



Inside Indirect Tax

September 2025



About this Newsletter

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

Table of Contents

- **Global Rate Changes**
 - Poland
- **Digitalized Economy Indirect Tax Updates**
 - Botswana
- **Digitalized Economy – Other developments**
 - Bosnia and Herzegovina
 - Chile
 - Chile
 - Chile
 - Germany
 - Germany
 - Hungary
 - Indonesia
 - Kazakhstan
 - Mauritius
 - Nepal
 - Pakistan
- **Taxation of the Digitalized Economy – Developments Summary**
- **E-invoicing Updates**
 - Brazil
 - Brazil
 - Ghana
 - Moldova
 - Nigeria
 - Pakistan
 - Poland
 - Slovakia
- **Other Indirect Tax Developments and News from Around the World**
- **Overview of Indirect Tax Developments in the Americas from KPMG International Member firms**
 - KPMG in Argentina
 - United States: Indiana Department of State Revenue Finds AI Chatbot Services Not Taxable
- **Miscellaneous developments in the Americas**
 - Anguilla
 - Argentina
 - Brazil
 - Canada

- Canada
- Chile
- Chile
- Chile
- Chile
- Puerto Rico
- **Overview of Indirect Tax Developments in Europe, Middle East, and Africa from KPMG International Member firms**
 - KPMG in the Czech Republic
 - KPMG in Egypt
 - KPMG in Germany
 - KPMG in Ghana
 - KPMG in Norway
 - KPMG in Poland
 - Roundup of Latest Court of Justice of the European Union Cases
- **Miscellaneous Developments in EMEA**
 - Austria
 - Austria
 - Austria
 - Belgium
 - Denmark
 - European Union
 - European Union
 - European Union
 - European Union
 - Greece
- Ireland
- Isle of man
- Italy
- Italy
- Italy
- Italy
- Italy
- Italy
- Mauritania
- Moldova
- Moldova
- Romania
- Romania
- South Africa
- South Africa
- Sweden
- Turkey
- United Kingdom
- United Kingdom
- **Overview of Indirect Tax Developments in APAC from KPMG International Member Firms**
 - KPMG in Bangladesh
 - KPMG in Malaysia
 - KPMG in New Zealand
 - **China: Draft VAT Implementation Regulations**
- **Miscellaneous Developments in APAC**
 - Australia
 - Australia
 - China
 - China
 - Fiji
 - Malaysia
 - New Zeland
 - Singapore
 - Sri Lanka
 - Taiwan
 - Vietnam
 - Vietnam

Global Rate Changes

- **Bahamas:**ⁱ Effective September 1, 2025, the Bahamas implemented a reduced VAT rate of five percent on a range of essential goods, including baby diapers, feminine hygiene products, prescription and non-prescription medications (including those for chronic conditions), and medical and dental supplies such as needles, blood pressure machines, lancets, and dental fillings. Cell therapy products and other therapeutic items are also included in the scope of the reduced rate.
- **Denmark:**ⁱⁱ On August 29, 2025, Denmark's Ministry of Finance [published](#) the draft 2026 Finance Bill, which includes several indirect tax measures. The Bill proposes applying a zero percent VAT on books, including printed books, e-books, and audiobooks, effective July 1, 2026. Excise duties on coffee, chocolate, and confectionery are also set to be removed from the same date. Additionally, the electricity tax will be temporarily reduced to the European Union's minimum rate of 0.008 kroner per kilowatt-hour for both 2026 and 2027.
- **Egypt:** On July 18, 2025, Egypt enacted amendments to its VAT law. Key changes include a revised tax category for certain cigarettes, with price thresholds increasing by 12 percent annually for three years starting November 5, 2025. A 10 percent schedule tax now applies to administrative unit rentals and sales. Alcoholic beverages will face a 15 percent annual tax increase from 2026, reducing to 12 percent thereafter. Crude petroleum and news agency services have been removed from the VAT exemption list, with petroleum now subject to a 10 percent schedule tax. Contracting and construction activities are now subject to the standard VAT rate of 14 percent, with VAT expense deductions allowed upon meeting conditions. To read a report prepared by KPMG in Egypt, click [here](#).
- **Fiji:**ⁱⁱⁱ On August 1, 2025, Fiji enacted the [VAT \(Budget Amendment\) Act 2025](#), reducing the standard VAT rate and the rate on imported goods from 15 percent to 12.5 percent. The law also introduces VAT refund provisions for capital investments in reconstructing premises damaged by termites, with refunds capped at the tax fraction of FJD 120,000 or the amount paid, whichever is lower. Additionally, VAT refunds will be available for residential solar projects.
- **India:** On September 3, 2025, India's GST Council approved a major rate overhaul, effective September 22, 2025. The reform introduces a simplified two-tier GST structure with rates of 18 percent and 5 percent, while imposing a 40 percent rate on demerit goods and services such as sweetened beverages, tobacco products, luxury vehicles, aircraft, yachts, and gambling services. Essential goods previously taxed at 28 percent, 18 percent, or 12 percent will now attract a five percent GST to enhance affordability. Additionally, GST exemptions have been proposed for life and health insurance, certain lifesaving medicines, and staple dairy products. To read a report prepared by KPMG in India, click [here](#).
- **Italy:**^{iv} On August 19, 2025, the Italian Revenue Agency issued [Letter No. 212/2025](#), clarifying that the reduced 4 percent VAT rate for selling and installing windows to remove architectural barriers applies only to service contracts specifically aimed at barrier removal. If the main purpose of the contract is the sale of goods (such as windows), and not the installation service, the reduced rate does not apply.
- **Kyrgyzstan:**^v Effective July 28, 2025, Kyrgyzstan implemented [updates](#) to its VAT-exempt list for goods and equipment imported for renewable energy power plant construction. The revised list now includes straight-seam pipes manufactured through submerged arc welding under specified conditions.

- **Romania:**^{vi} On July 25, 2025, Romania published Law No. 141/2025, which, among other things, increases effective August 1, 2025, the standard VAT rate from 19 percent to 21 percent and the reduced rate from 5 percent and 9 percent to 11 percent. The 11 percent reduced rate now applies to a defined set of essential goods and services, including food, human-use medicines, water supply and sewage, irrigation water, fertilizers, pesticides, agricultural services, books and newspapers, museum access, thermal energy during the cold season, firewood, and hospitality services (accommodation, restaurant, and catering). Additionally, the VAT exemption via refund mechanism introduced by Law 88/2023 for health sector investments will be abolished. To read a report prepared by KPMG in Romania, click [here](#).
- **Switzerland:**^{vii} On August 15, 2025, Switzerland launched a public consultation on a proposal to extend the application of the reduced VAT rate of 3.8 percent for hotel stays until December 31, 2035. The rate, originally introduced in 1996 to support the tourism sector, has been extended six times, most recently through 2027. If enacted, the measure would take effect on January 1, 2028, subject to conditions or as determined by the Federal Council.
- **Venezuela:**^{viii} On June 30, 2025, Venezuela issued Decree No. 5,145, suspending VAT exemptions on basic food products, medicines, fertilizers, medical equipment, books, newspapers, and specific fuels. In addition, the decree introduces a VAT exemption for definitive imports of tangible personal property made by entities of the National Public Administration and by individuals or legal entities using their own resources. To read a report (in Spanish) prepared by KPMG in Venezuela, click [here](#).
- **Vietnam:**^{ix} On July 16, 2025, Vietnam published Decree No. 181/2025/ND-CP, which took effect on July 1, 2025, and amends VAT Law provisions by clarifying what goods and services are not taxed (such as specified agricultural goods, transfers of land use rights, and certain financial, banking, and securities services), and applying a 0 percent VAT rate to exports and a 5 percent rate to specified goods.

[Back to top](#)



[Back to top](#)

Digitalized Economy Indirect Tax Updates

Botswana: Proposal to Apply VAT on Nonresident Digital Services

Botswana's Value Added Tax (Amendment) Bill No. 22 of 2025 proposes expanding the VAT base by introducing VAT on digital services provided by non-residents and applying the VAT self-assessment on sales to registered persons, government entities, or large unregistered persons. Under the proposal, remote services will be deemed provided in Botswana based on factors such as location, billing details, or SIM information. Non-resident providers exceeding BWP 500,000 in annual sales must register for VAT. The Bill mandates electronic fiscal devices for registered traders, with penalties for non-compliance. VAT may be reported in foreign currencies, and non-resident providers may be required to appoint VAT representatives who will be personally liable. The effective date is yet to be announced. For more information, click [here](#).

Other Developments

- **Bosnia & Herzegovina:**^x On August 6, 2025, Bosnia and Herzegovina (BiH) published a [notice](#) restating the obligations of nonresident companies providing electronic services to individuals in BiH. Under the VAT Law, such companies must register for VAT through a local tax representative if their taxable gross receipts exceed BAM 100,000 annually or may voluntarily register if below the threshold. Services covered include software, streaming media, online education, advertising, consulting, and telecommunications. The notice emphasizes that BiH is considered the place of taxation for these services and warned that non-compliance will trigger administrative and legal actions.
- **Chile:**^{xi} On July 30, 2025, Chile's tax authority (SII) issued [Resolution No 93/2025](#), which outlines the procedures and requirements for a simplified VAT compliance mechanism for nonresident sellers of low-valued goods effective October 25, 2025. This regime applies to cross-border B2C transactions involving low-value imports of goods (priced at or below USD 500) sold to Chilean consumers. Goods exceeding the threshold or requiring special import approvals, such as alcohol, tobacco, or luxury items, are excluded and subject to standard VAT and customs duties. The Resolution clarifies that VAT obligations fall on nonresident sellers, digital platforms, redeliverers, and dropshipping companies, unless the buyer or seller is a Chilean VAT taxpayer who has properly disclosed their status. These entities must register with the SII, charge VAT at the current rate of 19 percent, and file returns electronically, with payments accepted in Chilean pesos, US dollars, or Euros. Marketplace operators are responsible for VAT collection on transactions facilitated through their platforms, except when the buyer or seller is a registered Chilean VAT taxpayer. They must also report taxpayer lists and seller information. To read KPMG's previous discussion of Chile's simplified VAT regime for nonresidents, click [here](#).
- **Chile:**^{xii} On August 7, 2025, the SII published [Resolution No. 99-2025](#) further clarifying new reporting obligations for digital payment platform providers and digital intermediation platform operators effective October 1, 2025. These entities must verify whether their users have reported the start of business activities to the SII. Verification can be done via the SII's platform, an API query of the taxpayer's ID, or other digital mechanisms provided by the SII. Platforms must validate and submit their user base to the SII by November 30, 2025, with updates on user compliance to follow in December. Exempt users must be reported by March 2026.
- **Chile:**^{xiii} On August 25, 2025, the SII and Chile's National Customs Office issued [Joint Resolution Ex. SII No. 103-2025 and SNA No. 3507-2025](#) establishing rules for validating VAT exemption on low-value goods (CIF under USD 500) imported from nonresident remote sellers or digital platform intermediaries registered under the simplified VAT regime. To qualify for the exemption, sellers must report their legal name, VAT regime username, proof that VAT was charged, and shipping details. Goods with VAT charged cannot be grouped with non-taxed items for customs purposes. These rules will apply from October 25, 2025.
- **Germany:**^{xiv} On August 8, 2025, the German Ministry of Finance published [BMF Letter No. COO.7005.100.3.12451642](#), clarifying the VAT treatment of business-to-consumer sales of online event services. The guidance distinguishes between on-demand recordings and real-time live streams: recordings count as electronic services or broadcasting/TV and do not qualify for cultural VAT exemptions or reduced rates; for consumers, VAT is due where the customer lives. In contrast, live streams offered in real time, either alongside or instead of an in-person event, can qualify for the cultural VAT exemption when an eligible cultural institution provides them, and—if not exempt—the sale of a digital ticket for the live

stream can qualify for the reduced rate for theater and concert admissions. The guidance explains how portal operators acting in their own name (commission models) should apply exemptions or reduced rates along the transaction chain, and it sets criteria for treating bundles (live stream plus recording) as one or separate services based on the average consumer's view. It extends the approach to education and healthcare: interactive, real-time teaching can be VAT-exempt, while recorded lessons and automated online exercises are not; video consultations with direct doctor–patient interaction remain VAT-exempt medical care.

- **Germany:**^{xv} On July 10, 2025, the Tax Court of Lower Saxony [published](#) a decision (Az. 5 K 26/24) in which it held that a German sole trader's 2021 resales of NFT collectibles constitute electronic services, not goods, and therefore attract the 19 percent standard VAT rate. The court found that the taxpayer failed to prove any transfer of copyright or similar rights that could justify the 7 percent reduced rate and noted that reduced rates do not cover electronic services. The court also ruled that platforms facilitating the sale of NFTs do not act as intermediaries under Article 9a of the EU VAT Implementing Regulation, so the seller—not the platforms—remains responsible for VAT. The court further rejected that NFTs fall within the financial services exemption because NFTs are not financial instruments or securities. Because the taxpayer did not substantiate customer locations, the court estimated that 50 percent of the transactions are taxable in Germany and emphasized the seller's heightened duty to verify where customers are located for VAT purposes.
- **Hungary:**^{xvi} On August 6, 2025, Hungary's National Tax and Customs Administration [issued](#) Information Booklet No. 98, which clarifies Hungary's VAT rules for the non-Union and Union One Stop Shop (OSS) and platform operators. The guidance explains the [EU e-commerce VAT package](#) in force since July 1, 2021, including destination-based taxation of intra-EU distance sales, expanded OSS options, deemed-seller rules for platforms, the EUR 10,000 micro-threshold, quarterly OSS returns and payment, 10-year recordkeeping, and Hungarian invoicing and online invoice data-reporting when taxpayers register for OSS in Hungary. It also highlights recent amendments such as the new cross-border small-enterprise (SME) exemption and its interaction with OSS, and the HUF 18,000,000 domestic small-taxpayer cap and related practical impacts for micro-businesses.
- **Indonesia:**^{xvii} On August 1, 2025, Indonesia enacted Ministerial Regulations Nos. 50/2025 and 53/2025, updating VAT and income tax rules for crypto-asset transactions and specified industries. The Regulations clarify that VAT does not apply to the transfer of crypto assets themselves (if treated as securities) but does apply to services related to crypto asset trading and mining. Service providers must collect, deposit, and report VAT at 12 percent of their fees, and comply with all administrative requirements.
- **Kazakhstan:**^{xviii} Kazakhstan's State Revenue Committee launched a public consultation on a draft procedure to introduce "conditional VAT registration" for foreign e-commerce sellers using online marketplaces—a simplified way for nonresidents to charge and remit VAT without a full local presence—aligned with Tax Code changes effective January 1, 2026. The procedure would require nonresident sellers to join a tax-authority register by sending a confirmation letter within one month of the first payment from a Kazakh buyer (they would be treated as VAT payers from that payment date), to report data changes within 10 working days, and it would keep already registered nonresidents on the register without re-registration. It also expands the definition of "online marketplace" to include intermediaries that facilitate sales, order processing, and payments, broadening who must register for VAT. For more information, click [here](#).

- **Mauritius:**^{xix} On August 9, 2025, Mauritius enacted the Finance Act 2025, introducing several indirect tax measures. The law imposes VAT on nonresident providers of specified digital and electronic services effective January 1, 2026. The rules apply to business-to-consumer transactions, but nonresident providers are not required to charge VAT if the recipient is VAT-registered in Mauritius and accounts for VAT under the self-assessment mechanism. Registration is required from the first sale, with no minimum threshold, but nonresident providers must appoint a tax representative if annual sales exceed or are expected to exceed MUR 3 million. Determining whether a customer is sourced to Mauritius relies on at least two non-contradictory indicators, such as billing address, bank location, or other commercially relevant information. Nonresident providers must file VAT returns and remit payments electronically within 20 days after each taxable period, including a list of taxable sales made to Mauritian customers. It is not certain if marketplaces and platforms are required to collect VAT on behalf of third-party sellers. To read KPMG's previous discussion of Mauritius' VAT on digital services rules, click [here](#).
- **Nepal:**^{xx} On August 12, 2025, Nepal's Inland Revenue Department issued updated VAT procedures for electronic services provided by nonresident persons. Nonresidents must register for VAT within 30 days of exceeding the registration threshold of NPR 3 million in the past 12 months. A 13 percent VAT rate applies to such transactions. VAT returns must be filed electronically by the 25th of the month following the tax period. Late filing penalties include the higher of 0.05 percent per day of the chargeable VAT or 1,000 rupees per tax period. The procedures take immediate effect.
- **Pakistan:**^{xxi} On August 4, 2025, Pakistan's Federal Board of Revenue issued [Notification S.R.O. No. 1429\(I\)/2025](#) amending the Sales Tax Rules, 2006 to add Chapter XIV-E, which makes online marketplaces, payment intermediaries (for example, gateways and wallets), and couriers responsible for withholding and remitting sales tax on digitally ordered taxable goods, whether paid online or cash on delivery. Payment intermediaries and couriers must deduct sales tax at the rate in the Eleventh Schedule, pay the balance to the vendor, issue deduction certificates, and file monthly electronic statements by the 10th of the following month (STR-35 for intermediaries, STR-36 for couriers), while marketplaces must file vendor-level monthly statements (STR-34) and, if they also provide courier services, the courier statement as well.
- **Poland:** On August 13, 2025, Poland's Ministry of Digital Affairs met with industry and non-governmental organizations representatives to discuss a proposed digital services tax (DST) targeting multinational digital companies with global revenues exceeding EUR 750 million. Two models are under consideration: a broad variant with a tax rate of three, 4.5, or 6 percent on digital interfaces, targeted advertising, and user data transmission; and a narrow variant with a rate of 5, 6, or 7.5 percent focused solely on targeted advertising. Exemptions would apply to digital content delivery, payment, and communication services, regulated financial services, and direct sales. To read a report prepared by KPMG in Poland, click [here](#).
- **Senegal:**^{xxii} On August 1, 2025, Senegal's government unveiled a recovery plan aimed at reducing external borrowing and strengthening domestic resource mobilization. Key tax reform measures include introducing new taxes in the digital sector, specifically targeting online gaming and mobile money.

- **South Africa:**^{xxiii} On August 16, 2025, South Africa's National Treasury released the [Draft Taxation Laws Amendment Bill 2025](#) for public comment, proposing several changes to indirect tax legislation. Key measures include expanding Section 54(2B) of the VAT Act so marketplace intermediaries (for example, platforms or agents) can account for VAT on electronic services they facilitate for both foreign and local vendors—reducing the need to split consolidated invoices—effective April 1, 2026. In addition, South Africa's National Treasury proposes to remove the current VAT exemptions for low-value imports—presently ZAR 500 for most goods and ZAR 100 for printed items sent by post—so all low-value parcels entering the country would incur VAT, with simpler customs clearance to speed processing. The change aims to level competition between local and overseas sellers, and the Minister will announce an effective date.
- **Slovakia:**^{xxiv} On August 18, 2025, Slovakia's Ministry of Investments proposed a domestic digital services tax (DST) that would remain in effect until a multilateral agreement under Pillar One of the OECD's global tax framework is reached.
- **United States:**^{xxv} On August 25, 2025, the United States warned of new tariffs and export restrictions targeting countries that impose digital services taxes on US tech firms. President Trump stated that such measures discriminate against American technology and unfairly benefit foreign tech companies. The warning follows the finalization of a new EU-US trade framework, which explicitly excludes digital services taxes. Canada recently repealed its DST following similar pressure, clearing the path for renewed trade negotiations with the United States.
- **United States:** On August 15, 2025, the Fourth Circuit Court of Appeals [held](#) that Maryland's "pass-through" provision, which prohibits companies subject to the state's digital advertising tax from separately stating the tax as a fee, surcharge, or line-item on customer invoices, violates the First Amendment. The court found that the law restricts protected speech by preventing businesses from communicating the impact of the tax to their customers, thereby insulating the state from political accountability for price increases. Maryland's justification, that the provision ensures companies bear economic and legal responsibility for the tax, was rejected, as the law does not actually prevent companies from passing on the cost through higher prices; it only restricts how that information is communicated. The court concluded that the provision is a content-based restriction on speech that cannot survive constitutional scrutiny, reversed the lower court's decision, and remanded for consideration of remedies. 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.

[Back to top](#)



[Back to top](#)

E-Invoicing Updates

- **Brazil:**^{xxvi} On July 30, 2025, Brazil released Technical Note 2025.002 version 1.20, updating e-invoicing layouts with new rules and adjustments. Changes will be available in production starting October 6, 2025. XML schemas are due by mid-August 2025, and IBS/CBS data must appear on invoices starting January 2026.
- **Brazil:**^{xxvii} On August 15, 2025, São Paulo City updated the *Nota Fiscal Paulista* Webservice Manual to align with Brazil's tax reform. Starting January 1, 2026, CBS and IBS taxes will replace ISSQN, making the new NFS-e layout mandatory. Companies must use the current layout until December 31, 2025.
- **Ghana:**^{xxviii} On August 15, 2025, the Ghana Revenue Authority announced that by early 2026, taxpayers must use fiscal electronic devices (FEDs) at points of sale. These devices will track transactions, improve revenue collection, and support VAT reforms to boost compliance and strengthen taxpayer relationships.
- **Moldova:**^{xxix} On June 27, 2025, North Macedonia's Public Revenue Office announced the e-Faktura system for e-invoicing, enabling real-time transaction recording. It will provide a centralized platform for invoice management, eliminating email and physical delivery. Implementation phases include standard definition, IT system development, ERP adaptation, legal framework creation, pilot testing from January 1, 2026, and mandatory use by the third quarter of 2026.
- **Nigeria:**^{xxx} On July 9, 2025, Nigeria's Federal Inland Revenue Service (FIRS) announced the National E-invoicing Regime, requiring large taxpayers with annual gross receipts of NGN 5 billion or more to onboard the e-invoicing solution and integrate their systems with the FIRS platform for real-time invoice generation and validation, originally by August 1, 2025. However, on August 12, 2025, FIRS extended the deadline for these businesses to comply with the EFS regime, setting the new deadline for onboarding and transmitting e-invoices to November 1, 2025.
- **Pakistan:**^{xxxi} On August 1, 2025, Pakistan's Federal Board of Revenue (FBR) issued Notification S.R.O. 1413(I)/2025, requiring specific taxpayers to adopt e-invoicing. Public companies, importers, and businesses with annual gross receipts exceeding PKR 1 billion must comply by September 1, 2025. The mandate will expand to companies with gross receipts above PKR 100 million by October 1, 2025, and to smaller entities below this threshold by November 1, 2025. Starting December 1, 2025, all remaining registered taxpayers must implement e-invoicing using digitally linked software. These measures aim to integrate tax systems and improve compliance. Similar e-invoicing requirements were previously introduced for importers, manufacturers, and wholesalers of fast-moving consumer goods beginning February 1, 2024. Additionally, Notification S.R.O. 1413(I)/2025 includes a schedule for registration and testing to assist the affected taxpayer groups in transitioning to the system.
- **Poland:**^{xxxii} On August 27, 2025, Poland's President signed a law amending the VAT Act and KSeF Act. The amendment allows taxpayers required to issue structured invoices to use paper or e-invoices under specific conditions from February 1, 2026, to December 31, 2026, based on their sales and tax amounts or by using a cash register and receipt.
- **Slovakia:**^{xxxiii} On July 29, 2025, Slovakia proposed requiring foreign VAT-registered taxpayers to issue e-invoices and expand the domestic e-invoicing and digital reporting mandate to intra-EU transactions starting July 1, 2030.

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.

[Back to top](#)



[Back to top](#)

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 Argentina** published a [report](#) (in Spanish) discussing that the tax authority has extended the deadline for requesting refunds of advance payments of the Impuesto PAIS for import operations. Resolution No. 5749/2025 changes the deadline from August 22, 2025, to September 4, 2025, giving taxpayers more time to submit the required sworn declaration for eligible transactions.

United States: Indiana Department of State Revenue Finds AI Chatbot Services Not Taxable

The Indiana Department of State Revenue (Department) recently issued [Revenue Ruling #2025-02-RST](#), concluding that a company's artificial intelligence (AI) chatbot services accessed via a web interface or application programming interface (API) are not subject to Indiana sales or use tax. The Department determined the offering would be considered a type of service, rather than prewritten software or a specified digital product.

The company's primary service is an AI chatbot that is hosted on third-party cloud infrastructure, and customers cannot download the chatbot onto their computers. The chatbot can perform various functions and communicate with the user in a human-like manner. In addition, customers can utilize the chatbot's API to integrate its capabilities into their own applications. The company does not deliver any software to its customers.

Indiana imposes tax on retail transactions that involve the sale of tangible personal property and certain enumerated services. Software-as-a-Service is not a taxable service in Indiana, nor are charges for accessing prewritten computer software over the internet. Certain specified digital products are taxable only when electronically transferred for permanent use and limited to defined categories such as digital audio works, digital audiovisual works, or digital books. The Department ruled that because the AI chatbot is accessed over the internet and does not grant the user permanent ownership, the service is not considered taxable in Indiana. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Anguilla:**^{xxxiv} On August 1, 2025, Anguilla [implemented](#) a new General Services Tax (GST) under the General Services Tax Act, 2025. The tax applies at a rate of 13 percent to a wide range of services, including tourism, professional, construction, telecommunications, and various business support services. Businesses with annual gross receipts exceeding XCD 300,000 must register for GST, with mandatory registration for short-term accommodation providers, auctioneers, and statutory bodies regardless of gross receipts. Unregistered taxable service providers must register within 15 days of meeting the threshold. The first GST returns are due by September 30, 2025, with subsequent filings required by the 20th of each following month.
- **Argentina:**^{xxxv} On August 1, 2025, Argentina's tax authority (ARCA) implemented [General Resolution 5738](#) to simplify VAT compliance. The resolution clarifies that VAT-registered sellers are not required to perform advance VAT collection if the purchaser is deemed an end consumer specifically when the transaction is below ARS 10 million and the seller operates in designated retail or wholesale sectors.
- **Brazil:**^{xxxvi} On August 13, 2025, Brazil's Supreme Court published its decision in [Extraordinary Appeal 928943](#) in which it upheld the levy of the 10 percent Contribution for the Intervention in the Economic Domain (CIDE) on cross-border payments under agreements not involving technology transfer. The decision confirms that CIDE applies to remittances for royalties, technical services, and administrative assistance, even in the absence of technology transfer. It also maintains the levy on payments for software licensing and commercialization when linked to technology transfer, as provided under Law 11,452/2007.
- **Canada:**^{xxxvii} On July 30, 2025, the Canada Revenue Agency issued [Excise and GST/HST News No. 120](#), providing updates on recent developments, including the a clarification on the goods and services tax (GST)/harmonized sales tax (HST) on warranties. According to the guidance, an insurer's warranty sold to a reseller counts as an exempt financial service, while warranties sold to end users or by non-insurers are taxable. It also notes that the Canada Border Services Agency's Assessment and Revenue Management (CARM) replaced Forms B3/B2.
- **Canada:**^{xxxviii} On August 20, 2025, Canada's Department of Finance [proposed amendments](#) to the GST/HST rules in the Excise Tax Act. The amendments would, among other things, clarify coupon reimbursements—businesses can claim an input tax credit (a refund of GST/HST paid on business purchases) only when they make redemption payments exclusively in commercial activities, with a stricter test for financial institutions; refine real-property input tax credit calculations for selected listed financial institutions and certain public sector bodies to better reflect provincial HST using their attribution percentages; and require these institutions that file monthly or quarterly to submit both interim and year-end returns.
- **Chile:**^{xxxix} On July 24, 2025, Chile's Tax Administration (SII) issued [Ruling No. 1394-2025](#), clarifying the VAT treatment and invoicing requirements for outsourced services. The ruling confirms that outsourced services are subject to VAT, requiring providers to issue VAT invoices. However, reimbursements of expenses are not subject to VAT and do not require VAT or VAT-exempt invoices.

- **Chile:**^{xi} On July 30, 2025, Chile's SII opened a consultation on a [draft circular](#) establishing a voluntary special regime for individuals who sell at municipal street markets (*ferias libres*), effective August 1, 2025. It replaces VAT with a 1.5 percent tax on sales paid through SII-authorized electronic payment methods, which payment operators must withhold and remit monthly, with total charges (tax plus commissions) capped at 3.5 percent of the sale. Eligible vendors must hold a valid municipal permit, register in an SII registry, and use authorized operators. The tax begins once the Ministry of Finance issues the regulation and SII authorizes operators (no later than December 31, 2025).
- **Chile:**^{xii} On July 31, 2025, Chile's SII issued [Resolution No. 95-2025](#), establishing new reporting obligations under the VAT regime for sales made at fairs. Municipalities must submit bi-annual reports in January and July using a designated form to disclose permits issued or cancelled for individuals participating in fairs under the substitute VAT regime. For 2025, municipalities must report permit data up to July 31 by September 1.
- **Chile:**^{xiii} On August 14, 2025, Chile's SII issued [Ruling No. 1614-2025](#), clarifying the VAT taxable amount for transfers of bare ownership of property. When such a transfer includes a building, the land value must be excluded from the VAT calculation, as land sales are not subject to VAT. Taxpayers must deduct the land's acquisition value from the total selling price. The administration may conduct a fiscal appraisal to ensure the land value reflects fair market conditions.
- **Puerto Rico:**^{xiii} On July 20, 2025, Puerto Rico's lower house of parliament approved a [law](#) to standardize sales and use tax (SUT) collection and streamline compliance through the Unified Internal Revenue System (SURI). Effective July 1, 2024, municipalities may enter into agreements with the Department of Treasury to manage municipal SUT filings via SURI. Under these agreements, the Treasury will transfer collected funds directly to municipalities, assist in debt recovery, and provide access to taxpayer data. Taxpayers in participating municipalities must file SUT returns through SURI. The law also establishes procedures for dispute resolution and prohibits settlements without municipal consent.

[Back to top](#)



[Back to top](#)

Europe, Middle East, Africa (EMEA)

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

- **KPMG in the Czech Republic** published a [report](#) discussing new guidance issued by the General Financial Directorate on the mandatory reduction of VAT deductions for bad debts. Effective January 1, 2025, taxpayers must reduce deductions claimed on taxable sales if the related receivable remains unpaid six months after its due date. For debts payable in installments, the six-month period is assessed separately for each part, and taxpayers must maintain records of overdue dates. If the debt is subsequently paid, the deduction may be reclaimed, even if the receivable has been assigned. The guidance aims to ensure consistent application of the amended VAT rules.

- **KPMG in Egypt** published a [report](#) discussing a law, which grants a waiver of tax audits for VAT, among other taxes, for periods ending before February 13, 2025, provided no audit procedures have been initiated and registration is completed by August 12, 2025. Taxpayers may submit original or amended VAT returns for periods from January 1, 2020, without incurring penalties, if filed by the deadline. Additionally, the law introduces VAT filing obligations for small enterprises with annual gross receipts not exceeding EGP 20 million, requiring quarterly VAT returns and simplified recordkeeping. VAT audits for these entities will be deferred for 5 years from the date of registration under the law.
- **KPMG in Germany** published a [report](#) discussing recent indirect tax developments, including rulings from the federal tax authorities on the adjustment of assessment basis in the event of insolvency of a paying agent, and as well as consultations on the planned national reporting system.
- **KPMG in Ghana** published a [report](#) discussing VAT reforms and customs revenue measures outlined in the 2025 mid-year budget. The government plans to introduce a new VAT bill by October 2025, which will repeal the COVID levy, eliminate cascading effects of the Ghana Education Trust Fund Levy and National Health Insurance Levy, raise the VAT registration threshold, and reduce the effective VAT rate. Additionally, the budget proposes withdrawing VAT exemptions on marine gas oil for non-artisanal fishing fleets. Customs measures include deploying AI tools for import assessments.
- **KPMG in Norway** published a [report](#) discussing a recent Oslo District Court ruling that upheld the Tax Appeals Board's decision to charge Norwegian VAT on the portion of international cruises that occurs within the Norwegian VAT area, covering passenger transport, catering, and other taxable onboard sales. The court clarified that cruises starting and ending outside Norway qualify for exemption only when the ship merely transits through Norway, assessed by factors like time spent in Norway, number of Norwegian port calls with passenger disembarkation, and the share of the itinerary in Norway. It rejected claims that prior administrative practice created a binding exemption.
- **KPMG in Poland** published a [report](#) discussing recent indirect tax developments, including a decision of the Supreme Administrative Court (SAC) holding that importation of goods to Poland in a consignment dispatched from the territory of a third country by a private person to a private person residing in a Member State other than Poland, can enjoy VAT exemption.

Roundup of Latest Court of Justice of the European Union Cases

On August 1, 2025, the Court of Justice of the European Union (CJEU) published its decision in *W. sp. z o.o.*, Case [C-602/24](#), in which it held that the zero-rating for exports of goods covers a sale of goods that was initially declared as an intra-EU sale, which, without the seller's knowledge, was made outside the EU territory by the buyer, provided the export has been established by the tax authorities on the basis of customs documents.

On August 1, 2025, the CJEU published its decision *Határ Diszkont Kft.*, Case [C-427/23](#), in which it held that services for administering VAT refunds to non-EU customers are taxable and not exempt under the EU VAT Directive, even when connected to VAT-exempt exports. The CJEU clarified that these refund administration services are separate from the sale of goods and must be subject to VAT. Previous acceptance of VAT-exempt treatment by tax authorities does not prevent them from later imposing VAT on these services. The administration fees for such services must be treated as gross amounts including VAT if it is impossible to retroactively collect VAT from customers.

On August 1, 2025, the CJEU published its decision in *Galerie Karsten Greve*, Case [C-433/24](#), in which it held that the VAT margin mechanism may apply to artworks acquired from legal entities acting on behalf of the creator or their heirs. The mechanism is available if the transaction represents the first introduction of the artwork to the EU market and the legal entity was established to market the creator's works.

On August 1, 2025, the CJEU published its decision in *YX, Logística i Gestió Caves Andorranes i Vidal SA*, Case [C-206/24](#), in which it held that national customs authorities must repay wrongly collected import or export duties on their own initiative if they discover the error within three years and have sufficient information about the payer and the amount. If they lack necessary details, they are required to take reasonable and proportionate steps to obtain the information needed to make the repayment.

On August 1, 2025, the ECJ published its decision in *P GmbH*, Case [C-794/23](#), in which it held that businesses are not liable for VAT overstated on invoices issued to non-taxpayers, even if similar services were provided to taxpayers. It narrows the scope of the VAT liability under Article 203 of the VAT Directive, which states that VAT is payable by any person who enters VAT on an invoice, and confirms that only non-taxpayers qualify as final consumers in this context.

Sources: European Union; Poland – ECJ Rules VAT Exemption Applies to Goods Initially Declared as Intra-Community Supplies but Ultimately Exported Outside EU (August 1, 2025), News IBFD; European Union; Hungary – ECJ: VAT Refund Administration Services Not Exempt from VAT: *Határ Diszkont* (Case C427/23) (VAT) (August 1, 2025), News IBFD; European Union; France – ECJ Expands VAT Margin Scheme to Artworks Sold Via Legal Entities (August 1, 2025), News IBFD; European Union; France – ECJ Clarifies Customs Authorities' Duty to Repay Wrongly Collected Duties (August 1, 2025), News IBFD; European Union; Austria – ECJ Limits VAT Liability for Errors on Invoices to Non-Taxable Persons (August 1, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Austria:**^{xliv} On August 6, 2025, the Austrian Federal Ministry of Finance published [Decision No. RV/5100843/2024](#), clarifying the VAT deduction for test vehicles used in engine development. The case involved an engine manufacturing plant that claimed VAT deductions for the rental and operation of vehicles deployed exclusively for technical testing. The Austrian tax authority initially denied the deduction, arguing that the vehicles retained the essential characteristics of passenger cars and do not allow for VAT deductions. The Federal Finance Court disagreed, concluding that the vehicles in question were frequently modified with specialized equipment, were not registrable or convertible for road use, and functionally resembled racing cars based on prior rulings. As such, the court determined that the disallowance of VAT deduction for passenger cars did not apply to these test vehicles.
- **Austria:**^{xlv} On August 19, 2025, the Austrian Federal Ministry of Finance published [Federal Finance Court Decision No. RV/5100638/2023](#), clarifying the scope of unpaid VAT liability in the context of business transfers. The case involved a taxpayer who acquired the equipment and inventory of a restaurant with the intent to continue operations at the same location. Due to disputes over ownership and valuation, the transaction involved only partial payment. The Austrian tax authority held the buyer liable for the seller's unpaid VAT, arguing that the acquisition constituted a transfer of essential business assets enabling continued operations. The Federal Finance Court upheld the liability, finding that the transfer satisfied the statutory purpose of VAT debt assumption. The court emphasized that partial repayment of the debt by another liable party did not eliminate the buyer's continued liability, particularly given the seller's insolvency.

- **Austria:**^{xlvi} On August 26, 2025, the Austrian Federal Ministry of Finance published [Federal Finance Court Decision No. RV/7101058/2018](#), addressing the deductibility of VAT in cases involving fraudulent cover invoices. The case concerned a construction contractor who claimed VAT deductions for subcontractor costs. Following an audit, the Austrian tax authority denied certain VAT deductions due to the use of fraudulent invoices, lack of supporting records, and irregularities in outgoing invoice documentation. The Federal Finance Court held that the tax authority could estimate additional gross receipts based on missing or falsified records, insufficient clarifications, and cash shortages. The court emphasized that the true economic substance of transactions is determinative when assessing tax liability in cases involving fraudulent documentation. It also confirmed that estimating undeclared operating expenses, such as wage payments to unregistered employees, was permissible. Furthermore, the court ruled that assessment procedures could be extended to the taxpayer's partners, even after the termination of a partnership without separate legal personality.
- **Belgium:**^{xlvii} On August 26, 2025, Belgium's Federal Public Service for Finance [announced](#) the postponement of the VAT chain modernization measures introduced in the Royal Decree of October 23, 2024. These measures, including the use of a new account number for VAT payments, will not yet take effect, and a revised implementation date has not been determined. To read KPMG's previous discussion of Belgium's VAT modernization measures, click [here](#).
- **Denmark:**^{xlviii} On August 20, 2025, the Danish Customs and Tax Administration published [National Tax Court Decision No. SKM2025.446.LSR](#), addressing the VAT treatment of late payment fees. The case involved a service provider that imposed a "reminder" fee on customers who failed to pay on time, which the Danish tax authority considered subject to VAT at the standard 25 percent rate. The court found that the fee was not a penalty for breach of contract but rather a function of the customer's chosen payment method. It emphasized that the fee was foreseeable, quantifiable, and not involuntary. As such, it constituted consideration for the service provided under the contract. This conclusion was supported by the fact that the fees represented 74–80 percent of the taxpayer's gross receipts. The court ordered VAT to be calculated as 20 percent of gross fee revenue (the tax fraction when a 25 percent VAT rate is included in the price) rather than 25 percent of revenue, and it therefore partially modified the tax authority's assessment.
- **European Union:**^{xlix} A French accommodation platform provider has filed a legal challenge before the European General Court seeking to annul key provisions of the VAT in the Digital Age (ViDA) directive and its implementing regulation (To read KPMG's previous discussion of ViDA, click [here](#)). The company contests the deemed Seller rules for platforms facilitating short-term accommodation rentals, arguing they are based on flawed assumptions about competition with hotels and disproportionately burden smaller operators. The company further claims the rules violate EU principles of fiscal neutrality and equal treatment, risk inconsistent application across member states, and infringe on fundamental rights.
- **European Union:**ⁱ On August 21, 2025, the EU–UK Trade Specialized Committee on Administrative Cooperation in VAT and Recovery of Taxes and Duties adopted [Decision No. 1/2025](#), updating standard forms for VAT information exchange under the Trade and Cooperation Agreement. The revised forms align with the EU's Exchange of Forms system, enhancing interoperability, feedback procedures, and spontaneous information exchange. The update aims to strengthen administrative cooperation, reduce fraud, and improve cross-border VAT enforcement between the EU and the UK.

- **European Union:**^{li} On July 26, 2025, the EU Working Party on Tax Questions (Indirect Taxation – VAT) published the [provisional agenda](#) for its meeting on September 11, 2025. Key VAT-related topics include the Danish Presidency’s priorities in VAT policy, updates from the European Commission on amendments to the EU–Norway agreement concerning administrative cooperation and VAT fraud prevention, and discussions on customs reform. The agenda also features a proposal to amend the VAT rules for taxpayers facilitating distance sales of imported goods and the special import VAT regime.
- **European Union:**^{lii} On August 28, 2025, the European Commission launched a public consultation on three draft implementing regulations under the Carbon Border Adjustment Mechanism (CBAM). The consultation seeks feedback on technical rules for calculating embedded emissions in CBAM goods, adjusting obligations to reflect free EU Emissions Trading System (ETS) allowances, and recognizing carbon prices paid in third countries. These inputs will inform the final CBAM regime, which is scheduled to apply from January 1, 2026. The consultation is accessible via the “[Have Your Say](#)” portal.
- **Greece:**^{liii} On July 28, 2025, Greece enacted [Law 5222/2025](#), introducing amendments to VAT legislation to align with EU directives. Key changes include updates to VAT rules for small business exemptions, VAT rates, and digital services.
- **Ireland:**^{liv} On August 5, 2025, the Irish Revenue Commissioners issued [Revenue eBrief No. 153/25](#), providing guidance on the domestic layer of the EU VAT regime for small and medium enterprises (SMEs), effective January 1. The guidance outlines the scope of VAT exemptions, details Ireland’s VAT registration thresholds (EUR 42,500 for services and certain goods, and EUR 85,000 for goods or certain specified sales) and relevant thresholds for certain EU sales and purchases. It also clarifies excluded transactions and confirms that the domestic regime applies automatically to qualifying SMEs, with no associated reporting requirements.
- **Isle of Man:**^{lv} On August 12, 2025, the Isle of Man Treasury [announced](#) a further reduction in VAT-related interest rates, effective August 27, 2025. The late payment interest rate will decrease from 6.75 percent to 6.50 percent, while the repayment interest rate for overpaid VAT will drop from 3.25 percent to 3.00 percent.
- **Italy:**^{lvi} On July 30, 2025, the Italian Tax Authority published [Provision No. 309107/2025](#), setting out procedures and terms for opting into a transitional VAT regime for services provided to shipping, freight-handling, and logistics companies under Law No. 207/2024. Under this option, the customer pays VAT directly to the Treasury on behalf of the service provider, who remains jointly liable; subcontractors can also adopt the option independently. The option lasts three years and takes effect when the customer files the form online (directly or through an authorized intermediary) starting July 30, 2025, using the free *ReverseChargeLogistica* software.
- **Italy:**^{lvii} On August 1, 2025, Italy published [Law No. 108/2025](#), converting Law Decree No. 84/2025 into law with amendments. Effective July 1, 2025, companies listed on the FTSE MIB index are excluded from the split payment mechanism. The law also extends the VAT self-assessment mechanism to qualifying services in the shipping, freight handling, and logistics sectors. A grace period from July 1 to August 2, 2025, allows for leniency in cases of incorrect application of the revised split payment rules.
- **Italy:**^{lviii} On August 4, 2025, the Italian Revenue Agency issued [Letter No. 200/2025](#), clarifying the rules on VAT credit ceiling transfers in the context of corporate reorganizations. The case involved an Italian company acquiring a production branch from a UK-based entity. The Italian tax authority concluded that the VAT credit ceiling accrued by the branch could not be

transferred to the Italian company. The denial was based on three factors: the original transfer contract did not explicitly mention the ceiling and was not communicated to the VAT office within 30 days; the UK company was not VAT-registered in Italy; and a contractual clause between the Italian company and the branch raised concerns about business continuity.

- **Italy:**^{lix} On August 19, 2025, the Italian Revenue Agency issued [Letter No. 213/2025](#), clarifying the VAT deduction rules for imported raw materials. The guidance was issued in response to a query from an Italian company that imported key ingredient (imported from China and owned by a Japanese client), processed the ingredients, and then sold as a finished drug in the EU or outside the EU. The Agency stated that the importer named on the customs declaration may deduct import VAT even if it does not own the goods, provided the imported input is used in the business and the import costs stay with the importer and factor into the price of its taxable sales—showing a “direct and immediate” link, per EU case law. The taxpayer can therefore deduct the import VAT if it books the customs entries properly and proves that the import costs influence its pricing.
- **Italy:**^{lx} On August 19, 2025, the Italian Revenue Agency issued [Letter No. 210/2025](#), clarifying the VAT treatment of trademark transfers. In this case, the taxpayer acquired trademark and related intellectual property rights to replace a prior license and sought clarification on whether the transaction qualified as a VAT-exempt transfer of a business branch. The agency determined that the transaction did not constitute a business branch transfer, as it involved only assets excluding personnel, contracts, or organizational structure. Instead, the transfer was classified as a provision of services subject to VAT.
- **Italy:**^{lxi} On August 20, 2025, the Italian Revenue Agency issued [Letter No. 215/2025](#), clarifying the VAT treatment of court-ordered payments for construction contract delays. The case involved a general contractor who received a monetary award with interest from a subcontractor following litigation over increased costs due to delayed work. The Agency determined that the payment was not a penalty but additional compensation to the original contract value. Since the construction work was completed and the contract terminated, the award constituted a taxable provision of services and was therefore subject to VAT.
- **Italy:**^{lxii} On August 20, 2025, the Italian Revenue Agency issued [Letter No. 216/2025](#), clarifying the VAT treatment of services exchanged between permanent establishments (PEs) of a nonresident entity. The case involved an Italian PE receiving IT and back-office services from its UK counterpart, which is part of a UK VAT group. The Agency confirmed that services provided by or to a UK VAT group are no longer taxable under EU VAT group rules, which apply only within the EU. It further clarified that PEs must be treated as separate from the parent company and the VAT group for VAT purposes, as the parent’s EU VAT group membership severs its subjective identity with its PEs. Citing EU case law, the Agency emphasized that the head office and its branches cannot be treated as a single taxpayer when the head office is part of a VAT group. Consequently, services exchanged between the UK and Italian branches are subject to VAT, and the relevant VAT implications must be satisfied.
- **Italy:**^{lxiii} On August 20, 2025, the Italian Revenue Agency published [Letter No. 214/2025](#), clarifying that transfer pricing adjustments are subject to VAT when they directly modify the consideration for specific sales and are contractually linked to the original transactions. The ruling involved an Italy-based distributor that purchased goods from a nonresident group entity, with prices initially set provisionally and adjusted quarterly to reflect arm’s-length margins. The agency confirmed that such adjustments must be supported by documentation identifying affected invoices and accounted for through accurate self-invoicing to reflect the revised taxable base. The taxpayer can issue a single document

per adjustment period, provided it includes a breakdown of invoices, the apportioned adjustment amounts, and the applicable VAT treatment (domestic or intra-EU), thereby demonstrating the direct link between the original sale and the adjustment.

- **Mauritania:**^{lxiv} On August 26, 2025, Mauritania enacted the Supplementary Finance Law for 2025, introducing several indirect tax measures. Among other things, a new carbon tax now applies to mining operations, calculated based on greenhouse gas emissions. The law also increases the ad valorem excise duty on tobacco products from 29 percent to 47 percent and introduces a specific levy of MRU 100 per packet. Excise duties are eliminated on essential goods such as cement, construction iron, mineral water, dairy products, and sugar derivatives, which will now be subject to an increased Internal Trade Tax. The carbon tax on butane gas has been repealed.
- **Moldova:**^{lxv} On August 14, 2025, Moldova implemented amendments simplifying the VAT refund process, increasing the refund threshold from 20 percent to 70 percent.
- **Moldova:**^{lxvi} On August 14, 2025, the Moldovan State Tax Service clarified that when a nonresident provides maintenance services to a Moldovan resident under a long-term contract with successive payments, the VAT liability arises either on the date the services are received and the relevant documents are prepared, establishing the delivery of the services, or, depending on the contractual provisions, on the date the works are accepted by the beneficiary.
- **Romania:**^{lxvii} On August 20, 2025, the Romanian government opened a public consultation on a draft law amending the VAT Title of the Fiscal Code. The draft raises the Romanian VAT exemption threshold to RON 395,000 (from RON 300,000); forces an immediate exit from the small and medium enterprise (SME) mechanism once a business exceeds either the national threshold or the EU-wide annual gross receipts cap of EUR 100,000; and sets detailed rules for Romanian businesses using the SME mechanism domestically or in other Member States, and for EU businesses using the mechanism in Romania, including steps when the mechanism ends. If adopted, it would take effect on September 1, 2025, with transitional rules for the threshold change and for EU businesses that already hold Romanian IDs with the “EX” suffix, which qualify for the VAT exemption from the date Romania issues that number.
- **Romania:**^{lxviii} On August 20, 2025, the Romanian government published a [draft law](#) including measures amending VAT rules on the sourcing rules for virtual and live-streamed events. Under the proposed changes, virtual admission to events such as cultural, educational, and entertainment activities provided to non-taxpayers will be taxed at the place where the consumer is established or habitually resides. The draft also includes provisions on the margin regime for works of art.
- **South Africa:**^{lxix} On August 16, 2025, South Africa released its [Draft Taxation Laws Amendment Bill 2025](#) for public consultation. The bill would allow purchasers to issue debit/credit notes when a business transfers as a going concern; extend the gold export documentation dispensation to silver; zero-rate testing services and related goods provided to nonresidents; require “insurance” to involve a premium; refine temporary letting rules for residential developers so deductions align when the 12-month window is exceeded; tax only the domestic distribution margin on airtime vouchers used exclusively abroad; broaden and modernize the exemption for basic education, align registration terminology, offer phased VAT deregistration payments for schools, and ring-fence past assessments; remove de minimis thresholds for low-value imports; and narrow housing zero-rating to the Housing Subsidy Scheme.

- **South Africa:**^{lxx} The South African Treasury has released two draft VAT regulations for public comment. The [first](#) clarifies the self-assessment VAT rules for valuable metals, including refining definitions and addressing industry concerns about distinguishing mining waste from other gold-bearing waste. These changes aim to prevent VAT refund abuse and are set to take effect from April 1, 2026. The second regulation proposes expanding zero-rated VAT treatment to coal exports delivered at Richards Bay Coal Terminal (RBCT) by broadening the definition of eligible terminal operators under the Export Regulation.
- **Sweden:**^{lxxi} On July 4, 2025, the Swedish Tax Court issued [Advance Notice No. 15-25/I](#), clarifying VAT sourcing rules for electric vehicle (EV) charging services. The case involved a nonresident company providing Swedish EV users with access to third-party charging stations via an app. The court ruled that the provision of electricity occurred in Sweden, as consumption took place locally. Additionally, the electronic service granting access to the charging network was also deemed provided in Sweden, based on the customers' residence, assuming they were final consumers, and were resident or permanently residing in Sweden.
- **Turkey:**^{lxxii} On July 31, 2025, the Turkish Revenue Administration launched a public consultation on [Draft Communiqué No. 55](#), proposing amendments to the VAT General Application Communiqué. The draft clarifies the cancellation of VAT exemption certificates for investors whose incentive certificates are revoked due to fraudulent documentation. It also outlines VAT exemptions for certain freight vehicles used in national security or defense, with cash refunds of up to TRY 50,000 allowed without a tax audit report. Additionally, it confirms the inclusion of special consumption tax in the VAT base for imports and sets a TRY 10,000 minimum threshold for VAT refund claims on eligible transactions.
- **United Kingdom:**^{lxxiii} On June 3, 2025, the United Kingdom First-Tier Tax Tribunal published its decision in *Wetherspoon plc*, [\[2025\] UKFTT 00658 \(TC\)](#), concerning the VAT treatment of cider under the COVID-19 reduced rate for hospitality services. A pub chain had claimed a refund under the temporary 12.5 percent rate, arguing cider qualified as food and drink. The UK tax authority (HMRC) rejected the claim, classifying cider as an alcoholic beverage excluded from the relief. On appeal, the FTT acknowledged ambiguity in the statutory definition and relevant case law but concluded that EU fiscal neutrality principles required cider to be treated as an alcoholic beverage, thereby excluding it from the reduced VAT rate.
- **United Kingdom:**^{lxxiv} On June 5, 2025, the United Kingdom First-Tier Tax Tribunal published its decision in *Clatterbridge Pharmacy Limited*, [\[2025\] UKFTT 00661 \(TC\)](#), clarifying the VAT treatment for cancer medicines provided to outpatients. In the case, a pharmaceutical company had sought zero-rated VAT treatment for dispensing fees on prescription-only cancer drugs administered by healthcare professionals in patients' homes. HMRC denied the request, arguing the drugs were not for personal use as required by the UK VAT law. On appeal, the FTT held that medicines dispensed for home administration by professionals qualify for zero-rated VAT. It further clarified that "personal use" refers to use by the individual patient, regardless of whether the administration is self-performed or conducted in a private setting.

[Back to top](#)



[Back to top](#)

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

- **KPMG in Bangladesh** published a [report](#) discussing key VAT-related changes introduced by the Finance Ordinance 2025. Among other things, it provides that exported services are now zero-rated regardless of their geographic delivery; construction companies, procurement service providers, and clearing and forwarding agents may submit VAT returns on a semi-annual basis. In addition, withholding VAT no longer requires a separate deposit and will instead be adjusted directly within the monthly VAT return. Finally, it also provides that the scope of VAT exemptions has been expanded to include certain goods such as medical beds and electric bikes as well as procurements made by exporters.
- **KPMG in Malaysia** published a [report](#) discussing several indirect tax developments for August 2025. These include an updated Service Tax guide on management services, as well as preferential customs duty rates for specified goods under the Malaysia–United Arab Emirates Comprehensive Economic Partnership Agreement.
- **KPMG in New Zealand** published a [report](#) discussing the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Matters) Bill, which introduces several indirect tax measures aimed at simplifying compliance and reducing cross-border tax risks. Key proposals include exempting qualifying nonresident visitors from New Zealand income tax and GST registration, provided all sales are zero-rated, and ensuring their presence does not trigger GST or permanent establishment risks for foreign entities. The Bill also introduces GST flow-through treatment for unincorporated joint ventures, allowing members to individually account for GST, with transitional rules effective from April 1, 2026.
- **China: Draft VAT Implementation Regulations**

On August 11, 2025, China's Ministry of Finance and the State Taxation Administration published the draft Value-Added Tax (VAT) Law Implementation Regulations ("draft regulations") for public comment, outlining operational details for the VAT Law effective January 1, 2026. The draft clarifies what counts as goods, services, intangibles, and real estate, and who counts as a "unit" and an "individual" for VAT purposes. For bundled transactions that include items taxed at different rates, taxpayers should identify the main vs. ancillary component and tax by the main component's rate.

The draft further defines when cross-border services and intangibles count as consumed in China, which determines whether China taxes the transaction. In this respect, the draft applies a place-of-consumption test: Chinese VAT would apply on cross-border services and intangibles when an overseas provider sells them to a Chinese buyer (unless the buyer physically uses the service on-site outside China) or when the services/intangibles directly relate to goods, real estate, or natural resources located in China—even if the buyer is overseas. The Ministry of Finance and the State Taxation Administration can add scenarios through guidance to cover new models, such as certain remotely delivered digital services. The draft zero-rates certain cross-border services and intangibles that overseas customers fully consume outside China (for example, R&D, design, software, information system services, BPO), as well as international and space transportation and certain outward processing/repair services.

The draft also clarifies when VAT liability arises (typically when the seller receives payment, when a contract fixes a due date, or when the goods ship/services complete), defines the

VAT tax base (price plus most extra charges, with specified exclusions), provides formulas for tax-inclusive pricing, and describes how the tax authority may assess taxable value (including a cost-plus approach with a default 10 percent profit mark-up).

Moreover, the draft clarifies the VAT deduction rules. In this respect, it lists valid documents for substantiating VAT deductions (including VAT special invoices, customs import payment slips, and other creditable vouchers) and explains how to manage discounts, cancellations, and returns under the general and simplified methods. It tightens VAT deduction rules for certain transactions. For instance, businesses cannot credit VAT on loan services and related fees, on personal consumption (which includes business entertainment), or on purchases used for non-taxable transactions. It further defines “abnormal losses” (for example, theft or spoilage due to poor management, or confiscation/destruction for legal violations) and requires VAT deduction reversal in those cases. For long-term assets (fixed assets, intangibles, and real estate), the draft allows full VAT deduction if used only in fully creditable activities, disallows credits if used only in non-creditable activities, and sets mixed-use rules.

On administration, the draft clarifies who acts as the taxpayer in contract, lease, and “affiliation” operating models. Overseas parties that lease Chinese real estate to individuals must appoint a domestic agent to file and pay VAT. Businesses that exceed the small-scale threshold must register as general taxpayers from the period of exceedance, and once registered as general taxpayers, they cannot revert to small-scale status. The draft allows approved head-office consolidation across jurisdictions, sets quarterly filing periods for small-scale taxpayers and certain financial institutions, and requires prepayments in defined scenarios (for example, cross-city construction, real-estate pre-sales, cross-county real-estate leasing or transfers, and certain oil and gas services). For exports and cross-border services/intangibles, the draft preserves China’s refund/exemption system: taxpayers claim refunds using either “exemption-credit-refund” or “exemption-refund” at prescribed rates, meet documentary and foreign-exchange collection requirements, file from the month after export/service tax point through April 30 of the following year, and observe a 36-month outer limit or else treat the transaction as a domestic sale and pay VAT. Finally, the draft includes a general anti-avoidance rule for arrangements that lack reasonable commercial purpose and reduce or defer VAT or accelerate refunds.

Source: Bloomberg Tax, China MOF Seeks Comments on Draft VAT Law Regulations (August 26, 2025).

Miscellaneous Developments in APAC

- **Australia:** On August 1, 2025, the Australian Taxation Office (ATO) issued [guidance](#) addressing fraudulent arrangements used to claim large goods and services tax (GST) refunds. The ATO highlighted schemes involving false invoicing between related parties, misaligned GST accounting methods within groups, and duplicated GST credit claims for single high-value transactions. It also noted instances of claiming GST credits for fictitious purchases, development, or construction activities by related entities. Additionally, the use of straw directors to obscure relationships between parties was identified as a tactic to facilitate fraud. For more information, click [here](#).
- **Australia:**^{lxv} On August 14, 2025, the ATO released a [guide](#) detailing the use of its GST analytical tool (GAT) for annual reconciliation processes required of Top 100 and Top 1,000 corporate taxpayers. These taxpayers must reconcile financial statements with business activity statements to ensure GST compliance, as outlined in the GST Governance, Data Testing and Transaction Testing Guide. The GAT helps identify and explain discrepancies

between accounting and GST figures, supported by objective evidence. The reconciliation forms part of the ATO's justified trust methodology. [FAQs](#) accompanying the guide clarify that GAT analysis is mandatory for Top 100 reviews and required for Top 1,000 reviews involving predominantly taxable sales, with case-by-case assessments for complex or input-taxed entities.

- **China:** On July 31, 2025, the Chinese Ministry of Finance and the State Taxation Administration issued [Announcement No.4 \(2025\)](#) announcing that VAT will be reinstated on interest income from newly issued government bonds, local government bonds, and financial bonds issued on or after August 8, 2025. It defines "financial bonds" as "valuable securities issued by financial institution legal entities established within the territory of the People's Republic of China in accordance with the law on the national interbank bond market and exchange bond markets, which repay principal and interest as agreed. For more information, click [here](#).
- **China:**^{lxxvi} On August 13, 2025, China's Ministry of Finance and the State Administration of Taxation issued [Announcement No. 5 \(2025\)](#), clarifying VAT policies for express delivery services and online freight transport platforms. It provides that VAT applies to income from domestic express delivery services provided by licensed operators, covering collection, sorting, shipping, and delivery of consignments within promised periods. Services limited to transportation are excluded. Additionally, qualified platform operators may claim VAT expense deductions for fuel purchases including finished oil, natural gas, electricity, hydrogen, dimethyl ether, and methanol and toll payments made on behalf of commissioned carriers, subject to specified conditions. The measures took effect immediately upon issuance.
- **Fiji:**^{lxxvii} On July 21, 2025, Fiji published the [VAT \(Budget Amendment\) Act 2025](#). Among other things, the law authorizes the tax authority to publish the names and addresses of registered taxpayers who fail to file VAT returns, under specified conditions. The law also introduces VAT refunds for capital investments in termite-related reconstruction projects, capped at the tax fraction of FJD 120,000 or a minister-declared amount. Additionally, VAT refunds are available for capital investments in residential solar projects.
- **Malaysia:**^{lxxviii} On July 30, 2025, Malaysia's National News Agency [announced](#) the cancellation of the planned high-value goods tax (HVGT), originally scheduled for May 2024. Instead, taxation of luxury and discretionary goods has been integrated into the revised sales tax system at rates of 5 or 10 percent. (To read KPMG's previous discussion of the HVGT, click [here](#)).
- **New Zealand:**^{lxxix} On July 28, 2025, New Zealand's Inland Revenue opened consultations on Exposure Drafts [PUB00520](#) and [PUB00514](#), addressing GST payment rules and GST expense deductions on second-hand goods. The drafts clarify what constitutes payment for GST purposes, including its impact on time of sale, tax periods, and eligibility for expense deductions. They also cover various payment forms such as promissory notes, property transfers, and services. Additionally, the drafts outline requirements for claiming second-hand goods GST expense deductions, including eligible goods, recordkeeping, and restrictions when transactions involve associated persons. Exceptions are also detailed, particularly for previously leased imported goods and zero-rated financial services.
- **Singapore:**^{lxxx} On August 12, 2025, the Inland Revenue Authority of Singapore (IRAS) published [examples](#) of common GST errors identified during audits conducted in the 2024/25 fiscal year. It notes that over 2,800 audits across various industries led to the recovery of SGP 205 million, including penalties. IRAS highlighted five key issues: failure

to display GST-inclusive prices; non-genuine GST expense claims linked to zero-rated sales; erroneous GST expense claims on imports belonging to overseas related companies; incorrect GST treatment of media sales; and poor recordkeeping related to leased furniture and fittings. Businesses are encouraged to strengthen GST governance and make voluntary disclosures, which may result in reduced or no penalties.

- **Sri Lanka:**^{lxxxix} On August 1, 2025, Sri Lanka's Inland Revenue published [updated FAQs](#) outlining upcoming changes to the VAT and Simplified VAT (SVAT) regimes. Key changes include a phased rollout of VAT updates, starting July 1, such as modifications to VAT schedule record-keeping, return filing, and refund requests, effective from the taxable period beginning July 1. Additionally, the SVAT regime will be abolished effective October 1, with all existing SVAT registrations cancelled and affected taxpayers transitioned to the standard VAT system. Refund processing will be enhanced through a risk-based approach and a new process for eligible exporters and projects. These taxpayers will also move from quarterly to monthly filing unless they are already on a monthly schedule.
- **Taiwan:**^{lxxxix} On August 20, 2025, the Taiwanese Ministry of Finance [clarified](#) that the zero business tax (i.e., Taiwan's VAT) rate does not apply to commissions and service charges for businesses facilitating imports of raw materials or equipment from nonresident vendors. The zero rate does not apply when the services are used within Taiwan and the purchasing company operates outside bonded areas and is unrelated to export services, even if the nonresident vendor provides payment documentation. Businesses facilitating such imports must issue taxable unified invoices and pay business tax. If incorrectly reported as zero-rated sales, corrections must be filed and overdue taxes paid voluntarily to avoid penalties and investigation.
- **Vietnam:**^{lxxxix} On August 8, 2025, the Vietnamese Government [clarified](#) VAT rules applicable to labor export activities. The guidance confirms that teaching and vocational training services are VAT-exempt, including cases where institutions collect and remit fees on behalf of others. However, goods and services provided to such institutions remain subject to VAT. In addition, it defines export services as those rendered directly to foreign entities and consumed outside Vietnam, with the recipient required to be abroad at the time of service. The clarification also outlines conditions for applying the zero percent VAT rate and deducting VAT expenses on exports.
- **Vietnam:**^{lxxxix} On July 16, 2025, Vietnam published [Decree No. 181/2025/ND-CP](#), amending provisions of the VAT Law. In addition to VAT rate changes, it clarifies that businesses with sales revenue of at least VND 1 billion may use the deduction method, subject to exceptions. The decree further allows businesses to claim monthly or quarterly VAT expense refunds if unrefunded VAT expense on goods and services reaches VND 300 million or more, with certain exceptions. Finally, VAT refunds are available for investment projects initiated before July 1, 2025, including those still in the investment phase as of that date. The decree took effect on July 1, 2025.

[Back to top](#)



[Back to top](#)

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[Back to top](#)



[Back to top](#)

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