KPMG

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

- **Bangladesh:**[i] On June 30, 2026, Bangladesh enacted the Finance Act 2026, introducing a new 5 percent VAT rate on domestic online advertising and clarifying that the 15 percent VAT applies to imported services, unless specifically exempt. To read a report prepared by KPMG in Bangladesh, click here.
- **Botswana:**[ii] On July 9, 2026, the Botswana Unified Revenue Service (BURS) issued a public notice on the revised list of foodstuffs eligible for the zero percent VAT rate, effective July 1, 2026. The notice confirms that specified maize meal, millet grain and meal, wheat grain, maize cobs, sugar, brown bread, selected fresh fruits and vegetables, rice, samp, bread flour, and cooking oil qualify for the zero percent rate when sold in their natural state and not mixed with other products. Food items not included on the list remain subject to VAT at 14 percent. BURS also directed retailers and other affected businesses to update their systems and pricing arrangements to reflect the revised VAT treatment.
- **Burundi**:[iii] On June 30, 2026, Burundi enacted the Finance Law for fiscal year 2026–2027, introducing several indirect tax rate changes. The law removes the consumption tax on imported and locally produced sugar, applies a 10 percent VAT rate, and sets customs duty at 25 percent. It replaces the ad valorem consumption tax on cigarettes with a specific tax of BIF 40 per cigarette. For domestic mobile calls, it removes VAT and consumption tax and introduces a specific tax of BIF 52 per minute, while mobile messages become subject to a BIF 5 specific tax and are exempt from VAT. The law also introduces a 30 percent customs-value surcharge on imported liquid milk and dairy products, excluding powdered milk, and an additional 50 percent surcharge on imported beer.
- **China:**[iv] On July 16, 2026, China's Ministry of Finance, General Administration of Customs, and State Taxation Administration issued Announcement No. 20 of 2026, adjusting consumption tax rules for certain battery products. The announcement imposes a 2 percent consumption tax on several battery categories, including lithium-ion batteries, beginning September 1, 2026, with the rate increasing to 4 percent from September 1, 2027. It also imposes a 2 percent consumption tax on photovoltaic (solar) batteries beginning April 1, 2027, increasing to 4 percent from April 1, 2028. In addition, sodium-ion batteries, solid-state batteries, fuel cells, and certain advanced photovoltaic batteries will be exempt from consumption tax through December 31, 2028. The announcement also requires taxpayers claiming the reduced rates or exemptions to satisfy applicable national standards and obtain qualifying testing reports. In addition, taxpayers may credit consumption tax previously paid on battery inputs used to manufacture taxable battery products, and self-produced taxable batteries used in the continuous production of other taxable battery products will not be subject to consumption tax.

- **Colombia:**[v] On July 20, 2026, Colombia's Ministry of Finance submitted the 2026 Tax Reform Bill to Congress, proposing several indirect tax changes, most of which would apply from 2027. The bill would apply the 19 percent VAT rate permanently to online gambling and sports betting platforms, increase the VAT rate on hybrid vehicles from 5 percent to 19 percent, raise the producer-level VAT on gasoline and diesel from 5 percent to 10 percent on January 1, 2027, and to 19 percent on January 1, 2028, and apply the 19 percent VAT rate to biodiesel and fuel ethanol. The bill would also harmonize the VAT rate on alcoholic beverages at 19 percent, increase the national consumption tax rate from 16 percent to 19 percent, and increase the carbon tax base rate from COP 29,070.49 to COP 42,609 per ton of CO_2. In addition, the bill would replace the current VAT-exempt treatment for equipment, machinery, and services used in non-conventional renewable energy projects with zero-rated treatment, allowing input VAT recovery, and would eliminate the VAT exemption for hotel and accommodation services sold to nonresident foreign tourists in Colombia. To read a report prepared by KPMG in Colombia, click here.
- **Croatia:**[vi] On June 25, 2026, the Croatian tax authority issued Opinion No. 410-19/26-02/172, clarifying the VAT rate applicable to a medicine imported into Croatia under the Agency for Medicinal Products and Medical Devices of Croatia (HALMED)'s exceptional import authorization. The authority explained that Croatia's five percent reduced VAT rate applies to medicines approved by the competent medicines authority or included on the Croatian Health Insurance Fund medicines list. It concluded that a medicine placed on the Croatian market based on HALMED's exceptional import authorization may also qualify for the five percent VAT rate.
- **Egypt:**[vii] On July 28, 2026, Egypt published Law No. 149 of 2026, amending the VAT Law effective July 29, 2026. The law applies a reduced 5 percent VAT rate (down from 14 percent) to machinery, equipment, and medical devices used in producing goods or rendering services, excluding buses and passenger cars. It extends the VAT suspension period for such assets used in industrial production to up to four years, shortens the VAT credit refund period from six to four consecutive tax periods (three months for enterprises qualifying under Law No. 6 of 2025), exempts services performed on transit goods under customs supervision, and broadens exemptions for kidney dialysis machines, filters, prosthetics, and related inputs.
- **Fiji:**[viii] On July 17, 2026, Fiji enacted the Value Added Tax (Budget Amendment) Act 2026 and the Tourism Services Tax Act 2026 as part of its 2026-2027 Budget measures. The legislation removes the VAT exemption for electric motor vehicles, making them subject to the standard 12.5 percent VAT rate on importation effective June 26, 2026. The legislation also provides a VAT exemption for imports of capital goods used to establish drug rehabilitation centers and includes various import duty concessions linked to newly introduced investment incentive regimes. The measures generally apply from August 1, 2026.
- **France:**[ix] On July 8, 2026, the French tax authorities updated its guidance on the 10 percent reduced VAT rate for qualifying intermediate rental housing, including sales of properties under construction. Projects must satisfy requirements relating to tenant income and rent limits, the property's location, the owner's legal status, social housing integration, and the type of construction, conversion, or acquisition and improvement work. The guidance clarifies that transferring a contract for the purchase of property under construction does not end the VAT benefit if the new purchaser continues to meet the eligibility requirements. The original purchaser may deduct VAT previously paid to the developer, and the developer may continue charging 10 percent VAT on later installment payments after the transfer. The guidance also addresses reporting, acquisition and improvement projects, and repayment of the VAT benefit if the qualifying conditions are no longer met.
- **Isle of Man:**[x] On July 22, 2026, the Isle of Man Treasury announced that the VAT rate on domestic electricity sales will be reduced from 5 percent to 0 percent effective October 1, 2026. The change aligns with the Customs and Excise Agreement requirement to maintain the same VAT rates as the United Kingdom. The zero percent VAT rate will also apply to qualifying small businesses that receive domestic energy VAT relief and are not VAT registered, as well as eligible charities and residential care

homes. Qualifying small businesses are those with average electricity consumption of less than 1,000 kWh per month.

- **Italy:**[xi] On July 22, 2026, Italy's Revenue Agency issued Reply No. 150/2026, clarifying the circumstances in which demolition and reconstruction works may qualify for the reduced 10 percent VAT rate. The agency explained that taxpayers cannot apply the reduced rate merely by characterizing a building as a type of public facility listed among qualifying urbanization works. Instead, eligibility depends on whether the project falls within the categories specifically recognized by law. The agency concluded that the particular project at issue did not qualify as a secondary urbanization work. However, it noted that demolition and reconstruction works classified by the competent municipality as building renovation works may still qualify for the 10 percent reduced VAT rate under the separate rules applicable to renovation projects.
- **Côte d'Ivoire:**[xii] On July 22, 2026, Côte d'Ivoire's General Tax Directorate announced that it would suspend VAT on inputs used in fertilizer manufacturing and on packaging materials used for such products. The 2026 Finance Law annex provides for this measure, which will remain in effect until December 31, 2026. As a result, the tax authority will not collect VAT from sellers of qualifying goods for the period from July 1, 2026, through December 31, 2026. The Directorate also clarified that taxpayers must remit any VAT they have already invoiced and collected in accordance with the ordinary VAT rules.
- **Hungary:**[xiii] On July 23, 2026, the Hungarian government launched a consultation on draft VAT legislation that would reduce the VAT rate on prescription drugs from 5 percent to zero percent, effective September 1, 2026.
- **Kazakhstan:** On June 24, 2026, Kazakhstan's government adopted Resolution No. 542, updating the VAT treatment of medical services, medicines, medical devices, pharmaceutical production materials, and other healthcare-related products. The resolution expands the lists of products eligible for VAT exemptions and reduced VAT rates and revises the rules governing VAT exemptions for imports of medicines sold under guaranteed free medical care, compulsory health insurance, and programs for the treatment of orphan and socially significant diseases. The resolution generally took effect upon its signing and official publication, except for certain provisions that became effective on July 12, 2026. To read a report prepared by the KPMG member in Kazakhstan, click here
- **Kazakhstan**: On July 2, 2026, Kazakhstan's Ministry of National Economy published a consultation paper proposing amendments to the Tax Code based on the first months of applying the new code. Among other things, the consultation would exempt from VAT factoring and forfaiting transactions carried out by second-tier banks, imports of raw materials used under investment contracts, and air navigation services provided in connection with international air transportation. The proposals would also allow subsoil users to claim VAT credits on certain goods acquired for complex offshore hydrocarbon production projects and transferred to the state for defense purposes. To read a report prepared by the KPMG member in Kazakhstan, click here.
- **Kenya:**[xiv] On July 14, 2026, Kenya's Cabinet Secretary for the National Treasury issued the Value Added Tax (Amendment of Rate of Tax) Order, 2026, reducing the VAT rate on selected petroleum products from 16 percent to 8 percent. The temporary VAT reduction applies to premium motor spirit (gasoline), illuminating kerosene, and automotive gas oil (diesel) and will take effect from July 15, 2026, through October 14, 2026.
- **Madagascar:**[xv] On July 16, 2026, Madagascar enacted the Amending Finance Law 2026, suspending the motor vehicle tax (TVM) introduced under the 2026 Finance Law and repealing the VAT on interest charged by banks and financial institutions. The Lac further restores the VAT exemption for interest arising from loan and financing operations, reversing the increase in the VAT rate from 0 percent to 20 percent introduced by the 2025 Finance Law. The law also changes the VAT treatment of several products by increasing the VAT rate on imports and domestic sales of luxury rice from 0 percent to 5

percent and on hybrid vehicles and kerosene from 0 percent to 20 percent. In addition, the law repeals VAT exemptions for transactions benefiting government-recognized public-interest foundations.

- **Nepal:**[xvi] On July 17, 2026, Nepal's Inland Revenue Department issued a directive clarifying the VAT treatment of electricity services. The directive applies a 5 percent VAT rate to electricity provided to household users whose monthly consumption exceeds 50 kilowatt-hours (kWh), while exempting household electricity consumption of up to 50 kWh per month. It applies the standard 13 percent VAT rate to electricity provided to non-household users and exempts sales of electricity between electricity businesses, including sales by public or small hydropower producers to the Nepal Electricity Authority.
- **Senegal:**[xvii] On July 17, 2026, Senegal published Joint Order No. 019972 exempting specified agricultural equipment, facilities, and services from VAT. The exemption applies to listed agricultural equipment and facilities, whether imported or produced locally, and to specified agricultural services. The measure covers a broad range of agricultural machinery, irrigation equipment, harvesting and post-harvest equipment, horticultural and livestock equipment, and agricultural service activities. The measure also converts suspended VAT on qualifying acquisitions made under approved investment programs into a VAT exemption by operation of law. In addition, the exemption applies retroactively to qualifying items delivered on or after January 1, 2013.
- **Sri Lanka:**[xviii] On June 30, 2026, Sri Lanka enacted amendments that increase the VAT rate on financial services from 18 percent to 20.5 percent, effective July 1, 2026, with the higher rate applying to taxable financial services from that date. The Act also zero-rates qualifying services provided by registered garment buying offices to overseas buyers where payment is received in foreign currency, with effect from October 1, 2025.
- **Sweden:**[xix] On July 6, 2026, Sweden's government announced an inquiry to examine differentiated VAT rates on food. The inquiry will assess how different categories of food could be taxed at different rates to reduce household costs for essential items. It will define food categories and propose how a differentiated VAT system could be structured. The analysis will consider tax neutrality, boundary issues, tax evasion risks, administrative burdens for businesses, and the overall economic effects and efficiency of the proposal. The measure follows the temporary reduction of food VAT through December 31, 2027, and aims to further support household finances. The inquiry's findings are due by December 22, 2026.
- **Switzerland:** On June 19, 2026, the Swiss Parliament approved increases in VAT rates to help finance the 13th state pension. From 2028, the standard VAT rate would increase by 0.4 percent, while the special VAT rate applicable to hotels would increase by 0.2 percent. The reduced VAT rate for daily necessities, including food and medicine, would remain unchanged. The measure requires approval by voters and cantons through a mandatory referendum before it can take effect. For more information, click here.
- **Thailand:**[xx] On July 27, 2026, Thailand's Cabinet approved in principle a draft Royal Decree to extend the reduced VAT rate from 10 percent to 7 percent (including local tax) for an additional year. The reduced rate, which was scheduled to expire on September 30, 2026, would remain in effect from October 1, 2026, through September 30, 2027.
- **United Kingdom:**[xxi] On July 21, 2026, the UK government announced that the VAT rate on domestic electricity bills will be reduced from 5 percent to 0 percent beginning October 1, 2026. The VAT reduction is funded through March 31, 2027. The measure will not apply in Northern Ireland, where EU VAT rules continue to apply, although the UK government plans to provide equivalent financial support.

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Digitalized Economy Indirect Tax Updates

Japan: Guidance on Consumption Tax Treatment of Cross-Border E-Commerce

On July 15, 2026, Japan's National Tax Agency (NTA) published a comprehensive Q&A on the consumption tax treatment of cross-border e-commerce transactions following amendments enacted under the 2026 tax reform (To read KPMG's previous discussion of the 2026 tax reform measures, click here). The guidance, consisting of 62 questions and answers, addresses the new rules for low-value imported goods, the registration regime for specified low-value asset sellers, and platform taxation measures that will apply from April 1, 2028.

The guidance clarifies that imports sold through mail-order transactions and shipped from outside Japan to customers in Japan will generally be treated as domestic sales subject to consumption tax where the consideration for each item does not exceed JPY 10,000 (excluding tax). For goods priced in foreign currency, the JPY 10,000 threshold must be determined using a reasonable and consistently applied exchange rate. The Q&A also provides details on the new registration system for specified low-value asset sellers, which will take effect on April 1, 2028. Registration applications may be submitted beginning October 1, 2027, under transitional measures. Registered sellers will be required to provide their registration number on import-related documentation to facilitate customs and tax compliance.

In addition, the guidance explains the operation of Japan's new platform taxation regime. Certain large digital platform operators may be designated as responsible for consumption tax on transactions conducted through their platforms and, where registered under Japan's invoicing system, will be required to issue qualified invoices. Transitional rules require platform operators to assess transaction volumes during an advance measurement period to determine whether designation requirements apply. For more information, click here.

Sri Lanka: New VAT Registration and Compliance Rules Adopted for Nonresident Digital Services Providers

On July 3, 2026, Sri Lanka published the Value Added Tax (Amendment) Act, No. 14 of 2026, which introduced a dedicated set of VAT rules governing the registration, reporting, and payment obligations of nonresident providers of digital services to customers located in Sri Lanka. A nonresident business must register for Sri Lankan VAT where it provides digital services to persons in Sri Lanka and meets either of two thresholds: from July 1, 2026, where its total digital services to Sri Lankan customers exceed LKR 60 million (or the foreign currency equivalent) in any 12-month period; or, for any quarter beginning on or after July 1, 2026, where its total digital services exceed, or are likely to exceed, LKR 15 million (or the foreign currency equivalent). The business must apply electronically for registration within three months from the date it meets the threshold, or from the date the registration form becomes available, whichever is later.

To determine whether a customer is located in Sri Lanka, the rules apply a two-factor test: a customer is treated as being in Sri Lanka where at least two of the following are true—the billing, home, or business address is in Sri Lanka; the customer pays through a Sri Lankan bank or financial institution; the payment instrument (for example, a credit card) is issued in Sri Lanka; or the IP address of the customer's device is located in Sri Lanka.

Where a nonresident business provides digital services to a customer already registered for VAT in Sri Lanka, the nonresident generally should not charge or collect Sri Lankan VAT, as the self-assessment mechanism applies. For these business-to-business (B2B) sales on which no VAT is due, however, the nonresident provider must submit a simplified statement to the Commissioner-General in the prescribed form and within the prescribed deadline. The statement need only include the payment or invoice date, the taxpayer identification number of the recipient, the name of the recipient, the value of the transaction, the invoice number, and a description of the service. Where the provider fails to submit the statement, the Commissioner-General may impose a penalty of up to LKR 50,000, may require the provider to pay the penalty and comply within a specified time, and may reduce or cancel the penalty where the provider proves that the failure arose from circumstances beyond its control and that it has since complied.

Registered nonresident providers must pay VAT for each taxable period electronically—directly or through a representative—using the Inland Revenue Department's online system or another approved facility, in Sri Lankan rupees or an approved foreign currency to a designated bank account, following any procedures the Commissioner-General prescribes. Each provider must also file a VAT return electronically for each taxable period and account for VAT on an invoice basis. To read a report prepared by KPMG in Sri Lanka, click here.

Tanzania: Amendments to Taxation of Digital Economy Activities by Nonresidents

On July 1, 2026, Tanzania's Finance Act, 2026 introduced several indirect tax measures targeting the digital economy. The Act amended the VAT Act to introduce a deemed seller rule under which operators of online marketplaces, digital intermediaries, websites, applications, internet portals, online stores, and other digital marketplaces facilitating electronic services to unregistered persons in Mainland Tanzania are treated as the sellers of those services and must collect and remit VAT. The Act also broadened the definition of electronic services to include any similar service delivered through the internet or a telecommunications network.

In addition, the Act amended the Excise (Management and Tariff) Act to impose excise duty on certain services provided by nonresident providers to unregistered Tanzanian customers through the internet or other electronic means. The measure covers services such as pay-to-view and electronic communications services. Nonresident providers subject to the rules must register for excise duty, charge and collect the applicable duty, file excise duty returns, and remit the tax in accordance with the relevant regulations.

The Act also increases the digital services tax (DST) rate from 2 percent to 3 percent on revenue earned by nonresident providers of digital services provided to individuals who are not acquiring the services for business purposes. Accordingly, effective July 1, 2026, nonresident providers are required to account for income tax at the 3 percent rate on qualifying revenue derived from Tanzania. For more information, click here.

Other Developments

- **Bangladesh:**[xxii] On June 30, 2026, Bangladesh enacted the Finance Act 2026, including measures that expand the country's permanent establishment rules to cover the digital economy. Under the new rules, a non-resident entity's digital or online activities may create a taxable presence in Bangladesh if it has 100,000 or more digital or online customers or subscribers in the country. To read a report prepared by KPMG in Bangladesh, click here.
- **Chile:**[xxiii] On July 8, 2026, Chile's Tax Administration (SII) issued Ruling No. 1658, clarifying the VAT taxable base for online betting, gaming, casino, and similar entertainment services provided remotely by non-resident platforms to individuals in Chile. The SII confirmed that VAT generally applies to the total amounts wagered by users, without deduction for prizes paid, as the special taxable base regime for authorized casinos does not apply to online platforms. However, where a taxpayer can substantiate that its remuneration is limited to the margin retained after paying prizes, the VAT taxable base may be that margin, rather than the gross amount wagered. The ruling also clarifies prior guidance issued in 2021 and 2022.
- **Chile:**[xxiv] On July 15, 2026, Chile's Tax Administration (SII) issued Resolution Ex. No. 94-2026, updating the list of foreign digital service providers subject to VAT withholding under the "change of VAT taxpayer" mechanism, effective from August 1, 2026. The update mainly incorporates new non-resident entities, most of which are online betting and gaming platforms domiciled abroad. The updated list identifies foreign service providers that are not registered under Chile's simplified VAT regime for digital services and are therefore subject to VAT withholding through payment intermediaries. The update follows recent measures concerning the VAT treatment of online gambling, gaming and similar digital services. Under

the mechanism, credit card, debit card and other electronic payment issuers may be required to charge, withhold, declare and remit VAT on payments made to the listed foreign providers. The revised list amends the version previously established by Resolution Ex. No. 181-2025 and applies from August 1, 2026.

- **Croatia:**[xxv] On July 7, 2026, the Croatian Tax Administration issued Opinion No. 410-01/26-01/924 on the VAT treatment of a mobile application used to buy digital tokens for self-service car washes. The authority stated that, depending on the contractual arrangements and economic reality, an app provider that acts in the name and on behalf of car wash operators may treat customer funds collected for operators as pass-through amounts, with its taxable revenue generally limited to its commission or platform fee. The car wash operator would normally account for VAT on the washing service, while the app provider would account for VAT on its own platform or intermediary services, subject to separate analysis of any VAT exemption for payment-related services and whether the digital tokens qualify as single-purpose or multi-purpose vouchers.
- **European Union:** On June 23, 2026, the European Parliament held a workshop on a potential EU-wide Digital Services Tax (DST), during which expert panelists examined the rationale, design options, revenue implications, and international context of such a measure. The discussion highlighted the challenges that traditional tax rules face in taxing highly digitalized business models, particularly where companies generate significant revenues in jurisdictions without a substantial physical presence. The panelists noted that several countries have already implemented DST-type measures with differing scopes, thresholds, rates, and reporting requirements, creating fragmentation within the single market. They also reviewed the status of the OECD Pillar One negotiations on reallocating taxing rights to market jurisdictions and discussed ongoing United Nations work on cross-border taxation and dispute resolution frameworks. To read a report prepared by the KPMG's EU Tax Centre, click here.
- **Italy:**[xxvi] On July 29, 2026, the Italian Revenue Agency published a series of FAQs clarifying the application of the OECD Crypto-Asset Reporting Framework (CARF) and the relating EU DAC8 rules under Legislative Decree No. 194/2025. The guidance addresses a range of reporting and due diligence issues for reporting crypto-asset service providers. The FAQs provide clarification on topics including the determination of a provider's jurisdictional presence, reporting obligations for retail payment transactions, identification and reporting of crypto-assets, treatment of partnerships and similar entities without tax residence, and the reporting of crypto-asset lending and collateral transactions. The guidance also confirms that a reporting crypto-asset service provider that is also a reporting financial institution may rely on publicly available or existing information to determine whether an entity qualifies as an excluded person for CARF purposes, provided the information clearly establishes the entity's status. Additional FAQs address the treatment of certain tokenized financial assets and multi-currency electronic money wallets. The Revenue Agency notes that several responses are based on OECD guidance and directs taxpayers to OECD CARF materials for further information.
- **Mexico :** On July 9, 2026, the Mexican tax authorities published the First Resolution of Amendments to the 2026 Miscellaneous Tax Rules, updating obligations for digital platforms and foreign digital service providers. The Resolution relieves platforms intermediating air transportation services from income tax and VAT withholdings on airline consideration, provided the airline furnishes its tax ID and qualifies under a tax treaty or IATA membership. It also clarifies that foreign providers may use the existing procedure to both generate and renew their e-signature certificate, that monthly service or transaction data must be reported through the applicable electronic return, and updates the IEPS return reference for online games with bets and raffles. To read a report prepared by KPMG in Mexico, click here.
- **Nepal:**[xxvii] On July 15, 2026, Nepal's Inland Revenue Department issued a public notice clarifying the VAT treatment of ride-sharing services following amendments introduced by the Finance Act, 2083. The notice provides that ride-sharing operators must register for VAT and collect VAT at a rate of 5 percent on transportation and delivery services provided through their platforms by drivers or riders. Operators must

issue VAT invoices on behalf of drivers, collect the tax, and remit it to the tax authorities by the 25th day of the following month. The guidance also clarifies that drivers using ride-sharing platforms must obtain a Permanent Account Number (PAN), although they are not required to register separately for VAT. In addition, ride-sharing operators may not claim VAT credits for VAT collected and remitted on behalf of drivers.

- **Switzerland:**[xxviii] On July 15, 2026, the Swiss Federal Tax Administration released draft VAT guidance on the treatment of electronic sports (e-sports), proposing to treat e-sports events as taxable activities rather than VAT-exempt sports events. The draft states that e-sports do not qualify for the sports exemption because physical activity is not the defining element of the activity. The guidance clarifies that organizers must treat admission fees, participation fees, and certain prize-related income connected with e-sports events as consideration for taxable services. It also sets out sourcing rules for e-sports activities, distinguishing between online, in-person, and hybrid events. For events conducted entirely online, the guidance treats participation and viewing access as electronic services subject to the recipient-location principle. For events held exclusively in person, organizers must apply the rules for entertainment services, with taxation based on the location of the event. The draft also explains how these rules apply to hybrid events that combine online and in-person participation.
- **United Arab Emirates:**[xxix] On July 14, 2026, the UAE Federal Tax Authority issued Directive No. 3/2026, clarifying the VAT treatment of transactions involving digital currency. The directive requires taxpayers that provide digital currency or receive payment in digital currency for goods or services, to convert the digital currency value into AED for VAT reporting purposes. Under the directive, taxpayers must select three approved digital currency exchange platforms and use them consistently throughout the calendar year. Taxpayers must calculate the average exchange rate across the three selected platforms at the relevant date and time of the transaction, or when consideration is received, and convert that average value into AED for VAT purposes.
- **United Nations:**[xxx] On July 20, 2026, the United Nations released a draft protocol under the Framework Convention on International Tax Cooperation that would allow countries to tax income from certain cross-border services, including automated digital services, even where the provider has no physical presence in the market jurisdiction. The draft would permit market jurisdictions to tax a reasonable allocation of profits from cross-border service activities and introduces sourcing rules for digital services based on the location of consumers, end users, or user data. It identifies online advertising, online intermediation platforms, social media platforms, digital content services, online gaming, cloud computing services, and standardized online teaching services as automated digital services. The proposal also includes a revenue-based method for allocating profits to market jurisdictions and separate rules allowing countries to tax income from services provided through a physical presence. In addition, it contains provisions on double tax relief, dispute resolution, and exchange of information between tax authorities.
- **Uruguay:**[xxxi] On June 30, 2026, Uruguay's Tax Authority issued Resolution No. 1518/2026, establishing a new reporting regime for digital platform operators that facilitate the rental of immovable property located in Uruguay. The regime took effect on July 1, 2026, and aligns reporting requirements with the OECD reporting standard for digital platform operators. Under this resolution, platform operators must report information on rental transactions completed through their platforms and submit the information electronically to the DGI on a quarterly basis. The tax authority may also request corrections, amendments, or additional information where inconsistencies are identified. The resolution establishes quarterly reporting deadlines and introduces a transitional rule requiring information for the July-September and October-December 2026 quarters to be filed in February 2027.
- **Vietnam:** On June 30, 2026, Vietnam published Decree No. 252/2026/NĐ-CP ("Decree 252"), effective July 1, 2026, implementing the Law on Tax Administration No. 108/2025/QH15. Beginning with the July 2026 period (due August 20, 2026), nonresident providers must file monthly rather than quarterly. For business-to-business (B2B) sales with customers subject to VAT under the credit-method, the customer is

liable to withhold VAT under the existing Foreign Contractor Tax regime, effectively shifting Vietnam's regime toward a business-to-consumer (B2C) model. Decree 252 also requires resident and nonresident platforms with ordering and payment functions to withhold and remit VAT and income tax on Vietnam-sourced revenue of foreign sellers (expanding the requirement from the previous limited scope related to individuals and households). As a result of these changes, nonresidents are exempt from registration where all Vietnam-sourced revenue is withheld and remitted by a Vietnamese customer or platform, but must register and pay directly on any revenue not actually withheld. To read a report prepared by the KPMG member in Vietnam, 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

Germany: Proposal to Introduce Real-Time VAT Reporting to Combat Tax Fraud

On July 16, 2026, the German Federal Ministry of Finance published a 26-point action plan to combat tax and financial crime. Among other measures, the plan proposes an electronic real-time VAT reporting system requiring businesses to report individual transactions promptly, enabling authorities to identify VAT fraud schemes, including carousel fraud, more quickly. The system would complement Germany's ongoing e-invoicing initiatives and align with the broader adoption of continuous transaction controls.

The plan also proposes extending the mandatory retention period for accounting and booking documents, currently generally eight or ten years, to 15 years. Companies established outside the European Union would be required to maintain tax-relevant data on mirror servers in Germany to improve access to information stored abroad and facilitate audits and investigations. Germany also intends to tighten electronic cash register requirements and associated technical security measures to reduce manipulation and underreporting in cash-intensive sectors.

To strengthen enforcement, the government plans to establish a Joint Center Against Tax and Financial Crime, bringing together state tax investigators, federal enforcement agencies, analysts, and other specialists. A Data Analysis Center within the joint center would facilitate interagency access to financial information and support a centralized data platform. Authorities would use artificial intelligence-enabled analytical tools to identify patterns, detect suspicious activities, and accelerate the identification of potential tax fraud.

Additional measures include reorganizing and strengthening customs enforcement functions, reforming Germany's Financial Intelligence Unit, enhancing cooperation with the European Public Prosecutor's Office to combat cross-border VAT fraud, and expanding international cooperation and joint investigations with foreign tax authorities. The plan also provides for stronger data-acquisition programs, expanded whistleblower protections, specialized investigative expertise, and enhanced training for tax court judges.

Germany also plans stricter tax evasion penalties, restrictions on voluntary self-disclosure, and a public register of companies sanctioned for serious tax offences. As these proposals progress through the legislative process, businesses should monitor the resulting digital reporting, record-retention, data-localization, and compliance requirements. For more information, click here.

Other Developments

- **Argentina:**[xxxii] On June 29, 2026, the tax authority (ARCA) published General Resolution No. 5866/2026, revamping Argentina's e-invoicing system. Effective July 1, 2026, the resolution mandates phased implementation for taxpayers across sectors. Key changes include monthly invoicing for continuous services, stricter point-of-sale activation requirements, and mandatory buyer identification for high-value transactions. Financial institutions, insurers, and private educational entities face sector-specific rules. The resolution consolidates prior regulations, introduces non-reusable deactivated points of sale, and enforces updated issuance deadlines. It also harmonizes terminology across the framework to simplify compliance and abrogates outdated provisions.
- **Belgium:**[xxxiii] On July 18, 2026, the Belgian Council of Ministers approved a preliminary draft law amending the VAT Code to introduce an e-reporting obligation for invoicing data from 2028 and repeal the annual list of taxable clients for taxpayers subject to the new obligation. The proposal aims to digitalize data flows, enable faster transmission of detailed and reliable information to the tax administration, improve existing control techniques, accelerate action against specific instances of fraud, and enhance the effectiveness and efficiency of administrative controls. It would also implement elements of the EU VAT in the Digital Age Directive’s e-invoicing and digital reporting obligations, effective July 1, 2030. The draft has been forwarded to the Data Protection Authority and Council of State for review before submission to Parliament.
- **Brazil:**[xxxiv] On July 31, 2026, Brazil’s Receita Federal and the Comitê Gestor do IBS published Joint Act RFB/CGIBS No. 4/2026, establishing the first official timeline for the mandatory issuance of electronic fiscal documents incorporating information on Brazil's new IBS (tax on goods and services) and CBS (contribution on goods and services). The Joint Act sets phased effective dates: August 3, 2026, for core models such as the NF-e, NFC-e, and CT-e; October 1, 2026, for the NFS-e and NFCom; December 1, 2026, for the NFS-e for digital platforms and intangible goods; and January 1, 2027, for import declarations and Simples Nacional documents. Technical specifications for several new models are expected by September 1, 2026. Separately, the authorities announced temporary relief under which documents generally will not be rejected solely because IBS and CBS fields remain incomplete. For more information, click here.
- **Costa Rica:** On June 25, 2026, Costa Rica’s General Directorate of Taxation (DGT) published a notice in the official gazette (Supplement No. 81) requesting comments on a proposal to amend the Tax Procedure Regulations to require taxpayers to register telephone numbers associated with electronic payment methods used in their business activities, including those used to receive payments through the National Electronic Payment System (SINPE Móvil). The proposal is intended to complement changes introduced under version 4.4 of the e-invoicing requirements, which took effect on September 1, 2025, and incorporated identification of the payment method used in transactions. To read a report prepared by KPMG in Costa Rica, click here.
- **China:**[xxxv] On June 1, 2026, the Dalian Municipal Taxation Bureau announced the phased suspension of certain paper invoices to promote fully e-invoicing. Starting July 1, 2026, taxpayers in most industries will no longer receive Dalian tax-supervised paper invoices, except for specific invoices in the taxi and public transportation sectors. Taxpayers must transition to digital invoices, issued via the National Unified Electronic Taxation Bureau or the "Leqi Platform." By December 31, 2026, all Dalian tax-supervised invoices must be inspected, paid, or replaced with digital invoices. The urban bus and taxi sectors are urged to expedite their transition to e-invoicing.
- **Congo (Republic of):**[xxxvi] On July 15, 2026, Congo's tax authorities and Akieni, the Certified Electronic Invoicing System (SFEC) provider, introduced the Certified Electronic Invoicing System (SFEC) to members of the Union of Economic Operators of Congo (UNOC). This event followed the June 16, 2026, launch of the national awareness campaign for SFEC, designed to prepare for its rollout on July 1, 2026. Businesses must adopt SFEC by August 1, 2026.

- **Eswatini:**[xxxvii] On July 20, 2026, the Eswatini Revenue Service issued Legal Notice No. 111 of 2026, amending the Third Schedule to the Value Added Tax Act 2011 to establish a legal framework for electronic fiscal documents. The Notice permits tax invoices, fiscal receipts, credit notes, and debit notes to be issued electronically through authorized systems. It empowers the Commissioner General of the Eswatini Revenue Service to set technical and operational requirements, including security features, digital signatures, and verification codes. Electronic fiscal documents issued under these guidelines will be valid under the Act. Definitions for "electronic fiscal device," "electronic fiscal document," and "fiscal data" are also introduced.
- **France:**[xxxviii] On July 11, 2026, the French tax authority (DGFiP) published guidance for businesses that cannot fully comply with France's e-invoicing mandate by its September 1, 2026 effective date. The guidance stresses that the effective date is neither postponed nor suspended but offers targeted relief for those making genuine efforts to comply. Penalties will not apply automatically; the tax authority will assess each case individually and expects credible, documented evidence of active compliance efforts. Taxpayers showing no effort may face immediate penalties. A specific exception applies to the obligation to use an accredited platform for receiving invoices: the authority will first issue a formal notice granting three months to regularize before enforcing per-invoice fines. Taxpayers that issued or received invoices by non-electronic means must regularize them electronically once difficulties are resolved, while avoiding double VAT deduction. For more information, click here.
- **Hungary:**[xxxix] On July 10, 2026, Hungary's National Tax and Customs Administration (NAV) published the receipt data reporting interface documentation for developers on GitHub, along with the corresponding XSD schema. Starting September 1, 2026, businesses must report data on both manual and computer-generated receipts to NAV, summarizing daily transactions by VAT rates within three calendar days of issuance. NAV provides a manual entry web interface via the tax authority's KOBAK portal and a machine interface for automated data submission.
- **Malaysia:**[xl] On July 7, 2026, Malaysia's Inland Revenue Board launched the e-Invoicing Special Voluntary Disclosure Programme, detailed in Version 4.8 of the E-Invoice Specific Guideline. The program, running until December 31, 2027, allows businesses to correct e-invoicing non-compliance without penalties. It applies to missing, incorrect, or unreported e-invoices and taxpayers undergoing compliance reviews. Disclosures must use the designated "SVDP 1.2" or "SVDP 1.3" e-invoice versions and comply with MyInvois guidelines. Consolidated invoices must be submitted by transaction month, not aggregated. Penalty waivers apply unless fraud, negligence, or non-compliance occurs. The program supports compliance while tightening enforcement post-deadline. To read a report prepared by KPMG in Malaysia, click here.
- **Mexico:**[xli] On July 9, 2026, the Mexican Tax Administration Service published the first resolution of amendments to the Miscellaneous Tax Resolution (RMF) for 2026. Effective July 10, 2026, the resolution introduces stricter controls for e-invoicing. Taxpayers with irregularities in invoicing, such as those in the primary sector, real estate rentals, mining, used vehicle sales, recycling, easements, art and antique sales, or artisan markets, may face temporary restrictions on issuing e-invoices (CFDI) until they resolve compliance issues. The resolution also updates rules for tax incentives, digital platforms, and installment payments, addressing operational and regulatory needs for the 2026 tax year.
- **Nigeria:**[xlii] On July 20, 2026, the Nigeria Revenue Service issued a public notice on compliance monitoring for large taxpayers regarding the mandatory implementation of the National E-Invoicing & Electronic Fiscal System (EFS), also known as the Merchant Buyer Solution (MBS). Large taxpayers must fully comply by July 31, 2026. Requirements include onboarding to the MBS, integrating systems via approved access point providers (APPS), completing validation and testing, transmitting invoices per approved standards, and accepting only compliant e-invoices with a valid Invoice Reference Number (IRN) from sellers.

- **Pakistan:**[xliii] On July 1, 2026, Pakistan's provincial finance acts introduced major changes for e-invoicing, digital reporting, and compliance. Punjab mandated tax payments through an electronic system and increased penalties for non-compliance with e-invoicing. Khyber Pakhtunkhwa empowered the government to require real-time e-invoicing integration, expanded penalty categories for failures related to POS and e-invoicing, and broadened inspection powers to cover digital records. Sindh and Balochistan updated compliance requirements for POS and e-invoicing systems, expanded definitions, and introduced new penalties for software and system failures. These changes aim to strengthen digital tax compliance and enforcement across all provinces, effective from July 1, 2026. To read a report prepared by KPMG in Pakistan, click here.
- **Philippines:**[xliv] On July 7, 2026, the Bureau of Internal Revenue (BIR) officially took full control of its enhanced Electronic Invoicing and Sales Reporting System (EIS). This follows the completion of a 14-month post-management support project with the Korea International Cooperation Agency (KOICA). The project improved system functionalities, addressed operational gaps, and boosted BIR personnel's technical capabilities. The upgraded EIS also introduces automated invoice validation, enhancing VAT refund investigations and statistical reporting.
- **Portugal:**[xlv] On July 16, 2026, Portugal issued Ordinance No. 298/2026/1, amending VAT reporting under Ordinance No. 221/2017. The updates aim to improve clarity and accuracy in taxpayer information, simplify compliance, and accommodate recent legislative changes, including the VAT Group regime introduced by Law No. 62/2025. Enhancements include fields for electronic tax-free transactions, margin mechanism disclosures, and automatic pre-filling criteria for certain operations.
- **Saudi Arabia:**[xlvi] On July 24, 2026, Saudi Arabia's ZATCA announced taxpayer selection criteria for Wave 25 of Phase Two of its electronic invoicing mandate. Taxpayers with VAT revenues exceeding SAR 187,500 in 2022, 2023, 2024, or 2025 must integrate their invoicing systems with the Fatoora platform by February 1, 2027. Phase Two requires structured electronic invoices with mandatory fields and direct system integration with ZATCA. Taxpayers will receive at least six months' notice before their integration deadline. This initiative builds on Phase One, mandatory since December 4, 2021, and supports Saudi Arabia's digital transformation.
- **Singapore:** Singapore's Infocomm Media Development Authority recently issued guidance on three grants intended to support the adoption of GST InvoiceNow. Eligible GST-registered businesses with total annual sales of up to SGD 4 million may receive a SGD 1,000 GST InvoiceNow Transition Grant from July 1, 2026, to March 31, 2030. Businesses with total annual sales exceeding SGD 4 million may receive a SGD 5,000 transition grant from July 1, 2026, to March 31, 2028. Additionally, large enterprises with annual turnover exceeding SGD 4 million may receive a SGD 25,000 InvoiceNow Queen Bee Grant from July 1, 2026, to March 31, 2030, subject to the relevant eligibility conditions. For more information, click here.
- **Sri Lanka:**[xlvii] On June 30, 2026, Sri Lanka enacted the Value Added Tax (Amendment) Act No. 14 of 2026, introducing a fiscalization framework designed to enhance VAT compliance and transaction reporting. The Act requires all VAT-registered persons to use secured point-of-sale (POS) systems approved by the Commissioner-General for recording taxable sales, issuing invoices or receipts, and maintaining transaction records. These systems must capture transaction data in real time to support the proper accounting of turnover and the collection and remittance of VAT. Taxpayers must comply within three months of a date to be prescribed by the tax authority.
- **Vietnam:**[xlviii] On June 30, 2026, Vietnam issued Decree 254 and Circular 91, effective July 1, 2026, introducing significant updates to the e-invoicing mandate. Key changes include clarifying mandatory e-invoice contents, specifying issuance timing, and expanding requirements for businesses like those with annual revenue over VND 1 billion or multiple locations. Sellers without automated e-invoicing systems may issue invoices the next working day for night transactions. Operators of e-commerce platforms can

now voluntarily register for e-invoices. A new mandate requires submitting a Detailed Transaction Information Statement for certain services. To read a report prepared by KPMG in Vietnam, click here.

Global E-invoicing Developments Timeline

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

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Canada** published a report discussing amendments to British Columbia's PST Regulations that expand the scope of taxable accounting services effective October 1, 2026. The changes extend PST to services involving tax advice, tax-related document preparation, and representation in tax matters, including tax appeals, penalties, commissions, and interest. The report also highlights new PST exemptions for certain engineering and architectural services, services related to projects, property, or goods outside British Columbia, services provided between related corporations, and professional services acquired for resale. The changes take effect October 1, 2026. The report notes that transitional rules may subject professional services invoiced after September 30, 2026, to PST, even if the services were performed before that date.
- **KPMG in Chile** published a report discussing recent indirect tax developments, including Ruling No. 1538/2026, which clarifies the VAT treatment of invoice intermediation services, and Ruling No. 1412/2026, which addresses the issuance of settlement invoices. The report also discusses Ruling No. 1407/2026 on the tax implications of unreliable invoices. In addition, the report highlights Ruling No. 1531/2026 concerning stamp tax on refinancing arrangements granted by bank branches abroad.
- **KPMG Colombia** published a report (in Spanish) discussing the government's proposed 2026 tax reform bill, which includes several indirect tax measures. The proposal would expand the VAT base to additional goods and activities, including gambling, fuels, and alcoholic beverages, convert certain renewable energy investments from VAT-excluded to VAT-exempt status, and eliminate various existing VAT exclusions. The bill would also broaden the scope of consumption and health taxes to cover additional goods and services, including vehicles, entertainment, cultural and sporting activities, tobacco products, and vaping devices. The proposal also includes environmental tax measures, including changes to the carbon tax regime and the reintroduction of a special tax on hydrocarbon and coal extraction.
- **KPMG in Costa Rica** published a report discussing a proposal to require taxpayers to register with the tax administration the telephone numbers associated with electronic payment methods used in their business activities, including numbers used to receive payments through SINPE Móvil. According to the report, the proposed requirement would be added to the Tax Procedure Regulations and is intended to complement the e-invoicing rules introduced under version 4.4 of the electronic invoicing system, which

became effective September 1, 2025, and require identification of the payment method used in transactions.

- **KPMG in Honduras** published a report discussing a decision of the Constitutional Chamber of the Supreme Court of Justice that declared several provisions of Decree 113-2011 unconstitutional. From an indirect tax perspective, the court reaffirmed taxpayers' right to claim refunds or offsets of accumulated sales tax (ISV) credits and held that such rights cannot be forfeited upon the cessation of business activities. The decision confirms that valid ISV credits may continue to be recovered under the existing legal framework.

United States: California Budget trailer bill expands taxation of prewritten software and extends tax credit limitations

On June 29, 2026, California Governor Gavin Newsom signed S.B. 122, a budget trailer bill enacted to help finance the FY 2026–27 state budget. The bill substantially expands the taxation of prewritten software. It also extends and makes permanent a limit on the amount of tax credits that may be utilized in any one year.

Under prior California law, the sales and use taxation of prewritten computer software was generally limited to prewritten software transferred to the purchaser via tangible media. Effective January 1, 2027, S.B. 122 modifies the definition of "tangible personal property" subject to sales and use tax to include the term "digital product and any copyright or patent interests therein." The law defines "digital product" as prewritten computer software transferred on tangible media, transferred electronically, or accessed remotely. Digital assets, digital music, books, movies, and games, as well as digital infrastructure (defined as a cloud-based service accessed remotely on which a user may deploy its own software on the provider's digital platform), and custom software produced for only a single user are specifically excluded from the definition of digital product. Sales of digitally delivered software will be sourced primarily based on the billing or other address of the purchaser known to the seller; remotely accessed software will be sourced based on the user's physical location. Finally, if a purchaser exceeds $5 million in electronically delivered or remotely accessed software purchases from a retailer annually, the purchaser becomes liable for payment of use tax directly to the state, and the retailer is absolved from collection responsibility.

Since enactment, the California Department of Tax and Fee Administration (CDTFA) held its first implementation workshop on July 21, 2026, drawing more than 400 participants. The CDTFA acknowledged that numerous open issues — particularly for cloud-based and bundled offerings — will need to be resolved through emergency regulation, for which it has two-year emergency regulatory authority. Businesses should monitor forthcoming CDTFA guidance ahead of the January 1, 2027 effective date. For more information, click here.

Miscellaneous Developments in the Americas

- **Argentina:**[xlix] On July 22, 2026, Argentina's federal tax agency (ARCA) announced changes to the VAT credit recovery regime for mining companies. The amendments allow mining companies to obtain refunds of VAT paid on qualifying exploration-related purchases and imports before generating taxable sales, provided certain conditions are met. Eligible VAT credits must have remained unused for at least 12 tax periods and relate to approved exploration goods and services. Refund requests must be submitted using the relevant form and supported by documentation related to exploration activities and qualifying expenditures. The new rules apply to VAT refund requests for periods beginning in March 2026.
- **Bahamas:**[l] On July 1, 2026, The Bahamas enacted the Value Added Tax (Amendment) (No. 2) Act, 2026. Among other things, the legislation expands the withholding agent regime to apply to all government contracts, requiring government entities to withhold and remit VAT directly to the tax authority on payments for goods and services. The Act also expands VAT refund eligibility for registered non-profit organizations whose VAT paid on qualifying purchases exceeds the VAT they collect, subject to certain conditions. In addition, the legislation clarifies the VAT-exempt treatment of certain transfers of goods

between vessels and other vehicles outside The Bahamas and increases the property value threshold eligible for the reduced 4 percent VAT rate on first-time home purchases from BSD 500,000 to BSD 600,000.

- **Canada:**[li] On July 30, 2026, Canada's Department of Finance released draft legislation proposing several indirect tax changes for consultation. The proposals would introduce a mechanism requiring customers, rather than vendors, to account for and remit GST/HST on certain telecommunications transactions to help combat carousel fraud. The package would also expand GST/HST zero-rating to certain agricultural quotas provided under lease, license, or similar arrangements. In addition, the proposals would allow a registered charity, Wonderful World of Books, to claim a federal GST/HST rebate on qualifying printed books and certain audio recordings used in its literacy programs. The draft legislation also includes technical amendments to GST/HST rules and related indirect tax statutes.
- **Puerto Rico:**lii On June 30, 2026, Puerto Rico's Department of Treasury issued Internal Revenue Circular Letter 26-13, implementing Act 72-2025 and integrating the one percent Municipal Sales and Use Tax (SUT) into the Unified Internal Revenue System (SURI). The measure requires merchants to file a single monthly SUT return through SURI covering both state and municipal SUT for 73 participating municipalities, replacing separate municipal filings. Merchants in Bayamón, Carolina, Guaynabo, Mayagüez, and San Juan must continue filing directly with those municipalities. SURI will automatically create state and municipal SUT accounts, with merchants making a single electronic payment. The updated return introduces new schedules for municipal taxable and exempt transactions, inventory use, self-consumption, and reconciliations, and sets procedures for admissions taxes, imports, payments, credits, and adjustments. The changes apply starting with the July 2026 return due August 20, 2026.

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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 guidance issued by the Czech Republic's General Financial Directorate (GFD) on the VAT treatment of planning (zoning) agreements between municipalities and developers. The GFD clarified that the public-law nature of these agreements does not automatically place them outside the scope of VAT. When a municipality, municipal district, or region receives payment from a developer in exchange for fulfilling obligations under a planning agreement, the activity will generally be treated as an economic activity subject to VAT. The guidance also confirms that the VAT treatment must be assessed on a case-by-case basis to determine whether a developer's payment constitutes consideration for a specific sale. The clarification took effect on June 17, 2026, and applies regardless of when the agreement was concluded.
- **KPMG in Germany** published a report discussing recent indirect tax developments in Germany, including proposed changes to Germany's VAT grouping rules under the draft Annual Tax Act 2026 that would require taxpayers to make an election to form a VAT group rather than having one arise automatically. The report also highlights developments involving VAT exemptions for certain sales made within VAT groups and chain transactions, correction of VAT incorrectly charged on invoices following tax audits, the VAT treatment of loan administration services after loan transfers and sales made through app stores, as well as rules relating to admission rights. The proposed VAT grouping changes would apply beginning January 1, 2029, following a transition period through December 31, 2028.

- **KPMG in Ghana** published a report discussing the country's 2026 mid-year fiscal policy review, which outlines proposed customs and excise reforms, VAT implementation updates, and digital compliance measures. The report highlights proposals to expand VAT collection from nonresident digital platforms through a cross-border technology solution, introduce fiscal electronic devices and a VAT reward mechanism to improve compliance, and develop regulations supporting the Value Added Tax Act, 2026. It also discusses a proposed Excise Duty Bill that would revise excise duty rates, repeal the excise duty on locally manufactured fruit juices, and introduce new compliance and track-and-trace requirements for excisable goods. In addition, the report outlines customs administration measures intended to strengthen revenue collection, including enhanced controls over bonded warehouses, import declarations, and Free Zone operations.
- **KPMG in Hungary** published a report discussing the government's plan to maintain the current VAT return invoice-level reporting requirements for the domestic purchase listing (M-sheet). Although stricter M-sheet reporting rules took effect on July 1, 2026, the government intends to introduce legislation to prevent the new requirements from applying in practice. Businesses are therefore expected to continue reporting under the current rules while monitoring the proposed amendment's progress through Parliament.
- **KPMG in Kazakhstan** published a report discussing new rules for the VAT-free pilot project that expands access to VAT refunds for eligible foreign travelers. The changes expand the program to additional cities, lower the minimum purchase threshold for VAT refunds, and introduce electronic tax-free documentation through a mobile application and QR code. The rules also establish a local tax-free operator as an alternative to Global Blue and set deadlines and responsibilities for refund operators. The new rules took effect on June 21, 2026.
- **KPMG in Kenya** published a report discussing indirect tax measures introduced by the Finance Act, 2026, effective July 1, 2026. The Act expands the VAT base by bringing certain financial and digital payment services, including payment processing, cash handling services, and digital payment platform fees, within the scope of VAT. It also revises the VAT treatment of several goods and services, with some items moving between zero-rated, exempt, and standard-rated categories. The Act further increases the waiting period for claiming VAT refunds on bad debts from two to three years and allows vendors to deduct VAT on sales made to National Security Organs, even though such sales remain exempt.
- **KPMG in Poland** published a report discussing a Supreme Administrative Court decision concerning VAT deductions for hotel catering services. The court held that a taxpayer providing hotel services as part of broader tourism services taxed under the standard VAT regime may deduct VAT incurred on purchased catering services. In reaching its decision, the court relied on the EU VAT Directive's standstill clause and emphasized that domestic restrictions on VAT deductions must not undermine the principle of VAT neutrality.
- **KPMG in Poland** published a report discussing recent indirect tax developments in Poland. The report notes that the Ministry of Finance proposed measures to introduce electronic receipts (e-receipts) and pre-completed VAT returns for approximately 2 million taxpayers. It also highlights a Court of Justice of the European Union (CJEU) decision holding that a VAT representative cannot be held jointly and severally liable solely because of its role where it did not participate in the taxable transactions and acted in good faith.
- **KPMG in Poland** published a report discussing recent indirect tax developments in Poland. The report notes that the government is considering amendments to simplify excise duty compliance, including changes affecting aviation fuel, alcoholic beverages, biogas, and hydrogen. It also highlights a Supreme Administrative Court decision holding that sensor data from permanently attached devices may constitute a service connected with immovable property for VAT purposes, and another decision finding that certain technical support services provided to insurers do not qualify for the VAT exemption for insurance intermediation services.

- **KPMG in Poland** published a report discussing a recent Supreme Administrative Court decision on the VAT treatment of loans provided to special purpose vehicles (SPVs). The court held that long-term, interest-bearing loans granted to an SPV do not constitute an occasional activity for VAT purposes. As a result, the related interest income must be included in the VAT pro rata calculation when determining VAT credit recovery.
- **KPMG in Qatar** published a report discussing the implementation of an excise tax on sugar-sweetened beverages (SSBs), effective July 6, 2026. The new regime introduces product registration, compliance, and reporting requirements for affected businesses, including the classification of in-scope products, determination of applicable sugar tiers, and registration through a government portal. Businesses holding in-scope SSB inventory as of July 5, 2026, must file a transitional declaration within 90 days, with additional audited inventory reporting requirements for businesses holding 200,000 liters or more. The report also notes that new customs classification codes have been introduced to support the assessment of excise tax on imported SSBs.
- **KPMG in Serbia** published a report discussing new rulebooks that establish the practical framework for implementing the country's CO_2 taxation system. The rulebooks set out the filing, recordkeeping, and tax credit requirements for the greenhouse gas emissions tax and the tax on imports of carbon-intensive products, including supporting documentation requirements. They also prescribe the information and deadlines for data exchanges between customs and tax authorities. The rulebooks took effect on July 23, 2026.
- **KPMG in the United Arab Emirates** published a report discussing new guidance on VAT adjustments following a registrant's exit from a VAT group. Under Directive on Tax Transactions No. 2 of 2026, a person that leaves a VAT group but remains VAT-registered must account for VAT and VAT credit adjustments relating to pre-exit transactions that were previously reported in the VAT group's VAT returns. The guidance also requires registrants to maintain supporting documentation linking the adjustments to historical VAT group transactions. The directive takes effect on August 1, 2026.
- **KPMG in the United Kingdom** published a report discussing HMRC's final regulations and detailed guidance for the UK Carbon Border Adjustment Mechanism (CBAM). On July 23, 2026, HMRC released the final framework for the regime, providing greater clarity on its practical operation. The regulations outline the scope of covered imports, the data businesses must collect and maintain, reporting requirements, and compliance procedures. The package also clarifies how CBAM liabilities will be administered and enforced by HMRC. The final rules provide greater certainty for businesses following the publication of the primary CBAM legislation on March 18, 2026, replacing earlier draft regulations and high-level policy guidance with a comprehensive framework for calculating, reporting, and complying with CBAM obligations on affected imports.
- **KPMG in the United Kingdom** published a report discussing draft legislation for Finance Bill 2026 - 2027. The draft legislation includes measures to repeal the GBP 135 low-value goods (LVG) customs threshold. The proposal would remove the current customs duty relief for low-value imports, making such goods subject to customs duty under a new customs framework based on consignment value. The proposed regime would also introduce UK-based fiscal representatives that would be jointly and severally liable for customs debts arising from declarations made by overseas sellers. In addition, HMRC and HM Treasury would receive expanded powers to prescribe reporting, compliance, enforcement, and administrative requirements through secondary legislation and public notices. The new rules would take effect on a date specified by regulations, no later than October 2028. The draft legislation would also introduce a statutory duty to correct tax inaccuracies and expand HMRC's compliance powers. Taxpayers would be required to correct known errors in tax documents, including VAT and excise tax filings, and HMRC would be authorized to issue Customer Correction Notices requiring taxpayers to correct inaccuracies or explain why no correction is needed. Failure to comply could result in penalties and extended assessment periods.

Roundup of Latest Court of Justice of the European Union Cases

On July 8, 2026, the General Court of the European Union (GC) published its decision in *Rapera,* Case T-356/25, in which it held that a tax representative may be held liable for VAT where it has been formally appointed by a taxpayer. However, a tax representative that merely fulfills VAT compliance obligations and is not involved in the underlying transactions cannot automatically be held jointly and severally liable for unpaid VAT, particularly where it acted in good faith and had no knowledge of the non-payment.

On July 9, 2026, the Court of Justice of the European Union (CJEU) published its decision in *X (Schoger II)*, Case C-360/25, in which it held that a national VAT exemption for services—not otherwise exempt—provided between undertakings primarily carrying out banking, insurance, or pension fund transactions constitutes unlawful State aid under Article 107(1) of Treaty on the Functioning of the European Union (TFEU). The case concerned an Austrian exemption (repealed effective January 1, 2025) that, in practice, had been applied broadly by the tax authorities to exempt a wide range of inter-company services (e.g., IT, consultancy, restaurant, and childcare services) that had no basis in the exhaustive list of exemptions under Article 135 of the EU VAT Directive. The CJEU found all four State aid conditions satisfied, as the measure was imputable to the State, involved a potential loss of tax revenue, conferred a selective advantage on beneficiary undertakings, and was liable to distort competition and affect trade between Member States. The CJEU also declined to limit the temporal effects of its judgment.

On July 10, 2026, the GC issued a reasoned Order in *Rotex Europe Ltd*, Case T-84/26, in which it held that a Member State cannot refuse the right to deduct VAT on goods acquired before VAT registration solely on the ground that those goods were no longer physically present on the date of registration. The case concerned a UK-established company that acquired machinery from Bulgarian sellers and resold it before registering late for VAT in Bulgaria, where national law conditioned deduction on the physical presence of the goods at the registration date. The GC confirmed that the right of deduction is a fundamental component of VAT neutrality and cannot be defeated by a formal, physical-presence requirement where the substantive conditions for deduction are otherwise satisfied.

On July 15, 2026, the GC published its decision in *Sampension Livsforsikring*, Case T-268/25, in which it held that Member States generally cannot require one member of a VAT group to own all of the capital of the other members as a condition for forming a VAT group, unless the requirement is necessary to prevent tax evasion or avoidance. In addition, taxpayers cannot rely directly on the EU VAT Directive to challenge incompatible national VAT grouping rules.

On July 16, 2026, the CJEU published its decision in *AEDT and État du Grand-Duché de Luxembourg*, Case C-158/25, in which it held that directors must have an effective right to challenge the VAT liability attributed to them, including the underlying VAT assessment and the factual and legal findings on which the liability is based. Taxpayers facing personal liability for a company's VAT debts must be given a meaningful opportunity to defend themselves and challenge the basis of that liability.

On July 16, 2026, the CJEU published its decision in *Lin II*, Case C-280/25, in which it held that where national law does not set a threshold, fraud involving more than EUR 50,000 must be treated as serious fraud for purposes of EU law. The court also clarified that, except in limited circumstances involving final court decisions, national rules cannot be applied in a way that risks preventing the effective prosecution of serious fraud affecting the EU budget.

Miscellaneous Developments in EMEA

- **Austria:**[liii] On June 25, 2026, the Austrian Federal Fiscal Court published its decision in case RV/1200003/2024 concerning the evidentiary and due diligence requirements for applying the import VAT exemption under customs procedure code 4200. The court emphasized that taxpayers must maintain sufficient documentation to demonstrate the identity of the recipient, the destination of the goods, and compliance with the conditions for the exemption. The decision also highlights the importance of timely

VAT identification checks, customer due diligence, and shipping documentation, indicating that taxpayers that fail to exercise the diligence expected of a prudent trader may be denied the exemption and any related VAT refund claims.

- **Austria:**[liv] On June 26, 2026, the Austrian Federal Fiscal Court published its decision in case RV/2100691/2022 concerning VAT refund claims by non-EU businesses. The court held that VAT incurred on fuel purchases is not eligible for refund under Austria's VAT refund regime for non-EU businesses, including operators of river cruise vessels. In reaching its decision, the court confirmed that the restriction applies broadly to all fuel purchases and is not limited to road transport operators.
- **Austria:**[lv] On June 26, 2026, the Austrian Federal Fiscal Court published its decision in case RV/6100435/2022 concerning the availability of VAT deductions for property development projects. The court held that VAT incurred on acquisition, planning, and development costs is not recoverable where the evidence indicates that the property is intended for VAT-exempt real estate transactions. The court emphasized that taxpayers seeking to deduct VAT based on an intended taxable use must be able to demonstrate, through objective evidence, that a taxable sale or rental activity is more likely than a VAT-exempt disposal of the property.
- **Austria:**[lvi] On June 29, 2026, the Austrian Federal Fiscal Court published its decision in case RV/1200008/2022, granting a freight-forwarding company a refund of import VAT. The taxpayer had cleared mobile phones for free circulation as an indirect representative, claiming the import VAT exemption for goods followed by an intra-EU transfer. The customs authority denied relief, alleging gross negligence because the taxpayer verified customers' VAT identification numbers only after clearance and obtained invoices and shipping documents (CMR) late. The court held that these breaches were not causal to the loss of the exemption—had the checks been performed on time, the VAT numbers would have been valid and the shipping documents unremarkable. Fraud by the customer could not be attributed to the taxpayer.
- **Austria:**[lvii] On June 29, 2026, the Austrian Federal Fiscal Court published its decision in case RV/7105016/2019 concerning the VAT and corporate income tax treatment of subcontractor invoices in the construction sector. The court dismissed the taxpayer's challenge to the reopening of its VAT and corporate income tax assessments for 2012 through 2015, holding that the audit's findings—that 27 subcontractors were not the actual providers of the invoiced services—constituted new facts justifying reopening under Section 303 of the Federal Fiscal Code. On the merits, the court upheld the tax authority's approach in principle: because the taxpayer kept no records of on-site personnel and could not substantiate the invoicing subcontractors, the authority was entitled to estimate the disallowed expenses and impose security surcharges for the serious bookkeeping deficiencies.
- **Bahrain:**[lviii] On July 29, 2026, Bahrain's National Bureau for Revenue updated its VAT General Guide to Version 1.15, adding guidance on VAT invoice descriptions and capital asset VAT adjustments. The invoice update clarifies that full and simplified invoices must describe goods or services in enough detail to determine the correct VAT treatment, and invoices for construction of a new building must include the relevant building permit number. The capital asset update explains that VAT credits recovered on capital assets must be adjusted when the asset's actual use changes during the adjustment period, including changes between taxable and exempt activities. The adjustment period is five years for movable tangible and intangible assets and 10 years for immovable assets, with adjustments calculated based on the percentage of taxable or exempt use.
- **Bahrain:**[lix] On July 22, 2026, Bahrain's National Bureau for Revenue published Version 1.10 of its VAT Registration Guide, updating the expected processing timelines for VAT registration-related applications. The guide now states that the NBR will review and process applications to amend NBR registration details within five working days from submission, while new VAT registration applications and VAT registration amendment applications will generally be processed within 21 working days.

- **Burundi**:[lx] On June 30, 2026, Burundi enacted the Finance Law 2026/2027, introducing several indirect tax measures effective July 1, 2026. The law revises the VAT registration thresholds, requiring mandatory registration for businesses with annual taxable gross receipts of at least BIF 25 million, annual local purchases and/or imports of at least BIF 50 million, or inventories of raw materials, finished or semi-finished products, or goods exceeding BIF 50 million. Businesses with annual taxable gross receipts of at least BIF 5 million may register voluntarily. In addition, it introduces a regional integration levy on certain imports originating outside East African Union countries.
- **Croatia:**[lxi] On July 9, 2026, Croatia's tax authority clarified the VAT treatment of recharging a proportional share of an insurance premium within a corporate group. The guidance addressed a joint liability insurance policy under which one group company acted as the policyholder and paid the premium, then recharged each of the other insured group companies for its share of the cost. The tax authority concluded that the recharge is not consideration for a taxable sale, but merely an allocation of each insured company's portion of the insurance cost, and therefore falls outside the scope of VAT.
- **Croatia:**[lxii] On July 15, 2026, Croatia's tax authority clarified the VAT rules for tax-free shopping refunds for non-EU travelers. The authority stated that sellers must issue a separate PDV-P refund form for each invoice, so multiple invoices cannot be combined into one VAT refund request. It also confirmed that intermediary services connected with VAT refunds for foreign travelers are VAT-exempt, and that the exemption applies to the intermediary's entire fee rather than selected parts of the fee.
- **Czech Republic:**[lxiii] On July 1, 2026, the Czech General Financial Directorate updated its guidance on the VAT treatment of goods donated free of charge where the taxpayer previously recovered VAT on the purchase. The guidance confirms that taxpayers generally must treat these donations as subject to VAT, with the taxable amount based on the goods' residual or comparable market value at the donation date, taking into account condition, depreciation, and marketability. A minimal taxable amount may be acceptable for goods that are still usable but difficult or impossible to sell, such as food nearing expiry, damaged products, obsolete goods, or seasonal inventory after the selling period, provided the taxpayer can substantiate the reduced value. The guidance also emphasizes the need to retain documentation showing the goods donated, their condition and value, the recipient, the donation date, and the charitable purpose. Goods acquired specifically for donation generally do not give rise to VAT recovery, and their later donation is not subject to VAT, except in limited statutory cases.
- **Denmark:**[lxiv] On June 26, 2026, the Danish National Tax Tribunal published decision SKM2026.316.LSR, upholding the tax authority's decision to revoke a company's VAT registration after finding that the company, or someone acting on its behalf, had at least acted with gross negligence by submitting incorrect VAT reporting information. The company had claimed VAT recovery based on invoices from two subcontractors, but the tribunal found that the company had not documented actual trading, the invoices were doubtful, and the referenced contracts were not provided. Since the shareholder knew that certain invoiced services had not been provided, the tribunal found that the company was not entitled to the claimed VAT recovery and confirmed the revocation of its VAT registration.
- **Denmark:**[lxv] On July 20, 2026, the Danish Tax Council published two companion binding rulings (SKM2026.336.SR and SKM2026.337.SR) confirming that positive price supplements received under a capacity-based Contract for Difference (K-CfD) with the Danish Energy Agency fall outside the scope of the VAT Act and do not restrict a concession holder's VAT deduction right. The taxpayers, energy companies bidding for Danish offshore wind concessions, sell electricity on the open market—a taxable sale—while receiving supplements when the market price falls below the agreed settlement price. Following a previous ruling, the Council held the supplements are an inseparable term of the concession and non-taxable, as the Agency's award of concessions is not economic activity. It further found they form part of a single economic activity of selling taxable electricity, so full VAT recovery is retained.
- **European Union:**[lxvi] On July 8, 2026, the European Commission published minutes from the June 25, 2026 joint meeting of the Group on the Future of VAT and the VAT Expert Group. The meeting covered

future VAT policy work on financial services, including possible modernization of VAT exemption rules, reduced non-recoverable VAT, VAT grouping, and the option to tax. Participants also discussed VAT reforms beyond the VAT in the Digital Age package, including cross-border VAT refunds, One-Stop Shop procedures, digital reporting, split payments, exemptions, hidden VAT, and circular economy issues. In addition, the groups reviewed draft explanatory notes on the ViDA platform economy rules and digital reporting requirements, with participants requesting further clarification on deemed seller rules, chain transactions, VAT groups, invoice corrections, interoperability, and implementation flexibility. Written comments were requested by July 31, 2026, and the next joint meeting is scheduled for November 19, 2026.

- **European Union:**[lxvii] On July 27, 2026, the Council of the European Union published Regulation (EU) 2026/1743, amending the EU VAT administrative cooperation rules to give the European Public Prosecutor's Office and the European Anti-Fraud Office (OLAF) targeted access to Union-level VAT information for cross-border fraud investigations. The Regulation requires Eurofisc to share analysis reports on suspected cross-border VAT fraud with the EPPO and customs-related VAT fraud affecting EU financial interests with OLAF. It also creates a centralized access point for case-specific searches of VAT identification, intra-EU transaction, Import One-Stop Shop mechanism (IOSS), Central Electronic System of Payment (CESOP) payment, and, from July 1, 2030, central VAT Information Exchange System (VIES) information. Access is limited to authorized users and specific investigations, with audit logs and technical safeguards to prevent general monitoring or untargeted searches. The Regulation will apply from August 17, 2027, with the central VIES access rules applying from July 1, 2030.
- **European Union:**[lxviii] On July 28, 2026, the European Commission published Implementing Regulation (EU) 2026/1869, updating the administrative and technical rules for the EU VAT special mechanisms, including the Union One Stop Shop, Import One Stop Shop, non-Union mechanism, and new transfer of own goods mechanism. The Regulation updates definitions, registration procedures, data exchange rules, VAT return reporting, and electronic message formats to reflect recent amendments to the EU VAT Directive and administrative cooperation rules. It also requires Member States to pre-fill available registration data, clarifies nil return and reporting requirements, and replaces the annexes containing the relevant forms and technical specifications. The Regulation will enter into force 20 days after publication in the Official Journal, with most provisions applying from July 1, 2028, and certain registration-related rules applying from January 1, 2027, through June 30, 2028.
- **European Union:**[lxix] On July 10, 2026, the European Commission published the *Annual Report on Taxation 2026*, reviewing indirect tax developments across EU Member States. The report notes that VAT remained a stable revenue source, accounting for 18.1 percent of total tax revenue and 7.1 percent of GDP in 2024. Environmental tax revenue also stabilized at 5.3 percent of total tax revenue, or 2.1 percent of GDP, although it remained below 2014 levels, with energy taxes continuing to make up the largest share. The report also highlights that recent indirect tax reforms focused mainly on VAT rate reductions, environmental tax measures in the agriculture and automotive sectors, and excise duty increases for tobacco, alcohol, and sugar-sweetened beverages. At the EU level, the report points to ongoing work on VAT in the Digital Age, the Energy Tax Directive, and the Tobacco Taxation Directive.
- **Finland:**[lxx] On June 16, 2026, Finland's Central Tax Board issued ruling KVL:2026/19, addressing the VAT treatment of services a fund administrator (X Oy) purchased from U.S. providers as part of outsourced alternative investment fund management functions. The Board held that tax-return services (covering withholding tax and reporting on U.S.-source dividends, interest, and income taxes) and legal due diligence services (reviewing partnership agreements and offering memoranda of U.S. private equity funds) were general expert services common to all types of investing—not services specific to fund management—and were therefore subject to VAT under the self-assessment regime. By contrast, a regulatory-compliance monitoring service analyzing U.S. securities-law reporting obligations was found to fulfil the specific and essential functions of fund management and thus qualified for the VAT exemption.

- **Finland:**[lxxi] On June 18, 2026, the Supreme Administrative Court of Finland issued decision KHO:2026:48, concerning a VAT penalty imposed after a taxpayer submitted two conflicting VAT returns for the 2022 tax period. The taxpayer's accountant timely filed a largely correct return, but a previously used light-entrepreneur ("kevytyrittäjä")service later filed a replacement return reporting no VAT because the taxpayer had forgotten to cancel the service's authorization. The court found the standard 10 percent penalty disproportionate because the replacement return resulted from a genuine human error and clearly conflicted with the original return, limiting the risk that the tax authority would incorrectly assess the taxpayer's VAT. However, the taxpayer remained responsible for ensuring that the obsolete authorization was cancelled. The court therefore reduced the penalty to three percent rather than removing it entirely.
- **Finland:**[lxxii] On June 30, 2026, the Finnish Tax Administration issued Guidance No. VH/3803/00.01.00/2026, updating its guidance on determining the taxable amount for import VAT. The guidance clarifies that the taxable amount generally starts with the customs value confirmed by Finnish Customs and includes shipping, loading, unloading, insurance, and other import-related costs up to the destination in Finland or, in certain cases, another EU member country. The guidance also confirms that anti-dumping duties, countervailing duties, and other import-related charges form part of the import VAT base, while import VAT and car tax are excluded. It further updates the applicable VAT rates and addresses VAT-exempt imports, import-related services, chain transactions, customs warehousing, customs auctions, outward processing, software provided on data carriers, and other special valuation situations.
- **Finland:**[lxxiii] On July 1, 2026, the Finnish Tax Administration published guidance VH/961/00.01.00/2026, updating its VAT guidance on vouchers to reflect recent court decisions and VAT rate changes. VAT generally applies when a single-purpose voucher is sold because the place of taxation and applicable VAT are already known, while a multi-purpose voucher is generally taxed when redeemed. The guidance also clarifies the distinction between vouchers and payment instruments, tickets, activation codes, and certain loyalty points, and confirms that separate voucher distribution and administration services are generally subject to the 25.5 percent standard rate. It also incorporates the earlier increase in the standard rate to 25.5 percent and the 13.5 percent reduced rate effective January 1, 2026.
- **France:**[lxxiv] On June 26, 2026, the Marseille Administrative Court of Appeal ruled in Decision No. 26MA00853 on VAT reassessments resulting from the tax authority's reconstruction of a bar operator's receipts after finding its accounting records irregular and unreliable. The taxpayer argued that receipts diverted to third parties through extortion should not remain subject to VAT and should support a VAT deduction. The court held that receipts generated through a taxable business activity remain subject to VAT even if third parties subsequently obtain part of those receipts through threats or coercion. The diverted receipts therefore remained taxable because the taxpayer had earned them through its business. However, the extorted amounts were not payments for services provided by the third parties and therefore did not create any VAT that the taxpayer could deduct. The court accordingly upheld the disputed VAT reassessments and related penalties.
- **France:**[lxxv] On June 26, 2026, the Marseille Administrative Court of Appeal upheld in Decision No. 25MA00404 VAT assessments against a boat repair company for 2016 and 2017. The company argued that its repair and maintenance services for commercial vessels used on the high seas qualified for a VAT exemption and that it could recover VAT mistakenly charged on invoices for allegedly exempt work. The court held that repairs and maintenance may qualify for the exemption when the vessels meet the requirements for commercial ships used on the high seas. However, the company's documentation did not establish that the seven vessels at issue met those requirements, including the required use outside French territorial waters, and the company did not identify the specific services and invoices concerned. The court also held that a business remains liable for VAT shown on an invoice, even when charged in error. Although the business may correct improperly invoiced VAT when there is no risk of lost tax revenue, it had not shown that its customers could not claim a corresponding VAT deduction or that it had

issued corrected invoices. The court therefore denied the claimed exemption and correction and upheld the disputed VAT assessments.

- **France:**[lxxvi] On June 30, 2026, the Paris Administrative Court of Appeal, in Decision No. 25PA01742, partially reduced VAT assessments imposed on a sales agent who had failed to file VAT returns for 2018 and 2019. The taxpayer sought VAT deductions for hotel, restaurant, and fuel expenses incurred while conducting their itinerant business activities. The failure to file the required returns placed the burden on the taxpayer to establish entitlement to the deductions. On appeal, the taxpayer provided compliant invoices, bank statements confirming payment of the expenses, and business calendars linking the expenses to taxable activities. The tax authority did not meaningfully dispute this evidence. The court therefore allowed the VAT deductions and reduced the related assessments and penalties.
- **France:**[lxxvii] On July 1, 2026, the French tax authority published ruling BOI-RES-TVA-000256, clarifying the VAT treatment of successive sales when the first seller exports goods from France to a non-EU country. If the first seller completes the customs formalities and arranges for the goods to leave the EU, that seller's sale generally qualifies for the export VAT exemption, provided the seller can document the transfer of control over the goods and their physical departure from the EU. Later sales in the chain generally constitute sales of goods outside the scope of French VAT because the goods are treated as located outside the EU. However, an intermediary's transaction constitutes a taxable service rather than a sale of goods if the intermediary never obtains the practical ability to control the goods. This treatment may apply to certain chain arrangements in which intermediaries transfer only a right to delivery, and to fuel sold directly to a vessel or aircraft before the intermediate sales occur. Those services are generally taxable where the business customer is established.
- **France:**[lxxviii] On July 1, 2026, the French tax authority updated its guidance on the small business VAT exemption to reflect changes introduced by the 2024 Finance Law and subsequent legislation concerning microbusinesses and small businesses. The guidance incorporates Directive (EU) 2020/285, which coordinates the VAT exemption for qualifying small businesses across the EU. Since January 1, 2025, qualifying businesses established outside France may request the exemption for sales made in France. Similarly, qualifying businesses established in France may use the exemption for sales made in other Member States that have implemented the regime. The guidance clarifies the eligibility rules, French and EU-wide annual sales thresholds, EU sales reporting requirements, effects of claiming the exemption, and deactivation of the VAT identification number assigned for the regime.
- **France:**[lxxix] On July 2, 2026, the Bordeaux Administrative Court of Appeal upheld in Decision No. 24BX01366 the cancellation of VAT assessments imposed on a real estate company that had deducted VAT on the acquisition and renovation of a property intended for taxable furnished rentals with hotel-like services. During the renovations, the company temporarily allowed two related businesses to use parts of the property without charge. The tax authority argued that this use ended the company's taxable activity and required it to repay previously deducted VAT. The court held that previously deducted VAT must be adjusted only when the taxpayer definitively stops using, or intending to use, the property for taxable activities. The temporary no-charge arrangement did not establish such an abandonment, particularly because the company later entered into a commercial lease for the planned rental activity. Whether the subsequent rentals ultimately qualified as taxable could require a later VAT adjustment, but did not invalidate the original deductions. The court therefore rejected the tax authority's appeal and preserved the company's VAT deductions.
- **France:**[lxxx] On July 8, 2026, the European Commission issued a reasoned opinion to France for failing to fully implement the EU special VAT regime for small businesses. The regime allows qualifying small businesses to sell goods and services without charging VAT and with reduced compliance obligations, including when they operate in an EU country other than the country where they are established. France had not implemented all IT functions required to exchange information with other EU countries and operate the cross-border exemption correctly. The reasoned opinion represents the second formal step in

the infringement process. France has two months to address the issue, after which the Commission may refer the case to the Court of Justice of the European Union.

- **France:**[lxxxi] On July 8, 2026, the French tax authorities updated guidance BOI-TVA-CHAMP-10-10-40-10 on the VAT treatment of finance leases and leases with purchase options involving movable or real property. The guidance confirms that transferring an asset to a customer under such an agreement does not constitute a sale of goods because the customer has an option, rather than an obligation, to purchase the asset. The arrangement is therefore treated as a rental for VAT purposes until the customer exercises the purchase option. If the option is exercised, a separate sale occurs at that time, including when someone other than the former lessee purchases the asset. For movable property, the owner generally makes a taxable sale of used business property. For real property, the sale is generally subject to VAT unless it involves a building completed more than five years earlier or qualifying land, although the seller may be able to elect to charge VAT.
- **France:**[lxxxii] On July 9, 2026, the Toulouse Administrative Court of Appeal, in Decision in No. 24TL01505, reinstated VAT assessments and penalties against an energy consulting company that managed and sold energy savings certificates. The company deducted VAT charged by business partners on amounts covering incentives granted to customers for energy-efficiency projects. The court denied the deductions because those payments encouraged customers to undertake the projects but did not compensate the partners for identifiable goods or services provided to the company. The payments instead subsidized part of the price charged to the customers. The court also denied VAT deductions claimed on invoices for energy renovation work that the tax authority established had not occurred, including related referral services whose performance the company could not substantiate. It reinstated the 40 percent penalty because the company failed to verify the work despite significant warning signs, including contractors appearing as both installers and beneficiaries and multiple completion certificates signed by the same person.
- **France:**[lxxxiii] On July 9, 2026, the Bordeaux Administrative Court of Appeal upheld in Decision No. 24BX01586/24BX01935 a VAT exemption for a company's sales of gold coins acquired from individuals and resold to a related company. The tax authority acknowledged that the coins met the substantive requirements for investment gold but denied the exemption because the sales invoices omitted required information, including certain details about the coins and their gold content. The court held that a taxpayer cannot lose a VAT exemption solely for failing to meet formal requirements when the substantive requirements are satisfied and the omissions do not prevent the tax authority from verifying eligibility. The company maintained a register that allowed the coins to be traced, the coins appeared on the applicable list of qualifying investment gold, and the audit identified no fraud. The court therefore preserved the VAT exemption. However, it separately upheld a flat tax on precious metals because the coins qualified as precious metals rather than jewelry.
- **France:**[lxxxiv] On July 20, 2026, the Douai Administrative Court of Appeal upheld in Decision No. 25DA00918 VAT assessments against an energy consulting company that received advance payments to distribute energy-saving equipment and prepare related energy savings certificate applications. The company argued that the payments merely financed equipment purchases, were passed to vendors, and should not attract VAT because a commercial dispute prevented completion of the project. The court held that VAT applies to an advance payment when the agreement clearly identifies the future service and its performance is not uncertain when the customer makes the payment. Here, the contract specified the company's responsibilities, linked the payments directly to those services, and the company had already completed part of the work. The later dispute, termination of the contract, and recording of the funds in a suspense account did not change their treatment. The court therefore concluded that the payments represented compensation for services and that VAT became due when the company received them, even though it did not complete the project.

- **France:**[lxxxv] On July 22, 2026, the French Council of State published Decision No. 504330, limiting the VAT refund available to a bank that had incorrectly charged VAT on fees related to deceased customers' accounts. The bank alternated between VAT payable and VAT credit positions during the relevant period and sought a refund of the VAT paid in error. The court held that when correcting overpaid VAT, a taxpayer must carry forward any unused VAT credit and apply it against VAT payable in all subsequent months covered by the refund claim. The tax authority had instead divided the period into shorter segments and applied each credit only against the VAT payable in the final month of that segment, without carrying any remaining credit forward. The court found that this approach understated the potentially refundable amount.
- **France:**[lxxxvi] On July 24, 2026, the French Council of State held in decision No. 507000 that a wine producer could not claim the export VAT zero rating on sales to a French distributor merely because the producer shipped the wine directly to the distributor's customers in China. The invoices identified the French distributor as the purchaser, while the export documents identified the distributor's Chinese customers as the recipients. The court held that a sale qualifies for the export VAT zero rating when the seller ships the goods to its purchaser outside the EU. Although the producer arranged the shipment to China, it sold the wine to a purchaser established in France and shipped the goods to third parties rather than to that purchaser. The sales to the French distributor therefore did not qualify as zero-rated exports, even if the producer arranged the shipment on the distributor's behalf.
- **France:**[lxxxvii] On July 27, 2026, France issued Ordinance No. 2026-671 to refine its recodified VAT framework and make technical and substantive amendments to the Code of Taxes on Goods and Services. The ordinance confirms that Saint-Martin remains outside the French VAT area and generally aligns Monaco's VAT treatment with that of metropolitan France. The ordinance also revises rules governing VAT deductions, intra-EU transactions, digital platforms, distance sales, special VAT regimes, invoice retention, the reduced VAT rate for qualifying press publications, and VAT-free shopping for travelers. It introduces penalties of up to EUR 300,000 for operators that participate in traveler VAT refund programs without authorization or fail to comply with applicable requirements. Most provisions take effect on January 1, 2027, while certain changes concerning customs and indirect tax administration take effect on January 1, 2029.
- **Gibraltar:**[lxxxviii] On 15 July 2026, Gibraltar's new transaction tax (TT) — plus related excise duties — took effect on imports, domestic production, irregularly entered goods, and travelers' goods exceeding duty-free allowances, under Gibraltar's new customs union with the EU. The standard TT rate phases in over three years: 15 percent in year one, 16 percent in year two, and 17 percent (or, if higher, the EU's then-lowest standard VAT rate) from year three — a rate that also serves as a permanent floor. A 5 percent rate applies to goods including agricultural products, children's clothing/footwear, car seats, bicycles, and art, while food (excluding alcohol), water, pharmaceuticals, medical/sanitary equipment, books, and solar panels are zero-rated. Excise duties must converge toward Spanish rates within three years, with separate rules for tobacco and hydrocarbons. An independent observatory may issue binding rate adjustments to prevent market distortions; if Gibraltar doesn't comply, Spain may apply Spanish VAT and excise duties to goods shipped there.
- **Isle of Man**:[lxxxix] On July 29, 2026, the Isle of Man simplified the VAT capital goods regime, which requires businesses to adjust VAT deductions on qualifying capital assets over several years when their taxable use changes. The changes remove all computers and computer equipment from the regime, regardless of value, and increase the qualifying expenditure threshold for land, buildings, and civil engineering works from GBP 250,000 to GBP 600,000, excluding VAT. The changes reduce the number of assets subject to the regime and the related calculation requirements. They apply to capital expenditure incurred on or after July 29, 2026. Assets already covered by the regime before that date remain subject to the previous rules.

- **Italy:** On June 25, 2026, the Italian Supreme Court issued Order No. 21731, confirming that a Luxembourg company directly registered for VAT in Italy could use the VAT refund procedure for EU businesses not established in Italy. The tax authorities had denied the refund because the purchase invoices referenced the company's Italian VAT number rather than its Luxembourg VAT number. The Supreme Court held that direct VAT registration is an administrative formality and does not create a separate taxpayer or change a foreign business's nonresident status. The right to recover VAT belongs to the business itself, not to a particular VAT number. The Supreme Court therefore rejected the view that the VAT number shown on an invoice determines whether the nonresident refund procedure is available. Accordingly, a nonresident EU business may use that procedure if it meets the applicable requirements and does not recover the same VAT twice, even when invoices reference its Italian VAT number.
- **Italy:**[xc] On May 12, 2026, the Puglia Tax Court of Second Instance issued Decision No. 1489/2026, rejecting a customer's claim for a refund of VAT charged on general electricity system charges. The customer argued that the charges were taxes and therefore should not form part of the taxable amount for electricity sales. The court held that a customer generally must seek repayment of incorrectly charged VAT from the vendor, rather than directly from the tax authorities. A direct refund claim is available only in limited circumstances, and the customer had not shown that recovering the VAT from the vendor was impossible or excessively difficult. The court also found that the electricity system charges represented part of the contractual price for the electricity, rather than taxes, and therefore properly formed part of the VAT base.
- **Italy:**[xci] Effective October 1, 2026, Italy has proposed to apply a EUR 2 handling fee on low-value e-commerce shipments from non-EU countries, in addition to the EU's EUR 3 flat-rate customs charge for consignments valued at no more than EUR 150. The EU charge applies from July 1, 2026, and temporarily replaces the customs duty exemption for low-value imports, while the Italian fee covers administrative costs associated with customs clearance, tax collection, and compliance checks. The two charges will apply cumulatively because they serve different purposes. Italy originally scheduled the national fee to take effect on January 1, 2026, but postponed implementation until October 1, 2026.
- **Italy:**[xcii] On July 15, 2026, the Italian government clarified the VAT treatment of destocking transactions conducted through securitization structures. These arrangements transfer assets to a special purpose vehicle to generate liquidity before their sale. The government confirmed that using a securitization structure does not automatically qualify the transaction for the VAT exemption for financial transactions. Instead, the VAT treatment depends on the assets transferred. Sales of movable goods generally remain subject to the VAT rules applicable to those goods, while transfers of real estate must follow the specific property VAT rules, which may provide for exemption, mandatory taxation, or optional taxation. The financial transaction exemption may apply to transfers of receivables or other financial assets if the applicable requirements are met.
- **Italy:**[xciii] On July 7, 2026, the Council of the European Union published a proposed decision authorizing Italy to continue applying its VAT split payment mechanism through June 30, 2029. Under the mechanism, public authorities and certain publicly controlled companies pay VAT directly into an account accessible to the Italian tax authorities, while vendors receive only the invoice amount excluding VAT. Listed companies have remained outside the regime since July 1, 2025. The Council found that split payment remains an important part of Italy's efforts to combat VAT fraud and complements mandatory electronic invoicing by preventing vendors from retaining VAT before the authorities can identify discrepancies. Italy must submit a report by September 30, 2027, evaluating the mechanism's effectiveness, related anti-fraud measures, and VAT refund processing times. The proposed extension applies from July 1, 2026.
- **Italy:**[xciv] The Italian Revenue Agency recently issued Response No. 142/2026, clarifying that a government commissioner's reimbursement of employee costs to a company is subject to VAT when the company assigns its employee to work for the commissioner. The company remained the employee's

legal employer, paid the employee’s salary and related costs, and received full reimbursement from the commissioner. The Agency held that the company provided a service by making its employee available in exchange for reimbursement. A direct link existed between the personnel assignment and the payment, even though the employee worked exclusively for the commissioner and the company earned no profit. The VAT treatment does not depend on whether the reimbursement is less than, equal to, or greater than the company’s employment costs. Accordingly, for personnel assignment agreements entered into or renewed on or after January 1, 2025, the full reimbursement of salary, benefits, and related employment costs constitutes taxable compensation and is subject to VAT.

- **Italy:**[xcv] On July 20, 2026, the Italian Supreme Court issued Order No. 23612, holding that an accredited private healthcare facility may apply the healthcare VAT exemption to services provided both under agreements with Italy’s National Health Service and directly to self-paying patients. The exemption applies when the provider is formally accredited and delivers the services under social conditions comparable to those offered by public healthcare bodies. The Supreme Court explained that accreditation continuously and systematically integrates a private facility into the public healthcare system. Pricing is relevant but not decisive in determining whether privately paid services meet the comparable social conditions. Tax Authorities must also consider the quality of the services, their contribution to public health objectives, and cost efficiency. Accordingly, services provided to self-paying patients may qualify for the VAT exemption if the accredited facility delivers them under conditions comparable to those applicable to public healthcare bodies.
- **Kenya:**[xcvi] On July 1, 2026, the Kenya Revenue Authority launched a tax amnesty for liabilities arising through December 31, 2025. The program provides a 100 percent waiver of related penalties, interest, and fines. Taxpayers that have fully paid the principal tax receive the waiver automatically, while those with outstanding principal tax may request a structured payment plan through the iTax portal. Taxpayers must fully pay the principal tax by December 31, 2026, to qualify for the amnesty. Taxpayers that owe no principal tax but face late-filing penalties will receive an automatic waiver after filing all outstanding returns. The program does not cover tax liabilities arising in 2026. Taxpayers with active disputes may use the Kenya Revenue Authority’s Alternative Dispute Resolution process to settle the principal tax and access the amnesty.
- **Latvia:**[xcvii] On June 9, 2026, the Latvian State Revenue Service issued Ruling No. P005-17/8.6.4/34699 on the VAT treatment of terminal services purchased from a foreign provider in connection with imported goods. The importer had included the terminal service costs in the taxable amount for import VAT and asked whether it also had to self-account for VAT on the same invoice as a cross-border service purchase. The State Revenue Service confirmed that directly related service costs form part of the import VAT base when they are not already included in the customs value. Since the importer had included the terminal service costs in the import VAT base and accounted for VAT through the import procedure, it did not have to calculate or report VAT on those costs again under the VAT self-assessment rules. The importer must report the transaction as an import in the applicable VAT return and supporting VAT report.
- **Moldova:**[xcviii] On July 3, 2026, the Moldovan Ministry of Finance opened a consultation on draft rules that would apply VAT and, where applicable, excise duties to specified goods imported by businesses based in the Transnistrian region. From August 1, 2026, the proposed rules would cover goods including caviar, alcohol, tobacco, natural gas, electricity, perfume, furs, pearls, jewelry, precious metals, and vehicles. Ores, slag, ash, base metals, and base metal products would become taxable from January 1, 2027. Other goods could be cleared without VAT or excise duties if they remain in the Transnistrian region. Goods subsequently moved to the rest of Moldova would avoid a second payment of import taxes if the business documents the original import declaration, full payment of the applicable taxes, and entry into Transnistria. Without that documentation, VAT and excise duties would become payable, except on exports.

- **Netherlands:**[xcix] On July 16, 2026, the Netherlands opened a public consultation on a proposed sugar tax that the government intends to introduce from 2030. The consultation seeks views on whether the tax should apply to nonalcoholic beverages, food products, or both, and whether products should face the same rate or different rates based on their sugar content or product category. For nonalcoholic beverages, the government presents seven possible approaches, ranging from taxing all beverages based on sugar content to exempting categories such as mineral water, certain dairy and plant-based drinks, and fruit and vegetable juices. The consultation also considers how to tax products without labels showing their sugar content and whether administrative practicality should influence the tax's design.
- **Poland:**[c] On July 17, 2026, the lower house of the Polish Parliament adopted a draft law introducing a VAT warehouse regime and revising several VAT rules. Under the proposed regime, designated goods could remain in an authorized VAT warehouse for up to 24 months. Qualifying sales and intra-EU purchases of goods within the regime would be zero-rated, while limited processing that does not change the goods' customs classification would be permitted. Retail sales and use of the stored goods would be prohibited. The bill would also simplify reporting for businesses that cease operations, require electronic reporting of intra-EU purchases of new vehicles, and clarify that split payment does not protect a purchaser from joint liability where a transaction involves an abuse of law. It would also revise rules concerning agricultural businesses, VAT deductions for transactions considered invalid under private law, and insurance services connected with imports. The measures would take effect in stages between December 1, 2026, and July 1, 2028.
- **Poland:**[ci] On July 21, 2026, the Polish Council of Ministers proposed a bill to simplify VAT compliance for imports and exports. Businesses using simplified import VAT settlement would no longer need to provide a certificate confirming their active VAT status because the authorities would verify that status automatically. The bill would also require businesses to file import declarations electronically. For exports, businesses could use a broader range of evidence to demonstrate that goods left the EU and qualify for the zero VAT rate. The bill would also preserve simplified import VAT settlement for consignments valued at no more than EUR 150 following changes to EU rules. In addition, the exemption for low-value consignments sent from non-EU countries would extend to shipments addressed to individuals in other EU countries, rather than only individuals in Poland. The law would generally take effect 14 days after publication.
- **Qatar:**[cii] On July 6, 2026, the Qatar General Tax Authority implemented a tiered excise tax mechanism for packaged sweetened drinks. The tax applies to soft drinks, juices, concentrates, powders, extracts, and similar products containing added sugar or sweeteners, with the amount due based on sugar content. Only products with medium or high added-sugar levels are taxable, while drinks prepared for immediate consumption and sold without sealed packaging remain outside the regime. Businesses holding affected inventory must file a transitional declaration through the Dhareeba platform. Businesses holding less than 200,000 liters must file the declaration but will not owe excise tax on that inventory. Those holding at least 200,000 liters must also submit an audited inventory report and pay any tax due, although no tax will apply if all products fall within nontaxable categories. Taxpayers must file within 90 days of July 6, 2026, and pay any tax due within 30 days after filing.
- **Romania:**[ciii] On July 3, 2026, Romania published Ministry of Finance Order No. 814/2026, updating the procedure for obtaining a certificate that allows businesses to defer payment of import VAT. Applications, certificates, rejection decisions, and revocation decisions will now be processed electronically through the National Customs Decisions platform, replacing the previous paper-based process. Certificate holders may also request revocation through the platform. The order also removes the requirement for applicants to submit certain supporting documents. Customs authorities will instead verify tax and customs debts, VAT registration, insolvency status, and import thresholds directly through government databases and will continue monitoring compliance while the certificate remains valid.

- **Slovenia:**[civ] On July 13, 2026, the Slovenian Financial Administration updated guidance on Slovenia's VAT grouping regime, which took effect on January 1, 2026. Two or more businesses established in Slovenia may form a single taxpayer for VAT purposes if they maintain continuous financial, economic, and organizational links. The VAT group receives a common VAT identification number, and its designated representative handles the group's VAT obligations. Transactions between group members fall outside the scope of VAT and generally require no VAT reporting. However, transactions between a Slovenian group member and its head office or permanent establishment in another country remain subject to VAT. Group members must continue using their own legal names, addresses, and customs identification numbers, even though they no longer have separate VAT identification numbers. VAT groups must file monthly or quarterly returns (depending on their taxable sales in the previous calendar year) and maintain VAT records. However, foreign businesses registered for VAT in Slovenia must file monthly returns regardless of their gross sales. The guidance also addresses VAT deductions and refunds, import VAT reporting, invoicing, One-Stop Shop registration, stock transfers, fixed assets, and the entry and exit of group members.
- **South Africa:**[cv] On June 30, 2026, the South African Revenue Service (SARS) issued Binding General Ruling No. 75, clarifying the VAT treatment of ambulance services. Although South Africa exempts certain transportation of fare-paying passengers from VAT, the ruling finds that ambulance patients are not fare-paying passengers and that ambulance providers do not primarily provide public transportation. Instead, ambulance providers provide an integrated emergency medical service that includes patient stabilization, medical care, and transportation to or between healthcare facilities. The medical and transportation components cannot be separated without changing the nature of the service. Ambulance services are therefore generally subject to VAT at the standard 15 percent rate. However, services provided across or outside South Africa's borders may qualify for the zero rate. The ruling takes effect on January 1, 2027, and remains valid until withdrawn, amended, or superseded by legislation.
- **South Africa:**[cvi] On July 27, 2026, SARS issued VAT Ruling No. 022, confirming that a South African company qualified as a VAT enterprise when it voluntarily registered, even though it had not yet made taxable sales. The company was formed to acquire a South African business as a going concern and incurred setup costs while pursuing the acquisition. Although the competition authority did not approve the transaction, the company was considering an appeal or alternative business activities and was appointing employees to provide services to related companies for a fee. SARS held that the company's acquisition activities related to the commencement of an enterprise and therefore qualified as activities conducted in the course of that enterprise. However, SARS did not determine whether the company could deduct VAT on its acquisition and setup costs. If the company claimed deductions and later used the related goods or services differently, it would need to consider whether a VAT adjustment or taxable deemed sale arose.
- **South Africa:**[cvii] On July 27, 2026, SARS issued VAT Ruling No. 023, holding that a private further education provider must charge VAT on its educational services even though it holds accreditation from a Sector Education and Training Authority and may lawfully provide the training. The provider was not registered under the Continuing Education and Training Act because the education regulator no longer requires or accepts registration applications from providers in its accreditation category. SARS held that lawful operation and sector accreditation do not satisfy the specific requirements for the educational services VAT exemption. The exemption applies only if the provider is established, declared, registered, or provisionally registered under the applicable education legislation. The provider must therefore charge VAT at the standard rate.
- **Sweden:**[cviii] On June 26, 2026, the Swedish Supreme Administrative Court (SAC) ruled in *Lyko Operations AB*, Case No. 7424-23, that loyalty points earned on qualifying purchases and redeemed for additional products do not qualify as vouchers or reduce the VAT taxable amount of the original sales. Customers could use the points during later purchases to obtain products from a points shop. The SAC held that redeeming the points did not reduce the amount customers paid for their original purchases and

therefore did not constitute a post-sale discount. The points also did not qualify as vouchers because they did not require the seller to accept them as full or partial payment for goods. Accordingly, businesses operating similar loyalty programs may not treat redeemed points as VAT-reducing discounts or vouchers.

- **United Arab Emirates:**[cix] On July 1, 2026, the UAE Federal Tax Authority published the Education Sector VAT Tax Guide, clarifying the VAT treatment of educational services and related goods and services. The guide explains the requirements for applying the zero VAT rate, including the conditions that an educational institution and its curriculum must meet. The guide also addresses the VAT treatment of registration fees, field trips, special-needs support, student and staff accommodation, distance learning, electronic services, transportation, healthcare services, scholarships, grants, research services, and fines and penalties. It further explains when educational institutions may recover VAT paid on business expenses, including costs related to events, buses, and staff accommodation.
- **United Arab Emirates:**[cx] On July 8, 2026, the UAE Federal Tax Authority issued Directive on Tax Transactions No. 1 of 2026, clarifying the VAT treatment of judicial expert services. When a court appoints an individual or legal entity registered with the Ministry of Justice, a local judicial authority, or an arbitration center to provide expert services, the expert performs those services as part of a business activity in the UAE. The FTA confirmed that any amount the judicial expert receives for the services constitutes payment for a taxable service. Payment by a government entity does not change the VAT treatment. Judicial experts must therefore comply with the applicable VAT obligations, including registering for VAT if they meet the registration requirements.
- **United Arab Emirates:**[cxi] On July 8, 2026, the UAE Federal Tax Authority issued Directive on Tax Transactions No. 2 of 2026, effective 1 August 2026, clarifying VAT adjustment obligations for members exiting a Tax Group. Where a person ceases to be a VAT group member but remains VAT-registered, and adjustments arise relating to taxable sales made, or taxable expenses incurred, prior to exit, the former member must report those adjustments in its own tax returns — provided the underlying sales or expenses were originally declared in the VAT group's returns. Covered adjustments include reductions in the value of previously declared taxable sales and reductions in the value of taxable expenses for which input tax was previously recovered by the group. Registrants must retain supporting documentation evidencing the link to the group's prior filings.
- **United Arab Emirates:**[cxii] On July 14, 2026, the UAE Federal Tax Authority issued Directive on Tax Transactions No. 4 of 2026, clarifying when fees and charges connected to a life insurance or life reinsurance contract qualify for the VAT exemption applicable to life insurance. Services connected with providing or transferring ownership of such a contract — including management, operation, or execution fees — are treated as part of the exempt sale, provided they are necessary and directly linked to the contract, and their consideration is embedded within the overall insurance premium rather than charged separately. Services that are independent in nature, not essential to the contract, or separately charged are instead treated as standalone taxable sales. The determination is fact-specific, considering the service's relationship to the contract, its necessity, and how consideration is calculated and charged.
- **United Arab Emirates:**[cxiii] On July 20, 2026, the UAE Federal Tax Authority issued Tax Transactions Directive No. 5 of 2026, establishing how businesses must determine the VAT taxable amount when they provide services without charge but VAT rules treat the transaction as taxable. The business must base the taxable amount on the direct and indirect costs on which it incurred VAT in providing the service. The business must first determine the service’s open market value, or the value of comparable services if no market value is available, and remove the profit element using its prior-year net profit margin. It must then apply the percentage of its prior-year costs that incurred VAT to the estimated cost of the service. The resulting amount constitutes the VAT taxable amount for the deemed transaction.
- **United Kingdom:**[cxiv] On June 9, 2026, the UK Upper Tribunal (Tax and Chancery Chamber) issued its decision in *RS Global Limited*, UT/2025/000051, in which it dismissed an appeal by a mobile phone wholesaler concerning sales to customers in other European countries. The wholesaler treated the sales

as zero-rated cross-border transactions, but HMRC alleged that eight customers participated in VAT fraud and that the wholesaler knew or should have known of the fraud. The wholesaler argued that, if HMRC denied the zero rate, the customers rather than the wholesaler became responsible for reporting and paying the VAT under the UK's self-assessment rules for domestic sales of mobile phones. The Tribunal held that denying the zero-rate benefit under the anti-fraud rules does not convert the transactions into ordinary domestic sales. Accordingly, the rules that require a customer, rather than the seller, to report and pay VAT did not shift the resulting VAT liability to the customers. The Tribunal dismissed the appeal on this preliminary issue.

- **United Kingdom:**[cxv] On July 6, 2026, the U.K. Court of Appeal published its judgment in *St Patrick's International College & Ors Ltd*, [2026] EWCA Civ 852, in which it held that three private higher education providers could apply the VAT exemption for educational services. The providers offered courses and qualifications comparable to those offered by universities, university colleges, and further education colleges, but U.K. law did not recognize them as eligible for the exemption. The court held that VAT neutrality requires comparable educational services to receive the same treatment when differences between providers do not materially influence a typical student's choice. The lower tribunals had incorrectly focused on differences in the providers' legal and regulatory status rather than assessing the services from the student's perspective. The courses met the same student needs and were sufficiently similar to exempt courses offered by recognized institutions. The Court therefore concluded that excluding the private providers from the exemption violated VAT neutrality and allowed their appeal.
- **United Kingdom:**[cxvi] On July 29, 2026, the U.K. Treasury simplified the VAT capital goods regime, which requires businesses to adjust VAT deductions on qualifying capital assets over several years when their taxable use changes. The changes remove all computers and computer equipment from the regime, regardless of value, and increase the qualifying expenditure threshold for land, buildings, and civil engineering works from GBP 250,000 to GBP 600,000, excluding VAT. The changes reduce the number of assets subject to the regime and the related calculation requirements. They apply to capital expenditure incurred on or after July 29, 2026. Assets already covered by the regime before that date remain subject to the previous rules.

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

- **KPMG in Bangladesh** published a report discussing the indirect tax measures included in Bangladesh's Finance Bill 2026. The report highlights proposed VAT reforms, including quarterly VAT returns with advance monthly payments, an extension of the turnover tax period from three to four months, and mandatory Business Identification Numbers for specified business activities. The measures also require banks to withhold and remit VAT on imported services, allow full recovery of VAT paid on transportation services, and recognize electronic invoices and digital records as legal evidence. Additional measures would introduce VAT incentives for qualifying startups, expand digital compliance requirements, including tobacco product tracking, and amend VAT, supplementary duty, and import-stage VAT rates for selected goods and industries.
- **KPMG in India** published a report discussing several service tax and GST decisions. The Karnataka High Court held that a customer's obligation to maintain a minimum average bank balance is a contractual condition, rather than noncash payment for banking services, and therefore does not attract service tax. In addition, the Kerala High Court held that, when the customer is responsible for reporting and paying GST on imported services, the GST registration that paid the foreign vendor, issued the required self-invoice, and paid the GST could claim the related credit, regardless of the address shown on the

seller's invoice. The court also found that the law then in effect did not require the taxpayer to distribute the credit exclusively through the Input Service Distributor mechanism. Finally, the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) New Delhi held that non-invoiced allocations for shareholder and oversight activities were not subject to service tax because they were not connected to identifiable services or agreed compensation and were not recorded in the taxpayer's accounts.

- **KPMG in Malaysia** published a report discussing recent indirect tax developments in Malaysia. The report highlights a new Service Tax exemption for specified fees and commissions charged on qualifying Shariah-compliant Transactional Investment Accounts used to trade shares listed on Bursa Malaysia. The exemption applies from June 1, 2026, although Service Tax paid for periods before that date is not refundable. The report also discusses Version 5 of the Guide on Refund, Drawback and Appeal for Sales Tax and Service Tax, which clarifies the applicable procedures and documentation requirements. In addition, it covers excise duty changes effective July 10, 2026, including an exemption for licensed manufacturers that temporarily remove specified vehicles for exhibitions, demonstrations, training, repairs, research, or testing, and an excise licensing exemption for workshops that convert panel vans into window vans.
- **KPMG in Pakistan** published a report discussing indirect tax changes introduced through the Provincial Finance Acts, 2026. Punjab tightened active taxpayer requirements, reduced the amount of input tax that businesses may offset from 90 percent to 80 percent of sales tax due, introduced a 12-month adjustment mechanism for VAT paid on capital goods, and established risk-based reviews of tax claims and refunds. Sindh revised its sales tax exemptions and reduced-rate schedules. Khyber Pakhtunkhwa introduced e-invoicing and real-time invoice reporting, strengthened penalties for digital compliance violations, and established reduced sales tax rates of 4 percent for specified government-funded projects and 5 percent for digital asset trading services. Balochistan revised its exemptions and increased reduced sales tax rates for specified services, including restaurant, consulting, and commission-based services.
- **KPMG in Pakistan** published a report discussing withholding tax collection and deduction provisions applicable for Tax Year 2027. The report highlights withholding tax rates affecting commercial transactions, including 1 percent on payments to pharmaceutical product distributors, 2.5 percent on payments to cigarette distributors, 0.25 percent on payments to active-listed distributors, dealers, wholesalers, and retailers of specified consumer and industrial products, 1 percent on payments for gold and silver, and 2 percent on payments for oil tanker contractor services. The report also covers withholding obligations for imports, e-commerce transactions, exports, services, contracts, and payments to nonresidents. Taxpayers not appearing on the Active Taxpayers List are generally subject to rates 100 percent higher than those applicable to active taxpayers.
- **KPMG in Sri Lanka** published a report discussing amendments introduced by the Value Added Tax (Amendment) Act No. 14 of 2026. Among other things, the amendments retain the existing VAT registration thresholds and increase the VAT rate on financial services to 20.5 percent. They also zero-rate qualifying services provided by registered garment buying offices to overseas customers, revise the VAT taxable amount for movie theater ticket sales, and introduce exemptions for approved businesses of strategic importance. Additional measures require VAT-registered businesses to use secure point-of-sale systems, facilitate real-time submission of invoice information, restrict VAT deductions for project equipment not re-exported as required, increase penalties for VAT fraud and compliance violations, and authorize publication of VAT registration information.

Miscellaneous Developments in ASPAC

- **Australia:**[cxvii] On July 8, 2026, the Australian Taxation Office (ATO) announced increased compliance action against businesses that incorrectly claim GST credits. The ATO identified common errors, including claiming credits when the purchase price did not include GST, treating private expenses as business expenses, reporting incorrect amounts on Business Activity Statements, and failing to maintain adequate records. The ATO reminded GST-registered businesses that they may claim GST credits only for GST included in the price of goods or services purchased for business purposes and supported by valid documentation. Businesses that make incorrect claims may face audits, adjustments to their GST liabilities, and penalties.

- **Australia**:[cxviii] On July 22, 2026, the Australian Taxation Office clarified when businesses may voluntarily switch, or be directed, to monthly GST reporting. Businesses that elect monthly reporting will begin from the next quarter and must also report wine equalization tax, luxury car tax, and fuel tax credits monthly through their Business Activity Statements. The ATO may require monthly reporting based on a business's GST turnover, a brief operating history in Australia, or repeated noncompliance, including late or missing filings or payments and inaccurate reporting. Businesses may object to an ATO determination within 60 days and generally must remain on monthly reporting for at least 12 months before requesting a return to quarterly or annual reporting.
- **Fiji:**[cxix] On July 17, 2026, Fiji enacted the Value Added Tax (Budget Amendment) Act 2026 and the Tourism Services Tax Act 2026 as part of its 2026-2027 Budget measures. Among other things, it introduces a new 5 percent Tourism Services Tax on businesses providing tourism services with annual gross receipts exceeding FJD 2 million, effective September 1, 2026.
- **Nepal:**[cxx] On July 17, 2026, Nepal's Inland Revenue Department issued a directive clarifying the VAT treatment of electricity services. Among other things, the directive requires electricity service providers to register for VAT, issue tax and electronic invoices, and file VAT returns and related declarations. In addition, VAT-registered businesses may recover VAT paid on qualifying purchases.
- **Singapore:**[cxxi] On July 16, 2026, the Inland Revenue Authority of Singapore (IRAS) updated its guidance on the GST treatment of employee fringe benefits. Businesses generally do not need to account for GST on services provided to employees. However, GST may apply when employees receive goods free of charge or at a discount, or use business goods for nonbusiness purposes, if the business previously claimed GST on the purchase or import of those goods. GST is generally calculated at 9 percent on the open market value of free goods or the discounted selling price. Exceptions generally apply to gifts costing no more than SGD 200, goods for which no GST was claimed, and qualifying employee meals and beverages. Accommodation benefits generally do not trigger GST, although special rules apply to mobile phones valued above SGD 200 when the business claimed GST. Personal use of a motor vehicle does not trigger GST when it is incidental to the employee's job duties, while clothing and accessories costing more than SGD 200 may be taxable when the business claimed GST. The guidance also addresses employee parking, transportation benefits, and temporary use of business assets.
- **Singapore:**[cxxii] On July 24, 2026, IRAS identified four priority areas for its ongoing risk-based GST audit program. First, IRAS continues extensive audits and investigations targeting Missing Trader Fraud (MTF) arrangements, warning that businesses knowingly or negligently involved risk input tax denial, a 10 percent surcharge, and criminal penalties of up to 10 years' imprisonment and a SGD 500,000 fine for masterminds or syndicate members. Second, IRAS is scrutinizing low-value GST refund claims, focusing on dormant businesses, unsupported claims, disallowed or private expenses, and unsupported zero-rated export claims. Third, audits target non-residential property sales, particularly errors in GST timing on option fees/deposits and failures to account for GST on asset transfers without consideration. Fourth, IRAS is auditing sole-proprietors for under-declared sales across all business activities conducted under their personal GST registration. Errors across these areas may trigger penalties of up to twice the tax undercharged, plus potential fines and imprisonment under the GST Act.

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About Inside Indirect Tax

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

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i. National Board of Revenue (NBR), "Finance Act, 2026" (June 30, 2026).

ii. Botswana Unified Revenue Service (BURS), "Zero-Rated FoodStuff- Under VAT Act of 2026" (July 9, 2026).

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