KPMG

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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

- **Australia:**[i] The Australian Taxation Office recently issued Goods and Services Tax Determination (GSTD 2025/2), clarifying that sunscreen products are GST-free only if they are intended for application to the skin, have a Sun Protection Factor (SPF) of 15 or higher, are required to be listed on the Australian Register of Therapeutic Goods (ARTG), and are marketed principally as sunscreen. The Determination also addresses products with added features such as moisturizers or tints and includes a compliance approach for retailers to help them determine whether a sunscreen product meets these requirements.
- **Azerbaijan:**[ii] On December 20, 2025, the Azerbaijan State Tax Service clarified that, effective January 1, 2026, the import and sale of organic and organo-mineral fertilizers will be exempt from VAT. Previously, only mineral fertilizers qualified for the VAT exemption.
- **Belgium:**[iii] The Belgian government recently approved a tax reform package introducing changes to VAT and flight taxes. The tax reform proposes to apply a 12 percent VAT rate to ready-to-eat takeout items, such as paper cones of fries and dishes intended for consumption within two days, while takeout items requiring additional preparation at home would remain taxed at 6 percent. Additionally, the flight tax would increase from EUR 5 to EUR 10 starting in 2027, and the Charleroi City Council has proposed a EUR 3 fee per departing passenger beginning in 2026.
- **Benin:**[iv] On October 24, 2025, the Beninese Ministry of Economy and Finance presented the 2026 budget speech, which includes several indirect tax measures. The proposals include exempting VAT on imports of new equipment by small and medium-sized enterprises not subject to a special tax regime, as well as on new vehicles imported, manufactured, or sold in Benin. VAT exemptions would also apply to new equipment, materials, and local materials used for specified construction or renovation projects, and to imports of aircraft, aerostats, and related spare parts. Additionally, the budget extends VAT expense deductions for fuel used in company vehicles and machinery.

- **Cambodia:**[v] The Cambodian government recently issued a ministerial decision to waive VAT on locally produced foodstuffs from January 1, 2026, through December 31, 2028. The exemption applies to various items, including meat, eggs, seafood, sugar (excluding confectionery), salt, fish sauce, and soy sauce. However, the measure does not cover food provided by restaurants and eateries.
- **Cyprus:** On November 21, 2025, Cyprus extended the temporary application of the zero VAT rate on essential goods until December 31, 2026. The goods covered include baby milk, infant and adult diapers, women's hygiene products, fresh or chilled vegetables, and fresh fruits. Additionally, on December 5, 2025, Cyprus's Council of Ministers introduced a reduced 5 percent VAT rate for the construction and renovation of educational buildings used for VAT-exempt activities. The reduced rate applies to public or private schools but excludes tutoring institutes and other non-exempt educational services. Further guidance is expected regarding mixed-use facilities that combine exempt and non-exempt activities. To read a report prepared by the KPMG member firm in Cyprus, click here.
- **Finland:**[vi] On December 8, 2025, the Finnish Tax Administration announced several tax law changes for 2026, including a reduction in the reduced VAT rate for specified goods and services from 14 percent to 13.5 percent. This rate applies to, for example, foodstuffs, restaurant and catering services, medicines, passenger transport, and accommodation services. The general VAT rate in Finland remains at 25.5 percent.
- **France:**[vii] On December 3, 2025, France updated its administrative doctrine on the VAT treatment for recreational motorsport circuits, including karting tracks. The guidance clarifies that karting qualifies as a sporting activity and equipment, which excludes it from the 10 percent reduced VAT rate applicable to admission fees for cultural, recreational, educational, or professional sites. Consequently, standard VAT rules apply to karting-related admission fees and services. The update further specifies that characteristics such as whether the track is indoors or outdoors, the presence of protective barriers made of PVC sheets with springs, clearance areas of grass, sandpits, or gravel pits, or variations in track length for leisure or competition purposes do not affect this classification.
- **Germany:**[viii] Germany recently announced several tax changes effective January 1, 2026, including a permanent reduction in the VAT rate on restaurant and catering services. The VAT rate on meals served, excluding beverages, will be lowered from 19 percent to 7 percent.
- **Ghana:**[ix] On November 27, 2025, Ghana enacted the Value Added Tax Act 2025, introducing significant VAT reforms effective January 1, 2026. Key measures include abolishing the COVID-19 Health Recovery Levy, re-coupling the National Health Insurance Levy and the Ghana Education Trust Fund Levy, and reducing the effective VAT rate to 20 percent.
- **Latvia:**[x] On December 3, 2025, Latvia's parliament adopted a bill proposing several indirect tax changes. The amendments provide that, from January 1, 2026, the annual tax on roulette, card, and dice games will increase from EUR 33,696 to EUR 40,440 per table, and the annual tax for each slot of every gambling machine will increase from EUR 6,204 to EUR 7,440. Lawmakers agreed to temporarily reduce the VAT rate to 12 percent on certain food products for one year starting July 1, 2026. An additional measure introduces significant excise duty increases for strong alcoholic beverages from March 2026, and for all alcoholic drinks, including beer, from March 2028. Excise duties will also gradually rise over several years for tobacco products, heated tobacco, e-cigarette liquids, tobacco substitutes, and non-alcoholic beverages such as energy and sugary drinks, with some exemptions in 2026.

- **North Macedonia:**[xi] On December 30, 2025, North Macedonia published amendments to its VAT law, including measures that extend the application of the 5 percent reduced VAT rate on the first sale of housing units until December 31, 2028.
- **Philippines:**[xii] On November 24, 2025, the Philippine Senate accepted for consideration Bill No. 1552, which proposes reducing the standard VAT rate from 12 percent to 10 percent. The bill includes a safeguard provision allowing a temporary increase back to 12 percent if the projected fiscal deficit as a percentage of GDP exceeds the specified target for a given year.
- **Portugal:**[xiii] On December 30, 2025, Portugal published the State Budget Law for 2026, which, among other things, extends the reduced VAT rate of 6 percent to operations to transform olives into olive oil, as well as the meat of large and small game species (4 Percent in the Autonomous Regions of Madeira and Azores).
- **Russia:**[xiv] On November 28, 2025, Russia enacted Federal Law No. 425-FZ introducing significant tax reforms effective January 1, 2026, including an increase in the standard VAT rate from 20 percent to 22 percent.
- **Sierra Leone:**[xv] On November 28, 2025, the Sierra Leonean Ministry of Finance presented the 2026 budget statement, which includes several indirect tax measures. The proposals remove the GST exemption for certain high-end consumption items, such as packaged and processed seafood, periodicals, magazines, and commercial or industrial water sales. Additionally, GST exemptions would apply to liquid petroleum gas and its accessories, cooking stoves, solar panels, and other home system components primarily used by low-income households.
- **Sweden:**[xvi] On November 20, 2025, the Swedish Ministry of Finance submitted Bill No. 2025/26:55 to Parliament, proposing a temporary VAT reduction on food and bottled water. The measure would lower the VAT rate to 6 percent from 12 percent on sales, intra-EU purchases, and imports of foodstuffs and bottled water intended for sale. Spirits, wine, strong beer, and specified drinking water are excluded from the reduction. The law is scheduled to take effect on April 1, 2026, and remain in force until December 31, 2027.
- **Tunisia:**[xvii] On December 12, 2025, Tunisia published the Finance Law for 2026, which, among other things, applies the reduced VAT rate of 7 percent to electric vehicle charging devices, lithium battery inputs, and audiovisual production equipment until December 31, 2028. It also exempts from VAT medical supplies, equipment for disability projects, olive oil bottling inputs, and imports or purchases for entities like the Gafsa Phosphate Company and the National Cellulose and Paper Company.
- **Ukraine:**[xviii] On December 3, 2025, the Ukrainian parliament adopted draft law No. 14097 to extend VAT and customs duty exemptions on the import of energy-generating equipment until January 1, 2029. The exemptions, previously set to expire on January 1, 2026, aim to accelerate investment in renewable energy and support infrastructure restoration. The scope of exempt equipment has been expanded to include wind turbines.

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Digitalized Economy Indirect Tax Updates

Hungary: Advertisement Tax to Resume July 1, 2026

On November 19, 2025, Hungary's Parliament adopted two tax and administrative reduction packages that include measures to reinstate the advertisement tax regime effective July 1, 2026, following the end of its current suspension on June 30, 2026. Originally introduced in 2014, the advertisement tax applies to media publishers and service providers, whether resident or nonresident, which publish advertisements for consideration in Hungary or target Hungarian audiences in Hungarian. Companies ordering advertisements may also incur secondary advertising tax liability if they cannot demonstrate that the publisher is ad-tax liable, fail to request proof, or the publisher was not listed in the tax authority's public database at the time of the order.

The scope of the advertisement tax covers advertisements published in media services such as television and radio within Hungary, in press products distributed in Hungary primarily in Hungarian, through outdoor advertising media, and online if predominantly in Hungarian or on websites mainly written in Hungarian. The tax authority determines whether a business targets Hungarian consumers based on indicators such as Hungarian-language content, Hungary-specific pricing or promotions, geotargeting to Hungarian IP addresses, and distribution through Hungarian media channels or physical inventory.

The regime imposes no registration threshold. Taxpayers not previously registered for any state tax type must register within 30 days of commencing taxable advertising activity. For primary liability, the tax base is net sales revenue from publishing advertisements, taxed at 7.5 percent, with an exemption for the first HUF 100 million as de minimis aid. For secondary liability, a 5 percent tax applies to the consideration paid to the publisher, calculated monthly, with an exemption for the first HUF 2.5 million.

Compliance obligations include annual payment by the fifth month following the tax year, two advance payments during the year, and a top-up payment in the final month. Failure to register initially triggers a warning with a 15-day deadline; continued non-compliance can result in fines up to HUF 10 million, doubling for repeated violations. Advertisers failing to provide required declarations face escalating penalties starting at HUF 500,000. Non-filing may lead to audits and estimated assessments. For more information, click here.

Kenya: Digital Platforms Liable for VAT on Full Customer Charges

On October 23, 2025, the Kenya High Court published its ruling in *Sendy Limited* (Income Tax Appeal E137 of 2024), in which it held that digital platforms exercising significant control over transactions are deemed principal sellers for VAT purposes. In this case, the taxpayer operated a digital marketplace for delivery services, connecting third-party customers with independent transporters. The taxpayer argued that the transport services were provided by the third-party sellers and that their obligation was limited to its commissions charged to the drivers for the use of its platform. Furthermore, it had earlier obtained a private ruling from the tax authority stating that it was liable for VAT only on its commissions. A Tax Tribunal ruled in the taxpayer's favor, finding that it did not provide transport services.

On appeal, the High Court, analyzing the VAT Act, noted that the law broadly defines the provision of services and does not specify who the provider is in complex, multi-party transactions on digital platforms. The court relied on European Union (EU) VAT jurisprudence, particularly Article 28 of the EU VAT directive, which presumes a platform is the seller if it acts in its own name or sets terms and conditions. The court reviewed relevant CJEU cases, distinguishing between platforms acting as sellers and those merely providing information services. It emphasized assessing the economic reality over contractual form.

The court found that the taxpayer controlled the transport services by setting prices, dispatching service providers, issuing payment requests as tax invoices, and collecting payments. Consequently, it was liable for VAT on the full customer payment rather than only on its commission.

The judgment also clarified that private rulings issued by the Kenya Revenue Authority (KRA) cannot override statutory interpretation by a court. Although the taxpayer had obtained a private ruling confirming VAT liability only on commissions, the court held that administrative opinions cannot supersede judicial determinations. The appeal was allowed, and the VAT assessment on transport services was upheld.

Source: CCH, Kenya High Court determines that digital platforms are liable for VAT on full customer charges (Tax Alert 2025-2429) (December 8, 2025).

Saudi Arabia: VAT Guidelines for Online Marketplaces

On December 25, 2025, Saudi Arabia's Zakat, Tax, and Customs Authority (ZATCA) issued guidelines clarifying deemed seller VAT rules for businesses operating online marketplaces (OMPs). These guidelines follow amendments to Article 47 of the VAT Implementing Regulations, effective January 1, 2026, and outline scenarios where OMP operators are deemed sellers. (For KPMG's previous discussion on the new implementing regulations, click here.) An OMP is considered to facilitate taxable transactions if it controls essential aspects such as ordering, delivery, pricing, or customer interaction. However, exceptions apply when the OMP solely processes payments, displays advertisements, or redirects customers. For non-resident sellers providing electronic services, OMP operators may be deemed sellers if they facilitate transactions within Saudi Arabia, requiring them to account for VAT on the deemed purchase and charge VAT to final consumers in Saudi Arabia.

The guidelines also address VAT treatment for transactions involving unregistered resident vendors, where OMP operators are deemed to sell goods or services to customers and must charge VAT at 15 percent. Additionally, ZATCA clarified that VAT on OMP commissions is embedded in the resale price charged to customers, eliminating the need for separate VAT on commissions. OMP operators are required to verify seller residency, maintain accurate records, and comply with VAT regulations to avoid liabilities. To read a report prepared by KPMG in Saudi Arabia, click here.

Other Developments

- **Argentina:**[xix] On December 2, 2025, the Argentina Federal Tax Administration published General Resolution 5794, updating the special VAT withholding rules for sales via digital platforms under General Resolution 5319/2023. Under this regime, digital platforms designated by the Federal Tax Administration are required to function as VAT withholding agents for sales made by sellers or service providers who are VAT taxpayers, taxpayers under the simplified regime (*monotributo*), or non-registered taxpayers. The new resolution changes the criteria for "non-registered taxpayers": sellers are now subject to VAT withholding if they conduct ten or more monthly transactions on the same platform totaling over ARS 750,000, or if they conduct four or more transactions per month over a four-month period that together exceed ARS 750,000.

- **Australia:**[xx] On December 17, 2025, Australia confirmed in its Mid-Year Economic and Fiscal Outlook that it will implement the OECD's Crypto-Asset Reporting Framework (CARF) starting in 2027. 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 Australian Taxation Office will exchange this data with partner jurisdictions under CARF's multilateral arrangements, with domestic reporting beginning in 2027 and the first international exchanges in 2028. A complementary domestic crypto-asset tax transparency regime will also commence in 2027 to cover resident activity not captured under CARF. Implementation will require legislative amendments and alignment with updates to the Common Reporting Standard, with draft legislation expected in 2026. To read KPMG's previous discussion of the OECD's CARF, click here.
- **Austria:**[xxi] On December 23, 2025, the Austrian Federal Council published a law implementing the EU DAC8 reporting requirements. 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. To read KPMG's previous discussion of DAC8, please click here.
- **Brazil:**[xxii] On November 17, 2025, Brazil's Federal Revenue Service issued Normative Instruction 2.291/2025, 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. The instruction took effect November 17, 2025, with CARF reporting starting January 1, 2026, and service provider obligations from July 1, 2026.
- **Cameroon:** On November 26, 2025, Cameroon's parliament adopted the Finance Act 2026, which includes measures introducing a significant economic presence (SEP) standard effective January 1, 2026. Nonresident companies will be deemed to have SEP if annual Cameroon-sourced gross receipts from digital services exceed FCFA 50 million or if they have more than 1,000 local users or customers. Digital activities covered include streaming, downloads, online games, advertising, monetizing user data, marketplace commissions, SaaS, and cloud services. Taxable profit is deemed at 10 percent of gross income, with a final tax of 3 percent on gross receipts (equivalent to 30 percent of deemed profit). Companies may opt to pay corporate income tax at 30 percent on actual net profit. Monthly filing and payment are required by the fifteenth day following the taxable event. Further regulations will clarify thresholds, sourcing rules, and compliance procedures, including an online portal for registration and payment. For more information, click here.

- **Cayman Islands:**[xxiii] On November 27, 2025, the Cayman Islands published Regulation No. SL 51/2025 in the Official Gazette, introducing the Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025. The regulations require resident crypto-asset service providers to establish and maintain policies and procedures to comply with OECD CARF reporting and due diligence standards. 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 regulations entered into force on January 1, 2026.
- **Chile:**[xxiv] On November 27, 2025, Chile's tax authority (SII) issued Resolution No. 168, requiring electronic payment providers, digital platforms, and certain government bodies to verify that their local users comply with tax obligations, including registering business activities and providing SII-issued tax compliance certificates. Verification must occur during onboarding and twice yearly, with annual and ad hoc reporting to the SII. Noncompliant users—those with missing tax returns, pending legal actions, or unjustified tax documents—trigger VAT prepayment requirements for service providers. The resolution takes effect March 2, 2026, with initial user verification due in February; noncompliance by entities will result in administrative penalties. For more information, click here.
- **Chile:**[xxv] On November 27, 2025, the Chilean Internal Revenue Service issued Letter No. 2452 clarifying that when a non-VAT taxpayer in Chile, such as the Judicial Administrative Corporation, acquires a software license from a Spanish provider for use (not commercial exploitation), the payment is exempt from Chile's withholding tax. However, the transaction is subject to VAT, and the foreign provider must register under Chile's simplified tax regime to declare and pay the VAT. If the provider is not registered, the Chilean entity may request authorization to withhold and remit the VAT directly to the tax authority via a purchase invoice.
- **Chile:**[xxvi] On December 15, 2025, Chile's Tax Administration issued Resolution Ex. SII No. 181-2025, updating the list of foreign digital service providers subject to VAT withholding for 2026 under the "change of VAT taxpayer" mechanism, applicable from January 1 to December 31, 2026. Accordingly, as of January 1, 2026, payment intermediaries (i.e., debit and credit card issuers and other payment platforms) must use this list to withhold VAT on cross-border digital services provided by non-resident providers that are not registered under the simplified regime to non-VAT-registered Chilean consumers. Under Chile's digital services VAT framework, payment intermediaries are required to withhold VAT on cross-border digital services provided by non-resident providers without a local presence in the country that are not registered under the simplified VAT regime and the services are provided to non-VAT-registered Chilean consumers. To read KPMG's previous discussion of Chile's digital services framework, click here.
- **Chile:**[xxvii] On December 18, 2025, Chile's Tax Administration (SII) published Ruling No. 2627-2025, confirming that services rendered or used in Chile are generally subject to VAT, unless they are subject to non-resident income tax and not exempt under a double taxation treaty. In a specific case involving a Spanish company installing software at Chilean windfarms, the SII determined that, under the Chile-Spain tax treaty, the income is taxed exclusively in Spain; therefore, Chile's non-resident income tax does not apply, and VAT thus applies.

Furthermore, if the VAT exemption for non-resident services does not apply, the Chilean recipient must function as the VAT taxpayer, issue a purchase invoice, and pay the VAT, which may be claimed as a tax credit.

- **Congo (Republic of):**[xxviii] On December 22, 2025, the Republic of the Congo's Parliament adopted the Finance Bill 2026, introducing several indirect tax measures effective January 1, 2026. Among other things, the bill introduces a cybersecurity levy of 20 percent on operators of electronic communications networks and digital service providers, including online betting and gaming platforms, fund transfer certification platforms, and electronic payment platforms. The levy is calculated on revenue generated from these platforms and must be paid by the fifth day of each month.
- **Croatia:**[xxix] On December 3, 2025, Croatia published Law No. 2167 in the Official Gazette, implementing the EU DAC8 reporting requirements. 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.
- **France:**[xxx] On December 19, 2025, France issued Decree No. 2025-1276 implementing the EU DAC8 reporting requirements. 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.
- **Germany:**[xxxi] On December 23, 2025, Germany published a law implementing the EU DAC8 reporting requirements. 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.
- **Italy:**[xxxii] On December 22, 2025, Italy published Legislative Decree No. 194/2025 in the Official Gazette, implementing the EU DAC8 reporting requirements. 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.

- **Jersey:**[xxxiii] Jersey has adopted regulations to implement the OECD's Crypto-Asset Reporting Framework (CARF), effective January 1, 2026. 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 period starts in 2026, with returns due by June 30, 2027.
- **Latvia:**[xxxiv] On December 9 and 22, 2025, Latvia published regulations further implementing the EU DAC8 reporting requirements into local law. The updates expand information exchange procedures between Latvian authorities and other EU Member States, introduce the concept of non-custodial dividend income, and require reporting of such income earned by residents of other Member States. The scope of automatic exchange is also broadened to include advance cross-border rulings exceeding EUR 1.5 million and rulings on tax residency. Furthermore, the regulations establish detailed rules for the automatic exchange of information on crypto-asset transactions, including conditions that trigger reporting obligations and the amount of reportable information.
- **Lithuania:**[xxxv] On December 10, 2025, Lithuania adopted rules implementing the EU DAC8 reporting requirements. 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.
- **Lithuania:**[xxxvi] On December 12, 2025, Lithuania adopted amendments to the implemented EU DAC7 platform reporting rules. The changes introduce a definition of "electronic identification services," clarify procedures for removing deregistered third-country platform operators from the Central Register, and establish a new rule allowing seller identification and tax residence confirmation through state or EU electronic identification services without requiring full data collection. The amendments also repeal the previous exemption provision, update cross-references, and specify the minimum data retention period for information received by the tax authority. These rules will apply from January 1, 2026.
- **Malaysia:** On December 1, 2025, the Royal Malaysian Customs Department issued Public Ruling No. 01/2025 under the Tourism Tax Act 2017, clarifying the liability of operators and Digital Platform Service Providers (DPSPs) to account for tourism tax received. The ruling mandates that operators and DPSPs must account for, and remit tourism tax collected from tourists staying at accommodation premises, whether booked directly or through online platforms. It also outlines record-keeping responsibilities, including maintaining detailed transaction records, passport details, and tax-related documentation. Additionally, provisions allow for tourism tax deductions in cases of accommodation cancellations within a year. To read a report prepared by KPMG in Malaysia, click here.

- **Mauritius:** The Mauritius Revenue Authority (MRA) has issued a guide for foreign sellers of digital services, outlining new VAT obligations effective January 1, 2026. (For KPMG's previous discussion on the new rules, click here.) Foreign sellers must register with the MRA, charge and collect VAT on services provided to persons in Mauritius and submit monthly or quarterly VAT returns electronically. VAT payments, which can be made in specified foreign currencies, must also be remitted electronically by the end of the following month. The MRA provides online facilities for registration, VAT return submissions, and payment processing through its official website.
- **Montenegro:**[xxxvii] On November 26, 2025, Montenegro's Ministry of Finance published a bill amending the VAT Act. Among other changes, the bill introduces measures requiring that if services are provided to a recipient in Montenegro who is not a VAT taxpayer, the provider must either establish a permanent establishment (PE) or appoint a tax representative in Montenegro. For VAT purposes, the default place of taxation is where the recipient (taxpayer) has its registered seat. If services are rendered to a permanent business unit located elsewhere, that unit's location becomes the place of taxation. Where the taxpayer lacks a seat or PE, the place of taxation defaults to their residence or habitual abode. For non-taxpayers, the place of taxation is where the provider is established, or, if services originate from a PE outside the provider's seat, then at that PE's location.
- **Poland:**[xxxviii] On December 17, 2025, the Polish Prime Minister announced that the Council of Ministers had adopted a bill implementing the EU DAC8 reporting requirements. 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.
- **Romania:**[xxxix] On December 10, 2025, Romania published Government Emergency Ordinance (GEO) No. 71/2025 in the Official Gazette, implementing the EU DAC8 reporting requirements. 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.
- **Sierra Leone:**[xl] On November 28, 2025, the Sierra Leonean Ministry of Finance presented the 2026 budget statement, which introduces several GST-related measures. These include provisions to enforce the taxation of digital services through the identification of cross-border digital service providers, as well as the ratification and implementation of regulations on the application of GST to cross-border digital services.

- **Singapore:**[xli] On November 27, 2025, the Inland Revenue Authority of Singapore updated its guidance on GST treatment for remote services purchased from overseas providers. The update clarifies that only GST-registered providers of remote services may charge and collect GST from consumers. It also provides examples of services subject to GST under Paragraph 2A of the Seventh Schedule to the GST Act and explains that services requiring physical presence are excluded. Additionally, the update introduces a "Who can charge GST" section, links to the GST Registered Business Search portal, and outlines steps consumers can take in cases of GST malpractice.
- **South Africa:**[xlii] On December 10, 2025, the South African Revenue Service published regulations that includes measures implementing the OECD's CARF effective March 1, 2026. 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.
- **Switzerland:**[xliii] On November 26, 2025, the Swiss Federal Council approved measures to 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 period starts in 2026, with returns due by June 30, 2027.
- **Switzerland:** On December 5, 2025, the Swiss Federal Council opened a public consultation on amendments to the VAT Act, including measures to extend platform taxation to electronic services. If approved, the law would treat the platform (for example, an app store or streaming marketplace) as the seller for VAT purposes, requiring the platform to register in Switzerland and to charge and remit VAT instead of thousands of individual vendors. It would create a deemed buy-sell fiction, whereby the underlying vendor would be considered selling the digital service to the platform, which would then be deemed to resell the service to the customer. In addition, the proposal includes measures allowing Swiss tax authorities to order telecom providers to block non-compliant vendors' websites as an initial enforcement step, escalating to import bans if VAT obligations continue to be ignored. For more information, click here.
- **Taiwan:**[xliv] On December 16, 2025, Taiwan's Ministry of Finance clarified that, effective April 7, 2025, the annual sales threshold requiring offshore electronic service providers to register for taxation has been increased from TWD 480,000 to TWD 600,000. (For KPMG's previous discussion on the VAT registration threshold increase, click here.) This adjustment aligns with the updated taxable threshold for domestic electronic service providers to ensure consistent tax treatment. Offshore providers selling electronic services to individuals in Taiwan must apply for taxation registration via the Ministry's eTax Portal, issue cloud invoices, and comply with business tax filing and payment regulations. Providers exceeding the previous TWD 480,000 threshold before the amendment remain subject to prior rules.

- **Türkiye:**[xlv] On December 24, 2025, Türkiye published Presidential Decree No. 10767, which progressively reduces the digital services tax (DST) rates as follows: the DST rate will be set at 5 percent for revenues generated as of January 1, 2026, and at 2.5 percent for revenues generated as of January 1, 2027.
- **United Kingdom:**[xlvi] On December 4, 2025, the UK Treasury published its latest Treasury Minutes Progress Report confirming that implementation of OECD Pillar One measures will be delayed until 2027, revising the earlier 2024 target due to lack of international agreement. The update raises uncertainty over the repeal of the UK's Digital Services Tax (DST), which is scheduled for review by 2025. DST, introduced in 2020, applies to gross receipts from major digital businesses. The government intends to repeal DST once Pillar One is implemented, but the Public Accounts Committee notes ongoing challenges in global negotiations. The report also recommends HMRC update Parliament within three months of any international agreement on Pillar One implementation.
- **United States:**[xlvii] On December 16, 2025, the U.S. Trade Representative announced potential retaliatory measures against the European Union over digital services taxes imposed by several EU Member States on large technology companies. While plans for an EU-wide levy have repeatedly stalled, France introduced a 3 percent tax on revenue from targeted advertising and other digital services in 2019, followed by Italy, Austria, Spain, and the UK with similar measures. The U.S. administration is preparing an investigation under Section 301 of the Trade Act of 1974, which could authorize tariffs or restrictions on foreign services.

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

Other Developments

- **Antigua and Barbuda:**[xlviii] On December 4, 2025, Antigua and Barbuda announced plans to introduce an e-invoicing system to digitize the Antigua and Barbuda Sales Tax (ABST), enhancing tax compliance. Details on scope, entities, and timeline remain unclear, but further measures will be announced and enacted by the tax authorities.
- **Belgium:** On December 2, 2025, the Belgian tax authority announced a three-month tolerance period for the new e-invoicing mandate, effective January 1, 2026. Mandatory e-invoicing for B2B transactions between Belgian taxpayers will begin as scheduled, but penalties will not apply during the first three months of 2026 if taxpayers show reasonable efforts to comply. This grace period covers technical issues, such as difficulties with e-invoices or system constraints. Taxpayers unable to meet the e-invoicing requirement must use alternative formats or transmission methods to fulfill their invoicing obligations. To read a report prepared by KPMG in Spain, click here.
- **Belgium:** On December 3, 2025, the Belgian government proposed a draft law to amend the VAT code, clarifying the e-invoicing mandate effective January 1, 2026, and specifying which taxpayers must comply. In this respect, the law explicitly excludes buyers who are VAT-registered and identified in Belgium but not established in Belgium. The law further introduces a transition period with administrative tolerance for businesses adapting to the mandate, while resolving uncertainties regarding its application to nonresident taxpayers. It includes fallback measures for recipients unable to accept e-invoices due to technical issues, ensuring business continuity and fairness. For more information, click here.
- **Croatia:**[xlix] On December 8, 2025, the Croatian Parliament approved amendments to the General Tax Act to align it with the Law on Fiscalization. The law confirms that starting January 1, 2026, businesses must issue, receive, and fiscalize electronic invoices (eRa uni) for B2B transactions. These changes will be part of the Fiskalizacija 2.0 project that aims to reduce administrative burdens and modernize tax reporting. Fiscalization will also apply to B2G transactions, complementing existing B2C rules. Other changes include replacing the OPZ-STAT-1 report with digital reporting on invoice collection status and expanding electronic communication requirements. Businesses must file OPZ-STAT-1 for 2025 by February 28, 2026 (income taxpayers) or April 30, 2026 (corporate taxpayers). These measures promote digitalization, real-time tax control, and EU alignment.
- **Indonesia:**[l] On December 31, 2025, Indonesia replaced its e-Faktur system with the Coretax Real-Time E-Invoice Clearance platform. Coretax introduces a stricter, real-time VAT invoice clearance model for nearly all VAT-registered businesses, marking a major upgrade in Indonesia's VAT compliance infrastructure. The Core Tax System integrates key tax administration processes, including taxpayer registration, tax return filing, payments, and audits, into a single digital platform.
- **Israel:**[li] On December 7, 2025, the Israel Tax Authority (ITA) announced expanded mandatory e-invoicing rules, lowering transaction thresholds for requiring an Allocation Number. Starting January 1, 2026, B2B invoices over NIS 10,000 must include an ITA-issued Allocation Number for input VAT deduction. From June 1, 2026, this threshold drops to NIS 5,000. Vendors must request Allocation Numbers through the ITA's platform, ensuring compliance before issuing invoices. Real-time ITA scrutiny remains in place, with irregular

invoices subject to hearings. Businesses must update ERP and accounting systems to integrate with the ITA platform via API for automated Allocation Number requests. A manual web portal is available but unsuitable for high-volume invoicing.

- **Malaysia:**[lii] On December 7, 2025, Malaysia published version 4.6 of the E-invoicing Guideline, clarifying that businesses with annual gross receipts below MYR1 million are exempt from issuing e-invoices. Those with gross receipts exceeding this threshold must comply by January 1, 2026. For new businesses starting between 2023 and 2025 with gross receipts of at least MYR1 million, the e-invoicing deadline is July 1, 2026. New businesses commencing in 2026 or later must implement e-invoicing by July 1, 2026, or their operation commencement date. If the first year's gross receipts are below MYR1 million, the requirement begins on January 1 of the second year after reaching the MYR1 million threshold. Previously, businesses with gross receipts over MYR1 million were to comply by January 1, 2026, and those over MYR500,000 by July 1, 2026.
- **Malaysia:**[liii] On December 15, 2025, Malaysia's Inland Revenue Board introduced the e-Invoice Compliance Review Framework, which sets out the roles of compliance officers, taxpayers, and tax agents, and details procedures for reviews such as interviews and record checks. The framework allows voluntary disclosures, provides for taxpayer notifications, and imposes penalties for non-compliance, including fines and imprisonment. To read a report prepared by KPMG in Malaysia, click here.
- **Poland:** On December 7, 2025, Poland's Minister of Finance and Economy issued regulations amending the rules for issuing invoices, including simplified invoices, to align them with the National e-Invoicing System (KSeF). Effective February 1, 2026, structured invoices must include tax IDs (NIP) for sellers and buyers, with specific provisions for tax-exempt transactions and unregistered taxpayers. Simplified invoices issued through KSeF must also include the issuer's NIP, while those issued outside KSeF, such as for consumers, are exempt from this requirement. The purchaser's NIP will be included on simplified invoices if applicable. The regulations also revise transportation service ticket requirements and update terminology, replacing "taxed transactions" with "covered transactions." To read a report prepared by KPMG in Poland, click here.
- **Slovakia:**[liv] On December 9, 2025, the Slovak Parliament approved a draft law introducing mandatory e-invoicing and digital data reporting to combat tax evasion and align with EU Directive 2025/516 (VAT in the Digital Age). From January 1, 2027, VAT taxpayers must issue and receive e-invoices and report data for domestic B2B transactions. From July 1, 2030, the mandate will extend to cross-border transactions, including intra-EU and non-EU transactions. Additionally, VAT control and summary statements will be abolished, and VAT deductions for domestic sales will require e-invoices. These measures aim to enhance transparency and reduce administrative burdens.
- **Spain:** On November 2, 2025, Spain's Council of Ministers approved a Royal Decree-Law delaying the implementation of the Veri*Factu system by one year. Starting January 1, 2027, professionals and Spanish businesses outside the SII e-reporting regime must comply with Veri*Factu, which requires invoicing systems to either generate and store secure invoice records or transmit them to the Spanish Tax Agency. Other companies and self-employed individuals using invoicing software will need to comply by July 1, 2027. Veri*Factu applies to corporate taxpayers, self-employed professionals, non-resident businesses with permanent establishments, and certain civil associations. Exemptions include simplified regimes, VAT-exempt transactions, and taxpayers in Basque Country/Navarra subject to TicketBAI. To read a report prepared by KPMG in Spain, click here.

- **Sri Lanka:** On December 12, 2025, the Inland Revenue Department of Sri Lanka issued a notice announcing the postponement of the implementation of the new value added tax (VAT) invoice format to April 1, 2026, from the previously scheduled date of January 1, 2026. To read a report prepared by KPMG in Sri Lanka, click here.
- **United Kingdom:**[lv] On November 28, 2025, the UK government announced that starting April 2029, businesses must issue all VAT invoices as e-invoices for both business-to-business and business-to-government transactions. This mandate is part of the Digital Adoption Package, which includes initiatives like expanding InnovateUK's BRIDGE AI program and promoting gigabit broadband solutions. In January 2026, the government will begin collaborating with stakeholders to design the e-invoicing regime, ensuring diverse perspectives are reflected in the policy and roadmap. The implementation roadmap will be published in the 2026 Budget, and the government will work closely with software providers, including Making Tax Digital (MTD) developers, to foster innovation and support a competitive market for e-invoicing solutions.

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 discussing recent indirect tax developments across several provinces including the introduction of online procedures for tax refund claims, new requirements for accessing gross income tax exemptions, updated rates and taxable bases for gross income tax withholdings and additional taxes, the upcoming implementation of a computerized system for collection and control of tax perceptions effective March 1, 2026, and new options for converting and displaying export-related balances and refunds in U.S. dollars for foreign trade transactions.

- **KPMG in Colombia** published a report (in Spanish) discussing the government's recent proposal of temporary emergency tax measures aimed at funding the national budget and ensuring fiscal stability amid an economic emergency. The proposal includes measures applying VAT to online gambling services, increasing the financial transactions tax, and raising consumption taxes on alcohol and tobacco. Additionally, a special tax would apply to hydrocarbons and coal.
- **KPMG in Costa Rica** published a report discussing a resolution issued by the General Directorate of Taxation on December 5, 2025, establishing temporary guidelines for the application of the fiscal stamp. The resolution aims to provide clarity for taxpayers in declaring and paying the fiscal stamp to avoid inconsistencies and reduce the risk of penalties. It specifies the exclusion from fiscal stamp collection, defines the scope of the exclusion, and outlines acceptable payment methods.
- **KPMG in Costa Rica** published a report (in Spanish) discussing a resolution issued by the General Directorate of Taxation on December 5, 2025, titled "Authority to Minimize Potential Accounting Impact Caused by the Application of the Contingency Measure." The resolution follows an October 2025 announcement establishing contingency measures for taxpayers who did not record taxable sales in September but made taxable purchases. It authorizes such taxpayers to adjust their VAT reporting in subsequent periods by declaring one Costa Rican colón (CRC) less in taxable sales in their VAT returns for October, November, or December 2025. If no taxable sales occur in these periods, the adjustment can be applied in the next tax period when sales arise.

United States: Tax Administrators Issue Guidance on Rounding in Wake of Penny Shortages

On November 12, 2025, the United States Mint produced the final penny, prompting challenges for retailers in handling cash transactions and sales tax compliance due to the inability to make exact change. In response, several states, including Georgia, Michigan, Iowa, and Texas, have issued guidance to address these issues and clarify sales tax obligations. These policies primarily focus on how businesses should calculate and remit sales tax when rounding cash transactions due to penny shortages.

Georgia's Department of Revenue announced that retailers must calculate sales tax based on the exact sales price, regardless of payment method. For cash transactions, businesses may round the total amount to the nearest nickel, but the sales tax calculation itself must remain unchanged. Rounding adjustments cannot exceed four cents and will not alter the taxable sales price. Similarly, Michigan's Department of Treasury emphasized that sales tax must be calculated to the third decimal place and rounded to the nearest cent before any additional rounding to the nearest nickel occurs. Michigan also recommends itemizing rounding adjustments separately on receipts to ensure compliance.

Iowa and Texas have adopted comparable approaches with slight variations. Iowa's Department of Revenue clarified that retailers must calculate, and report sales tax based on the exact taxable sales price, with rounding applied only after the tax computation. Texas' Comptroller of Public Accounts issued a memo stating that sales tax must be calculated based on the actual sales price and remitted accordingly. Retailers may round the total transaction to the nearest nickel without affecting tax owed, but rounding beyond the nearest nickel, such as to the nearest dollar, will require recalculating sales tax based on the adjusted sales price. For cash payments at Comptroller offices, Texas will round transactions down to the nearest nickel if pennies are unavailable. For more information, click here.

Miscellaneous Developments in the Americas

- **Brazil:**[lvi] Brazil's Federal Revenue recently issued guidance on obligations under the new dual VAT system, the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS). From January 1, 2026, taxpayers must issue specified electronic tax documents highlighting CBS and IBS amounts itemized by transaction in the prescribed format. Taxpayers under these regimes must register with the Brazilian National Registry of Legal Entities (CNPJ) starting July 2026. As 2026 is a transition year, taxpayers will not be required to remit CBS and IBS if they comply with documentation and declaration requirements. The guidance also details ancillary obligations and technical specifications for electronic tax documents to help businesses prepare for the new VAT system.
- **Chile:**[lvii] On December 3, 2025, the Chilean Tax Administration issued Letter No. 2509, clarifying that leasing bare commercial spaces in shopping malls offering sufficient installations to enable commercial or industrial activities is subject to VAT. The ruling explains that the concept of "sufficiency" under the VAT law refers to installations being adequate at the time the lease is executed. Common facilities such as freight elevators, loading docks, and similar shared installations may trigger VAT liability, while amenities like parking, restrooms, and cleaning services alone do not. The Chilean VAT law exempts real estate leases but imposes VAT when properties include installations or machinery enabling commercial or industrial activities.
- **Chile:**[lviii] On November 27, the Chilean Internal Revenue Service issued Letter No. 2451, clarifying VAT repayment obligations following certain refunds. In this case, a corporation with a single shareholder acquired real estate and received a VAT refund. The corporation asked whether it must repay the refunded VAT if it later sells shares to third parties. The Chilean tax authority clarified that corporations receiving a VAT refund for acquiring fixed assets under this provision must repay the refunded amount through VAT generated in subsequent operations. Additionally, if the corporation later carries out exempt or non-taxable transactions, such as selling shares (which are not subject to VAT), the income from these transactions must be included when calculating any additional repayment owed to the Treasury.
- **Chile:**[lix] On November 27, 2025, the Chilean Internal Revenue Service issued Letter No. 2447, clarifying the VAT treatment of health services under the complementary coverage regime (MCC). It clarified that outpatient services are fully VAT-exempt when they exclude lodging, meals, or medical recovery treatments typical of institutional healthcare providers. Inpatient hospital services financed by the National Health Fund (FONASA) or private health insurance institutions (ISAPREs) are also VAT-exempt, subject to exceptions, up to the fee amount established by FONASA for registered providers. Additionally, insurer reimbursements to FONASA are not subject to VAT because they do not constitute payment for services.
- **Chile:**[lx] On December 10, 2025, the Chilean Internal Revenue Service published Resolution Ex. SII No. 178-2025, establishing the Registry of Electronic Payment Operators for Open Fairs (*Registro de Operadores de Medios de Pago Electrónicos para Ferias Libres,* OMPEs). This new system registers and regulates street market vendors in Chile, making it easier for them to comply with tax obligations and access a simplified tax regime. To qualify, vendors must be individuals (excluding entities with separate legal personality), primarily engaged in selling goods at open fairs, and hold a valid municipal license issued by the local government. Registration requires submitting a sworn declaration through the tax authority's website, after which a certificate is issued, serving as the official notice of commencement of operations. Vendors may be removed from the registry if they lose their

municipal permit, conduct non-qualifying activities, use unauthorized payment operators, or fail to comply during audits.

- **Chile:**[lxi] On December 17, 2025, the Chilean Internal Revenue Service issued Resolution Ex. SII No. 187-2025, introducing a new framework for the simplified VAT regime for small taxpayers, effective January 1, 2026. The regime applies to individuals selling goods or services exclusively to final consumers, such as small merchants, artisans, miners, fishermen, or service providers, with average monthly sales below 20 monthly tax units and not subject to special excise taxes. Eligible taxpayers will pay a fixed monthly VAT amount based on sales brackets set by the Ministry of Finance and declare and pay VAT quarterly. Participants may deduct VAT expenses but cannot carry forward excess credits or claim refunds. They are exempt from issuing receipts and maintaining accounting books.
- **Chile:**[lxii] On December 23, 2025, the Chilean Internal Revenue Service issued Resolution Ex. SII No. 200-2025, updating the official lists of VAT withholding agents and taxpayers subject to VAT withholding, effective January 1 to June 30, 2026. These official registries are required for the shift of VAT taxpayer status (*cambio total de sujeto pasivo*) mechanism to be applicable to taxpayers that sell goods or services and have certain compliance gaps identified by the tax authority. Taxpayers included in the list of taxpayers subject to VAT withholding are not required to charge VAT to the purchaser. Instead, the latter must withhold any VAT levied on the corresponding transaction if it is included in the list of withholding agents.
- **Colombia:**[lxiii] On December 9, 2025, the Colombian Congress announced the dismissal of the Tax Reform Bill introduced on September 1, 2025. The bill proposed significant changes to indirect taxes, including applying VAT to online games of chance and gambling, including those operated by foreign providers, and removing the current VAT exclusion for software license acquisitions for digital content development, cloud computing, hosting, web page services, and online gambling operations, making these services taxable. Additionally, all goods imported via postal services would have been subject to VAT, regardless of value, eliminating the current exemption for items under USD 200.
- **Costa Rica:**[lxiv] On December 2, 2025, Costa Rica published Executive Decree No. 45306-H, amending the VAT Regulations. The amendment aligns the regulations with Law No. 10140, which introduced a VAT exemption for electricity purchased for distribution purposes. Under these regulations, sales of goods and services to public and private entities that benefit from VAT exemptions, including the new electricity exemption, qualify for full VAT expense recovery, provided the entities meet authorization requirements set by the tax authority.

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

- **KPMG in Bahrain** published a report noting that on December 25, 2025 the Bahrain National Bureau for Revenue (NBR) published an updated version of the VAT deregistration manual, providing step-by-step guidance on the deregistration process.
- **KPMG in Estonia** published a report discussing recent legislative developments in the country. Among other things, the parliament adopted draft amendments clarifying the regulation of motor vehicle tax and introducing tax relief for families with children and owners of minibuses, with retroactive application from January 1, 2025. In addition, the parliament is considering draft legislation to update the Gambling Act and related regulations to enhance transparency, strengthen supervision, and support funding for culture and sports.
- **KPMG in Germany** published a report discussing recent indirect tax developments in the country, including a federal tax court ruling on the VAT treatment of free access to an e-subscription, another a federal tax court ruling on the application of retroactive invoice corrections, tax authority guidance on VAT exemptions for educational services, transitional rules under the Annual Tax Act 2024, as well as regulations for small business taxation and VAT credit adjustments.
- **KPMG in Hungary** published a report discussing measures adopted under the Autumn tax package through two bills published in November 2025. Key changes include clarified VAT group representation and joint liability rules, a reduced 5 percent VAT rate for beef and related offal from January 1, 2026, and a six-month postponement of the excise tax rate adjustment for fuels. The suspension of advertisement tax obligations ends on June 30, 2026, with compliance required from July 1, 2026. Retail tax thresholds have been increased for the 2025 tax year, while special rates for motor vehicle fuel retail remain in effect for 2026.
- **KPMG in Lithuania** published a report discussing tax reforms effective January 1, 2026, including changes to VAT rates, excise duties, and the introduction of a new insurance premium tax. The reforms replace the previous reduced VAT rate with differentiated rates for various goods and services, introduce a new excise duty on sweetened beverages, and apply an insurance premium tax to non-life insurance contracts, with certain exemptions.
- **KPMG in Poland** published a report discussing, among other things, a recent Supreme Administrative Court (SAC) ruling, in which the SAC clarified that under the VAT Act "first occupancy" occurs when property is made available for use, which in the case at hand was the moment the property was transferred to the purchaser, not when the purchaser later entered into lease agreements.
- **KPMG in Poland** published a report discussing, among other things, a legislation recently passed by the Senate that introduces several indirect tax changes effective January 1, 2026. Key measures include increasing excise duties on various alcoholic beverages, raising fees on sweetened and energy drinks, amending the taxation of copper and silver extraction, allowing certain entrepreneurs to continue settling import VAT directly in tax returns, and introducing a mechanism to equalize CO2 emission costs between EU and non-EU producers. Most changes take effect January 1, 2026, or 14 days after promulgation.

- **KPMG in Poland** published a report discussing recent tax developments, including two judgments by the SAC. The first ruling confirmed that the time limit for applying bad debt relief under the VAT Act aligns with EU law, provided taxpayers had a genuine opportunity to use the relief within the period. The second judgment clarified that VAT invoices issued by intermediaries who are not excise duty taxpayers cannot be used as proof of excise duty payment, as they lack essential details like the amount and date of payment.
- **KPMG in Poland** published a report discussing recent indirect tax developments, including the presidential veto of proposed excise duty and sugar tax increases, which will be reconsidered by the parliament. It also highlights that a new law now allows entrepreneurs to settle import VAT directly in their tax returns.
- **KPMG in Romania** published a report discussing Law no. 239/2025, which introduces fiscal measures effective January 1, 2026. Among other things, the law establishes a logistics fee for managing extra-EU flows of goods. The fee of RON 25 applies to each parcel with a declared value below EUR 150 entering Romania from outside the EU, regardless of the place of release for free circulation. Postal service providers must collect, declare, and pay the fee to the tax authorities by the 25th of the month following delivery. Non-compliance may result in administrative fines ranging from RON 2,000 to RON 10,000 or criminal penalties for failure to remit collected fees.
- **KPMG in Serbia** published a report discussing the introduction of two new green taxes effective January 1, 2026. A tax on greenhouse gas emissions will apply to entities holding emission permits, with a rate of EUR 4 per ton of CO_2 or CO_2 equivalent exceeding prescribed standards. Taxpayers may claim 20 percent credit for investments in emission-reduction measures. Additionally, an import tax on carbon-intensive goods such as iron and steel, cement, fertilizer, and aluminum will apply based on actual or estimated CO_2 emissions, reduced by reference values. Both taxes require annual returns and payment by May 31 for the previous year, with reductions available if emissions taxes were paid in the country of origin.
- **KPMG in Serbia** published a report discussing amendments to the VAT law adopted by parliament effective from April 1, 2026. Key changes include requirements for preliminary VAT returns, correction of errors from previous tax periods in the current return, rules on persons considered tax debtors, issuance of periodic invoices for the sale of goods, changes to the tax base, conditions for VAT credit deduction, correction of VAT credit when the tax base changes, and procedures for the preparation and cancellation of invoices.
- **KPMG in Serbia** published a report amendments to the excise duty law effective from January 1, 2026. The amendments provide for a gradual increase in excise duties on cigarettes, tobacco products, and electronic cigarette liquids from 2026 to 2030. Excise rates for non-combustible tobacco and herbal products will rise annually, while excise on electronic cigarette liquids and cigarettes will also increase incrementally over the period. Additionally, excise adjustments based on the consumer price index will start in January 2027.
- **KPMG in Slovakia** published a report discussing an amendment to the Financial Transaction Tax Act scheduled to take effect on January 1, 2026. The changes will exempt sole traders from paying the tax and introduce a distinction between taxpayers with limited and unlimited tax liability. The amendment also clarifies key terms such as transaction account, permanent establishment, and use of a payment card, and adds a definition for cost reallocation.

- **KPMG in the United Kingdom** published a report discussing key tax measures announced in the Autumn Budget 2025. Notable measures include the exclusion of private hire vehicle operators from the Tour Operators' Margin Scheme (TOMS) from January 2026, requiring VAT on the full fare. The government will clarify cross-border VAT grouping rules from November 2025, allowing businesses to reclaim overpaid VAT. A new duty on vaping products will be introduced from October 2026, and the Soft Drinks Industry Levy will expand in January 2028 to cover plant-based drinks with added sugar. Additional changes include VAT relief for business donations to charity from April 2026 and VAT refund eligibility for Combined County Authorities from December 2025.
- **KPMG in Zimbabwe** published a report discussing tax proposals in the 2026 national budget presented on November 27, 2025. Indirect tax measures include applying standard-rated VAT to mixed sales of goods or services provided as entertainment and requiring VAT on imported services to be paid in foreign currency, with penalties for non-compliance.

European Union: Carbon Border Adjustment Mechanism Effective January 1, 2026

On December 17, 2025, the European Commission published implementing and delegated acts to operationalize the Carbon Border Adjustment Mechanism (CBAM) from January 1, 2026. These measures aim to clarify methodologies, strengthen anti-circumvention provisions, and support the EU's decarbonization objectives. The package includes rules for calculating embedded greenhouse gas emissions in CBAM-covered goods, aligning methodologies with the EU Emissions Trading System and detailing system boundaries, functional units, and production processes for sectors such as cement, fertilizers, electricity, and complex goods.

It also addresses the transition from free allowances under the EU ETS to CBAM through benchmarks and adjustment mechanisms, sets out customs communication requirements for data exchange with the CBAM registry, and establishes default values for emissions where actual data is unavailable to safeguard environmental integrity. Further provisions cover the pricing methodology for CBAM certificates linked to EU ETS auction prices, verification principles for accreditation and oversight of CBAM verifiers, and updated rules for authorized declarants and registry access to reflect regulatory and IT system changes. Collectively, these acts provide the legal and technical foundation for CBAM's full implementation from 2026, ensuring consistency with EU climate policy while reducing administrative burdens and enhancing transparency across customs and compliance processes.

Source: European Union – European Commission Publishes Implementing Acts to Operationalize Carbon Border Adjustment Mechanism from 1 January 2026 (December 18, 2025), News IBFD.

European Union: Triangulation Simplification Applies Beyond Three Parties

On December 3, 2025, the European General Court delivered its decision in *MS KLJUČAROVCI, d.o.o.*, Case T 646/24, addressing whether the EU VAT triangulation simplification for intra-EU drop shipments can be applied when more than three parties are involved in the supply chain. The case centered on a Slovenian company that purchased goods from German sellers and resold them to Danish customers, arranging for the goods to be shipped directly from Germany to Denmark. The Slovenian company invoked the EU triangular transaction simplification, which would allow it to avoid VAT registration in Denmark and treat the transactions as non-taxable in Slovenia. However, the Slovenian tax authority, upon discovering that the Danish customers were "missing traders" who did not actually receive the goods or pay VAT, and that other Danish companies ultimately collected the goods, challenged the application of the simplification and assessed VAT against the Slovenian company, alleging fraud.

The General Court clarified that the triangular simplification can still apply even when the goods are delivered directly to the customer's customer, rather than to the intermediary's customer, as long as the right to dispose of the goods as owner is transferred. The court emphasized that the physical delivery to the intermediary's customer is not a requirement for the simplification, and that the objectives of the mechanism—avoiding double taxation and unnecessary VAT registration—remain intact even if the goods are delivered to the next party in the chain. Furthermore, the court held that the intermediary's knowledge of onward resale does not affect the application of the simplification.

However, the General Court also ruled that if the intermediary knew or should have known that the transactions were part of VAT fraud, the tax authority in the Member State where the VAT ID was used (Slovenia, in this case) is entitled to deny both the triangulation scheme and any reduction in the taxable amount. The General Court stressed that EU law cannot be used to facilitate fraud or abuse, and that national authorities must refuse VAT benefits when fraud is involved, without breaching principles of proportionality or legal certainty. Thus, while the triangulation simplification can apply in complex supply chains, it is not available where fraudulent arrangements are present. For more information, click here.

Roundup of Latest Court of Justice of the European Union Cases

On December 3, 2025, the Court of Justice of the European Union published the nonbinding opinion of its Advocate General in *Credidam*, Case T-643/24, in which the AG opined that when rights holders are legally required to allow the public communication of protected works in exchange for a fee—even if the user did not obtain a license beforehand—this arrangement should be treated as a provision of services for consideration under VAT rules. Additionally, both the standard fee and any surcharge imposed for using the works without a prior license may be considered as payment for the service.

Source: European Union; Romania-ECJ Advocate General Opines that Surcharge Imposed for Unauthorized Use of Protected Musical Works Forms Part of Taxable Amount: *Credidam* (Case C-643/24) (VAT) (December 3, 2025), News IBFD.

United Kingdom: VAT Costs Deductible When Professional Fees Directly Linked to Taxable Sale

On December 17, 2025, the UK Supreme Court issued its decision in *Commissioners for His Majesty's Revenue and Customs v. Hotel La Tour Ltd (UKSC/2024/0086)*, clarifying the deductibility of VAT incurred on professional fees related to the sale of shares. The case involved a taxpayer that owned all shares in a company operating a luxury hotel in Birmingham and provided management services for a fee. To finance the development of a new hotel, the taxpayer sold the hotel company and engaged professional firms for services including market research, financial modeling, and tax advice. HMRC disallowed the VAT deduction on these fees, arguing that they related to an exempt share sale. The taxpayer contended that the costs were connected to its general taxable business activities.

On further appeal, the Supreme Court agreed with the Court of Appeal that the professional fees were incurred specifically for the share sale and not for the general business, making them non-deductible. The court rejected arguments to shift the test toward the purpose of raising funds, emphasizing that such reasoning merely restates the direct and immediate link test and could create uncertainty. It also dismissed claims that VAT grouping should allow recovery, clarifying that grouping simplifies administration but does not confer additional reliefs or exemptions. For more information, click here.

Miscellaneous Developments in EMEA

- **Austria:**[lxv] On December 12, 2025, the Austrian Federal Ministry of Finance published updated comprehensive VAT guidelines, reflecting changes current as of December 10, 2025.
- **Austria:**[lxvi] On December 23, 2025, Austria published Law No. 97 and Law No. 98, amending various tax laws, including the Value Added Tax Act, effective January 1, 2026. Among other things, the laws modify VAT exemptions for residential property by introducing criteria for particularly representative properties and restricting the waiver of exemptions and updating the reporting and calculation procedures for VAT on various goods and services.
- **Azerbaijan:**[lxvii] On November 21, 2025, Azerbaijan's National Assembly accepted for consideration draft bills under the 2026 budget that propose significant changes to indirect taxes. The measures include introducing VAT and simplified tax incentives for public catering activities to support the hospitality sector. The VAT registration threshold for non-cash payments in specified services would double from AZN 200,000 to AZN 400,000. The threshold remains AZN 200,000 for businesses accepting only cash payments. For registration purposes, cash transactions are counted in full, while only 50 percent of cashless transactions are considered. The bills would also expand the VAT refund mechanism and grant VAT and customs exemptions to contractors engaged in partnership construction projects, aiming to stimulate infrastructure development. Additionally, excise duties on alcoholic beverages and tobacco products would increase, and new excise duties would be introduced for mobile devices.
- **Azerbaijan:**[lxviii] On December 19, 2025, Azerbaijan's State Tax Service announced the expansion of its VAT refund program. Previously limited to purchases made by foreign individuals since 2020, the program will now also include services provided by barbershops, beauty salons, and cosmetology centers.
- **Benin:**[lxix] Effective January 1, 2026, Benin's 2026 Finance Law (Law No. 2025-22) introduces several indirect tax measures. The law extends VAT exemptions until the end of 2026 for qualifying purchases of new electric or hybrid vehicles, aircraft and related spare parts, certain gas containers and equipment, and new equipment imported by small and medium-sized enterprises outside special tax regimes. For construction companies, fuel cost deductions are now limited to 90 percent of the VAT paid on purchase invoices. The law also maintains the statistical tax rate at 1 percent for re-exports of petroleum products and raw material imports and lowers the receipt issuance threshold for certain procedures.

- **Bharain:**[lxx] On November 18, 2025, the Bahraini National Bureau for Revenue published an updated VAT real estate guide. It states that associations performing primary services such as managing common property, preparing budgets, invoicing maintenance costs, and representing owners in legal matters are not considered economic activities for VAT purposes. However, associations providing additional services to generate income must register and charge VAT if annual sales exceed the mandatory registration threshold. When associations hire third parties to perform their duties, VAT applies at the standard rate if the third party is registered or required to register in Bahrain. Purchases from third parties for primary services remain outside VAT scope, while VAT incurred on purchases directly related to economic activities is recoverable.
- **Croatia:**[lxxi] On December 24, 2025, Croatia's Ministry of Finance opened a public consultation on a draft ordinance to amend the VAT ordinance. The proposal introduces new reporting requirements for food donations, including mandatory disclosures in VAT returns, and updates vehicle registration procedures to require proof of declared acquisition or VAT payment. It also simplifies VAT documentation requirements for nonresidents upon request in paper or electronic format, clarifies rules for issuing invoices for business-related sales and advance payments, and extends various filing deadlines. Additionally, the draft amends VAT information reporting for sales of specified goods and services subject to input VAT rates of 5 percent, 13 percent, and 25 percent.
- **Denmark:**[lxxii] On November 25, 2025, Denmark's Customs and Tax Administration published National Tax Court Decision No. SKM2025.663.LSR, which clarifies the VAT treatment of subcontractor agreements. In this case, a taxpayer asked whether income from a subcontractor agreement should be treated as employment income and whether VAT needed to be paid on invoices issued to the employer. The Tax Agency decided the income was employment-related, meaning the taxpayer was considered an employee rather than self-employed. However, the National Tax Court ruled that because the taxpayer had included VAT on the invoices, they were required to pay that VAT to the state—even though, as an employee, they would not normally be subject to VAT.
- **Denmark:**[lxxiii] On December 8, 2025, the Danish Customs and Tax Administration issued Tax Council Binding Answer No. SKM2025.696.SR, clarifying the VAT treatment of business transfers during corporate restructurings. The ruling concerned a Danish-owned limited liability company operating an auditing business that planned to transfer all assets and liabilities to a newly established partnership, which would continue the business unchanged. The Tax Council confirmed that transferring all business activities as part of the restructuring qualifies as a VAT-free business transfer under Danish VAT rules. Additionally, the partnership retains the right to deduct VAT expenses under general provisions regarding losses on debtors, regardless of whether receivables are transferred at a written-down value.
- **Denmark:**[lxxiv] On December 9, 2025, the Danish Customs and Tax Administration published National Tax Court Decision No. SKM2025.699.LSR, clarifying VAT expense deductions on construction costs for rental housing. The case involved a real estate company that claimed VAT deductions on constructing eight terraced houses, asserting its intent to sell them individually. The tax authority determined the houses were intended for rental use and denied the deduction. The National Tax Court upheld this decision, finding that the taxpayer failed to prove its sole intent to sell at the time of deduction, meaning VAT Act conditions were not met. The court also concluded the taxpayer acted with gross negligence, allowing adjustment to its VAT liability.

- **Denmark:**[lxxv] On December 12, 2025, the Danish Customs and Tax Administration published City Court Decision No. SKM2025.721.BR, clarifying VAT deductions and corporate income tax expense deductions on vehicle purchases. The case involved a company claiming deductions based on eight invoices for car purchases. The court upheld the tax authority's denial, noting that the invoices lacked essential details such as chassis number, model, year, and mileage. It also found no written contracts supporting the taxpayer's claim that it purchased and resold the cars without profit as a favor to another company. The other company was linked to VAT fraud, increasing the taxpayer's burden of proof. As the taxpayer failed to demonstrate that the invoices corresponded to actual deliveries, the deductions were disallowed.
- **Egypt:**[lxxvi] In December 2025, Egypt issued Ministerial Decision No. 515 of 2025 clarifying the VAT treatment of workforce provision services. The decision confirms that services involving the sale of labor to third parties under contractual arrangements constitute taxable sales for VAT purposes and are subject to VAT at the standard rate unless a specific exemption applies under the VAT Law. The clarification aims to address inconsistent market practices and ensure uniform application of VAT rules by taxpayers and the Egyptian Tax Authority. It reinforces the principle that services provided for consideration are taxable unless expressly exempt. Recruitment and contracting companies are advised to review contractual arrangements, invoicing, and VAT compliance to align with the clarified treatment.
- **Egypt:**[lxxvii] On December 1, 2025, the Egyptian Tax Authority issued guidance on the VAT treatment of exported services. The guidance confirms that remote business-to-business services provided by resident companies to nonresident customers qualify for zero-rated VAT, except for services related to real estate in Egypt or those requiring the physical presence of both parties in Egypt. Exported services are taxed at the location of the nonresident customer and must be supported by a written contract, an e-invoice with full details, and proof of payment.
- **European Union:**[lxxviii] On December 11, 2025, the European Commission reported that EU tax administrations failed to collect EUR 128 billion in VAT revenue in 2023, reflecting a significant VAT gap across Member States. The VAT gap ranged from less than 5 percent in countries such as Finland and Austria to over 20 percent in Romania and Malta. The report attributes the shortfall to evasion, fraud, incorrect filings, limited administrative capacity, and policy choices. To address this, the Commission emphasized the importance of digitalizing VAT administration under new legislation to improve compliance and reduce revenue losses. Recommendations include deploying digital tools, strengthening tax collection systems, reviewing policies, and publishing regular tax gap estimates.
- **European Union:**[lxxix] On December 15, 2025, the Council of the European Union published a report, highlighting progress on VAT initiatives and ongoing discussions on excise duty reforms. Key VAT developments included the adoption of a Directive on July 18, 2025, incentivizing the use of the import one-stop shop (IOSS) for e-commerce, and continued talks on customs reforms, such as abolishing the EUR 150 customs duty exemption for low-value consignments. Regarding excise duties, Member States debated recasts of the Energy Taxation Directive and Tobacco Taxation Directive, but disagreements on climate goals, minimum rate increases, and transitional mechanisms prevented final agreements.
- **European Union:**[lxxx] On December 11, 2025, the European Commission closed infringement procedures against Cyprus, Greece, and Romania for failing to transpose the concerning the special VAT regime for small enterprises.

- **Finland:**[lxxxi] On September 8, 2025, Finland's tax administration published Preliminary Decision No. KVL:2025/32, clarifying that the applicant's activities related to planning a tramway project up to the construction phase qualified as VAT-taxable business operations. This applied regardless of whether the applicant proceeded to complete the project and charged VAT on the use of tramway infrastructure and equipment or transferred the plans to a third party for VAT-taxable compensation. Consequently, the applicant was entitled to deduct VAT for costs incurred during the development phase, even if the project did not progress to construction.
- **Finland:**[lxxxii] On September 9, 2025, Finland's tax administration published Preliminary Decision No. KVL:2025/35, clarifying that the taxpayer's safety phone rental service qualified as taxable, while its safety phone center service was VAT-exempt as a social welfare service. This determination applied even when the taxpayer sold the services as a combined package, as the services were considered separate and independent. Consequently, the taxpayer was required to charge VAT on the safety phone rental service, regardless of whether it was sold individually or as part of a package.
- **Finland:**[lxxxiii] On October 21, 2025, Finland's tax administration published Preliminary Decision No. KVL:2025/43, clarifying that services such as managing bank transactions, accounts payable and receivable, payroll, and granting auditors access rights are subject to VAT. In contrast, services related to arranging bank loans and interest rate hedging are considered exempt financial services under the VAT Act.
- **France:**[lxxxiv] On December 3, 2025, the French Administrative Supreme Court issued Decision No. 465406, clarifying that while the transfer of a single commercial agent contract does not constitute the transfer of a complete branch of activity—and therefore does not entitle the taxpayer to a corporate tax exemption—a VAT exemption still applied because the transfer included a complete set of assets enabling the buyer to operate independently.
- **France:**[lxxxv] On December 5, 2025, the French Administrative Court of Appeal of Paris ruled that VAT applies to apartment rentals when hotel-like services (such as breakfast, linen, and cleaning) are provided, as this creates competition with hotels. The court also confirmed that property sales within five years of completion are taxable under VAT rules as economic activities.
- **France:**[lxxxvi] On December 5, 2025, the French Administrative Court of Appeal of Paris issued Decision No. 24PA01171, clarifying that amounts retained for driving lessons that were cancelled late or expired constituted remuneration for a taxable service, not compensation for damages. VAT is chargeable when payment is received and the service elements are known, even if the lesson is not actually provided.
- **France:**[lxxxvii] On December 10, 2025, the French Tax Administration clarified the VAT rules for training services provided to foreign states, addressing the determination of the place of taxation and the assessment of the foreign states' VAT status. For foreign states considered VAT-registered entities, training services are taxed in France if conducted in France and classified as events lasting up to seven consecutive days. Longer training sessions or services provided to a single VAT-registered entity are taxed based on the location of the foreign state. For non-VAT-registered entities, training conducted in France is taxed in France, while online training is taxed at the location of the recipient. The foreign state's VAT status is determined based on its economic activities, VAT identification, or certificates confirming its eligibility for VAT refunds. Providers must verify the client state's VAT status using reasonable measures, including certificates or VAT numbers.

- **France:**[lxxxviii] On December 12, 2025, the French General Directorate of Customs and Indirect Taxes issued Circular No. 25-012 outlining updated VAT and customs requirements for imported goods and intra-EU sales. The circular revises procedures for VAT-free purchase quotas, clarifies VAT suspension and reporting rules for goods under customs procedures, and updates VAT exemption rules for imports sold within the EU. It also details VAT obligations for goods sold in France and delivered to other EU countries, including documentation and eligibility requirements, and lists transactions and goods excluded from VAT exemptions or quota regimes.
- **France:**[lxxxix] On December 17, 2025, France enacted Ordinance No. 2025-1247, recodifying domestic VAT provisions into the new Goods and Services Tax Code (CIBS), effective September 1, 2026. The ordinance consolidates VAT rules, incorporates case law principles, and transposes recent EU VAT directives, but does not introduce substantive changes for taxpayers.
- **France:**[xc] On December 18, 2025, the French Administrative Court of Appeal of Toulouse issued Decision No. 24TL00615 clarifying VAT liability on subsidies under service agreements. The case involved a company that received subsidies from regional public authorities to promote and develop the validation of prior experiential learning within private companies. The taxpayer argued that these subsidies were not payments for consideration and sought to discharge additional VAT assessed after an audit. The court held that the agreements involved precisely defined individualized services benefiting the public authorities and that the subsidies were directly linked to these services, constituting payments for consideration under the tax code.
- **France:**[xci] On December 4, 2025, the French Administrative Court of Appeal of Toulouse issued Decision No. 23TL02999, clarifying VAT assessments for real estate sales. The case involved a real estate company that purchased a property with an unfinished house and intended to resell it as a completed building within five years to benefit from a specific tax regime. The tax authorities assessed VAT on the total sale price, rejecting the taxpayer's claim that the margin-based VAT system applied and its request for deductions on seller invoices. The court upheld the assessment, ruling that the legal identity condition between purchase and resale required for margin-based VAT was not met and that the taxpayer failed to file VAT declarations, request refunds, and provide supporting documentation for deductions.
- **Germany:**[xcii] On December 11, 2025, the German Ministry of Finance issued guidance (BMF Letter No. COO.7005.100.2.13583885), clarifying the VAT exemption for social welfare services. The exemption covers services such as counseling, food banks, shelters, assistance for the homeless, support for vulnerable individuals, and now includes services of second-hand store and bicycle repair workshops, even if provided below market prices. The guidance applies to qualifying sales after December 31, 2019. Businesses may continue to treat transactions before January 1, 2026, as subject to VAT, even if this does not match the amended rules.
- **Ghana:**[xciii] On December 10, 2025, the Ghanaian Ministry of Finance announced a national VAT reward program to launch in 2026, aiming to boost VAT compliance and collection. Consumers who request VAT receipts will be entered into a nationwide draw for rewards. The initiative seeks to encourage receipt issuance, reduce VAT system leakages, and improve revenue. The program is part of wider tax administration reforms set out in the 2026 budget.

- **Guinea Bissau:**[xciv] On December 10, 2025, Guinea-Bissau's tax authority issued new rules for declaring VAT on import-related services. All VAT-registered importers must now declare and pay VAT on customs clearance services using the occasional revenue declaration (DRE) form via the kontaktu online platform; previous simplified payment methods are no longer allowed. The new procedure applies to services like port administration, customs brokerage, freight shipping, and related charges. Customs will only release goods after verifying DRE payment, and non-compliance may lead to penalties.
- **Hungary:** On December 10, the Hungarian National Tax and Customs Administration announced that, effective January 1, 2026, the VAT exemption threshold for nonresident small and medium-sized enterprises (SMEs) will increase to HUF 20 million, up from the previous threshold of HUF 18 million. Nonresident SMEs with revenues below the 2025 threshold, and that are not expected to reach the 2026 threshold, can claim the cross-border VAT exemption. However, the exemption does not apply to foreign SMEs that exceed the EU revenue threshold of EUR 100,000. The VAT exemption threshold is scheduled to further increase to HUF 22 million in 2027 and to HUF 24 million in 2028.
- **Ireland:**[xcv] The Irish Revenue issued two tax manuals clarifying VAT recoverability for insurance, reinsurance, and extended warranties: the Tax and Duty Manual — VAT Deductibility for Insurance & Reinsurance and the Tax and Duty Manual — VAT Treatment of Extended Warranties. The manuals state that costs relating to insurance and reinsurance services provided to policyholders and companies located within the EU are not eligible for VAT deductibility, while services provided to non-EU policyholders and companies located outside of the EU are a qualifying activity for which VAT deductibility is available on related costs. The guidance also addresses VAT deductibility where investments are managed "in house" by an insurance company or are managed by the insurance company engaging an investment manager. Revenue published these clarifications in eBrief 231/2025 on December 5, 2025, and eBrief 232/2025 on December 8, 2025.
- **Ireland:**[xcvi] On December 11, 2025, the Irish Revenue issued Revenue eBrief No. 240/25, providing guidance on the VAT treatment of establishing and managing pension regimes. The guidance clarifies that employer contributions are outside the scope of VAT and sets conditions for employers to deduct VAT on costs related to establishment, management, and administration. It also confirms that employers are required to charge VAT on supplies of taxable services to the pension scheme for consideration and addresses VAT deductibility in tripartite agreements involving employers, trustees, and service providers. Additionally, the guidance confirms that extra contributions made by employers to simply reimburse trustees are outside the scope of VAT in certain circumstances, and that a pension scheme may be entitled to deduct VAT on costs it incurs if engaged in taxable or qualifying activities.
- **Isle of Man:**[xcvii] Effective January 8, 2026, the Isle of Man Treasury lowered VAT-related interest rates: late payment interest drops from 6.50 percent to 6.25 percent, and repayment interest for VAT overpayments decreases from 3 percent to 2.75 percent.
- **Israel:**[xcviii] Israel recently announced plans to double the VAT-exempt threshold for personal imports. The Finance Minister confirmed that an order will be signed within 21 days to raise the exemption limit from USD 75 to USD 150.

- **Italy:[xcix]** On December 11, 2025, the Italian Revenue Agency issued Letter No. 309/2025, clarifying the VAT treatment of design and construction services for research centers. The Agency confirmed that the reduced 10 percent VAT rate applies to buildings assimilated to non-luxury dwellings when used for collective interests such as education. To qualify, training activities within the building must not be marginal compared to research activities. Additionally, the reduced rate applies to design services only if they are provided under a single contract with construction work; otherwise, design services are subject to the standard VAT rate.
- **Italy:** On December 31, 2025, Italy published Law No. 199/2025, introducing, among other things, a new contribution to cover administrative costs related to customs formalities for low-value shipments from third countries not exceeding EUR 150. The contribution amounts to EUR 2 per shipment.
- **Italy:[c]** On December 18, 2025, the Italian Revenue Agency issued Circular No. 14/E, providing guidance on the optional VAT regime for transportation and logistics service sectors. The regime allows qualifying parties to apply the VAT self-assessment mechanism for certain services provided to companies operating in transportation, freight handling, and logistics. Pending EU authorization, taxpayers may opt for a three-year period to have VAT paid directly by the customer rather than the seller, although the seller remains jointly liable. The guidance clarifies qualifying taxpayers and sales, the duration and application of the regime, and its interaction with other special regimes.
- **Italy:[ci]** On December 18, 2025, the Italian Revenue Agency issued Letter No. 316/2025, clarifying that rental payments made under a mediation agreement—where a Slovenian company settled rent and expenses with a bankrupt lessor—are considered a provision of services for VAT purposes. The mediation agreement is treated as a new contract and a legal settlement. Payments, including the lessor's waiver of immediate warehouse release, are subject to a 22 percent VAT rate if the taxpayer is established in Italy.
- **Italy:[cii]** On December 19, 2025, the Italian Revenue Agency published draft tax return forms for fiscal year 2025. The drafts include the annual VAT return form IVA 2026.
- **Italy:[ciii]** On December 22, 2025, the Council of Ministers approved a Legislative Decree establishing the consolidated text of the VAT Code. This initiative aims to streamline and unify VAT provisions under a single legislative framework, simplifying compliance and interpretation for taxpayers.
- **Liechtenstein:[civ]** On December 9, 2025, Liechtenstein announced that, effective January 1, 2026, the interest rates for late VAT payments and delayed VAT refunds will be reduced from 4.5 percent to 4 percent per year.
- **Lithuania:[cv]** On November 28, 2025, Lithuania's tax authority clarified VAT expense deduction rules. Taxpayers can deduct VAT paid on goods and services used for taxable activities, but those registered solely for cross-border acquisitions or small business schemes cannot claim deductions. Nonresident taxpayers and foreign businesses operating in Lithuania may also deduct VAT for purchases tied to taxable transactions, provided they comply with registration and reporting requirements. VAT deductions are unavailable for exempt activities, such as residential property rentals, unless specific conditions are met. Taxpayers involved in mixed activities or high-risk assets must follow proportional allocation rules when applicable.

- **Lithuania:**[cvi] On December 16, 2025, Lithuania's tax authority clarified VAT exemptions for financial services. VAT exemptions apply to services that directly impact the legal and financial positions of parties involved, such as loan administration, financial guarantees, and certain investment fund management services. However, purely administrative, or technical services that do not alter financial or legal conditions are subject to VAT. The guidance outlines examples of exempt and taxable services, emphasizing the importance of analyzing the substance of each service to determine its VAT applicability. Additionally, the guidance addresses the VAT treatment of electronic money transactions, factoring agreements, and financial services related to securities and derivatives, providing detailed scenarios to illustrate compliance.
- **Mauritius:**[cvii] On December 6, 2025, Mauritius published VAT Ruling No. 123, clarifying the VAT treatment of property transactions involving non-VAT-registered companies. The ruling confirms that the acquisition of property by a non-VAT-registered domestic company from a VAT-registered seller is not subject to VAT. Leasing of the property is subject to VAT at the standard rate of 15 percent, while the sale of the property is treated as an exempt sale. Additionally, if the buyer later becomes liable for compulsory VAT registration and registers, this change will not retroactively affect the VAT treatment of the original acquisition.
- **Moldova:**[cviii] On December 10, 2025, Moldova's Ministry of Finance issued Order No. 135, amending the instructions for completing the tax invoice form to align with the EU VAT Directive. The update clarifies that tax invoices must also document deliveries of electricity and natural gas subject to the VAT self-assessment mechanism.
- **Moldova:**[cix] On December 12, 2025, the State Tax Service (STS) clarified the VAT regime applicable to legal consultancy services. According to the STS, legal consultancy services, including those related to obtaining Romanian citizenship, do not fall under the VAT exemption for professional activities in the field of justice under the Tax Code. Consequently, upon reaching the registration threshold within any 12-month period, providers must register as VAT payers. The STS also noted that expenses re-invoiced to beneficiaries, such as certified translations, notarial legalization, and state tax payments, are considered part of the overall service value and do not constitute separate compensation arrangements. Therefore, VAT applies on a general basis to the full value of services provided.
- **Moldova:**[cx] Effective January 1, 2026, Moldova increased the VAT registration threshold from MDL 1.2 million to MDL 1.5 million.
- **North Macedonia:**[cxi] On December 10, 2025, North Macedonia adopted amendments to the VAT Law providing that low-value parcels ordered online from abroad with a value of up to EUR 22 will be subject to VAT. The exemption applies only to parcels sent by one individual to another where the value does not exceed EUR 22 and the import is not of a commercial nature. Products containing perfume, tobacco or tobacco products, alcohol, and alcoholic beverages are excluded from the exemption.
- **Norway:**[cxii] On December 16, 2025, the Norwegian Tax Administration clarified the VAT treatment of "canteen contributions," which are payments made by companies to external canteen operators to cover fixed costs such as wages, rent, and equipment. The guidance clarifies that VAT must be applied to these contributions when they are considered payment for services, particularly under the "Management fee" model, where the company purchases food and assumes operational risk, making the operator's role service based. Conversely, under the "Management risk" model, where the operator purchases food and bears the operational risk, the contributions are not subject to VAT, provided they only cover fixed costs. However, if contributions also cover raw material costs or are tied to meal

prices or quantities, they may be deemed taxable. The guidance emphasizes that the degree of operational risk borne by the operator is central to determining VAT liability, and hybrid or borderline cases must be assessed individually.

- **Norway:**[cxiii] On December 22, 2025, Norway amended its VAT Act, which, among other things, reduces the VAT exemption threshold for electric cars from NOK 500,000 to NOK 300,000 starting in 2026, with a full repeal of the exemption planned for 2027. It also includes changes to VAT rules relating to cross-border services between head offices and branches and modifies the right to write off VAT on receivables between related companies. (To read KPMG's previous discussion on these amendments, click here.)
- **OECD:**[cxiv] On December 3, 2025, the OECD released its *Revenue Statistics in Africa 2025* report, noting that taxes on goods and services remain the largest revenue source in 38 African countries, accounting for 51.2 percent of total tax revenues in 2023. Within this category, VAT represented 26.6 percent and contributed 0.1 percentage points to overall tax growth. The report highlights that, despite these gains, the average tax-to-GDP ratio remains below other regions. Corporate income tax was the main driver of revenue growth for the second consecutive year, while personal income tax accounted for 16.5 percent.
- **OECD:**[cxv] On December 9, 2025, the OECD released its *Revenue Statistics Report*, highlighting tax trends across member countries. In 2023, VAT accounted for just over one fifth of total tax revenues (20.5 percent), while other consumption taxes contributed an additional 10.8 percent, confirming the continued importance of indirect taxes in OECD economies. The report shows that tax-to-GDP ratios increased in 22 of 36 jurisdictions in 2024, with the average ratio rising by 0.3 percentage points to 34.1 percent. Denmark recorded the highest ratio at 45.2 percent, and Mexico the lowest at 18.3 percent. Although social security contributions (25.5 percent) and personal income tax (23.7 percent) remain the largest revenue sources, VAT remains a key component of overall tax structures.
- **Portugal:**[cxvi] On November 21, 2025, the Portuguese tax authority issued Circular Letter No. 25088, clarifying VAT deduction rules for electric and plug-in hybrid vehicles. The guidance states that VAT on operational leases for such vehicles is deductible only when the invoice clearly separates the portion attributable to the lease from ancillary service charges, such as repair, maintenance, roadside assistance, and contract management. If the invoice presents a single lump-sum amount without this breakdown, VAT is not deductible. Additionally, if a vehicle for which VAT was deducted is later used partly for private purposes, that private use is treated as a taxable transaction, and the taxpayer must account for the corresponding VAT.
- **Slovakia:**[cxvii] Effective January 1, 2026, Slovakia implemented new VAT deduction rules for passenger motor vehicles. A full VAT deduction is allowed for vehicles used exclusively for business purposes, supported by detailed electronic records, while a 50 percent deduction applies to vehicles used for both business and private purposes, including related expenses such as fuel and maintenance. Taxpayers claiming full deduction must keep separate electronic records for each vehicle, with exceptions for rentals, passenger transport, driving schools, demonstrations, tests, and replacements. Additionally, all vehicles acquired for exclusive business use from January 1, 2026, must be reported to the tax office.

- **Slovenia:**[cxviii] On December 17, 2025, the Slovenian Financial Administration issued guidance on VAT groups, effective January 1, 2026. The guidance states that two or more taxpayers in Slovenia, or their permanent establishments, which are financially, economically, and organizationally linked may register as a single VAT group. All members must continuously meet these linkage requirements, and any member failing to do so must withdraw. The group is represented by one member responsible for VAT obligations, while all members share joint liability for VAT debts. Transactions within the group are not subject to VAT, but external transactions are. The representative manages VAT returns, payments, and refunds. Formal applications and supporting documents are required for membership changes or representative updates.
- **South Africa:**[cxix] Recently, the South African Revenue Service announced plans to improve the VAT registration process. The agency will provide applicants with clear information on any additional supporting documents required during registration. It also intends to inform applicants of the specific reasons for rejecting a VAT registration request.
- **Spain:**[cxx] On December 2, 2025, Spain's Ministry of Finance launched a consultation on a draft bill to amend Law No. 37/1992, aiming to partially implement the EU VAT in the Digital Age Directive. Key changes include the mandatory use of harmonized e-invoicing for cross-border transactions, expansion and clarification of the single registration system to minimize multiple VAT registrations across EU Member States, and broader involvement of digital platforms in VAT collection, especially in sectors like short-term accommodation and passenger transport. The law also refines the scope and functioning of special VAT regimes, adjusts thresholds and options for distance sales, and introduces transitional measures for consignment sales and energy deliveries. It ensures VAT refund procedures for non-EU businesses, requires the appointment of local representatives for certain refunds, and clarifies reporting obligations for import regimes. The law will take effect on January 1, 2027, with some provisions phased in later, and empowers the government to issue further regulations for its implementation.
- **Sweden:**[cxxi] On December 4, 2025, Sweden proposed amendments to the Value Added Tax Act regarding the allocation of deductible VAT in mixed activities—those involving both taxable and exempt transactions. The main change is to make the gross receipts method the explicit primary method for allocating VAT deductions, with a requirement to calculate preliminary and final ratios each year and adjust deductions accordingly. For goods and services related to buildings, allocation will be based on floor area unless the gross receipts method provides a more accurate reflection of usage. Special rules are introduced for certain financial activities, excluding specific taxable transactions from the gross receipts calculation to prevent distortions, and similar exclusions apply to transactions between related parties when goods or services are resold without further processing. The new rules will take effect on January 1, 2027, with transitional provisions for businesses with non-calendar fiscal years.
- **Switzerland:**[cxxii] On November 26, 2025, the Swiss tax authority updated its dedicated webpage listing all VAT forms required from taxpayers. The webpage provides an overview of available VAT documents and specifies which forms can be filed online and which must still be submitted in paper format. It includes direct links to online forms and downloadable PDFs and will be updated as additional digital filing options become available.

- **United Arab Emirates:**[cxxiii] On December 5, 2025, the Federal Tax Authority published an updated guide in English on administrative VAT exceptions. The guide introduces several changes, including the removal of certain categories of administrative VAT exceptions that now require separate applications. It outlines supporting documentation requirements for exception requests and specifies recordkeeping obligations for direct and indirect exports. The update also provides a list of common errors made by applicants and clarifies procedural rules regarding the validity, renewal, and communication of application decisions. Additionally, the guide clarifies that all exception decisions relating to tax invoices or tax credit notes will expire when e-invoicing is implemented.
- **United Arab Emirates:**[cxxiv] On December 11, 2025, the UAE Ministry of Finance announced amendments to the excise tax system for sweetened beverages under Cabinet Decision No. (197) of 2025, introducing a tiered volumetric model effective January 1, 2026. Tax rates will vary based on sugar content, with beverages containing 5 to 8 grams of sugar per 100 milliliters taxed at AED 0.79 per liter, and those with 8 grams or more taxed at AED 1.09 per liter, while beverages with less than 5 grams or only artificial sweeteners are exempt.
- **United Arab Emirates:**[cxxv] On December 19, 2025, the UAE introduced a VAT self-assessment mechanism for scrap-metal trading between VAT registrants. Vendors of ferrous or non-ferrous scrap metal are no longer responsible for accounting or reporting VAT on sales to registered buyers intending to resale or processing; instead, recipients must account for VAT and meet related obligations. Recipients must provide written declarations of intent and registration, which vendors must retain and verify. Invoices must note the self-assessment mechanism, and the rule does not apply to zero-rated sales. The decision takes 60 days after publication.
- **United Kingdom:**[cxxvi] On November 24, 2025, the United Kingdom First-Tier Tax Tribunal (FTT) published its decision in *Places for People Homes Limited*, Case No. TC09695, clarifying the VAT treatment of service charges for residential flats managed by maintenance trustee companies (MTCs). In the case, the taxpayer, a company providing maintenance services, argued that MTC sales were exempt as sales of land, or that staff costs constituted disbursements outside the scope of VAT. HMRC contended that the sales were taxable because MTCs provided services to lessors, and that sales from different parties could not be combined for exemption. On appeal, the FTT ruled that MTC sales were made to lessors based on economic reality, that sales by MTCs and lessors could not be treated as a single exempt sale, and that staff costs incurred by MTCs were not disbursements for VAT purposes.
- **United Kingdom:**[cxxvii] On December 4, 2025, the FTT published its decision in *Athena Luxe Ltd*, Case No. TC09710, clarifying VAT recovery requirements for retail exporters. The case involved a retailer exporting luxury goods whose tax deductions were partially denied by HMRC due to missing valid VAT invoices. The FTT held that invoices from one vendor, when combined with receipts, met VAT requirements. For another vendor, although invoices were not in the taxpayer's name, HMRC acted unreasonably in refusing to exercise discretion given the supporting evidence. Consequently, the taxpayer was allowed to recover the disputed VAT expense.

- **United Kingdom:**[cxxviii] On December 11, 2025, the FTT published its decision in *Story Terrace Limited*, Case No. TC09725, clarifying the VAT treatment of single complex sales involving goods and services. The case concerned a VAT-registered company that offered a bundled service matching customers with ghostwriters to create personalized books. The company claimed the transaction fell under the zero-rating for sales of books, which was denied on the basis that the predominant element was standard-rated ghostwriting services. On appeal, the FTT held that under the predominant element test, the taxpayer must demonstrate that the average consumer views the sale of books as the primary service. It concluded that the service was zero-rated because the economic purpose of the contract was to produce a physical book.
- **United Kingdom:**[cxxix] On December 18, 2025, the U.K. Court of Appeal published its decision in *Sintra Global Inc*, [2024] UKUT 00346 (TCC), holding that the taxpayer bears the burden of proof when contesting an underlying VAT liability linked to penalties. The case involved inward diversion fraud, where alcohol was sold under duty suspension to EU warehouses and smuggled back into the U.K. without payment of VAT and excise duties. HMRC issued VAT and excise duty assessments, as well as civil evasion penalties under the Value Added Tax Act, for failure to register and file VAT returns. The Court of Appeal overturned prior tribunal decisions, emphasizing that the legal burden normally lies with the taxpayer to displace an assessment to tax, even when penalties depend on the underlying liability.
- **Zambia:**[cxxx] On December 12, 2025, the Zambia Revenue Authority (ZRA) issued a public notice highlighting its Voluntary Disclosure Program (VDP), which enables taxpayers to regularize outstanding or unresolved tax matters. Under the VDP, taxpayers may disclose errors or omissions in previous returns, under-reported income or transactions, and undeclared income by registered or non-registered businesses. Disclosures must be made before any compliance check, audit, or enforcement action. When made in good faith, penalties and interest will not apply to the disclosed amounts. The ZRA strongly encourages taxpayers to take advantage of the program to avoid penalties and future enforcement measures.

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

- **KPMG in India** published a report discussing a recent decision of the Gauhati High Court, in which it held that denying GST expense credits solely due to a seller's failure to upload invoices imposes an undue burden on bona fide purchasers.
- **KPMG in Malaysia** published a report discussing the Inland Revenue Board's announcement that the existing stamp assessment and payment system (STAMPS) portal will be terminated after December 31, 2025. Beginning January 1, 2026, all stamp duty services must be accessed through the new e-Duti Setem system via the MyTax portal. To facilitate a smooth transition, the new system will be available to duty payers starting December 15, 2025.

- **KPMG in Malaysia** published a report discussing several indirect tax developments. Public Ruling No. 1/2025 requires operators and digital platform service providers to account for tourism tax received, effective December 1, 2025. Public Ruling No. 2/2025 details how foreign missions and international organizations can claim service tax refunds for official duties. The Customs Department also issued a guide on sales tax exemptions for specific items and updated application forms for manufacturing aids and cleanroom equipment. Recent legislative changes include amendments to customs duties exemptions and regulations, new customs locations, and the Tourism Tax (Rate of Tax) Order 2025, setting the tax rate at MYR 10 per night per room.

China: VAT Implementing Regulations Published

On January 1, 2026, China implemented its new VAT Law and Implementation Regulations, which tighten input VAT recovery rules and add several new compliance obligations. The regulations aim to clarify VAT treatment across transactions while strengthening tax administration; they do not raise headline VAT rates but will affect cash flow and compliance for many businesses.

The regulations clarify the VAT treatment of services and intangible assets that are consumed in China and set out detailed rules for when exported services and intangibles qualify for the zero percent VAT treatment. The rules center on the concept of "consumption in China:" if a service or intangible is used, enjoyed, or has an effect in China, the transaction can attract Chinese VAT even when one or both contracting parties are located overseas. The regulations define "consumed in China" to include services directly related to goods, immovable property, or natural resources located in China, and services that produce effects in China. With respect to exported services, a zero percent VAT rate to certain exported services and intangible assets when two conditions are met: (1) the buyer is an overseas entity, and (2) the services or intangible are fully consumed overseas. Taxpayers claiming the zero percent rate must satisfy strict filing windows and documentary requirements.

The regulations introduce a Capital Goods Scheme (CGS) that limits input VAT recovery for long-life assets by linking recovery to each asset's annual taxable use. Under the CGS, taxpayers must track how much each capital asset supports taxable activities each year and adjust VAT credits accordingly. Capital-intensive businesses should expect reduced immediate VAT recovery and must adopt processes to allocate and adjust credits over an asset's useful life.

Taxpayers must perform an annual reconciliation of unallocated non-deductible input VAT during the January tax filing period. The regulations shift this reconciliation responsibility onto taxpayers, increasing administrative work and requiring documentation to support adjustments. Companies should implement controls that capture non-creditable inputs throughout the year so they can reconcile accurately in January.

The regulations impose strict time limits for claiming export VAT refunds or exemptions. Taxpayers must file within the prescribed windows; if they miss the deadlines, tax authorities will treat the transactions as domestic sales for VAT purposes. Exporters should tighten processes that generate export documentation and ensure timely filing to preserve refund or exemption eligibility.

The regulations also make domestic payers withholding agents when they pay individuals for taxable transactions. Payers must calculate, withhold, and remit the VAT-related amounts, and update payroll and accounts payable procedures to reflect the new withholding responsibilities. These changes expand administrative duties for entities that contract with or pay individuals for services.

The government temporarily disallows input VAT credits for certain financial services, specifically loan services and related fees. Taxpayers that purchase these services must treat input VAT as non-creditable for the interim period, which increases costs for entities that rely heavily on external financing or financial intermediaries. Authorities may revisit this treatment in the future. To read a report prepared by KPMG in China, click here.

Miscellaneous Developments in ASPAC

- **India:**[cxxxi] On December 4, 2025, the Indian Supreme Court issued a judgment clarifying GST exemption for residential rentals under GST Exemption Notification No. 9/2017. The case involved building owners leasing property to a company that subleased it as a hostel for students and professionals. The court held that the exemption applied because the ultimate use of the premises remained residential, and imposing GST between the owners and the lessee would defeat legislative intent by burdening end users.
- **New Zealand:**[cxxxii] On December 11, 2025, New Zealand's Inland Revenue issued a draft Interpretation Statement (PUB00522) for public consultation on the GST treatment of services related to retirement programs. The draft clarifies that when a retirement program's manager outsources services to third parties, the GST implications depend on the nature of the services. Administrative services such as registry, fund accounting, and unit pricing are taxable sales. Investment management services may be exempt financial services or taxable advisory services, depending on contractual terms and oversight. Where outsourcing combines exempt financial services with administrative services, it must be assessed whether the administrative services are incidental and necessary to the exempt sales.
- **New Zealand:**[cxxxiii] On December 15, 2025, New Zealand's Inland Revenue issued a draft Interpretation Statement on the GST treatment of short-stay accommodation provided through electronic marketplaces or directly to guests. The draft addresses situations where hosts offer accommodation in their home, holiday home, or property exclusively used for that purpose. It outlines GST registration requirements, the consequences of listing accommodation on an electronic marketplace versus direct bookings, and the GST implications when the property is sold or the activity ceases.
- **New Zealand:**[cxxxiv] On December 19, 2025, New Zealand's Inland Revenue released an exposure draft interpretation statement on the GST treatment of court-awarded costs, disbursements, and out-of-court settlement payments for such costs. It explains that such payments are compensatory in nature and not consideration for a sale, meaning GST is not typically applicable unless specific provisions apply. The statement also outlines how courts calculate costs and disbursements, including scale costs, increased costs, and indemnity costs, and how the GST status of the recipient affects awards. For example, GST-registered recipients who recover GST on their costs will receive GST-exclusive awards, while non-registered or partially exempt recipients may receive GST-inclusive awards to ensure they are not out of pocket for GST incurred. Additionally, payments under insurance contracts are subject to specific GST rules. The document provides detailed examples and guidance to assist taxpayers and practitioners in understanding these principles.

- **Sri Lanka:**[cxxxv] On November 19, 2025, Sri Lanka's Inland Revenue Department (IRD) issued Circular No. SEC/2025/E/6, introducing a risk-based refund regime for VAT refunds. The regime replaces the simplified VAT regime and applies to exporters and registered persons selling more than 50 percent of goods or services to strategic or specified projects. Refund claims will be categorized as low, medium, or high risk based on compliance history, audit records, and other criteria. Refunds will be credited directly to taxpayers' registered bank accounts, and claims must be filed through the IRD e-service portal with updated profiles and banking details. Refunds may be withheld or rejected for inaccurate information, non-response to notices, or outstanding liabilities, with penalties for undue claims.
- **Thailand:**[cxxxvi] On December 16, 2025, Thailand confirmed that the import duty exemption for low-value goods will end on December 31, 2025. Beginning January 1, 2026, import duty will apply to all goods valued at THB 1 or more, replacing the previous exemption for goods worth THB 1,500 or less.

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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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