



Inside Indirect Tax

March 2026



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

- **Belgium:**ⁱ Effective March 1, 2026, Belgium increased the VAT rate for phytopharmaceutical products recognized by the Minister of Agriculture rises from 12 percent to 21 percent (abolition of Table B, Section III in VAT Royal Decree n° 20) as well as fertilizers mixed with phytopharmaceutical products from 12 percent to 21 percent, and raised the VAT rate for furnished accommodation and camping pitches from 6 percent to 12 percent. For more information, click [here](#).
- **Bulgaria:**ⁱⁱ On February 10, 2026, the Bulgarian National Revenue Agency [launched](#) a consultation on amendments to the VAT application regulations to, among other things, introduce a zero percent VAT rate on defense-related sales, intra-EU acquisitions, and imports under SAFE-funded contracts.
- **Cameroon:**ⁱⁱⁱ Cameroon's Ministry of Finance recently published a Circular for the implementation of the Finance Law for 2026. Key changes include the introduction of a reduced VAT rate of 10 percent on certain real estate transactions to encourage housing access. It applies to interest on housing loans for a first home, the sale of social housing, and rentals of social housing by public and semi-public real estate developers.
- **China:**^{iv} On January 31, 2026, China's Ministry of Finance and State Taxation Administration [issued](#) Announcement No. 9/2026, updating and consolidating notes on the VAT scope. Among other things, it confirms which goods are subject to the 9 percent rate (including key agricultural products, household utilities, books, feed, fertilizers, pesticides, agricultural machinery, and plastic film). The rules apply from January 1, 2026, and supersede any inconsistent prior guidance.
- **Croatia:**^v Croatia's Ministry of Finance recently presented [a proposal](#) to extend the application of the 5 percent reduced VAT rate on energy products until March 31, 2027. If approved, the measure would maintain the 5 percent VAT rate on natural gas, heating, and solid fuels, including firewood and wood chips. The current reduced rate regime is scheduled to end and rise to 13 percent from April 1, 2026.
- **Czech Republic:**^{vi} On February 18, 2026, the Ministry of Finance [proposed](#) a bill that would, among other things, reduce the VAT rate applicable to non-alcoholic beverages served in restaurants to 12 percent.
- **Denmark:**^{vii} On February 25, 2026, Denmark's Minister of Taxation [introduced](#) Bill L 125, which, if approved, would abolish excise duties on coffee and on chocolate and confectionery. The bill further proposes applying a zero VAT rate to books. Most of these measures are intended to take effect on July 1, 2026.
- **Estonia:**^{viii} On February 10, 2026, the Estonian Parliament [began](#) considering Bill No. 818 SE, which proposes to lower the VAT rate on thermal energy from 24 percent to 9 percent. If approved, the new rate would take effect on January 1, 2027.
- **Italy:**^{ix} On February 11, 2026, the Italian Tax Agency [issued](#) Ruling Answer No. 35, clarifying that individuals with permanent mobility impairments who hold a special driving license specifying required vehicle adaptations qualify for a reduced VAT rate of four percent when purchasing an adapted vehicle. This benefit applies even without a disability certificate under Law No. 104/1992, if the vehicle is modified according to the license specifications. Individuals must provide a simple copy of their special license and a declaration verifying that they have not used the same tax benefit in the past four years.

- **Jamaica:** On February 12, 2026, Jamaica presented its 2026–2027 budget, proposing, among other things, to introduce a special consumption tax on non-alcoholic sweetened beverages at a rate of 0.02 JMD per milliliter, effective in the first quarter of 2026–2027. In addition, the budget would increase the special consumption tax on cigarettes by 3 JMD per stick on May 1, 2026, and the special consumption tax on pure alcohol will rise to 1,400 JMD per liter of pure alcohol on the same date. The environmental protection levy will increase to 0.8 percent on May 1, 2026. Finally, the general consumption tax would apply to motor vehicles imported by public officials from May 1, 2026, and the general consumption tax rate on tourism activities would increase to 15 percent on April 1, 2027. To read a report prepared by KPMG member firm in Jamaica, click [here](#).
- **Latvia:**^x On February 2, 2026, the Latvian Parliament accepted for consideration [Bill No. 1206](#) to amend the VAT Law by reducing the VAT rate from 12 percent to 5 percent for sales of firewood and thermal energy provided for household use, including sales to residential building managers who re-invoice occupants. The reduced rate would apply from January 1 to April 30 each year, and invoices and VAT returns issued with the 12 percent rate for this period would need to be corrected once the law enters into force, which is intended to be the day after promulgation.
- **Moldova:**^{xi} On January 27, 2026, the Moldovan State Tax Service clarified that hotel reservation services provided by a travel agency for a separate fee are not eligible for the reduced 8 percent VAT rate that applies to hotel and restaurant services (i.e., the actual provision of accommodation, food, and beverages for immediate consumption, as defined by the Moldovan activity classification). Where a travel agency charges a fee for hotel reservations that is not part of a tourist package, that fee is treated as a separate service and is subject to the standard 20 percent VAT rate, even if the agency qualifies as a hotel services provider for other activities.
- **Netherlands:** On January 30, 2026, the Dutch political parties (D66, VVD, and CDA) presented the coalition agreement detailing the new government’s plans, including measures removing the low 9 percent VAT rate for floriculture and moving flowers and plants to the standard 21 percent VAT rate. For more information, [click here](#).
- **Philippines:**^{xii} On February 12, 2026, the Philippine Senate [accepted](#) for consideration Bill No. 1851, which proposes to reduce the standard VAT rate on sales and imports of goods and properties to 10 percent from the current 12 percent while retaining the 12 percent rate for non-essential and non-basic goods. It also proposes lowering the VAT rate on sales of services, including digital services and uses or leases of properties, to 10 percent, with the 12 percent remaining applicable where the sale is classified as non-essential or non-basic. The bill introduces administrative requirements that mandate separate disclosures on invoices for transactions involving multiple VAT classifications, including the 10 percent and 12 percent rates, and imposes application of the highest rate to all taxable items if the seller fails to comply.
- **Philippines:**^{xiii} On February 12, 2026, the Philippine Senate [accepted](#) for consideration Senate Bill No. 1857, which would clarify that VAT exempt medical, dental, hospital, and veterinary services include those rendered independently or through clinics and similar facilities, while excluding elective, cosmetic, aesthetic, and appearance-enhancing procedures. It would introduce exemptions for basic over-the-counter medicines, first aid medical supplies, and vitamins and minerals with Food and Drug Administration approved claims, excluding food supplements and wellness products without approved claims.

The bill would also exempt basic household commodities such as nonpremium processed foods, dairy, cooking oil, specified soaps, diapers, and toilet paper, subject to subsistence thresholds. Further exemptions would apply to residential water within monthly thresholds, sewer services, specified basic internet, and residential electricity within monthly limits.

- **Poland:**^{xiv} On February 10, 2026, the Ministry of Finance [opened](#) a consultation on draft explanations concerning the application of the zero percent VAT for transactions involving defense-related products or other items for defense purposes financed through the SAFE instrument, established by the EU to support European defense industries. The zero-rate applies to qualifying deliveries, intra-EU acquisitions, and imports financed by SAFE loans, provided proper documentation, such as a VAT exemption certificate, is obtained.
- **Sweden:**^{xv} On February 25, 2025, Sweden's parliament approved the government's proposal to temporarily reduce the VAT rate on food from 12 percent to 6 percent. The reduced rate applies to food but excludes certain categories, including tap water and specified alcoholic beverages. The amended VAT rate will apply from April 1, 2026, through December 31, 2027.
- **Venezuela:**^{xvi} On January 9, 2026, Venezuela [published](#) Decree No. 5,207, extending the VAT exemption on the import and sale of hydrocarbon fuels and gasoline additives from January 12, 2026, to January 11, 2027. The exemption applies to operations carried out by the state, state owned companies, mixed ownership companies, and private companies in line with the Organic Hydrocarbons Law. Moreover, the decree sets documentation requirements for beneficiaries, and details customs procedures for the application of the exemption. The decree took effect from January 12, 2026.
- **Ukraine:** In December 2025, Ukraine's parliament adopted Laws Nos. 4698-IX and 4710-IX, which extend the VAT and customs duty exemptions on the import of energy-generating equipment that were set to expire on January 1, 2026. These exemptions will now remain in place until January 1, 2029, and the scope has been broadened to include wind turbines. The laws also extend, until January 1, 2027, the VAT exemption on imports of unmanned aerial vehicles, thermal imagers, sights, rangefinders, radios, anti-drone devices, and other specified defense equipment. For more information, click [here](#).

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Digitalized Economy Indirect Tax Updates

Cote d'Ivoire: Provisions Affecting Nonresident Digital Businesses in 2026 Budget

On December 31, 2025, the tax authority of the Ivory Coast [published](#) the Tax Annex to Finance Law No. 2025-987, which implements the 2026 budget. This budget introduces two key provisions impacting nonresident digital businesses. First, it addresses withholding tax issues for platforms facilitating transportation services. Previously, the 2024 Budget Law introduced a four percent withholding tax on earnings for owners of public transport vehicles using online platforms, but implementation faced challenges due to the lack of direct contractual relationships between platforms and vehicle owners. To resolve this, the 2026 requires vehicle owners to pay a transport license tax and provide proof of payment for registration on these platforms. Platforms must deactivate vehicles of non-compliant owners or face joint liability for the tax.

Second, the 2026 budget establishes a Significant Economic Presence (SEP) tax of 30 percent on profits earned by digital businesses, capped at 10 percent of the revenue generated from services sold to Ivorian consumers. Businesses are considered to have a SEP in Côte d'Ivoire if their platforms generate at least 50 million CFA francs (approximately \$90,000) annually from services provided to Ivorian consumers. Digital services subject to the SEP tax include online advertising, data services, marketplaces, cloud computing, gaming, social network platforms offering paid services, and search engines. The SEP tax base allows for deduction of withholding taxes to prevent double taxation. Platforms must register with the tax administration, file declarations online, and pay taxes electronically. Non-compliance will result in penalties such as public disclosure, suspension of access in Côte d'Ivoire, and other fiscal sanctions.

The memorandum accompanying the Tax Annex clarifies definitions and scope for digital platforms, encompassing intermediaries facilitating transactions and those directly selling services. It also outlines compliance obligations, ensuring platforms adhere to SEP rules. The memorandum specifies that both paid services and revenue-generating activities on platforms are subject to taxation, with examples including social networks offering advertising services and search engines facilitating user queries. These measures aim to enhance the taxation framework for digital businesses operating in Côte d'Ivoire while addressing challenges in the evolving digital economy. For more information, click [here](#).

Other Developments

- **Chile:**^{xvii} On February 18, 2026, the Chilean Tax Administration [issued](#) Ruling No. 429-2026, clarifying that digital platform intermediaries (DPIs) are not required to charge and collect VAT for transactions involving the sale of goods located in Chile by resident vendors, regardless of whether the vendors provide proof of their VAT registration status. In this scenario, the resident vendor, as the taxpayer, must assume full VAT liability with respect to such sales of goods.
- **Chile:**^{xviii} On February 18, 2026, the Chilean Tax Administration [issued](#) Ruling No. 431-2026, clarifying that taxpayers cannot claim VAT expense credits on purchases of imported goods made through digital platforms if they fail to inform the platform operator of their VAT-registered status. In such cases, the platform operator, operating under the simplified VAT regime, must treat the purchaser as a final consumer and charge VAT accordingly, regardless of the purchaser's actual VAT status. VAT-registered purchasers who did not disclose their status may deduct the unrecoverable VAT as a business expense for income tax purposes.
- **Czech Republic:**^{xix} On February 5, 2026, the Czech Chamber of Deputies began considering a [draft law](#) to implement 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](#).
- **European Union:**^{xx} The European Commission recently initiated infringement proceedings against 12 EU Member States for failing to fully implement the EU DAC8 reporting requirements. The affected jurisdictions are Belgium, Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Luxembourg, Malta, the Netherlands, Poland, Portugal, and Spain. 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. The Commission has issued letters of formal notice, granting the Member States two months to complete transposition and notify compliance. In the absence of a satisfactory response, the Commission may escalate infringement proceedings by issuing a reasoned opinion to the Member States.

- **European Union:**^{xxi} On February 9, 2026, the EU Tax Commissioner stated before the Economic and Monetary Affairs Committee of the European Parliament that he is not yet prepared to advance an EU-level digital services tax, despite slow progress on the OECD's Pillar One discussions. He emphasized the need to exhaust all options for preserving the two-pillar solution before reopening DST discussions, noting that Member States imposing their own DSTs would likely push for divergent models.
- **Jamaica:** On February 12, 2026, Jamaica presented its 2026–2027 budget outlining several indirect tax proposals, including applying to introduce general consumption tax on digital services and intangibles provided by foreign providers, with implementation in the fourth quarter of 2026–2027 and full operation expected in 2027. To read a report prepared by KPMG member firm in Jamaica, click [here](#).
- **Kazakhstan:** Effective January 1, 2026, Kazakhstan's Ministry of Finance will require internet platform operators to comply with new reporting obligations under Order No. 614, issued in October 2025. The rules apply to platforms operated by domestic or foreign companies that enable Kazakhstani sellers to provide goods or services or facilitate payments to individuals who reside in Kazakhstan. Platforms must submit monthly reports detailing transaction values by category, VAT amounts, returns, commissions, and foreign currency conversions into Kazakhstani tenge using the exchange rate on the transaction date. The requirements cover all resident individuals, individual entrepreneurs, and legal entities, but exclude sales by non-residents. Platforms must also disclose all payments made to resident individuals. Operators must file reports by the fifth day of the following month through the Integrated Tax Administration System, including nil reports when no transactions occur. The order does not specify procedures for verifying residency or correcting errors, but platform directors remain responsible for ensuring accuracy and completeness. For more information, click [here](#).
- **Mexico:** On January 30, 2026, Mexico's tax administration [published](#) an updated list of 272 foreign digital service providers registered for tax purposes, reflecting registrations as of December 31, 2025. For more information, click [here](#).
- **Poland:**^{xxii} On February 13, 2026, the lower chamber of parliament [approved](#) a bill amending the Law on the Exchange of Tax Information with Other Countries in order to implement the Amending Directive to the 2011 Directive on Administrative Cooperation (2023/2226) known as DAC8 and the Amending Directive (2025/872) known as DAC9. These measures form part of the broader EU framework requiring Member States to transpose both directives by the end of 2025 to modernize administrative cooperation and strengthen cross-border tax transparency. The bill now requires consideration by the Senate.

- **South Africa:** On February 25, 2026, South Africa’s government [presented](#) the 2026 Budget, which, among other measures, proposed clarifications to the VAT rules applicable to digital intermediaries. Under the current framework, intermediaries are liable for VAT on electronic services provided through their platforms unless a written agreement provides that the principal vendor assumes the VAT obligation. In practice, this approach has proven challenging, particularly where the principal is a smaller, non-compliant foreign seller. The proposed amendments would therefore designate intermediaries as the default parties responsible for VAT, unless an agreement explicitly provides otherwise, while retaining joint and several liability provisions to ensure effective enforcement and accountability.
- **Sweden:**^{xxiii} On January 30, 2026, Sweden’s Supreme Administrative Court [ruled](#) that a service providing access to a network of electric vehicle charging stations qualifies as an electronic service and is considered provided within Sweden for VAT purposes. The service, accessed via a website or app, includes features like real-time pricing and availability information, station location, and travel planning. The court agreed with the Swedish Tax Council’s assessment that the service is automated, relies on information technology, and involves minimal human input. Since users reside or are permanently present in Sweden, the court upheld the preliminary ruling confirming the service’s VAT treatment within the country.
- **United Nations:**^{xxiv} The United Nations recently advanced negotiations on a new global tax treaty to allocate taxing rights over cross-border services. Developing countries are pushing for modern nexus rules based on user location or market engagement, arguing that physical presence standards fail to capture digital activity and cause revenue losses. A coalition of African countries stressed that nexus should connect to the users paying for the service. Many developed economies oppose these changes and favor keeping physical presence tests, warning that alternative mechanisms could increase double taxation risks and create uncertainty for cross-border investment. Delegates are evaluating three nexus models: payments or users, physical presence, and market engagement. Several countries voiced support for applying different nexus rules to different categories of services, as India’s proposal outlines. Negotiators continue to work across multiple tracks, including a protocol dedicated to cross-border services.
- **Vietnam:**^{xxv} On February 5, 2026, Vietnam announced a proposal to introduce a 0.1 percent tax on transfers of crypto assets made by individuals on platforms operated by licensed service providers. An upcoming circular will establish the rules for the application of the tax. The draft circular will introduce a VAT waiver for transfers of crypto assets. However, foreign entities that engage in the transfer of crypto assets through crypto asset service providers will be liable to a corporate income tax rate of 0.1 percent on the value of each transfer. Individual investors, regardless of residency, who transfer cryptocurrency assets through cryptocurrency trading platforms will be subject to personal income tax at a rate of 0.1 percent on the revenue from each transaction.

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

- **Botswana:**^{xxvi} On February 9, 2026, Botswana's Ministry of Finance and Economic Development [published](#) the 2026 budget speech, in which the Finance Minister announced the rollout of an e-invoicing system, anticipated to begin in April 2026. This initiative aims to modernize the VAT framework and enhance efficiency in tax reporting.
- **Cameroon:** On January 1, 2026, Cameroon's Finance Law introduced a comprehensive e-invoicing and digital reporting mandate. According to the law, all businesses, regardless of size or sector, must issue e-invoices using authorized equipment and software. They must transmit invoicing and transactional data instantly to the tax administration through a centralized electronic monitoring system. The law integrates e-invoicing into a real-time taxation framework, where taxes are collected automatically during transactions. Businesses must ensure the accuracy and preservation of electronic invoice data. Non-compliance results in penalties, including fines for system non-use and up to 100% penalties for missing or false invoices. Additionally, companies must maintain fully digital accounting records with mandatory audit logs to avoid rejection or arbitrary assessments. It remains unclear when the mandate will become effective.
- **Czech Republic:**^{xxvii} On February 18, 2026, the Czech Ministry of Finance [unveiled](#) the Electronic Sales Records (EET) 2.0 system, set to modernize transaction reporting starting January 1, 2027. The updated system simplifies compliance by reducing administrative burdens, introducing compatibility with older EET devices, and allowing receipt issuance only upon customer request. Payments made in cash, by card, or QR code must be reported, while invoices or online transfers without physical interaction are excluded. Businesses can voluntarily adopt EET 2.0 during a pilot phase in January 2027.
- **Cote d'Ivoire:**^{xxviii} On December 1, 2025, the Ivorian Tax Administration [replaced](#) physical standardized invoices with mandatory electronic invoices (FNE) for businesses under the Normal Real Tax Regime (RNI) and Simplified Real Tax Regime (RSI), extending this requirement to Micro Enterprise Regime (RME) businesses on December 11, 2025. Physical invoices remain allowed for taxpayers under the Enterprising State Tax (TEE) and Municipal Tax for the Entrepreneur (TCE) until February 13, 2026. FNE invoices are required to justify deductible expenses and VAT deductions, and registration on the FNE platform by January 31, 2026, is necessary to obtain a Tax Clearance Certificate. Non-compliance will lead to penalties, and multi-department retail stores must attach electronic receipts to cash register tickets for tax validation.
- **France:**^{xxix} On February 2, 2026, France's Finance Bill confirmed the 2026 e-invoicing schedule. Starting September 1, 2026, all companies must accept e-invoices, while large and medium-sized companies must issue them. By September 1, 2027, all other businesses must issue e-invoices. The bill renamed private sector software providers from Partner Dematerialization Platforms (PDPs) to Approved Platforms (PAs). Companies must designate their chosen platform, listed by the Directorate General of Public Finances (DGFIP). While penalties for non-compliance have increased, the government will adopt a light-touch approach during the initial implementation phase.

- **Greece:**^{xxx} On February 17, 2026, Greece [postponed](#) the mandatory e-invoicing start date for large enterprises with revenues over EUR 1 million in 2023. These businesses must now begin issuing e-invoices from March 2, 2026, with gradual implementation allowed until May 3, 2026. Non-compliance will result in fines under the Tax Procedure Code. For more information, click [here](#).
- **Hungary:**^{xxxi} Effective September 1, 2026, Hungary will mandate real-time digital receipt data reporting for all businesses to the National Tax and Customs Administration (NAV). This obligation, established through an amendment to Annex 10 of the VAT Act enacted in 2025, requires businesses to report receipts either in real time via NAV-connected e-cash registers or through aggregated daily reporting within three calendar days. NAV has developed free cloud-based applications, the NAV eCash register and NAV eNyugta, to simplify compliance. Businesses can voluntarily adopt e-cash registers starting July 1, 2025, and transition fully by 2028. The system enhances administrative efficiency, supports consumer rights enforcement, and promotes economic transparency.
- **Ireland:**^{xxxii} On February 10, 2026, the Irish tax authority (Revenue) [confirmed](#) the “large corporates” that will be included in Phase One of Ireland’s VAT Modernisation Programme, focusing on e-invoicing, being VAT-registered businesses whose tax affairs are managed by Large Corporates Division in Revenue and established (or having a fixed establishment) in Ireland. Starting November 1, 2028, VAT-registered large corporates must issue structured eInvoices and report relevant data for domestic B2B transactions. All Irish businesses must also be able to receive structured e-invoices by this date. Revenue will offer support during the transition and write to large corporates soon to confirm their inclusion in Phase One. These changes aim to enhance digital processes, combat VAT fraud, and ensure compliance. The Revenue guidance notes that this phase will provide experience for the broader EU ViDA requirements starting July 2030 and that businesses falling within Phase One should prepare by reviewing systems, engaging software providers, and planning necessary changes.
- **Italy:**^{xxxiii} On February 3, 2026, the Italian Revenue Agency [extended](#) its VAT pre-filing pilot project into 2026. Originally launched in 2021, the project pre-fills draft VAT bookkeeping records under Articles 23 and 25 of the VAT Decree, periodic VAT settlements, and annual VAT returns for VAT-registered taxpayers established in Italy. Since its inception, the pilot has been extended annually to refine its scope. This year, the agency will evaluate expanding the initiative to include customs invoice data and additional taxpayers, potentially starting in the 2027 tax period. Pre-filled documents are accessible online and via machine-to-machine downloads, with technical updates ensuring smooth integration.
- **Nigeria:**^{xxxiv} On February 17, 2026, the Nigeria Revenue Service (NRS) [announced](#) the continuation of the phased rollout of its E-Invoicing & Electronic Fiscal System (EFS), also known as the Merchant Buyer Solution (MBS). Large taxpayers completed compliance by November 2025. Medium taxpayers will go live on July 1, 2026, while emerging taxpayers will follow on July 1, 2027. The rollout includes stakeholder engagement, pilot phases, post-go-live reviews, and compliance enforcement. Timelines are based on annual turnover thresholds, with detailed guidelines provided before each phase. Taxpayers are encouraged to participate actively in onboarding activities. The NRS aims to enhance tax administration, improve transparency, and promote voluntary compliance.
- **Poland:**^{xxxv} In February 2026, the Ministry of Finance and Economy of Poland [released](#) an updated version of the KSeF 2.0 Manual, introducing significant changes. Part I provides guidance on authentication and authorizations in cases like taxpayer death, business

liquidation, succession, mergers, and re-registrations. Part II addresses exemptions affecting invoice issuance, duplicate invoice consequences, and updates on QR code provisions. Part III includes instructions for completing applications in the e-Tax Office for issuing and discontinuing invoices with attachments, along with updates on maximum file sizes. To address login issues via the Trusted Profile, the Ministry proposed legislative changes to enable faster authentication using the mObywatel app. Editorial corrections and supplements enhance clarity and usability throughout the manual.

- **Singapore:** The Inland Revenue Authority of Singapore recently [announced](#) phased compliance deadlines for Singapore’s e-invoice mandate, which requires GST-registered businesses to transmit invoice data to IRAS through the InvoiceNow network (Peppol-based, using accredited Access Points that send IRAS a copy for tax reporting). The mandate already covers certain new voluntary GST registrants starting November 1, 2025, and expands to all new voluntary GST registrants on April 1, 2026; IRAS will then extend it to the remaining GST-registered population based on annual sales, starting April 1, 2028 (new compulsory registrants and existing businesses with sales up to SGD 200,000) and ending April 1, 2031 (existing businesses with sales over SGD 4,000,000). For more information, click [here](#).
- **Slovakia:**^{xxxvi} On February 12, 2026, Slovakia’s Parliament [approved](#) a bill amending the new law on sales registers, which took effect on January 1, 2026. The amendment postpones by two months the obligation for businesses to accept electronic or cashless payments, shifting the effective start date from March 1, 2026, to May 1, 2026. The change becomes effective on February 28, 2026.
- **United Arab Emirates:**^{xxxvii} On February 23, 2026, the UAE Federal Tax Authority (FTA) [published](#) a technical document specifying mandatory fields for e-invoices. This document outlines required data elements and provides implementation guidance for businesses in the UAE. The UAE’s e-invoicing mandate, introduced through Ministerial Decisions No. 243 and No. 244 of 2025, requires all businesses to issue e-invoices unless excluded under Article 4 of MD No. 243 of 2025. Mandatory implementation follows a phased timeline: large entities must comply by January 1, 2027, smaller entities by July 1, 2027, and government entities by October 1, 2027. The technical document also explains the use of Tax Identification Numbers (TINs) for e-invoicing and references Peppol UAE specifications.

Global E-invoicing & Digital Reporting Tracker

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

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Argentina** published a [report](#) (in Spanish) discussing recent indirect tax developments across several provinces. Notable updates include Santa Fe's introduction of a monthly Retention/Perception Rate Registry (effective March 2026), Chubut's adjustments to the SIRTAC regime excluding tips from retention bases, and Buenos Aires' recalculation mechanism for compliant taxpayers to reduce minimum rates (effective January 2026). Additionally, Jujuy updated thresholds for retention/perception agents and excluded raw materials from its merchandise transfer tax regime, while Chaco mandated mobile number reporting and strengthened electronic fiscal domicile requirements.
- **KPMG in Canada** published a [report](#) discussing the indirect tax measures included in British Columbia's 2026 budget, released on February 17, 2026. The province announced that the provincial sales tax will expand to apply to certain professional services beginning October 1, 2026, including accounting, assurance, bookkeeping, architectural, engineering, geoscience, rental property and strata management services, non-residential real estate commissions, and security and private investigation services. For architectural, engineering, and geoscience services, PST will apply to 30 percent of the purchase price. The budget also ends several PST exemptions effective October 1, 2026, removing relief for items such as clothing patterns, yarn, natural fibers, synthetic thread, commonly used clothing fabrics, services related to clothing and footwear, basic cable television, toll-free telephone services, and residential landline telephone services. In addition, legislative changes effective February 18, 2026, allow sellers to provide a point-of-sale PST exemption or refund on goods purchased for business use outside the province.
- **KPMG in Colombia** published a [report](#) (in Spanish) discussing Resolution No. 00005 issued on February 9, 2026, which sets out the procedure for calculating and paying the single use plastics tax at the time of importation. The resolution implements the Constitutional Court's 2025 decision that invalidated the phrase "for own consumption," expanding the taxable event to include imports of goods already packaged in single use plastics. Importers must therefore evaluate whether their operations fall within the broadened scope.
- **KPMG in Colombia** published a [report](#) (in Spanish) on Resolution No. 000070, issued on February 13, 2026, which modifies the filing windows for applications for Mining and Energy Planning Unit (UPME) certification, a prerequisite for accessing the tax benefits established under Law 1715 of 2014, as amended by Law 2099 of 2021. These benefits, aimed at promoting qualifying green energy projects, include a 50 percent income tax deduction for investments, accelerated depreciation, VAT exemption, and exemption from import duties. Under the new schedule, UPME will receive certification requests in two cycles each year: from March 1 to May 31 (Cycle 1) and from August 15 to November 14 (Cycle 2).

- **KPMG in Mexico** published a [report](#) discussing a new requirement in the state of Quintana Roo introduced by Decree 192, published on December 16, 2025, which establishes an obligation for persons registered in the state taxpayer registry to obtain a certificate of state tax obligations (COFE). The COFE must be requested from the competent authority and will be issued for each establishment or branch, even when located at the same tax address, depending on the type of business or activity carried out. The COFE is valid until December 31 of each fiscal year and must be renewed during the first two months of the following year. It must be kept at, and presented to the tax authority upon request at, the establishment or premises for which it was issued, including any updated versions resulting from modifications or changes made by the taxpayer. The COFE replaces the business license and must be obtained for the first time during January and February 2026.

United States: Michigan and Illinois propose digital taxes to fill budget gaps and fund services

Legislative sessions in most states are underway, and some governors have proposed adoption of novel taxes on certain digital activities to address expected budget deficits. In Michigan, Governor Gretchen Whitmer has recommended a gross receipts tax on digital advertising services. In Illinois, Governor JB Pritzker has proposed a statewide social media platform fee that would be modeled in part on the Social Media Amusement Tax recently implemented in Chicago.

In Michigan, Governor Whitmer’s executive budget for Fiscal Year 2027 includes a recommendation to implement a 4.7 percent tax on digital advertising gross receipts generated from Michigan activity. The tax would provide exclusions for broadcast and news media and is expected to raise about \$282 million in its first year. The revenue would be dedicated to health and wellness programs.

Governor Pritzker’s budget proposal for FY 2027 includes a tiered, monthly fee on “social media companies that collect consumer data and sell to third-party buyers.” The fee would be based on the number of monthly active Illinois users whose data is collected by the platform; at the highest tier, companies with over one million active Illinois users per month would be assessed a \$165,000 fee, plus an additional \$0.50 per user each month. The proposed fee is estimated to raise \$200 million that would be allocated to support K-12 education.

These proposals still face legislative approval, but they signal a growing interest among state governments in expanding the tax base to include the digital economy. Legislators in other states, such as [Nebraska](#) and [Utah](#), have also proposed bills that would impose taxes on social media or targeted advertising. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Canada:**^{xxxviii} On February 10, 2026, the Canada Tax Court [issued](#) a decision clarifying the conditions for claiming the partial GST/HST rebate on new housing. The case involved an individual who purchased a newly constructed condominium unit and sold it 16 months after purchase. The Minister of National Revenue denied the rebate, but on appeal, the Tax Court examined whether the taxpayer intended to use the unit as his primary residence at the time of purchase. The Tax Court held that the taxpayer’s testimony was credible despite the absence of utility or similar documentation and found that he was the first individual to occupy the unit after substantial completion of construction. Based on these findings, the Tax Court concluded that the taxpayer met the statutory requirements for the partial rebate.

- **Chile:**^{xxxix} On February 11, 2026, the Chilean Tax Administration issued [Ruling No. 360](#), clarifying that Chile's VAT exemption for professional services only applies when a foreign professional's income is actually taxed in Chile as employment or professional income. Chile's income tax rules distinguish between income from capital and income from work. The VAT exemption is tied specifically to income from work that is subject to Chilean income tax. If a tax treaty means that Chile cannot tax a foreign professional's fees (because those fees are exempt from Chilean withholding tax under the treaty), then those fees are treated as not taxed in Chile under the relevant income tax rules. In that situation, the foreign professional's services cannot benefit from the VAT exemption, and VAT would apply.
- **Chile:**^{xl} On February 18, 2026, the Chilean Tax Administration [issued](#) Ruling No. 426, confirming that inflight sales made while an aircraft is outside Chilean airspace are not subject to Chilean VAT, as the goods are considered to be outside Chilean territory at the time of sale. The ruling also explains that certain services provided by Chilean companies to foreign airlines, such as onboard retail management, logistics, catalogue preparation and running sales programs, can be treated as VAT-exempt export services, provided the Customs Service certifies that they are carried out at least partly in Chile, used exclusively abroad, and can be substantiated in terms of existence and value.
- **Colombia:**^{xli} On January 29, 2026, Colombia's Constitutional Court [upheld](#) the tax on ultra-processed foods and sweetened drinks introduced by Law No. 2277 of 2022, ruling it constitutional even though some products are excluded. The Constitutional Court clarified that the tax is applied based on technical factors like sugar, sodium, or saturated fat content, not whether the food is animal- or plant-based. The exclusions are allowed because they serve legitimate goals, such as supporting dietary diversity and considering people's ability to pay. The Constitutional Court rejected claims that the tax discriminates against vegan or vegetarian communities, explaining that the rules are not based on consumer beliefs but on health-related criteria. The Constitutional Court also found that the tax supports public health, fairness, and tax clarity, and does not violate the Constitution.
- **Peru:**^{xlii} On February 4, 2025, Peru published [Legislative Decree No. 1714](#), effective March 2, 2026, adjusting and clarifying the advance VAT (IGV) withholding regime on imports. The decree broadens the situations where the increased 10 percent advance VAT rate applies, including where an importer has failed to file or pay VAT or income tax for two periods in the prior 12 months, where the importing entity is designated as a "subject without operational capacity," where the import is a first shipment (including all related partial or total shipments under a single cargo manifest), and where the importer either lacks a tax ID (RUC) or does not include it on the customs declaration. The decree also updates the list of imports excluded from advance VAT, covering temporary admission regimes, certain samples and gifts, baggage and household goods under the special customs regime, border traffic goods, relief consignments, and express delivery shipments not exceeding USD 2,000. In addition, it provides that additional advance VAT is not collected on customs value adjustments unless the extra VAT amount exceeds PEN 100.
- **Saint Lucia:**^{xliii} On February 3, 2026, Saint Lucia's House of Assembly [approved](#) the extension of a temporary waiver of all late payment penalties and interest on VAT debts incurred before December 31, 2023. The decision validates the reduction of the penalty rate on unpaid VAT from 10 percent to 0 percent and confirms the waiver of the 1.25 percent monthly interest rate. The waiver, which has been in effect since May 1, 2024, will remain available until May 2, 2026, allowing taxpayers to settle outstanding principal VAT liabilities without accumulated charges.

- **Suriname:**^{xliv} On January 1, 2026, the Ministry of Finance published an Order announcing new penalties for late VAT filings and payments, introducing the first penalty regime since the tax’s adoption. Effective from the January 2026 return period, if a VAT return is filed late, the tax authorities may issue an estimated VAT assessment and automatically impose two penalties: a filing penalty and a payment penalty, each initially set at SRD 10,000, for a total of SRD 20,000. However, the filing penalty can be reduced depending on how late the return is submitted—SRD 2,500 for one month late, SRD 5,000 for two months, SRD 7,500 for three months, and SRD 10,000 for four months or more. The payment penalty remains at SRD 10,000 regardless of when the return is filed, unless the return results in a nil return or refund, in which case the payment penalty does not apply. Taxpayers who file within three months of the due date may benefit from a reduced filing penalty, but after four months, the maximum penalty applies.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Belgium** published a [report](#) discussing that following the September 12, 2024 CJEU decision in *L BV* (C-243/23), a draft law before Parliament would change how the VAT adjustment period is determined for works related to immovable business assets. Currently, a five-year adjustment period applies, extended to 15 years for construction or acquisition of (parts of) buildings and 25 years for (parts of) buildings rented under the optional VAT regime, with administrative guidance relying on a “new building” test to decide whether certain conversion or improvement works fall under the 15-year period, and excluding pure repair, maintenance, or cleaning from the adjustment rules. The draft law would remove the “new building” criterion and instead apply the 15-year (and, where relevant, 25-year) adjustment period to services whose characteristics are comparable to those typically attributed to immovable business assets, including where the building is subject to an optional VAT lease.
- **KPMG in Botswana** published a [report](#) discussing the indirect tax measures outlined in the 2026/2027 Budget presented on February 9, 2026. The Minister confirmed that e-invoicing, previously announced, is expected to be rolled out in April 2026 to strengthen compliance and improve VAT collections, and that system upgrades and consultations are underway to enable registration and compliance of remote service providers for cross-border digital sales. Four tax bills are scheduled for introduction, including the Value Added Tax Bill of 2025 and the Customs Amendment Bill of 2025, both aimed at modernizing indirect tax processes and broadening the VAT base. The Budget further proposes a reduction of Botswana’s zero-rated VAT list, moving more goods to the standard rate, and outlines customs reforms via the forthcoming Customs Amendment Bill to align procedures with regional standards and support Digital Reporting.

- **KPMG in the Czech Republic** published a [report](#) discussing guidance that the Czech General Financial Directorate issued for VAT deduction changes effective January 1, 2025, including how businesses must calculate partial VAT deductions (for mixed business and non-business use) and reduced VAT deductions (when transactions include VAT-exempt items with no deduction right). A key change requires mandatory year-end true-ups for fixed assets without the prior 10-percentage-point tolerance. The guidance further explains treatment of small-business cross-border transactions in the deduction reduction coefficient, addresses items such as passenger cars, deduction timing, and VAT registration, and summarizes the repeal of the “internally produced fixed assets” category with transitional rules based on when the asset acquisition started and when the asset enters use.
- **KPMG in the Czech Republic** published a [report](#) discussing the General Financial Directorate’s new guidance on the VAT treatment of immovable assets from July 1, 2025, revising exemption rules for real estate transfers and clarifying when land is treated as building land. The guidance defines “first” and subsequent sales of real estate (exempt after 23 months), sets criteria for functional land units (including multi-owner situations), and confirms that land forming a functional unit follows the building’s VAT treatment, while other land remains exempt unless it qualifies as building land based on zoning or construction-related factors at the time of sale.
- **KPMG in Germany** published a [report](#) discussing recent VAT developments, including three key German Federal Fiscal Court (BFH) decisions and several German Ministry of Finance (BMF) updates. The BFH held that invoice issuers do not owe VAT incorrectly shown on an invoice when no risk to tax revenue exists and that authorized third parties may correct invoices if both parties accept the change. In addition, the BFH clarified VAT deduction principles for mixed-use real estate renovations that allow proportionate recovery when objective evidence supports future taxable rentals and confirmed that, for a consignment warehouse arrangement, the buyer must be identified when shipping starts. The report also highlights BMF updates effective 01/01/2026 on the permanent reduced VAT rate for restaurant and catering services (excluding beverages), transition rules after repeal of the VAT warehouse regime, and a simplification rule valuing free-of-charge heat at EUR 0.03/kWh in open cases.
- **KPMG in Ghana** published a [report](#) discussing that the Value Added Tax Act, 2025 (Act 1151) took effect following the 2026 Budget, replacing the 2013 VAT Act by consolidating prior amendments and introducing new policy and administrative measures. Key changes include repealing the 1 percent Covid-19 Health Recovery Levy from January 1, 2026, and repealing the VAT Flat Rate Scheme. The Act also revises registration thresholds, consolidates rules for nonresident digital and telecommunications services, increases the upfront VAT rate to 20 percent for unregistered importers, updates provisions for betting and gaming, clarifies exempt and zero-rated sales, extends reliefs for exploration and raw material imports, and mandates integration of fiscal electronic devices into VAT return filing.
- **KPMG in Hungary** published a [report](#) discussing the government’s introduction of a one-time 0.5 percent surtax for taxpayers subject to the energy sellers’ surtax on the first day of the 2026 tax year (excluding DSOs), based on 2024 sales revenue from activities subject to that surtax, capped at 50 percent of the 2024 energy sellers’ surtax base. The surtax must be reported and paid on a separate return by the last day of the third month of the 2026 tax year, with specific rules for reorganizations and entities ceasing or exiting the regime.

- **KPMG in Kazakhstan** published a [report](#) discussing Kazakhstan’s pilot project that allows public procurement vendors, together with participating second-tier banks, to pay VAT using digital Tenge through December 31, 2026. Participating taxpayers must open a digital Tenge account via a bank, sign a data-exchange agreement with the state revenue authority, and confirm VAT payments in digital tenge. When a payment is initiated, the system “marks” the portion equal to the VAT amount; marked digital tenge can only be used to pay VAT to the state budget or to settle VAT under electronic VAT invoices with other VAT payers, while unmarked digital tenge remains freely usable and convertible back to a regular bank account.
- **KPMG in the Netherlands** published a [report](#) discussing the minority coalition agreement presented on January 30, 2026, which outlines several indirect tax reform proposals, including removing the reduced 9 percent VAT rate for floriculture and moving flowers and plants to the standard 21 percent VAT rate, introducing a sugar tax, advancing broader climate and environmental tax measures, and considering changes to excise duties, reforms to motor vehicle tax, and further development of a national CO₂ emissions tax, with all measures to be detailed in future legislation and subject to parliamentary negotiation.
- **KPMG in Poland** published a [report](#) discussing a recent Supreme Administrative Court (SAC) decision on the VAT exemption for medical services. The SAC held that acupuncture, acupressure, and shiatsu massage services provided by specialists in Eastern medicine from Mongolia could not benefit from the VAT exemption because the employer was not entered in the register of entities conducting medical activities, which is a statutory condition for exemption, and practitioners of these services are not recognized as medical professionals within the meaning of the Act on Medical Activity.
- **KPMG in Saudi Arabia** published a [report](#) discussing newly approved regulatory frameworks for four special economic zones—King Abdullah Economic City, Ras Al-Khair, Jazan, and the Cloud Computing SEZ—adopted in January 2026 and effective April 16, 2026. Licensed companies benefit from zero percent VAT on qualifying movements of goods within and between zones and from mainland Saudi Arabia (with certain imports from abroad potentially outside the scope of VAT), customs duty suspension on eligible goods in sector-specific zones, exclusion from Zakat, and withholding tax exemptions, while remaining subject to corporate income tax under the Tax Law with applicable exemptions or incentives.
- **KPMG in Saudi Arabia** published a [report](#) discussing ZATCA’s February 16, 2026 draft Economic Substance Requirements Regulations for the special economic zones of King Abdullah Economic City, Ras Al Khair, Jazan, and the Cloud Computing SEZ. The draft sets annual substance tests that investors must meet to retain tax and customs incentives—such as maintaining premises and assets in the zone, employing staff physically present there, incurring operating expenditures aligned with qualifying activities, managing activities from within Saudi Arabia, and meeting additional conditions and documentation requirements for intellectual property activities. The report notes that failure to meet these substance requirements may jeopardize eligibility for indirect tax benefits (including customs duty relief) and may lead to penalties, and that the draft is open for public consultation until March 3, 2026.
- **KPMG in South Africa** published a [report](#) discussing the Minister of Finance’s February 25, 2026 announcement that, effective April 1, 2026, the compulsory VAT registration threshold will increase from ZAR 1 million to ZAR 2.3 million and the voluntary threshold from ZAR 50,000 to ZAR 120,000. In a separate [report](#), KPMG South Africa discusses proposed carbon tax measures, including a 30.51 percent increase in the carbon tax rate from ZAR

236 to ZAR 308 per ton of CO₂e from January 1, 2026, higher carbon fuel levies to 19 cents per liter for petrol and 23 cents per liter for diesel from April 1, 2026, an increase in the carbon tax cost recovery quantum for the liquid fuels sector from 0.99 cents per liter to 1.29 cents per liter from January 1, 2026, and a proposal to replace the capacity-based carbon tax threshold for commercial and institutional activities with a 25,000-tonne CO₂e emissions threshold, alongside administrative changes to carbon tax refunds.

Roundup of Latest Court of Justice of the European Union Cases

On February 11, 2026, the General Court of the European Union (GCEU) published its judgment in *Credidam* (Case T-643/24), in which it clarified that holders of related rights provide taxable services for consideration when their works are communicated to the public, even without a license, as their remuneration is determined by national law and related regulations. Furthermore, VAT applies to the total remuneration owed, including any surcharges resulting from unlicensed use, which in this case is three times the standard license fee.

On February 11, 2026, the GCEU published its judgment in *I. S.A.* (Case T-689/24), in which it held that that Article 167, Article 168(a), and Article 178(a) of the EU VAT Directive, along with the principles of VAT neutrality and proportionality, prohibit national legislation that prevents a taxpayer from deducting VAT for a tax period in which the substantive conditions for deduction were met if the corresponding invoice was received after the tax period but before the submission of the tax return. The court emphasized that the right to deduct VAT arises when the tax becomes chargeable, and holding an invoice is merely a formal condition for exercising that right. Denying deduction under such circumstances violates VAT neutrality and imposes an undue financial burden on taxpayers, contrary to the principles of proportionality and the immediate nature of VAT deduction.

On February 25, 2026, the GCEU published its judgment in *Digipolis* (Case T-575/24), in which it held that Articles 2, 9, and 13 of the EU VAT Directive require a legal entity governed by public law, organized as a commissioning association, to be liable for VAT when it sells telematics services and related computer equipment to its members for consideration in the context of a conferral of management. The GCEU emphasized that such an association must be regarded as a taxpayer if it independently carries out an economic activity, regardless of the VAT status of its members. Furthermore, the GCEU clarified that a national tax practice treating these services as deemed sales performed by the members of the association cannot negate the association's liability to VAT under the Directive.

On February 25, 2026, the GCEU published its judgment in *D GmbH* (T-638/24), in which it held that Articles 40, 41, and 203 of the EU VAT Directive, along with the principles of VAT neutrality and proportionality, allow national legislation to apply VAT to an intra-EU acquisition in the Member State where goods shipment began if the acquisition was made using a VAT identification number issued by that Member State. This applies even when the acquisition corresponds to an exempt intra-EU sale for which VAT liability arises due to incorrectly invoiced VAT under Article 203 of the Directive. The GCEU clarified that VAT liability under Article 203 is independent of whether the transaction is taxable and can be corrected under national law, ensuring compliance with VAT neutrality.

On February 25, 2026, the GCEU published the nonbinding Opinion of its Advocate General (AG) in *A Oy* (T-184/25), clarifying the VAT treatment in a common securitization structure where a bank sells housing loans to a group company that issues bonds backed by those loans, while the original bank continues to service (administer) the loans for a fee. The AG

advised that the loan-servicing fee does not qualify for under the VAT exemption for credit management because only the current lender can benefit from that exemption, and the bank stopped being the lender after selling the loans. The opinion also rejected exemptions under credit guarantees/security and transactions involving debts/payments, treating the credit-management rule as the more specific provision and warning that a broader interpretation would effectively allow VAT-free outsourcing of loan servicing.

Miscellaneous Developments in EMEA

- **Austria:**^{xlv} On February 12, 2026, the Ministry of Finance [published](#) a Federal Finance Court decision holding that VAT expense deductions on passenger cars acquired via intra-EU purchases require evidence of a genuine, independent commercial leasing activity rather than mere intra-group asset management. Because the leasing arrangements in the case lacked arm's length features (such as defined lease terms and related commercial services), the Federal Finance Court upheld the Tax Office's denial of VAT deductions, except for limited amounts tied to intra-EU sales of new vehicles, holding that the taxpayer failed to demonstrate genuine commercial rental activity.
- **Bahrain:**^{xlvi} On January 29, 2026, Bahrain's National Bureau for Revenue (NBR) [published](#) updated VAT guidance for the real estate sector, introducing new provisions on lease incentives. The guidance explains that a lease incentive is an additional benefit, either monetary or non-monetary, that a landlord offers to encourage a tenant to sign, renew, or continue a lease. Common incentives include fit-out contributions (where the landlord pays for some or all the tenant's setup costs), rent reductions, rent-free periods, and non-cash benefits such as property upgrades. In Bahrain, the lease or sale of real estate located in Bahrain is generally VAT-exempt, so rent reductions and rent-free periods follow the same VAT treatment as the principal transaction and are also exempt from VAT. However, in some cases, lease incentives—especially fit-out contributions—may be subject to VAT. If a tenant pays for fit-out costs and then recharges these expenses to the landlord, this reimbursement is considered a separate transaction and is generally subject to VAT, provided the tenant is VAT-registered and the underlying transaction falls within the scope of VAT in Bahrain.
- **Bahrain:**^{xlvii} On January 28, 2026, Bahrain's NBR [published](#) an updated VAT general guide, clarifying the VAT treatment of outsourced services. The guide explains that services provided by third-party providers or agencies are considered taxable sales under the general VAT rules. When these providers assign individuals to work under the direct supervision of the service recipient, VAT is due on the entire amount paid to the provider or agency. While salaries, wages, and benefits paid directly to seconded employees are not subject to VAT at the employee level, VAT must be charged on the full amount paid to the provider or agency, including reimbursements for salaries, wages, benefits, and any service fees or commissions. The guide also provides an example of how to calculate VAT on outsourced services.
- **Belgium:**^{xlviii} On February 5, 2026, Belgium's Parliament [adopted](#) a bill introducing several VAT amendments concerning e-invoicing, VAT identification numbers, the adjustment period, VAT chain rules, and VAT refunds. The bill sets the VAT adjustment period at 15 years for intangible assets and related services, and 25 years for buildings or parts of buildings rented out, including associated land and services. It defines "business assets" for VAT deduction purposes and excludes packaging, small equipment, tools, and office supplies from this definition. Furthermore, it provides that if a taxpayer fails to file a VAT return on

time, the authorities may issue a substitute return based on the highest VAT due in the previous 12 months (with a minimum of EUR 2,100). The taxpayer then has one month to submit the VAT return; otherwise, the substitute return becomes final. VAT refunds will be processed within three months, provided all returns for the previous six months have been filed on time, but the refund will be offset against any outstanding tax debts. No interest will be paid on refunds arising from penalty waivers, delayed submission of required information, or late receipt of necessary data by the tax authorities. In addition, under the small business regime, taxpayers cannot deduct VAT paid on goods and services, and if the regime applies for only part of the year, the non-refundable VAT must be calculated proportionally.

- **Bulgaria:**^{xlix} On February 10, 2026, the Bulgarian National Revenue Agency [launched](#) a consultation on amendments to the VAT regulations to implement the EU small business regime. The draft also updates to the registration and deregistration forms and gross receipts reporting, converts key thresholds from Lev to Euro (including BGN 100,000 to EUR 51,130), and makes technical corrections on exempt real estate, promotional goods VAT expense, and cash accounting, with most changes taking effect on promulgation and the new small business forms from January 1, 2026.
- **Croatia:**^l On January 30, 2026, Croatia published [Ordinance No. 90](#) amending the VAT Rulebook to update VAT reporting and documentation, including new VAT return fields for food donations, revised instructions for reporting key transactions and VAT deduction by rate, and streamlined rules for the PDV-P form used for VAT refunds to non-EU travelers. The amendments also require proof of reported or paid VAT to register a new vehicle, extend several deadlines from the 20th to the last day of the month, and clarify that taxpayer consent to receive an e-invoice does not apply when fiscalization rules mandate e-invoicing.
- **Denmark:**^{li} On January 28, 2026, the Danish Tax Council [issued](#) Tax Council Binding Answer No. SKM2026.54.SR addressing whether a Danish subsidiary providing accounting, asset management, and investment-related services to its nonresident parent could claim a full VAT deduction on related costs and whether those activities triggered Danish payroll tax. The Council applied the principle that group entities are separate taxpayers and that services provided to a parent for consideration must be considered when determining the right to deduct VAT. It found that the services provided to the EU-based parent had the character of exempt management of investment funds and therefore would not give rise to a right to VAT deduction if their sourcing were in Denmark. On that basis, the Council held that the subsidiary could not claim a full VAT expense deduction on the costs linked to those services.
- **Denmark:**^{lii} On February 16, 2026, the Danish Customs and Tax Administration [published](#) City Court Decision No. SKM2026.85.BR, clarifying the documentation requirements for claiming VAT deductions on subcontractor invoices. The case concerned whether a company had used external businesses as subcontractors, or its own employees, to perform work for its customers, and whether it could deduct VAT on invoices issued by the alleged subcontractors. Applying the rules on VAT deduction and the burden of proof, the City Court held that the taxpayer did not meet the heightened evidentiary standard to show that the invoices reflected genuine services from the named businesses. On that basis, the City Court treated the work as having been performed by the company's own employees, concluding that wages had been paid without withholding income tax and labor market contributions, and held the company liable for the unpaid amounts.

- **Denmark:**^{liii} On February 17, 2026, the Danish Customs and Tax Administration [published](#) Tax Council Binding Answer No. SKM2026.87.SR, addressing the VAT implications for the transfer of employees and assets within an insurance group. The Council confirmed that transferring employees and entering into an agency agreement does not affect the VAT exemption for a prior business. However, the Council ruled that transferring assets like IT equipment and furniture for payment constitutes a taxable transaction, not a VAT-exempt business transfer.
- **Denmark:**^{liv} On February 17, 2026, the Danish Customs and Tax Administration [issued](#) Tax Council Binding Answer No. SKM2026.86.SR, clarifying that remuneration paid to an author is not subject to VAT because the author does not perform a sale that can be treated as consideration for the payment. The Council noted that legislation establishes the right to receive library remuneration and that libraries and borrowers may agree to lend books without obtaining the author’s consent. It also confirmed that the fees and royalties the author received under publishing contracts constitute consideration for an artistic service exempt from VAT. After reviewing the contracts, the Council found that the author had not made a taxable transfer of copyright to the publisher because the author retained the copyright and only granted publishing rights, which could revert to the author under certain conditions, and because the royalties were mainly calculated on actual sales. The Council therefore treated the payments as VAT-exempt licensing of copyright.
- **Denmark:**^{lv} On February 20, 2026, the Danish Customs and Tax Administration [published](#) City Court Decision No. SKM2026.95.BR on whether the owner of a deregistered sole proprietorship was liable for VAT on 32 fictitious invoices issued after deregistration using the business’s VAT number. Under VAT law, VAT shown on an invoice is generally payable by the person who effectively issues it, but the Court found that an unknown third party had created the post-deregistration invoices and that, once the police informed the owner of suspected fraud, he took reasonable steps by closing the business and ending the relationship. The Court therefore held that the owner was not liable for VAT on the 32 invoices issued after deregistration, while his separate liability for VAT on fictitious invoices issued while the business was still active was not in dispute.
- **Eswatini:**^{lvi} On January 29, 2026, Eswatini’s Revenue Appeals Tribunal held that property developers making both taxable and exempt sales must apply the mandatory VAT apportionment rules. Following a compliance audit for January–March 2024, the Eswatini Revenue Service (ERS) reduced a developer’s VAT refund from SZL 560,948.05 to SZL 220,642.37 using the statutory mixed-use apportionment formula. The developer argued that a high-value invoice related solely to commercial (taxable) property and should be fully deductible, but the Tribunal found that once mixed sales exist, invoices cannot be selectively excluded and any alternative apportionment method must apply to the entire VAT accounting system, not to isolated transactions. Emphasizing that the taxpayer bears the burden of disproving an assessment, the Tribunal dismissed the appeal and upheld the ERS assessment.
- **European Union:**^{lvii} On February 3, 2026, the European Parliamentary Research Service [published](#) a briefing on the role of the self-assessment mechanism in tackling missing trader intra-EU (MTIC) VAT fraud ahead of the December 31, 2026, sunset of the optional rules in articles 199a and 199b of the VAT Directive. The briefing explains how MTIC fraud exploits the zero rating for intra-EU sales of goods and describes the sector-based self-assessment mechanism under article 199a (covering areas such as emission allowances, mobile phones, energy, telecoms, certain electronics, cereals and metals) and the quick reaction mechanism under article 199b, noting that the latter has never been used. It places

the future of these options in the context of the EU's wider anti-fraud strategy, including VAT in the Digital Age Digital Reporting measures and enhanced cooperation between Eurofisc, OLAF and EPPO, and notes that while the European Parliament has supported previous extensions, it has asked the European Commission to assess their impact carefully before any further extension beyond 2026.

- **European Union:**^{lviii} On February 4, 2026, the European Parliament's Committee on Economic and Monetary Affairs [published](#) a draft report on a coherent EU tax framework for the financial sector, highlighting the need to reform the VAT exemption for financial services and to address fragmentation from national financial-sector taxes. The draft notes that exempting most financial services from VAT prevents recovery of VAT expense, creates "irrecoverable VAT," distorts business models, discourages outsourcing and innovation, and leaves fintech and digital providers at a disadvantage, while repeated Commission efforts to update the VAT rules have not produced concrete reform, especially for crypto assets, decentralized finance, and other fintech services. It also observes that at least 91 uncoordinated national financial-sector taxes (including financial transaction taxes, bank levies, and financial activity taxes) have emerged to compensate for VAT revenue losses, increasing double-taxation risks and barriers to cross-border financial services, and recalls that the Commission has withdrawn its EU financial transaction tax proposal. The draft concludes that updating the VAT treatment of financial services is necessary, but not sufficient, and calls for modernized VAT rules alongside more coordinated EU-level approaches to financial-sector taxation, including possible temporary windfall taxes that avoid undermining financial stability or investment.
- **European Union:** On February 11, 2026, the EU Council formally approved to [introduce](#) new customs duty rules for small parcels entering the EU effective July 1, 2026. The long-standing exemption from customs duties for parcels valued below EUR 150 will be phased out. Until the EU customs data hub becomes operational, which is expected in 2028, an interim flat customs duty of EUR 3 will apply to each item category contained in small parcels valued under EUR 150. For example, a parcel containing one silk blouse and two wool blouses would include two categories, resulting in EUR 6 of duty. The interim measure will apply until July 1, 2028, with a possible extension depending on the readiness of the new data hub, after which tariffs will apply to all goods regardless of value. For more information, click [here](#).
- **Finland:**^{lix} On January 21, 2026, the Finnish Supreme Administrative Court [issued](#) Decision No. KHO:2026:3 on whether a Finnish manufacturer could treat sales of electric vehicle charging equipment to nonresident group sales entities as zero-rated exports where the goods were shipped directly from Finland to non-EU end customers and shipment was arranged by a later buyer in the chain. Under the VAT Directive, zero-rating applies when the right to dispose of the goods as owner passes to the buyer and the goods are demonstrably dispatched and physically removed from the EU. The Court found that the initial sale to the nonresident sales entity transferred disposal rights, that the manufacturer could prove dispatch and exit from the EU through customs exit confirmation and carrier documentation, and that the goods were not consumed within the EU. It further held that having the second buyer instruct the carrier did not increase fraud risk and that reading Finnish law to deny the zero rating on that basis would go beyond what the EU VAT Directive permits and undermine the destination principle. The Court therefore concluded that the sales in question qualify as zero-rated export transactions and overturned the tax administration and lower court decisions.

- Finland:**^{lx} On February 2, 2026, the Supreme Administrative Court of Finland **held** that a mutual real estate company's grant of rights to use a parking facility as a bomb shelter in exceptional circumstances, together with ongoing maintenance of the shelter equipment, constitutes a taxable business service rather than exempt rental of immovable property. The case concerned a parking structure designed for normal parking use but designated as a local shelter in emergencies, where nearby property owners, to meet their legal shelter obligations, purchased 4,100 shelter rights for a one-off fee per right and paid quarterly fees for maintenance. Applying the VAT Directive and CJEU case law (*MacDonald Resorts*, C-270/09, and *WEG Tevesstraße*, C-449/19), the Court treated the transfer of shelter rights and related maintenance as a sale of services for consideration within the scope of VAT, and found that any classification under national rules as an easement or similar right was irrelevant given the directive's direct effect. As a result, the company's shelter-rights business fell within the VAT law, and the company was entitled to fully deduct the VAT included in its investments in, and purchases for maintaining, the shelter facilities.
- Finland:**^{lxi} On February 6, 2026, the Finnish Supreme Administrative Court **issued** Decision No. KHO:2026:8, clarifying that a Finnish company's factoring activity is subject to VAT as a debt collection service rather than partly exempt as a financial service. The case concerned both "loan-type" (pledge-based) and "sale-type" factoring, where the company advanced funds against trade receivables, handled ledger management and collection, and charged various fees including a financing commission, limit fee, fast-payment fee, credit rating fee, and a set-up fee. Relying on the CJEU's *Kosmiro* judgment (C-232/24), the Court treated factoring as an economic activity whose essential purpose is the collection and recovery of receivables and found that the financing commission and other fees were real consideration for a single, indivisible debt collection service, with any financing element inseparable from that service. It concluded that the company's factoring activity falls within the scope of VAT as a taxable debt collection service, not within the exemption for financial services, and that all disputed fees are fully subject to VAT.
- France:**^{lxii} On January 30, 2026, the Administrative Court of Appeal of Paris **issued** Decision No. 24PA02073, clarifying that a German company could not obtain a refund of French VAT under the ordinary domestic credit mechanism because it had not carried out any taxable sales in France during the period. The Court noted that the VAT-bearing costs (services and equipment for events at Le Mans) related to B2B services whose place of taxation was in Germany, so the VAT expense was not linked to French taxable operations. It concluded that, under French VAT rules, a non-established business in this situation must use the special refund procedure for non-established taxpayers rather than the standard domestic deduction/credit regime, and therefore upheld the tax authority's refusal to refund the VAT.
- France:**^{lxiii} On February 4, 2026, the Administrative Court of Appeal of Paris **issued** Decision No. 25PA00785, upholding the refusal to reimburse a remaining French VAT credit claimed by a UK-established food wholesaler. The Court found that, because the company had not carried out any taxable transactions in France during the period, it could not use the ordinary domestic VAT credit procedure and instead had to claim under the special refund regime for non-EU taxpayers (13th Directive procedure). The tax authority had already refunded an amount based on customs documents showing VAT actually paid but denied the balance because the company failed to prove payment of the remaining VAT in the form required by the refund rules. The Court rejected arguments based on intention to commence taxable activity, good faith, proportionality, VAT neutrality, and confirmed that no further refund was due.

- **France:**^{lxiv} On February 12, 2026, the Administrative Court of Appeal of Toulouse [clarified](#) that a French literary communication company's services, including editing, layout, cover design, promotional materials, online promotion, media outreach, and event-related marketing for an author, are subject to the standard 20 percent VAT rate and do not qualify for the 5.5 percent reduced rate for books, as they are communication and advertising services ancillary to book sales rather than sales of books themselves.
- **France:**^{lxv} On February 20, 2026, the French Administrative Court of Appeal of Versailles [issued](#) Decision No. 23VE02873, in which it upheld VAT assessments on a French dental prosthesis business, confirming that intra-EU acquisitions from Italian sellers and services from providers in Italy and Tunisia were subject to French VAT under the self-assessment mechanism. The Court held that the exemption for dental prostheses applies only where the taxpayer can show that the goods or services are prostheses or elements specifically manufactured for an identified patient on a dentist's order. However, in the case, the purchases were booked as consumables, equipment, and maintenance, and the services (maintenance, call-center outsourcing, strategy consulting) were clearly not prostheses or elements, and no patient-specific documentation was provided. The Court also found that later administrative guidance cited by the taxpayer did not change the interpretation of the law, and it therefore rejected the appeal and confirmed the VAT reassessments.
- **France:**^{lxvi} On February 20, 2026, the French Administrative Court of Appeal of Marseille [issued](#) Decision No. 24MA01119, clarifying VAT assessments on a French real estate partnership relating to both the rental and sale of a building plot. The Court held that, although no formal VAT option had been filed for the bare land rental, the plot was used for vehicle-related activities and therefore constituted parking space, which is expressly excluded from the VAT exemption for bare land, so the rents were taxable. It upheld the tax authority's reconstruction of rental income from related-party payments, rejecting the claim that these were non-taxable cash advances, and found that the subsequent sale of the building plot formed part of the partnership's ongoing economic activity as a property manager, so the sale was also subject to VAT rather than being a purely private, non-taxable disposal.
- **France:** Effective March 1, 2026, France will introduce a temporary small parcel tax under the [Finance Act for 2026](#), applying to imports of low value parcels below EUR 150 until the anticipated EU wide parcel tax takes effect in November 2026 and no later than December 31, 2026. The tax applies only to consignments declared under the H7 simplified customs procedure that do not benefit from an EU VAT exemption. The person liable is the party responsible for import VAT on the H7 declaration, which may include entities registered under the import one stop shop, VAT registered operators outside the IOSS mechanism, operators not required to register for VAT in France, and nontaxable individuals. The tax is charged at EUR 2 per item based on HS6 tariff classification, applied once per classification. Reporting and payment obligations depend on whether the liable party interacts with the French tax administration or customs authorities, and customs brokers must transmit the necessary data to the liable operator. For more information, click [here](#).
- **Greece:**^{lxvii} On January 28, 2026, the Greek Independent Authority for Public Revenue (AADE), together with the Ministry of National Economy and Finance, issued circulars detailing how Greek established taxpayers can access the EU cross border small enterprises (SME) regime. The regime allows a small enterprise not to file VAT returns and pay VAT in other EU Member States via a single prior notification filed electronically in Greece, subject to an EU wide annual gross receipts ceiling of EUR 100,000 (current and

prior year) and each Member State's domestic threshold. Access to the EU cross-border SME VAT regime is via the myAADE "European SME VAT scheme" portal, where taxpayers submit identification data, Member State(s) of exemption, gross receipts per Member State, any foreign VAT IDs that they may hold, and a declaration that they are not already registered in the "European SME VAT scheme" elsewhere. If at least one Member State confirms eligibility, or none reply within 35 working days, AADE issues an "-EX" VAT ID and notifies the relevant Member State(s). The circular requires quarterly gross receipts reporting with penalties for late or missing filings, sets update and exit rules (including where the EUR 100,000 EU-wide ceiling is exceeded or all Member States deny eligibility), and applies to prior notifications from January 1, 2025, with combined domestic and cross-border SME regime rules effective from April 1, 2026.

- **Italy:**^{lxviii} On February 12, 2026, the Italian Tax Agency [issued](#) guidance, clarifying the VAT treatment of transaction costs incurred by a special purpose vehicle (SPV) in a merger leveraged buy-out (MLBO). While Italian VAT law generally denies VAT taxpayer status (and thus VAT deduction) to pure holding companies that merely hold investments, the Resolution—aligning with CJEU case law (including *Sonaecom*, C-42/19) and recent Supreme Court decisions (Nos. 22608 and 22649 of August 9, 2024)—distinguishes SPVs used in MLBOs. The guidance concludes that transaction costs borne by the SPV to acquire and merge with the target are preparatory investment expenses directly linked to the taxable economic activity that will be carried out by the merged entity. As such, the SPV qualifies as a VAT taxpayer from the investment phase, and the VAT charged on MLBO transaction costs is deductible, provided those costs are functionally connected to the future taxable operations of the post-merger company.
- **Italy:**^{lxix} The Italian tax authorities recently [clarified](#) whether VAT incurred on e-bikes leased by an employer and made available to employees falls under the partial-deduction rules for motor vehicles and how deductibility differs between business use and welfare use. The tax authority first classified pedal-assisted e-bikes (with low-power motors and assistance limited to 25 km/h) as bicycles rather than road motor vehicles, so the standard 40 percent cap on VAT deduction for vehicles does not apply and the normal VAT expense rules govern. On that basis, VAT on e-bikes used exclusively for business purposes (for example, movements within the premises or documented business trips) are fully deductible, and making those bikes available to staff is outside the scope of VAT. By contrast, e-bikes granted free of charge to employees for personal use as part of a corporate welfare plan (including home-to-work commuting) are treated as non-business, free sales outside the scope of VAT, so there is no direct link with taxable sales and the VAT incurred on those bikes is not deductible.
- **Latvia:**^{lxx} On February 2, 2026, the Latvian Parliament accepted for consideration Bill No. 1206 to amend the VAT Law by reducing the VAT rate from 12 percent to 5 percent for sales of firewood and thermal energy provided for household use, including sales to residential building managers who re-invoice occupants. The reduced rate would temporarily apply from January 1, 2026 to April 30, 2026, and invoices and VAT returns issued with the 12 percent rate for this period would need to be corrected once the law enters into force, which is intended to be the day after promulgation.
- **Moldova:**^{lxxi} On February 19, 2026, Moldova [enacted](#) Law No. 12, which increases the VAT registration threshold from MDL 1.5 million to MDL 1.7 million, effective March 1, 2026.

- **Montenegro:**^{lxxii} On February 6, 2026, Montenegro [published](#) Law No. 01-009/26-177/2, amending the VAT law with immediate effect. The amendments redefine taxable transactions to include transfers of rights to movable and immovable property, sales made under government regulations, sales involving commissions, lease or installment contract sales with ownership transfer upon final payment, sales of newly constructed buildings, transfers of real property rights, sales of construction land by VAT taxpayers, disposal of business assets by third parties where input VAT is deductible, and transactions involving natural gas, electricity, and heating or cooling energy.
- **Norway:**^{lxxiii} On February 5, 2026, Norway's Tax Administration [published](#) Tax Appeals Board Decision No. SKNS1 2025-65, in which the Board (upheld a binding ruling that transfers of energy development projects from a project developer to special purpose vehicles (SPV) do not qualify as VAT-free transfers of a business. The Board found that the developer's activity (developing and packaging projects for sale) is commercially distinct from the SPVs' activity (building, owning, and operating plants under concession), so the SPVs are not continuing the same business but using the projects as a basis for a different operational business; the transfers are therefore ordinary taxable sales.
- **OECD:**^{lxxiv} On January 27, 2026, the OECD's Inclusive Forum on Carbon Mitigation Approaches [issued](#) a report setting out a methodological framework for analyzing international spillovers from carbon pricing instruments, including emissions trading systems, carbon taxes and border carbon adjustments. The report concludes that these tools generate significant cross-border effects on emissions, competitiveness and trade, with higher carbon prices or tighter caps raising compliance costs and potentially shifting production and trade flows, though observed competitiveness impacts have been modest due to compensatory measures. It also finds that border carbon adjustments can induce additional spillovers by encouraging trading partners to adopt or align carbon pricing regimes, as seen following the EU CBAM, and stresses that carbon pricing and environmental tax measures need to be evaluated as part of broader policy packages.
- **OECD:**^{lxxv} On February 16, 2026, the OECD [published](#) the 2025 Effective Carbon Rates country notes and an updated Carbon Pricing and Energy Taxation database, detailing net effective carbon rates across 79 jurisdictions as of 2023. The materials show that explicit carbon pricing (carbon taxes and emissions trading systems) expanded from covering 15 percent of emissions in 2018 to 26 percent in 2023, and that fuel excise taxes and fossil fuel subsidies significantly affect overall price signals. Fossil fuel subsidies are estimated to reduce the net effective carbon rate by an average of EUR 3.3 per ton of CO₂e, while road transport remains the most heavily taxed sector, with an average net effective rate of EUR 84.9 per ton of CO₂. The OECD finds that carbon pricing frameworks are gradually strengthening but still exhibit substantial gaps in both coverage and price levels.
- **Romania:** On February 4, 2026, Romania published an Order detailing the monthly reporting requirements for the handling/logistics tax. According to the Order, logistic providers are required to submit Form 395 electronically, declaring the total number of extra-EU parcels delivered during the reporting period, the number of parcels accompanied by information from the declaration of origin when dispatched from outside the European Union, and the number of parcels for which the tax was charged based on the origin declaration.
- **Slovakia:**^{lxxvi} On February 16, 2026, the Slovak Financial Administration [announced](#) new rules, effective January 1, 2026, for claiming a 100 percent VAT deduction on passenger motor vehicles used exclusively for business purposes. Taxpayers must notify the tax authority of exclusive business use no later than the VAT return deadline for the period in

which the deduction is first claimed (for a vehicle acquired in January 2026, notification was due by February 25, 2026). The notification requirement does not apply to vehicles acquired before January 1, 2026. In the absence of electronic journey records in a further processable format, taxpayers may only deduct 50 percent of VAT expense on the vehicle and related fuel, regardless of actual business use. Commuting between home and work is not treated as business use, and a declaration of exclusive business use is not sufficient without supporting electronic journey records.

- **Sweden:**^{lxxvii} On January 16, 2026, the Swedish Tax Agency [issued](#) Position Statement No. 8-4476-2026, clarifying when transactions between a Swedish fixed establishment and a foreign VAT group are within the scope of Swedish VAT. The key issue is whether the Swedish establishment is treated as an independent taxpayer or as part of the foreign VAT group, which is determined under the grouping rules of the country where the group is formed. If the foreign VAT group is in an EU country with territorial grouping (like Sweden) and that country treats the Swedish establishment as separate from the group, transactions can be taxable in Sweden (subject to normal conditions). If that country treats the flow as internal, the Swedish establishment is not independent and the transaction falls outside Swedish VAT. Where the foreign VAT group is in an EU country without territorial limits, the Swedish establishment is regarded as part of that group and intra-group flows are out of scope. The same approach applies by analogy to non-EU VAT group regimes that have similar legal effects. The position replaces earlier 2019 guidance but does not change the substantive outcome.
- **Sweden:**^{lxxviii} On January 27, 2026, the Tax Law Board [issued](#) Advance Notice No. 62-25/I, clarifying that standardized, movable housing modules rented to municipalities and private landlords for student and care accommodation are not real property for VAT purposes and are therefore subject to VAT as rental of movable goods. The Board also found that, given their temporary character and time-limited building permits, the modules do not qualify as “permanent dwellings,” so the Swedish restriction on VAT expense deduction for permanent housing does not apply to the company’s acquisition of the modules, even if end-users live in them on a longer-term basis.
- **Sweden:**^{lxxix} On December 17, 2025, Sweden’s Tax Court [issued](#) Advance Notice No. 54-25/I, clarifying that an underground parking garage owned by a company and leased separately to residential and business tenants is not, in any part, a “permanent dwelling” for VAT purposes. The garage is structurally and functionally separate from the residential building and is used for taxable parking services rather than housing. As a result, the Swedish restriction on VAT deduction for permanent dwellings does not apply, and the company may deduct VAT on garage-related costs to the extent they relate to its taxable parking rentals.
- **Sweden:**^{lxxx} On February 13, 2026, the Swedish government [launched](#) a public consultation on a bill proposing several amendments to Sweden’s VAT rules. The bill focuses on clarifying and codifying how the Swedish Tax Agency already applies rules for cross-border transactions and the special schemes (non-Union, Union, and import schemes). Key changes include expanding the “deemed seller” rule for goods sold via an electronic interface (platforms) to cover more buyer types, clarifying when the distance-selling threshold rules apply and treating Union-scheme registration as an election to apply the standard place-of-taxation rules, introducing specific timing rules for when VAT becomes due and when reporting starts under the special schemes (including platform transactions tied to payment approval), slightly expanding the scope of the non-Union and Union schemes (including certain electricity/gas/heat/cooling network transactions), tightening

and clarifying input VAT deduction/recoupment mechanics (including different refund routes depending on EU establishment), and confirming that small-business scheme users cannot use the import scheme. The government proposes an effective date of January 1, 2027, with grandfathering for transactions whose VAT tax point occurs before that date.

- **Sweden:**^{lxxxix} On February 17, 2026, the Swedish government [submitted](#) Bill 2025/26:128 to Parliament proposing measures to curb VAT fraud, especially cross-border “missing trader” schemes that exploit EU VAT rules. The bill would expand the Swedish Tax Agency’s tools to prevent bad actors from entering or staying in the VAT system by strengthening VAT registration checks (including the ability to require information on representatives/owners, require in-person identity verification with limited biometric checks, and deny or cancel VAT registration where there is a clear fraud risk), allow the Tax Agency to mark a Swedish VAT number as invalid in VAT Information Exchange System (VIES) to warn EU trading partners, and introduce a mechanism to temporarily block refunding large excess VAT credits during an audit when there is a fraud risk (which helps stop refunds or offsets against other tax debts). The government proposes an effective date of July 1, 2026.
- **Türkiye:**^{lxxxix} On January 31, 2026, Türkiye [published](#) General Communiqué No. 57, updating the VAT General Application Communiqué to reflect recent legislative measures. The Communiqué implements Presidential Decision No. 7846 by confirming that VAT calculated on price differences arising from import surveillance measures, safeguard duties, anti-dumping duties and countervailing duties is no longer deductible and must be treated as a business cost, while VAT on the underlying customs value remains deductible. It also incorporates VAT exemptions introduced by Law No. 7566, including the exemption for certain property sales by Investment Monitoring and Coordination Presidencies and a temporary zero-rating for goods and services sold to UEFA, participating teams and designated entities in connection with major football events scheduled between 2026 and 2032. Additional changes extend the VAT exemption for the Istanbul Seismic Risk Mitigation and Emergency Preparedness Project to December 31, 2035, clarify that certain premises and cereal “flakes” do not qualify as exempt animal feed, and allow holders of accelerated refund system certificates to calculate the portion of VAT on depreciable fixed assets to be included in refund claims using a simplified aggregate method.
- **Türkiye:**^{lxxxix} Türkiye’s Revenue Administration recently [announced](#) higher 2026 limits for cash refunds of taxes deducted by withholding: TRY 426,000 for general cash refunds (up from TRY 300,000) and TRY 4,266,000 for refunds supported by a CPA full certification report (up from TRY 3,400,000). Refunds above these thresholds remain possible but require a tax authority audit or examination. Separately, VAT General Communiqué No. 56 sets the 2026 VAT refund limit for transactions subject to the reduced VAT rate at TRY 164,000, up from TRY 130,700 for 2025.
- **United Arab Emirates:**^{lxxxix} The Federal Tax Authority recently [issued](#) guidance clarifying the VAT treatment of promotional offers advertised as “VAT-free.” The clarification explains that promotions advertised as “VAT-free” do not alter the VAT treatment of a transaction: where a VAT-registered seller absorbs the VAT cost, the sale remains taxable at 5 percent and is treated as a discounted, VAT-inclusive sale, not as an exempt or zero-rated sale. The FTA considers describing taxable goods or services as “VAT-free” to be misleading and inconsistent with UAE VAT law and confirms that businesses must continue to account for VAT at the standard rate unless a specific zero-rating provision applies. In such promotions, the absorbed amount is treated as a discount, and tax invoices must still meet all invoicing requirements, including showing the VAT rate, VAT amount, and gross amount payable in AED.

- United Kingdom:**^{lxxxv} On January 26, 2026, the United Kingdom First-tier Tax Tribunal (FTT) published its judgment in *One Call Consultants Ltd and McGrail*, [Case No. TC09765](#), in which it dismissed appeals by a construction recruitment company and its sole director against HMRC’s denial of VAT deductions, deregistration, and related penalties. The FTT considered whether VAT incurred on invoices from four payroll providers could be deducted where those transactions formed part of an orchestrated VAT fraud. The FTT found that each payroll chain involved a fraudulent VAT loss, that the company’s purchases were connected to that loss, and that—based on sequential use of defaulting vendors, poor and after-the-fact due diligence, and ignored red flags—the company (through its director) knew or should have known of the connection. The FTT therefore upheld HMRC’s denial of VAT expense deductions, confirmed penalties on the company and on the director, and held that deregistration was a proportionate response given that the company’s VAT number had been used to facilitate fraud.
- United Kingdom:**^{lxxxvi} On February 12, 2026, the U.K. Upper Tribunal (Tax and Chancery Chamber) in *Lycamobile UK Ltd* [\[2026\] UKUT 74 \(TCC\)](#) upheld a VAT assessment, holding that VAT on prepaid mobile plan bundles is due at the point of sale, not as minutes, data, or texts are consumed. The Tribunal agreed with HMRC that when customers purchase a bundle, they immediately acquire an enforceable right to the taxpayer’s services at a fixed price for a fixed period, creating the taxable sale at that time. Customer usage merely reflects how that right is exercised; it does not determine when VAT becomes chargeable or the taxable amount, which is the full bundle price.
- United Kingdom:**^{lxxxvii} On February 6, 2026, the FTT in *Genuine Care Homecare Services Ltd* [\[2026\] UKFTT 235 \(TC\)](#) upheld VAT assessments and a failure-to-notify penalty on a domiciliary care provider that used Slovak staffing companies. The FTT held that the taxpayer made business-to-business sales of staff to the U.K. company (not exempt welfare services to patients), so the transactions were sourced to the U.K., and the care provider was required to self-account for VAT under the reverse charge mechanism. It further found that the transactions were not exempt, since the welfare exemption requires the seller to be U.K.-state-regulated and the recipient’s Care Quality Commission status cannot turn an outsourced transaction into an exempt welfare sale.
- United Kingdom:**^{lxxxviii} On February 26, 2026, the U.K. Upper Tribunal in *Trees* [\(\[2026\] UKUT\)](#) set aside a director’s liability notice issued under section 61 of the VAT Act 1994, holding that HMRC’s conduct was an abuse of process. HMRC had previously denied a company’s VAT deductions under the Kittel “knew or should have known” test in 2020, having expressly confirmed it was not alleging dishonesty, but later relied almost entirely on the 2020 findings to support a civil evasion penalty and a director’s liability notice based on alleged dishonesty. The Tribunal found that HMRC could and should have pleaded dishonesty in the original Kittel appeal if it intended to pursue dishonesty-based penalties, and that using findings from proceedings where dishonesty was expressly disavowed to prove dishonesty in subsequent penalty proceedings was fundamentally unfair.

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

- **KPMG in India** published a [report](#) discussing the tax measures included in the Union Budget for fiscal year 2026–2027. With respect to indirect taxes, the report notes proposed GST changes that would align intermediary services with the general sourcing rule (based on the customer’s location), allow post-transaction credit notes if the customer reverses the GST credit previously claimed, introduce provisional refunds for inverted duty structure cases, temporarily designate an authority to hear appeals until the National Appellate Authority forms (effective April 1, 2026), and remove the INR 1,000 minimum export refund threshold. The report also highlights customs proposals to revise Section 28 penalty treatment, extend advance rulings to five years, increase duty payment deferral for Tier 2 and Tier 3 Authorized Economic Operators to 30 days, broaden Basic Customs Duty relief for Battery Energy Storage Systems manufacturing (effective February 2, 2026), ease bonded-warehouse transfers, allow a one-time concessional-duty window for certain SEZ-to-Domestic Tariff Area sales, and adjust customs duty rates across selected sectors.
- **KPMG in India** published a [report](#) discussing several recent court decisions affecting the scope of goods and services tax and related indirect tax issues. The report notes that the Allahabad High Court held that a show-cause notice quantifying tax and penalty but not interest violated section 75(7) of the CGST Act, and therefore both the notice and the adjudication order were invalid. It also highlights that a High Court confirmed that transferring a business as a going concern is not a taxable sale for GST purposes. In addition, tribunals addressed procedural matters relevant to indirect tax, including allowing a deduction for provident fund contributions when a one-day delay in payment resulted from a demonstrated technical error.
- **KPMG in Malaysia** published a [report](#) discussing several recent indirect tax developments. The Royal Malaysian Customs Department released Sales Tax Policy 1/2026, which provides a sales tax exemption for raw materials used in the manufacturing of animal feed, fertilizers, or pesticides. The policy applies retrospectively from January 1, 2026, and allows eligible manufacturers to apply for refunds of sales tax previously paid, subject to conditions including licensing requirements and approval of materials listed in the policy appendices. The report also outlines updates to service tax rules: amendments to Service Tax Policy 3/2025 extend the exemption period for non-reviewable construction contracts to June 30, 2027, while amendments to Service Tax Policy 2/2025 introduce a refund mechanism for the two-percent service tax reduction on rental or leasing services effective January 1, 2026, with service providers able to claim refunds by submitting prescribed documentation. In addition, multiple customs and anti-dumping duty orders took effect on January 15, 2026, and February 1, 2026, updating tariff treatment, administrative review processes, and prohibitions on certain imports.
- **KPMG in the Philippines** published a [report](#) discussing the implementation of the enhanced Electronic Documentary Stamp Tax (eDST) System under Revenue Regulation No. 28-2025 issued on December 22, 2025. The regulation modernizes documentary stamp tax administration by requiring digital processing via an enhanced eDST platform and prohibiting loose stamps and constructive affixture for in-scope transactions. Banks, financial intermediaries, insurers, shipping and airline companies, pre-need companies, educational

institutions, most government entities, and notaries must use the system, which offers Deposit and Non-Deposit Modules (either advance funding with automatic deductions or monthly remittance of DST). A limited exemption applies for low-value documents where the eDST is PHP 30 or less and electronic processing is not otherwise mandated.

- **KPMG in Singapore** published a [report](#) discussing the tax measures in the 2026 Budget, noting a 20 percent increase in tobacco excise duties across all tobacco products from February 12, 2026, the extension of withholding tax exemptions on specified cross-border financial transactions until December 31, 2031, and the extension and enhancement of the Finance and Treasury Centre incentive and Global Trader Program from February 13, 2026, to cover a broader range of qualifying activities and commodities.

Miscellaneous Developments in APAC

- **Australia:**^{lxxxix} On February 12, 2026, the Australian Taxation Office (ATO) issued [guidance](#) and [completion](#) instructions for the 2026 supplementary annual GST returns. Public and multinational enterprise groups that have received a GST assurance report or rating under the ATO's Top 100 or Top 1,000 assurance programs must file when notified by the ATO. Filing deadlines are February 21, 2026, for financial years ending in Q2 2025, May 21, 2026, for financial years ending in Q3 2025, and August 21, 2026, for financial years ending in October or November 2025. Returns must be submitted by email, and late filing may attract penalties.
- **China:**^{xc} On January 31, 2026, China's Ministry of Finance and State Taxation Administration [issued](#) Announcement No. 9/2026, updating and consolidating notes on the VAT scope. Among other things, it clarifies the VAT treatment for sales of services, intangible assets, and real estate (e.g., transport, installation, exhibitions, delivery, translation, trademarks, and land-use rights). The rules apply from January 1, 2026, and supersede any inconsistent prior guidance.
- **China:**^{xci} On January 31, 2026, China's Ministry of Finance [issued](#) Announcement No. 10/2026, effective January 1, 2026, consolidating and realigning domestic VAT incentives with the new VAT Law through December 31, 2027. The measures maintain small-taxpayer thresholds (generally RMB 100,000 per month or RMB 300,000 per quarter, and RMB 1,000 per transaction), confirm a broad set of VAT exemptions (including for primary agricultural products and inputs, specified medical and education services, certain financial income, social welfare activities, and defined capital-market and cross-border transactions), and allow general taxpayers in selected sectors to elect simplified VAT calculation at reduced collection rates (typically 3 or 5 percent), with a one percent rate available to most small taxpayers. The Announcement also permits certain businesses to deduct specified underlying amounts (e.g., subcontractor payments, wages and mandated social contributions in labor dispatch, land costs in real estate) from VAT-inclusive sales in computing VAT payable, subject to strict documentation rules, and confirms that most pre-2026 domestic VAT incentive notices are repealed and replaced by this unified framework.
- **China:**^{xcii} On January 1, 2026, China's Ministry of Finance and State Taxation Administration put into effect a [comprehensive notice](#) aligning export VAT and consumption tax rules with the new VAT Law and Regulation. The measures set out when exports of goods and cross-border sales of services and intangible assets qualify for VAT refund (or exemption-with-credit), VAT exemption, or domestic VAT, prescribe corresponding consumption tax refund/exemption rules for dutiable exports, and introduce unified rules on export refund rates, bases of calculation, documentation and 36-month filing deadlines, while repealing earlier export VAT/consumption tax circulars.

- China:**^{xciii} On February 2, 2026, China’s Ministry of Finance [issued](#) Announcement No. 15/2026, introducing interim rules on VAT deduction for long-term assets effective January 1, 2026. The measures define the long-term assets in scope (fixed assets, intangibles, real estate), set out when VAT on such assets is fully deductible (exclusive use in fully taxable activities) or non-deductible (exclusive use in simplified-method sales, exempt items, non-taxable transactions, collective welfare, or personal consumption), and prescribe adjustment formulas when an asset’s use changes or it suffers abnormal loss. For high-value assets (cost above RMB 5 million) acquired or capitalized from 2026 and used for both taxable and non-deductible purposes, the rules require multi-year VAT adjustment over fixed “adjustment periods” (20 years for real estate/land-use rights, 10 years for aircraft/trains/ships, 5 years for other assets). Taxpayers must maintain detailed ledgers for such assets, and any under-paid or over-refunded VAT is subject to correction under the VAT and tax administration laws.
- China:**^{xciv} On February 2, 2026, China’s Ministry of Finance [issued](#) Announcement No. 14/2026, outlining provisional rules on VAT prepayments that require businesses (other than individuals) to prepay VAT in defined situations, including when they provide construction services outside their home prefecture or on an advance-payment basis, presell self-developed real estate, transfer or lease immovable property located in a different county or city, or provide cross-provincial services related to crude oil and natural gas production. The measures set prepayment rates (typically 2–3 percent for construction and presales and 3–5 percent for remote immovable property and oil and gas services), prescribe calculation formulas for the prepayment base, and require payment by the end of the following month’s VAT period, with prepaid VAT creditable against VAT due in the regular return.
- China:**^{xcv} On February 3, 2026, China’s Ministry of Finance [issued](#) Announcement No. 13/2026, effective January 1, 2026, clarifying VAT deduction rules on certain expenditures, asset reorganizations, mixed-rate transactions, and tax point. The guidance explains how general taxpayers may deduct VAT on motor vehicles, domestic passenger transport, and road/bridge tolls; prescribes allocation methods where purchases relate to simplified-method sales, exempt activities, or non-taxable transactions; and requires specific documentation where VAT deduction is claimed via tax-paid certificates. It also provides that certain business-driven asset reorganizations (where a going concern is transferred together with related assets, liabilities, and staff between general taxpayers) fall outside the VAT scope and preserve the right to deduct related VAT. Moreover, the guidance clarifies that bundled sales of goods and related services are taxed at the rate for the principal element and clarifies the VAT tax point for long-term manufacturing contracts, prepaid service contracts, real estate transfers, and overdue loan interest for financial institutions.
- China:**^{xcvi} On February 6, 2026, China’s Ministry of Finance, General Administration of Customs, and State Taxation Administration [issued](#) Announcement No. 16/2026, granting temporary tax relief for certain cross-border e-commerce export returns. For goods (excluding food) exported under customs supervision codes 1210, 9610, 9710, or 9810 between January 1, 2026 and December 31, 2027, and returned to China in their original condition within six months, import duties, import VAT, and import-stage consumption tax are waived, export duties are refunded, and export-stage VAT and consumption tax are adjusted under the rules for domestic returns. Businesses must show that the goods have not been processed or modified (limited trial use is allowed in specified cases) and submit the original export declaration plus documentation evidencing that the return is due to poor sales or customer returns.

- **Philippines:**^{xcvii} On February 12, 2026, the Philippine Senate [accepted](#) for consideration Senate Bill No. 1859, which would expressly exclude from the VAT base for electricity sales various mandatory charges, including universal charges, the feed-in tariff allowance, the regulatory feed-in support charge, and members' contributions for capital expenditures of electric cooperatives. It would also exclude socialized subsidies such as the Lifeline Rate and mandatory senior citizen discounts, regardless of whether these amounts are collected, charged, passed on, deducted from customer bills, separately stated, or embedded in the billing structure.
- **Singapore:**^{xcviii} On January 30, 2026, Singapore's Inland Revenue Authority (IRAS) [updated](#) its e-Tax Guide on GST obligations under the Assisted Compliance Assurance Program (ACAP) for GST-registered businesses. The revised guidance refines the GST control framework (entity, transaction- and reporting-level controls), tightens renewal conditions (including audited financial statements, a clean GST compliance record, no ongoing GST audits, and minimum checklist scores), and now requires a 12-month renewal review with the ACAP report due within three months of program expiry. It reiterates ACAP benefits such as reduced IRAS intervention, faster GST refunds, expedited rulings and automatic renewal of qualifying GST schemes, and it clarifies penalty concessions, including waiver of the 5 percent late-payment penalty for voluntary disclosure of non-fraudulent GST errors. Post-renewal, participants must meet ongoing review obligations and use a new declaration form effective February 1, 2026.
- **Singapore:**^{xcix} On February 20, 2026, the IRAS [updated](#) its guidance on GST obligations for GST-registered companies in liquidation. Once a liquidator is appointed and notified via the Accounting and Corporate Regulatory Authority (ACRA), the company must file and pay GST up to the day before liquidation, and the liquidator is responsible for GST from the liquidation date onward, including filing returns, settling GST, and applying to cancel the GST registration within 30 days of business cessation. The guidance explains that liquidators can recover GST on winding-up expenses where these relate to taxable sales, must account for GST on sales or transfers of business assets, and should not report GST on asset sales made by third parties (for example, mortgagees or auctioneers) who are required to pay that GST directly to the IRAS. After cancellation approval, the liquidator must submit final GST returns, make any final payments, and retain records for five years after dissolution.
- **Taiwan:**^c On February 13, 2026, the Taiwanese National Taxation Bureau of the Northern Area [reminded](#) businesses that sell both taxable and exempt goods or services that VAT deduction on fixed assets (e.g., buildings, machinery) must be allocated under the mixed-activity VAT rules. If the proportion method is used, only the portion of VAT corresponding to taxable use is deductible, with the balance treated as non-deductible. Under the direct allocation method, taxpayers must keep complete records and distinguish assets used solely for taxable, solely for exempt, and for common use; VAT incurred in relation to exempt-only assets is not deductible, and VAT on common-use assets is deductible only in line with the period's non-deductible ratio. The Bureau also noted that taxpayers who discover overclaimed VAT deductions and voluntarily correct and pay the additional VAT and interest before audit or whistleblower action may avoid penalties.

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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.

Footnotes

- i. Belgium – Government Adopts Draft Decree on VAT Rate Changes (February 16, 2026), News IBFD.
- ii. Bloomberg Tax, Bulgaria MOF Seeks Comments on Draft Regulation to Amend VAT Rules (February 17, 2026).
- iii. Orbitax, Tax Measures of Cameroon’s Finance Law for 2026 (February 6, 2026).
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