Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Azerbaijan:**[i] On September 8, 2026, the Cabinet of Ministers of Azerbaijan expanded the list of activities eligible for import VAT and customs duty exemptions in certain territories. The amendments add livestock and aquaculture, food and beverage processing, pharmaceutical manufacturing, certain plastics, glass and metal products, renewable electricity generation, scientific research, and agricultural sorting and packaging to the list of eligible activities. The government applies the exemptions to specified machinery, equipment, installations, raw materials, and other materials imported to establish qualifying operations. For newly added livestock, aquaculture, and food and beverage projects, however, the relief applies only to imported machinery, equipment, and installations. The amendments also revise the treatment of certain electrical transformers and update the lists of qualifying goods.
- **Azerbaijan:**[ii] On September 8, 2026, the Cabinet of Ministers of Azerbaijan approved a list of artworks, collectors' items, and antiques eligible for an import VAT exemption based on supporting documentation issued by the Ministry of Culture of Azerbaijan. The list identifies eligible goods using foreign economic activity commodity nomenclature codes. The decision applies from January 1, 2026.
- **Bahamas:**[iii] On September 23, 2026, the Government of The Bahamas announced plans to remove VAT from trust services by the end of 2026. The government also plans to remove VAT from transfers of property into trusts for specified classes of beneficiaries, including family members. The Department of Inland Revenue is reviewing guidance notes and draft legislative amendments. The government intends to issue the guidance and introduce the legislative amendments for debate in parliament before the end of 2026.
- **Bulgaria:**[iv] On September 23, 2026, Bulgarian lawmakers introduced a bill proposing to temporarily reduce the VAT rate from 20 percent to 9 percent for 12 consecutive months on specified finished motor fuels used in road transport. The reduced rate would apply to domestic sales, imports, and intra-EU acquisitions of petrol, diesel, biodiesel and diesel mixtures, bioethanol and petrol mixtures, and liquefied petroleum gas, including propane and butane. It would not apply to fuels used for heating, aviation, shipping, rail transport, industrial purposes, or off-road machinery, or to raw materials and components not sold as finished motor fuels.
- **Cambodia:**[v] On August 17, 2026, Cambodia's Ministry of Economy and Finance clarified that dental services, including examinations and diagnosis, dental and gum treatment, oral surgery and implants, and preventive, orthodontic and prosthetic care, are exempt from VAT.
- **Egypt:**[vi] On July 29, 2026, Egypt's Law No. 149 of 2026 entered into force, amending the VAT Law. Key changes include a 5 percent VAT rate for certain medical devices, expanded VAT relief for industrial equipment and healthcare inputs, and new exemptions for certain financial services and services related to goods in transit. The law also applies 14 percent VAT to certain building rentals, gypsum, soap, and household industrial detergents, shortens the qualifying period for VAT refunds, and subjects natural gas to a Schedule Tax of EGP 20 per 1,000 cubic feet. For more information, click here.

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- **France:**[vii] On September 2, 2026, France's tax authority updated its guidance on VAT exemptions in Martinique, Guadeloupe, and Réunion. The guidance reflects the extension of the zero percent VAT treatment to air passenger and freight shipping within these territories, effective February 21, 2026. It also reflects revisions, effective December 28, 2025, to Réunion's list of VAT-exempt essential goods, adding certain food, hygiene, and personal care products and removing certain computer and telecommunications equipment. The revised product exemption applies through December 31, 2027, and covers qualifying imports, locally manufactured goods, and subsequent sales of goods imported VAT-free in an unchanged condition.
- **France:**[viii] On September 9, 2026, France's tax authority updated its VAT guidance on renovation and energy-efficiency work. According to the guidance, a reduced 5.5 percent VAT rate applies to qualifying energy-renovation services for residential premises completed more than two years ago, while the sale or installation of fossil-fuel boilers is subject to the standard rate. The guidance also allows customers to certify eligibility for the reduced 5.5 percent or 10 percent rate directly on the quotation or invoice instead of providing a separate written certificate. It also clarifies when customers must self-assess VAT on construction work performed by subcontractors in connection with real property.
- **France:**[ix] On September 23, 2026, France's tax authority clarified whether teaching services involving initial vocational apprenticeship training provided by apprenticeship training centers are VAT exempt. Such services are exempt without requiring a certificate from the Regional Directorate for the Economy, Employment, Labor and Solidarity, provided they constitute technical and vocational apprenticeship education and are provided by a qualifying apprenticeship training center. However, a certificate remains necessary if these centers provide continuing vocational training. The guidance also notes that Article L. 213-92 of the Code of Taxes on Goods and Services expressly retains the automatic VAT exemption for apprenticeship services provided by public bodies and apprenticeship training centers.
- **France:**[x] On September 23, 2026, France's tax authority updated the list of French airlines that qualify for VAT relief on aircraft-related transactions. Airlines on the list do not need to provide supporting certifications to the businesses they buy from in order to claim the relief. The updated list is based on 2025 air traffic data and will remain in effect until the tax authority publishes a new version.
- **Grenada:**[xi] On September 24, 2026, Grenada granted a 100 percent waiver of VAT and the Common External Tariff (CET) on imports of qualifying election campaign materials by registered political parties and independent candidates participating in the upcoming elections. Qualifying materials include brochures, fliers, pamphlets, posters, banners, newsletters, billboards, and other approved campaign materials.
- **Iceland:**[xii] On September 7, 2026, Iceland's Ministry of Finance presented the 2027 budget proposal, which would apply the standard 24 percent VAT rate to admission fees for geothermal baths, steam baths, and similar activities. The proposal would also increase alcohol, tobacco, nicotine, carbon, accommodation, infrastructure, and vehicle taxes by 5.2 percent, while raising the kilometer-based vehicle charge by 15.9 percent.

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- **Ireland:**[xiii] In September 2026, the Irish Revenue Commissioners issued guidance clarifying the VAT treatment of waste-disposal services. The guidance confirms that a reduced VAT rate of 13.5 percent applies to certain waste collection, removal, treatment, and disposal services, including the provision of bins and skips, household waste collection, and certain specialized waste-disposal services. However, businesses must apply the standard VAT rate to services involving the treatment, storage, or recycling of waste that remains the producer's property, as well as to the disposal of electronic records. The guidance also confirms that local authorities providing waste-disposal services must charge VAT and may recover VAT on related costs, subject to the normal recovery rules.
- **Italy:**[xiv] On September 1, 2026, Italy's Revenue Agency clarified that fees for guided excursions and related educational activities in freely accessible areas are subject to VAT because they are independent services rather than admission to a cultural venue. By contrast, fees for visiting an immersive museum room qualify for the museum visit VAT exemption. The activities do not require certification through Italy's automated ticketing system for entertainment and performance activities.
- **Japan:**[xv] On September 15, 2026, Japan approved a policy outline introducing a temporary reduction in the consumption tax rate on qualifying food and beverage products. Under the proposal, food products currently subject to the reduced consumption tax rate of 8 percent (including local consumption tax) would instead be taxed at 1 percent, comprising a national consumption tax rate of 0.78 percent and local consumption tax of 0.22 percent. The temporary rate would apply to eligible domestic sellers and imports made between April 1, 2027, and March 31, 2029. The existing scope of products eligible for the reduced rate would remain unchanged. The proposal also introduces accompanying indirect tax measures relating to invoicing, simplified taxation, interim VAT filings, and price-display requirements to facilitate implementation.
- **Hungary:**[xvi] On September 1, 2026 the Hungarian Parliament published Act XLVIII of 2026, amending the VAT Act to apply the 5 percent reduced VAT rate to firewood in logs, billets, twigs, bundles, or similar forms, as well as sawdust and wood waste or residues intended for heating and compressed into pellets, briquettes, or similar forms, effective September 15, 2026.
- **Lithuania:**[xvii] On September 25, 2026, Lithuania clarified the application of the reduced 5 percent VAT rate applicable to medicines, medical aids, and food products for special medical purposes. The reduced rate applies to prescription medicines regardless of whether their cost is reimbursed and to qualifying non-prescription medicines, medical aids, and special medical-purpose foods whose costs are fully or partially reimbursed under health insurance legislation. The reduced rate may also apply to eligible purchases from other EU Member States and certain imports by qualifying healthcare institutions or the State Patient Fund. The standard 21 percent VAT rate applies when the relevant eligibility or reimbursement requirements are not met.
- **Moldova:**[xviii] On September 24, 2026, members of the Moldovan Parliament submitted a draft law that would temporarily reduce the VAT rate on gasoline and diesel from 20 percent to 0 percent. The zero rate would apply for the duration of the state of emergency in the energy sector and would take effect upon publication of the enacted law in Moldova's Official Gazette.

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- **New Zealand:**[xix] On September 10, 2026, New Zealand introduced a tax bill proposing to apply a zero percent GST rate to surplus electricity exported from residential properties to electricity retailers beginning April 1, 2027, and expand GST recovery for certain goods and services acquired before registration.
- **Oman:**[xx] On September 22, 2026, the Oman Tax Authority issued Decision No. 225/2026, updating the list of food products eligible for the zero percent VAT rate, effective October 1, 2026. The revised list covers 807 tariff classifications, including livestock, meat, poultry, fish and seafood, dairy products, eggs, fruits, vegetables, grains, flour, cooking oils, sugar, infant food, pasta, bread, juices, water, animal feed, and salt.
- **Poland:**[xxi] On August 6, 2026, the Polish Senate adopted amendments to legislation introducing a VAT warehouse procedure. Under the procedure, qualifying goods may enter, remain in, and be traded within an authorized warehouse at a zero percent VAT rate for up to 24 months. The zero rate may also apply to services performed in the warehouse that are directly related to the qualifying goods. Businesses must obtain authorization to operate a VAT warehouse or use the procedure and comply with electronic recordkeeping and weekly reporting requirements. The measure takes effect on January 1, 2027.
- **Poland:**[xxii] On September 22, 2026, the Polish Council of Ministers approved a bill that would increase the VAT rate on specified non-alcoholic beverages from 5 percent to 23 percent for retail sales and from 8 percent to 23 percent for sales by restaurants and other food-service businesses. The proposal would apply to certain low-alcohol and alcohol-free beverages, including beer, wine, and cider, as well as beverages containing added caffeine or taurine. The changes would take effect on January 1, 2027.
- **Sweden:**[xxiii] On September 23, 2026, the Swedish Tax Agency clarified that both private and public healthcare institutions may qualify for the VAT exemption for medical care if they provide medical treatment and are duly recognized. The agency may recognize an institution based on factors such as substantial public funding or operation under public healthcare regulations in a manner comparable to public institutions. Licensed healthcare professionals may also provide VAT-exempt treatment outside a recognized healthcare institution when they act within the scope of their license. The guidance replaces the agency's 2019 position and does not make any substantive changes.
- **United Kingdom:**[xxiv] On September 8, 2026, the UK government published a policy paper and Revenue and Customs Brief 10 (2026), introducing a temporary zero rate of VAT on qualifying sales of domestic electricity in Great Britain. The zero rate will apply from October 1, 2026, through March 31, 2027, replacing the current reduced VAT rate of 5 percent. The 5 percent rate will continue to apply to other domestic fuels throughout the United Kingdom and to qualifying electricity sales in Northern Ireland. The measure retains the existing eligibility rules for relief, including domestic use, non-business use by charities, and sales below the applicable de minimis threshold. eligibility rules for relief, including domestic use, non-business use by charities, and sales below the applicable de minimis threshold.

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Digitalized Economy Indirect Tax Updates

European Union: New Customs Code Include Obligations for Marketplaces

On September 16, 2026, the European Parliament and the Council of the European Union adopted Regulation (EU) 2026/2108, establishing a new Union Customs Code (nUCC), the European Union Customs Authority, and the EU Customs Data Hub, while repealing the current Union Customs Code. The reform is the most comprehensive overhaul of the EU customs framework since 1968. For e-commerce, it shifts responsibility from individual consumers to the sellers and platforms that control the transactions and data. This follows the interim measures effective July 1, 2026: the EUR 150 duty relief was eliminated and a temporary EUR 3 customs duty was introduced.

For e-commerce transactions, the central change is the new "importer for distance sales." This is either the person selling the goods or the person facilitating the distance sale (i.e., online marketplaces). This importer must provide all required customs information before release and ensure payment of customs duties and other charges. It must also ensure compliance with other legislation applied at the border (such as product safety and environmental rules) and keep compliance records. It must notify customs of suspicious movements and meet any other customs obligations. The importer must generally be established in the EU, unless it acts through an EU-established indirect representative.

The nUCC also creates a new "Trust & Check Trader" (T&C) status, which builds on the Authorized Economic Operator (AEO) program. Applicants must meet AEO-equivalent criteria and give customs real-time or near real-time access to their data, ultimately through the Data Hub. An importer for distance sales must also have used IOSS appropriately for at least two years before applying. T&C traders can self-release goods and pay customs debt periodically (up to 31 calendar days) instead of shipment by shipment. They can also use the new customs warehouse for distance sales, which is available only to IOSS users with T&C status. Platforms without T&C status, or without IOSS, may have to deal with several national customs authorities rather than clearing centrally. T&C status can be applied for from September 21, 2027, and the facilitations apply from July 1, 2028.

The nUCC adds two further cost and risk items. First, it introduces a permanent, non-refundable Union handling fee per item on distance sales, payable at least monthly by the importer for distance sales, with a lower fee for goods sold from a customs warehouse for distance sales from 2028. According to a September 22 letter from the Dutch State Secretary of Finance to Parliament, the European Commission adopted a delegated act on September 21 setting the fee at EUR 2 per product category. That act becomes final after 30 days absent objection from the Council or the European Parliament. The fee will apply from November 1, 2026, regardless of consignment value. Second, Article 276 sets a harmonized penalty regime for systematic non-compliance in distance sales. The first infringement carries a charge of 1 percent to 4 percent of the goods imported over the previous 12 months, plus mandatory loss of AEO or T&C status. Repeat infringements carry 3 percent to 6 percent, and a third can lead to restricted access to the operator's online interface. A penalty also classifies the operator as "high-risk" in the Data Hub, and under Article 77(5) it can put all of the operator's releases under suspicion for at least six months. For more information, click here.

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Other Developments

- **Argentina:**[xxv] On September 14, 2026, Argentina committed to implementing the OECD Crypto-Asset Reporting Framework (CARF) and to beginning the automatic exchange of information on crypto-asset transactions by September 2029. CARF extends the automatic exchange of information between tax authorities to the crypto-asset sector. Argentina, which has participated in discussions on the framework's implementation, joins other jurisdictions that have committed to implementing CARF by 2027, 2028, or 2029.
- **Azerbaijan:**[xxvi] On September 14, 2026, the Cabinet of Ministers of the Republic of Azerbaijan amended the VAT registration and compliance rules for nonresident businesses that sell digital services to customers in Azerbaijan. Under the amendments, nonresident businesses must register electronically with the Azerbaijani tax authorities within 30 days after their annual sales of digital services to consumers in Azerbaijan exceed the AZN equivalent of USD 10,000. Nonresident businesses below the threshold may register voluntarily. The amendments also narrow the types of services treated as electronic commerce for these rules. Consultancy, legal, financial, accounting, design, and engineering services provided through email or other interactive communication methods are excluded, as are real-time online education and training services and online ticket-booking services for scientific, educational, cultural, sporting, and entertainment events.
- **Belgium:**[xxvii] On September 10, 2026, the Belgian Government submitted a bill to implement part of the EU VAT in the Digital Age (ViDA) package. Effective January 1, 2027, the bill would revise VAT rules for cross-border consumer e-commerce transactions, cross-border consumer sales, digital services, online platforms that facilitate sales, and the EUR 10,000 threshold. The bill would also align when VAT becomes due under the Union and non-Union One-Stop Shop regimes and revise the eligibility and registration requirements for those regimes. To read KPMG's previous discussion of the ViDA package, click here.
- **Brazil:**[xxxi] On August 27, 2026, Brazil's tax authority issued Consultation Solution No.162, clarifying that a domestic value-added reseller that provides software-related services to a foreign software developer qualifies for the PIS/Pasep and Cofins export-service exemption, provided the remuneration results in an effective inflow of foreign currency under applicable monetary and foreign exchange rules. The authority also clarified that the exemption applies regardless of where the services are performed or where the software is ultimately used, including when the software is provided exclusively to end users in Brazil. However, the exemption does not apply to amounts received directly from end users, payments that are not supported by the contract with the foreign customer, or amounts that do not result in an effective foreign currency inflow.
- **Chile:**[xxxii] On August 31, 2026, Chile's Internal Revenue Service established an annual reporting obligation for operators of digital intermediary platforms that facilitate transactions between third parties for the purchase of goods or services. Platform operators must report persons or entities that declared their activities were not subject to commencement-of-activities registration, including the number and total value of their monthly transactions. Under the new rules, platform operators must begin reporting in tax year 2027 for information relating to commercial year 2026 and subsequent years. By contrast, electronic payment administrators, operators, and providers are exempt because they already submit daily transaction information to the tax authority. The resolution also provides that late, omitted, incomplete, or inaccurate filings may be subject to penalties.

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- **Czech Republic:** The Czech Republic recently proposed amendments to its VAT Act to implement elements of the EU VAT in the Digital Age (ViDA) package from January 1, 2027. The proposal would expand the One Stop Shop (OSS) regime to certain cross-border sales of electricity, gas, heating, and cooling, allowing businesses to report and pay VAT through OSS rather than register in multiple EU Member States. Businesses using OSS would report eligible transactions in the customer's EU Member State. In addition, the proposal would expand platform VAT obligations for certain transactions facilitated through online platforms and revise when VAT becomes due for services reported through OSS. The bill would also abolish the existing call-off stock simplification from July 1, 2028, with transitional relief available until June 30, 2029. To read a report prepared by KPMG in the Czech Republic, click here.
- **European Union:**[xxxiii] On September 3, 2026, the European Commission reported that EU Member States declared more than EUR 38 billion in VAT through the One Stop Shop (OSS) and Import One Stop Shop (IOSS) programs in 2025, a 17 percent increase from 2024. Since the VAT e-commerce package took effect on July 1, 2021, businesses have declared approximately EUR 125.45 billion in VAT through these programs. The Commission also reported that more than 193,000 businesses had registered under the simplified VAT arrangements by December 31, 2025. Looking ahead, the VAT in the Digital Age (ViDA) package will expand the OSS to additional business-to-consumer transactions and introduce a special arrangement for transfers of a business's own goods, supporting progress toward a single VAT registration in the European Union.
- **France:**[xxxiv] On September 14, 2026, the French Council of State rejected a request to suspend a decree that requires crypto-asset service providers to collect, verify, retain, and report users' personal and transaction data to the tax authorities under France's implementation of DAC8. The Council found that the reporting requirements did not create sufficient urgency to justify suspending the decree, particularly given the public interest in preventing tax fraud and evasion. The Council did not address the merits of the applicants' legal arguments.
- **Germany:**[xxxv] On September 24, 2026, the German Federal Fiscal Court (BFH) published its decision in case V R 17/24 regarding whether an online platform's facilitation of vehicle rentals constituted an intermediary service or a vehicle-rental activity for VAT purposes. The BFH held that the taxpayer acted as an intermediary because customers entered into rental agreements directly with the vehicle rental companies and the taxpayer did not rent the vehicles itself. The BFH also found that collecting the full customer payment and independently determining its markup did not change that conclusion. Accordingly, the BFH treated the taxpayer's service as an intermediary service provided to the vehicle rental company, which was responsible for VAT under the self-assessment rules. The BFH also indicated that the taxable amount for the intermediary service would be the difference between the total customer payment and the net amount payable to the vehicle rental company, excluding the VAT included in that difference.
- **India:**[xxxvi] On September 10, 2026, the High Court of Judicature at Bombay considered whether pre-2021 licensing copyrights in cinematographic films was subject to 12 percent GST as licensing intellectual property rights other than software or 18 percent GST as licensing information technology software. The High Court held that cinematographic films do not qualify as information technology software merely because they are delivered

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electronically or through encrypted hard disks. The High Court also found that the 2024 CBIC circulars regularizing pre-October 2021 GST payments on an "as is where is" basis could not be limited to distributor-exhibitor transactions.

- **Italy:**[xxxvii] On September 17, 2026, Italy's tax authority published Ruling Answer No. 175/2026, clarifying the VAT treatment of colocation services involving the exclusive use of a private area within an Italian data center. The authority concluded that the exclusive use of a specifically identified area was the essential element of the arrangement. As a result, it treated the colocation services as services connected to real property and subject to Italian VAT. The authority also treated the related electricity, temperature control, interconnection, fire-prevention, and security services as part of the overall service for VAT purposes. However, because the arrangement included technical and operational services and was not limited to providing space, it did not qualify for the VAT exemption that can apply to certain real estate leases. The services therefore remained subject to VAT at the standard rate.
- **Italy:**[xxxviii] On September 22, 2026, the Italian Revenue Agency published Principle of Law No. 2/2026, clarifying the rules for amended digital services tax (DST) returns and related tax credit treatment. The agency confirmed that taxpayers can file amended DST returns to correct errors, claim refunds for overpaid DST, or carry forward resulting credits to subsequent tax periods. However, credits from amended DST returns cannot offset other tax liabilities, and may only be refunded or carried forward under the DST regime.
- **Kazakhstan:** On September 3, 2026, Kazakhstan published proposed amendments to the Tax Code aimed at enhancing transparency over foreign companies in Kazakhstan's e-commerce market and strengthening tax compliance oversight. Key changes include expanded payment reporting, under which local payment organizations would report quarterly aggregate payments to the tax authority for registered foreign marketplace sellers, and for unregistered sellers once payments exceed 100 transactions and 1,000 MCI (approximately KZT 4.3 million / USD 8,500) per quarter; a reduced filing frequency for internet platforms' reporting on sales, services, and payments to Kazakhstan resident individuals, shifting from monthly (due the 5th of the following month) to quarterly (due the 15th of the second following month); a new suspension mechanism under proposed Article 89-1 allowing the tax authority to order suspension of sales through an online platform where a violation notice or desk-audit discrepancy notice is not remedied; and a clarification that no VAT calculation or payment is required on e-commerce sales where the goods' value was already included in taxable import value and import VAT was paid (non-refundable). For more information, click here.
- **Lithuania:**[xxxix] On September 24, 2026, the Lithuanian State Tax Inspectorate amended its crypto-asset reporting rules under DAC8. The amendments clarify which crypto-asset users are subject to reporting and expand the information that reporting entities must collect and report, including additional details on tax residence and taxpayer identification numbers. The changes also clarify that reportable users may be residents of both EU and non-EU jurisdictions. The updated rules provide relief from duplicate reporting where equivalent reporting and due diligence obligations are satisfied in another qualifying jurisdiction, and the required notification is submitted to the tax authority. Reporting entities must retain relevant records for at least five years and submit annual reports to the tax authority. The first report, covering 2026, is due by May 31, 2027.

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- **Maldives:**[xl] On September 21, 2026, the Maldives Inland Revenue Authority (MIRA) amended the GST Regulation to implement GST rules for inbound tourism products and related booking or agency services sold by businesses without a fixed place of business in the Maldives. The amendments require affected businesses to register for GST, establish rules for calculating GST on covered transactions, set filing and payment requirements, and prescribe recordkeeping obligations. Beginning October 1, 2026, affected businesses must file GST returns and make GST payments electronically. The amendments also clarify that GST does not apply where an invoice or receipt was issued, or full or partial payment was made, before October 1, 2026. Separately, MIRA issued a guide explaining how the new rules apply to foreign tour operators, travel agents, online travel agencies, booking platforms, and other businesses that sell inbound tourism products or related booking or agency services. The guide confirms that these businesses must register for tourism GST and charge GST at the 17 percent tourism GST rate. Covered products include accommodations, meals, transportation, excursions, diving, water sports, spa services, cultural tours, and other tourist activities in the Maldives. The guide also explains how businesses must calculate GST, determine when GST becomes due, file GST returns, and maintain supporting records. However, on October 3, 2026, the Civil Aviation Minister announced that the regime would be delayed until April 1, 2027.
- **Mexico:**[xli] On September 18, 2026, Mexico's tax authority published an updated list of 289 foreign digital service providers registered for tax purposes as of August 31, 2026. The update reflects five new registrations and one deregistration during the preceding two months.
- **Moldova:**[xlii] On September 21, 2026, Moldova's State Tax Service launched a public consultation on a draft procedure for registering, as VAT taxpayers, intermediaries who act on behalf of businesses that sell low-value imported goods online to consumers in Moldova. Moldova proposes to apply a special VAT regime to imported goods sold directly to consumers when the value of a shipment does not exceed EUR 150. The regime applies to non-excise goods purchased from businesses outside Moldova. Nonresident sellers cannot register for the regime directly; they must appoint a fiscal representative established in Moldova, who calculates and remits the VAT and acts as customs declarant on the nonresident's behalf. The draft procedure explains how the representative would register for VAT purposes, update its registration information, and cancel the registration when appropriate.
- **Nigeria:**[xliii] On July 31, 2026, the Nigeria Revenue Service issued guidelines establishing a tax framework for virtual assets and setting out reporting and compliance obligations for taxpayers, virtual asset service providers, and peer-to-peer marketplace operators. For VAT purposes, the guidelines classify virtual assets into several categories, including cryptocurrencies, stablecoins, security tokens, utility tokens, non-fungible tokens (NFTs), and sovereign digital currencies. The guidelines also clarify the VAT treatment of transactions involving those assets and establish related compliance obligations for businesses operating in the virtual asset sector.
- **OECD:**[xliv] On September 4, 2026, the OECD published comments received on its consultation regarding proposed targeted amendments to the Model Reporting Rules for Digital Platforms. The consultation, which ran from June 15 through August 14, 2026, examined potential changes to the rules and related guidance based on implementation experience in more than 30 jurisdictions. The proposals would revise the thresholds for excluding sellers engaged in low-value goods transactions, clarify the definitions of

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"Platform" and "Platform Operator" to address divergent interpretations, limit transactional reporting where a seller is itself a reporting platform operator, and introduce a "Related Entity" concept to exclude certain intra-group platform arrangements from reporting. The OECD also requested input on potential approaches to improve reporting outcomes concerning intermediary sellers, which remain under consideration.

- **Poland:**[xlv] On September 2, 2026, Poland's Council of Ministers approved draft amendments to the VAT Act concerning cross-border online sales within the European Union. The proposal clarifies when an online platform or other electronic interface facilitates sales, including sales within the EU to consumers and certain VAT-exempt taxpayers. The proposal also clarifies that the PLN 42,000 threshold for determining the place of taxation includes online sales shipped from the seller's country of establishment but excludes sales fulfilled from warehouses located in other EU Member States. Businesses that register under the Union One Stop Shop (OSS) program would treat all covered transactions as taxable in the consumer's Member State. In addition, VAT would become due when goods are sold or services are provided, or upon receipt of an advance payment. The amendments are scheduled to apply from January 1, 2027.
- **Slovakia**:[xlvi] On August 26, 2026, the Slovak Government approved a draft bill to implement the new EU VAT in the Digital Age (VIDA) rules for digital platforms and cross-border sales. The proposal would generally require online platforms that facilitate short-term lodging of up to 30 nights or passenger road transportation to collect and remit VAT as if they provided the services themselves. It would also expand simplified EU reporting programs that allow businesses to report VAT on cross-border consumer sales through a single registration, introduce a simplified process for businesses moving their own goods between EU countries, and phase out an existing inventory simplification. For imported non-excisable goods valued at EUR 150 or less, the seller or facilitating platform would generally become responsible for import VAT when it does not use the EU's simplified import VAT program. The provisions would take effect in stages beginning January 1, 2027, July 1, 2028, and July 1, 2030.
- **Taiwan:**[xlvii] On August 14, 2026, Taiwan's National Taxation Bureau of the Central Area clarified that businesses and individuals purchasing cross-border electronic services from foreign businesses are subject to Taiwan's business tax rules for cross-border electronic service transactions. Businesses that use the services for taxable sales are exempt from business tax, while dual-status and small-scale business entities, organizations, and institutions must calculate and pay business tax at the current 5 percent rate. The guidance also clarifies that foreign businesses selling electronic services to individuals in Taiwan must register for business tax and issue cloud-based uniform invoices if annual sales exceed TWD 600,000 from 2025. Taxpayers may avoid penalties by voluntarily correcting unpaid tax and paying accrued interest before an investigation begins.
- **Taiwan:**[xlviii] On September 3, 2026, Taiwan's Ministry of Finance clarified that sales by businesses of virtual assets and stablecoins defined under the Virtual Asset Service Act are outside the scope of business tax because they function as payment or investment instruments rather than consumption. The Ministry also clarified that service fees or commissions charged by virtual asset service providers for exchange and related services remain subject to business tax. Non-fungible tokens (NFTs) are not treated as virtual assets under the Act. Therefore, sales of NFTs or their exchange for goods or services are subject

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to business tax. Businesses that have underreported such taxable transactions may avoid penalties by voluntarily filing supplementary returns, paying the outstanding tax, and adding interest before being reported or investigated by the tax authorities.

- **Ukraine:**[xlix] On September 16, 2026, the Ukrainian Parliament approved at first reading Draft Law No. 16051-1 and related Draft Law No. 15460, which would introduce new VAT and customs rules for low-value goods sold online to consumers and shipped to Ukraine through international postal and express deliveries. Under the proposals, online marketplaces and other electronic platforms generally would be responsible for collecting and remitting VAT on qualifying sales. Both bills are being prepared for second reading, and the principal changes would apply no earlier than July 1, 2027. To read KPMG's previous discussion of these measures, click here.
- **United States:**[l] One member of the House of Representatives recently proposed the *U.S. Innovation and Global Competitiveness Act of 2026*, which would classify DSTs and certain similar foreign taxes as discriminatory taxes for purposes of the Base Erosion and Anti-Abuse Tax (BEAT). Under the proposal, payments made to related parties in jurisdictions that impose a discriminatory tax generally would not qualify for an exception that can apply when the related income is subject to sufficient foreign tax. The proposal defines discriminatory taxes broadly. In addition to DSTs, it could apply to certain taxes imposed on a basis other than net income, taxes borne primarily by foreign businesses, taxes outside the scope of traditional income tax treaties, and taxes intended to apply disproportionately to foreign multinational groups. The bill specifically excludes a range of taxes from the discriminatory tax definition, including VAT, GST, sales taxes, generally applicable income taxes, withholding taxes, property taxes, and similar levies. The proposed changes would apply to taxable years beginning after December 31, 2026.
- **Uzbekistan:**[li] On September 11, 2026, Uzbekistan published Law No. 3PY—1173, extending the country's existing nonresident VAT regime for digital services (in place since 2020) to cover foreign sellers of goods through e-commerce platforms, effective December 12, 2026. A new sourcing test brings B2C sales of goods into scope if both the customer's residence and the delivery location are in Uzbekistan. Platform operators are deemed tax agents only if they are Uzbekistan-based—otherwise, liability stays with the foreign seller, unless another intermediary in the payment chain qualifies as a tax agent. The existing 30-day registration/deregistration rules and quarterly e-filing requirements now extend to goods sellers, with VAT calculated on the sale price; however, the law does not yet clarify how this interacts with Uzbekistan's separate import VAT regime, an issue expected to be addressed in forthcoming implementing regulations. For more information, click here.

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

- **Argentina:**[lii] On August 31, 2026, Argentina's tax authority (ARCA) published General Resolution 5893/2026, amending key regulations to expand e-invoicing requirements. Starting November 1, 2026, certain Monotributo taxpayers (i.e., small businesses) must issue e-invoices or use Fiscal Controllers. Non-VAT taxpayers must comply by March 1, 2027. Printed invoice books will only serve as contingency documents after these dates. ARCA will automatically enable electronic invoicing points of sale for Monotributo taxpayers without an active setup.
- **Bolivia:**[liii] On September 1, 2026, Bolivia's National Tax Service (SIN) issued technical specifications and a mandatory testing window to develop new technical specifications for its invoicing system. The authorization process for the new invoicing systems will run from October 1 to November 16, 2026. The updated system will separate the VAT amount from the net transaction price on invoices. Until the new framework is finalized, the existing rules under RND 102100000011 of 2021 remain in effect.
- **Denmark:** The Danish Business Authority recently amended requirements for providers of registered bookkeeping systems, postponing the effective date from January 1 to March 1, 2027. Current systems must support electronic bookkeeping, issue, receive, and store e-invoices in OIOUBL and Peppol BIS formats, and generate Danish SAF-T files, currently containing only header information. From March 1, 2027, users of registered systems must be notified of automatic registration in the NemHandel Register, with four weeks to opt out. Providers must complete registration within four weeks and clearly indicate when invoice recipients are registered so users can readily select e-invoicing. E-invoicing will remain voluntary, although the initiative seeks to expand its practical use. OIOUBL and Peppol BIS will gradually be replaced by a common Peppol-based specification beginning in mid-2028, with full phaseout expected by mid-2029. Businesses using non-registered systems remain responsible for meeting digital bookkeeping requirements and will not be registered automatically. To read a report prepared by KPMG in Denmark, click here.
- **Dominican Republic:**[liv] On September 16, 2026, the Dominican Republic's General Directorate of Internal Taxes (DGII) issued General Rule No. 02-2026. This rule exempts electronic issuers authorized by the DGII from ITBIS withholding when transactions are invoiced using Electronic Fiscal Receipts (e-CF). The exemption applies solely to withholdings established under General Rule No. 02-05 and its amendments, without affecting other tax-related withholdings or perceptions. The measure aims to simplify compliance for electronic issuers and aligns with the country's mandatory e-invoicing system under Law No. 32-23. It emphasizes transparency and efficiency in tax administration while reducing costs for taxpayers.
- **Ethiopia:**[lv] On June 9, 2026, Ethiopia introduced Directive No. 1142/2026, requiring businesses to adopt e-invoicing systems integrated with the Ministry of Revenues' Electronic Invoice Registration System. Invoices must be registered, assigned an Invoice Registration Number (IRN), and include a QR Code for authentication. This initiative aims to enhance tax compliance, transaction transparency, and Ethiopia's digital transformation. Businesses must use approved systems, register through the taxpayer portal, and obtain credentials like API keys and Digital Signature Certificates. Temporary QR-enabled manual

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invoices are allowed during system failures, with offline transactions uploaded within 72 hours. Non-compliance may lead to penalties. This directive aligns Ethiopia with global digital tax practices. The timetable for the deployment of the mandate will be announced later.

- **Gambia:**[lvi] On June 22, 2026, the Gambia Revenue Authority announced that the government of the Gambia had approved the implementation of an electronic invoicing system for VAT and other applicable taxes. The system is intended to improve tax compliance, enhance transparency and accountability in business transactions, increase the accuracy of tax reporting, and support domestic revenue collection. The government also approved regulations governing the system's implementation. The Gambia Revenue Authority will initially conduct a pilot involving selected taxpayers from different economic sectors, who will receive guidance and support during the pilot period. The results will be used to test, refine, and optimize the system before its nationwide rollout.
- **Germany:**[lvii] On September 23, 2026, Germany's Federal cabinet approved draft legislation to eliminate the mandatory issuance of paper receipts starting in 2028. Customers will receive receipts through digital means, such as QR codes, download links, or electronic customer accounts, with paper receipts available only upon request. Businesses with annual gross receipts exceeding EUR 100,000 must adopt modern cash register systems by 2028. However, taxpayers with annual cash sales below EUR 12,000 will be exempt, with specific sectors potentially exempt by regulations. The government aims to standardize digital point-of-sale technologies, reduce compliance costs, and promote environmental sustainability by reducing paper waste.
- **Malaysia:**[lviii] On September 1, 2026, Malaysia's Inland Revenue Board (IRB) raised the e-invoicing implementation threshold from MYR 1 million to MYR 3 million. Businesses with annual income or sales below MYR 3 million are now exempt from mandatory e-invoicing. The government encourages voluntary adoption to promote digitalization. The announcement aligns with the Prime Minister's National Day 2026 address on August 30, 2026, aimed at reducing compliance costs and administrative burdens for small businesses. For more information, click here.
- **Nepal:**[lix] On September 7, 2026, Nepal's Inland Revenue Department issued guidance on the 2026 Finance Act, highlighting a fine of NPR 100,000 to NPR 500,000 for noncompliance with mandatory e-invoicing requirements.
- **Netherlands:**[lx] On September 11, 2026, the Dutch government announced plans to implement mandatory e-invoicing and digital reporting for B2B transactions. Starting July 1, 2030, businesses must issue e-invoices for both domestic and intra-EU B2B transactions, which must comply with a uniform EU standard, as well as a digital reporting for the cross-border transactions covered (both for Dutch suppliers and recipients). From July 1, 2031, businesses (suppliers) will also be required to digitally report domestic B2B transactions to the Dutch Tax Administration. The government aims to reduce administrative burdens, enhance VAT fraud prevention, and improve tax compliance. Measures to ensure data privacy and security will be prioritized. The legislative process is expected to conclude by July 2028, allowing a two-year preparation period before implementation. As a next step, consultation draft legislation is expected by the end of 2026 for stakeholder input. To read a report prepared by KPMG in the Netherlands, click here.

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- **Norway:**[lxi] On August 31, 2026, SAF-T Financial announced the release of version 1.40, which can be used immediately and will become mandatory starting January 1, 2027. This updated form supports full backward compatibility, allowing older versions (1.20 and 1.30) to remain valid for financial years up to 2026. The updated documentation includes a technical description of data elements, schematic views, and a legal guide translated into Norwegian Bokmål. The schematic views, last updated on April 30, 2026, detail the Header, Masterfiles, and GeneralLedgerEntries sections, offering adjustable zoom functionality for better visualization.
- **Norway:**[lxii] On September 25, 2026, Norway's Ministry of Finance announced a regulation extending the deadline for mandatory e-invoicing. Starting January 1, 2030 (previously January 1, 2027), businesses required to maintain accounting records must receive documentation for purchases of goods and services in an electronic invoice format. This rule applies to transactions between entities subject to bookkeeping requirements. The regulation, effective immediately, aligns with broader updates to Norway's bookkeeping laws and financial market regulations, emphasizing digital bookkeeping and e-invoicing.
- **Norway:**[lxiii] On September 29, 2026, the Norwegian tax authority (Skatteetaten, STA) issued final amendments to the Bookkeeping Regulation supporting the new mandatory e-invoicing and digital bookkeeping rules in the Bookkeeping Act. From January 1, 2027, approved e-invoice standards apply (EHF Invoicing, Peppol BIS Billing, and the self-billing equivalents, version 3.0 or later), although until December 31, 2029 the parties may agree to use another electronic invoice format. Until 2030, the obligation to issue e-invoices applies in practice only where the buyer can receive them (ELMA/Peppol); the obligations to receive e-invoices and to keep books in an electronic accounting system apply from January 1, 2030. From January 1, 2028, sales documents to bookkeeping buyers must state the buyer's organization number (followed by "MVA" if the buyer is VAT-registered) and must be sent to the buyer. Exceptions apply to non-commercial bankruptcy estates and to businesses with annual turnover not exceeding NOK 50,000 (subject to conditions), and the e-invoice requirement is disapplied for specified sales documentation issued by financial businesses, insurers and pension institutions.
- **Philippines:** On September 22, 2026, the Philippine Bureau of Internal Revenue issued Revenue Memorandum Circular No. 98-2026, requiring covered taxpayers, except micro taxpayers, to implement e-invoicing by December 31, 2026. Covered taxpayers may use an in-house or commercial solution or an Electronic Invoicing Service Provider. Electronic invoices must be generated in a structured format, transmitted electronically to buyers, and capable of supporting electronic extraction, processing, and transmission of sales data to the Bureau. Printed system-generated invoices do not qualify if the system lacks these capabilities. Corrections must be made through a credit note or a new e-invoice, while manual invoices may be used during system disruptions and replaced electronically following restoration. Taxpayers must obtain a Permit to Issue Electronic Invoice before issuance and secure Electronic Invoicing and Sales Reporting Certification within six months thereafter. The requirements apply across a taxpayer's head office and branches and took effect immediately. Separately, on September 14, 2026, the Bureau clarified that it had not accredited, certified, authorized, recognized, or endorsed any entity as an official electronic invoicing service provider and temporarily suspended provider-related engagement requests pending finalization of the relevant framework. To read a report prepared by KPMG in Philippines, click here.

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- **Poland:**[lxiv] On September 16, 2026, Poland's Finance Ministry announced it will defer penalties for errors in using the mandatory e-invoicing system, KSeF, until December 31, 2027. The penalty deferral aims to help businesses adapt while ensuring compliance. Under current rules, fines of up to 100 percent of the VAT on non-compliant invoices could apply. The ministry clarified that the deferral does not exempt businesses from using KSeF, and tax authorities will continue monitoring invoices for potential inaccuracies in tax settlements.
- **Poland**:[lxv] On September 15, 2026, Poland's Finance Ministry proposed Bill No. UD473 to introduce automatic VAT settlement, known as e-VAT. Starting in Q4 2029, selected taxpayers can voluntarily receive pre-filled VAT returns prepared using data from the National Tax Administration. Taxpayers must verify, complete, and approve these preliminary returns before submission, as they will not be automatically accepted. The system will integrate additional modules over time to include more comprehensive data. The bill also proposes shortening invoice issuance deadlines to align with VAT reporting periods. Additionally, it includes measures to digitize retail sales through free tools like the National E-Cash Register (KeKR), aimed at reducing costs and promoting e-receipts.
- **San Marino:**[lxvi] On September 4, 2026, San Marino adopted rules requiring e-invoicing for domestic transactions starting January 1, 2027, as outlined in Delegated Decree No. 133. Economic operators must issue and transmit e-invoices to tax authorities within two months of delivering goods or completing services. Operators with annual revenues below EUR 100,000 may issue paper invoices, but those who opt for e-invoicing must continue using it in subsequent years. A transitional period allows voluntary adoption from October 1 to December 31, 2026. Administrative penalties for failing to issue or transmit invoices, set at EUR 100 per violation, will apply starting January 1, 2028. For more information, click here.
- **Serbia:** On July 31, 2026, the Serbian Minister of Finance adopted amendments to the Value Added Tax Rulebook regulating the format and content of preliminary VAT returns, VAT returns, and VAT records. The preliminary VAT return will be generated through the electronic invoicing system using available electronic invoice and VAT-recording data and will comprise Forms PPP PDV, Annex 1, and Annex 2. A new, more detailed VAT return form aligned with the preliminary return is also introduced, together with supporting annexes. The amendments additionally require internal invoice details in VAT records, separate recording of advance payments and certain exempt transactions, and dedicated records for special taxation procedures. The amendments entered into force on August 1, 2026, and generally apply from the January 2027 monthly tax period or the January-March 2027 quarterly tax period. For more information, click here.
- **Serbia:** On August 31, 2026, Serbia published amendments to the Law on Electronic Invoicing (Law No. 80/2026). These amendments broaden the scope of electronic VAT recording and cross-border transactions. VAT taxpayers must electronically record purchases of agricultural and forestry products or services from non-registered farmers and submit aggregate reports for each tax period by the 12th day of the following month. The amendments also allow corrections to recorded transactions and provide access to customs declaration lists for exports. The amendments to the Law prescribe that the measure of prohibition of performing activities for a period of one year shall be imposed in cases where, for the sale of goods or services, a receipt is issued containing a QR code which, upon verification, is determined not to have been generated through the Tax Administration's electronic fiscalization system, or which contains a QR code leading to a fiscal receipt that does not relate to such a transaction. Finally, the law delays enforcement of data-

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accuracy errors in e-delivery/receipt notes until January 1, 2027, expands exemptions from the e-delivery note obligation (e.g., small retail quantities, vouchers, excise stamps, cash, newspapers), and introduces a QR-code alternative for carriers not using the system, along with an exemption for postal operators indicating the e-delivery note ID on the address label. Most changes take effect on January 1, 2027, while provisions for farmer purchases and customs declarations are delayed until July 1, 2027. To read a report prepared by KPMG in Serbia, click here and here.

- **United Arab Emirates:**[lxvii] On September 4, 2026, the UAE Federal Tax Authority (FTA) issued VAT Public Clarification VATP046, defining "Electronic Invoice" and "Electronic Credit Note," and clarifying that these documents only qualify as a valid Tax Invoice or Tax Credit Note once they meet the separate requirements of Articles 59 and 60 of the Executive Regulation. The clarification further confirms that Registrants under the e-invoicing mandate must retain a Tax Invoice in electronic format to recover related VAT, removes the self-invoicing requirement for imports of Concerned Goods/Services from January 1, 2026 onward (while VAT accounting and recordkeeping obligations remain), sets a five-year time limit for claiming excess recoverable VAT, and introduces a new anti-abuse rule (Article 54 bis) denying VAT recovery where a transaction is linked to Tax Evasion and the taxpayer knew, or should have known, of that link.
- **Venezuela:**[lxvii] On August 12, 2026, Venezuela's National Integrated Service of Customs and Tax Administration (SENIAT) issued a resolution, revoking Administrative Providence SNAT/2024/000121, which had set conditions and requirements for providers of software systems used for issuing invoices and other fiscal documents. This repeal may affect compliance standards for electronic invoicing systems in the country. Additionally, SENIAT reformed the regulations governing the Fiscal Information Registry (RIF)

Global E-invoicing Developments Timeline

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

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Canada** published a report discussing British Columbia's recent decision to pause the expansion of its provincial sales tax (PST) to accounting, engineering, geoscience, architectural, non-residential real estate, and security services, which was scheduled to take effect on October 1, 2026. The province has not announced a revised effective date and has not canceled the expansion. A temporary regulation is expected to give effect to the pause. In an updated notice, the province advised businesses that registered for PST because of the planned expansion to cancel their registration through eTaxBC. Businesses that have already updated their systems may need to suspend those changes and refund any PST collected in error.
- **KPMG in Colombia** published a report discussing Colombia's new regulatory framework for carbon markets and carbon pricing instruments under Decree 973. The decree introduces rules governing the national carbon tax and its offset mechanism. The decree also establishes rules for the generation, certification, registration, and use of emission reductions and carbon credits. Businesses participating in carbon-credit projects or using carbon credits to offset carbon tax liabilities may need to review existing projects, arrangements, and compliance processes.
- **KPMG in Colombia** published a report discussing Colombia's enactment of Decree 1413 of 2026, which provides VAT relief on imports of certain goods required for qualifying projects in municipalities affected by the August 10, 2026, earthquake. The incentives are available to resident and nonresident taxpayers investing in eligible municipalities and strategic sectors, including tourism, agribusiness, construction, manufacturing, and services. The benefits are available until December 31, 2027, and certain activities, including mining, wholesale and retail trade, and real estate, are excluded from the regime.
- **KPMG in the Dominican Republic** published a report discussing several indirect tax developments, including a court invalidating a customs assessment and related penalties because the customs authority did not adequately justify its valuation approach. The report also discusses a court decision holding that electronic transmission records alone do not prove that a taxpayer received an audit notice and therefore do not suspend the statute of limitations.

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United States: North Carolina Department of Revenue Holds Digital Advertising Works Are Taxable

- On August 3, 2026, the North Carolina Department of Revenue recently issued Private Letter Ruling SUPLR 2026-0004, addressing the taxability of a company's digital marketing and graphic design services. The taxpayer provides strategic marketing, brand development, and creative design services under retainer-based service agreements. The service produces unique digital assets and intangible strategies that are custom developed to client specifications and delivered via a secure cloud platform or by email. No physical goods are created or shipped by the taxpayer to its clients.

The Department determined that the taxpayer's sales were subject to North Carolina sales and use tax because the taxpayer's activities most closely resembled those of an advertising agency. Advertising agencies are considered retailers under North Carolina law when they produce items that they sell at retail for any purpose other than resale, including sales of certain digital property and taxable services. The Department concluded that the digital assets created by the taxpayer were taxable digital property because they included digital audiovisual works, and that some of the taxpayer's services appeared to meet the definition of repair, maintenance, and installation services for such digital property. Further, the taxpayer would not be able to exclude any nontaxable "professional" services from the sales tax base because it did not separately state its charges to clients. Finally, the Department noted that as the taxpayer had no physical presence in North Carolina, it qualified as a remote seller and would be required to register, collect, and remit sales and use tax if its gross sales from digital products exceeded $100,000.

Miscellaneous Developments in the Americas

- **Brazil:**[lxix] On August 27, 2026, Brazil's Federal Revenue Service launched a new digital data-matching, initiative addressing mismatches between the debts companies declared in their federal debt return (DCTF) and the amounts they calculated as payable in their PIS/Cofins bookkeeping filing. Electronic cross-checking identified discrepancies totaling approximately BRL 300 million between reported and payable amounts for 3,455 corporate taxpayers. Taxpayers may voluntarily correct the inconsistencies by October 30, 2026, before the Revenue Service begins formal enforcement. Taxpayers that do not regularize by the deadline may face audits, assessments for undeclared liabilities, a 75 percent penalty, late-payment interest, and other applicable sanctions. The Revenue Service delivered regularization notices by post and through the e-CAC portal and will communicate with larger taxpayers through the e-Mac channel.
- **Brazil:**[lxx] On September 9, 2026, Brazil's Superior Court of Justice held in a binding precedent that the contribution on gross revenue in lieu of payroll taxes (CPRB) must be included in the calculation bases of the federal social security taxes PIS/Pasep and Cofins. The court found that CPRB forms part of gross revenue and that no legislation permits its exclusion. Accordingly, the exclusion available for certain other taxes does not apply to CPRB.
- **Brazil:**[lxxi] On September 15, 2026, Brazil enacted Law No. 15,504, establishing the Special Tax Regime for Data Center Services (Redata) for companies implementing data center installation, modernization, or expansion projects in Brazil. The regime suspends PIS/Pasep, Cofins, PIS/Pasep-Importation, Cofins-Importation, IPI, and import tax on qualifying information and communications technology products acquired domestically or imported for eligible projects. Companies that satisfy the applicable requirements may convert the suspended taxes to a zero rate. Eligibility requires compliance with specified domestic capacity, sustainability, renewable energy, and innovation investment commitments.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bahrain** published a report discussing updates to the National Bureau for Revenue's VAT General Guide and VAT Retail and Wholesale Guide. The updated guidance provides additional detail on the profit margin method, which allows approved VAT payers to calculate VAT on the profit earned from qualifying used goods rather than the full selling price. The guidance also clarifies eligibility requirements, documentation requirements, VAT recovery, and profit-margin calculations.
- **KPMG in Cyprus** published a report discussing Circular 4/2026, which consolidates guidance on the VAT treatment of medical care and replaces several previous circulars. Medical services intended to prevent, diagnose, treat, rehabilitate, or maintain human health generally remain VAT-exempt when the applicable conditions are met. Certain non-therapeutic services may qualify for the reduced 5 percent VAT rate, while purely cosmetic procedures generally remain subject to the standard 19 percent VAT rate. The guidance clarifies that the purpose of the service, rather than solely the provider's professional status, determines its VAT treatment.
- **KPMG in Estonia** published a report discussing two Tallinn Circuit Court decisions concerning VAT obligations. In the first case, the court upheld the retrospective VAT registration of a foreign company that exceeded the registration threshold, clarifying that a business may still be required to register for VAT even when its customers account for VAT on its sales under the self-assessment mechanism. In the second case, the court upheld interest on unpaid VAT from a taxable sale of building land, finding that prior communications with the tax authority did not prevent the assessment of interest because they constituted advice and tax-risk analysis rather than an audit and did not include misleading or incorrect written guidance.
- **KPMG in Italy** published a report discussing Legislative Decree No. 148/2026, which entered into force on August 12, 2026, and gives businesses additional time to claim VAT paid on purchases and to record purchase invoices and customs documents for VAT purposes. Businesses may now claim VAT paid on eligible purchases by the filing deadline for the VAT return for the second year following the year in which the claim arose. The decree also allows businesses to record purchase invoices and customs documents through the filing deadline for that same period.
- **KPMG in Italy** published a report discussing two Italian Supreme Court decisions concerning VAT refunds for foreign EU businesses and the VAT treatment of cross-border business services. On June 25, 2026, the Supreme Court held that registering for VAT in Italy does not prevent a foreign EU business from using the EU VAT refund process, even when purchase invoices show its Italian VAT number. In a separate decision, the Supreme Court considered whether ship-management services provided by an Italian company to a Portuguese customer were subject to Italian VAT. It found that the customer had sufficient

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business operations in Portugal and was not artificially established there. As a result, the services were not subject to Italian VAT.

- **KPMG in Poland** published a report discussing recent tax developments, including a Supreme Administrative Court (SAC) judgment issued on August 26, 2026 (Case I FSK 1923/23), in which the SAC held that for continuous license services, the VAT liability arises at the end of the monthly or quarterly settlement period agreed in the contract. A later sales report from the counterparty does not postpone the tax point, even if it is needed to determine the final fee. Missing data may affect the taxable amount, but not the date on which the VAT liability arises.
- **KPMG in Poland** published a report discussing recent tax developments, including a SAC judgment issued on September 2, 2026 (Case I FSK 300/24), in which the SAC held that businesses may support the zero percent VAT rate for exports with reliable courier records showing that goods left the European Union. The SAC found that taxpayers are not limited to official customs documents when proving that goods were exported.
- **KPMG in Poland** published a report discussing recent tax developments, including a SAC judgment issued on September 8, 2026 (Case I FSK 19/24), in which the SAC held that a debit note issued after the statute of limitations has expired does not allow a business to claim a VAT credit. The SAC found that the debit note cannot replace an invoice as the basis for claiming VAT once the underlying tax liability is time-barred.
- **KPMG in Poland** published a report discussing recent tax developments, including a bill adopted by the lower house of parliament that would amend VAT rules following the EU's repeal of the customs-duty exemption for imported shipments valued at EUR 150 or less. Separately, the SAC held (Case I FSK 1928/23) that only the provider of a financial service may choose whether to apply the VAT exemption available for qualifying financial services. A business purchasing a financial service from abroad cannot independently elect to apply VAT when the provider treats the service as VAT-exempt.
- **KPMG in Poland** published a report discussing recent tax developments, including a bill that would extend through June 30, 2030, rules under which customers, rather than sellers, report and pay VAT on certain sales of gas, electricity, and greenhouse-gas emission allowances. Separately, the SAC held (Case I FPS 2/26) that courts reviewing a decision extending a VAT refund deadline generally may review only that decision and not earlier decisions for the same tax period that taxpayers did not appeal.
- **KPMG in Serbia** published a report discussing amendments to the Law on Tax Procedure and Tax Administration adopted on August 31, 2026. The amendments shorten the minimum VAT registration period, revise deregistration procedures and deadlines, and give businesses 15 days after ceasing operations to file a final VAT return. If a taxpayer does not file a return, the tax authority may prepare one based on available VAT information. The amendments also allow businesses to file an unlimited number of amended VAT returns for the same tax period and extend the VAT exemption for postal services provided by the public postal operator.
- **KPMG in the United Kingdom** published a report discussing the Carbon Border Adjustment Mechanism (Emissions and Verification) Regulations 2026, laid before the House of Commons on September 9, 2026. Effective January 1, 2027, the Regulations establish rules for measuring, monitoring, verifying, and reporting emissions associated with goods subject to the UK carbon border adjustment mechanism. The government also applied interest rules to underpayments, overpayments, and late payments under the

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regime. Importers should prepare to collect and maintain the emissions data required to comply with the new rules.

Roundup of Latest European Court Cases

- On September 2, 2026, the General Court of the European Union (GCEU) held in *A&P Deco* (T-397/25) that a business that sells its operations but separately rents the business property to the buyer under a VAT-exempt lease may need to repay part of the VAT it previously claimed on the property. The GCEU found that the VAT-exempt lease was separate from the business sale and changed the property's VAT use. As a result, the seller could not keep the full VAT previously claimed on the property's purchase, construction, renovation, or improvement.
- On September 2, 2026, the GCEU held in *Peckeger* (T-413/25) that EU Member States generally may not limit the VAT relief available for transfers of an entire business or part of a business to specific categories of assets or income. The GCEU found that Member States may impose restrictions only where the VAT Directive expressly permits them to do so. The GCEU also held that taxpayers may rely directly on the relevant provision of the VAT Directive before national courts when domestic law imposes broader restrictions.
- On September 9, 2026, the GCEU held in *Trading 4* (T-614/25) that the zero-rating for cross-border sales of goods in a chain transaction within the EU depends on which sale is linked to the movement of the goods between Member States. The GCEU found that the fact that goods moved between Member States, were sold through a three-party chain transaction, or were subject to special excise-duty procedures does not, by itself, determine whether a sale qualifies for the zero-rating.
- On September 9, 2026, the GCEU held in *Szytelbiecka* (T-366/25) that the donation of an undertaking in two equal halves to two individuals is not a "transfer of a totality of assets or part thereof" under Article 19 of the VAT Directive. This is the case even where the donees plan to contribute their shares immediately to a general partnership they own. The Court found that the donation and the later contribution to the partnership are separate and independent transactions, because the second is not conditional on the first, occurs later, and each donee may dispose of their share freely. It therefore assessed each donee individually and held that a half share of an undertaking is not an autonomous unit that either daughter could use to carry on an independent economic activity. Since that first condition was not met, the Court did not examine whether the recipients intended to continue the business, and the transfer falls outside the Article 19 non-sale option.
- On September 10, 2026, the Court of Justice of the European Union (CJEU) held in *P-GmbH & Co. KG* (C-565/24) that the special VAT margin mechanism for travel businesses *applied* to excursions sold below cost, even when the operator covered the losses through sales of goods to participants during the trips. The CJEU found that the excursions were a separate service because customers could participate without purchasing goods. The CJEU also held that a loss on an individual excursion does not allow the operator to recover VAT incurred on the related travel services.
- On September 10, 2026, the CJEU published the nonbinding opinion of its Advocate General (AG) in *I. S.A.* (C-167/26 RX) that a business may claim a VAT deduction only when it has both received the goods or services and obtained the related invoice. The AG concluded that a business generally cannot claim a VAT deduction for a period in which it had not yet received the invoice, even if it received the invoice before filing the VAT return for that period. The opinion also stated that a contrary interpretation by the GCEU created legal uncertainty and was inconsistent with established EU case law.

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Source: Court of Justice of the European Union, InfoCuria, "T 397/25" (September 2, 2026); Court of Justice of the European Union, InfoCuria, "T 413/25" (September 2, 2026); Court of Justice of the European Union, InfoCuria, "T 614/25" (September 9, 2026); Court of Justice of the European Union, InfoCuria, "T 366/25" (September 9, 2026); Court of Justice of the European Union, InfoCuria, "C 565/24" (September 10, 2026); Court of Justice of the European Union, InfoCuria, "C 167/26 RX" (September 10, 2026).

Miscellaneous Developments in EMEA

- **Botswana:**[lxxii] Effective July 1, 2026, Botswana introduced rules requiring VAT-registered businesses, government entities, and certain large businesses that are not registered for VAT to report and pay VAT on qualifying services purchased from foreign service providers. In September 2026, the Botswana Unified Revenue Service issued guidance explaining the new invoicing, registration, and reporting requirements. VAT-registered businesses that purchase qualifying services from foreign service providers must notify the provider of their VAT registration status and prepare recipient-created tax invoices. Government entities and certain large unregistered businesses with annual gross receipts exceeding BWP 1 million must obtain a limited registration solely to report and pay VAT on these purchases and are not eligible to claim VAT credits. The guidance also establishes reporting deadlines and confirms that VAT-registered businesses must report these transactions through their regular VAT returns.
- **Cote d'Ivoire:**[lxxii] On September 15, 2026, Côte d'Ivoire's General Directorate of Customs revised the procedure for obtaining customs compliance certificates required to support VAT refund claims on imports and exports through Circular No. 2423/MEFB/DGD. Applicants must register and submit applications electronically, although supporting documents must still be filed in paper form pending full digitalization. The revised procedure limits applicants to one request every 48 hours and generally requires the customs authority to process applications within five business days. Certain exporters may also obtain a renewable 12-month exemption from providing proof that goods were received in the destination country, subject to specified conditions.
- **Croatia:**[lxxii] On September 1, 2026, the Croatian Tax Administration clarified the VAT treatment of turnkey MRI installation projects. When an MRI device, its installation, testing, commissioning, and related building work form part of the construction or reconstruction of a building, the customer, rather than the contractor, is responsible for accounting for the VAT because the project qualifies as a construction service. However, when the MRI device is installed in an existing building that is not undergoing reconstruction, the special VAT treatment does not apply. The VAT treatment therefore depends on whether the overall project constitutes construction or reconstruction of the building.
- **Denmark:**[lxxv] On September 10, 2026, the European Commission proposed extending Denmark's authorization to apply a simplified VAT mechanism for the occasional private use of light goods vehicles weighing up to three tons and registered solely for business use. Under the mechanism, taxpayers may pay VAT at a daily flat rate of DKK 40 for up to 20 days of private use per calendar year without losing the right to deduct input VAT incurred on the vehicle's purchase. Private use exceeding 20 days would result in the full loss of the purchase-related VAT deduction. The proposal would extend the mechanism from December 31, 2026, to December 31, 2029, while retaining the existing daily rate, vehicle-weight threshold, and private-use limit.

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- **European Union:**[lxxvi] On September 7, 2026, the European Parliament held a public hearing on countering VAT and customs fraud and revising the European Union's anti-fraud architecture. The discussions examined how organized crime exploits the EU Single Market through VAT and customs fraud, the effectiveness of existing rules and enforcement mechanisms, and potential improvements. Participants also considered how authorities track fraud cases, recover lost VAT and customs revenue, strengthen cross-border enforcement, and address the disadvantages that fraudulent operators create for compliant businesses.
- **European Union:**[lxxvii] On September 9, 2026, the European Commission issued a call for evidence on a potential legislative proposal to align the EU VAT framework with circular economy objectives, including the reuse, repair, refurbishment, remanufacturing, and donation of goods. The initiative would consider amendments concerning second-hand goods, donations of viable goods, and passenger cars. Among the options under consideration are harmonizing and expanding the VAT margin program for second-hand goods, modernizing definitions and reporting requirements, and addressing distortions affecting reused, refurbished, and remanufactured products. The Commission will also examine removing the right to recover VAT on intentionally destroyed viable goods, expanding the small-gifts exception, and providing harmonized VAT relief for donations to recognized charities. For passenger cars, the Commission will consider allowing full VAT deductions for non-polluting vehicles used in taxable business activities while restricting deductions for other vehicles. The Commission expects to present a legislative proposal in the second quarter of 2027.
- **European Union:**[lxxviii] On September 9, 2026, the European Parliamentary Research Service published Initial Appraisal of a European Commission Impact Assessment: EU Emissions Trading System (2026 Revision), a briefing reviewing the European Commission's impact assessment accompanying three proposals to revise the EU Emissions Trading System. The briefing found that the assessment provides qualitative and quantitative analysis of proposed changes concerning the emissions cap, market stability reserve, carbon removals, decarbonization funding, free allocation, aviation, maritime transport, stationary installations, and waste emissions. However, the briefing found that the assessment presents information in a fragmented manner and does not adequately explain the problems and objectives underlying all three proposals. It also noted that the assessment omits important analysis, including the implications of covering municipal waste incineration emissions, and lacks key performance indicators for monitoring progress. Although the assessment incorporates stakeholder views and the Commission's proposals largely reflect the preferred policy option, the briefing found that several recommendations from the Regulatory Scrutiny Board remain insufficiently addressed.
- **European Union:**[lxxix] On September 15, 2026, the European Parliament adopted its negotiating position on proposed amendments to the EU Carbon Border Adjustment Mechanism (CBAM). The amendments would expand CBAM to additional downstream steel and aluminum products and strengthen anti-circumvention rules. The proposal would also simplify reporting for least-developed countries, provide technical assistance, and exclude Paris Agreement Article 6 carbon credits from CBAM obligations. The European Parliament will now negotiate the final legislation with EU Member States.
- **European Union:**[lxxx] On September 28, 2026, the European Commission published guidance and related resources for verifiers under the Carbon Border Adjustment Mechanism (CBAM). The materials explain verification, accreditation, and CBAM Registry

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access requirements for accredited verifiers responsible for reviewing emissions reports from non-EU producers of goods imported into the European Union. The Commission also outlined procedures for accessing the CBAM Registry and published user manuals, operational guidance, and training materials covering registration, access requests, and verification activities.

- **Finland:**[lxxxi] On September 17, 2026, the Finnish Supreme Administrative Court held that a service designed to allocate risk between contracting parties formed part of a single taxable service rather than a separate VAT-exempt insurance service. The case involved a leasing company that offered customers optional protection against damage to leased equipment and separately insured the equipment with a third-party insurer. The court found that the protection service primarily altered the allocation of risk between the lessor and lessee and did not constitute a separate insurance product. As a result, the court concluded that the protection service formed part of the taxable leasing arrangement and that the company could recover VAT incurred on costs directly related to fulfilling its obligations under that arrangement, including repairing damaged equipment and providing replacement equipment.
- **France:**[lxxxii] On September 22, 2026, France's Directorate General of Public Finances announced that France will eliminate its simplified VAT regime effective January 1, 2027. Businesses currently using the regime will transition automatically from annual VAT reporting and installment payments to monthly or quarterly VAT returns, depending on their level of activity. Businesses below specified gross receipts thresholds may file quarterly VAT returns, while larger businesses must file monthly returns. Businesses that exceed the thresholds during the year will move to monthly filing. The tax administration will implement the transition automatically, and businesses generally will not need to take any action. The change does not affect the VAT regime for agricultural businesses. Beginning September 1, 2027, businesses moving out of the simplified regime also will need to comply with electronic transaction and payment reporting requirements based on their VAT filing frequency.
- **Iceland:**[lxxxiii] On September 7, 2026, Iceland's Ministry of Finance presented the 2027 budget proposal, which would reduce the VAT refund for labor related to residential construction and renovation from 35 percent to 20 percent. The proposal further includes measures to introduce a natural-resource and infrastructure charge for access to publicly owned tourist attractions. The proposal would also extend through 2027 a prevention charge supporting the protection of critical infrastructure on the Reykjanes Peninsula and replace the lighthouse fee with a maritime safety charge.
- **Italy:**[lxxxiv] On August 28, 2026, the Italian Revenue Agency issued implementing rules (Provvedimento Prot. n. 239129/2026) allowing the agency to determine VAT liabilities when a taxpayer omits an annual VAT return. The agency may calculate VAT using electronic invoices, telematic receipts, periodic VAT settlement data, and VAT payments already made, without considering credits carried forward from the preceding year, and must act by December 31 of the seventh year following the year the return should have been filed. Under the rules, if the calculation results in VAT due, the agency will notify the taxpayer, who has 60 days to provide additional information or pay. The rules impose a penalty equal to 120 percent of the VAT due and annual interest of 4 percent. If the taxpayer pays within 60 days, the rules reduce the penalty to one-third and interest to 3.5 percent.

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- **Italy:**[lxxxv] On July 23, 2026, Italy's Supreme Court issued Order No. 23901, holding that an assignment of receivables qualifies as part of a VAT-exempt financial service when it is integral to an invoice-financing transaction rather than a separate guarantee. The assignment is therefore subject to a fixed registration tax instead of a proportional tax.
- **Latvia:**[lxxxvi] On September 29, 2026, the European Commission objected to Latvia's request to extend a VAT measure under which customers, rather than sellers, account for VAT on sales of timber and related services. The measure has been in place since Latvia joined the European Union in 2004 and has been extended several times. The Commission concluded that Latvia has had sufficient time to implement other anti-fraud measures and noted that the reverse-charge mechanism is intended to be an exceptional and temporary measure. The Commission also stated that Latvia had not demonstrated the need for a further extension and had not identified significant new measures to replace the existing arrangement.
- **Lithuania:**[lxxxvii] On September 4, 2026, Lithuania announced proposed measures to reduce the country's VAT gap to no more than 10 percent in 2026-2027 and 9 percent in 2028. The measures would strengthen data-driven VAT enforcement, including greater use of information from electronic and international trade and wider use of artificial intelligence to identify potential VAT fraud. The proposals also include increasing the VAT registration threshold from EUR 45,000 to EUR 70,000. According to the Ministry, the change would reduce administrative burdens for small businesses and encourage additional gross receipts reporting. In addition, the tax authorities plan to target businesses that underreport sales, improperly apply the zero percent VAT rate to exports and intra-EU transactions, or remain just below the VAT registration threshold.
- **Lithuania:** [lxxxviii] On September 7, 2026, Lithuania's State Tax Inspectorate issued guidance on the excise duty rules for non-alcoholic sweetened beverages and beverage concentrates, which is effective since January 1, 2026. The guidance clarifies that excise duty applies to qualifying products manufactured in Lithuania, received for business purposes from another EU Member State, imported, or acquired domestically where duty remains unpaid. The guidance also outlines applicable excise duty rates, including EUR 7.40 per hectoliter for certain lower-sugar or sweetener-containing beverages, EUR 21 per hectoliter for beverages containing at least 8 grams of added sugar per 100 milliliters, EUR 105 per hectoliter for liquid concentrates, and EUR 4.30 per kilogram for other concentrates. In addition, the guidance explains taxpayer registration, exemptions, refund procedures, and monthly declaration and payment obligations.
- **Mauritius:**[lxxxix] On August 12, 2026, Mauritius enacted the Finance Act 2026, which extends the MUR 2 excise duty on plastic bottles containing goods to all plastic bottles from October 1, 2026, increases the sugar tax from 12 cents to 15 cents per gram on specified sugar-sweetened products, and introduces a 5 percent insurance premium tax. It also imposes a MUR 10,000 penalty for failing to declare deferred import VAT and authorizes customs authorities to require importers of goods valued at MUR 500,000 or more to substantiate the source of funds used to purchase the goods.
- **Moldova:**[xc] On August 26, 2026, Moldova adopted Government Decision No. 469/2026, imposing VAT and, where applicable, excise duties on specified goods introduced from the Transnistrian region by locally established economic operators. The measure applies to categories including sweetened beverages, alcohol, tobacco and nicotine products, natural gas, electricity, vehicles, petroleum products, telephones, and computers. Other goods

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imported through direct foreign transactions will remain exempt from VAT and excise duties, provided they remain in the Transnistrian region. The decision takes effect on September 1, 2026, with certain product categories becoming taxable from January 1 or April 1, 2027.

- **Niger:**[xci] On September 10, 2026, Niger's Directorate General of Taxes issued a circular clarifying VAT withholding requirements. The government, local authorities, and designated organizations must deduct the full VAT amount when paying vendors and remit it directly to the tax authority. Vendors therefore receive the invoice amount excluding VAT. The rule applies even if the invoice does not separately state VAT. Withholding organizations generally must remit the VAT by the 15th of the following month and provide vendors with a validated certificate supporting their VAT deduction. The circular also identifies 84 businesses and organizations subject to the requirement and allows businesses to request an exemption if withholding would increase their VAT credits and adversely affect cash flow.
- **Nigeria:**[xcii] On August 31, 2026, the Nigeria Revenue Service (NRS) issued guidelines governing applications for advance rulings under the Nigeria Tax Administration Act 2025. The guidelines allow taxpayers and authorized representatives to seek written clarification on the interpretation or application of tax laws to specific transactions or arrangements. The guidelines outline application requirements, circumstances in which a ruling may be rejected, and the legal effect of rulings. It provides that the NRS must issue a ruling within 21 days of receiving a complete application or provide written reasons for any delay. An advance ruling is binding only on the NRS and the applicant with respect to the specific facts disclosed and may be withdrawn, modified, or rendered void in prescribed circumstances.
- **Norway:**[xciii] On June 29, 2026, Norway's Ministry of Finance clarified the VAT treatment of remotely deliverable services acquired outside Norway but used by the same legal entity in Norway. The guidance explains that, when a business uses services both inside and outside Norway, it must assess only the portion used in Norway. The Ministry also clarified that businesses must determine whether any foreign VAT charged on that portion can be deducted or refunded abroad. Norwegian VAT does not apply if foreign VAT has been charged on the portion used in Norway and that VAT cannot be deducted or refunded. However, businesses must calculate Norwegian VAT when a foreign VAT deduction is available because the service is used in Norway. The guidance takes effect on July 1, 2026.
- **Norway:**[xciv] On August 25, 2026, the Norwegian Tax Directorate issued guidance confirming that businesses generally may recover VAT incurred on the acquisition, installation, operation, and maintenance of temporary worker accommodations, including site camps and similar facilities used by employees, contractors, and seasonal workers. The guidance explains that these costs generally qualify for VAT recovery when the accommodations support the business's operations and are provided because of work-related needs, such as project location, work schedules, or travel distances. The guidance also confirms that movable site camps are generally not treated as real property for purposes of restrictions on VAT recovery for housing-related expenses.
- **Norway:**[xcv] On September 8, 2026, the Norwegian Tax Directorate clarified the VAT treatment of purchases made through joint ventures holding oil and gas production licenses on the Norwegian continental shelf. The guidance confirms that when multiple companies share the cost of goods or services, each company must claim VAT recovery based on its own share of the purchase and its use of the goods or services in its business. The guidance rejects the use of an "operator model" under which the operator company claims the full VAT recovery and then recharges the net costs to the other participants. Instead,

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participants must allocate VAT recovery among themselves based on their ownership interests or proportionate use. The guidance also confirms that participants must maintain documentation supporting their share of the VAT recovery claim.

- **OECD:**[xcvi] On September 8, 2026, the OECD published its report on *Tax Policy Reforms 2026: OECD and Selected Partner Economies*. The report reviews tax reforms that 92 jurisdictions introduced or announced in 2025 and identifies revenue needs, cost-of-living pressures, digitalization, and environmental and health objectives as key drivers of indirect tax policy. With respect to indirect taxes, jurisdictions expanded VAT collection obligations for nonresident digital sellers and online platforms and accelerated the adoption of e-invoicing and digital transaction reporting. Some countries increased standard VAT rates to raise revenue, while others expanded or consolidated reduced rates for essential goods and selected sectors. Governments also increased or broadened excise duties on tobacco and nicotine products, alcohol, and sugar-sweetened beverages. Some jurisdictions raised carbon, vehicle, aviation, tourism, and waste-related taxes, while others reduced taxes on fuel or electricity to ease household costs. The report also highlights Brazil's plan to replace five indirect taxes with a dual VAT system through a transition ending in 2033.
- **Romania:**[xcvii] On September 10, 2026, the European Commission proposed extending Romania's authorization to apply simplified VAT rules for vehicles used for both business and personal purposes. Under the proposal, businesses generally could recover 50 percent of the VAT incurred on qualifying vehicles and related expenses, including fuel, without tracking the precise business and personal use of each vehicle. If approved, the extension would apply through December 31, 2029.
- **Slovenia:**[xcviii] On September 1, 2026, Slovenia's Financial Administration issued the seventh edition of its detailed guidance on VAT groups. According to the updated guidance, related businesses may register as a VAT group if they maintain qualifying financial, economic, and organizational ties throughout the group's existence. Under the VAT grouping rules, transactions between group members generally fall outside VAT, while the group uses one VAT identification number and files one monthly VAT return for transactions with outside parties. The guidance also clarifies eligibility, registration, invoicing, tax recovery, recordkeeping, cross-border transactions, and members' joint responsibility for the group's VAT liabilities. For cross-border consumer sales, a VAT group may need to register under the EU's simplified reporting programs and use the group's VAT identification number on related filings. In addition, the guidance addresses invoice-reporting requirements and electronic verification of invoices issued by or to VAT group members.
- **South Africa:**[xcix] In September 2026, the South African Revenue Service (SARS) published VAT Connect Issue 21, summarizing the VAT amendments promulgated on April 1, 2026. Key changes for cross-border and digital businesses include a new rule allowing SARS to refund VAT directly into a foreign bank account when a foreign electronic services provider deregisters, and an extension of the intermediary regime so that platforms can account for VAT on digital services provided on behalf of local principals as well as foreign ones, subject to a written agreement and joint and several liability. The VAT exemption for low-value imports from Botswana, eSwatini, Lesotho and Namibia has been removed, and new e-invoicing and e-reporting definitions lay the groundwork for a phased VAT modernization, on which SARS has issued a consultation paper. SARS also confirmed higher registration thresholds of SAR 2.3 million (compulsory) and SAR 120,000 (voluntary) from April 1, 2026, and narrowed the section 8(23) zero-rating to payments under the housing subsidy mechanism. In addition, most schools will exit the VAT system, with exit VAT calculated as at December 31, 2025 and payable in instalments from January 1, 2027.

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- **Ukraine:**[c] On September 4, 2026, the Ukrainian government introduced Draft Law No. 16037 to simplify VAT administration, including raising the threshold for VAT refund audits from UAH 100,000 to UAH 1 million, allowing consolidated monthly VAT invoices for sales to non-VAT-registered customers, requiring quarterly VAT reporting for VAT-registered individual entrepreneurs, and waiving certain audit-related penalties during martial law. On September 18, 2026, lawmakers introduced alternative Draft Law No. 16037-1, which would retain the higher audit threshold and consolidated invoicing rules but allow individual entrepreneurs to choose between monthly and quarterly VAT reporting and reduce certain audit-related penalties to 5 percent instead of eliminating them entirely. Most provisions would take effect following publication, while the reporting changes would apply beginning January 1, 2027.
- **United Arab Emirates:**[ci] On September 1, 2026, the United Arab Emirates Cabinet issued Cabinet Decision No. 149 of 2026, amending the implementing rules for the VAT Law. The amendments clarify the "purchase price" definition for deemed sales, clarify the zero-rating of specified medical products and other goods necessary to provide zero-rated healthcare services, and refine the test for treating a service recipient as "outside the State" (presence of less than 30 days, unconnected to the sale). The decision also revises the conditions under which VAT on employee-related goods and services is recoverable, introduces a more detailed VAT deduction apportionment mechanism (including a dedicated formula for government entities and charities), confirms the Capital Asset Scheme threshold at AED 5 million, and updates Tax Credit Note content requirements. A new provision also codifies the "single composite transaction" concept for bundled, economically inseparable components, and restricts VAT deduction on high-value cash purchases subject to conditions to be set by the Minister. Most amendments take effect on October 1, 2026, while the revised VAT allocation rules apply from the first tax year beginning after October 1, 2027.
- **United Arab Emirates:**[cii] On September 9, 2026, the UAE Federal Tax Authority issued Decision No. 17 of 2026 clarifying when businesses may recover VAT on certain employee-related expenses. The guidance covers expenses such as employee transportation, meals, housing, temporary lodging for new hires, mobile phones and internet services, and parking costs. To qualify, the expenses generally must be incurred for business purposes, provided under an employment policy or contractual obligation, and not serve primarily as personal employee benefits. The decision takes effect on October 1, 2026.
- **United Kingdom:**[ciii] On September 8, 2026, HMRC published Revenue and Customs Brief 8 (2026), revising how non-UK businesses that belong to a VAT group claim refunds of UK VAT. Under the revised approach, each eligible group member must submit its own claim for UK VAT that it incurred; the group's representative member may claim only VAT that it incurred itself. As a transition, HMRC will accept claims for VAT incurred from July 1, 2025, through June 30, 2026, from either the individual member or the representative member, provided the claim is filed by December 31, 2026. In addition, HMRC will reconsider claims for VAT incurred from January 1, 2021, that it rejected solely because the representative member did not file the claim, provided the VAT was not included in a later claim. Businesses must request reconsideration by August 31, 2027.

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- **United Kingdom:**[civ] On September 10, 2026, the UK government published its response to a consultation on a proposed overnight visitor levy and confirmed plans to allow certain local authorities in England to impose a tax on short-term visitor accommodations. The levy would be calculated as a percentage of accommodation charges, excluding items such as meals, and would be collected and remitted by accommodation providers. Revenue from the levy could be used to support local priorities, including tourism-related investments.
- **United Kingdom:**[cv] On September 29, 2026, the European Commission proposed extending until December 31, 2029, a simplified VAT method used in Northern Ireland for company cars that are used for both business and personal purposes. Under the measure, businesses may use a standard formula to determine the portion of VAT that cannot be recovered on fuel used for personal driving, rather than tracking actual private mileage. If approved, the extension would apply through December 31, 2029.
- **United Kingdom:**[cvi] On September 10, 2026, HM Revenue & Customs (HMRC) issued guidance on the VAT treatment of outsourced fund management services. The guidance explains how businesses should determine whether an arrangement should be treated as a single service or as multiple separate services for VAT purposes. HMRC states that businesses should focus on the commercial and economic substance of the arrangement rather than solely on contract terms. Factors such as pricing, how services are delivered, and the customer's perspective may affect whether the arrangement is treated as one service or several separate services. The guidance also reiterates that outsourced services do not qualify automatically for the VAT exemption available for certain fund management activities simply because a fund manager uses those services in providing exempt fund management services.
- **Zambia:**[cvii] On September 17, 2026, the Zambia Revenue Authority launched the Extended Voluntary Disclosure program, allowing eligible taxpayers to resolve outstanding tax liabilities through December 31, 2026. Under the program, taxpayers that pay their outstanding principal tax liabilities may receive a 100 percent waiver of related penalties and interest. The initiative is available to taxpayers with unpaid tax, penalties, or interest and is intended to encourage voluntary compliance and help taxpayers regularize their tax affairs.

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

- **KPMG in Cambodia** published a report discussing recent guidance on the VAT treatment of business transfers and dental services. Effective July 29, 2026, a business transfer is not subject to VAT if the required notifications and taxpayer registration updates are completed and the business continues under the new owner. Otherwise, the transfer is subject to 10 percent VAT.
- **KPMG in Malaysia** published a report discussing recent indirect tax developments. Amongst others, the report highlights guidance clarifying that service tax on employment services applies only to employment or management fees and not to certain pass-through expenses which are allowed to be claimed back from the customer at cost without any mark-up. Effective September 1, 2026, applications for sales tax exemptions on raw materials used to manufacture animal feed, fertilizers, or pesticides must be submitted

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through the MySST portal. The report also notes that the Royal Malaysian Customs Department (RMCD) has issued a Public Ruling which provides clarifications including that tax treatment reply letters issued by RMCD do not constitute reviewable decisions and that an application for review will not be processed if the relevant Bill of Demand remains unpaid. In addition, Malaysia published several indirect tax legislation updates on Customs duties and Tourism Tax.

- **KPMG in Pakistan** published a report discussing recent sales tax and customs developments. The report highlights the extension through September 30, 2026, of a sales tax relief measure for qualifying steel-sector businesses. Effective August 14, 2026, Pakistan also expanded preferential customs treatment under its trade agreement with Uzbekistan to 59 additional tariff classifications. The report further discusses customs administration changes, including electronic notices and penalties for overstayed cargo and the creation of independent customs dispute review committees.

Miscellaneous Developments in ASPAC

- **Australia:**[cvii] On September 2, 2026, the Australian Taxation Office issued a draft update clarifying when retirement villages, nursing homes, and aged-care facilities may provide GST-free care services and accommodation. The draft guidance generally requires residents to have an ongoing need for daily living assistance or nursing care and, in some cases, requires operators to provide services such as daily meals and laundry. The guidance also clarifies when accommodation qualifies for GST-free treatment in connection with eligible care services. Once finalized, the proposed updates would apply from November 1, 2025.
- **Bangladesh**:[cix] On September 20, 2026, Bangladesh's National Board of Revenue (NBR) issued General Order No. 12/Mushak/2026, which makes it mandatory to file VAT returns online through the NBR's eVAT portal for producers of cigarettes, mobile phones, MS (mild steel) products, medicines, beverages, cement, tiles, and paints and varnishes, identified by HS heading. It also applies to vendors of insurance, banking and non-banking financial services, and mobile banking services, identified by service code.
- **China:**[cx] On August 27, 2026, China's Ministry of Finance and State Taxation Administration clarified when businesses may recover VAT incurred on transactions that fall outside the normal scope of taxable sales. The guidance confirms that businesses generally may continue to recover VAT related to items such as insurance proceeds, donations, certain damages, transfers of qualifying receivables, and certain government subsidies. The guidance also identifies situations in which VAT recovery is not available, including certain equity transfers, dividend income, commodity futures transactions that do not result in physical delivery, and transactions outside the territorial scope of China's VAT system. In addition, the announcement clarifies VAT rules for agricultural invoices, admission tickets, asset restructurings, telecommunications packages, discounts, and the process for relinquishing VAT incentives. The rules apply from September 1, 2026.
- **China:**[cxi] On September 3, 2026, China's Ministry of Finance and the State Taxation Administration issued Announcement No. 28/2026, requiring domestic entities purchasing specified services from resident individuals to withhold and remit VAT. Covered transactions include research and development, software, design, consulting, radio and television program production, cultural, and educational services. VAT is calculated by the purchaser and withheld when a transaction exceeds the applicable threshold, unless the individual has already paid the tax. Businesses acting as withholding agents must also file monthly returns and comply with invoicing, recordkeeping, and reporting requirements. The rules take effect on November 1, 2026.

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- **New Zealand:**[cxii] On September 7, 2026, the High Court of New Zealand considered in *Mainzeal Property and Construction Limited (in liq)* whether a GST-registered company must account for GST on insurance proceeds it received after its former directors were found liable for breach of duty. A company's liquidators received about NZD 19.96 million from the directors' liability insurer by enforcing a statutory charge over the policy proceeds. They argued that s 5(13) of the GST Act applies only to a person who suffers the insured loss and is entitled to payment under the policy. The court disagreed. It held that s 5(13) taxes the actual recipient of a payment made under a contract of insurance, whether or not the recipient is a party to the contract, where the payment relates to the recipient's own loss incurred in the course of its taxable activity. The company was therefore liable for GST on the payment.
- **New Zealand:**[cxiii] On September 17, 2026, the New Zealand Inland Revenue considered the GST consequences of cancelling a taxpayer's GST registration retroactively after determining that the taxpayer had never carried on a taxable activity. The decision concluded that retroactive deregistration does not necessarily eliminate existing GST liabilities. A taxpayer may still owe GST if it represented in transaction documents that GST was being charged, even if the registration is later cancelled. By contrast, transactions expressly treated as zero-rated remained taxable at a zero percent rate.
- **New Zealand:**[cxiv] On September 10, 2026, New Zealand introduced a tax bill proposing several GST reforms. Among other things, it would establish a clearer framework for correcting GST return and transaction errors, allow non-residents to disregard certain exported services when assessing the GST registration threshold, and clarify when a non-resident has a taxable presence in New Zealand.
- **Philippines:**[cxv] On September 7, 2026, the Philippines Bureau of Internal Revenue clarified how export-oriented businesses may claim VAT refunds during the transition to the VAT incentives introduced under the CREATE MORE Act. Businesses that obtained the required VAT zero-rating certification by December 31, 2025, may claim refunds of VAT paid on qualifying purchases and imports made before receiving that certification. The guidance allows eligible exporters to recover VAT incurred during the transition period on costs attributable to zero-rated export sales, subject to existing documentation and verification requirements.
- **South Korea:**[cxvi] On September 3, 2026, the South Korean government submitted a bill that would amend the VAT Act. The bill would eliminate VAT exemptions for certain tobacco products that are no longer sold and require businesses to report the date goods or services are provided, rather than the invoice date, on VAT documentation. The bill would also extend the deemed VAT credit for small restaurant operators through 2028 and extend a tax credit for businesses that accept credit card and electronic payments through 2029, while reducing the credit rate and annual cap. Most changes would take effect on January 1, 2027.
- **Timor-Leste:**[cxvii] On August 24, 2026, Timor-Leste's National Parliament announced a public consultation on a draft VAT law as the country moves toward introducing a VAT regime. The consultation will gather feedback from government, business, and civil-society stakeholders before the government finalizes the proposal. The government is preparing its tax and customs administration to implement VAT beginning in 2027 as part of a broader effort to strengthen domestic revenue collection.

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Footnotes

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