivalent on excess emissions from specified industries, with tax credits available for qualifying emission-reduction investments. The Draft Law on Import Tax on Carbon-Intensive Goods would apply a similar tax on imports of iron, steel, cement, fertilizer, and aluminum, based on verified or estimated emissions. Both laws aim to support Serbia's green transition and align with EU environmental standards while protecting domestic producers from carbon-intensive competition.
- **KPMG in Spain** published a [report](#) discussing the implementation of the new H1 system for electronic import declarations, which became mandatory on October 14, 2025. The H1 system replaces the Single Administrative Document (SAD) under the Union Customs Code and must now be used for all import declarations. It introduces a structured data model and supports features such as preliminary declarations and centralized clearance. The H1 declaration now serves as the official document for evidencing the right to deduct import VAT and must also be used for customs reporting under the Immediate Supply of Information (SII) system.
- **KPMG in Sweden** published a [report](#) discussing updated government guidance on the application of VAT to asset transfers as part of business transfers, effective September 30, 2025. Under the revised interpretation, a business transfer is not subject to VAT only if VAT is otherwise chargeable on the asset transfer and the recipient is entitled to deduct that VAT. The new guidance revokes previous positions and may limit the ability to conduct VAT-neutral business restructurings. Taxpayers must now assess each asset's VAT treatment, especially in intra-group transactions, and consider revaluation and adjustment rules where applicable.
- **KPMG in the United Arab Emirates** published a [report](#) discussing the Federal Tax Authority's (FTA) updated VAT Guide (VATGIT1) on VAT deduction apportionment, released on September 30, 2025. The guide introduces the Specified Recovery Percentage (SRP), which allows VAT-registered taxpayers to apply a recovery rate from the previous tax year to residual deductible VAT in the current year, subject to FTA approval. This approach eliminates the need to calculate recovery rates for each periodic VAT return. To qualify, taxpayers must be registered for at least 12 months and submit detailed documentation via the Emaratax platform, including annual wash-up and actual use adjustment calculations. The SRP approval is valid for four years, with a two-year lock-in period. The guide also clarifies apportionment of the AED 250,000 threshold for short tax years, outlines timelines for FTA responses and taxpayer obligations, and provides rules for sectoral recovery rate submissions.

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

On October 2, 2025, the Court of Justice of the European Union (CJEU) published its decision in *Svilosa*, [Case C-535/24](#), clarifying the VAT treatment of debt recovery actions. The CJEU held that actions taken by a creditor to recover a debt without the debtor's mandate do not constitute a provision of services for consideration. In addition, such debt recovery actions do not constitute free services for private use, because the creditor acted to protect its business interests.



On October 22, 2025, the CJEU published the nonbinding Opinion of its Advocate General (AG) in *Digipolis*, [Case T-575/24](#), concluding that Belgium’s “emanation theory” is incompatible with the [EU VAT Directive](#). The theory treats services provided by a commissioning intermunicipal association to its members as internal, non-taxable transactions. The AG emphasized that under article 9 of the EU VAT Directive, any entity independently conducting economic activity is a taxpayer, and national doctrines cannot override this by deeming legally distinct entities as one. Since the Belgian practice does not fall under the VAT grouping or public authority exceptions in articles 11 or 13 of the EU VAT Directive, such services must be treated as taxable sales.

On October 23, 2025, the ECJ published its decision in *Brose Priedvidza* ([Case C-234/24](#)), in which it held that tax authorities cannot deny a nonresident VAT refund claim for equipment sold to an EU business established in another Member State when the equipment never left the seller’s country, unless the equipment sale forms part of a single, indivisible economic transaction or is truly ancillary to the principal cross-border transactions of goods made with that equipment. The CJEU emphasized that the zero-rating for intra-EU sales requires actual physical movement of goods to another Member State and that the VAT refund regime for nonresident EU businesses is a core feature of VAT neutrality. In practical terms, if the equipment sale stands on its own (with its own economic purpose and separate invoicing) and no cross-border movement occurs, the transaction does not qualify for the intra-EU zero-rating, so the buyer can claim a VAT refund in the country where the VAT was charged.

On October 23, 2025, the ECJ published its decision in *Zlakov*, [Case C-744/23](#), confirming that free legal assistance may constitute a sales of services for VAT purposes. The CJEU held that where legal representation is provided without charge, but national legislation requires the opposing party to pay regulated legal fees if ordered to cover costs, such representation qualifies as a sale for consideration. Therefore, the lawyer’s services fall within the scope of VAT, even though the client does not pay directly for them.

On October 23, 2025, the CJEU ruled in *Kosmiro*, [Case C-232/24](#), that both trade factoring (purchase of invoices with default risk transferred to the factor) and invoice factoring (financing secured by invoices while the factor manages collection) constitute a single, indivisible debt-collection service that falls within VAT and does not qualify for the VAT exemption for granting credit under the EU VAT Directive. According to the CJEU, commissions that rise with payment terms and credit risk, as well as flat arrangement fees covering set-up and compliance (such as anti-money-laundering checks), are consideration for debt-collection services subject to VAT. The CJEU also confirmed that the “debt collection” carve-out in the EU VAT Directive has direct effect, so national courts must apply it even if local law treats wider “financing arrangements” as exempt.

On October 23, 2025, the CJEU published the nonbinding Opinion of its AG in *Randstad España*, [Case C-515/24](#), recommending that Spain’s VAT deduction exclusion for entertainment expenses and client gifts is compatible with the EU VAT Directive. These expenses typically relate to final consumption, and allowing deduction would compromise VAT neutrality. The AG also confirmed that Spain’s retention of this exclusion under the standstill clause in the EU VAT Directive is valid, as it was introduced upon accession and does not constitute a new or stricter measure.

On October 29, 2025, the CJEU published the nonbinding Opinion of its AG in *D GmbH*, [Case T-638/24](#), in which the AG advised that when a vendor in the origin Member State wrongly charges VAT on an intra-EU sale of goods that should be zero-rated, that mistake does not stop the tax authority in the same country from taxing the purchaser’s intra-EU acquisition under Article 41 if the purchaser used that country’s VAT ID and cannot show VAT was applied where the shipment ended.

Sources: European Union; Bulgaria – ECJ Decides Debt Recovery Actions By Creditor Without Debtor’s Mandate Do Not Constitute Taxable Supply of Services: *Svilosa* (Case C-535/24) (VAT) (October 2, 2025), News IBFD; European Union; Belgium – ECJ Advocate General Considers Belgian Practice Excluding from VAT Services Provided by Commissioning Association to its Members as Inconsistent with VAT Directive: *Digipolis* (Case T-575/24) (VAT) (October 22, 2025), News IBFD; European Union; Bulgaria – ECJ Decides That VAT Refunds Cannot Be Refused Solely Because Goods Never Left Supplier’s Member State: *Brose Priedviza* (Case C-234/24) (VAT)(October 23, 2025), News IBFD; European Union; Bulgaria – ECJ Decides That Free Legal Assistance Constitutes Supply of Services Even Where Costs Are Payable by Opposing Council: *Zlakov* (Case C-744/23) (VAT)(October 23, 2025), News IBFD; European Union; Finland – ECJ Decides That Factoring Commissions and Arrangement Fees Are Subject to VAT as Debt Collection Services: *Kosmiro* (Case C-232/24) (VAT)(October 23, 2025), News IBFD; European Union; Spain – ECJ Advocate General Opines VAT Deduction Exclusion on Entertainment Expenses Is Compatible with EU Law: *Randstad España* (Case C-515/24) (VAT) (October 23, 2025), News IBFD. European Union; Austria – ECJ Advocate General Opines on VAT Treatment of Intra-Community Acquisitions in Event of Invoicing Errors: *Finanzamt Österreich* (Case T-638/24) (VAT) (October 29, 2025), News IBFD.

## Miscellaneous Developments in EMEA

- **Algeria:**<sup>xlviii</sup> On October 14, 2025, Algeria presented the 2026 Finance Bill, proposing, among other things, to set a unified VAT adjustment deadline of March 20 annually, standardize refund procedures for exporters and investment projects, clarify that VAT on goods imported under temporary admission or inward-processing regimes becomes payable when goods are released for consumption, and require all registered taxpayers to file and pay VAT electronically via the *Jibayatic* portal.
- **Austria:**<sup>xlix</sup> On October 20, 2025, the Austrian Ministry of Finance [published](#) Federal Finance Court Decision No. RV/7106162/2019, clarifying VAT deduction rules for subcontractor services supported by fraudulent invoices. The case involved a construction contractor who claimed VAT deductions for services allegedly provided by subcontractors. The tax office denied the deductions, citing that the invoicing companies were fraudulent and lacked the capacity to perform the services. The court upheld the denial, finding that the taxpayer failed to substantiate payments, including profit shares to a silent partner and large cash transactions, which violated cash payment restrictions and could not be verified as legitimate business expenses.
- **Belgium:**<sup>l</sup> On October 13, 2025, Belgium [submitted](#) a draft VAT bill to the Chamber of Representatives, proposing, among other things, to change the sourcing rules for services related to cultural, artistic, sporting, and similar events. B2B virtual events would be sourced to the customer’s location, while B2C streamed events would be taxed where the consumer resides. To prevent double taxation or non-taxation, the effective use and enjoyment shift the sourcing accordingly.
- **Denmark:**<sup>li</sup> On October 10, 2025, the Danish Customs and Tax Administration [published](#) Tax Council Binding Answer No. SKM2025.569.SR, clarifying VAT treatment in the context of a corporate restructuring. The taxpayer, a Danish consulting and auditing firm, planned to transfer all assets and liabilities to a newly formed partnership, with each employee owning a holding company that would hold an interest in the partnership. The Tax Council concluded that the partnership and its owners could not be treated as a single taxpayer for VAT purposes. Additionally, bonus payments to the partnership owners were not subject to VAT, as they did not constitute consideration for taxable sales.

- **Denmark:**<sup>lii</sup> On October 13, 2025, the Danish Customs and Tax Administration [published](#) City Court Decision No. SKM2025.573.BR, clarifying the VAT exemption for artistic activity. The case involved companies operating tattoo studios that challenged a VAT assessment based on bank deposits, arguing that their services qualified for the artistic activity exemption. The City Court found that the taxpayers failed to maintain proper cash accounts, provide objective evidence linking deposits to services, and demonstrate that each service met the exemption criteria. As a result, the court upheld the VAT assessment, concluding that the exemption did not apply to the tattoo services provided.
- **Denmark:**<sup>liii</sup> On October 20, 2025, the Danish Customs and Tax Administration [published](#) Western High Court Decision No. SKM2025.581.VLR, upholding a lower court ruling that denied a company's deductions for VAT and tax expenses tied to 13 progress/budget invoices from a related subcontractor and two payments without invoices for 2016–2017. The court applied a heightened proof standard due to the related-party relationship and found the invoices lacked required detail (what was delivered, where, when, and by whom), the subcontractor had no employees, and the company offered no objective documentation to show actual deliveries, so it failed the conditions for deductions under the VAT Act.
- **Denmark:**<sup>liv</sup> On October 22, 2025, the Danish Customs and Tax Administration [published](#) City Court Decision No. SKM2025.585.BR, upholding the tax authority's denial of a taxpayer's VAT and income tax deductions for subcontractor costs. The court found multiple red flags: most named subcontractors were deregistered or short-lived, many failed to file VAT, several lacked sufficient staff to perform the billed work, and some were registered in unrelated industries. The taxpayer also produced no correspondence or job records tying the services to specific invoices, and the invoices themselves did not meet mandatory content rules (identifying what, where, when, and by whom work was performed), as required by the VAT Act.
- **Denmark:**<sup>lv</sup> On October 27, 2025, the Danish Customs and Tax Administration [published](#) National Tax Court Decision No. SKM2025.591.LSR, clarifying the VAT deductions conditions for unregistered companies. The case involved a taxpayer whose VAT registration attempts failed due to insufficient financial security. The tax authority denied the deduction, alleging fraudulent intent. The National Tax Court found that the taxpayer did not act fraudulently and was entitled to deduct VAT for the relevant period if material conditions were met (the purchases relate to taxable business activities and the company can document them), regardless of the lack of VAT registration.
- **Egypt:**<sup>lvi</sup> On October 23, 2025, the Ministry of Finance [published](#) Ministerial Decisions No. 417/2025 and No. 418/2025. Decision 417/2025 amends the VAT Executive Regulations by redefining "indirect inputs," allowing registrants to credit input VAT on opening inventory at registration subject to records, tax invoices/customs documents, and an inventory filing, defining "continuous services" (including telecoms, cleaning, freight, and construction with e-invoices tied to consultant-approved statements), and adding a rule that when production lines arrive disassembled or in split shipments the VAT suspension starts at the last local purchase or final customs release. Decision 418/2025 sets a special accounting basis for VAT on construction contracts with certified statements or e-invoices issued before VAT Law 157/2025 but continuing afterward.
- **European Union:**<sup>lvii</sup> On October 2, 2025, the European Commission [published](#) a report highlighting the extensive use of VAT rate derogations by EU Member States. Member States apply 64 derogations unevenly, with Luxembourg, Ireland, and Italy accounting for 75 percent of them. More than 90 percent involve super-reduced rates (below 5 percent) or "parking" rates (12–14 percent), and they cluster in housing and construction (about 30 percent), followed by culture/tourism, public services, food/hospitality, and financial services. For more information, click [here](#).

- **European Union:**<sup>lviii</sup> On October 9, 2025, the European Commission initiated infringement proceedings against Belgium, France, and Malta for failing to implement required IT functionalities under [Directive 2020/285/EU](#), which governs the updated VAT special mechanism for small enterprises. The directive allows member states to exempt small businesses from VAT if their annual gross receipts do not exceed EUR 85,000 and enables non-established EU businesses to benefit from exemptions in other Member States if their EU-wide gross receipts remain below EUR 100,000. The challenged Member States have not established systems necessary for cross-border information exchange, which is essential for the mechanism's proper functioning. The Commission has issued formal notices and awaits responses within two months.
- **European Union:**<sup>lix</sup> On October 17, 2025, the European Union [published](#) Regulation 2025/2083, introducing administrative simplifications to the carbon border adjustment mechanism (CBAM). The regulation establishes a *de minimis* exemption for importers of CBAM goods below 50 tons annually, subject to verification by the European Commission. It clarifies scope exclusions, defines key terms, and sets authorization and representation requirements for importers. The regulation also adjusts CBAM declaration deadlines, lowers certificate holding thresholds, and outlines emission calculation methods. Importers may reduce certificate obligations based on verified carbon pricing in third countries. Penalties for non-compliance are also addressed.
- **European Union:**<sup>lx</sup> On October 21, 2025, the European Commission [published](#) the 2026 Work Programme titled "Europe's Independence Moment," outlining legislative priorities in VAT, customs, and environmental taxation. The Commission confirmed it will retain pending VAT proposals, including amendments for taxpayers facilitating distance sales of imported goods and the introduction of simplified tariff treatments. It also plans to advance proposals for a new Union Customs Code and the creation of a European Union Customs Authority. Additionally, the Work Programme includes updates to the EU emissions trading system and a proposal to restructure the taxation framework for energy products and electricity.
- **European Union:** On October 20, 2025, the European Union [signed](#) an amending protocol to strengthen its tax cooperation agreement with Switzerland. The protocol aligns the agreement with updated EU and international standards by expanding the automatic exchange of financial account information and introducing a new framework for cooperation on the recovery of VAT claims. These amendments follow similar protocols signed with other jurisdictions and are expected to apply provisionally from January 1, 2026, for information exchange. The VAT recovery provisions will take effect from the beginning of the first year following the protocol's entry into force. For more information, click [here](#).
- **European Union:**<sup>lxi</sup> On October 28, 2025, the European Commission [held](#) an Implementation Dialogue with business stakeholders to discuss the rollout of the VAT in the Digital Age (ViDA) [package](#). Participants urged the Commission to prevent fragmentation through clear guidance, prioritize small and medium enterprises that lag in digitalization, and foster joint implementation with Member States and industry (e.g., events/roadshows). They called for adequate lead time—at least 18 months of national guidance and law before go-live—regularly updated, accessible information, and solutions that work for businesses of all sizes. On specifics, they asked to: standardize e-invoice transmission under the digital reporting requirements without extra national layers; ensure consistent treatment of platform deemed-seller rules; and align VAT–customs for the single VAT registration and the secure import one-stop shop, including seamless deregistration. On opportunities, they highlighted extending EU one-stop shop to business-to-business transactions with VAT deduction, creating a tax data hub to avoid duplicate reporting, enhancing the VAT



information exchange system for faster VAT ID checks, and emphasizing automation benefits. The Commissioner committed to continuing the dialogue via regular technical meetings with Member States and the business community.

- **Finland:**<sup>lxii</sup> On June 9, 2025, the Finnish Supreme Administrative Court [published](#) Decision No. KHO:2025:46, clarifying the VAT treatment of app-based employee meal benefits. According to the Supreme Administrative Court, such benefits function as a multi-purpose voucher whereby the restaurant sells the meal to the employee (the end consumer), not to the employer. The employer can thus not deduct VAT shown on invoices issued in the restaurant's name via the intermediary, even when the employer has separate "contract dining" arrangements or when employees top up payments. However, the Supreme Administrative Court considered a separate service fee charged by the app provider a deductible overhead expense related to the taxpayer's taxable business activities.
- **Finland:**<sup>lxiii</sup> On June 9, 2025, the Finnish Supreme Administrative Court [published](#) Decision No. KHO:2025:45, clarifying the VAT treatment of insurance service packages offered by a registered insurance broker. The Supreme Administrative Court held that services directly aimed at renewing policies and competitively tendering policies qualify as exempt insurance intermediation, while most other components—such as expert advice during the policy term, administrative support, risk and insurance analyses, and insurance program administration—constitute taxable services.
- **Finland:**<sup>lxiv</sup> On September 2, 2025, the Finnish Supreme Administrative Court [published](#) Decision No. KHO:2025:61, clarifying VAT deductibility on expert service costs related to company acquisitions. The taxpayer, having acquired a group parent and then sold management services to an indirectly owned subsidiary, claimed VAT deductions on certain acquisition-related advisory costs as general overhead. The tax authority denied the claim, and the Helsinki Administrative Court upheld the denial. On appeal, the Supreme Administrative Court ruled that VAT may be deducted to the extent the services objectively relate to the taxpayer's own taxable business activities. The taxpayer must provide invoice-level breakdowns to determine the deductible portion, and the matter was returned for reassessment.
- **Finland:**<sup>lxv</sup> On October 20, 2025, the Finnish Tax Administration [published](#) Guidance No. VH/1921/00.01.00/2025, updating its guidance on the VAT treatment for transfers of a business or part of a business, replacing 2005 and 2009 guidance. The guidance clarifies that when a transferor hands over a functioning business unit to a VAT-registered successor who will use the assets for VAT-deductible activities, the transfer falls outside the scope of VAT. The guidance explains when this treatment applies (i.e., what qualifies as a self-standing business unit, how mixed taxable/exempt activities are handled, and when the rule does not apply), sets conditions for both transferor and successor, and details documentation and invoice requirements. It further covers special assets (e.g., real estate and investment adjustment duties, and the margin scheme for used goods, art, collectibles, and antiques), provides numerous practical examples, and clarifies deduction rights for transaction costs.
- **France:**<sup>lxvi</sup> On June 19, 2025, the French Administrative Court of Montreuil [published](#) Decision No 2218203, clarifying the VAT treatment of shareholder contributions in kind. The case involved a public entity that provided computing capacity and storage space to its subsidiary and sought to reduce VAT arrears and late payment interest. The taxpayer argued that the provision constituted a shareholder contribution made in kind and was not subject to VAT. The court found that the contribution was made without charge and therefore outside the scope of VAT.

- **Georgia:** The Georgian Ministry of Finance recently published a public ruling clarifying the VAT treatment of self-constructed buildings used for business purposes. VAT liability arises if the building is constructed by a taxable person, used in economic activity, and input VAT deduction is not permitted due to VAT-exempt operations. The ruling specifies that only construction costs are included in the VAT base, while the value of the land is excluded. For more information, click [here](#).
- **Germany:**<sup>lxvii</sup> On October 24, 2025, the German Ministry of Finance [published](#) BMF Letter No. COO.7005.100.3.13080202, clarifying amendments to the VAT exemption for services directly related to school and educational purposes, effective January 1, 2026. The clarification expands eligible service providers to include public law bodies entrusted with educational tasks and broadens the scope to cover school education, higher education, training, and vocational retraining. It also confirms that private teachers are separately exempt and that courses and streaming services approved under the Distance Learning Protection Act qualify as educational services. The letter further defines the nature of school, university, and vocational training services under the exemption.
- **Greece:**<sup>lxviii</sup> On July 28, 2025, Greece [published](#) Law No. 5222, which, among other things, incorporates certain provisions of EU Directive 2020/285 into the existing VAT rules, covering an annual exemption threshold of EUR 10,000 for Greek-established businesses and EUR 100,000 EU-wide revenues for non-established EU businesses, under which said entities are not obliged to file a VAT return and pay VAT. The law further amends the existing provisions for the application by taxable dealers of the margin mechanism for sales of artwork, collectors' items, and antiques, subject to conditions. Finally, the law clarifies the sourcing rules for virtual events and ancillary digital services to be where the non-taxable customers are established or reside.
- **Greece:**<sup>lxix</sup> On July 28, 2025, Greece [published](#) Law No. 5222, which introduces an annual VAT registration threshold of EUR 10,000 for Greek-established businesses euros and EUR 100,000 EU-wide for EU businesses with activities in Greece. In addition, the law allows taxable dealers to apply the VAT margin mechanism to sales of artwork, collectors' items, and antiques, subject to conditions. The law also clarifies the VAT sourcing rules for virtual events and digital services.
- **Guernsey:**<sup>lxx</sup> On October 8, 2025, the Guernsey government released its 2026 Budget in which it deferred a decision on introducing a goods and services tax (GST) to 2026. The Budget increases excise duties on tobacco and fuel in real terms to help reduce the fiscal deficit. It also introduces a new duty on vaping liquids, scheduled to take effect in the third quarter of 2026. As part of the GST-plus framework under review, the government may implement a 5 percent GST, with exemptions for essential items such as food. Lawmakers plan to debate the GST proposal in early 2026.
- **Italy:**<sup>lxxi</sup> On October 21, 2025, Italy's Ministry of Economy and Finance [published](#) updated lists of entities qualifying for the split payment mechanism for 2026. Under this mechanism, sellers must issue VAT-inclusive invoices to qualifying entities, but the VAT is paid directly to a Treasury-held bank account rather than to the seller. This system applies to specific companies, entities, and foundations listed by the Ministry of Economy and Finance, excluding public administrations, which are listed separately. Sellers must include the term "split payment" on invoices and report them normally, but they are not required to remit the VAT in their periodic payments.
- **Italy:**<sup>lxxii</sup> On October 17, 2025, Italy's Council of Ministers [approved](#) the draft Budget Law for 2026, confirming the postponement of two consumption-based taxes. The plastic tax, which targets disposable plastic products, and the sugar tax, applicable to sweetened beverages, will now take effect on January 1, 2027.

- **Italy:**<sup>lxxxiii</sup> On October 27, 2025, the European Commission [published](#) a proposal authorizing Italy to continue limiting the right to deduct VAT on purchases of certain motorized road vehicles until December 31, 2028. The measure permits a 40 percent deduction cap on VAT related to the purchase, lease, importation, maintenance, and associated expenses of such vehicles when not used exclusively for business purposes. Italy may also continue exempting the private use of these vehicles from VAT, provided the deduction has already been limited.
- **Moldova:**<sup>lxxxiv</sup> On October 1, 2025, Moldova's State Tax Service (STS) [published](#) Order No. 482, amending the VAT return submission process, effective for tax periods beginning October 1, 2025. Under the revised rules, the system will reject VAT returns containing specific errors listed in the Order, including mismatches in declared values across key boxes, missing tax period details, and incomplete or incorrect invoice information.
- **Moldova:**<sup>lxxxv</sup> On October 3, 2025, Moldova's STS clarified that VAT on the sale of non-residential immovable property paid in instalments arises upon receipt of each payment. The seller must calculate VAT on each advance received prior to the transfer of ownership and issue a tax invoice at the time full ownership is transferred to the buyer.
- **Moldova:**<sup>lxxxvi</sup> On October 15, 2025, Moldova's STS clarified that vending machine sales are classified as retail trade, not as hotel or restaurant services, and therefore do not qualify for the reduced rate of 8 percent applicable to services and food sold by entities providing hotel and restaurant services.
- **Moldova:**<sup>lxxxvii</sup> On October 10, 2025, the Ministry of Finance [opened](#) consultations on draft instructions that would require electricity and natural gas traders to file a self-assessment declaration. To qualify, traders would need to certify that from January through November of the tax year their own consumption did not exceed 1 percent of the quantity or volume purchased.
- **Moldova:**<sup>lxxxviii</sup> On August 21, 2025, Moldova's Constitutional Court [ruled](#) that the VAT refund procedure outlined in article 27 of the VAT Regulation is constitutional. The case arose after a taxpayer challenged the STS' partial denial of a VAT refund, arguing that the regulation imposed excessive verification requirements and exceeded the government's legislative authority. The court found that the government acted within its delegated powers and that the regulation aligns with the legal framework for tax verification. It concluded that the contested provision does not violate constitutional rights and confirmed the legitimacy of seller chain verification in VAT refund procedures.
- **Morocco:**<sup>lxxxix</sup> On October 21, 2025, Morocco [published](#) the Finance Bill for 2026, which, among other things, would require industrial buyers to self-assess VAT on scrap purchases. The bill would further align the VAT treatment for fertilizer and renewable energy components to favor green and agro-industrial inputs; clarify the VAT recovery and refunds rules on investment projects to reduce delays and improve cash flow for manufacturing and infrastructure; and consolidate VAT filing through the SIMPL-TVA portal while standardizing monthly and quarterly deadlines.
- **Netherlands:**<sup>lxxx</sup> On October 6, 2025, the Netherlands [published](#) Decree 2025-23004, updating its guidance on what constitutes the taxable amount for VAT purposes. The decree confirms that VAT applies only when a direct link exists between a payment and a sale. It outlines that deposits, fines, and call-out charges lacking such a link are excluded from the taxable amount. Regarding fuel and charging cards, the decree aligns with EU case law, treating transactions as sales of goods if commission agent conditions are met, even with multiple parties involved. Additionally, the decree states that passing on negative interest on deposited money by a service provider does not form part of the VAT compensation.

- **North Macedonia:**<sup>lxxxix</sup> On October 9, 2025, the government of North Macedonia [proposed](#) abolishing the VAT exemption for low-value parcels ordered online from abroad. Currently, parcels valued up to EUR 22 are exempt from VAT and customs duties, while those between EUR 22 and EUR 45 are exempt only from customs duties. Under the proposed amendment, all parcels would become subject to VAT, except those sent from one individual to another with a value up to EUR 22, excluding items such as perfumes, tobacco, and alcohol.
- **Portugal:**<sup>lxxxii</sup> On October 27, 2025, Portugal [enacted](#) Law No. 62/2025, introducing a VAT Group regime effective from July 1, 2026. The regime allows entities with financial, economic, and organizational links to consolidate their VAT positions, enabling the offset of VAT credits and liabilities within the group. The controlling entity will be responsible for filing and paying the group's consolidated VAT, while each member must still meet individual reporting obligations. All group members must be domiciled or have a permanent establishment in Portugal and conduct taxable activities. Participation requires a minimum three-year commitment, and entities may only belong to one VAT group. Joint liability applies to all group members.
- **Romania:**<sup>lxxxiii</sup> On October 23, 2025, the Romanian tax authority [published](#) a draft bill proposing amendments to VAT registration procedures. The changes aim to align existing orders with recent updates to the Fiscal Code, particularly regarding the special VAT regime for small enterprises. Key proposals include enabling electronic issuance of VAT registration certificates via the "Virtual Private Space," allowing re-registration even after a final tax decision for non-filing periods, and updating tax registration forms. The bill would also revise procedures for initial registration, profile updates initiated by tax authorities, and re-registration following cancellation.
- **Slovakia:**<sup>lxxxiv</sup> On October 16, 2025, Slovakia [published](#) a regulation increasing flat-rate levies on certain gambling games with physical presence. Effective January 1, 2026, the annual levy will be EUR 4,700 per technical device operated directly by players, EUR 4,400 per slot machine, and EUR 6,000 per video game terminal or other technical device.
- **Slovenia:**<sup>lxxxv</sup> On September 30, 2025, the Slovenian Financial Administration [published](#) guidance on VAT refunds for Slovenian taxpayers who incur VAT in other EU Member States. Refund requests must be submitted electronically via the *eDavki* portal using the prescribed form by September 30 of the calendar year following the refund period. The refund period must not exceed one calendar year and must be at least three calendar months, except when covering the remainder of the year. The tax authority will forward valid requests to the competent authority unless conditions are not met.
- **Sweden:**<sup>lxxxvi</sup> On October 9, 2025, Sweden's Ministry of Finance [proposed](#) a bill aimed at strengthening VAT fraud prevention. The proposal would grant the Swedish tax authority expanded powers, including enhanced scrutiny of VAT registrations, authority to deny or revoke VAT registration, and the ability to flag invalid VAT numbers in the EU's electronic system. The tax authority could also refuse excess VAT credits where tax evasion risks exist. The legislation is expected to take effect on July 1, 2026.
- **Switzerland:**<sup>lxxxvii</sup> On October 24, 2025, the Swiss Federal Tax Administration [launched](#) a consultation on proposed updates to the VAT practical guidelines concerning the car mileage approach. The proposed updates, effective January 1, 2026, would amend the values relating to the computation of personal use of company cars.



- **United Kingdom:**<sup>lxxxviii</sup> On June 3, 2025, the U.K. First-Tier Tribunal published its decision in *JD Wetherspoon PLC*, [2025] UKFTT 00658 (TC), regarding whether the sales of cider fell under the temporary reduced VAT rate between July 15, 2020, and March 31, 2022. The Tribunal held that, although the literal wording in Group 14 of Schedule 7A VATA 1994 did not on its face list cider in the definition of “alcoholic beverage,” the court should correct that obvious drafting mistake under the Inco principle (a rule that lets courts fix clear legislative errors when they can identify the purpose, the mistake, and the needed fix). The Tribunal found that HM Treasury and HMRC intended to exclude all alcoholic drinks, including cider, from the reduced rate and mistakenly believed the cross-reference already did so; it therefore read “cider” into the definition. The Tribunal added that, even without Inco, EU VAT law in force during the period did not allow a Member State to apply the reduced rate to some alcoholic drinks but not others, and treating cider more favorably than comparable alcoholic drinks would breach the EU principle of fiscal neutrality.
- **United Kingdom:**<sup>lxxxix</sup> On October 6, 2025, the U.K. Court of Appeal published its decision in *Hippodrome Casino Ltd.*, [2025] EWCA Civ 1259, in which it upheld a prior tribunal decision denying the taxpayer’s claims for VAT deductions on overhead expenses. The taxpayer had used a floor space attribution method to allocate VAT between taxable hospitality and entertainment services and exempt gaming services rather than the standard method based on gross receipts, which HMRC denied. The Court of Appeal upheld the Upper Tribunal’s view that hospitality and entertainment areas had significant dual use with exempt gambling, so the floor-space model did not more precisely reflect economic use than the standard method.
- **United Kingdom:**<sup>xc</sup> On October 10, 2025, the U.K. First-Tier Tax Tribunal published its decision in *K Metals Ltd and Spencer Feldman*, [2025] UKFTT 01211 (TC), regarding the right to deduct VAT when fraud is alleged. The case involved a waste metal broker whose VAT deduction claims were denied due to alleged links to VAT fraud. The Tribunal acknowledged that the taxpayer could have recognized the risk of fraud based on sector-specific concerns and irregularities in the seller’s invoices. However, it concluded that the taxpayer neither knew nor should have known that its transactions were connected to fraudulent VAT evasion. The Tribunal found credible commercial explanations, noted consistent verification steps (including VAT checks and a site visit), and emphasized that inadequacies in paperwork alone do not establish knowledge of fraud.
- **United Kingdom:**<sup>xc1</sup> On October 29, 2025, the UK Supreme Court [published](#) its decision in *Northumbria Healthcare NHS Foundation Trust*, [2025] UKSC 37, holding that parking services provided by public hospitals are subject to VAT. The court held that parking operations did not qualify as activities carried out as a public authority and therefore were not outside the scope of VAT. Treating car parking provided by public hospitals as non-taxable would cause more than a negligible distortion of competition, since private car parks near hospitals provide a similar service and differential VAT treatment would advantage public hospitals through either lower prices or higher retained margins, potentially deterring private entry.

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

- **KPMG in India** published a [report](#) discussing recent indirect tax rulings and regulatory updates. The Karnataka High Court held that the sale of a partly constructed shopping mall through liquidation is a sale of immovable property and not subject to GST, as no construction services were provided. In another case, the Chhattisgarh High Court denied GST deduction on coal used to generate electricity provided to a residential township maintained for employees, ruling it was not linked to business operations. Additionally, the Central Board of Indirect Taxes and Customs (CBIC) withdrew Circular No. 212/6/2024 on evidence requirements when purchasers reverse GST credits because of credit notes. Finally, the CBIC issued new instructions for system-based provisional refund processing, including timelines and risk-based scrutiny protocols.
- **KPMG in Malaysia** published a [report](#) discussing Sales Tax Policy 3/2025, which outlines exemptions for raw materials, components, packing and packaging materials, manufacturing aids, and cleanroom equipment used in the production of goods that were exempt from sales tax prior to July 1, 2025, but became taxable thereafter. Manufacturers registered by August 31, 2025, may apply for refunds of sales tax paid on qualifying goods imported or locally purchased between July 1 and August 31, 2025, provided the goods remain under their control. Refund applications must be submitted using Form JKDM No. 2 to the respective state customs offices by November 30, 2025.
- **KPMG in Malaysia** published a [report](#) discussing the Ministry of Finance's 2026 budget, issued on October 10, 2025, which introduces several indirect tax measures aimed at expanding the tax base. The budget proposes a phased increase in excise duty on cigarettes starting November 1, 2025, and reaffirms the introduction of carbon tax targeting the iron, steel, and energy sectors effective in 2026. Additionally, the Royal Malaysian Customs Department plans to implement a digital tax stamp to combat counterfeit goods.
- **KPMG in Malaysia** published a [report](#) discussing amendments to service tax policies issued by the Royal Malaysian Customs Department. STP 1/2025 exempts service tax on management services for fixed price funds under *Amanah Saham Nasional Berhad* ("ASNB") and on re-insurance or re-takaful services acquired by insurers. STP 1/2025 exempts service tax on management services for fixed price funds under Amanah Saham Nasional Berhad ("ASNB") and on re-insurance or re-takaful services acquired by insurance companies or takaful companies in providing exempted insurance service such as medical insurance and life insurance. STP 2/2025 updates group relief for rental or leasing services and provides a relaxation that business-to-business exemption can apply for the period from July 1, 2025, to August 31, 2025 provided the business is registered for Service Tax on or before 31 August 2025. STP 3/2025 revises conditions for non-reviewable construction contracts and introduces exemptions for mixed development projects and consultancy services under a design and build construction contract. STP 4/2025 introduces exemptions for educational services provided to children and dependents of foreign diplomats and for fully sponsored education fees.

- **KPMG in Malaysia** published a [report](#) discussing amended and new service tax policies issued by the Royal Malaysian Customs Department, effective July 1, 2025. STP 5/2025 (Amendment No. 2) and STP 6/2025 clarify exemptions for consultation fees and certain services provided by private healthcare facilities, while confirming that ancillary services and equipment rentals to non-citizen patients remain taxable. STP 7/2025 addresses construction works, allowing shipbuilders and platform constructors under Engineering, Procurement, Construction, and Commissioning contracts to determine tax treatment based on whether the activity qualifies as a construction service or manufacturing activity. For installation related contracts by a sales tax manufacturer as well as for invoices related to the supply of construction materials/ goods and construction work services, the tax treatment depends on how goods and services are itemized in contracts and invoices.
- **KPMG in Sri Lanka** published a [report](#) discussing the Inland Revenue Department's (IRD) regulation under Section 22(5)(f) of the VAT Act, introducing a risk-based VAT refund mechanism effective October 1, 2025. The mechanism categorizes taxpayers as low, medium, or high risk, with refund timelines and verification requirements varying accordingly. Eligible exporters, vendors to strategic and specified projects may receive refunds within 45 days of the VAT return due date, provided returns are filed electronically via the RAMIS system. The IRD Gazette Notification No. 2456/02 further outlines transitional provisions, including SVAT phase-out deadlines and reporting requirements for debit and credit notes issued after October 1, 2025.

## Miscellaneous Developments in APAC

- **New Zealand:**<sup>xcii</sup> On October 9, 2025, New Zealand's Inland Revenue issued Interpretation Statement IS 25/21 clarifying the Commissioner's view on what constitutes a "taxable activity" for GST purposes. The statement outlines key criteria of this important concept including the nature of the activity, whether it is "carried on," whether it is "continuous or regular" and whether it involves the sale of goods or services for consideration. The statement confirms that all activities conducted by public authorities and Crown-controlled entities will amount to taxable activities as they have a wider definition to general taxpayers.
- **New Zealand:**<sup>xciii</sup> On October 20, 2025, New Zealand's Inland Revenue [issued](#) an Exposure Draft for public consultation on the GST treatment of payment processing and facilitation services provided to merchants. The draft outlines when such services qualify as financial services and therefore will typically be exempt from GST. It also clarifies that processing and facilitation services which include settlement services are more likely to amount to financial services as they go beyond general account or record keeping services. Related services that are merely incidental and necessary to settlement services will also likely be exempt. However, if a provider does not offer settlement services, it is unlikely their service will amount to a financial service and therefore would be taxable for GST purposes.

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## About *Inside Indirect Tax*

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

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