



Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Algeria:**ⁱ On December 31, 2025, Algeria **implemented** its 2026 finance law, introducing several indirect tax measures. The law establishes a reduced VAT rate of 9 percent for new residential construction, rehabilitation of existing residential properties, specified medical procedures, qualifying educational training services, and rail and bus passenger transport. It also provides a temporary VAT exemption for goods and services used in the construction of electricity and gas infrastructure, applicable until December 31, 2026. In addition, the law introduces a 2.5 percent stamp duty on deeds promising the sale of certain real estate and on deeds formalizing the completion of such promises, and updates stamp duties applicable to passports, residency cards, apostille certificates, and vehicle inspections.
- **Austria:**ⁱⁱ On January 14, 2026, the Austrian government **announced** plans to reduce the VAT rate on selected staple food items by half, lowering the applicable rate to 5 percent with effect from July 1, 2026. The measure is intended to help mitigate the impact of persistently high inflation on household living costs. At this stage, the authorities have not published a detailed list of the staple foods that will qualify for the reduced VAT rate.
- **Argentina:**ⁱⁱⁱ On January 2, 2026, Argentina **implemented** its 2026 budget law, introducing several indirect tax measures, including VAT exemptions for imports of capital goods, parts, components, inputs, intermediate goods within the value chain, and spare parts as well as for imports of vaccines, medicines, health-related supplies, and disposable medical products.
- **Azerbaijan:**^{iv} On January 1, 2026, the State Tax Service clarified the VAT treatment applicable to catering businesses receiving cashless payments. Under the clarification, for a three-year period, 50 percent of gross receipts generated through cashless payments processed via point-of-sale (POS) terminals may be deducted when calculating the VAT base, thereby reducing the portion of gross receipts subject to VAT. In addition, the simplified tax rate applicable to gross receipts derived from cashless POS payments for catering service providers will be reduced from 8 percent to 6 percent from the same date.
- **Bahamas:**^v On January 12, 2026, during a national address, the government of the Bahamas **announced** that the VAT rate on fruits, vegetables, baby food, lunch snacks, frozen foods, and other unprepared foods would be reduced to zero with effect from April 1, 2026. The zero-rating would apply to all food items currently subject to the reduced 5 percent VAT rate.
- **Cameroon:**^{vi} On December 17, 2025, the president of Cameroon signed Law No. 2025/012, which, among other things, introduces a reduced VAT rate of 10 percent applicable to interest paid on real estate loans, the sale of social housing to individuals, and social housing rentals.
- **Chad:**^{vii} Effective January 1, 2026, Chad **exempts** from VAT equipment for renewable energy production and related loan (financing) interest; jet A1 fuel destined for domestic flights; veterinary research equipment and animal production labs; and essential foodstuffs such as milk, bread, meat, and baby food. In addition, Chad extended the application of the 9 percent reduced VAT rate to locally produced milk, yogurt, butter, cheese, meat, sugar, oil, soap, textiles, rebar, products from the local agro-food industry (excluding alcohol), and certain materials for crafts and fishing.
- **China:**^{viii} On January 1, 2026, China **clarified** the VAT treatment applicable to sales of residential property by individuals under Announcement [2025] No. 17. Under the revised policy, individuals selling residential property purchased less than two years before the sale are subject to VAT at the 3 percent VAT rate applicable to small-scale taxpayers, except where the seller is a sole trader classified as a general VAT taxpayer. By contrast, sales of residential property held for more than two years are exempt from VAT.

- **Colombia:** Effective January 1, 2026, Colombia [increased](#) the VAT rate on liquors, wines, aperitifs, and similar products to 19 percent. To read a report prepared by KPMG in Colombia, click [here](#).
- **Cyprus:**^{ix} On January 15, 2026, Cyprus [extended](#) the application of the zero percent VAT rate on a range of essential items until December 31, 2026. The measure continues to apply to baby milk, children's and adult diapers, feminine hygiene products, and specified fresh or chilled vegetables and fruits.
- **Cyprus:**^x On January 16, Cyprus [extended](#) the deadline for lessors to elect the VAT exemption for rental income from commercial real estate leases entered into on or before November 13, 2017. The deadline, originally set for December 31, 2025, has been moved to March 31, 2026. The Tax Department also clarified that, from April 1, 2026, lessors entering into new commercial lease agreements must submit the exemption election within 30 days of signing the lease.
- **Denmark:**^{xi} On January 28, 2026, Denmark [announced](#) a broad political agreement to allocate DKK 6 billion annually to address cost-of-living pressures, including proposed VAT relief on food. Under the agreement, the government will initiate work to assess models for either reducing VAT on all food products or fully removing VAT on fruit and vegetables, with implementation targeted from 2028.
- **Ecuador:**^{xii} On December 25, 2025, Ecuador issued [Circular NAC-DGECCGC25-00000006](#) confirming that the increased VAT rate, originally introduced in 2024 and maintained throughout 2025, will remain in effect for 2026. As a result, the standard VAT rate will not return to the previous 13 percent level and stays at 15 percent.
- **Greece:**^{xiii} Effective January 1, 2026, Greece [clarified](#) the application of the thirty percent reduction in VAT rates for eligible islands. The reduction applies across all VAT tiers, lowering the standard rate from 24 percent to 17 percent, the reduced rate from 13 percent to 9 percent, and the super-reduced rates from 6 percent to 4 percent and from 4 percent to 3 percent. The regime covers the islands of Lesvos, Kos, Samos, and Chios, as well as remote islands in the Prefectures of North Aegean, Evros (Samothraki), and islands of the Dodecanese, with populations of up to 20,000 inhabitants. The guidance clarifies that the reduction applies to domestic sales where goods are located on eligible islands and are delivered by VATable persons established on these islands, sales from mainland Greece by VATable persons established anywhere within Greece to purchasers (VATable persons or a non-VATable legal entities) established on eligible islands, intra-EU acquisitions delivered to VATable persons or non-VATable legal entities on eligible islands, and qualifying imports. It also clarifies the VAT treatment of eligible island and mainland branches, excludes tobacco products and vehicles, extends reduced rates to services materially performed on eligible islands, and sets out documentation and correction rules where VAT is applied at an incorrect rate.
- **Guyana:**^{xiv} On January 27, 2026, Guyana [presented](#) its National Budget for 2026, introducing several indirect tax measures. The budget proposes removing VAT on locally manufactured furniture, including doors, moldings, and beds, as well as on locally manufactured jewelry. VAT exemptions are also proposed for motor vehicles less than four years old with engine capacities under 1,500 cc and for hybrid motor vehicles below 2,000 cc. In addition, import duties and VAT would be eliminated on selected items, including security equipment such as cameras and alarm systems, all-terrain vehicles, and outboard engines of up to 150 horsepower. To read a report prepared by KPMG in Guyana, click [here](#).

- **Italy:**^{xv} On December 12, 2025, Italy [published](#) Legislative Decree No. 186/2025, which, among other things, extends effective January 1, 2026 the reduced VAT rate of 5 percent to specified educational, medical, health care, and social services provided by corporate social enterprises, replacing the previous VAT exemption without credit. In addition, Legislative Decree No. 186/2025 extends the VAT zero-rated regime to include services rendered by intermediaries involved in the shipment of goods for export, import, transit, or temporary importation.
- **Malawi:**^{xvi} Effective from December 31, 2025, Malawi increased the standard VAT rate from 16.5 percent to 17.5 percent.
- **Malaysia:** Effective January 1, 2026, Malaysia [reduced](#) the service tax rate on rental or leasing services for non-residential and industrial from 8 percent to 6 percent. To read a report prepared by KPMG in Malaysia, click [here](#).
- **Liberia:**^{xvii} On January 23, 2026, the President of Liberia issued Executive Order No. 157 granting the Liberia Electricity Corporation exemptions from customs duties and goods and services tax on specified electricity sector goods. The exemptions apply to equipment, materials, fuel, and other inputs used in electricity generation, transmission, and distribution, as detailed in Schedule A of the Order. Covered items include petroleum products, thermal and renewable power generation equipment, battery energy storage systems, transmission and grid infrastructure, metering equipment, specialized vehicles, and spare parts for major maintenance.
- **Peru:**^{xviii} On December 31, 2025, Peru [published](#) Law No. 32,542, extending the VAT exemption for transactions listed in Appendices I and II of the VAT Law until December 31, 2028. The exemption applies to the importation and domestic sale of basic goods such as certain vegetables, fruits, and raw milk, as well as specified services including financial services provided by regulated entities and international freight shipment.
- **South Korea:**^{xix} On December 30, 2025, South Korea [published](#) Ordinance No. 1152, which partially amends the enforcement regulations of the VAT Act. The ordinance extends the temporary VAT exemption for imports of coffee and cocoa beans, moving the expiration date from December 31, 2025, to December 31, 2027.
- **Switzerland:**^{xx} The Swiss government recently announced a proposal to temporarily increase its VAT rate by 0.8 percentage point for a 10-year period starting January 1, 2028. The VAT increase requires parliamentary approval and will be subject to a national referendum under Switzerland's direct democracy framework. The government has indicated that a draft law is expected to be presented by the end of March, with parliamentary deliberations scheduled for autumn and a national vote anticipated in summer 2027.
- **Taiwan:**^{xxi} Taiwan recently extended a VAT concession designed to encourage electronic payments in the food services sector. In December 2025, authorities amended the relevant guidelines to prolong the measure until December 31, 2028, and to relax the eligibility conditions. Effective January 1, 2026, small-scale food services businesses may continue to apply a concessionary one-percent business tax rate on their sales when payments are processed through electronic fiscal devices. These businesses are also exempt from issuing uniform invoices, a requirement normally applicable when monthly sales exceed TWD 200,000. Under the revised rules, the concession applies that quarterly sales do not exceed TWD 2.4 million and where businesses meet targets set by the tax authority for increasing the share of electronically processed payments.

- **Uzbekistan:**^{xxii} On December 25, 2025, Uzbekistan enacted Law No. ZRU 1104. Starting January 1, 2025, the law applies zero-rate VAT to freight forwarding services related to international carriage of goods, including cargo handling, storage, insurance, customs clearance, and tracing. It removes the VAT exemption for jewelry and semifinished products made from precious metals and stones, requiring producers and sellers to register as VAT taxpayers regardless of gross receipts. Until January 1, 2028, eligible businesses can claim an automatic monthly refund of 80 percent of VAT paid and use a special VAT base formula. The law also introduces a VAT exemption for importing goods used to establish new industrial-intensive orchards and vineyards, from January 1, 2025, to January 1, 2028.
- **Vietnam:**^{xxiii} On January 1, 2026, Vietnam [implemented](#) amendments to its VAT. Among other things, the law (re)introduces a VAT zero-rate treatment for intermediaries selling raw or minimally processed agricultural, forestry, aquaculture, or fishing products to enterprises or cooperatives for resale.
- **Zimbabwe:**^{xxiv} On January 1, 2026, Zimbabwe implemented tax amendments enacted under the [Finance Act](#), which, among other things, increases the standard VAT rate from 15 percent to 15.5 percent.

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Digitalized Economy Indirect Tax Updates

Japan: Proposal to Require Non-Resident Sellers of Low Value Goods to Collect JCT

On December 19, 2025, the ruling coalition agreed on the Outline of the 2026 Tax Reform Proposals, which includes several significant reforms to Japan's consumption tax framework. Among these are proposed measures to revise the consumption tax exemption currently applicable to low-value imported goods with a taxable value of JPY 10,000 or less. Under the revised framework, transfers of specified low-value goods shipped to Japan through mail order sales will become subject to consumption tax at the point of sale.

To support this change, the government will introduce a new registration system for specified low-value asset sellers, requiring both domestic and foreign sellers to register with the tax authorities. Registered foreign sellers will also need to appoint a consumption tax agent in Japan. Applications for registration will begin on October 1, 2027, while the revised taxation rules will apply to transactions occurring on or after April 1, 2028.

The proposals further introduce platform taxation for goods sold through digital platforms. Under this regime, designated platform operators meeting prescribed gross receipts thresholds will be treated as the seller for consumption tax purposes and will assume responsibility for filing and remitting consumption tax on covered transactions. The notification obligation is expected to apply from April 1, 2027, with platform operator designation taking effect from April 1, 2028, subject to transitional rules.

In addition, the proposals restrict the application of Japan's consumption tax exemption regime for small businesses considering the new low-value asset and platform taxation measures, with modified assumptions for determining taxable sales during transitional periods. For more information, click [here](#).

Mexico: Implementing Regulations to Tax Reform

On December 28, 2025, the Mexican tax authority issued the 2026 Miscellaneous Tax Resolution, which clarifies how the 2026 tax reform applies to both Mexican and foreign digital services providers and digital intermediation platforms taking effect on January 1, 2026, and certain data disclosure requirements beginning later in the year.

The new framework requires digital platforms to grant secure, real-time online access to their transactional databases for activities conducted in Mexico. Providers of digital services must share detailed information, including the type of service, customer tax identification numbers when invoices are requested, prices both excluding and including VAT, invoice identifiers, and payment methods. Digital intermediation platforms must also disclose comprehensive details about sellers and service providers, such as identification and residence information, banking details, transaction values, taxes withheld, and, where relevant, property addresses or import-related charges. Impacted taxpayers must retain this data for five years and structure it for both individual and bulk processing. The authorities will enforce these data access requirements from April 1, 2026, and may temporarily suspend internet access to platforms that fail to comply.

The resolution further expands the scope of monthly informative returns that intermediary platforms must file. These platforms now report extensive information on all sellers and service providers using their systems, even when payments or VAT have not been collected. Platforms must file these returns by the tenth day of the month following the reporting period and include identification data, financial account information, transaction volumes, and property addresses for lodging services. Moreover, intermediary platforms are required to withhold VAT on any sale they facilitate if the sales proceeds are deposited in a foreign bank account, regardless of the seller's location.

Platforms that facilitate online betting and sweepstakes must submit returns for the 50 percent excise tax collected, and the authorities plan to issue further guidance on the content and format of these returns.

Although the 2026 tax reform introduced an 8 percent excise tax on video games with violent, explicit, or adult content, the president issued a decree on December 31, 2025, granting a full fiscal stimulus equal to 100 percent of the applicable excise tax, which effectively removes the tax burden for these activities. The resolution also strengthens the obligation for platforms to issue standardized digital tax receipts for VAT and excise tax withholdings, which significantly enhances transparency and compliance oversight for digital platforms operating in Mexico. For more information, click [here](#).

Other Developments

- **Belgium:**^{xxv} On January 9, 2026, the government [submitted](#) Bill No. 56 1249/001 to parliament implementing the EU DAC8 crypto-asset reporting requirements. (To read KPMG's previous discussion of DAC8, click [here](#).) DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users' crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026.

- Brazil:** On January 13, 2026, Brazil [published](#) Complementary Law No. 227, which, among other things, further clarifies the compliance obligations of digital platforms under the new IBS/CBS regime. The Complimentary Law clarifies that liability is shared with the seller resident in the country if the digital platform fails to provide required information, or if the seller is a taxpayer who does not issue an electronic tax document for transactions made through the platform. Moreover, a digital platform is not liable for payment differences between IBS and CBS amounts collected and owed by the seller if split payment is possible and the platform provides the required information specified in in the Complementary Law. Moreover, digital platforms may choose to act as substitute tax collectors for transactions it intermediates for domestic sellers, requiring it to issue electronic tax documents, calculate and pay IBS and CBS for those transactions, while the seller remains responsible for any differences. Finally, the Complementary Law clarifies that if the platform is jointly responsible and the seller fails to issue an electronic tax document within 30 days of the transaction or payment, the platform must issue the document and pay the IBS and CBS based on the transaction details, while the seller remains liable for any differences and penalties related to the missed deadline, with the platform only subject to penalties after this period expires. For more information, click [here](#).
- Chad:**^{xxvi} On January 20, 2026, Chad’s Ministry of Finance [issued](#) Circular No. 001/MFBEPCI/2026, clarifying the tax measures included in the [2026 Finance Law](#). Among other things, the Circular clarifies that VAT applies to digital services, including e-commerce, streaming, cloud services, and online marketplaces, with foreign operators required to appoint a tax representative or use a simplified registration system, and both resident and nonresident platforms required to collect, declare, and remit VAT on behalf of underlying sellers.
- Chile:**^{xxvii} On January 14, 2026, Chile’s tax authority [issued](#) Resolution Ex. SII No. 05-2026, introducing a VAT withholding mechanism targeting remote sales of goods by non-resident foreign vendors and digital platforms that fail to register under Chile’s simplified VAT regime. Under this system, banks, payment system operators, and non-bank card issuers must act as VAT withholding agents for transactions involving goods destined for Chilean consumers. These agents must collect, withhold, declare, and remit VAT, while exemptions apply for transactions involving Chilean VAT taxpayers who notify their status. Reporting requirements mandate biannual submissions starting February 2027, and the initial list of affected taxpayers will be published on June 15, 2026, with the mechanism effective from July 1, 2026.
- Colombia:**^{xxviii} On December 24, 2025, Colombia’s National Tax and Customs Directorate [issued](#) Resolution No. 000240/2025, creating a new reporting framework for crypto asset transactions aligned with the OECD’s Crypto Asset Reporting Framework (CARF). CARF establishes global reporting obligations for tax authorities to ensure transparency in transactions involving crypto assets. Under CARF, intermediaries facilitating crypto transactions, such as exchanges and wallet providers, must collect, verify, and report information on users’ transactions, including the value, type of crypto-assets, and counterparties involved. This data is shared with tax authorities to enable cross-border monitoring and enforcement of tax compliance. Annual electronic reports start in 2026, with sanctions for non-compliance.
- Denmark:**^{xxix} On January 13, 2026, the Danish Customs and Tax Administration issued updated [Guide No. 140](#), on DAC7 registration and reporting requirements for digital platform operators. The guidance clarifies the obligations of platform operators that facilitate the sale of goods, the rental of immovable property or vehicles, or the provision of personal services through digital platforms. It confirms that reporting platform operators must submit a zero

report where no reportable sellers exist for calendar year 2025 and outlines procedures for registration or deregistration. The guidance reiterates that platform operators active in multiple EU Member States may report all sellers in a single Member State and confirms the annual January 31 deadline for notifying sellers of the information reported for the preceding calendar year.

- **Estonia:**^{xxx} On January 19, 2026, Estonia **initiated** the legislative process to implement the EU DAC8 crypto-asset reporting requirements. (To read KPMG’s previous discussion of DAC8, click here.) DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users’ crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026.
- **Isle of Man:**^{xxxi} On December 11, 2025, the Isle of Man **published** the Income Tax (Crypto-Asset Reporting) Regulations 2025, which implement the OECD’s Crypto Asset Reporting Framework (CARF). CARF establishes global reporting obligations for tax authorities to ensure transparency in transactions involving crypto assets. Under CARF, intermediaries facilitating crypto transactions, such as exchanges and wallet providers, must collect, verify, and report information on users’ transactions, including the value, type of crypto-assets, and counterparties involved. This data is shared with tax authorities to enable cross-border monitoring and enforcement of tax compliance. The first reporting year is 2026, with an initial reporting deadline of June 30, 2027, and the Isle of Man has committed to begin exchanging information in 2027.
- **Italy:**^{xxxii} On December 30, 2025, Italy **issued** a ministerial decree setting out the implementing rules for the amended Directive on Administrative Cooperation (Directive (EU) 2023/2226, DAC8), following its recent transposition into domestic law. The decree expands the scope of mandatory automatic exchange of information in tax matters to cover data related to electronic money and crypto-assets. Under the new rules, crypto-asset service providers and other relevant operators are required to report specified information in accordance with the DAC8 framework.
- **Liechtenstein:**^{xxxiii} On December 23, 2025, Liechtenstein **published** Law No. 356, creating a new reporting framework for crypto asset transactions aligned with the OECD’s Crypto Asset Reporting Framework (CARF). CARF establishes global reporting obligations for tax authorities to ensure transparency in transactions involving crypto assets. Under CARF, intermediaries facilitating crypto transactions, such as exchanges and wallet providers, must collect, verify, and report information on users’ transactions, including the value, type of crypto-assets, and counterparties involved. This data is shared with tax authorities to enable cross-border monitoring and enforcement of tax compliance.
- **Malta:**^{xxxiv} On January 26, 2026, Malta’s Tax and Customs Administration **issued** an explanatory note clarifying the VAT treatment applicable to taxi operators using online ride-hailing platforms. The note, which is non-binding and subject to future updates, is intended to explain the key implications arising from the provision of taxi services facilitated through such platforms and to address common practical issues. It outlines the VAT treatment of transactions involving platform intermediation, including the characterization of transactions,

and provides guidance on the recovery of VAT on vehicle-related and operational costs. The note also addresses VAT considerations linked to the private use of taxis and the transfer of a taxi for consideration, aiming to improve compliance and consistency in practice among affected operators.

- **Mozambique:** On December 29, 2025, Mozambique adopted Law No. 10/2025, introducing comprehensive amendments to the Value Added Tax Code, effective January 1, 2026. The reform expands the VAT scope to explicitly cover digital goods and services. Taxpayers purchasing digital goods or services from nonresidents must submit monthly declarations and withholding reports, while nonresident sellers are required to file returns for taxable sales within Mozambique. To read a report prepared by KPMG in Mozambique, click [here](#).
- **New Zealand:**^{xxxv} The New Zealand Inland Revenue has published guidance on the application of the OECD's Crypto-Asset Reporting Framework (CARF), which was [adopted](#) into law in November 2024. Effective April 1, 2026, New Zealand-based reporting crypto-asset service providers (RCASPs) must collect and report user identification and tax residency information, submit annual transaction reports, and retain records for seven years. RCASPs are businesses that facilitate crypto-asset exchanges, but exclude wallet-only providers, platform or software creators not involved in exchanges, asset issuers, investment funds, and those trading solely for themselves. RCASPs must register with Inland Revenue (IR) for a Crypto-Asset Reporting Framework account, with registration opening in March 2027. The first reporting period is April 1, 2026, to March 31, 2027, with reports due by June 30, 2027. Information will be shared internationally to ensure tax compliance. Penalties apply for non-compliance by RCASPs and users who fail to provide accurate information.
- **Poland:**^{xxxvi} On January 27, 2026, the Polish Ministry of Digital Affairs [announced](#) its submission of a draft bill proposing a compensatory tax on certain digital services to ensure equitable taxation of revenues generated in Poland's digital market. The tax would apply to targeted advertisements, multilateral digital interfaces, and monetization of user data, excluding activities like regulated financial services, direct online sales, and publishing. Taxpayers subject to the tax include entities with global revenue exceeding EUR 1 billion and taxable revenue in Poland over PLN 25 million, regardless of residency. The tax rate would be capped at 3 percent of revenue from specified services, reduced by corporate income tax owed. Consultations with affected organizations began on February 2, 2026. For more information, click [here](#).
- **San Marino:**^{xxxvii} On January 28, 2026, San Marino [issued](#) implementing rules for the OECD's Crypto-Asset Reporting Framework (CARF). (To read KPMG's previous discussion of the OECD's CARF, click [here](#).) Under CARF, intermediaries facilitating crypto transactions, such as exchanges and wallet providers, must collect, verify, and report information on users' transactions, including the value, type of crypto assets, and counterparties involved. Failures to comply with due diligence and/or reporting obligations are subject to an administrative penalty ranging from EUR 15,000 to EUR 50,000. In cases where inaccurate or incorrect information is reported, the penalty ranges from EUR 2,500 to EUR 30,000. Late reporting is subject to an administrative penalty of EUR 5,000, which may be reduced by 50 percent if the transmission occurs within the following 15 days, or by 30 percent if completed within 30 days.
- **United Kingdom:**^{xxxviii} On January 28, 2026, the UK tax authority (HMRC) [issued](#) guidance outlining HMRC's expectations for the responsible use of generative artificial intelligence in commercial tax software developed for taxpayers. The guidance, which is non-binding and

does not constitute approval or endorsement of any product, emphasizes transparency in AI use, including clear disclosure of AI involvement, human oversight, and communication of system capabilities and limitations. Developers are expected to rely on authoritative and reliable source data, such as legislation, case law, and official HMRC materials, to ensure outputs support accurate tax compliance. The guidance further stresses the need for robust testing, continuous updates, strong data security, and privacy controls in line with UK GDPR, and ethical safeguards to prevent bias, inaccuracies, and misuse, while reinforcing that responsibility for tax accuracy remains with the user.

- **Zimbabwe:**^{xxxix} On January 1, 2026, Zimbabwe implemented tax amendments enacted under the [Finance Act](#) including measures introducing a new withholding requirement on digital services provided by non-residents. On January 19, 2026, the Zimbabwe Revenue Authority (ZIMRA) issued Public Notice 05 of 2026, detailing the new withholding tax mechanism. Intermediaries, such as banks and mobile money operators, must withhold tax at a rate of 15.5% for payments to foreign sellers not registered for VAT in Zimbabwe, or at a tax fraction of 3/23 for those registered for VAT. The new mechanism does not replace the VAT registration requirement of non-resident digital services providers. Intermediaries must remit withheld tax to ZIMRA, issue withholding certificates, and maintain payment records, while non-resident sellers registered for VAT can claim withheld amounts as credits against their VAT liabilities. For payments made outside Zimbabwe for services consumed locally, registered sellers must directly account for VAT to ZIMRA. For more information, click [here](#).

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

OECD: Guidance on Digital Continuous Transactional Reporting (DCTR) for VAT

On January 10, 2026, the Organisation for Economic Co-operation and Development (OECD) published a report on Digital Continuous Transactional Reporting for Value Added Tax, offering policy and design considerations for jurisdictions planning to introduce or reform digital continuous transactional reporting (DCTR) mandates. DCTR mandates typically require real-time or near real-time reporting of invoices or transactional data to tax authorities, primarily to enhance VAT compliance and risk management. However, the global expansion of DCTR regimes has occurred in an uncoordinated manner, leading to significant heterogeneity among jurisdictions. This diversity creates compliance challenges, particularly for businesses engaged in cross-border trade. To address these issues, the report outlines six key areas for effective DCTR design and operation: strategic approaches to implementation, leveraging digital invoicing as the foundation for DCTR, facilitating business compliance, ensuring information security, fostering interoperability, and considering the long-term sustainability of DCTR regimes.

The report emphasizes the importance of aligning DCTR requirements with international e-invoicing standards to enhance efficiency and interoperability while minimizing compliance costs and business disruptions. It also highlights the need for robust information security measures and structured approaches to data exchange that facilitate interaction between businesses and tax authorities. By offering practical considerations and insights from existing regimes, the report aims to support jurisdictions in designing DCTR systems that are efficient, consistent, and adaptable to evolving international trade and technological advancements. While the report provides valuable guidance, it does not recommend the adoption of DCTR regimes, leaving the decision to each jurisdiction's discretion.

Other Developments

- **Bosnia and Herzegovina:**^{xi} On January 20, 2026, the House of Representatives adopted a draft law implementing mandatory e-invoicing and real-time reporting for all transactions. These provisions partially align with the EU Directive 2014/55 on e-invoicing in public procurement and EU Directive 2025/516 implementing the VAT in the Digital Age package. E-invoicing and digital reporting will apply to all taxpayers, excluding public sector, health, social, and religious institutions, as well as lawyers representing clients in courts and institutions. The draft law still requires approval from the House of Peoples to be fully adopted. Once approved, the mandate will take effect after required by-laws are enacted and technical capacities are established, but no later than 18 months after its entry into force.
- **Brazil:** On December 22, 2025, Brazil's Federal Revenue Service (RFB) and the IBS Management Committee (CGIBS) issued a joint resolution (ATO CONJUNTO RFB/CGIBS N° 1) introducing a temporary waiver of penalties for taxpayers transitioning to the new Goods and Services Tax (IBS) and Value Added Tax (CBS) regime. The resolution provides a four-month adaptation period, during which penalties for incomplete IBS/CBS data in e-invoices or missing reports will not apply, and IBS/CBS calculations for 2026 will be informational only, without tax effects, provided accessory obligations are met. It also clarifies the mandatory e-invoice types under the new regime, including new models for water, sanitation, gas, real estate, and specific regimes, while retaining existing e-invoice formats. Additionally, the resolution outlines governance responsibilities for electronic invoicing committees and confirms that foreign trade operations will be subject to specific rules. This temporary measure supports broader Brazilian tax reforms and updates to the e-invoicing system under the revised indirect tax framework. For more information, click [here](#).
- **Cabo Verde:**^{xii} On December 31, 2025, Cabo Verde [published](#) the 2026 State Budget Law No. 69/X/2025, introducing new e-invoicing requirements effective January 1, 2026. Taxpayers are required to use certified software, approved by the tax administration, to process e-invoices and electronic tax documents. Software producers and distributors must obtain certification for their programs from the tax administration before selling or providing them to users. E-invoices must include both a QR code and a Unique Document Identifier (UDI). Furthermore, expenses incurred for acquiring accounting and invoicing software, system migration, training, and installing the Standard Audit File for Tax Purposes-Cabo Verde (SAFT-CV) are deductible at 130 percent for corporate income tax purposes.
- **Chad:**^{xiii} On December 29, 2025, Chad [published](#) the Finance Law 2026 under Decree No. 3151/PR/2025, introducing mandatory e-invoicing in public procurement. Starting January 1, 2026, standardized e-invoices (*Facture Électronique Normalisée*, FEN) must be used for all public transactions, rendering paper invoices invalid for accounting purposes. Additionally, the law mandates exclusive use of the e-Tax system for tax compliance and audits. Tax

declarations, payments, and audit procedures must occur through the platform, with electronic acts and notifications digitally signed for full legal validity. Other measures include automated data interconnections for specified institutions, reduced deadlines for tax claims, and enhanced obligations for mineral exporters. The law became effective on January 1, 2026.

- **Chile:**^{xliii} On November 5, 2025, Chile's Internal Revenue Service (SII) [issued](#) Resolution No. 154, setting new requirements for e-invoices and e-waybills. Starting May 1, 2026, these documents must include detailed information, such as origin and destination addresses, transporter and vehicle identification, and item descriptions. Electronic issuers must comply with updated formats, while paper-based issuers must meet specific recording requirements. Non-compliance may result in penalties under the Tax Code.
- **Kazakhstan:** On January 1, 2026, Kazakhstan implemented new rules for its Electronic Invoice System (EIS), following approval in December 2025. The changes include reducing the deadline for issuing e-invoices from 180 to 15 calendar days upon buyer request. Passenger transportation service providers must issue e-invoices or travel confirmation documents within 15 days, including recipient personal data. Biometric identification is required for signing e-invoices in high-risk situations. Freight forwarders, commission agents, medical providers, and legal firms must issue e-invoices for specific transactions, regardless of VAT registration. VAT taxpayers must confirm corrected or revoked e-invoices for validity. Additionally, input VAT must be marked as creditable in the EIS before submitting VAT returns. To read a report prepared by KPMG in Kazakhstan, click [here](#).
- **Latvia:**^{xliiv} On December 9, 2025, Latvia's Cabinet of Ministers [issued](#) Regulation No. 749, outlining the procedure for organizing and submitting structured e-invoices to the State Revenue Service (SRS) for business-to-government (B2G) transactions. Effective January 1, 2026, companies must use official electronic addresses, service provider channels, or other delivery systems to circulate e-invoices issued in B2G transactions. E-invoices must be submitted to the SRS within five working days of issuance, following XML standards like UBL 2.1 and PEPPOL BIS Billing 3.0. Exceptions apply for system malfunctions, allowing submissions within three days of resolution. Voluntary submissions for business-to-business (B2B) transactions start January 1, 2026.
- **Mali:**^{xliiv} On December 12, 2025, the Minister of Economy and Finance presented the 2026 Budget, proposing significant tax reforms, including the introduction of e-invoicing and expanded digital tax procedures. Starting January 1, 2026, the tax authorities will be tasked to implement measures aiming to modernize compliance systems and enhance transparency. The reforms include issuing electronic receipts and tax clearance certificates, extending tax administration e-procedures to mobile networks, and deploying new tax management systems. The Budget does not specify when the e-invoicing measures would become effective.
- **Malaysia:**^{xlivi} On January 5, 2026, Malaysia's Inland Revenue Board (IRBM) [announced](#) adjustments to Phase 4 of its e-invoicing implementation. Taxpayers in Phase 4, starting January 1, 2026, will benefit from a 12-month transition period instead of six months. During this period, taxpayers can issue consolidated e-invoices for all transactions, including self-billing scenarios, and use flexible product descriptions. Penalties for non-compliance will not apply if taxpayers follow these provisions. Additionally, construction materials traders may issue consolidated e-invoices for transactions exceeding MYR 10,000 or upon buyer request. For assistance, taxpayers are encouraged to contact IRBM's dedicated e-invoicing channels.

- Malaysia:**^{xlvii} On January 6, 2026, the Malaysian tax administration [released](#) version 4.6 of the E-Invoicing Specific Guidelines, introducing a six-month interim relaxation period for taxpayers with annual revenue up to MYR 5 million who are required to implement e-invoicing by January 1 or July 1, 2026. During this period, which ends on December 31, 2026, taxpayers may issue consolidated e-invoices and self-billed e-invoices for all activities, including those outlined in Sections 3.7 and 8.3 of the guidelines. They are permitted to input unrestricted information in the “Description of Product or Service” field and are not obligated to issue individual invoices, even upon request, if they adhere to the consolidated invoicing rules. Furthermore, the Inland Revenue Board of Malaysia (IRBM) will not pursue prosecution under Section 120 of the Income Tax Act 1967 during this period, provided taxpayers comply with Section 16.2 (a) and (b) of the guidelines.
- Paraguay:**^{xlviii} On December 29, 2025, Paraguay’s National Directorate of Tax Revenues (DNIT) [issued](#) Resolution 41/2025, requiring government providers to issue e-invoices for contracts with state entities starting January 2, 2026. This rule applies to consultants, contractors, and sellers defined by Article 2 of Law 7021/2022. This measure is part of the mandatory integration into the National Electronic Invoicing System (SIFEN), aimed at improving transparency, traceability, and resource management in public procurement. Sellers must complete the authorization process as Electronic Issuers and comply with Decree 872/2023, SIFEN’s technical documentation, and related rules. Even if sellers cease their state-related activities, they must continue adhering to SIFEN requirements permanently.
- Peru:**^{xlix} On December 31, 2025, Peru’s tax authority [postponed](#) the compliance deadlines for implementing sales and purchase ledgers through the SIRE system for certain taxpayers. Taxpayers with net revenues of up to 2,300 UIT (*Unidad Impositiva Tributaria*, a tax reference unit) in fiscal year 2024 must comply by January 1, 2026, while those with revenues exceeding 2,300 UIT must comply by June 1, 2026. The adjustment is intended to ease the transition to the SIRE system for higher-revenue taxpayers. Additionally, a resolution allows eligible agricultural producers to reapply for VAT exemptions under specific conditions, with applications accepted from January 1 to April 1, 2026, and SUNAT (Peru’s tax authority) reviewing them within 45 business days.
- Poland:**^l On January 2, 2026, Poland’s National Tax Information Director [issued](#) an individual interpretation confirming that taxpayers can deduct VAT from invoices not issued via the mandatory National e-Invoice System (KSeF). Starting February 1, 2026, invoices must be issued through KSeF, but businesses may still deduct VAT from invoices issued outside the system, provided other legal conditions for VAT deduction are met. This interpretation aligns with Poland’s VAT laws and emphasizes the principle of tax neutrality. However, penalties may apply to vendors who fail to comply with KSeF requirements. It is important to note that this ruling is not binding for all taxpayers, and some tax officers might take a different approach for similar cases.
- Portugal:**^{li} On December 30, 2025, Portugal [published](#) Law No. 73-A/2025, which, among other things, delays the requirement for qualified electronic signature (QES) on PDF invoice and permits PDF invoices to be treated as e-invoices for all tax purposes until December 31, 2026. The law takes effect on January 1, 2026.
- Romania:** On December 23, 2025, Romania [introduced](#) new e-invoicing rules through Emergency Ordinance No. 89/2025. Sellers in Romania must now use the RO e-Factura system to transmit invoices for goods and services sold to non-resident customers registered for VAT in Romania. This excludes fiscal receipts treated as simplified invoices and intra-EU sales where the customer provides a VAT ID from another Member State.

Additionally, all e-Factura obligations must be fulfilled within five working days from the invoice issuance date or legal deadline. The ordinance also clarifies B2C definitions, mandates registration in the RO e-Factura registry for taxpayers identified by personal numeric codes (CNP) and harmonizes technical procedures across reporting categories. To read a report prepared by KPMG in Romania, click [here](#).

- **Romania:**^{lii} On January 15, 2026, the Romanian tax administration [published](#) Ordinance 59/2026 in the official gazette, amending ANAF Order 3789/2024. This ordinance implements the process established by Emergency Ordinance (OUG) 89/2025 for the RO e-Factura Mandatory Registry, which is Romania’s system for managing e-invoices. It requires taxpayers identified by personal numeric codes (CNP), such as freelancers and sole proprietors, to register in the system before starting their business activities. Registration must be completed within three business days after submitting the required documents. The ordinance also updates Form 082, revises rules for maintaining the registry, and introduces web-service functionalities to simplify access to data.
- **Serbia:** On December 3, 2025, Serbia’s parliament adopted amendments to the Value Added Tax (VAT) Law, published on December 4, 2025, and effective December 12, 2025, with most provisions applying from April 1, 2026. Key changes include postponing the preliminary VAT return to January 2027, defining the timing of VAT obligations for periodic invoices related to utilities, and clarifying requirements to deduct VAT, which must be supported by internal invoices prepared within specific deadlines. The amendments also introduce rules for preparing internal invoices within Serbia’s electronic invoicing system (SEF). New provisions govern the cancellation of invoices and internal invoices, allowing adjustments to VAT and the tax base if specific conditions, such as issuing replacement invoices and obtaining confirmations from recipients, are met. To read a report prepared by KPMG in Serbia, click [here](#).
- **Serbia:** On December 4, 2025, Serbia published amendments to the Law on Electronic Delivery Notes, effective December 12, 2025, with most provisions applying from January 1, 2026, and paper-form requirements starting April 1, 2026. Key updates include exemptions from electronic delivery note obligations for specific scenarios, such as refueling aircraft at the same airport, immediate goods returns, and clinical trials of medicines or medical devices. Errors in electronic delivery notes and receipt notes will not be penalized until June 30, 2026, allowing flexibility during the transition. Public sector entities must use the system for managing electronic delivery notes under framework agreements. In cases of temporary system disruptions, senders must issue three paper copies of electronic delivery notes, and recipients must submit electronic receipt notes once connectivity is restored. To read a report prepared by KPMG in Serbia, click [here](#).
- **Tunisia:** On December 12, 2025, Tunisia enacted its Finance Law for 2026, expanding the e-invoicing mandate to include services in addition to goods, effective January 1, 2026. Previously limited to goods, the updated VAT Code now requires all taxpayers to issue e-invoices for both goods and services. In response to concerns from small and medium-sized enterprises (SMEs), the Ministry of Finance announced on January 13, 2026, that flexible implementation measures, such as extended deadlines and subsidized access to e-invoicing platforms, will be introduced. For more information, click [here](#).

- **Togo:**^{liiii} On December 9, 2025, Togo [enacted](#) its Finance Law for 2026, introducing a framework for certified e-invoicing and digital reporting. The law takes effect January 1, 2026, but full enforcement of e-invoicing depends on the rollout of a national platform and implementing regulations. Technical standards, certification, and transmission details will be set by ministerial acts. The tax administration may receive transaction data in real time, delayed, or periodically through electronic systems, and a national e-invoicing platform will be established, with private platforms eligible for accreditation. Until full implementation, standardized paper-based invoices remain in use. For digital reporting, the law also provides for electronic submission of accounting and financial statements via the GUEDEF (Unified Tax Declaration Portal).

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 Argentina** published a [report](#) (in Spanish) discussing recent indirect tax measures at both the national and provincial levels. At the federal level, new VAT withholding rules for digital platforms and monthly reporting for fiscal controllers take effect in late 2025 and early 2026. Provincially, updates include amended tax laws in San Juan, new surcharges and registration rules in Buenos Aires Province, and various changes to tax procedures and regimes across several other provinces.
- **KPMG in Argentina** published a [report](#) (in Spanish) discussing recent indirect tax developments, including amendments to the VAT withholding regime for digital platforms and changes to the fiscal controller reporting from weekly to monthly submissions. In addition, several provinces introduced changes to gross income tax frameworks, including amendments to tax laws, updates to withholding and collection regimes, revised activity classifications with mandatory re-registration, and sector-specific surcharges, notably for port terminal operators. Additional measures include reciprocal offsetting of gross income tax credit balances between Buenos Aires City and Santa Fe, expanded refund procedures for overpayments, updated exclusions from special regimes, and the designation of mining companies as withholding agents, with most changes taking effect between late 2025 and January 1, 2026.

- **KPMG in Canada** published a [report](#) discussing recent guidance clarifying the goods and services tax/harmonized sales tax (GST/HST) treatment of trailing commissions earned by mutual fund dealers. The report explains that, following a change in the tax authority’s administrative position communicated in December 2025, trailing commissions will be treated as consideration for taxable sales rather than exempt “arranging for” services, requiring dealers to begin collecting GST/HST on such commissions from July 1, 2026. Initial or upfront trading fees relating to the issuance of mutual fund units remain exempt. The report highlights significant compliance and operational implications, including potential GST/HST registration requirements, reassessment of financial institution status, changes to input tax credit entitlement and allocation, system updates, and uncertainty regarding the application of change-of-use rules and transitional issues for existing agreements.
- **KPMG in Colombia** published a [report](#) discussing emergency indirect tax measures enacted under Legislative Decree 1474 of December 29, 2025, which forms part of an extraordinary fiscal package to support the 2026 national budget, including applying VAT on online gambling and reducing the VAT-free threshold for imported packages from USD 200 to USD 50. However, on January 29, 2026, the Colombian Supreme Court [suspended](#) the application the tax measures until the Court issues a final decision on the constitutionality of the declaration in December 2025 of the state of economic and social emergency with the aim to partially finance the 2026 Budget.
- **KPMG in Mexico** published a [report](#) (in Spanish) discussing key tax decrees issued toward the end of fiscal year 2025 and published in the Official Gazette. The report outlines 2026 tax measures, including the extension of preferential import rules for used vehicles from Mexico, the US, and Canada until November 30, 2026, reinforcing USMCA origin requirements. It also introduces a full excise tax relief for sales and digital provision of violent or adult video games from January 1, 2026, and extends VAT and excise tax incentives in border regions and for automotive fuels through the end of 2026.

Brazil: Amendment to Indirect Tax Reform Adopted

On January 13, 2026, Brazil [published](#) Complementary Law No. 227, which complements [Complementary Law No. 214 of 2025](#). Together, these measures establish the legislative foundation for Brazil’s new dual value added tax system, comprising the federal Contribution on Goods and Services (CBS) and the state and municipal Goods and Services Tax (IBS). The reform seeks to simplify compliance, reduce distortions, and increase legal certainty, with implementation starting in 2026 and concluding in 2033.

PLP 108/2024 establishes the Committee for the Management of the Tax on Goods and Services (CGIBS), defining its governance structure and granting it authority for centralized IBS administration, coordinated revenue collection, and distribution among states and municipalities. CGIBS is also empowered to issue binding technical and interpretative guidance to ensure consistent application nationwide.

Substantive changes include technical corrections, clarification of concepts such as leasing and temporary transfers, and enhanced rules for determining taxable events in recurring or fractional transactions. Provisions addressing credit recognition, reversals, and adjustments in cases of prepayments, cancellations, or contract modifications aim to mitigate litigation risks during the transition.

Sector-specific adjustments cover energy, digital platforms, real estate, financial services, fuels, and hospitality. Measures include deferral mechanisms for energy sales, optional tax substitution for platforms, objective thresholds for real estate leasing activities, anti-fraud controls for fuels, and alignment of hospitality taxation with bars and restaurants.

The reform strengthens tax equity through an enhanced cashback mechanism for low-income households, clarifies interactions with the Simples Nacional regime, and extends exemptions for app-based drivers to other similar service providers. Transition rules address selective taxes on sugary beverages, credit compensation mechanisms for ICMS, and coexistence of the old and new systems.

Administrative provisions introduce the National Tax Compliance Program, unify the Electronic Tax Domicile for IBS, standardize penalties and procedures, clarify government procurement and split payment systems, safeguard Manaus Free Trade Zone incentives, and coordinate IBS and CBS dispute resolution. Further operational details will follow through CGIBS and federal regulations. For more information, click [here](#).

United States: South Carolina Guidance on Admissions Tax and Advance Ticket Sales

The South Carolina Department of Revenue recently issued updated guidance on the state admissions tax, detailing when taxpayers should remit admissions taxes in various situations. Separately, the department also provided additional information on businesses subject to the tax.

South Carolina imposes a tax on amounts paid in exchange for the privilege to enter or use a “place of amusement.” The updated guidance explains that when businesses are selling tickets in advance of an event (e.g., the sale of season tickets to sporting events), patrons are paying to enter the place of amusement on a future scheduled date, not when the payment is made. Consequently, revenue from paid admissions for advance ticket sales must be reported with the admissions tax return for the month in which the ticketed event takes place.

The department distinguished the season ticket example from a situation in which a patron purchases a season pass to a place of amusement which allows the patron to enter amusement any time. In such cases, the place of amusement should report and remit sales tax to the department based on when the season pass is sold. Similarly, if the admissions price is paid by patrons after the event, then the place of amusement needs to report the receipts based on when the admissions prices are paid since there are no “paid admissions” until the patrons pay the admissions price. When a place of amusement sells gift certificates that must be redeemed for a ticket prior to an event, the right to enter the amusement is not granted until the certificate is redeemed and the ticketed event takes place. As such, the amusement tax for such sales should be remitted based on when the event occurred.

In a separate guidance, the department reaffirmed that any business will be considered a place of amusement if it “distracts the mind, relaxes, entertains, or gives pleasure” to patrons, and a place of amusement will not be excluded simply because the business may also have another purpose. The guidance provides a non-exhaustive list of over 30 types of businesses subject to the admissions tax, unless specifically exempt by law, including: air and balloon shows, escape rooms, automobile shows, bowling alleys, and spectator events. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Argentina:**^{lv} On December 30, 2025, Argentina's Tax Authority (ARCA) [issued](#) General Resolution No. 5,807, extending the suspension of advance VAT collection on imports of food, medicines, and cleaning products included in the basic consumption basket until June 30, 2026.
- **Chile:**^{lv} On December 2, 2025, Chile [published](#) Supreme Decree No. 871-2025, establishing regulations for electronic payment operators acting as VAT withholding agents under the special regime for open fair vendors. The rules set out registration, authorization, and operational requirements for operators responsible for withholding the substitute VAT at a rate of 1.5 percent on sales made by registered open fair vendors, in accordance with article 35 Ñ of the VAT Law. Electronic payment operators must be supervised by the Financial Market Commission, demonstrate adequate technological and financial capacity, withhold the substitute VAT on qualifying transactions, and submit daily transaction reports to the tax authority. The regulations also impose minimum service standards relating to accessibility, efficiency, continuous support, information access, control mechanisms, and payment validation.
- **Chile:**^{lvi} On December 18, 2025, Chile's Internal Revenue Service (SII) [issued](#) Letter No. 2627, clarifying the VAT treatment of services provided by nonresident entities and used in Chile. The guidance confirms that services provided by a nonresident and utilized within Chile are subject to VAT. However, VAT does not apply where an exemption is available because the services fall within the scope of the additional tax under article 59 of the Income Tax Law. Where no such exemption applies, the Chilean recipient of the services must issue a purchase invoice and directly declare and pay the VAT, with the right to claim the corresponding VAT credit. The SII also noted that the existence of a permanent establishment and the application of double taxation agreements may affect the tax treatment in such cases.
- **Chile:**^{lvii} On January 7, Chile's SII [issued](#) Letter No. 24, clarifying the VAT treatment of late invoicing and deductions. In the case, a Chilean investment company, engaged in energy projects, faced issues with delayed issuance of purchase invoices for VAT related to foreign services, such as legal and financial assistance. While the company retained and paid VAT, it could not initially claim VAT credits due to not being an e-invoice issuer at the time. The SII clarified that delayed invoices must be issued retroactively, with penalties if applicable, and excluded from VAT credit claims for periods already reported. If VAT credit is not recoverable due to formal or operational issues, the company may deduct the irrecoverable VAT as a business expense or cost under Chile's Income Tax Law, provided proper documentation supports the deduction during the fiscal year of payment.
- **Chile:**^{lviii} On January 7, 2026, Chile's SII [issued](#) Letter No. 26, clarifying the VAT treatment of promotional services provided by individuals acting as brand ambassadors. The SII confirmed that such services are exempt from VAT where personal work predominates over capital, as they qualify as second-category income subject to global complementary tax under the VAT Law. The clarification applies to individuals promoting brands through social media, professional forums, or industry associations to enhance visibility and market positioning. These individuals are required to issue fee invoices for their services. The guidance further notes that professional services firms engaging brand ambassadors may deduct the related promotional expenses for income tax purposes, provided the payments are effectively made and comply with general deductibility rules.

- **Peru:**^{lix} On January 1, 2026, Peru’s Tax Authority [issued](#) administrative rules governing access to the VAT exemption applicable to small farmers and agricultural companies under the general sales tax regime. The measures set out eligibility conditions, application windows, decision timelines, and the effective date of the exemption. Taxpayers seeking to renew the exemption must have obtained an approved waiver by December 31, 2025, while first-time applicants must submit a single application between January 1 and April 1, 2026.
- **United Nations:**^{lix} The United Nations recently [released](#) the “Guidance Paper Series on Value Added Tax and Goods and Services Tax for Developing Countries,” reflecting the outcomes of the twenty-ninth session of the United Nations Committee of Experts on International Cooperation in Tax Matters held in October 2025. The guidance provides practical, policy-oriented recommendations on the design, implementation, and administration of VAT systems in developing economies. It focuses on four key areas: an overview of VAT systems, the treatment of small enterprises, refund mechanisms, and the use of technologies like e-invoicing and big data analytics to enhance compliance. Recommendations emphasize proportionality, transparency, and country-specific approaches to ensure VAT/GST systems support economic development while minimizing administrative burdens.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bulgaria** published a [report](#) discussing legislative amendments to the VAT Act effective from January 1, 2026. One key amendment removes the application of the self-assessment requirement for sales of goods assembled or installed in Bulgaria by EU-established vendors, thereby requiring such taxpayers to register for VAT in Bulgaria prior to their first transaction. In addition, the amendments introduce two special VAT regimes for small enterprises, namely a domestic and an EU-wide mechanism, in alignment with the EU VAT Directive. The domestic regime fixes the annual VAT registration threshold at EUR 51,130 and broadens the calculation base to include exempt sales of immovable property, with affected taxpayers required to apply for registration by January 8, 2026. The EU mechanism allows qualifying businesses established in one Member State to apply a VAT exemption in other Member States if sales meet that Member State’s VAT registration threshold and if EU-wide gross receipts do not exceed EUR 100,000.
- **KPMG in Cyprus** published a [report](#) discussing the repeal of the Stamp Duty Laws of 1963 effective January 1, 2026. The tax department announced that, under Law 239(I)/2025, stamp duty will cease to apply to documents executed from that date. However, documents drawn up and signed by at least one contracting party on or before December 31, 2025, will remain subject to stamp duty under the previous legislative framework and must be stamped according to the procedures in force on that date. Licensed stamp vendors may continue selling existing stamp inventories so that such documents can be stamped properly.

- **KPMG in Italy** published a [report](#) discussing recent tax measures in the 2026 budget law, including measures introducing new rules for calculating VAT base of barter transactions. Until December 31, 2026, the tax base of these transactions was the fair market value of the goods and services exchanged. From January 1, 2026, the tax base consists in the total costs incurred by the seller to provide the goods or services.
- **KPMG in Mozambique** published a [report](#) discussing amendments to the VAT law which entered into force on January 1, 2026. Among other changes, the amendments provide that taxpayers conducting transactions subject to reduced taxable bases may only deduct VAT in proportion to those activities while taxpayers benefiting from the 5 percent reduced rate cannot claim VAT deductions. The law removes the 12-month deadline for refund requests and extends the tax authority's processing time from 30 to 150 days. It also lengthens the suspension period for credit verification and sets a 10-year expiry for claiming credits. Entities operating more than one establishment must report sales and other transactions for each location in their periodic VAT returns. The law also abolishes the simplified and exemption VAT regimes.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including a recent decision of the Supreme Administrative Court (SAC) holding that overstated invoices do not allow VAT expense deductions, reaffirming strict documentation requirements. The SAC also ruled in another case that corrective notes cannot change the parties to a transaction and that organizing a lottery without promoting alcoholic beverage trademarks did not constitute advertising of alcoholic beverages. Finally, the report discusses recent tax authority guidance, clarifying that expenses documented by invoice issued outside the e-invoicing system may be included in tax-deductible costs.
- **KPMG in Saudi Arabia** published a [report](#) discussing amendments to the excise tax implementing regulations primarily affecting sweetened beverages, following approval of revised excise tax rules by the GCC Financial and Economic Cooperation Committee in October 2025. The amendments introduce a tiered volume-based excise tax model for sweetened beverages. Carbonated drinks now fall under the category of sweetened beverages, while previously they were treated as two separate categories. Under the new model, excise tax will be levied as a fixed amount per liter, determined by applicable tier based on sugar content per 100 ml of the ready-to-drink beverage (i.e., sugar concentration), replacing the earlier flat excise tax rate of 50 percent on retail selling price.
- **KPMG in Serbia** published a [report](#) discussing the Serbian VAT refund regime applicable to foreign taxpayers in respect of VAT incurred during 2025. The report explains that Serbian VAT may be refunded where the VAT is correctly stated on paid invoices, the minimum refund threshold of EUR 200 (in Serbian dinar equivalent) is met, and the expenses would qualify for VAT expense deduction if incurred by a domestic taxpayer. Eligibility is limited to foreign entities that did not make taxable sales in Serbia, subject to specific exceptions such as certain transport services and self-assessment transactions, and that are established in countries granting reciprocal VAT refunds. Refund applications must be submitted by June 30, 2026, and foreign applicants are required to obtain a Serbian tax identification number.
- **KPMG in Slovakia** published a [report](#) discussing a draft amendment to the Slovak VAT law submitted on January 14, 2026, which introduces enhanced compliance measures targeting entities that repeatedly fail to meet VAT obligations or cooperate with the tax authority. The report explains that the measures will be phased in, with key changes effective from April 1, 2026, including an extension of the decision period for voluntary VAT registration applications to up to 60 days in justified cases, new record-keeping obligations for high-risk

taxpayers, expanded grounds for VAT deregistration, and the introduction of a presumption of cessation of economic activity under specified conditions. From January 1, 2027, the amendment proposes reintroducing the VAT guarantee mechanism, allowing the tax authority to require guarantees between EUR 5,000 and EUR 500,000 to secure potential VAT liabilities.

European Union: Transfer Pricing Adjustment Only Relevant for VAT Purposes if Qualified as Adjustment of Transaction Price Agreed Between Parties

On January 15, 2026, the Court of Justice of the European Union (CJEU) published the nonbinding opinion of its Advocate General (AG) in *Stellantis Portugal*, Case [C-603/24](#), addressing whether transfer pricing adjustments have VAT consequences. In the case, a Portuguese taxpayer operated as the national sales company for a car manufacturer in 2006, buying vehicles from the group's European original equipment manufacturers (OEMs) and reselling them to independent Portuguese dealers, who then sold to final customers. When dealers repaired manufacturing-defective vehicles, they charged the taxpayer for the repair costs plus VAT. The taxpayer notified the OEMs of those after-sales costs (including warranty and roadside assistance) and other operating costs, and the OEMs adjusted the transfer prices under an intra-group pricing contract—documented by credit or debit notes—to align the distributor's actual operating profit with an agreed target. The Portuguese tax authority audited the taxpayer's 2006 accounts and concluded that the taxpayer had effectively provided taxable services to the OEMs within Portugal, based on sourcing applicable to the provision of services at the time, and assessed additional VAT.

The Advocate General rejected that view, noting there was no distinct service and no reciprocal performance, and that the adjustments merely reconciled the original sale price rather than remunerated services. The AG further observed that if profit adjustments involve actual, separate services provided for payment, these are taxable transactions for VAT purposes. If tax authorities make profit adjustments unilaterally just to allocate profits between countries, they are not relevant for VAT. If profit adjustments are made by changing a contractually agreed variable sale price for specific goods, these affect the taxable amount of the sale (under Articles 90 or 73 of the VAT Directive), but do not count as separate taxable services for VAT. For more information, click [here](#).

Roundup of Latest Court of Justice of the European Union Cases

On January 21, 2026, the European General Court (EGC) published its Order in *Associazione proprietari*, Case [T-393/25](#), in which it declared inadmissible a suit brought by an association of Italian private property owners challenging new EU VAT law provisions that introduce a deemed seller model and revise the definition of facilitation services. The Court found that the VAT rules apply to platform operators, not property owners, and that the provisions are of general application, not specifically targeting the association or its members. Participation in consultations did not grant the association standing to challenge the rules.

On January 22, 2026, the CJEU published its judgment in the joined cases *Agrupació de Neteja Sanitaria* ([C-379/24](#)) and *Educat Serveis auxiliars* ([C-380/24](#)), addressing the scope of the cost-sharing exemption under Article 132(1)(f) of the VAT Directive. Article 132(1)(f) allows independent groups to provide services to their members VAT-free if the members perform exempt or non-business activities. This mechanism allows organizations like charities, hospitals, and universities to share services (e.g., HR, IT) at cost without triggering

irrecoverable VAT. In these cases, the taxpayers challenged national interpretations that narrowly limited the exemption to services provided only by members of a group (i.e., excluding third-party provided services) and that the services were not directly and exclusively linked to the exempt activity carried on by the respective members. The CJEU held that Member States may not exclude services from being regarded as “directly necessary” solely because of their general nature where they are required for VAT-exempt activities. It further ruled that national authorities may not presume, as a matter of principle, the existence or risk of distortion of competition merely because such services could also be used for taxable activities. The judgment clarifies that overly restrictive national conditions are incompatible with EU VAT law.

On May 8, 2025, the CJEU published the nonbinding Opinion of its AG in the joined cases *Keladis I* (C-72/24) and *Keladis II* (C-73/24) concerning the use of statistical values in customs valuation where there is a risk of undervaluation and a physical inspection of goods is no longer possible. In these cases, the taxpayer challenged the customs authority’s ability to approximate customs value using statistical data. According to the AG, customs valuation must reflect the real economic value of imported goods, with the transaction value remaining the primary method. Where this cannot be applied, secondary valuation methods must be used sequentially, with the fallback method available only as a last resort. The AG concluded that aggregated EU-level statistical data may be used exceptionally under the fallback method, subject to strict legal safeguards, and suggested a 90-day reference period as a reasonable benchmark to ensure valuations reflect market conditions.

Source: Bloomberg Tax, European General Court Issues Order on VAT Rules for Digital Age Affecting Short-Term Accommodation Rentals (January 28, 2026); European Union; Spain – ECJ Decides Member States May Not Restrict Cost-Sharing Exemption by Imposing Overly Narrow Conditions or Presuming Distortion of Competition: *Agrupació de Neteja Sanitaria* and *Educat Serveis auxiliars* (Joined Cases C-379/24 and C-380/24) (VAT) (January 22, 2026), News IBFD. European Union; Greece – ECJ Advocate General Opines on Use of Statistical Values in Customs Valuation: *Keladis I and Keladis II* (Joined Cases C-72/24 and C-73/24) (Customs, VAT) (May 8, 2025), News IBFD.

Miscellaneous Developments in EMEA

- **Austria:**^{ixi} On December 11, 2025, the Austrian Federal Finance Court [published](#) Decision RV/1100313/2024, clarifying the application of standard consumption tax (NoVA) and VAT to cross-border vehicle acquisitions, as well as the relevant statute of limitations. The case concerned a German citizen residing in Austria who purchased and registered a new vehicle in Germany but used it in Austria. The tax authorities assessed NoVA and VAT on the basis that the individual’s center of life was in Austria. The court upheld the assessments, concluding that the taxpayer’s personal and economic ties established Austria as the center of his vital interests. It further determined that the acquisition and use of the vehicle constituted an intra-EU acquisition subject to NoVA and VAT in Austria, and that investigative measures had validly extended the limitation period, preventing the assessments from becoming time-barred.
- **Austria:**^{ixii} On January 12, 2026, the Austrian Federal Finance Court [published](#) Decision RV/5100218/2025, clarifying the conditions for deducting VAT. The case concerned an individual who constructed a building and deducted VAT based on invoices issued by a wholly owned subsidiary. The subsidiary did not remit the invoiced VAT, and the taxpayer failed to demonstrate a clear and externally verifiable intention to use the property for

taxable rental purposes or to waive the small business exemption. The court held that VAT deductions require objective evidence of taxable use and found that the invoicing arrangement between the taxpayer and the subsidiary was not at arm's length. As a result, the tax authority correctly denied the VAT deduction due to the absence of taxable use and the failure to opt out of the small business exemption.

- **Austria:**^{lxiii} On January 13, 2026, the Austrian Federal Finance Court [published](#) Decision RV/1200007/2024, clarifying the application of the import VAT exemption for intra-EU sales. The case concerned a freight forwarder acting as an indirect representative for EU customers, which was assessed for Austrian import VAT despite claims that the goods were shipped to other EU Member States. The court held that the exemption was unavailable because the purchasers named in the import documentation could not be verified at the stated addresses, obscuring the identity of the actual acquirers. The use of false addresses was found to conceal the real recipients and prevent proof of the substantive conditions for the application of the exemption. As the taxpayer knew or should have known that the exemption requirements were not met, the assessment of Austrian import VAT was upheld.
- **Bahrain:**^{lxiv} On January 28, 2026, Bahrain's National Bureau for Revenue (NBR) [published](#) an updated VAT General Guide (Version 1.14), introducing a new section on the VAT treatment of manpower services. The guide clarifies that VAT applies to the full consideration charged by agencies or third-party providers for manpower services, including salaries, wages, benefits, and any service fees or commissions. While VAT is charged on the provision of manpower services, employee-level remuneration such as salaries and benefits remains outside the scope of VAT.
- **Botswana:**^{lxv} On December 29, 2025, the Council of Ministers revoked the special VAT Regularization Notes Regime for the mining and petroleum industry and approved a new specific VAT refund regime under Decree 52/2025, effective January 28, 2026. The new regime applies to entities in the extractive industry, including mining concessionaires and oil exploration companies, provided they meet criteria such as investment thresholds of at least USD 25 million or export-oriented gross receipts exceeding 60 percent. Key features include a 90-day tacit approval deadline for VAT refunds, a 30-day deadline for taxpayers to return undue refunds, annual registration requirements, and compliance record conditions. Additional amendments to the general VAT Refund Regulation were introduced, including detailed documentation requirements, suspension notification rules, and reduced refund application deadlines for diplomatic organizations. These changes aim to streamline VAT refund processes while ensuring compliance and transparency.
- **Czech Republic:**^{lxvi} On January 14, 2026, the Czech Financial Administration [issued](#) guidance effective July 1, 2025, clarifying VAT rules for real estate. The update redefines key concepts for taxing land and buildings to align with EU case law. It also expands the VAT exemptions for transfers of completed properties, with taxation limited to first sales within 23 months of completion or substantial change. In addition, it provides that for VAT purposes, a "substantial change" now requires construction that alters use or living conditions and costs over 30 percent of the tax base. Further, it introduces new classifications for residential and social housing, harmonizes floor area calculations, restricts reduced VAT rates to social housing and related construction, and updates rules for work on completed or mixed-use buildings.
- **Denmark:**^{lxvii} On November 25, 2026, the Danish Customs and Tax Administration (DCTA) [published](#) National Tax Court Decision No. SKM2025.663.LSR, regarding whether the appellant earned income as an employee or through independent business activity.

The National Tax Court upheld the DCTA's decision, determining the appellant acted as an employee. Additionally, the court ruled that the appellant was responsible for remitting VAT listed on invoices, even as an employee. It emphasized that VAT must be paid if invoiced unless corrected via credit notes. The agency clarified that anyone listing VAT on invoices is obliged to pay it, regardless of their VAT registration status, unless errors are rectified. Since the appellant did not report or pay the VAT, liability was confirmed.

- **Denmark:**^{lxviii} On January 13, 2026, the DCTA [published](#) Tax Council Binding Answer No. SKM2026.18.SR, clarifying that an individual operating a VAT-registered business for leasing commercial properties could not deduct VAT for purchasing luxury cars intended for resale at optimal market conditions. The Council determined that this activity resembled private investment management rather than economic business activity. Additionally, the Council denied VAT deduction for cars offered to investors for leasing, noting that the practice of leasing cars to capital owners while waiting for favorable resale conditions was atypical for a car trading business, especially since the cars were not displayed or sold through the business premises.
- **Denmark:**^{lxix} On January 15, 2026, the DCTA published Tax Council Binding Answer No. SKM2026.24.SR, confirming that courses on negotiation techniques offered exclusively to elected workplace representatives are VAT exempt under § 13, stk. 1, nr. 3 of the VAT Act. The Council determined that the courses have a professional focus, as the knowledge and skills taught are intended for use in the representatives' roles at their workplaces, aligning with the definition of vocational training or professional education under the VAT exemption.
- **Denmark:**^{lxx} On January 15, 2026, the DCTA [published](#) National Tax Court Decision No. SKM2026.31.LSR, clarifying that services involving the creation and publication of advertisements on an Instagram profile in exchange for payment, products, or both do not qualify as "author, composer, or other artistic activities" under the VAT exemption in § 13, stk. 1, nr. 7 of the VAT Act.
- **Denmark:**^{lxxi} On January 15, 2026, the DCTA [published](#) Tax Council Binding Answer No. SKM2026.25.SR, clarifying that the sale of condominium parking spaces by a developer constituted the sale of a new building and was subject to VAT, as the transaction was the first transfer after occupation, occurred within five years of completion, and involved acquisition of a share in a parking construction project rather than completed real estate.
- **Denmark:**^{lxxii} On January 15, 2026, the DCTA [published](#) National Tax Court Decision No. SKM2026.27.LSR, clarifying that interest income from intra-group loans constitutes passive capital investment and an ancillary transaction for VAT purposes, and therefore should not be included in the calculation of the VAT deduction ratio or affect VAT expense recovery or electricity tax refunds. However, the company remains subject to payroll tax under Danish law.
- **European Union:**^{lxxiii} On December 31, 2025, the European Commission [published](#) Implementing Regulation (EU) 2025/2621, which establishes default values for the Carbon Border Adjustment Mechanism (CBAM), setting methodologies for goods, imported electricity, and indirect embedded emissions. Where data is lacking, default values are based on the average emissions from the ten highest emitting exporting countries, using a conservative approach. Indirect emissions use the country of origin's average electricity grid emission factor over five years. The regulation applies from January 1, 2026, with a review scheduled by 2027. To read KPMG's previous discussion of the CBAM, click [here](#).

- **European Union:**^{lxxiv} On January 15, 2026, the European Commission [adopted](#) Delegated Regulation (EU) 2026/50, amending data requirements for administrative documents in the movement of excise goods. The regulation updates the computerized excise movement system to cover exports outside the EU and commercial movements between Member States, revising and detailing data structures for electronic documents and related messages. These changes, which resolve inconsistencies and obsolete elements, will apply from February 12, 2026.
- **European Union:**^{lxxv} On January 16, 2026, the European Parliamentary Research Service [published](#) a briefing reviewing the EU VAT rate framework, noting that while rates are not fully harmonized, Member States must follow minimum standards and restrictions under the VAT Directive. The briefing highlights that differentiated VAT rates are used to address regressivity and support specific sectors, but reductions are often only partly passed on to consumers. It also emphasizes the fiscal cost and legal complexity of multi-rate systems and reiterates the European Parliament’s calls for regular review and simplification of reduced rate structures.
- **European Union:**^{lxxvi} On January 20, 2026, the European Data Protection Supervisor (EDPS) [published](#) its opinion on the proposal to amend Regulation (EU) No. 904/2010 to grant the European Public Prosecutor’s Office and the European Anti-Fraud Office broader access to VAT information. The EDPS raised concerns about insufficiently defined VAT data and the risk of overly broad access to these authorities. It supported a tiered approach to data sharing, recommended enhanced safeguards and oversight, and emphasized the need for data minimization, proportionality, and accountability while strengthening anti-fraud efforts.
- **European Union:**^{lxxvii} On January 23, 2026, the European Commission [published](#) its interim evaluation of the Fiscalis program for 2021–2027. It highlights major improvements in VAT, excise, and customs cooperation, with most spending dedicated to EU electronic systems. Key achievements include strengthened VAT compliance through tools like VAT Information Exchange System (VIES) on the Web, the Transaction Network Analysis system, and the [VAT e-Commerce package](#). The TNA system identified EUR 37 billion in suspicious VAT transactions and over 12,000 fraudulent traders, while VIES on the Web enabled 4.8 billion real-time VAT number verifications. In excise, the Excise Movement and Control System enhanced monitoring and fraud prevention, and the EU Learning Portal expanded training for officials.
- **Finland:**^{lxxviii} On January 1, 2026, Finland [updated](#) its guidance on the VAT treatment of invoicing service companies and workers through revised Guidance No. VH/7320/00.01.00/2025. The updated guidance reflects a reduction in the applicable reduced VAT rate from 14 percent to 13.5 percent for certain sales, including foodstuffs, restaurant and catering services, passenger transport, and specified sports and physical activity services, effective from the same date. In addition, the guidance clarifies the VAT treatment based on agreements between invoicing service companies and individuals, determining whether compensation is treated as wages or service fees. VAT is applicable only to business transactions, not wages. Additionally, the guidance covers scenarios where invoicing service companies act as intermediaries, directly invoice clients, or provide services solely to individuals. The document also explains VAT obligations for low-revenue individuals, VAT self-assessment requirements in construction services, and international service sales. Finally, it outlines VAT deduction rights for invoicing service companies and individuals, including direct costs and general expenses.

- **Finland:**^{lxxxix} On January 1, 2026, the Finnish Tax Administration [updated](#) its guidance on the VAT treatment of art works, collectors' items, and antiques. The guidance clarifies the criteria for categorizing items as art, collectibles, or antiques under VAT rules, explains applicable VAT rates, and outlines special procedures such as the margin taxation method, which calculates VAT based on the profit margin rather than the full sales price. The guidance further covers international trade, detailing VAT obligations for sales and purchases within the EU and imports from outside the EU. Additionally, it clarifies the timing for reporting VAT, deduction rights, and invoicing requirements specific to these items.
- **Finland:**^{lxxx} On January 1, 2026, the Finnish Tax Administration [updated](#) its guidance on the VAT treatment of commission sales and brokerage activities. The updated guidance reflects the reduction in the reduced VAT rate from 14 percent to 13.5 percent, effective from the same date. The guidance clarifies the distinction between commission sales, where the agent acts in their own name but on behalf of the principal, and intermediary services, where the agent acts in the principal's name and on their behalf. VAT obligations differ significantly between these two roles, with commission sales treated as two consecutive transactions, while intermediary services involve VAT only on the agent's commission. The guidelines also cover exceptional cases such as electronic services, international transactions, used goods sales, and VAT-exempt intermediary situations.
- **Finland:**^{lxxxii} On January 8, 2026, the Finnish Tax Administration [updated](#) its VAT guidance on the treatment of employee meals provided by employers. The update incorporates a Supreme Administrative Court ruling (KHO 2025:46) clarifying that meal vouchers do not include deductible VAT for employers and that restaurants are considered sellers of meal services to employees. The guidance addresses VAT implications for free and discounted meals, including self-prepared meals and meals purchased from external providers, emphasizing rules for VAT on self-use, applicable tax rates, and cost calculations. Employers can deduct VAT on costs related to meal services provided as part of taxable business activities, but not for direct reimbursements of employees' personal meal expenses.
- **Finland:**^{lxxxiii} On January 7, 2026, the Finnish Tax Administration [updated](#) its guidance on VAT refunds for traders established outside the European Union. The guidance outlines eligibility criteria, such as the applicant not having a fixed business location in Finland and engaging in specific types of taxable business activities. It explains the refund process, including required documentation, deadlines, and applicable VAT rates, as well as the types of purchases eligible for refunds, such as travel, accommodation, and business-related expenses. The update also reflects changes in VAT rates and the Tax Administration's new mailing address. Businesses must submit refund applications using the designated form, provide accurate information, and adhere to strict deadlines to qualify for refunds.
- **Germany:**^{lxxxiii} On December 29, 2025, the German Ministry of Finance [published](#) BMF Letter No. COO.7005.100.2.13545986, clarifying the transitional rules for the repeal of the VAT warehouse exemption, effective January 1, 2026. The new rules specify that VAT will now apply to transactions preceding the removal of goods from such warehouses, with transitional provisions extending until December 30, 2029. The VAT exemption for qualifying storage-related services will continue to apply until the same date. The guidance outlines outsourcing events that trigger taxation, including the removal of goods, further processing, or the provision of non-qualifying services. It also details recordkeeping obligations, introduces joint liability for non-compliant warehouse operators, and explains the determination of the tax base, applicable VAT rates, and VAT deduction for previously exempt transactions.

- Germany:**^{lxxxiv} On January 20, 2026, the German Ministry of Finance [published](#) BMF Letter No. COO.7005.100.4.13831037, clarifying VAT deduction rules for service providers that operate at a persistent loss while receiving public subsidies. The guidance confirms that such providers are not entitled to deduct VAT when the purchased inputs are not directly linked to taxable activities. The Ministry outlines a two-step assessment to establish eligibility: first, determining whether remuneration is directly linked to the service performed; second, verifying whether the provider conducts an economic activity for VAT purposes. The Ministry further amended the VAT Application Decree to introduce a rebuttable presumption of non-economic activity when the cost recovery rate remains structurally low. The clarification applies to all open cases, although transitional relief permits affected providers to presume economic activity and deduct input VAT until December 31, 2027.
- Greece:**^{lxxxv} On December 31, 2025, Greece [issued](#) Decision No. A.1200/2025, establishing procedures for implementing the special VAT regime for small businesses not established in Greece but in another EU Member State. The decision outlines the responsibilities of the Independent Authority for Public Revenue (AADE) in managing applications, quarterly reports, exemptions, and terminations of this regime. Eligible businesses must meet gross receipts thresholds (EUR 100,000 within the EU and EUR 10,000 within Greece) and comply with notification requirements. The AADE verifies eligibility through coordination with the taxpayer's home country and monitors compliance with reporting obligations. Non-compliance may result in penalties or removal from the regime. The decision also specifies administrative timelines, appeals processes, and recordkeeping requirements. This special VAT regime applies to transactions starting January 1, 2025.
- Guernsey:**^{lxxxvi} Guernsey's Policy and Resources Committee recently asked lawmakers to adopt a "GST-plus" package that would introduce a 5 percent GST, with few exemptions, alongside targeted mitigations. The package would cut the standard personal income tax rate to 15 percent, apply a 20 percent rate above an uprated threshold, align a social security allowance with the personal allowance, and increase pensions and benefits to offset price effects. It would add an annual Essential Costs Relief Payment of GBP 520 for a single adult or GBP 860 for a couple. The Committee also proposed legal protections to increase allowances if the GST rate rises and is considering a supermajority requirement for any GST rate increase.
- Hungary:**^{lxxxvii} On December 19, 2025, Hungary's tax authority [published](#) on the retail tax, which applies to entities conducting taxable retail activities, including foreign businesses selling directly to Hungarian customers without a local branch. The tax is calculated progressively based on net revenue, with rates ranging from 0 percent for revenue up to HUF 1 billion to 4.5 percent for revenue exceeding HUF 150 billion. Special rules apply to vehicle fuel retail and platform operators facilitating sales. Taxpayers must calculate, report, and pay the tax annually, with advance payments required in two installments. Non-compliance may result in penalties, and connected businesses must aggregate their taxable bases. Changes to tax brackets introduced in November 2025 and applicable for the tax year 2025 allow for refunds of overpaid advances. The guidance outlines reporting procedures, exemptions, and calculation methods, including specific rules for platform operators and connected enterprises.
- Ireland:**^{lxxxviii} On December 29, 2025, the Irish Revenue Commissioners [issued](#) Revenue eBrief No. 250/25, updating several Tax and Duty Manuals to clarify the VAT treatment of various activities following the enactment of the Finance Act 2025. The updated guidance

provides further detail on the application of the second reduced VAT rate of 9 percent to the sale and construction of qualifying apartments and apartment blocks. It also confirms that income from the hire of rooms is taxable at the standard VAT rate from January 1, 2026, and that all waivers of exemption for specified property leases are automatically cancelled from December 23, 2025. In addition, the updated guidance addresses VAT exemption for the management of special investment funds comprising the automatic enrolment retirement savings system, alongside revised guidance on VAT deductibility for qualifying conference accommodation and the VAT treatment of specified construction services and the flat-rate scheme for farmers.

- **Isle of Man:**^{lxxxix} On January 2, 2026, the Isle of Man Treasury **implemented** changes to the VAT Tour Operators' Margin Scheme (TOMS), narrowing its scope in relation to transport services. Under TOMS, tour operators pay VAT only on the profit margin rather than the full price of the individual travel component. Under the revised rules, taxi and private hire vehicle journeys are excluded from TOMS, unless the journey is provided together with other qualifying travel services. The change applies where businesses purchase and resell such journeys either as principal or as agents acting in their own name, and primarily affects taxis and privately hire vehicle operators, although other intermediaries may also be impacted. Journeys are not affected where taxi or private hire vehicle operators act as disclosed agents, or where transport is provided directly by the driver to the passenger, such as street-hailed taxi services.
- **Italy:**^{xc} On December 4, 2025, Italy's tax authority **published** Prot. n. 551770, amending procedural rules governing the EU cross-border VAT exemption for small enterprises. The amendment aligns Italian practice with EU law by clarifying that the 35-working-day period for completing registration and obtaining the "EX" number begins when the small enterprise submits its prior notification to the tax authority in its Member State of establishment. In addition, on December 10, 2025, Italy's tax authority **published** Prot. n. 2025/560356, which sets out verification and control mechanisms to monitor compliance with eligibility conditions, gross receipts thresholds, and quarterly VAT reporting obligations under the EU cross border VAT exemption for small enterprises. The guidance also clarifies circumstances leading to the activation or deactivation of the "EX" number and outlines cases requiring VAT registration for EU small enterprises that fail to meet reporting or eligibility requirements.
- **Italy:**^{xcii} On December 30, 2025, the Italian tax authority **issued** Letter No. 321/2025, clarifying the VAT treatment applicable to sales of land classified as a "white zone," meaning land not covered by effective urban planning instruments. The clarification arose from the joint sale of a large plot of land by two companies, where the sellers argued that the absence of active planning rules rendered the land unsuitable for construction and therefore outside the scope of VAT. The tax authority rejected this view, confirming that land located in white zones remains legally suitable for building purposes under Presidential Decree No. 380/2001, notwithstanding the temporary absence or lapse of urban planning tools. Accordingly, the transfer qualified as a taxable sale of building land subject to VAT at the ordinary rate, with registration, mortgage, and cadastral taxes applying in the ordinary manner.

- **Italy:**^{xcii} On January 14, 2026, the Italian tax authority [issued](#) Letter No. 4/2026T, clarifying that the activities performed by ALFA, an artistic foundry producing commissioned contemporary art pieces, constitute a service rather than the sale of art objects. While ALFA uses its materials and labor to create sculptures under the supervision of the artist, the client (artist, gallery, art dealer) conducts the final sale of the art objects. As a service, ALFA's operations are subject to the standard VAT rate of 22 percent, not the reduced 5 percent VAT rate applicable to sales of art objects. However, subsequent sales of limited-edition sculptures by the client may qualify for the reduced 5 percent VAT rate if they meet specific criteria under customs classification code NC 9703 00 00.
- **Liberia:**^{xciii} On January 26, 2026, the President of Liberia presented the 2026 Annual Message to the legislature, outlining key fiscal and tax policy priorities for the upcoming fiscal year. Among the proposed revenue-raising measures, the government plans to introduce a VAT regime by 2027, which would replace the existing goods and services tax framework. In the interim, the government intends to increase the goods and services tax rate by one percent, expand the tax base through enhanced compliance and anti-evasion measures, and review and adjust excise duty rates.
- **Nigeria:**^{xciv} On January 15, 2026, Nigeria's Revenue Service (NRS) clarified that Nigeria Tax Act, which was signed into law in June 2025 and entered into force on January 1, 2026, does not introduce any new VAT on banking services, including bank fees, commissions, or electronic money transfers. The NRS explained that VAT has long been applicable to fees, commissions, and charges for services rendered by banks and other financial institutions under the existing VAT framework. It emphasized that the Nigeria Tax Act neither created additional VAT obligations for customers nor altered the VAT treatment of banking charges or electronic transfers.
- **OECD:**^{xcv} On January 26, 2026, the Business and Industry Advisory Committee to the OECD [published](#) a policy brief highlighting ongoing international work on VAT and GST in the context of digitalization. The brief emphasizes how OECD-led initiatives have helped reduce double taxation, strengthen VAT neutrality, and ease compliance for cross-border businesses. It notes that the OECD continues to develop VAT and GST guidance following earlier work on effective collection mechanisms, the role of digital platforms and VAT implications of the sharing and gig economy. The OECD has also supported regional implementation efforts through VAT Digital Toolkits for Latin America, Asia, and Africa, encouraging simplified and consistent rules for cross-border digital sales. The brief identifies priorities for future OECD VAT and GST work, including the expansion of e-invoicing and digital continuous transaction reporting, the VAT treatment of crypto-assets and the use of payment data for compliance risk management. It further stresses the need for ongoing international dialogue to ensure coherent implementation of global VAT and GST principles.
- **OECD:**^{xcvi} On January 26–28, 2026, the OECD [held](#) the Sixth Global Forum on VAT in Paris, bringing together more than 300 representatives from 104 jurisdictions, international organizations, businesses, and other stakeholders to advance dialogue on future-ready VAT systems amid digital transformation. Discussions emphasized the importance of global coordination to support cross-border trade while safeguarding tax revenues and marked the tenth anniversary of the OECD International VAT/GST Guidelines, reaffirming their role in international digital trade and e-commerce. Participants examined new OECD guidance on Digital Continuous Transactional Reporting to strengthen compliance and combat VAT fraud, including through enhanced administrative cooperation such as the SCAN-VAT platform. The forum also addressed emerging VAT challenges linked to crypto-assets, artificial intelligence, and technological innovation.

- **Saudi Arabia:**^{xcvii} The Saudi Zakat, Tax, and Customs Authority (ZATCA) recently announced a six-month extension of its penalty exemption initiative, extending its validity from December 31, 2025, to June 30, 2026. The initiative continues to provide exemptions from penalties related to late registration, delayed tax return filing and payment, VAT return corrections, and violations identified through field audits or e-invoicing controls. It applies to VAT, withholding tax, excise tax, corporate income tax, and real estate transaction tax. To benefit, taxpayers must complete registration, submit outstanding returns, and settle tax dues or enter an approved installment plan by June 30, 2026.
- **Slovakia:**^{xcviii} On December 22, 2025, the Slovak Financial Administration [issued](#) Guide No. 45/DZPaU/2025/MU, clarifying the VAT treatment for specified categories of motor vehicles, related goods, and services. The guide introduces a flat-rate VAT deduction of 50 percent for vehicles used for both business and non-business purposes, applicable from January 1, 2026, to June 1, 2028. Non-deductible VAT is excluded from the tax base and treated differently for accounting and tax depreciation. Full VAT deduction is permitted only for vehicles used exclusively for business activities, subject to strict electronic recordkeeping and notification obligations. The guidance also confirms that the same deductibility rules apply to related goods and services, including fuel, maintenance, and repairs, supported by practical compliance examples.
- **Slovakia:**^{xcix} On December 29, 2025, the Slovak Financial Administration [issued](#) guidance on amendments to the VAT Act, including mandatory e-invoicing and real-time reporting of transactions, set to fully apply by 2027 and 2030. The amendments also establish VAT group registration by tax authorities to prevent tax avoidance through artificial gross receipts division among related entities. Additional updates include adjustments to VAT deduction rules for certain motor vehicles and changes to the list of goods eligible for reduced VAT rates. Other technical modifications address VAT corrections, special tax regimes, and compliance requirements for reporting business bank accounts.
- **Slovakia:**^c Effective January 1, 2026, the Slovak Republic [increased](#) the minimum and maximum fines applicable for breaches of selected tax obligations following amendments to the Tax Code. The revised penalties apply to failures to file tax returns, tax registration applications, or tax notifications within prescribed deadlines, as well as breaches of obligations imposed by tax authority decisions and non-monetary obligations. The minimum fine increased to EUR 100, while maximum fines were raised to EUR 10,000 for failures to file notifications or comply with non-monetary obligations, EUR 30,000 for breaches of tax registration obligations, and up to EUR 60,000 for late filing of tax returns in certain cases. The amendments also introduce an incentive mechanism allowing a reduction of fines to two-thirds where assessed tax liabilities are paid within 15 days of the assessment decision.
- **South Africa:**^{ci} On January 22, 2026, South Africa announced reductions to the statutory interest rates applicable to outstanding tax liabilities and tax overpayments, following the [publication](#) of updated tables by the South African Revenue Service. Under the revised rates, interest charged on outstanding taxes, duties, and levies, as well as interest payable on certain tax refunds, will decrease from 10.50 percent to 10.25 percent, effective March 1, 2026. In addition, the interest rate payable on credit balances arising from provisional tax overpayments will be reduced from 6.50 percent to 6.25 percent from the same date.
- **Sweden:**^{cii} On December 16, 2025, Sweden's Tax Agency [issued](#) Position Statement No. 8-407215-2025, clarifying the VAT treatment of short-term leasing of sports premises and facilities. To classify a lease as a taxable sports service, three conditions must be met:

the lease must involve a facility designed for sports, the facility must be used for sports activities, and the lease must be short-term rather than exempt property rental. The guidance clarifies that facilities must have specific sports-related features, and use them for non-sports purposes, such as concerts, do not qualify as a sports service. It emphasizes the distinction between passive property rentals and active sports services, considering factors like lease duration, exclusivity, and the provider's involvement in facility management.

- **Sweden:**^{ciii} On December 19, 2025, the Swedish Tax Agency [issued](#) Position Statement No. 8-410752-2025, clarifying the application of VAT rules to sporting activities and access to sporting events. The guidance confirms that services consisting of sport or physical training provided through sports facilities or via live instruction qualify for VAT exemption or are subject to the reduced VAT rate of 6 percent. It clarifies that the purchaser of such services may be an employer and that the service does not need to be provided directly to the athlete. To qualify, activities must involve physical exertion and human participation, and activities conducted under the auspices of member associations of the Swedish Sports Confederation may benefit from the exemption or reduced rate when performed in accordance with statutory conditions. Pre-recorded online training services remain excluded from the reduced VAT rate. The statement also clarifies that access to sporting events, including through tickets or live screenings, may qualify for VAT exemption or a reduced rate subject to specific requirements, and it replaces the prior position statement on the topic.
- **Sweden:**^{civ} On January 27, 2026, Sweden's Supreme Administrative Court [issued](#) its decision in *Aktiebolaget Högkullen*, clarifying the conditions under which the tax authority may adjust VAT on intra-group services based on market value. The case concerned management and administrative services provided by a parent company to its subsidiaries, where the tax authority had increased the taxable amount by replacing the charged consideration with the provider's total costs, on the basis that the services were undervalued and that no open-market comparables existed. The court, referring to a CJEU ruling, determined that the services should be evaluated individually rather than as a single composite transaction and that the Tax Agency failed to prove the absence of comparable market services. Consequently, the court rejected the VAT adjustment and tax surcharges.
- **Tanzania:**^{cv} On November 14, 2025, the Court of Appeal of Tanzania [dismissed](#) an appeal and upheld an additional VAT assessment, ruling that VAT relief available to licensed explorers under the VAT Act is not automatic. The court held that section 11 read together with item 8 of the Third Schedule grants conditional relief that is expressly subject to statutory limitations and ministerial procedures, and the absence of administrative guidelines does not render the relief self-executing. It clarified that entitlement arises only where the taxpayer is a registered and licensed explorer, the importation or sale is made by or to that person, and the goods or services are used exclusively for exploration activities. The court further confirmed that imported services fall within VAT accounting and reporting obligations under the VAT Act and the VAT (Imported Services) Regulations, requiring declaration and reverse-charge accounting in VAT returns. Failure to declare such services constitutes an improper return and lawfully empowers the tax authority to raise an assessment.
- **Türkiye:**^{cvi} On December 31, 2025, Türkiye [published](#) General Communiqué on Value Added Tax No. 56, which increased the VAT refund threshold applicable to transactions subject to reduced VAT rates, raising the limit from TRY 130,700 to TRY 164,000 for the 2026 tax year effective January 1, 2026.

- **Türkiye:**^{cvi} On January 29, 2026, Türkiye [enacted](#) Law No. 7573, extending the application period of the VAT postponement and cancellation (*tecil-terkin*) mechanism for purchases used in export production from December 31, 2025 to December 31, 2030. The mechanism allows taxpayers holding an inward processing permission certificate to procure raw materials and auxiliary goods domestically without an upfront VAT burden, provided the finished goods are exported in line with inward processing or temporary admission regimes. The measure, retroactively effective from January 1, 2026, aims to alleviate exporters' liquidity constraints by deferring and subsequently cancelling VAT upon fulfillment of export obligations, functioning as a cash-flow support mechanism rather than a permanent exemption.
- **United Arab Emirates:**^{cvi} On January 5, 2026, the United Arab Emirates Federal Tax Authority [issued](#) an English-language VAT guide on the profit margin regime. The profit margin regime is a VAT arrangement in the UAE that allows resellers to calculate VAT based on the profit margin, rather than the full value of eligible goods. This optional mechanism aims to prevent VAT cascading and applies to second-hand goods, antiques, and collector's items that were previously subject to VAT. Resellers must maintain proper records, issue invoices stating VAT was calculated on the profit margin, and report transactions on their VAT returns. The mechanism excludes goods not previously subject to VAT, imported goods unless input VAT recovery is blocked, and goods sold at a loss or break-even. Resellers are not required to seek prior approval from the Federal Tax Authority (FTA) but must notify the FTA via VAT returns when applying the scheme. Detailed rules for calculating profit margins, VAT amounts, and reporting requirements are outlined in the guide, which is based on UAE VAT legislation and subject to updates.
- **United Kingdom:**^{cix} On December 16, 2025, the United Kingdom First-Tier Tax Tribunal [issued](#) a judgment in Case No. TC09729, clarifying VAT deduction conditions on fuel, repairs, and maintenance costs for trucks used in an international haulage business. The dispute centered on whether the sales of fuel and maintenance were made to the appellant or to a third party. While the contractual analysis suggested the third party provided transport services to the appellant, the tribunal determined that the economic and commercial reality was that the third party merely made its trucks available to the appellant, which operated them as if they were its own. The appellant controlled all operational decisions, bore the costs, and benefited from the sales, making it the recipient of the disputed sales. Consequently, the tribunal upheld the appellant's entitlement to claim VAT credits, emphasizing that the decision aligns with fiscal neutrality principles and does not result in VAT loss within the system.
- **United Kingdom:**^{cx} On December 16, 2025, the United Kingdom First-Tier Tax Tribunal [issued](#) a judgment in Case No. TC09733, clarifying VAT exemption requirements for providers of caregivers to care homes. The tribunal held that the taxpayer's services were subject to the standard VAT rate because the caregivers were neither registered medical professionals nor supervised as required to qualify for the exemption under the VAT Act. It further confirmed that no other exemptions applied since the taxpayer was not a charity or public body, and the VAT-exempt status of care homes does not extend to their providers.
- **United Kingdom:**^{cx} On December 17, 2025, the United Kingdom First-Tier Tax Tribunal [issued](#) a judgment in Case No. TC09730, clarifying VAT liability and penalties for businesses trading in telephone calling cards. The tribunal held that the taxpayers acted as principals, not agents, and were therefore liable for VAT on the full value of the transactions. It found

that the taxpayers failed to provide valid VAT invoices or alternative evidence VAT deductions and did not apply the reverse-charge mechanism on overseas purchases as required. The inaccuracies in VAT returns were deemed deliberate, justifying penalties attributed to the director.

- **United Kingdom:**^{cxii} On January 7, 2026, the United Kingdom First-Tier Tribunal [issued](#) a judgment in Case No. TC09740, clarifying the VAT treatment of meals provided to nurseries for immediate consumption. The tribunal examined whether cooked meals provided by a business qualified for zero-rated VAT as food or were subject to the standard rate as catering services. It determined that the meals were provided hot, ready for immediate consumption, selected from a menu, and presented in a manner consistent with commercial catering. The tribunal further noted that nursery staff undertook no significant food preparation and that the contractual arrangements required the food to be consumed on the premises where sold. Consequently, the sales were characterized as catering services and held to being subject to the standard VAT rate.
- **United Kingdom:**^{cxiii} On January 9, 2026, the United Kingdom First-Tier Tax Tribunal [issued](#) its judgment in *TC09752*, clarifying the conditions for VAT deduction and zero-rating in second-hand car transactions. The case concerned a taxpayer that purchased high-value used vehicles in Northern Ireland and claimed VAT deduction and zero-rating on onward sales allegedly made to customers in the Republic of Ireland. The tribunal held that the taxpayer knew or should have known, through its key individuals, that the transactions were connected to fraudulent VAT evasion. It further found that the taxpayer failed to provide sufficient commercial evidence demonstrating the removal of the vehicles from the United Kingdom. As a result, the tribunal denied both the VAT deduction and the application of zero-rating.
- **United Kingdom:**^{cxiv} On January 14, 2026, the United Kingdom First-Tier Tax Tribunal [issued](#) its judgment in *TC09749*, clarifying entitlement to recover import VAT on clinical trial drugs. In the case, the taxpayer, acting as a logistics provider for biopharma clients, imported trial drugs into the UK, stored them under strict regulatory conditions, and delivered them to clinics and hospitals, primarily in Europe, for clinical trials. The Tribunal held that the taxpayer acted as an agent in its own name for its biopharma clients when delivering trial drugs to EU destinations. This deemed the company the principal importer and seller of EU-destined goods, entitling it to VAT credit on the import VAT for those goods. However, the Tribunal denied VAT credit for trial drugs destined for the UK or non-EU countries because the goods lacked a direct and immediate link to taxable sales.

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

- **KPMG in Cambodia** published a [report](#) discussing recent indirect tax measures, including provisions that offer tax incentives and relief to the agriculture sector. The incentives, which include VAT suspension or exemption, apply to enterprises involved in the cultivation, production, domestic sale, or export of specific agricultural products. These products include paddy, rice, corn, soybeans, pepper, cassava, cashew nuts, rubber, Pailin longan, mango, banana, animal husbandry, aquaculture, and domestic palm oil products used as raw materials for animal feed. The incentives are valid until the end of 2027.
- **KPMG in India** published a report discussing recent GST judicial cases. The report notes a Supreme Court ruling confirming that refunds of statutory pre-deposits made for filing appeals under the Jharkhand GST Act are not governed by the limitation period and directing that such amounts be refunded with interest to successful appellants. It also highlights a Telangana High Court decision holding that Rule 39(1)(a) of the CGST Rules, 2017, which mandates the month-wise distribution of GST expense credit goes beyond the scope of Section 20 of the CGST Act and is therefore ultra vires, resulting in the quashing of related audit findings and show cause notices. The report further summarizes a Kerala High Court judgment clarifying that advance ruling applications cannot be rejected where earlier proceedings were closed without any adjudication on merits. In addition, an Allahabad High Court held that failure to consider a taxpayer's submissions constitutes an error apparent on the face of the record, requiring rectification under Section 161 of the CGST Act.
- **KPMG in India** published a [report](#) discussing the Union Budget 2026-27, which was presented by the Indian Finance Minister on February 1, 2026. Notable GST proposals include aligning intermediary services with the general sourcing rule based on the recipient's location, validating post-sale credit notes even if credit terms were undefined at the time of transaction (subject to input tax credit reversal), and enabling provisional refunds for inverted duty structures. Additionally, the government may temporarily empower an existing authority to act as the National Appellate Authority until its formal constitution, effective April 1, 2026. Exporters will benefit from the elimination of the minimum refund limit for claims below INR 1,000, allowing smaller refund amounts to be claimed. Most changes will take effect following parliamentary approval or issuance of notifications.
- **KPMG in Malaysia** published a [report](#) discussing tax-focused measures for 2026 announced during the Prime Minister's Department assembly on January 5, 2026. Key measures include a voluntary disclosure program for stamp duty running from January 1, 2026, to June 30, 2026, with detailed guidelines to be issued by the Inland Revenue Board (for more details on this measure, click [here](#)). Updates to Sales Tax and Service Tax include reducing the Service Tax rate on rental or leasing services from 8% to 6% (for more details on this measure, click [here](#)), raising the exemption threshold for SMEs, and providing tax exemptions for new SME tenants for one year. Registered manufacturers will be exempt from Sales Tax on raw materials for livestock and agricultural products starting January 1, 2026, to stabilize basic necessity prices. Service Tax exemptions are extended for non-reviewable construction contracts signed before July 1, 2025, and construction services for places of worship are exempt from Service Tax starting July 1, 2025 (for more details on this measure, click [here](#)). Businesses must address transitional issues related to the Service Tax rate reduction and monitor clarifications from Customs to ensure compliance.

Miscellaneous Developments in APAC

- **China:**^{cxv} The Chinese State Taxation Administration [issued](#) Announcement [2026] No. 2, clarifying the obligation and conditions for registering as a general taxpayer. A taxpayer whose annual gross receipts exceed the mandatory threshold for a small-scale taxpayer is required to register as a general taxpayer, except for natural persons or non-enterprise entities not regularly conducting taxable transactions, whose core business is outside the scope of taxable transactions, and who opt to remain small-scale taxpayers. Taxpayers with gross receipts below the threshold may also register as general taxpayers if they maintain sound accounting records and accurate tax documentation. Annual gross receipts are defined as the taxable amount of aggregate sales over 12 consecutive months or four quarters, excluding occasional sales of intangible assets and transfers of immovable property, but including adjustments from audits or corrections. The general taxpayer status becomes effective on the first day of the period in which the threshold is exceeded, the taxpayer elects, or is deemed to become a general taxpayer, with all relevant taxpayers taxed as general taxpayers from January 1, 2026.
- **Kazakhstan:**^{cxvi} Effective January 1, 2026, Kazakhstan [implemented](#) a government-approved list of imported goods for which import VAT may be settled using the offset method. It comprises 320 product categories that are not manufactured domestically and is intended to facilitate cash-flow neutrality for eligible importers. The decree also allows the list to be amended in accordance with the procedural rules set out in its annexes.
- **Kyrgyzstan:**^{cxvii} On January 13, 2026, Kyrgyzstan [published](#) Law No. 262, including measures amending the transaction tax regime applicable to certain domestic and foreign companies. Under the revised framework, the transaction tax applies in lieu of corporate income tax, VAT on taxable sales, and sales tax. It applies to transactions involving the redirection of funds between accounts in foreign banks and Kyrgyz taxpayers, based on instructions from foreign entities. Taxpayers include organizations, individual entrepreneurs, and branches or representative offices of foreign organizations registered in Kyrgyzstan, as well as foreign organizations registered solely for tax purposes without state registration. The taxable base is the amount credited to a current account in a Kyrgyz bank, with a tax rate of 0.1 percent. The tax is calculated, withheld, and transferred by the bank acting as the tax agent, and banks and tax authorities are required to exchange information about transaction taxpayers, with further details to be determined by the Cabinet of Ministers.
- **Nepal:**^{cxviii} On January 2, 2026, the Nepali Inland Revenue Department [posted](#) a consolidated version of the Value Added Tax Act, reflecting all legislative amendments in force as of that date.
- **Singapore:**^{cxix} Singapore recently [issued](#) new administrative guidance to assist taxpayers in completing the GST registration form. The guidance offers a clear, step-by-step explanation of the GST registration process on the myTax Portal, including preparatory steps for different taxpayer categories. It provides detailed instructions for each of the four main stages of the digital “Register for GST” service: declaration, main application form, confirmation, and acknowledgement. The guidance also includes FAQs addressing common registration issues. Existing GST registration guidance has been updated to refer users to the new guide, aiming to enhance accuracy, consistency, and efficiency in GST registration submissions.

- **Uzbekistan:**^{cxix} On December 25, 2025, Uzbekistan enacted Law No. ZRU-1104, introducing several amendments to the VAT law. Among other things, it provides that From April 1, 2025, legal entities selling pharmaceuticals or providing medical services must register as VAT payers regardless of gross receipts and cannot use the gross receipts tax regime.
- **Vietnam:**^{cxix} On January 1, 2026, Vietnam implemented amendments to its VAT framework under Law No. 149/2025/QH15. It removes the requirement that a seller must have declared and paid VAT for a buyer to obtain a VAT refund, making refunds independent of the seller's compliance. The amendments also raise the VAT exemption threshold for individuals and business households from VND 200 million to VND 500 million per year.

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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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