



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

- **Argentina:** On May 20, 2025, Argentina published Decree 333/2025, effective May 21, 2025, reducing excise taxes on imported cell phones, televisions, and air conditioners from 19 percent to 9.5 percent, and eliminating excise taxes on products manufactured in Tierra del Fuego. Additionally, tariffs on cell phones will decrease from 16 percent to 8 percent and be fully eliminated by January 15, 2026. Tariffs on gaming consoles will also be reduced from 35 percent to 20 percent. For more information, click [here](#).
- **Argentina:** On September 22, 2025, Argentina issued Decree No. 682, setting the export duty rate at zero percent for specified goods. This measure is effective from September 23 through October 31, 2025, or until Sworn Export Sales Declarations (*Declaraciones Juradas de Venta al Exterior*, DJVE) reach USD 7 billion, whichever occurs first. To qualify, exporters must settle at least 90 percent of foreign currency proceeds within three business days of submitting the DJVE. Failure to comply will result in the reinstatement of the previous duty rate and exclusion from future benefits. Additionally, Decree No. 685 establishes a zero percent export duty rate for certain meat products, effective from September 24 through October 31, 2025. Operational guidelines will be issued by the relevant regulatory authorities. For more information, click [here](#).
- **Colombia:** On September 1, 2025, Colombia's Ministry of Finance presented a tax reform bill. Among other things, the bill aims to broaden the VAT base by including the sale or transfer of memberships and entry rights, and by taxing online gambling services, including those offered by foreign operators. It proposes eliminating VAT exclusions for software licenses, cloud services, and online gaming, subjecting these to the standard 19 percent rate. Additional measures include applying VAT to real estate sales, low-value imports, and tourism services used within Colombia. Hybrid vehicles and components would be taxed at 19 percent, while pure electric vehicles remain subject to the five percent rate. To read a report prepared by the KPMG in Colombia, click [here](#).
- **Colombia:**ⁱ On August 29, 2025, Colombia's Tax Administration (DIAN) [published](#) Ruling No. 1584 confirming that accommodation, food, and transport services provided in Colombia and linked to film production activities qualify as logistic services related to export activities and are thus zero-rated.
- **Finland:**ⁱⁱ On September 22, 2025, Finland's Ministry of Finance submitted the 2026 State Budget to parliament, which, among other things, proposes to lower the reduced VAT rate from 14.0 percent to 13.5 percent. This lower rate would apply to foodstuffs, medicines, certain other basic products, and public broadcasting services, which currently benefit from a 10 percent rate. Subject to parliamentary approval, the changes will take effect from January 1, 2026.
- **France:**ⁱⁱⁱ On September 17, 2025, the French General Directorate of Public Finance published an [administrative guidance](#) on VAT rates applicable to waste collection and treatment services. According to the guidance, the reduced VAT rate of 5.5 percent applies to separate collection, recycling center operations, and sorting and material recovery services. A 10 percent reduced rate applies to household and similar waste services when the criteria for the 5.5 percent rate are not met. The standard 20 percent VAT rate is applicable when the value of sales or spare parts exceeds 50 percent of the service cost, and for certain transport services. To qualify for reduced rates, related services must be directly linked to the primary waste management activity.

- **Germany:**^{iv} On September 10, 2025, the German government introduced draft legislation, which, among other things, would reduce the VAT rate on restaurant and catering services, except beverages, from 19 percent to 7 percent effective January 1, 2026.
- **Greece:**^v On September 6, 2025, the Greek government announced indirect tax relief measures. Effective January 1, 2026, VAT rates will be reduced by thirty percent for remote Aegean islands with populations under 20,000, including Kalymnos, Patmos, and Samothraki. This expands the current reduced VAT regime beyond refugee-hosting islands. Additionally, the suspension of VAT on new constructions is expected to remain in effect through 2026 to support housing development.
- **Kazakhstan:** On September 4, 2025, Kazakhstan announced amendments to its VAT law under the updated Tax Code, effective January 1, 2026. The scope of VAT-exempt transactions will be narrowed. Sales of residential buildings by property developers will be exempt only if construction began or was completed before January 1, 2026. Several banking operations, including deposit acceptance, account maintenance, lending, transfers, and cash handling, will become taxable. However, exemptions will remain for foreign currency exchange and payment card transactions. Additionally, transactions involving the sale of digital assets will no longer qualify for VAT exemption. To read a report prepared by KPMG in Kazakhstan, click [here](#).
- **Latvia:**^{vi} On September 16, 2025, the Latvian Parliament accepted [Bill No. 1048](#) for consideration to amend the VAT Law. The bill proposes reducing the VAT rate from 12 percent to 5 percent for the sale of medicinal products registered with the European Agency for the Evaluation of Medicinal Products, those registered in Latvia, and those authorized by the State Agency of Medicines. It also includes medicinal products exempt from registration under pharmacy regulations, as well as registered medical devices, complementary parts, spare parts, and accessories intended for individual use in treating or alleviating functional body disorders. The proposed amendments are scheduled to enter into force on January 1, 2026.
- **Mali:** On September 4, 2025, Mali introduced new indirect taxes on telecommunications and mobile money services, effective March 5, 2025. The measures include a ten percent tax on mobile phone credit top-ups and telephone and internet subscriptions. Mobile money withdrawal transactions are now subject to a one percent tax. Additionally, the tax rate on wireless operator revenue has increased from eight percent to ten percent. For more information, click [here](#).
- **Netherlands:** On September 16, 2025, the Netherlands presented its 2026 Tax Plan, which includes key indirect tax measures. A bill proposes to formally repeal the planned VAT increase from 9 percent to 21 percent on goods and services in the sports, culture, and media sectors, effective January 1, 2026. In addition, the planned increase of the VAT rate for accommodation services to 21 percent will go ahead. Additionally, the plan introduces a three-tiered airline tax based on flight distance, replacing the current flat rate from 2027. The government also intends to extend the excise duty reduction on fuel through 2026 to mitigate price increases. To read a report prepared by KPMG in the Netherlands, click [here](#).
- **Poland:**^{vii} On September 17, 2025, Poland published [Regulation No. 1253](#), temporarily applying until December 31, 2025 a zero percent VAT rate to sales and intra-EU acquisitions of goods, excluding excise goods and passenger cars, delivered to designated humanitarian organizations and social enterprises. Eligibility requires written agreements confirming appropriate use, and any misuse must be reported to tax authorities.

- **Romania:**^{viii} On September 22, 2025, Romania's Ministry of Finance published [Response letter no. 840567/10.09.2025](#) clarifying that food supplements regulated by Law No. 56/2021 are subject to the standard VAT rate of 21 percent, regardless of their classification under Combined Nomenclature (CN) codes. These include supplements based on vitamins and minerals, mixtures of vitamins and/or minerals, and combinations with substances having nutritional or physiological effects. Examples include multivitamin tablets, calcium and magnesium capsules, and supplements combining vitamins with herbal extracts or beehive products. However, other categories of supplements (i.e., those not governed by Law No. 56/2021) may still benefit from the reduced VAT rate of 11 percent, provided they fall within CN codes listed in the Fiscal Code norms and are not expressly excluded. For instance, products with added sugar content equal to or exceeding 10 grams per 100 grams are excluded from the reduced rate.
- **Saint Lucia:** Effective June 1, 2025, through May 31, 2026, Saint Lucia has waived the 6 percent service charge tax on essential goods. For more information, click [here](#).
- **Slovakia:**^{ix} On September 9, 2025, Slovakia's Ministry of Finance unveiled a tax reform package, which includes proposed VAT changes effective from 2026. The measures include increasing the VAT rate from 19 percent to 23 percent on foods high in sugar and salt, such as chocolate, biscuits, ice cream, and sweetened soft drinks, while excluding items like baby food, dairy drinks, and 100 percent juices. Additionally, the reform introduces a 50 percent limitation on VAT deductions for motor vehicles not fully used for business purposes, including related goods and services such as fuel. Finally, the tax reform would introduce a tax amnesty in the first half of 2026, which would also cover VAT arrears and penalties. To read a report prepared by KPMG in Slovakia, click [here](#).
- **Sweden:**^x On September 18, 2025, Sweden's government submitted its [budget proposal](#) to parliament, which, among other things, would introduce a temporary reduction in the VAT rate on foodstuffs and bottled water, but excluding alcoholic beverages, from 12 percent to 6 percent from April 1, 2026, through December 31, 2027 and reduce the VAT rate for the admission to dance events, including dance band performances, from 25 percent to 6 percent effective July 1, 2026.
- **Switzerland:**^{xi} On September 16, 2025, Switzerland's National Council's Social Security and Public Health Committee approved a proposal to fund the pension payment through a VAT increase. The standard VAT rate would increase from 8.1 percent points to 8.8 percent, while the reduced rates would increase from 3.8 percent to 4.2 percent for accommodation and from 2.6 percent to 2.8 percent for essential goods. The Committee proposed limiting the VAT hike to the end of 2030. Alternative funding options, including a smaller VAT increase combined with higher employee contributions, were rejected. The measures are under consideration for implementation from January 1, 2026, pending final parliamentary approval.
- **Tanzania:**^{xii} On September 2, 2025, Tanzania's tax authority [confirmed](#) a delay in implementing the reduced VAT rate introduced under the 2025 Finance Act. Although the Act came into force on July 1, 2025, the proposed 16 percent VAT rate for business-to-consumer transactions settled electronically will not take effect as initially planned on September 1. The application of the reduced rate remains contingent on a public notice from the Commissioner General, which will define its scope and implementation details.
- **Thailand:**^{xiii} On September 11, 2025, Thailand's Cabinet approved an extension of the 7 percent standard VAT rate until September 2026.

- **Ukraine:** On September 2, 2025, Ukraine enacted tax amendments effective June 15, 2025, granting indirect tax relief for manufacturers of fiber optic cable-controlled drones. Law No. 4474-IX exempts imports of fiber optics from VAT, while Law No. 4473-IX provides customs duty exemptions for goods used in security and defense, including optical fibers, fiber optic harnesses, and related devices. For more information, click [here](#).
- **Uzbekistan:**^{xiv} On September 4, 2025, Uzbekistan issued a Presidential Decree confirming that, effective January 1, 2026, the sale of agricultural produce will be zero rated, except for cotton and grain. The list of eligible produce will be maintained and updated by the Ministry of Agriculture and the Tax Committee.
- **Zambia:**^{xv} On September 26, 2025, Zambia's Minister of Finance presented the 2026 Budget, proposing, among other things, to apply a zero percent VAT rate on sales to government projects funded through loans, aligning them with donor-funded projects. In addition, main (piped) water, which is currently VAT exempt, would also be zero-rated to allow water utilities to claim VAT on expenses.

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Digitalized Economy Indirect Tax Updates

European Union: Sale of In-Game Gold Subject to VAT According to Advocate General

On September 11, 2025, the Court of Justice of the European Union (CJEU) published its Advocate General's (AG) nonbinding opinion in *Žaidimų valiuta* MB, case [C-472/24](#), which addresses how VAT should apply to sales of in-game currencies. The case involves a trader who bought and resold in-game gold from an online game and exceeded Lithuania's VAT registration threshold, triggering a VAT assessment. The trader argued that selling in-game gold should qualify for the financial services exemption (which covers transactions in legal tender and certain payment instruments) or alternatively should count as a multi-purpose voucher (which has its own specific VAT treatment). The trader also sought to apply the second-hand goods margin mechanism, which taxes only the dealer's profit margin to avoid double taxation when buying from non-taxpayers.

The AG recommends treating sales of in-game gold as taxable digital services. The opinion rejects the financial services exemption because in-game gold does not function as legal tender. Unlike Bitcoin in *Hedqvist*, case [C-264/14](#) (October 22, 2015), players use in-game gold as "play money" within a closed environment, not as a payment method in legal transactions. The opinion also rejects the voucher treatment because in-game gold does not specify goods or vendors, does not obligate acceptance as consideration, and delivers an immediate in-game benefit rather than merely facilitating a later purchase.

The AG further acknowledges that the second-hand goods margin mechanism generally applies only to tangible property, which would exclude services like in-game gold. However, to protect VAT neutrality and avoid double taxation in markets dominated by non-taxable sellers, the opinion leaves a narrow path to apply the margin concept by analogy if the service trades in a way comparable to second-hand goods and residual VAT exists in the chain. A national court would need to test those conditions. If the CJEU follows this approach,

EU tax authorities could require traders of in-game currencies to register, charge, and remit VAT as digital service providers, and only allow margin-style treatment where a court confirms strict comparability with second-hand goods. For more information, click [here](#).

Kenya: Draft SEP Tax Regulations Expand Scope of Indirect Tax on Digital Services

On September 22, 2025, the Kenya Revenue Authority (KRA) released the [Draft Income Tax \(Significant Economic Presence Tax\) Regulations, 2025](#) for public consultation. In December 2024, the significant economic presence (SEP) tax, which replaced the previous 1.5 percent digital services tax, applies to nonresident providers of digital services with users located in Kenya. Under the Finance Act 2025, effective July 1, 2025, the SEP tax applies to services delivered via the internet or electronic networks, not just digital marketplaces. The Act also eliminates the KES 5 million threshold, making the tax applicable from the first qualifying sale. Nonresidents without a permanent establishment must register under a simplified framework or appoint a tax representative in Kenya.

The draft regulations define a wide scope of covered services, including digital content (eBooks, apps, films), streaming and subscription media, software and cloud services, AI and automated support tools, online education and ticketing, marketplace intermediation, user data monetization, digital payments and asset transfers.

A user is deemed to be in Kenya based on IP address, billing details, or device location. The tax base is set at 10 percent of gross turnover, taxed at 30 percent, excluding VAT. Gross turnover includes payments for services or platform commissions. Taxpayers must file monthly returns and remit SEP tax by the 20th of the following month. The KRA may require third parties (e.g., banks or agents) to deduct and remit tax on behalf of noncompliant providers. Failure to comply may result in personal liability for the tax. The SEP regime now captures direct-to-consumer sellers, and shifts liability to the seller rather than the platform. Businesses previously registered under the digital services tax are not required to re-register but must comply with the new SEP framework. For more information, click [here](#).

Mexico: Indirect Tax Measures Impacting the Digital Economy in 2026 Economic Package

On September 8, 2025, Mexico's Executive submitted the 2026 Economic Package to Congress, which includes several VAT and excise tax (IEPS) measures that would impact the digital economy. The Mexican Congress will review the package through October 31, 2025, and, if it adopted, the changes would start on January 1, 2026. The Mexican Tax Administration Service (SAT) plans to publish administrative rules by year-end to explain and operationalize several measures.

The package would expand withholding obligations for transactions carried out through digital platforms. The proposal would extend VAT and IT withholding to payments made to Mexican legal entities (business-to-business), mirroring rules that already apply to individuals. Platforms would withhold 50 percent of VAT and 4 percent of income tax when a seller provides a Mexican tax ID (RFC), and 100 percent of VAT and 20 percent of income tax when a seller does not provide an RFC. Platforms would also withhold 100 percent of VAT on sales by nonresidents when they facilitate the sale of goods located in Mexico, and when the platform deposits payments for sales, services, or temporary use or enjoyment of goods into foreign bank accounts, regardless of whether the seller is Mexican or nonresident. The proposal would require platforms to issue e-invoices (CFDI) documenting the withholding and to report data on all sellers—including legal entities, nonresidents, and Mexican sellers who settle offshore—

even if the platform does not process the payment. The package would also raise the income tax withholding rate on Mexican individuals who sell or provide services via intermediation platforms from 1 percent to 2.5 percent.

In addition, the reform would raise the IEPS rate on betting and sweepstakes from 30 percent to 50 percent and explicitly cover online offers by nonresident operators, whether they hold Mexican permits, by taxing the transaction where the customer is in Mexico. The 50 percent rate would apply to both business-to-business and business-to-consumer arrangements, including when platforms intermediate, in which case a withholding mechanism applies. The proposal would require foreign providers and platforms to obtain an RFC, appoint a legal representative and a tax domicile in Mexico, collect and remit IEPS, and meet compliance requirements similar to current VAT rules for digital services. The package would also impose an 8 percent IEPS on sales, downloads, or access to video games with violent, explicit, or adult content, in addition to the 16 percent VAT. Providers and platforms would need to identify covered titles using a violence classification criterion, report revenues to the SAT, and issue e-invoices that show the tax separately from VAT. Beyond these sector-specific changes, digital platforms—Mexican and foreign—would need to grant the SAT online, real-time access to operational data for Mexican transactions. The SAT will publish the technical specifications, and regulators could block access inside Mexico if platforms fail to comply. For more information, click [here](#).

Other Developments

- **Chile:**^{xvi} On August 27, 2025 the Chilean tax authority [published](#) Ruling No. 1688-2025, clarifying upcoming VAT rules for remote purchases of low-value goods (CIF value under USD 500) made by non-VAT taxpayers through digital platform intermediaries. (For KPMG's previous discussion on these new rules, please click [here](#).) Effective October 25, 2025, the new territoriality rule treats goods as located in Chile when a Chilean consumer buys remotely from a nonresident seller and the total per item, including accessory charges such as shipping, insurance, and packaging, does not exceed USD 500. The authority clarifies that a marketplace operator acts as the VAT taxpayer for taxed transactions concluded through its platform, but not when the seller is domiciled or resident in Chile. Operators do not need to display VAT separately and may show tax-inclusive pricing; for multi-item orders, they must allocate accessory charges proportionally to each item's net value to test the USD 500 cap per item. Operators may deduct or offset VAT charged in excess due to final accessory cost adjustments or returns, but only after refunding that excess VAT to the buyer, which is subject to a forthcoming resolution. The VAT base and the USD 500 test include the full price and all accessory charges, even if a third party (for example, a card issuer) subsidizes part of the payment.
- **Chile:**^{xvii} On August 27, 2025, the Chilean tax authority [published](#) Ruling No. 1679-2025, clarifying the VAT rules on services provided from abroad—such as subscriptions, digital services, and consulting—when the Chilean recipient is not a VAT taxpayer. If a non-VAT registered company pays for these services, the foreign provider must register in Chile's simplified VAT regime for nonresidents (an online system to declare and pay VAT) and charge and remit VAT. If the foreign provider does not register, the Chilean legal entity can ask the tax authority for authorization to withhold and pay the VAT itself via a purchase invoice. VAT applies only if the outbound payment is not subject to Chile's withholding tax obligations under the Income Tax Law. If withholding tax applies, the VAT Law exempts the payment

from VAT—unless a law or a tax treaty exempts the payment from withholding tax while the service is rendered or used in Chile, in which case VAT would apply.

- **China:**^{xviii} On September 25, 2025, the Chinese State Administration of Taxation [clarified](#) the tax reporting requirements for digital platform operators, effective October 1, 2025. Operators with annual online transactions exceeding CNY 100,000 across multiple stores must register, and platforms must remind users to register and display business licenses prominently. All income must be truthfully declared, with illegal income splitting and false reporting strictly prohibited. The regime applies to both resident and nonresident platforms, including cross-border transfers. Exemptions apply to small-scale traders and specified service providers. Fake platforms and businesses will be targeted to curb tax evasion and unfair competition. (To read KPMG’s previous discussion of the reporting requirement for digital platform operators, click [here](#).)
- **Ethiopia:** As of July 8, 2025, Ethiopia has amended its Income Tax Proclamation to include new measures, one of which is the introduction of a 5 percent Digital Services Tax (DST). This tax will apply to both resident and nonresident providers of digital services. The definition and scope of digital services will be further detailed in the forthcoming regulation. For more information, click [here](#).
- **France:**^{xix} On September 23, 2025, the Administrative Court of Cergy Pontoise ruled that bundled services relating to logistics and streaming services provided by an e-commerce platform fall outside the scope of France’s digital services tax (DST). The court found that both services are economically independent from the taxpayer’s digital marketplace. The court observed that the logistics support is billed separately, with usage extending beyond the taxpayer’s platform, while streaming services are unrelated to marketplace access.
- **France:** On September 12, 2025, the French Constitutional Council [upheld](#) France’s digital services tax (DST) as constitutional, confirming a three percent levy on gross revenues from digital interfaces that enable user interactions and from targeted advertising provided in France by large digital companies. The Council validated cumulative thresholds—global revenues above EUR 750 million and French taxable revenues above EUR 25 million—to target firms with significant digital presence and to prevent artificial fragmentation, approved territorial rules based on user location or account creation to capture value generated by French users, and accepted the five-month calculation method used in 2019’s rollout. The Council rejected arguments that a flat rate violates equality or unduly burdens business, stating that no constitutional rule requires a progressive rate or smoothing mechanism. For more information, click [here](#).
- **Italy:**^{xx} On September 18, 2025, the Italian Tax Authority (ITA) published [Letter No. 250/2025](#), clarifying the withholding tax treatment of commissions from online rental services. The case involved a company operating a digital platform for the rental and sale of fashion items, which questioned whether commissions earned from rental transactions should be subject to withholding tax. The ITA concluded that such commissions are not subject to withholding tax. While the company collects payments and issues fiscal documentation on behalf of its partners, its role in rental transactions does not align with the legally defined relationships, such as commission, agency, mediation, commercial representation, or business procurement, that trigger the withholding obligation.
- **Mexico:** On September 15, 2025, Mexico’s tax administration published an updated list of nonresident providers of digital services that are registered for VAT in Mexico. As of August 31, 2025, the updated list states that 268 foreign digital service providers are registered for VAT. For more information, click [here](#).

- **Sri Lanka:**^{xxi} On September 3, 2025, Sri Lanka’s Cabinet approved the postponement of the nonresident VAT digital services rules from October 1, 2025, to April 1, 2026. (For KPMG’s previous discussion on the new VAT rules on digital services, click [here](#).)
- **Taiwan:**^{xxii} On September 10, 2025, Taiwan’s Ministry of Finance issued [guidelines](#) that set unified business tax (Taiwan’s VAT) rules for influencers who regularly post content on social media, video platforms, or online media, and for platforms that monetize that content via ads or paid services. The rules require domestic influencers to register if they have a fixed place of business, operate under a trade name, hire staff, or sell online and their monthly revenue exceeds TWD 100,000 for goods or TWD 50,000 for services. The tax treatment follows each party’s role, and it hinges on where viewers watch the content. Revenue tied to viewers in Taiwan is taxable in Taiwan, while revenue tied to foreign viewers can qualify for a zero rate.
- **Ukraine:**^{xxiii} On August 27, 2025, the Ministry of Finance of Ukraine announced Cabinet approval of a bill to align national rules with the EU’s DAC7 (platform reporting rules) and the OECD Model Rules, and to implement automatic exchange of information (AEOI) under the Multilateral Competent Authority Agreement (MCAA) for income earned via digital platforms. The bill would require qualified digital platform operators (marketplaces and app-based intermediaries) to report seller information; withhold tax on qualified resident sellers with annual income under UAH 6.7 million at up to 5 percent, while withholding tax on nonqualified sellers at 18 percent; and exempt occasional sellers—no more than three platform sales totaling up to EUR 2,000 per year—from the extra bank account requirement. The bill was submitted to the Ukrainian parliament on September 9, 2025.
- **United States:** On July 23, 2025, the Indiana Department of State Revenue published [Revenue Ruling #2025-02-RST](#), in which it held that an AI chatbot accessed via a web interface or API is a non-taxable service, not prewritten software or a taxable digital product. The company hosts the chatbot in the cloud, does not deliver or let customers download software, and grants no permanent ownership. In Indiana, sales and use tax apply to tangible goods and certain listed services; Software-as-a-Service and charges for accessing software over the internet are not taxable, and specified digital products are taxable only when permanently transferred (like digital music, videos, or e-books). Because customers only access the chatbot online without a permanent transfer, Indiana sales and use tax do not apply. For more information, click [here](#).

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

- **Belgium:**^{xxiv} On September 12, 2025, the Belgian Ministry of Finance [issued](#) explanatory notes to the Royal Decree of July 8, 2025, mandating VAT-registered companies to use the Peppol network for e-invoices starting January 1, 2026. The decree prohibits rounding at the line level and requires VAT rounding by total amount and rate. It mandates the Peppol BIS format for invoices, allowing alternative formats only by mutual agreement and compliance with European standards. Non-compliance risks fines ranging from EUR 1,500 to EUR 5,000, with a three-month grace period. The Ministry urges companies to update systems, highlighting benefits like efficiency, security, and durability.
- **Fiji:**^{xxv} On July 31, 2025, Fiji announced that starting January 1, 2026, businesses earning \$50,000 or more—including among others, supermarkets, pharmacies, and wholesalers—must use electronic fiscal devices, lowering the previous \$100,000 threshold.
- **France:**^{xxvi} On September 3, 2025, France’s Ministry of Public Accounts announced 10 relief measures to simplify the e-invoicing and e-reporting system for September 2026. Key updates include removing B2C transactions and “zero-value” from reporting, eliminating invoice line data for international acquisitions, and exempting non-EU operations from reporting. Non-established taxpayers have until September 2027 to comply with VAT rules. For more information, click [here](#).
- **Greece:**^{xxvii} On September 16, 2025, Greece’s tax administration and Ministry of Finance announced mandatory e-invoicing timelines. Large companies must begin by February 2, 2026, with a transition until March 31, 2026. All other businesses must comply by October 1, 2026, with a transition until December 31, 2026.
- **Hungary:**^{xxviii} On May 31, 2025, Hungary’s tax authority announced updates to the Online *Számla* system’s validation rules, effective September 15, 2025. Fifteen validations were upgraded from warnings to errors, while others remain warnings. Three validations were deactivated, and three new warnings were introduced. Developers can test these changes from September 1, 2025.
- **Malaysia:**^{xxix} On August 22, 2025, Malaysia’s Inland Revenue Board announced that taxpayers earning between MYR 5 million and MYR 25 million annually must adopt e-invoicing starting July 1, 2025.
- **Mexico:**^{xxx} On September 8, 2025, Mexico’s Executive submitted the 2026 Economic Package to Congress, proposing tighter VAT, IEPS, IT, and CFF rules, under review until October 31, 2025. If approved, effective January 1, 2026, CFDIs must represent real transactions, requiring evidence like photos and videos. Non-compliance risks penalties and public listing by SAT. For more information, click [here](#).
- **Niger:**^{xxxi} On September 2, 2025, Niger’s Ministry of Economy and Finance issued Circular No. 000 66, mandating entities using the Certified Electronic Invoicing System (SECeF) to bill advanced disbursements like fees at exact amounts without markup. Advances are excluded from VAT and accounting charges. Compliance is mandatory, and issues must be reported to the administration.
- **Panama:**^{xxxii} On July 29, 2025, Panama’s Ministry of Economy and Finance announced that starting January 1, 2026, taxpayers with annual billing over \$36,000 must use an Authorized Electronic Invoicing Provider or a certified system. Qualified providers must also email detailed integrator information to the tax authority from this date.

- **Poland:**^{xxxiii} On August 27, 2025, Poland's President signed the August 5, 2025, law amending the VAT Act and other laws, which mandates e-invoicing through the National e-Invoicing System (KSeF). Large VAT-registered businesses must use KSeF starting February 1, 2026, and other VAT-registered businesses must start April 1, 2026. The law permanently allows an "offline24" mode that lets businesses issue e-invoices offline during outages and upload them immediately or by the next business day, enables invoices with attachments, defers until December 31, 2026 the requirement to include the KSeF invoice number in payment references, defers KSeF-related invoice penalties until December 31, 2026, and keeps the option to issue invoices via cash registers through 2026. To read a report prepared by KPMG in Poland, click [here](#).
- **Poland:**^{xxxiv} On September 19, 2025, Poland's Ministry of Finance updated the KSeF website and released the KSeF 2.0 Manual to aid businesses in adopting the mandatory e-invoicing system. The manual details implementation timelines, e-invoice issuance, advanced features, and public sector guidance, while the website offers a Q&A and user-specific resources. For more information, click [here](#).
- **Saudi Arabia:**^{xxxv} On September 30, 2025, ZATCA announced that taxpayers with VAT-liable revenues exceeding SAR 375,000 in 2022, 2023, or 2024 must integrate their e-invoicing systems with the *Fatoora* platform by April 1, 2026, as part of the 24th wave of the electronic invoicing integration phase. For more information, click [here](#).
- **Serbia:**^{xxxvi} On August 15, 2025, Serbia's e-invoicing system (SEF) version 3.14.0 introduced stricter validation rules, requiring mandatory sales dates, logical date sequences, and accurate VAT field completion. Adjustment documents must reference original invoices. The Input VAT Notification Module allows recipients to notify vendors of taxable base reductions. Detailed guidance is available on the SEF portal. To read a report prepared by KPMG in Serbia, click [here](#).
- **Slovakia:**^{xxxvii} The government of Slovakia approved a draft bill amending the Value Added Tax Act, proposing to introduce mandatory e-invoicing and online reporting from January 1, 2027, for domestic VAT-registered taxpayers. From July 1, 2030, these obligations extend to foreign taxpayers for cross-border EU transactions.
- **United Arab Emirates:**^{xxxviii} On September 29, 2025, the UAE Ministry of Finance [issued](#) Ministerial Decision 244 of 2025, clarifying obligations and timelines for the Electronic Invoicing System. A pilot program allows voluntary adoption starting July 1, 2026, for compliant participants. Mandatory implementation will occur in phases: entities with AED 50 million or more in revenue must appoint an Accredited Service Provider by July 31, 2026, and implement the system by January 1, 2027; entities with less than AED 50 million in revenue must appoint a provider by March 31, 2027, and comply by July 1, 2027; government entities must appoint a provider by March 31, 2027, and comply by October 1, 2027. Business-to-consumer transactions remain exempt until further notice.

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 Colombia** published a [report](#) discussing proposed tax measures the Finance Bill submitted on September 1, 2025. With respect to VAT, the bill aims to broaden the VAT base by including the sale or transfer of memberships and entry rights, and by taxing online gambling services, including those offered by foreign operators. It proposes eliminating VAT exclusions for software licenses, cloud services, and gambling, subjecting these to the standard 19 percent rate. Additional measures include applying VAT to real estate sales, low-value imports, and tourism services used within Colombia. Hybrid vehicles and components would be taxed at 19 percent, while pure electric vehicles remain subject to the five percent rate.
- **KPMG in Costa Rica** published a [report](#) discussing the rollout of the new digital tax platform, TRIBU-CR, highlighting a series of resolutions issued by the tax administration in September 2025 that formalize its implementation. The TRIBU-CR platform, which became operational on August 4, 2025, replaces legacy systems and consolidates all tax-related processes, filings, payments, queries, and notifications, into a single digital environment. (To read KPMG's previous discussion of the digital tax platform, click [here](#).) The resolutions issued on September 11 and September 17, 2025, address the use of updated forms for VAT and ISU withholdings on card transactions, the collection and perception of VAT on cross-border digital services, and the reporting of exempt transactions. Additional resolutions authorize the use of taxpayer credits and balances within the TRIBU-CR system and establish procedures for self-assessment.

United States: Repair Parts Used in Products Shipped Outside the State are Taxable in California

A California Superior Court held a taxpayer liable for \$6.6 million in use tax on parts it installed while repairing medical equipment in California for out-of-state customers. The company sold medical equipment and offered optional maintenance contracts under which customers shipped equipment to its California service center; the company repaired the units, replaced parts as needed, and shipped the equipment back out of state. Customers paid a single lump-sum fee that covered both parts and labor. Under California rules, when a repairer performs work under a lump-sum maintenance contract that includes parts and labor, the repairer is treated as the consumer of the parts, which makes the repairer responsible for the tax on those parts.

The core dispute centered on whether the taxpayer could claim an exemption because it incorporated the parts into equipment that customers used exclusively outside California. California law excludes from "storage" and "use" any property kept in the state solely for shipment and use outside the state, or kept solely to be processed, fabricated, or manufactured into, attached to, or incorporated into other property that will be shipped and used exclusively outside the state. The taxpayer argued that its parts qualified under this language. The California

Department of Tax and Fee Administration (CDTFA) countered that the company consumed the parts in California during the repair process and that the equipment entered California for functional repair, not mere transit. The court agreed with the CDTFA. It explained that the exclusion protects property that remains in California only for transit, not property that serves a functional purpose in the state. The court also clarified that the phrase “processed, fabricated, or manufactured into” does not create a broad manufacturing exemption; it prevents tax on items that only pass through California and get attached to other property while in transit.

The court further upheld a negligence penalty. CDTFA had raised the same issue in three prior audits, so the court concluded that the taxpayer knew, or should have known, that the transactions were taxable. Practical takeaway: Businesses that repair equipment in California under lump-sum maintenance contracts should treat themselves as the consumers of the parts they install and should expect California use tax to apply to those parts, even when they return the repaired equipment to out-of-state customers. The transit exclusion does not apply when the property performs a functional role in California. For more information, click [here](#).

Brazil: Proposed Amendments to Indirect Tax Reform

On September 30, 2025, Brazil’s Senate [approved](#) Bill 108/2024, which advances the indirect tax reform initiated by Complementary Law No. 214/2025 and is now being considered by the Chamber of Deputies. The reform consolidates existing federal, state, and municipal taxes into a dual VAT structure, CBS at the federal level and IBS at the state and municipal levels with phased implementation beginning in 2026 and full rollout by 2033. (To read KPMG’s previous discussion of Brazil’s indirect tax reform, click [here](#).)

Bill 108/2024 proposes the creation of the Committee for the Management of the Tax on Goods and Services (CGIBS), tasked with overseeing IBS administration and transition. It introduces technical amendments to Law 214/2025, including corrections to editorial inconsistencies and clarifications on definitions such as leasing and temporary transfers of goods. The bill also addresses taxpayer protections, aiming to reduce litigation through clearer rules on taxable events and credit adjustments. Sector-specific provisions include refined rules for energy imports, optional tax substitution mechanisms for digital platforms, thresholds for real estate taxation, and zero-rating for certain imported financial services. Anti-fraud measures for fuel derivatives and transitional flexibility for natural gas taxation are also included.

To promote equity, the bill enhances the cashback mechanism for low-income households and clarifies credit rules for small businesses and nano-entrepreneurs. It outlines gradual implementation of selective taxes on sugary beverages and refines transition rules for real estate and financial services.

Governance reforms include a national tax compliance program and integration of electronic tax domiciles. Adjustments to government procurement and split payment rules aim to improve operational clarity. The bill also preserves incentives for the Manaus Free Trade Zone and introduces harmonized dispute resolution mechanisms for IBS and CBS.

In parallel, Brazil’s Congress is considering Bill 16/2025, which would clarify that CBS and IBS are excluded from the taxable base of existing taxes (ICMS and PIS/COFINS) during the transition period. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Anguilla:** Effective August 1, 2025, Anguilla repealed its 13 percent goods and services tax (GST) at the port, replacing it with a 9 percent import goods tax and a revised goods tax. The reform is intended to curb inflation, enhance food security, and boost consumer purchasing power and economic growth. Additionally, the public entertainment tax has been repealed to support the cultural and tourism sectors, despite projections of a 21 percent decline in overall tax revenue. For more information, click [here](#).
- **Argentina:**^{xxxix} On August 27, 2025, Argentina's Tax Authority (ARCA) issued [General Resolution 5750](#), allowing VAT-registered taxpayers to compute advance VAT payments (*percepciones*) either in the month they are made or within any of the five subsequent months. This flexibility, effective from September 1, 2025, aims to ease administrative burdens under the new "IVA Simple" system. Previously, advance VAT payments had to be reported in the same month they were incurred.
- **Brazil:**^{xl} On August 22, 2025, Brazil's Supreme Federal Court (STF) ruled ([Theme 1367](#)) that states cannot retroactively assess ICMS (State VAT) on intercompany transfers of goods for periods prior to 2024. The STF ruled in April 2021 (ADC 49) that only a legal transfer of ownership—not internal logistical transfers—creates ICMS liability, and it applied that rule prospectively from January 1, 2024, except for taxpayers with cases pending by April 29, 2021. In February 2025 (RE 1,490,708, Theme 1367), the STF confirmed that businesses without pending cases must still pay ICMS on such movements through December 31, 2023. The August 2025 clarification stressed that this prospectivity aimed to prevent mass refunds, not to authorize retroactive collections. From 2024 onward, these intra-company movements fall definitively outside ICMS.
- **Canada:**^{xli} The Canada Revenue Agency (CRA) recently [announced](#) changes to the Voluntary Disclosures Program (VDP), effective October 1, 2025. These changes are intended to make it easier to apply to the program and to understand its requirements. The program allows individuals and businesses to proactively inform the CRA of errors or omissions in their tax filings related to goods and services tax / harmonized sales tax (GST/HST), excise taxes and duties, fuel and luxury taxes, underused housing tax, global minimum tax, air travelers security charge, and softwood lumber export charge. If accepted, applicants may receive relief from penalties and interest, as well as protection from criminal prosecution, but must pay all taxes owing. The CRA will introduce a simplified application form and expand eligibility to include taxpayers prompted by compliance communications. The revised policy introduces two relief tiers: general relief offers 75 percent interest relief and full penalty relief for unprompted applications, while partial relief offers 25 percent interest relief and up to full penalty relief for prompted applications. The CRA has also clarified documentation requirements for indirect tax disclosures, including the need to provide information for the most recent four years for GST/HST.
- **Chile:**^{xlii} On September 3, 2025, the Chilean Internal Revenue Service (SII) [published](#) Ruling No. 1687-2025, clarifying that real estate brokers are not permitted to issue VAT invoices on behalf of landlords for rentals of unfurnished properties, even under administration agreements. The ruling confirms that only the landlord may issue VAT invoices to tenants. Additionally, rental income from unfurnished properties remains exempt from VAT, provided the landlord is either an individual, a non-VAT-registered entity, or a VAT taxpayer who signed the lease before a Notary Public.

- **Curaçao:**^{xliii} On September 9, 2025, Curaçao's Governor [announced](#) a comprehensive fiscal reform agenda during the opening of the 2025–2026 parliamentary year, which includes the potential introduction of a VAT system. The proposed VAT would replace the current sales tax model, aligning with recommendations from the International Monetary Fund. The reform package also includes modernizing tax collection laws and replacing the e-zone regime with Special Economic Zones to support economic diversification.
- **Suriname:**^{xliiv} On September 1, 2025, Suriname's tax authorities launched a tax debt relief program applicable through December 31, 2025. The initiative allows individuals and businesses to settle unpaid tax obligations up to the 2023 tax year under favorable conditions. It covers various tax types, including turnover tax and VAT. Participants benefit from several incentives, including no penalties for turnover tax and access to a payment plan of up to 12 instalments. To qualify, taxpayers must submit a request to the Special Collection Division with relevant details.
- **Uruguay:**^{xliv} On September 11, 2025, Uruguay's General Directorate of Taxation issued [Consultation No. 6705](#), clarifying the VAT treatment of hotel lodging services provided to nonresidents. Such services are considered exports for VAT purposes, regardless of the season. To qualify, nonresidents must present valid identification, and hotels must retain a photocopy. If the invoice is issued in the name of a person who is not a nonresident, but the service is provided to a nonresident, this must be documented on the invoice or an annex, along with a copy of the nonresident's ID.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Estonia** published a [report](#) discussing amendments to the Motor Vehicle Tax Act and Traffic Act, effective in 2025, introducing new indirect tax obligations for vehicle owners and users. The Motor Vehicle Tax Act imposes an annual tax on vehicles in categories M1 (automobiles), N1 (vans), L (motorcycles and mopeds), MS2 (wheeled off-road vehicles), and T (tractors). For M1 and N1 vehicles, the tax is calculated using a basic rate, a CO₂ emissions component, and a mass component, with an age multiplier reducing the rate for older vehicles. Additionally, the Traffic Act introduces a registration fee for M1 and N1 vehicles, payable before initial registration or ownership transfer, and based on similar components. Fully electric vehicles are exempt from the emissions component.
- **KPMG in Kenya** published a [report](#) discussing a High Court ruling issued on August 27, 2025, which overturned a Tax Appeals Tribunal decision that had subjected commissions earned by licensed payment service providers to VAT. The case, *Pesapal Limited v. Commissioner of Domestic Taxes (Income Tax Appeal E081 of 2023)*, focused on whether commissions for processing payments on behalf of third parties qualified as VAT-exempt financial services under the VAT Act. The Kenya Revenue Authority had argued that the commissions were fees for operating a digital payment platform and

therefore subject to VAT. However, the High Court held that VAT treatment depends on the nature of the service provided, not on the provider's licensing status or the use of digital infrastructure. It concluded that activities such as receiving, transferring, and processing payments fall within the scope of VAT-exempt financial services.

- **KPMG in Poland** published a [report](#) discussing recent developments, including the preliminary approval of the 2026 budget bill by the Council of Ministers on August 28, 2025, which would, among, other things, increase the VAT registration threshold from PLN 200,000 to PLN 240,000. In addition, the report discusses a general ruling of the Ministry of Finance, clarifying that management board members may be held liable for tax arrears regardless of the tax type, and that filing for bankruptcy is sufficient to release them from liability.
- **KPMG in Poland** published a [report](#) discussing, among other things, newly issued VAT guidelines for transactions under the deposit-refund system. The guidelines clarify VAT obligations for taxpayers and remitters participating in the system, particularly in relation to beverage packaging. A key change is the removal of VAT liability from entities that are not product introducers or representative entities, shifting the responsibility to designated parties to simplify compliance. The guidance outlines the VAT treatment of unreturned deposits, excess packaging returned, and the role of representative entities as VAT remitters. It also addresses the timing of VAT settlement, recordkeeping requirements, and the right to deduct input VAT.
- **KPMG in Poland** published a [report](#) discussing two Supreme Administrative Court decisions issued on September 9, 2025. The first clarified that the taxable VAT base for goods or services provided in exchange for a partially redeemed multi-purpose voucher is limited to the portion of the consideration corresponding to the price of the purchased items, excluding the VAT amount. The second decision held that motor vehicles designed in a way that precludes or minimizes non-business use are used exclusively for business purposes for VAT purposes, even if private use is technically possible.
- **KPMG in Slovakia** published a [report](#) discussing new guidance issued by the Ministry of Finance clarifying the scope and application of the financial transaction tax. The guidance clarifies a taxpayer's activity is considered to be performed in Slovakia if it is carried out through a permanent place or facility in the country, through an authorized person acting on the taxpayer's behalf, via a platform or online marketplace located in Slovakia, or if the insurance risk is situated there. The guidance also explains that recharged costs refer to situations where a taxpayer arranges for a third party to transfer funds or payments to other entities on their behalf, including cost allocation. For cash pooling, the exemption from the tax base does not depend on where the account provider is located or the rules for consolidated financial statements, but it does require the use of a single bank.

European Union: Intra-Group Payments Under the Transactional Net Margin Method Subject to VAT

On September 4, 2025, the Court of Justice of the European Union (CJEU) issued its judgment in *SC Arcomet Towercranes SRL*, [Case C-726/23](#), holding that intercompany payments calculated under the transactional net margin method (TNMM) trigger VAT when they function as consideration for services. The case involved a parent that provided strategic, commercial, and risk management services while assuming most economic risks, and a Romanian subsidiary that operated a crane rental business. Under their contract, the

subsidiary's operating margin had to stay within a corridor of -0.71 percent to 2.74 percent; if the margin exceeded the cap, the parent invoiced the excess, and if it fell below the floor, the subsidiary invoiced the parent. The Romanian tax authority denied the subsidiary the right to deduct VAT on the services received and assessed additional VAT, interest, and penalties. The CJEU ruled that VAT applies to intercompany payments when two conditions are met: a legal relationship with reciprocal commitments, and a payment that serves as consideration—meaning payment in return—for identifiable services. In this case, the parent provided commercial and risk management services and assumed most economic risks, while the subsidiary agreed to pay amounts equal to excess profit under a margin corridor set by the OECD's transactional net margin method (TNMM). The CJEU found a direct link between the services and the payments, which delivered concrete benefits for the subsidiary, rejected the view that these were mere transfer pricing true-ups, emphasized economic reality, and noted that variable, margin-based remuneration still follows clear contractual criteria and is not voluntary. Because the parent actively managed the business, the arrangement did not resemble passive holding. Therefore, subject to the national court's verification, the payments count as consideration for services under Article 2(1)(c) of the [EU VAT Directive](#).

On documentation, the CJEU explained that a taxpayer may deduct VAT only when two conditions are met: formal (the invoice identifies the services) and substantive (the services occurred, and the taxpayer used them for their own taxed activities). Even if an invoice lacks detail, the tax authority cannot refuse deduction solely for that defect when it holds enough information to verify the substantive conditions; however, it may request proportionate supporting evidence, including documents from the service provider. The authority cannot demand proof that the services were necessary or profitable. For more information, click [here](#).

European Union: Loyalty Points Do Not Qualify as Vouchers According to Advocate General

On September 4, 2025, the CJEU published the nonbinding Opinion of its Advocate General in *Lyko*, [Case C-436/24](#), regarding the VAT treatment of loyalty points. The case involved a Swedish retailer of hair and beauty products who asked Sweden's Revenue Law Commission how VAT should apply to a planned loyalty program where private customers earn points on purchases and redeem them, only during a later purchase, for items from the taxpayer's regular range worth about 2–10 percent of the original purchase. The points cannot be bought, transferred, or converted to cash, cannot be used with cash, and expired after two years. The taxpayer asked whether the points qualify as "vouchers" under Article 30a of the EU VAT Directive and, if so, how to determine the taxable amount on redemption when customers make no separate payment. The Commission ruled the points are not vouchers because they have no specific monetary value. Both the Swedish Tax Agency (supporting the ruling) and the taxpayer (arguing the points meet the Article 30a definition because customers receive both goods and points for their consideration) challenged the decision before the referring court for domestic transactions in Sweden.

According to the AG, Article 30a sets two conditions that must both be met for loyalty points to qualify as vouchers: (1) the voucher or its terms must identify the goods or the potential seller; and (2) the issuer must have a standalone obligation to accept the points as payment (consideration) for a later sale, independent of any other purchase. The taxpayer appears to meet the first condition because it communicates detailed terms to participating customers, although the record leaves some doubt. However, the taxpayer fails the second condition because customers can use points only alongside a subsequent purchase, and the taxpayer

has no independent obligation to accept points as payment by themselves. The points therefore should operate as a discount that makes a future purchase cheaper, not as a voucher that the customer can use on its own to trigger a right to receive goods.

The AG further rejects the claim that vouchers must have a fixed face value at issuance or be purchased for money. The Voucher Directive intended Articles 30a and 30b to cover modern loyalty tools, not only traditional prepaid vouchers. Classification depends solely on Article 30a's criteria: the instrument must identify the goods or seller, and it must create a standalone obligation to accept it as payment (consideration means the value given in return, not necessarily cash). A stamp-card example shows that if the eleventh item can be taken independently, it can be a voucher; if it requires making another purchase, it functions as a discount. Businesses build points into their pricing, so points are not freebies or gifts. Points carry value that becomes specifiable at redemption, and VAT can measure that value under Articles 73 and 73a. If points granted an independent right to a specifiable reward, they would be multi-purpose vouchers taxed only at redemption, and that redemption would also reduce the taxable amount of the original purchase.

Finally, the AG explains how to treat unredeemed points for VAT. If a normal multi-purpose voucher has a set value and the customer never redeems it, Article 30b means no VAT arises because no goods or services change hands. Discounts work differently: tax only falls when the customer uses the discount on a later purchase. For multi-purpose instruments with a specifiable (not fixed) value, VAT consequences still arise only at redemption, when the value becomes known. Until redemption, the taxable amount (the portion of the price subject to VAT) for the first purchase stays unchanged and fully taxed; you cannot split that amount into a "goods" part and an untaxed "voucher" part because the voucher's value is unknown. The same conclusion applies if the points are not vouchers: points represent only a potential discount, and Articles 79 and 90 reduce the taxable amount only once the customer redeems the points and receives the reward during a subsequent purchase. To read a report prepared by KPMG in the Netherlands, click [here](#).

Roundup of Latest Court of Justice of the European Union Cases

On September 4, 2025, the CJEU published the nonbinding Opinion of its Advocate General (AG) in *Vaniz*, [Case C-121/24](#), stating that a purchaser should be held liable for unpaid VAT solely because the seller, now liquidated, failed to remit the tax. According to the AG, under Article 205 of the EU VAT Directive, joint and several liability requires the continued existence of both the tax debtor and the tax debt. Liability may only arise where the purchaser knowingly participated in VAT fraud or abuse. Mere awareness of the seller's non-payment does not justify liability, as this would violate principles of legal certainty and proportionality.

On September 25, 2025, the CJEU published the nonbinding Opinion of its AG in *Oblastní nemocnice Kolín*, [Case C-513/24](#), in which the AG opined that costs incurred for the minimum equipment required for VAT-exempt activities (such as healthcare) do not automatically entitle the taxpayer to a proportional VAT deduction. Even if the ability to perform VAT-taxable transactions depends on holding a license for the VAT-exempt activities, VAT on these costs can only be deducted if it is demonstrated that they have a direct and immediate link to the taxpayer's overall economic activity.

On September 25, 2025, the CJEU published the nonbinding Opinion of its AG in *Joined Cases C-409/24, C-410/24, and C-411/24* regarding the application of reduced VAT rates to ancillary services in hotel accommodation. The AG opined that Member States may confine the

reduced VAT rate to the letting of hotel rooms, excluding services such as breakfast or parking. These ancillary services are not considered indispensable or inseparable from accommodation and may be taxed separately at the standard rate.

Sources: European Union; Bulgaria—ECJ Advocate General: No VAT Liability for Purchaser Absent Fraud or Abuse When Supplier Ceases to Exist: *Vaniz* (Case C-121/24) (VAT) (September 4, 2025), News IBFD; European Union; Czech Republic—ECJ Advocate General Opines that Equipment Used for Supplying Exempt Healthcare Services Not Eligible for Input VAT Deduction: *Oblastní nemocnice Kolín* (Case C-513/24) (VAT) (September 25, 2025), News IBFD; ECJ Advocate General Opines That Benefit of Reduced VAT Rate May Be Confined to Letting of Hotel Rooms: *J-GmbH, D and D-GmbH & Co. KG* (Joined Cases C-409/24, C-410/24 and C-411/24) (VAT) (September 25, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Austria:**^{xlvi} On August 7, 2025, Austria's Federal Finance Court published its decision in case [GZ. RV/2100802/2021](#), clarifying VAT refunds for property valuation services. The case involved a Swiss company that had filed a nonresident refund claim, after paying Austrian VAT on invoices from an Austrian property expert who valued a hotel site in Vorarlberg. The tax office had rejected the claim arguing that the services qualify as “catalog services” and should thus be sourced where the customer operates (i.e., outside of Austria). The court held that the services in question were land-related services and should thus be sourced where the real estate sits (i.e., in Austria). Because the company had no Austrian transactions, the court held that the nonresident refund claim process applied.
- **Austria:**^{xlvii} On September 23, 2025, the Austrian Federal Ministry of Finance published [Federal Finance Court Decision No. RV/7102420/2020](#), clarifying VAT expense deductions eligibility in the context of rental property transactions. The case involved a taxpayer who acquired and renovated a property, intending to rent it out. However, due to unforeseen renovation costs, the property was sold before any rental activity occurred. The taxpayer claimed VAT deductions for the purchase cost, which were denied by the Tax Office. On appeal, the Federal Finance Court upheld the denial, concluding that the taxpayer's rental intent was not substantiated by binding agreements. Because the property was ultimately sold without being rented, the court found that the conditions for VAT expense deduction, namely a direct link to VAT sales, were not met.
- **Bahrain:**^{xlviii} On September 14, 2025, Bahrain's National Bureau for Revenue (NBR) published an [updated VAT guide](#) on transportation. The guide reaffirms the application of the zero percent VAT rate for international shipment of goods and passengers, related services, and the provision or maintenance of qualifying means of transport. The update clarifies that a qualifying means of transport must be designated exclusively for commercial use and capable of transporting at least ten people or goods internationally. Vehicles used for personal, recreational, or military purposes do not qualify. Transportation services using non-qualifying means will be subject to the standard VAT rate.
- **Bahrain:**^{xlix} On September 16, 2025, Bahrain's NBR published an [updated VAT registration guide](#). The update restructures the guide to provide clearer instructions for VAT registration. It splits the registration process into two separate sections: NBR Registration Process and VAT Registration Process. The guide also updates VAT Group Registration procedures and rennumbers sections on non-compliance and de-registration.
- **Croatia:**[!] On September 18, 2025, the Croatian Ministry of Finance launched a public

consultation on a [draft bill](#) to amend the VAT Act, with proposed changes effective January 1, 2026. Key measures include extending the filing deadline for VAT returns and related forms to the last day of the month, waiving invoice requirements for exchange transactions, and removing the need for recipient consent when issuing mandatory e-invoices. The bill also proposes eliminating obligations to submit special records of received invoices and returns on domestic transactions subject to the VAT self-assessment.

- **Czech Republic:**^{li} On September 26, 2025, the Czech Republic published [Financial Bulletin No. 12/2025](#), detailing new instructions for requesting the waiver of tax penalties, interest, and fines, including those related to indirect taxes. Under recent tax changes, effective July 1, 2025, taxpayers may now receive a full waiver based on their level of cooperation and compliance. This replaces the previous 75 percent cap, except in cases involving criminal convictions. The bulletin outlines the conditions and process for applying under the updated remission framework.
- **Denmark:**^{lii} On September 8, 2025, the Danish Customs and Tax Administration published [City Court Decision No. SKM2025.499.BR](#), clarifying the VAT deduction rules for subcontractor services. The taxpayer, operating in the concert and event industry, had claimed deductions for services allegedly provided in 2020 and 2021. The tax authority denied the claims due to insufficient documentation. The court emphasized that most of the invoices the plaintiff relied on did not meet the formal invoice requirements, that the plaintiff provided no supporting documents (such as written contracts, timesheets, email correspondence, or similar records that specify the services), and that the plaintiff produced no invoices showing that it re-billed the alleged subcontractor services to its own customers. Because the plaintiff did not substantiate the transactions, the court ruled in favor of the tax authority.
- **Denmark:**^{liii} On September 9, 2025, the Danish Tax Council issued [Binding Answer No. SKM2025.506.SR](#), clarifying the electricity tax and VAT treatment for electric vehicle (EV) charging station operators. The ruling addressed a Danish energy company's plan to offer charging solutions and electricity to private EV customers. The Tax Council confirmed that operators may obtain an electricity tax refund, provided all statutory conditions are met. However, the company was not entitled to deduct VAT on the electricity tax paid by customers for EV charging. Additionally, any reimbursement of the electricity tax to customers should not be treated as a discount under the VAT Act, as the necessary conditions for such treatment were not satisfied.
- **Denmark:**^{liiv} On September 12, 2025, Denmark's National Tax Court issued [Decision No. SKM2025.518.LSR](#), clarifying VAT deductions on advisory services. The case involved a parent company formed to acquire shares in a subsidiary and provide VAT-liable management services. The Tribunal found that advisory services provided prior to the company's formation were purchased by or on behalf of investors and used in their decision-making process, not in the company's interest. As such, VAT on these services was not deductible by the company, even though the invoices were addressed to and paid by it. Additionally, an invoice from a management company was deemed to be a re-invoicing of expenses rather than a sale of taxable services, resulting in VAT being incorrectly charged and not deductible. The Tribunal upheld the tax authority's decision, clarifying that VAT deduction requires a direct link to the company's taxable activities and compliance with VAT rules at the time of sales.

- **Ethiopia:**^{lv} On September 2, 2025, Ethiopia's Ministry of Finance [published](#) Directive No. 1,104/2025 (The Directive), clarifying VAT registration obligations. The Directive requires Category A taxpayers and anyone obligated or choosing to keep formal books of account to register regardless of gross receipts and requires registration when a person's aggregate gross receipts exceed ETB 2,000,000. The recital further states that anyone providing professional services with under ETB 2 million in annual gross receipts who is not classified as a Category B taxpayer under Income Tax Proclamation No. 979/2016 must register.
- **European Union:**^{lvi} On September 3, 2025, EU representatives agreed on a [draft](#) to update the EU–Switzerland agreement on financial information exchange, which includes provisions for recovering VAT claims in Switzerland. The update aligns the agreement with recent changes to the OECD's common reporting standards and revisions to both parties' data protection regimes as well as includes provisions to allow the recovery of VAT claims in Switzerland. The draft will now be reviewed by EU ambassadors, with formal approval by both Swiss and EU authorities expected by October.
- **European Union:**^{lvii} On September 24, 2025, the European Commission issued [guidance](#) to support Member States in implementing the [VAT in the Digital Age](#) (ViDA) initiative. The document outlines risks related to IT system readiness and recommends a phased, step-by-step approach to digital VAT reporting. It warns that delays in upgrading national systems could hinder cross-border transaction data exchange and may result in legal action. ViDA introduces e-invoicing, a single VAT registration across the EU, and reporting obligations for rental platforms (To read KPMG's previous discussion of ViDA, click [here](#)). The Commission committed to launching targeted communication campaigns ahead of each implementation milestone.
- **European Union:**^{lviii} On September 29, 2025, the Council of the European Union [adopted](#) a regulation simplifying the Carbon Border Adjustment Mechanism (CBAM), with key exemptions for small importers. The regulation replaces the previous negligible-value exemption with a new "de minimis" mass threshold, exempting annual imports up to 50 tons per importer from CBAM rules. It also allows conditional imports in early 2026 while registration is pending, and introduces simplified procedures for authorization, emissions data collection, verification, and financial liability. Adjustments to penalty provisions and rules for indirect customs representatives are also included.
- **Finland:**^{lix} On September 25, 2025, the Finnish government presented to parliament a proposal revising excise duties on soft drinks. The proposal introduces a tax of EUR 0.20 per litre on zero-sugar drinks and a tiered tax ranging from EUR 0.27 to EUR 0.59 per litre on sugar-containing drinks, based on sugar content. Due to administrative challenges, unpackaged drinks will be taxed uniformly at EUR 0.20 per litre. Additionally, non-sweetened water and mineral water sold in containers exceeding five litres will be subject to tax. The revised rates are scheduled to take effect from April 1, 2026.
- **Greece:** On June 18, 2025, Greece's Independent Authority for Public Revenue issued Circular 2035/2025, clarifying that VAT on commercial pleasure vessels must be calculated based on the current market value at the time the professional license expires. This applies when supporting documents such as construction invoices, insurance policies, or certificates from the Hellenic Chamber of Shipping are unavailable. This measure ensures that VAT obligations are fulfilled even in the absence of formal documentation. For more information, click [here](#).
- **India:**^{lx} On September 12, 2025, India's Central Board of Excise and Customs issued [Circular No. 251/08/2025-GST](#), clarifying the GST treatment of secondary or post-sale

discounts. The circular confirms that full GST expense credit remains available to recipients even when payments are made after discounts, provided the original transaction value and tax liability are unchanged. Post-sale discounts from manufacturers to dealers are not treated as consideration for services unless linked to a specific agreement with the end customer. Additionally, such discounts are not considered payment for promotional activities unless dealers provide distinct services like advertising or co-branding under a separate agreement, in which case GST would apply.

- **Ireland:**^{lxi} On September 3, 2025, the Irish Revenue published [Revenue eBrief No. 168/25](#), updating the guidelines on VAT registration procedures. The revised guidance emphasizes that where information is missing from taxpayers as part of a VAT application, officials should contact the taxpayer or their appointed agent to provide the missing information before deciding on the application. It includes a new template query letter for this purpose. In addition, applicants are now required to disclose actual gross receipts from taxable sales for both the current year to date and the previous year. Moreover, it incorporates updates to the EU's small business VAT exemption regime, effective January 1, 2025, allowing eligible businesses to benefit from VAT exemptions across Member States, provided gross receipts thresholds are met both locally and EU-wide.
- **Italy:**^{lxii} On September 22, 2025, the Italian Revenue Agency issued [Letter No. 251/2025](#), clarifying the conditions under which VAT may be deducted for services rendered during liquidation proceedings. The case involved a company that had previously provided VAT-exempt services and was undergoing liquidation. The company received invoices from attorneys, debt collectors, and other service providers and sought guidance on whether the VAT paid on these services could be deducted. The tax authority determined that the legal services related to managing the company's tax disputes were sufficiently preparatory and instrumental to the liquidation process. It also found that the debt collection services, while not commercial in nature, were adequately connected to the liquidation. Based on this assessment, it concluded that the taxpayer was entitled to deduct the VAT paid on the invoiced services.
- **Italy:**^{lxiii} On September 22, 2025, the Italian Revenue Agency issued [Letter No. 13/2025](#), clarifying the eligibility of certain gold materials for the VAT self-assessment regime. The inquiry came from an association seeking confirmation on whether items such as earring clips, claps, and chain links qualified as semi-finished products eligible for VAT self-assessment. Referring to Resolution No. 161/E/2005, the tax authority concluded that these items are considered finished products, as they do not require further assembly or production. Consequently, they fall outside the scope of the VAT self-assessment mechanism.
- **Lebanon:**^{lxiv} On September 15, 2025, Lebanon submitted its [2026 Draft Budget Law](#), proposing, among other things, to require non-registered event organizers to collect and remit VAT when their activities fall under or would have fallen under the entertainment tax. Additionally, the draft introduces restrictions disallowing VAT expense deductions for water, electricity, communications, internet, and gasoline.
- **Lithuania:**^{lxv} On August 29, 2025, Lithuania's State Tax Inspectorate published [Letter No. RM-41250](#) and updated guidance on VAT Law amendments for individuals, effective May 1, 2025. Key changes include mandatory VAT registration for individuals acquiring services from other EU countries exceeding or providing services to taxpayers in other EU countries. Such individuals must calculate and pay VAT using prescribed methods and submit returns by the 25th of the following month. Voluntary registration is allowed for

those planning economic activity. The guidance also outlines VAT expense deductions and invoicing requirements for individuals selling goods or services, even if not VAT-registered but exceeding the registration threshold.

- **Mauritius:**^{lxvi} On September 12, 2025, the Mauritian Revenue Authority issued a [communiqué](#) updating VAT registration requirements, effective October 1, 2025. Businesses with annual taxable sales exceeding or expected to exceed MUR 3 million must register for VAT. Additionally, holders of a Pleasure Craft License for vessels over 12 meters used commercially are required to register. Registration can be completed via the Authority's official website. From October 1, 2025, registered taxpayers must charge VAT on all non-exempt sales. Failure to register may result in penalties of up to three times the tax involved and imprisonment for up to eight years.
- **Moldova:**^{lxvii} On September 23, 2025, the Moldovan State Tax Service announced a [draft order](#) to update the VAT declaration for specific natural gas and electricity purchases, whether imported or procured domestically. The proposal outlines the VAT declaration method for taxpayers with trader status, where the VAT self-assessment mechanism applies. It introduces new requirements for declaring imports, procurements, and access services to energy networks obtained from nonresidents. Additionally, it establishes the method for reflecting deductible VAT on purchases subject to the simplification regime, ensuring accurate reporting of VAT self-assessment obligations. The order is set to apply to fiscal periods beginning January 2026.
- **Nigeria:**^{lxviii} Effective September 8, 2025, Nigeria's Customs Service introduced a *de minimis* exemption for low-value consignments, waiving customs duties and related taxes on imports valued up to USD 300. The relief applies to e-commerce shipments and items in passenger baggage. Eligible consignments will benefit from immediate release and clearance without post-release documentation. To ensure compliance, strict enforcement measures will target invoice manipulation and duty evasion.
- **Norway:**^{lxix} On August 29, 2025, the Norwegian Tax Appeals Board published [Tax Appeals Board Decision No. SKNS1-2025-15](#), clarifying the VAT treatment of imported processing services used in banking activities. The case involved a bank purchasing remotely provided services from a nonresident subcontractor for use in its financial services business. The taxpayer claimed that these remotely provided services were financial services exempt from VAT. The Norwegian tax authority disagreed, holding that VAT was due on these services. On appeal, the Tax Appeals Board upheld this view, concluding that such imported services are subject to VAT, as they do not constitute specific and essential payment functions.
- **OECD:**^{lxx} On September 11, 2025, the OECD released its [annual tax policy report](#), highlighting indirect tax trends across 86 jurisdictions. In 2024, many countries scaled back temporary VAT rate cuts and base narrowing measures introduced during inflationary periods, with some increasing their standard VAT rates. Excise taxes on tobacco, alcohol, and sugar-sweetened beverages were raised to promote healthier lifestyles and generate revenue. Governments also moved away from temporary fuel tax relief, opting for higher fuel excise taxes. Carbon pricing was strengthened for the second consecutive year, with expanded scope and increased rates. Several countries introduced targeted VAT reductions on solar panels and heat pumps to support the transition to a low-carbon economy.
- **Poland:**^{lxxi} On September 2, 2025, the Polish government presented the draft Budget Law for 2026, which, among other things, would increase the VAT registration threshold from PLN 200,000 to PLN 240,000.

- **Poland:**^{lxxii} On September 1, 2025, Poland's Ministry of Finance [clarified](#) the VAT treatment of transactions under the beverage packaging deposit-refund system. From 2026, monthly taxpayers must settle VAT on deposits for unreturned packaging one month later, with the first settlement for 2025 due by March 25, 2026, for February. This deferral does not apply to quarterly filers. Where beverage products are subject to different VAT rates, the tax base and VAT due must be calculated separately for each rate. The guidance also addresses recordkeeping, VAT expense deductions, and VAT treatment in cases where representative entities compensate retailers and collection points for collecting packaging waste.
- **Poland:**^{lxxiii} On September 17, 2025, the Polish Council of Ministers [adopted](#) a proposal to amend the VAT Act, aiming to streamline VAT settlement on imported goods. The proposal allows businesses using simplified declarations to continue settling VAT directly on their tax returns. It also extends the correction period for VAT declarations beyond 4 months after the tax obligation arises, provided corrections are made within one month of the supplementary declaration deadline. Additionally, taxpayers approved to submit supplementary declarations beyond 120 days may still settle VAT on imports via their tax returns.
- **Poland:**^{lxxiv} On September 22, 2025, the Council of the European Union adopted [Implementing Decision \(EU\) 2025/1986](#), allowing Poland to continue limiting VAT expense deductions to 50 percent for the purchase, intra-EU acquisition, importation, leasing, or hire of motor vehicles with a total weight not exceeding 3.5 tons and fewer than nine seats, unless used exclusively for business purposes. The derogation also permits Poland not to tax the private use of such vehicles. The latest extension applies until December 31, 2028.
- **Romania:**^{lxxv} On September 3, 2025, Romania's Finance Ministry [confirmed](#) key amendments to the VAT legislation, including an increase in the VAT registration threshold from RON 300,000 to RON 395,000, effective September 1, 2025. This measure aligns with the EU small business VAT reform, enabling small businesses to benefit from VAT exemption across Member States, provided their local gross receipts are below the national threshold and their EU-wide gross receipts do not exceed EUR 100,000. Additionally, businesses that exceeded the previous RON 300,000 ceiling in August 2025 cannot request VAT registration until they surpass the new threshold.
- **Romania:**^{lxxvi} On September 3, 2025, Romania's Customs Authority published [Order No. 2618/2025](#), updating rules for the special import VAT mechanism. The order introduces a new authorization condition requiring applicants not to be listed as inactive taxpayers. Authorization holders must now notify authorities within three days of any change to the person designated to submit the IOSS VAT return. Additionally, the format of the authorization number has been revised to include two leading digits indicating the issuing year. Order No. 1.019/2021, which previously governed these procedures, ceased to apply as of 3 September 2025, following the publication of the new approval report.
- **Romania:**^{lxxvii} On September 12, 2025, Romania published [Ministry of Finance Order No. 1480/2025](#), establishing a new VAT refund procedure for acquisitions made by NGOs and their wholly owned companies for hospitals they operate. The procedure applies only to sales made before August 1, 2025, and allows related VAT reimbursement requests to be filed by October 31, 2025. This order repeals previous regulations and follows the repeal of the indirect VAT exemption for NGOs effective August 1, 2025. While similar to earlier procedures, the new framework limits its scope to transitional claims for qualifying hospital-related acquisitions.
- **Slovakia:**^{lxxviii} On September 9, 2025, Slovakia's Ministry of Finance unveiled a tax reform package, which includes proposed VAT changes effective from 2026. In addition to proposed

VAT rate changes, the reform would introduce a 50 percent limitation on VAT deductions for motor vehicles not fully used for business purposes, including related goods and services such as fuel. The tax reform would also introduce a tax amnesty in the first half of 2026, which would also cover VAT arrears and penalties.

- **South Africa:**^{lxxxix} On September 3, 2025, the South African Revenue Service (SARS) published a High Court decision in [Case No. CA 118/2024](#), clarifying VAT and Skills Development Levy (SDL) obligations for payroll service providers. The taxpayer, a payroll administrator for retail businesses, was audited for VAT and SDL on the basis that it employed over 4,500 individuals listed on its payroll. The South African Revenue Service (SARS) argues that the taxpayer was a labor broker and thus liable for SDL and VAT. However, both the Tax Court and High Court found the taxpayer acted as an agent, not an employer, noting that the taxpayer did not meet the statutory definition of “employer” under the Income Tax Act. As a result, the taxpayer was not liable for SDL or VAT on the disputed personnel.
- **Sweden:**^{lxxx} On August 19, 2025, the Swedish Tax Agency issued [Position Statement No. 8-272671-2025](#), clarifying the VAT treatment of financial leasing agreements. A financial leasing agreement is considered a sale of goods if ownership is expected to transfer through obligation, purchase option, or assignment at the end of the contract. If the buy-out price is significantly lower than market value, the transaction is also treated as a sale of goods. In such cases, the full payment amount, including any portion labeled as interest, must be included in the VAT taxable base.
- **Switzerland:**^{lxxxi} On September 3, 2025, the Swiss tax authority released [updated guidance](#) on requesting extensions for VAT filing deadlines. Requests must be submitted electronically via the “Décompter la TVA” service in the ePortal, as manual or alternative submissions will not be accepted. Businesses using “Décompte TVA pro” can request extensions directly from the overview of open returns, while those using “Décompte TVA easy” must enter the relevant return code. VAT returns must be submitted within 60 days following the end of the tax period. Corrective returns must be filed no later than during the period that includes the 180th day after the end of the financial year, with an absolute deadline of 240 days.
- **Türkiye:**^{lxxxii} On September 4, 2025, Türkiye’s Ministry of Treasury and Finance issued [General Communiqué No. 55](#), amending the VAT General Implementation Communiqué to align practice with recent amendments to the VAT law. The Communiqué clarifies VAT exemptions and refund implementations concerning defense industry projects, vehicle deliveries for defense and security purposes, public real estate transactions, VAT base calculations for imports, and refund procedures. Among other things, it confirms full VAT exemptions for goods and services sold to contractors involved in approved defense industry projects, as well as for deliveries and imports of specified motor vehicles exclusively for defense and internal security needs. Beneficiaries must secure tax office approval and present certified documentation, with strict invoicing requirements and joint liability for misapplication. The Communiqué also clarifies the scope of VAT exemptions for public real estate transactions, confirming coverage for Treasury property transfers, land deliveries by key public agencies, and sales by certain foundations, while other property sales remain subject to VAT. Additionally, it addresses the VAT base for imports subject to special consumption tax security deposits, confirming that the secured tax amount is included in the VAT calculation. Finally, new proportional refund rules are introduced for VAT expenses on depreciable assets used in both taxable and exempt activities, with detailed guidance provided for refund claims.

- **United Arab Emirates:** On May 16, 2025, the UAE Federal Tax Authority (FTA) [published](#) Public Clarification No. 44, outlining simplified documentation requirements for VAT recovery on imported services under the VAT self-assessment mechanism. Under the regime, taxpayers are not required to issue self-tax invoices if they receive an invoice or equivalent document from foreign non-resident sellers detailing the services and payment. If such documentation is not received, self-tax invoices must be issued, unless an administrative exception is granted by the FTA. VAT expense recovery remains permissible without self-tax invoices, provided the services are used or intended to be used for making taxable sales and appropriate documentation from foreign sellers is obtained. For more information, click [here](#).
- **United Kingdom:**^{lxxxiii} On September 11, 2025, the UK Supreme Court published its decision in *Prudential Assurance Company Ltd*, [\[2025\] UKSC 34](#). In this case, a group company provided investment management services to the taxpayer until a 2007 buyout, after which it was entitled to performance fees for funds that outperformed benchmarks. Between January 2015 and July 2016, the taxpayer paid the fees, including VAT. HMRC argued that the performance fees were for continuous sales of services, and under Regulation 90, VAT was chargeable when invoices were issued, or payments made—after the service provider left the VAT group. Prudential initially won at the First-Tier Tribunal, which held that VAT grouping rules exempted the fees. However, HMRC successfully appealed to the Upper Tribunal in March 2023 and the Court of Appeal in March 2024, both finding that the services were continuously provided and VAT was due at the time of invoice, not when the service provider was a group member. The Supreme Court confirmed this reasoning, ruling that the payment of performance fees after the service provider left the VAT group constituted a new sale of services completed at the time of invoice, triggering a VAT liability. The Supreme Court rejected the taxpayer’s argument that Regulation 90 did not apply, clarifying that the regulation determines the timing of sale for VAT purposes, regardless of when the underlying services were performed. As a result, the taxpayer was required to pay VAT on the fees invoiced after the service provider exited the VAT group. To read KPMG’s previous discussion of this case, click [here](#).
- **United Kingdom:** On September 12, 2025, HM Revenue & Customs confirmed increased penalties for late payments of VAT and other taxes, retroactively effective from April 1, 2025. Under the revised rules, a 3 percent penalty applies to payments delayed between 15 and 30 days, while unpaid taxes from day 31 onward incur a 10 percent annual penalty. These changes apply to VAT taxpayers and participants in the Making Tax Digital system, with formal implementation effective May 31, 2025. For more information, click [here](#).

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

- **KPMG in India** published a [report](#) discussing the key outcomes of the 56th GST Council meeting held on September 3, 2025. The Council proposed measures simplifying the GST rate structure from four tiers to two main rates: a standard rate of 18 percent and a merit rate of 5 percent, plus a special de-merit rate of 40 percent for certain goods and services. The Council also proposed changing the sourcing rules for intermediary services to the recipient's location, allowing export benefits. This would make cross-border sales and marketing services zero-rated for GST, removing the tax burden for foreign recipients while preserving GST recovery for Indian providers.
- **KPMG in Malaysia** published a [report](#) discussing indirect tax developments for September 2025, including updates to service tax, sales tax, and customs legislation. Notably, Service Tax Policy 1/2025 (Amendment No. 1) revises the scope of taxable financial services, replacing "Corporate Banking Advisory Services" with "Corporate Banking Services or similar services," effective July 1, 2025. Public Ruling 1/2025 outlines procedures for forms, returns, and payments under the Tourism Tax Act 2017, Sales Tax Act 2018, and Service Tax Act 2018. The report also discusses revised services and sales tax guides, changes to customs duty exemptions, duty-free area regulations, and updates under the Malaysia–UAE economic partnership.
- **KPMG in Malaysia** published a [report](#) discussing recent sales tax exemption guidance issued by the Royal Malaysian Customs Department (RMCD). The guidance updates the list of eligible machinery, equipment, and spare parts that are exempt from sales tax. The revised guide also removed a footnote in Appendix 1 of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 which stated that approval for sales tax exemption may be granted if the RMCD officer can verify and is satisfied that such goods are directly used in the manufacturing of finished goods.

Miscellaneous Developments in APAC

- **Australia:** On September 9, 2025, the Australian Taxation Office (ATO) launched a [consultation](#) on proposed changes to its Top 100 GST program for high assurance GST reporters following the introduction of the supplementary annual GST return (SAGR). For eligible entities, those with strong GST governance, high assurance ratings, and quality SAGR submissions, the ATO plans to replace frequent GST refresh reviews with a four-year assurance check-in. This approach will rely on independent tax control testing and alignment between accounting and tax data, supported by annual profiling. In addition, the ATO issued a tax determination, allowing eligible food retailers to adopt a simplified accounting method when calculating their net amount to reduce their costs of complying with GST requirements. For more information, click [here](#).
- **Australia:** On September 11, 2025, the ATO published two draft legislative instruments concerning the GST treatment of copyright owners and multimedia products. The [first instrument](#) introduces specific GST attribution rules for sales and acquisitions made by copyright owners and collecting societies under the Copyright Act 1968. The [second instrument](#) clarifies that sales or acquisitions of multimedia products fall under intermediary arrangements governed by section 153-50 of the GST Act. This legislation will repeal and

replace the 2015 determination on agency arrangements in the multimedia industry, which expired on October 1, 2025. For more information, click [here](#).

- **China:** Effective July 20, 2025, China's Ministry of Finance and State Taxation Administration reduced the consumption tax threshold for super luxury cars from CNY 1.3 million to CNY 900,000. This revision expands the scope of vehicles subject to the 10 percent consumption tax, including imported models, while excluding second-hand sales. Pure electric and fuel cell super luxury cars will be taxed only at the retail level. For more information, click [here](#).
- **China:**^{lxxxiv} On September 1, 2025, China's Ministry of Finance and State Taxation Administration issued Announcement [2025] No. 7, updating the VAT refund policy. Effective from the September 2025 filing period, eligible taxpayers may apply for partial or full refunds of uncredited VAT expenses. Full refunds are available monthly for taxpayers in manufacturing, scientific research and technology services, software and IT, and ecological protection. Real estate developers may claim a 60 percent refund of newly increased uncredited VAT expenses over six months, subject to specific thresholds. Other enterprises may also qualify for partial refunds under similar conditions.
- **New Zealand:**^{lxxxv} On August 19, 2025, New Zealand's Inland Revenue issued [Technical Decision Summary No. 25/21](#), clarifying GST and shortfall penalties for property disposals. The case involved a general partnership that claimed GST deductions on a property purchased for development. Inland Revenue challenged the disposal of two half shares below market value. On appeal, the Tax Counsel Office concluded that the taxpayer was liable for GST at the standard 15 percent rate on one half of the property at market value. It also ruled that the taxpayer's GST registration should not be cancelled and upheld a shortfall penalty for gross carelessness, reduced by 50 percent due to prior compliance behavior.
- **New Zealand:**^{lxxxvi} On September 4, 2025, New Zealand's Inland Revenue issued [Technical Decision Summary No. 25/22](#), clarifying the GST treatment of accommodation sales in newly constructed buildings. The taxpayer, a GST-registered entity, planned to construct a new building, which would be used to provide residential accommodation and associated services, including over 100 fully furnished and self-contained rooms. The taxpayer sought clarification on whether the building qualified as a commercial dwelling, resulting in the provision of accommodation in the building not being an exempt sale under the GST Act, and whether it was entitled to GST expense deductions for all GST charged regarding the building's construction and subsequent operation. The Tax Counsel Office determined the building qualified as a commercial dwelling. As a result, accommodation provisions are not GST-exempt, and the taxpayer is entitled to deductions for GST incurred on both construction and ongoing operations.
- **New Zealand:**^{lxxxvii} On September 26, 2025, the New Zealand Customs Service [announced](#) changes to the GST refund process for importers under recent amendments to the GST law, effective September 24, 2025. Key updates include allowing GST refunds for importers who return goods to overseas vendors, provided they are not GST-registered in New Zealand or are purchasing from offshore vendors registered under the Offshore Vendor Registration Program. In addition, it extends the application period for GST refunds from two months to twelve months, with longer periods permitted for goods returned under a written warranty. Additionally, it provides that GST payments will now be linked to the arrival of replacement goods at their time of arrival.
- **Singapore:**^{lxxxviii} On August 28, 2025, the Inland Revenue Authority of Singapore (IRAS) [updated](#) its guidance on GST registration. The revised guidance clarifies that GST registration is required if a business's taxable gross receipts exceed SGD 1 million by the

end of the calendar year under the retrospective view, or if gross receipts are expected to surpass that threshold in the next 12 months under the prospective view. Taxable gross receipts include the total value of taxable sales made in Singapore, covering both standard- and zero-rated sales, but excludes sales of capital assets and out-of-scope sales. Businesses must register for GST by January 30 of the following year under the retrospective view, or within 30 days of forecasting that gross receipts will exceed the threshold under the prospective view. The updated guidance also outlines exceptions to the GST registration requirement and provides further clarification on registration liability under the self- assessment regime and the overseas vendor registration regime.

- **Singapore:**^{lxxxix} On September 22, 2025, the IRAS published [updated](#) its guidance on the GST treatment for deposits and downpayments. When a deposit acts as partial payment for goods or services, GST must be charged and accounted for in the period it is received, even if refundable. If the deposit is later refunded, businesses may adjust the GST, provided proper documentation is maintained. Refundable security deposits, such as those collected for property leases or safe return of goods, are not subject to GST unless applied toward payment (e.g., rent). The guidance includes new examples to clarify application.

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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