Inside Indirect Tax

June 2026

About this Newsletter

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

Table of Contents

Global Rate Changes

- **Albania:**[i] On April 27, 2026, the Albanian Parliament accepted for consideration a bill to amend the VAT Act, proposing targeted relief measures for essential goods. The bill would introduce a 0 percent VAT rate for specified basic household consumption items, including food products such as bread, dairy, fruits, vegetables, and meat, while maintaining the standard 20 percent rate for other goods and services. The proposal also provides that a detailed list of eligible items will be issued by secondary legislation and confirms that taxpayers making zero-rated sales will retain the right to recover VAT on related purchases.
- **Austria:**[ii] On May 12, 2026, the Austrian Parliament's Finance Committee approved a draft bill amending the VAT Act to introduce a reduced VAT rate on a specified basket of basic foodstuffs. The proposal would lower the VAT rate from 10 percent to 4.9 percent on qualifying items such as milk, yogurt, butter, eggs, certain vegetables, fruits, rice, flour, pasta, bread, and salt, while excluding restaurant sales. Subject to parliamentary approval, the reduced rate is intended to take effect from July 1, 2026.
- **Bulgaria:**[iii] On May 18, 2026, Bulgaria's National Assembly began considering a draft bill proposing a zero percent VAT rate on essential food and beverage items included in the national "small consumer basket," such as bread, dairy products, and basic meats.
- **Croatia:**[iv] Croatia recently enacted legislation enabling the government to reduce VAT rates on fuels by up to 10 percentage points in response to surging international energy prices. The measure provides flexibility to adjust VAT rates based on global energy price movements. The government is also reportedly considering a reduction in excise duties on fuels.
- **Czech Republic:**[v] In May 2026, the Czech government approved and submitted a draft law to Parliament proposing a reduction in the VAT rate on non-alcoholic beverages provided in catering services to 12 percent.
- **Dominica:** On April 10, 2026, Dominica's government approved an extension of the VAT exemption and import duty waivers on essential goods until July 31, 2026. For more information, click here.
- **Finland:**[vi] On April 28, 2026, the Finnish Central Tax Board issued a preliminary decision KVL:2026/11, clarifying the VAT treatment of supervised Fustra training sessions. The case concerned whether Fustra sessions, offered on an individual basis or in small groups and focused on improving posture, mobility, and muscle strength, qualified as physical education lessons eligible for the reduced VAT rate. Although the services involved physical exercise and shared characteristics with other training methods (e.g., Pilates), they required continuous instructor supervision, particularly because proper execution depended on correcting individualized movement issues. The Central Tax Board concluded that, despite their physical training elements, the extent and importance of personalized instruction meant that the services were primarily individual coaching rather than general physical education. Applying a strict interpretation

of reduced VAT rate provisions, the Board therefore held that the services do not qualify for the reduced rate and are subject to the standard VAT rate.

- **Greece:** [vii] Greece recently enacted an omnibus tax bill introducing targeted VAT measures, including a VAT self-assessment mechanism for construction services and a reduced 6 percent VAT rate for the services provided by the Independent Power Transmission Operator, which are required for the electricity transmission through the Hellenic Electricity Transmission System and for meeting the needs of electricity consumers, as well as related rebates. The bill also includes provisions reducing certain tax penalties.
- **Iceland:** [viii] On April 29, 2026, Iceland's Parliament passed Bill No. 1147, introducing a temporary reduction in the VAT rate on fuel sold at the pump from 24 percent to 11 percent, effective May 1 through August 31, 2026. The legislation requires retailers to fully pass on the VAT reduction to consumers through lower prices, with the Competition Authority authorized to impose fines for noncompliance. The law also empowers the Minister of Taxation to issue temporary measures, including setting maximum prices or markups, to address any failure to pass on the relief.
- **Indonesia:** [ix] On April 24, 2026, Indonesia issued Minister of Finance Regulation No. 24 of 2026, introducing a temporary VAT incentive for scheduled domestic commercial air passenger transport services in economy class, effective April 27, 2026. Under the measure, VAT on such services will be borne by the government for a limited period to mitigate rising aviation fuel costs and support affordability. The incentive applies only to domestic economy class travel and excludes business or first class, charter, and international flights, and is limited to tickets purchased and used within 60 days from the effective date.
- **Ireland:** [x] On April 28, 2026, the Irish Revenue Commissioners issued Revenue eBrief No. 086/26, updating guidance on the VAT treatment of accommodation, restaurant, and catering services. The update confirms that restaurant and catering services, including certain food and drink elements, will be subject to the 9 percent reduced VAT rate from July 1, 2026, while accommodation services remain subject to the 13.5 percent rate, specified drinks continue to be taxed at the 23 percent standard rate, and certain cold takeaway food remain subject to VAT at the zero percent rate. The guidance also sets out Irish Revenue's expectation that mixed transactions combining accommodation at the 13.5 percent rate and food at the 9 percent rate must be apportioned on a fair and reasonable basis, having regard to the selling prices of each component if sold separately, and provides practical examples covering VAT calculations for mixed transactions, discounted packages, and advance or part payments.
- **Isle of Man:** [xi] On May 22, 2026, the Isle of Man Treasury announced a temporary VAT reduction from 20 percent to five percent on selected family-oriented activities, effective from June 25 through September 1, 2026. The reduced rate applies to children's meals consumed onsite, family entertainment tickets (such as cinemas and theaters), and admission to specified attractions including amusement parks, museums, and zoos. The measure excludes sports-related charges, including participation fees and spectator admissions.
- **Montenegro:** [xii] On May 13, 2026, Montenegro's Ministry of Finance opened a consultation on a draft law, which would set a 21 percent standard VAT rate, with reduced rates of 7 percent, 15 percent, and zero percent applying to specified transactions. These changes would apply from Montenegro's accession to the EU, with the law entering into force eight days after publication.
- **Norway:** On May 1, 2026, Norway implemented temporary reductions in fuel taxes, including a reduction of NOK 1.33 per liter on diesel for road traffic. Additional reductions apply to diesel used in the construction and civil engineering sector, as well as to fuel used in shipping and fishing in coastal waters. The measures cover multiple categories, including automotive diesel and domestic shipping. These temporary reductions apply until September 1, 2026. For more information, click here.
- **Philippines:** On March 25, 2026, the President of the Philippines signed Republic Act No. 12316 into law, introducing a mechanism that allows the temporary suspension or reduction of excise taxes on

petroleum. The relief is triggered when the average Dubai crude oil price reaches or exceeds $80 per barrel for one month, at which point the government may either fully suspend or partially reduce excise taxes on specified fuels. Any such relief may be applied for up to three months at a time, subject to an overall cap of one year per calendar year, after which excise tax rates automatically revert once the triggering conditions are no longer met or the applicable period expires. The law took effect on April 9, 2026, and the authority to implement these measures will remain in place until December 31, 2028. For more information, click here.

- **Saint Kitts and Nevis:** On April 14, 2026, Saint Kitts and Nevis announced tax measures to ease cost-of-living pressures and support the energy transition. The measures include reducing the excise tax on gasoline by 50 percent from April 20, 2026, lowering the customs service charge on gasoline until July 31, 2026, and extending full exemptions from VAT, customs service charges, and import duties for alternative energy equipment, including solar systems, until December 31, 2026. For more information, click here.
- **Sri Lanka:**[xiii] On April 29,2026, Sri Lanka proposed to increase the VAT rate on financial services from 18 percent to 20.5 percent effective July 1, 2026. To read a report prepared by KPMG in Sri Lanka, click here.
- **Slovakia:**[xiv] On May 14, 2026, the Slovak Ministry of Finance published guidance explaining how a special VAT exemption applies to defense products purchased under the EU's SAFE Instrument. The guidance clarifies that sales of qualifying defense products—including imports and cross-border EU transactions—can be free of VAT when they are purchased under joint procurement contracts supported by SAFE, even though this departs from the normal rules under the EU VAT Directive and Slovak VAT law. Importantly, businesses can still recover VAT they paid earlier in the supply chain. To apply the exemption in practice, the purchaser must use a VAT exemption certificate issued under the SAFE framework and stamped by the Slovak Ministry of Defense, which acts as the responsible authority. This certificate must be provided when purchasing or importing eligible defense goods, and vendors are required to keep it in their VAT records as support for applying the exemption. Similar documentation requirements apply to authorized entities that acquire or import such goods under the exemption.
- **Slovenia:**[xv] On May 11, 2026, Slovenia proposed an intervention law introducing a range of tax measures, including temporary VAT rate reductions. The law reduces VAT to 5 percent for certain basic food products and introduces a temporary reduced VAT rate of 9.5 percent for electricity, natural gas, district heating, and firewood for a period of nine months.
- **Sri Lanka:**[xvi] Sri Lanka recently introduced a VAT Amendment Bill proposing several VAT changes, including increasing the VAT rate on financial services from 18 percent to 20.5 percent from July 1, 2026.
- **Switzerland:**[xvii] On May 8, 2026, the Switzerland published Federal Decree Nos. FF 2026 1140 and FF 2026 1141, introducing a draft bill to extend the application of the 3.8 percent special VAT rate for accommodation services provided by hotels and supplementary hotels. The proposal would extend the current validity period from December 31, 2027, to December 31, 2035, with the measure set to enter into force on January 1, 2028, subject to a referendum.
- **Sweden:** On March 23, 2026, the Swedish government released a memorandum proposing a temporary reduction of energy taxes on gasoline and diesel to the EU minimum levels, applicable from May 1, 2026, through September 30, 2026, along with related changes to the reduced tax rates on agricultural diesel through December 31, 2026, implemented in phases. In addition, on March 24, 2026, the Ministry of Finance issued a memorandum proposing to repeal the annual indexation of the energy tax on electricity, thereby maintaining the current rate beyond December 31, 2026, to help mitigate rising electricity costs. For more information, click here.
- **Ukraine:**[xviii] On May 11, 2026, the Ukrainian Parliament accepted for consideration Bill No. 15195-3, which proposes a temporary VAT exemption on the import of specified vehicles. The exemption would apply to eligible individuals, including conflict participants, mobilized military personnel, certain family

members, and persons whose vehicles were destroyed, while excluding luxury vehicles subject to transport tax and individuals with specified convictions. The proposal also includes restrictions requiring that exempted vehicles not be sold, transferred, or used by third parties for three years following registration, with repayment of VAT required in cases of noncompliance. If enacted, the measure would enter into force the day after publication and remain effective until 90 days after the end of martial law.

- **Ukraine:**[xix] On May 28, 2026, Ukraine's Parliament adopted Law No. 4894-IX introducing a temporary VAT exemption on sales of ground-based robotic systems used for defense purposes. The exemption would apply only to qualifying equipment sold under government defense contracts and to specified end users, such as military and security agencies, with the aim of supporting national security efforts amid the ongoing conflict.
- **United Kingdom:**[xx] On May 21, 2026, the United Kingdom's HM Treasury published a fact sheet introducing a temporary VAT reduction from 20 percent to five percent on selected family-oriented activities, effective June 25 through September 1, 2026. The reduced rate applies to children's meals consumed onsite, children's and family tickets for entertainment events, and admission to specified attractions, including amusement parks, museums, zoos, and similar venues. The measure excludes sports-related activities and generally does not apply to season tickets that allow entry outside the relief period, unless priced the same as a standard single-entry ticket.
- **Uruguay:**[xxi] On May 12, 2026, Uruguay published Decree No. 83/026, extending through September 30, 2026, the reduced VAT rate of 9 percent on certain tourism-related transactions where payment is made through approved electronic means.
- **Vietnam:**[xxii] Effective June 20, 2026, Vietnam introduced VAT law amendments under Decree No. 144/2026/ND-CP, expanding the scope of VAT-exempt transactions. The amendments clarify the scope of VAT exemptions to include life insurance, health insurance, student insurance, other person-focused insurance services, insurance for domestic animals and plants, other agricultural insurance services, insurance for ships, boats, equipment, and tools necessary for fishing, reinsurance, and insurance related to oil and gas structures, equipment, and the use of leased foreign-flagged oil tankers operating in Vietnam's maritime zones and agreed overlapping maritime zones. The amendments further exempt the sale of debts, including payables and receivables, and deposit certificates from VAT. Additionally, VAT will not apply to income earned by agents from the sale of VAT-exempt goods or services, and insurance broker commissions will be exempt.
- **Zambia:**[xxiii] On April 1, 2026, Zambia temporarily zero-rated VAT on petrol and diesel and suspended excise duties on those fuels through June 30, 2026, following Cabinet approval on March 31, 2026. The government implemented the measures under the Value Added Tax (Zero-Rating) (Amendment) Order 2026 as a short-term response to rising global fuel prices and supply disruptions, with the aim of reducing costs for businesses and consumers.

Back to top Back to top

Digitalized Economy Indirect Tax Updates

Brazil: Impact of Indirect Tax Reform on Nonresident Sellers and Digital Platforms

On April 30, 2026, Brazil published implementing regulations for its indirect tax reform, setting out key rules affecting nonresident sellers and digital platforms under the new CBS and IBS regime. The reform will replace federal social contributions (PIS and COFINS), state value added taxes (ICMS), and municipal services taxes (ISS) with a dual VAT model, comprising CBS, a federal VAT-style contribution, and IBS, a VAT-type tax unifying state and municipal taxes, with gradual implementation through 2033.

For nonresident sellers, the rules require registration for CBS and IBS where taxable operations have a Brazilian nexus. These include imports where the nonresident is the importer of record or responsible party, cross-border services used or consumed in Brazil, and sales of intangibles or rights economically used in Brazil. There is no registration threshold or distinction between B2B and B2C transactions, meaning nonresidents may need to register from the first taxable transaction. Nonresidents should obtain a tax identification (CNPJ), comply with Brazilian e-invoicing requirements (including NF-e and NFS-e, where applicable), maintain supporting records, and may appoint a Brazilian fiscal representative.

The regulations also introduce split payment, under which CBS and IBS are separated at settlement and remitted directly to the tax authorities, while sellers remain responsible for any residual liabilities. Nonresident sellers may be jointly and severally liable with Brazilian counterparties, and tax authorities may collect tax at the foreign exchange remittance stage if the nonresident is not registered.

For digital platforms, the rules apply where a platform intermediates transactions and controls an essential element, such as billing, payment, terms, or delivery. Platforms, including nonresident platforms, must register for a CNPJ before commencing activities within scope. Where the seller is foreign, the platform may be treated as a tax substitute, becoming responsible for CBS and IBS, with joint liability alongside the Brazilian purchaser. For Brazilian sellers, platforms may become jointly liable if they fail to report required information, if the seller does not issue an invoice, or if the transaction is not properly recorded.

Platforms must comply with transaction-level reporting, provide split-payment information, and integrate with a national public data exchange platform. The rules also cover cross-border e-commerce and international parcels, including potential platform responsibility for CBS and IBS on imported goods. Certain provisions, including registration and invoicing, are scheduled to apply from August 1, 2026, while collection rules will apply from January 1, 2027. Further guidance detailing the interaction of the rules as well as registration mechanism are expected in near future. For more information, click here.

Other Developments

- **Bulgaria:**[xxiv] On May 7, 2026, Bulgaria's Council of Ministers approved and submitted to the National Assembly a draft bill amending the Tax and Social Security Procedure Code to implement the EU DAC8 reporting requirements. DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users' crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026. To read KPMG's previous discussion of DAC8, please click here.
- **Denmark:**[xxv] On May 20, 2026, the Danish Customs and Tax Administration published City Court Decision No. SKM2026.241.BR, clarifying the VAT treatment of intermediary services for short-term accommodation rentals. The court held that a Danish company operating a German-language online portal that lists and mediates Danish holiday homes for Danish rental agencies must charge VAT on its commissions, because it does not act in its own name and therefore cannot treat its services as VAT-exempt rental of real property. The court held that the agencies, not the portal, contract with and invoice the tenants, and the portal only provides an online mediation service.
- **Chile:**[xxvi] On May 20, 2026, the Chilean tax authority clarified that digital intermediation platforms connecting lawyers with process servers provide VAT-taxable services only on their brokerage fee, not the full amount charged to clients. The guidance confirms that process server fees are exempt from VAT as second-category income, and that platforms may issue credit notes to correct excess VAT charged on the exempt portion.

- **Germany:** [xxvii] On May 27, 2026, the German government approved two OECD-based multilateral agreements to enhance tax transparency for digital activities. First, it approved the Crypto-Asset Reporting Framework Multilateral Competent Authority Agreement (CARF MCAA), which enables the automatic exchange of tax-relevant information on crypto-asset transactions based on OECD reporting and due diligence standards. Second, it approved the Digital Platform Information Multilateral Competent Authority Agreement (DPI MCAA), allowing jurisdictions to automatically exchange information on income earned through online platforms, including gig economy activities and the sale of goods.
- **Greece:** [xxviii] On May 15, 2026, Greece enacted Bill No. 5301/2026, implementing the EU DAC8 reporting requirements. DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users' crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026. To read KPMG's previous discussion of DAC8, please click here.
- **Hong Kong:** [xxix] Hong Kong authorities announced plans to introduce a bill in June 2026 to implement a framework for the automatic annual exchange of tax information on crypto-asset transactions. The proposal would incorporate the OECD's Crypto-Asset Reporting Framework (CARF), requiring crypto-asset service providers with a Hong Kong connection to register, conduct due diligence, file returns, and maintain records. Hong Kong targets beginning information exchanges in 2028, alongside implementation of the updated reporting framework.
- **Hungary:** [xxx] On May 14, 2026, Hungary's Act XIV of 2026 entered into force, indefinitely suspending the country's advertising tax by elevating the previous emergency measure to statutory level. The advertising tax, originally introduced in 2014 and suspended since July 1, 2019, by setting the rate to zero percent, would otherwise have resumed following the end of the state of emergency. To read KPMG's previous discussion of Hungary's Advertising Tax, click here.
- **Kenya:** On April 30, 2026, Kenya's government submitted the Finance Bill, 2026, proposing, among other things to apply VAT to digital payment and fintech services, including money transfers, payment processing, settlement, merchant acquiring, gateway services, and aggregation provided through digital platforms for a fee or commission, with the changes scheduled to take effect July 1, 2026. To read a report prepared by KPMG in Kenya, click here.
- **Malawi:** [xxxi] On April 15, 2026, Malawi began applying VAT to digital services under the Value Added Tax (Amendment) Act 2026, following its enactment on April 1, 2026. The rules apply to nonresident providers, intermediaries, and digital platform operators regardless of the registration threshold, and do not allow recovery of VAT paid on purchases for these transactions. The law also raises the VAT registration threshold from MWK 25 million to MWK 50 million, removes VAT recovery on expenses linked to exempt activities, and expands zero-rating to include large buses and certain tourism-related construction materials. For more information, click here.
- **Malta:** [xxxii] Malta recently published Legal Notice 162 of 2026, implementing the EU DAC8 reporting requirements. DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users' crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026. The first reporting period covers calendar year

2026, with reports due by September 30, 2027. To read KPMG's previous discussion of DAC8, please click here.

- **Mauritania:**[xxxiii] Mauritania recently published the 2026 Finance Act, which, among other things, introduced a new tax on electronic transactions, including a 0.1 percent tax on the gross amount of digital payments and transfers and a 10 percent tax on commissions earned by cash-handling agents. The tax applies at the time the transaction is executed and covers payments made through mobile money, electronic wallets, and digital platforms, with certain exemptions for low-value transactions, public sector payments, and humanitarian transfers. The legislation also modifies the Tax on Financial Operations by introducing a higher 20 percent rate on specific digital banking services, compared to the standard 16 percent rate for traditional banking activities. Financial institutions and digital wallet operators are responsible for collecting and remitting these taxes, generally by the 15th day of the following month**.**
- **Morocco:**[xxxiv] On May 14, 2026, Morocco's General Tax Administration announced the launch of a Taxation on Digital Services platform, effective June 11, 2026, to facilitate VAT compliance for nonresident digital service providers without a local presence. The platform enables providers to register, obtain a tax ID, file quarterly VAT returns, make payments, and maintain records of digital services provided in Morocco, including electronically delivered services, which must be made available to the tax authorities upon request. To read KPMG's previous discussion of Morocco's VAT digital services rules, click here.
- **Netherlands:**[xxxv] On May 19, 2026, the Netherlands Ministry of Finance published the results of an external study on the practical application of the DAC7 reporting requirements for digital platforms, highlighting significant challenges. The study found uncertainty around the scope of the rules and key definitions, inconsistent interpretations across EU Member States, and high compliance costs, particularly for smaller platforms. It also identified difficulties with data verification, reporting accuracy, and reconciling DAC7 reports with tax filings, as well as behavioral changes by platforms and sellers, indicating increased administrative burdens and practical complexities in applying the regime.
- **Poland:**[xxxvi] On April 7, 2026, the Polish Prime Minister's Office announced Bill No. UC147 to partially transpose Directive 2025/516/EU under the VAT in the Digital Age (ViDA) initiative. The bill proposes to clarify transactions facilitated by electronic interfaces, refine the calculation of the 10,000 EUR and 42,000 PLN thresholds for determining the place of taxation for remote sales and certain digital services, and confirm that businesses registered under the EU One Stop Shop (OSS) are treated as having elected taxation in the country of consumption. It also clarifies the timing of VAT obligations for transactions reported under EU and non-EU OSS procedures and excludes small exempt businesses from using the Import OSS (IOSS) for imported goods shipments not exceeding 150 EUR.
- **Portugal:**[xxxvii] On April 17, 2026, Portugal approved Parliamentary Decree No. 69/XVII, transposing the EU DAC8 reporting requirements. DAC8 introduces reporting obligations for digital platforms and intermediaries involved in crypto-asset transactions within the European Union. Under DAC8, these entities must provide detailed information to tax authorities about users' crypto-related activities, including transaction amounts, asset types, and account details. DAC8 also facilitates the automatic exchange of this information among EU Member States, enabling coordinated efforts to combat tax evasion and improve cross-border tax enforcement. EU Member States must incorporate the main provisions into domestic law by December 31, 2025, with application starting on January 1, 2026. To read KPMG's previous discussion of DAC8, please click here.
- **Romania:**[xxxviii] On May 25, 2026, Romania published Order No. 608/2026, establishing procedures to verify compliance of Reporting Crypto-Asset Service Providers (RCASPs) with reporting and due diligence requirements and setting out follow-up measures for incomplete or inaccurate reporting. The order follows the version released for public consultation and introduces no substantive changes, confirming the final framework for oversight of crypto-asset reporting compliance.

- **Slovakia:**[xxxix] On May 27, 2026, Slovakia's Ministry of Finance launched a consultation on a draft bill to implement elements of the EU VAT in the Digital Age (ViDA) framework and rules for remote sales of imported goods. The bill would introduce deemed seller rules for digital platforms, amend the One Stop Shop (OSS) and Import One Stop Shop (IOSS) regimes, and establish a new OSS-based framework for transfers of own goods, replacing the call-off stock rules. The proposal would also implement EU rules for remote sales of imported goods, including provisions governing the application of IOSS and simplified arrangements for reporting and paying import VAT. In addition, the bill expands the grounds for cancelling VAT registrations and extends the tax authority's review period for VAT registration applications from 21 days to 60 days. The measures would generally apply upon publication, with certain provisions taking effect from January 1, 2027, July 1, 2028, and July 1, 2030, and comments are due by June 16, 2026.
- **Sri Lanka:**[xl] On April 29, 2026, Sri Lanka Effective July 1, 2026, Sri Lanka proposed a Value Added Tax (VAT) Amendment Bill, which, if adopted, would exclude business-to-business transactions from the scope of the upcoming VAT digital services rules effective July 1, 2026. To read a report prepared by KPMG in Sri Lanka, click here. (To read KPMG's previous discussion of Sri Lanka's regulations implementing the nonresident digital services rules, click here.)
- **United Kingdom:**[xli] On May 22, 2026, the United Kingdom First-tier Tax Tribunal issued a judgment clarifying the VAT treatment of sales made through an online marketplace. A U.K.-registered internet retailer appealed VAT assessments for four periods, arguing that the marketplace operator had already collected and remitted VAT on certain transactions after incorrectly treating the retailer as a non-established business. The retailer also argued that the assessments double counted VAT and included sales made outside the United Kingdom. The Tribunal held that the incorrect classification did not relieve the retailer of its obligation to report and pay VAT on its U.K. sales, even if the marketplace operator had collected VAT from customers. However, the Tribunal found that the UK tax authority, HMRC had overstated the VAT due by including transactions on which VAT had already been reported and by treating non-U.K. sales, outside the scope of U.K. VAT, as taxable. The Tribunal therefore allowed the appeal in part, setting aside one quarterly assessment in full, partially upholding another, and directing the parties to recalculate the correct VAT due for the remaining periods after removing non-U.K. sales.

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.

Back to top Back to top

E-Invoicing Updates

Slovakia: E-invoicing Mandate Effective January 1, 2027

Slovakia recently adopted legislation introducing mandatory e-invoicing and digital reporting for Slovak VAT taxpayers and fixed establishments starting January 1, 2027, initially for domestic business-to-business (B2B) transactions. All VAT-registered entities, including sole traders, must issue and receive e-invoices for domestic B2B transactions, while non-VAT taxpayers that qualify as taxpayers or legal entities must prepare to receive e-invoices. The regime will expand from July 1, 2030, to cover cross-border EU transactions, make e-invoices a substantive condition for VAT deduction on domestic sales, and remove current reporting such as VAT ledger statements and EU sales lists. A voluntary adoption phase begins in the second quarter of 2026, giving businesses time to test systems and adapt processes.

To support implementation, the Slovak Financial Administration issued guidance on January 14, 2026 (Informácia č. 1/DPH/2026/I), which sets out structured e-invoice formats, certified delivery services, reporting deadlines, exceptions, and penalties. Businesses generally must use a certified digital service provider. In parallel, Slovakia strengthened tax control over cash transactions: from January 1, 2026, more entities must record sales through e-kasa cash registers and transmit data directly to the Financial Directorate, under a regime that defines device requirements, certification, and penalties of €100 to €60,000. For more information, click here.

Other Developments

- **Czech Republic:** [xlii] On May 4, 2026, the Czech government approved the EET 2.0 bill, introducing a modernized sales registration system set to launch on January 1, 2027. The system simplifies reporting by focusing only on basic sales data for in-person payments, excluding VAT amounts, customer details, and remote transactions. Entrepreneurs earning up to CZK1m annually may opt out through a flat-rate tax regime. Free software will be available for small businesses, and nonprofits hosting community events will be exempt. The rollout includes technical guidelines in June 2026, testing in July, and the launch of the MOJE EET app in December 2026.
- **Costa Rica:** [xliii] On April 22, 2026, Costa Rica's Ministry of Finance and the Directorate General of Taxation updated the "Annexes and Structures" document to version 4.4, enhancing e-invoice processes to ensure better tax compliance. Key updates include improved field descriptions, new alphanumeric ID formats for legal entities, and additional codes for referencing rejected invoices and export receipts. The new codes must be implemented in electronic invoicing systems by November 1, 2026, but taxpayers may adopt them earlier. Updated technical and functional documents are available on the Virtual Office (OVi) portal under "Electronic Invoices and Tico Factura."
- **Dominican Republic:** [xliv] On May 6, 2026, the General Directorate of Internal Taxes (DGII) announced a six-month extension for small, micro, and unclassified taxpayers to implement mandatory e-invoicing. Originally set for May 15, 2026, the new deadline is now November 2026. Taxpayers do not need to apply for this relief. However, the DGII emphasized that non-compliance beyond November will result in penalties under Law No. 32-23 on Electronic Invoicing, which outlines sanctions for failing to meet electronic invoicing obligations.
- **Malaysia:** [xlv] On April 20, 2026, Malaysia's Inland Revenue Board (IRBM) released e-Invoice Specific Guideline version 4.7, incorporating the Ministry of Finance's announcement to extend the penalty-free grace period for Phase 4 businesses until December 31, 2027. This extension applies to businesses with annual turnover between RM 1 million and RM 5 million. Mandatory e-invoicing remains effective from January 1, 2026, with full enforcement starting January 1, 2028.
- **Morocco:** [xlvi] On April 18, 2026, the director of the Moroccan Directorate General of Taxes (DGI) announced the completion of its 2025/26 B2B e-invoicing pilot and outlined a phased rollout. A draft decree establishes a pre-clearance model using a four-corner UBL framework. Businesses can submit e-invoices via a free portal, direct ERP integration, or service providers, adhering to technical and signature requirements. Initially, the DGI will act as the service agent, with Certified Service Providers introduced later. The system would support UBL and CII formats, with B2C e-invoicing planned after B2B implementation.
- **Netherlands:** [xlvii] On March 10, 2026, the Dutch Ministry of Finance presented an analysis to Parliament on implementing mandatory e-invoicing and digital reporting under the EU VAT in the Digital Age (ViDA) initiative. The report recommends a phased rollout between 2030 and 2032, proposing a decentralized, Peppol-based e-invoicing model with near real-time reporting for both cross-border and domestic B2B

transactions. The EU ViDA Directive requires Member States to adopt mandatory e-invoicing and digital reporting by July 1, 2030, with optional extensions to domestic transactions. The Netherlands is considering this extension, aiming to streamline compliance and minimize burdens for smaller businesses. Consultations and legislative development are expected to begin between 2026 and 2028.

- **Paraguay:**[xlviii] On May 6, 2026, Paraguay's tax administration (DNIT) issued Resolution 52, designating 3,000 new taxpayers as e-invoice issuers under the Integrated Electronic Invoicing System (SIFEN). The resolution establishes six groups with specific start dates for compliance: June 1, 2026, for Group 19; September 1, 2026, for Group 20; December 1, 2026, for Group 21; March 2, 2027, for Group 22; June 1, 2027, for Group 23; and September 1, 2027, for Group 24. From each group's start date, pre-printed or self-printed document authorization will expire. Taxpayers will be notified via Marandu, and details are available on DNIT's website.
- **Peru:**[xlix] On April 30, 2026, Peru published Resolution No. 000075-2026/SUNAT, updating rules for designating e-invoice issuers under the Electronic Issuance System (SEE) and mandating the use of the Integrated Electronic Records System (SIRE). Starting June 1, 2026, taxpayers registered in the single taxpayer registry (RUC) under the MYPE, special, or general income tax regimes must issue e-invoices from their registration date. Taxpayers transitioning out of the simplified single regime (NRUS) must issue e-invoices from the first day of the month after leaving the RUC. Additionally, those required to maintain electronic sales and purchase records must use SIRE once their obligation begins. These measures aim to expand e-invoicing and streamline compliance processes.
- **Qatar:**[l] On May 6, 2026, Qatar's Cabinet approved a draft law on e-invoicing and its regulations. The law aims to establish a legal framework for e-invoices, enhance transparency, and support digital transformation. Reliable databases will be created for oversight purposes.
- **Sri Lanka:**[li] On May 4, 2026, Sri Lanka's Inland Revenue Department (IRD) announced the implementation of the National e-Invoicing System for VAT-registered persons. The pilot phase has already started, involving garment exporters, tea exporters, and tea manufacturers who upgraded their ERP systems to integrate with the Revenue Administration Management Information System (RAMIS) via WEB API. Full integration is expected by the end of 2026. The IRD also provided a detailed explanation of the WEB API and its benefits for VAT registrants in a question-and-answer format.

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.

Back to top Back to top

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 Chile** published a report discussing indirect tax measures included in the proposed "Law for National Reconstruction and Economic and Social Development." The bill includes a temporary one-year

VAT exemption for the first sale of new residential properties, while preserving the seller's right to recover VAT on construction costs. The exemption is subject to specific conditions and transitional rules, and the related sales would not be included in the proportional VAT recovery calculation. In addition, the proposal provides for tax invariability protections covering VAT and customs treatment for capital goods imports during investment periods and introduces a new remuneration-based tax credit that may be offset against VAT liabilities after monthly provisional payments.

- **KPMG in Costa Rica** published a report discussing, among other things, a private ruling issued by the Costa Rican Tax Administration on the VAT treatment of international transportation services provided by non-resident providers. The ruling provides that VAT applies based on territorial principles, including the portion of land transport performed within Costa Rica and transportation services considered to originate in the country. Where the provider is a non-resident and the recipient is a local taxpayer, the taxpayer self-assesses and remits the applicable VAT.
- **KPMG in the Dominican Republic** published a report discussing, among other things, a Constitutional Court decision on the VAT treatment of foreign exchange differences. The case concerned whether foreign exchange gains arising from fluctuations in currency values after an underlying transaction should be subject to VAT. The court upheld the tax authority's position that such differences must be analyzed in the context of the underlying VAT-taxable transactions, rather than treated as separate financial income outside the scope of VAT. It also confirmed that VAT exemptions for financial services apply only to regulated financial institutions and therefore did not apply in this case.

United States: Tennessee Appellate court says sales of software not subject to business tax, but certain services are

In a recently published decision, the Tennessee Court of Appeals analyzed whether the taxpayer, a seller of enterprise software and various related support services, was subject to the Tennessee business tax for its sales to Tennessee customers. The business tax is a gross receipts tax imposed on businesses engaged in certain types of business activities in the state, with various classifications used to determine the applicable tax rate.

Following an audit, the Tennessee Department of Revenue assessed business tax on the taxpayer's receipts from the licensing of software (both on-premise and remotely accessed), subscriptions for infrastructure-as-a-service ("cloud hosting"), and various other cloud-based services such as support, configuration, training and consulting. The Department identified all of these activities as being taxable services under the Business Tax Act. The taxpayer filed a complaint with the Chancery Court, which ruled that the licensing of software was not subject to the business tax because it constituted sales of nontaxable intangible property and further held that cloud hosted offerings were not subject to business tax as the sales were akin to leasing property outside of Tennessee. However, the court upheld the assessment on certain cloud-based services, finding that those services were delivered to Tennessee customers.

On appeal, the Court of Appeals agreed with the trial court that the sale of the taxpayer's software represents the sale of intangible property. The appellate court relied on a previous Tennessee Supreme Court decision which held, for sales tax purposes, that the sale of software involves the sale of information, and that any tangible medium used in the exchange is merely incidental to the intangible property. Although the Tennessee legislature later enacted provisions expressly defining computer software to be subject to sales and use tax regardless of the nature of delivery, the previous Supreme Court's decision did not involve business tax, and the legislature has not enacted similar changes under the Business Tax Act.

With respect to the taxpayer's sales of cloud hosting, the appellate court disagreed with the trial court, finding that the "true object" of the transaction is access to the taxpayer's computing infrastructure and functionalities. The trial court had considered cloud hosting to be tantamount to the leasing of tangible personal property, but the appellate court consulted dictionary definitions to determine that leasing involves the conveyance of possession and control of tangible personal property. Here, there was no evidence that any hardware or server equipment was ever physically delivered to customers. Instead, by granting access to infrastructure, the taxpayer was engaged in an activity or work for profit, which made the activity a service for purposes of the business tax.

Finally, the appellate court reviewed how the taxpayer's cloud-based services should be sourced for purposes of the business tax. The taxpayer argued that these services were not delivered in Tennessee because nothing was physically delivered to a location in Tennessee and because none of its employees ever traveled to Tennessee to perform any services. The appellate court again consulted dictionary definitions to determine that the meaning of "delivery" includes services where electronic access is provided to someone. Because the taxpayer's customers electronically accessed the cloud-based services from their locations in Tennessee, the services were "delivered" in Tennessee and therefore subject to the business tax. The appellate court also agreed with the Department that the use of "ship-to" addresses was a reasonable method for determining where the services were delivered. For more information, click here.

Miscellaneous Developments in the Americas

- **Argentina:** [lii] On May 6, 2026, Argentina published General Resolution No. 5843/2026, which entered into force on May 9, 2026, introducing a digitalized VAT refund regime for foreign tourists. The new framework requires participating businesses to verify tourist status, issue electronic refund documentation, and report transactions through an authorized platform, while refund operators must submit data to customs authorities for validation. The regime aims to simplify and streamline VAT refunds, with reimbursements provided in cash or credited to foreign accounts.
- **Brazil:** [liii] On April 30, 2026, Brazil published Decree No. 12,955/2026 and Resolution No. 6/2026, which establish the regulatory framework to implement Brazil's recent consumption tax reform introducing the new tax on goods and services (IBS) and contribution on goods and services (CBS), set out common and specific rules for both taxes (including initial guidelines on split payment—voluntary and limited to business-to-business transactions from 2027—and cashback), provide that the tax authorities will start imposing penalties for failures to meet reporting and other procedural obligations from August 1, 2026 (with fines effectively enforced in 2027), announce that the government will publish a list of tax benefits in the coming weeks to allow taxpayers to request compensation until December 31, 2028, and clarify that the IBS Management Committee and the Federal Revenue Service may issue further regulations.
- **Brazil:** [liv] On May 12, 2026, Brazil issued Provisional Measure No. 1,357, eliminating the federal import tax on low-value shipments (up to USD 50) by reducing the rate to zero, down from 20 percent, with immediate effect pending congressional approval. The measure also reduces import tax rates on goods valued between USD 50.01 and USD 3,000 to up to 30 percent, while maintaining existing deduction mechanisms. State-level ICMS continues to apply, typically at rates between 17 percent and 20 percent, meaning imports remain subject to indirect taxation despite the federal relief.
- **Canada:** [lv] On April 14, 2026, the Canadian Tax Court issued decision 2026 TCC 69, clarifying the requirements for claiming goods and services tax (GST) / harmonized sales tax (HST) bad debt deductions for unpaid legal fees. The court dismissed the taxpayer's claim, finding that the taxpayer failed to prove that at least 50 client receivables were true "bad debts" because it did not identify them individually or show reasonable, case-by-case collection efforts, did not write off the debts in its books of account as required, and had not remitted all net tax reported for the 2013 periods in which the underlying invoices arose before claiming the deduction.
- **Canada:** [lvi] On May 7, 2026, the Canadian Tax Court issued decision 2026 TCC 76, confirming that a director remained personally liable for a company's unremitted GST/HST. The court found that the individual did not credibly prove that he resigned as a director on June 15, 2015, so the two-year limitation period in subsection 323(5) of the Excise Tax Act did not bar the assessment, and noted the absence of objective, corroborating evidence that the corporation received his written resignation. The

court also rejected his due diligence defense under subsection 323(3), holding that, given his background and knowledge of the corporation's delinquent filings and remittances, he failed to take adequate steps from the time he became director to prevent the failure to remit net tax.

- **Canada:**[lvii] On May 19, 2026, the Canadian Tax Court published decision 2026 TCC 87, holding that the sale of a pre-construction condominium triggered a GST/HST liability, as the taxpayer was considered to be acting in a commercial capacity rather than as a homeowner. The court found that the taxpayer qualified as a "builder" for GST/HST purposes, based on a speculative intent at the time of purchase and the lack of credible evidence that the property was used as a primary residence. As a result, the court held that the sale was a taxable real estate transaction, requiring the taxpayer to collect and remit GST on the sale, and rejected arguments that the transaction should be treated as an exempt residential sale.
- **Chile:**[lviii] On April 23, 2026, Chile's Internal Revenue Service issued Letter No. 902, confirming that pre-litigation collection services are subject to VAT when fees are charged, including when performed by government entities. The ruling clarifies that the public nature of the provider and the treatment of fees as public revenue do not exempt the services from VAT, as the activity constitutes a service performed for consideration. As a result, the government agency must charge VAT, issue invoices (not alternative documents), and comply with standard VAT reporting and payment obligations.
- **Chile:**[lix] On April 23, 2026, Chile's Internal Revenue Service issued Letter No. 896, clarifying that VAT paid on the purchase of certain passenger vehicles generally is not recoverable as a credit, even if the vehicles are used in a taxable business. The guidance confirms that, as a general rule, cars and similar vehicles do not qualify for VAT recovery, unless special approval is obtained under separate tax rules. However, the ruling clarifies that certain commercial vehicles (such as light vans below specified weight thresholds) may qualify for VAT recovery, provided the vehicle is directly used in the taxpayer's business activities.
- **Chile:**[lx] On April 23, 2026, Chile's Internal Revenue Service issued Ruling No. 901-2026, confirming that cross-border technical advisory services provided from abroad are exempt from VAT when the payment is subject to Chilean withholding tax. The guidance clarifies that, under Chilean rules, this exemption prevents both VAT and withholding tax from applying to the same service, resulting in the service being outside the scope of VAT where withholding tax applies.
- **Chile:**[lxi] On May 13, 2026, Chile's Internal Revenue Service issued Ruling No. 1128, confirming that sales of liquefied petroleum gas (LPG) in cylinders are subject to VAT, even when intended for residential use, with no applicable exemption. The ruling also clarifies that, under a special mechanism, the VAT on these sales may be collected and remitted by the upstream distributor rather than the reseller. In addition, the guidance confirms that sales incentives or bonuses paid to distributors based on performance or sales volumes are treated as payments for services and are subject to VAT, requiring the recipient to charge VAT and issue invoices on those amounts.
- **Chile:**[lxii] On May 13, 2026, Chile's Internal Revenue Service issued Ruling No. 1127, confirming that small and medium-sized businesses may claim a VAT refund or carryforward related to capital investments even when those assets are fully expensed for income tax purposes. The guidance clarifies that immediate depreciation does not change the classification of an asset as a capital asset for VAT purposes, meaning eligible taxpayers may still recover VAT paid on qualifying fixed assets, provided all other requirements are met.
- **Chile:**[lxiii] On May 15, 2026, Chile's Internal Revenue Service issued Letter No. 1149, clarifying the VAT treatment of virtual office services offered through promotional arrangements. The guidance confirms that each component of a bundled or discounted service must be evaluated separately to determine whether VAT applies, unless the components cannot be reasonably distinguished. The ruling also notes that promotional structures may be subject to audit, particularly where they lack economic substance, obscure a taxable service, or are designed to obtain a tax advantage.

- **Jamaica:**[lxiv] On April 30, 2026, Jamaica's House of Representatives confirmed that short-term rental accommodations, including properties listed on platforms such as Airbnb, will be brought within the General Consumption Tax (GCT) regime beginning April 1, 2027. The clarification establishes short-term rentals as a newly taxable category, expanding the scope of Jamaica's consumption tax framework to a segment of the hospitality sector that had not previously been subject to GCT.
- **Jamaica:**[lxv] On May 1, 2026, Jamaica's Tax Administration issued Technical Advisory No. 052026/01/GCT-TA, providing guidance on the implementation of a new excise-type tax on non-alcoholic sweetened beverages (NASBs). The tax applies at a rate based on the grams of added sweetener per beverage and is imposed when products are released for local consumption from a manufacturer or excise warehouse, rather than through self-assessment. The guidance clarifies that the tax forms part of the taxable base for General Consumption Tax purposes, effectively increasing the value on which GCT is calculated. It also outlines compliance requirements for manufacturers, including licensing, product registration, monthly reporting, and payment obligations.

Back to top Back to top

Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bahrain** published a report discussing recent indirect tax developments across the Gulf Cooperation Council (GCC). The report highlights updated guidance issued by Bahrain's National Bureau for Revenue on VAT Agents and VAT Representatives, and notes recent regional developments, including upcoming Saudi Arabia workshops on e-invoicing (Phase 2) and excise tax, as well as the United Arab Emirates (UAE) tax authority sessions addressing VAT compliance challenges in the logistics and international shipping sector and excise tax administration.
- **KPMG in Bahrain** published a report discussing recent indirect tax developments across the GCC. The report highlights revised Bahrain Customs rules under which personal shipments and postal parcels valued at BHD 100 or more are subject to customs duties and 10 percent VAT, depending on the customs tariff classification of the goods. It also covers UAE developments, including ministerial resolutions updating the e-invoicing framework and establishing eligibility and accreditation requirements for service providers, as well as recent tax authority workshops addressing VAT compliance challenges.
- **KPMG in the Czech Republic** published a report discussing a recent judgment of the Supreme Administrative Court (SAC) on the VAT treatment of advance payments. The SAC held that VAT on advance payments becomes due when the underlying transaction is sufficiently defined at the time the payment is received. In this case, a company received advance payments on commissions for real estate services linked to a future property sale, and the SAC found that VAT was due because the advances related to a clearly identified taxable transaction, even though completion of the transaction depended on future zoning approval.
- **KPMG in the Czech Republic** published a report discussing measures aimed at mitigating rising fuel prices through extended tax relief and price regulation. The government confirmed that the reduction in excise tax on diesel will continue, maintaining a lower tax burden equivalent to approximately CZK 2.35 per liter after VAT, and that maximum fuel prices will continue to be regulated, including limits on retailer margins. The updated framework also introduces technical adjustments, such as using a three-day average wholesale price and setting a maximum retailer margin of CZK 3 per liter, to ensure that tax savings are passed through to consumers and that fuel prices remain below levels that would otherwise apply without government intervention.

- **KPMG in Estonia** published a report discussing recent legislative amendments to the Excise Duty Act affecting energy products. The amendments cancel the planned excise tax increases on energy products scheduled for May 1, 2026, maintaining the 2025 excise tax rates for petrol, diesel, fuel oils, natural gas, and electricity throughout 2026. The changes also update eligibility for a reduced excise tax rate on natural gas, allowing energy-intensive businesses to qualify for preferential rates, including where electricity storage technologies are used in support of their operations.
- **KPMG in Germany** published a report discussing recent indirect tax developments at the EU and national level. The report highlights guidance on VAT recovery for healthcare organizations, clarifying that costs for required equipment do not automatically qualify as general business expenses eligible for proportional VAT recovery. It also summarizes recent court decisions addressing topics such as the place of taxation for services between a head office and a foreign branch, transfers of entire businesses, and VAT treatment of solar energy project asset transfers, as well as administrative guidance on reduced VAT rates, VAT exemptions, and VAT group rules.
- **KPMG in Kenya** published a report discussing indirect tax and excise changes included in the Finance Bill 2026. The proposals include expanding VAT to cover digital and platform-based financial services, such as money transfers, payment processing, and gateway services, as well as changes to VAT recovery rules, including extending the period to claim refunds on bad debts from two years to three years and removing certain VAT exemptions while applying the standard VAT rate to previously exempt sectors. In addition, the bill proposes to expand the scope of excise taxes to include services provided by virtual asset service providers and to impose excise duties on certain goods imported from East African Community partner states. It also includes rate increases on selected products, such as tobacco and sweetened beverages, and proposes to increase the excise tax on mobile phones from 10 percent to 25 percent of the taxable value.
- **KPMG in Poland** published a report discussing recent indirect tax developments, including proposed changes and court decisions. The report outlines a bill published on April 30, 2026 to implement the "VAT in the Digital Age" (ViDA) package, including changes affecting digital platform transactions, threshold rules for cross-border B2C sales, timing of VAT liability under special regimes, and simplifications to OSS and IOSS registration. The bill would also expand OSS to cover certain energy sales to consumers and eliminate the call-off stock regime effective July 1, 2028.
- **KPMG in Poland** published a report discussing recent indirect tax developments, including legislative updates and court decisions. The report notes that the Polish government extended reduced VAT rates and reduced excise taxes on certain fuels through May 2026 as part of measures to address fuel prices. It also highlights recent court decisions, including a ruling that full VAT recovery is allowed for vehicles designed to prevent personal use without requiring additional certification, and decisions confirming that transactions involving fraud or impersonation do not qualify as taxable sales for VAT purposes.
- **KPMG in Poland** published a report discussing a recent Supreme Administrative Court decision in which it held that tax advisory services provided under continuous contracts are treated as ongoing services, with VAT becoming due when the invoice is issued. It also highlights a decision confirming that shipping costs related to the sale of goods are included in the taxable amount and follow the same VAT rate, even if those costs are shown separately on the invoice.
- **KPMG in Serbia** published a report discussing amendments to the VAT Rulebook, effective from the April tax period, i.e. April – June 2026, introducing more detailed rules on the VAT base, adjustments, and invoicing. The amendments clarify the rules which apply in cases when the tax base is not known on the day when the tax liability arises. The respective rules now apply in cases where the recipient of goods or services is the tax debtor. The Rulebook also specifies that changes to the tax base, including discounts or price adjustments, are recognized in the tax period in which the change occurs, and that returns of goods are always treated as reductions of the tax base. In addition, the changes introduce more detailed

rules on VAT adjustments, and require that self-invoices be prepared in the electronic invoicing system (SEF).

- **KPMG in the United Kingdom** published a report discussing recent tax measures, including a temporary reduced VAT rate of 5 percent on children's meals, tickets, and family attractions, effective from June 25, 2026, to September 1, 2026, as well as fuel-related tax changes, including the extension of the 5 pence per liter fuel duty reduction through December 31, 2026, maintaining the main rate at 52.95 pence per liter, and a reduction in red diesel duty from 10.18 pence to 6.48 pence per liter. The report also notes a consultation on certification requirements for recycled plastic, focusing on evidentiary rules for claiming relief under the plastic packaging tax where products contain at least 30 percent recycled plastic content.

European Union: Court of Justice Clarifies VAT Treatment of Transfer Pricing Adjustments

On May 13, 2026, the Court of Justice of the European Union (CJEU) issued its judgment in *Stellantis Portugal, S.A.* (Case C-603/24), clarifying the VAT treatment of year-end transfer pricing adjustments between affiliated entities.

The case concerned a Portuguese taxpayer that purchased vehicles from group manufacturers and resold them to independent dealers. Where vehicles had manufacturing defects, warranty-related issues, or required roadside assistance repairs, the dealers performed the repairs and invoiced the taxpayer, including VAT. The taxpayer included those repair costs, along with other distribution costs such as staff, electricity, and marketing, in the cost base used for intra-group transfer pricing adjustments. Under a 2004 agreement, initial transfer prices were adjusted through credit or debit notes so that the taxpayer achieved a predetermined profit margin on resale. The Portuguese tax authority treated the taxpayer as having provided taxable repair services to the manufacturers, arguing that the repair costs were effectively passed back through the transfer pricing mechanism.

The CJEU held that such transfer pricing adjustments do not constitute consideration for a service unless there is a legal relationship involving reciprocal commitments, namely an identifiable service provided by one party and remuneration paid by the other in return. The CJEU noted that the 2004 agreement was aimed at setting and adjusting vehicle prices to secure a target resale margin and did not establish an obligation for the taxpayer to provide repair services to the manufacturers for remuneration. It also observed that the adjustments were calculated based on a broad range of costs and could result in either credit or debit notes. Because the mechanism was designed to ensure a profit margin rather than reimburse specific repair costs, any link between repair activities and the transfer pricing adjustments was, at most, indirect and insufficient to establish a service subject to VAT. Finally, the CJEU rejected the argument that the taxpayer acted on behalf of the manufacturers in relation to the dealers' repair services, as there was no evidence that it acted as an intermediary or agent. However, if the referring court determines that the adjustments instead represent a change to the purchase price of the vehicles, the national tax authorities must assess the impact on the VAT taxable amount for the original vehicle sales, including any resulting invoicing and reporting implications. For more information, click here.

Roundup of Latest Court of Justice of the European Union Cases

On May 13, 2026, the General Court of the European Union (GCEU) published the nonbinding Opinion of its Advocate General (AG) in *D.B.*, Case T-366/25, in which the AG opined that the VAT "transfer of a going concern" rule does not apply where a business is transferred in equal shares to multiple non-taxable individuals, even if those individuals immediately contribute the assets to a partnership. The opinion explains that the rule requires a single transferee that receives the business and is capable of continuing it, and that transfers to multiple recipients must be assessed separately. Because neither individual received a complete set of assets enabling independent continuation of the business, the transaction does not qualify for the transfer of a going concern out-of-scope treatment under the EU VAT Directive.

Source: European Union; Poland - ECJ Advocate General Opines That Transfer of Undertaking to Two Individuals for Subsequent Contribution to Partnership Falls Outside Article 19 of VAT Directive: *Szytelbiecka* (Case T-366/25) (VAT)(May 13, 2026).

Miscellaneous Developments in EMEA

- **Angola:** [lxvi] On April 30, 2026, Angola issued Presidential Legislative Decree No. 4/26, introducing a 5 percent special tourism contribution (CET) applicable to international tourists aged 12 and above staying in tourist accommodations. The contribution is calculated on the daily room rate per night, capped at seven nights, and must be included on the customer invoice. The measure requires accommodation providers to collect and remit the CET monthly, maintain supporting records, and applies only to non-resident guests, with domestic tourists and children under 12 being exempt. The contribution will enter into force 90 days after publication as part of broader tourism policy measures.
- **Austria:** [lxvii] The Austrian Ministry of Finance published a draft bill proposing the introduction of a parcel tax on domestic e-commerce deliveries. The proposal would impose a EUR 2 tax per parcel (or alternatively per order) on large distance-selling businesses with annual domestic gross receipts exceeding EUR 100 million, including marketplace operators treated as the seller. The tax would apply to consumer parcel deliveries (excluding letter mail, food delivery, and click-and-collect) and would be triggered when the parcel is made available to the customer.
- **Bahrain:** [lxviii] On May 13, 2026, Bahrain's National Bureau for Revenue updated its Tax Agent and VAT Representative Guide, providing revised guidance on authorization and compliance procedures. The updated guidance clarifies that tax agents may act on behalf of taxpayers for VAT obligations, while VAT representatives, typically appointed by non-resident businesses, are jointly liable for VAT, including penalties. It also outlines registration procedures, authorization conditions, fees, and portal functionalities for managing appointments and ongoing compliance.
- **Belgium:** [lxix] On May 7, 2026, the Belgian Ministry of Finance published Circular 2026/C/60, amending the VAT treatment of cross-border movements of business goods within the EU following the CJEU's decision in CHEP Equipment Pooling (Case C-242/19). The updated guidance clarifies that the movement of goods from Belgium to another EU country will not be treated as a taxable transfer where the goods are sent for temporary use in providing services and are later returned. The circular limits this treatment to cases where the Belgian business uses its own goods to perform services abroad, requiring that the goods are returned after use, and removes the prior broader interpretation that allowed certain non-resident businesses to rely on the rule.
- **Bulgaria:** [lxx] On April 30, 2026, Bulgaria's National Assembly began considering two draft bills, Bill Nos. 52-654-01-2 and 52-654-01-14, proposing to increase the mandatory VAT registration threshold for small businesses. Both proposals would raise the threshold from EUR 51,130 to EUR 85,000, although only one bill includes additional technical changes and provides for an effective date of January 1, 2027, while the other does not specify an effective date.
- **Denmark:** [lxxi] On May 4, 2026, the Danish Customs and Tax Administration published Tax Council Binding Answer No. SKM2026.214.SR, clarifying the VAT treatment of activities carried out by a political organization. The Council confirmed that a political association may treat membership fees as VAT-exempt, sell logo merchandise and charge for accommodation/meals without VAT under the non-profit exemption, provided activities support its political purpose and do not distort competition. The Council also confirmed that unconditional donations fall outside VAT, and that recharges of advertising and website costs to local branches and candidates can be made without VAT on a non-commercial, break-even basis.
- **Denmark:** [lxxii] On May 5, 2026, the Danish Customs and Tax Administration published Tax Council Binding Answer No. SKM2026.216.SR, clarifying VAT adjustment obligations in connection with the sale

of real estate and business assets. The ruling confirms that a VAT adjustment obligation is treated for tax purposes in the same way as the underlying cost it relates to. Accordingly, where the adjustment relates to improvements to real property, it is treated as an addition to the acquisition cost for capital gains purposes, and where it relates to business assets, it is added to the depreciation base. The Tax Council further clarified that these tax consequences arise at the time the VAT adjustment obligation occurs, rather than at the time the original expenses were incurred.

- **Denmark:** [lxxiii] On May 8, 2026, the Danish Customs and Tax Administration published Tax Council Binding Answer SKM2026.220.SR, clarifying the VAT treatment of continuing education courses in body therapy. The ruling confirms that short-term continuing education programs, even when aimed at professionals and providing job-related skills, are subject to VAT where they do not lead to a formal qualification. The Tax Council found that the courses were primarily designed for professional use but structured as short courses rather than competency-granting education, and because they were offered for profit and mainly to businesses and institutions, they were treated as taxable course activities rather than VAT-exempt education.
- **Denmark:** [lxxiv] On May 8, 2026, the Danish Customs and Tax Administration published Danish National Tax Court decision SKM2026.229.LSR, clarifying the VAT treatment of share disposals and their impact on VAT recovery calculations. The tribunal held that sales of shares carried out as part of managing and adjusting a real estate investment portfolio are part of the company's economic activity, rather than separate or incidental transactions. As a result, these sales were not considered ancillary (incidental) activities, and therefore the related amounts are VAT exempt sales that must be included in the VAT apportionment computation.
- **Denmark:** [lxxv] On May 8, 2026, the Danish Customs and Tax Administration published Tax Council Binding Answer SKM2026.226.SR, clarifying the VAT treatment of a psychotherapy education program. The ruling confirms that the program qualifies as VAT-exempt professional education, as it is designed to provide participants with skills to work as psychotherapists and leads to a recognized, competency-granting qualification.
- **Egypt:** [lxxvi] On May 14, 2026, Egypt's Tax Authority issued a fourth edition of the executive instructions to its VAT refund procedures, introducing updated rules for the filing, review, and processing of VAT refund claims. The updated procedures establish clearer requirements for complete documentation, including a rule that the refund processing period only begins once all required documents are submitted, and introduce strict administrative timelines for internal review. The edition also expands the use of electronic verification and data integration, and provides specific rules for industrial exporters, including the use of production-based formulas and defined documentation standards to support refund claims. This fourth edition has also emphasized that the tax refund procedures are carried out without waiting the company's tax audit if the company is among the companies listed on the whitelist.
- **European Union:** [lxxvii] On April 30, 2026, the Council of the European Union published a proposal to amend the EU framework on administrative cooperation in VAT matters, aiming to strengthen information sharing between Member States and EU enforcement bodies. The proposal would enable closer cooperation between VAT authorities, the European Public Prosecutor's Office (EPPO), and the European Anti-Fraud Office (OLAF) by allowing targeted access to VAT data and introducing new reporting obligations for Eurofisc. In particular, Eurofisc would be required to share analysis identifying suspected cross-border VAT fraud, while EPPO and OLAF would gain restricted, case-specific access to VAT databases, subject to safeguards designed to prevent broad or indiscriminate data use.
- **European Union:** [lxxviii] On May 4, 2026, the European Commission published a discussion paper analyzing the fiscal and redistributive impact of reduced VAT rates across the European Union. The paper finds that reduced VAT on essentials—especially food and beverages, housing, water and electricity, and health-related items—delivers the strongest and most fiscally efficient redistributive gains, while reduced rates on restaurants, accommodation, furnishings and similar non-essentials are costly and

often weakly redistributive or even regressive. The redistributive impact varies significantly across Member States due to different rate structures and spending patterns, and pension-age, female-headed, and rural households benefit disproportionately from existing reduced rates. Overall, the study concludes that tightening the targeting of reduced VAT rates could improve equity while recovering fiscal space.

- **European Union:** [lxxix] On May 4, 2026, the European Commission published a summary report presenting stakeholder feedback on VAT rules for the travel and tourism sector, including the Tour Operators' Margin Scheme (TOMS) and passenger transport. The consultation results indicate that many stakeholders view the current TOMS rules as distorting VAT neutrality, with support for changes such as optional application to B2B transactions and clearer rules on scope and timing of VAT. The feedback also shows that reduced VAT rates in sectors such as accommodation and restaurants are seen as less effective, while views on passenger transport rules suggest general support for current zero-rating in international transport, alongside calls for simplification and potential expansion of zero-rated treatment within the EU.
- **European Union:** [lxxx] On May 11, 2026, the European Commission launched a public consultation on updating the EU Emissions Trading System (ETS) benchmark values for the 2026–2030 period. The consultation focuses on revising benchmarks used to determine free allocation of emissions allowances to industrial operators, based on the performance of the most efficient installations. The update aims to support decarbonization and maintain competitiveness, with revised benchmarks expected to be adopted by end of June 2026, following stakeholder input and Member State review.
- **European Union:** [lxxxi] On May 13, 2026, the European Commission launched a public consultation on a draft implementing regulation under the Carbon Border Adjustment Mechanism (CBAM) addressing the treatment of carbon prices paid in third countries. The draft sets out rules for how such carbon costs can be credited against CBAM obligations, including requirements for supporting evidence, third-party certification, and calculation methodologies. It also introduces provisions on default carbon prices, currency conversion, and the treatment of rebates or compensation mechanisms, with feedback open for four weeks.
- **European Union:** On May 22, 2026, the European Commission released the 2026 implementation work program for the VAT in the Digital Age package, outlining planned legislative, technical, and administrative actions. The program includes the adoption of implementing regulations for digital reporting and centralized VAT data systems (VIES), the rollout of EU-wide e-invoicing standards, and updates to one-stop shop (OSS/IOSS) systems to support expanded reporting and compliance requirements. It also provides guidance, stakeholder consultations, and technical support to Member States, with a focus on implementing digital reporting, single VAT registration, and platform economy rules, alongside ongoing system development and enforcement efforts through 2026 and early 2027.
- **Finland:** [lxxxii] On May 19, 2026, the Finnish tax authority updated its Guidance No. VH/5918/00.01.00/2025 on the VAT treatment of health care and medical services, outlining the conditions under which such services qualify for VAT exemption. The updated guidance includes clarifications on when treatments based on additional training of healthcare professionals qualify as VAT-exempt services, as well as the VAT treatment of occupational health services, certain administrative services (e.g., medical certificates), and the provision of staff for healthcare services. It also incorporates references to a new supervisory authority effective January 1, 2026, adds a section on services provided in the Finnish territory, Åland Islands, and updates the treatment of specific services such as certain types of massage. The guidance replaces the previous instruction on the VAT treatment of healthcare services.
- **France:** [lxxxiii] On April 10, 2026, the French Administrative Supreme Court clarified, in Decision No. 500369, how to identify the recipient of a supply of services for VAT purposes in complex intra-group payment schemes. Overturning the Paris Administrative Court of Appeal, the Court held that, absent exceptional circumstances, the economic analysis cannot justify disregarding the relevant contractual arrangements. Applying this principle, it concluded that the "issuer commission" received by the French

entity (a 1.15 percent fee paid by the US entity to the French issuer when French cards are used) was the consideration for services rendered to the U.S. group company, as provided in the contracts, rather than to another group entity as suggested by the lower court. The ruling establishes a clear methodological rule giving primacy to contractual stipulations in VAT analysis, significantly limiting the ability of the tax authorities and courts to recharacterize the "effective beneficiary" of services based solely on an abstract economic approach.

- **France:**[lxxxiv] On May 4, 2026, the French Administrative Court of Appeal of Paris issued Decision No. 24PA03101, on the VAT treatment of psychotherapy services provided by a hypnotherapist, focusing on whether the services qualified for the VAT exemption applicable to medical and paramedical care. The court found that, although the taxpayer provided therapeutic services (including hypnosis and family therapy) and received patient referrals from healthcare professionals, he did not demonstrate qualifications equivalent to those required for regulated medical or paramedical professions, such as psychologists or licensed psychotherapists. The court therefore held that the services did not meet the conditions for the VAT exemption to apply.
- **France:**[lxxxv] On May 13, 2026, the French Administrative Court of Appeal of Nancy clarified, in Decision No. 24NC01734 the VAT treatment of deductions claimed based on invoices between related parties, focusing on whether the underlying services were actually performed. The key issue was whether the taxpayer could recover VAT on costs supported by invoices from related entities, where the tax authority argued that the invoices did not correspond to real transactions. The court applied the principle that a taxpayer may recover VAT on purchases only if the underlying goods or services were actually provided, and that the tax authority may deny recovery where it demonstrates that the invoices are fictitious or do not reflect real activity. The court reviewed the facts and found that the taxpayer failed to substantiate the actual performance of management and advisory services, including where invoices were issued by related entities without sufficient evidence of resources or work performed. As a result, the court concluded that the invoices did not reflect genuine services, denied the related VAT recovery, and upheld the tax authority's adjustments.
- **Georgia:**[lxxxvi] On May 14, 2026, the Georgian Ministry of Finance issued a public ruling clarifying the VAT treatment of transactions carried out or supported by the state, including subsidized operations. The ruling confirms that state bodies are not treated as VAT taxpayers when acting in their governmental capacity, unless they engage in activities that compete with private businesses. It also clarifies that subsidies are included in the VAT taxable base only where they are directly linked to the price of specific goods or services, while general financial support not tied to particular transactions remains outside the VAT base.
- **Georgia:**[lxxxvii] On May 19, 2026, the Georgian Ministry of Finance amended its guidance on the VAT treatment of barter transactions involving immovable property. The amendment confirms that, while the VAT taxable amount is generally based on the market value of the property received (adjusted for any cash consideration), where a transaction involves both cash and non-cash consideration and the agreed transaction price exceeds the market value, the taxable base may instead be determined based on the agreed price, provided the transaction reflects arm's-length conditions.
- **Germany:**[lxxxviii] On April 29, 2026, Germany's Federal Ministry of Finance issued guidance GZ: III C 2 - S 7100/00097/002/309, clarifying the VAT treatment of services provided by intermediaries acting in their own name in distribution chains for multi-purpose vouchers. The guidance confirms that, if the voucher issuer and the intermediary have not agreed to a separate commission, the intermediary's taxable remuneration is the difference between the price the final customer pays for the voucher and the intermediary's purchase price. Where several intermediaries are involved in a distribution chain and no commission has been agreed, each intermediary's taxable amount is the difference between the voucher's face value and that intermediary's own purchase price, even if it does not know the final retail price.

- **Germany:** [lxxxix] On April 30, 2026, the German Federal Fiscal Court (BFH) published Decision No. V R 3/25, holding that hat a taxpayer can still obtain "good-faith" protection for a VAT-exempt intra-EU sale even if he does not have a formal "Gelangensbestätigung" (customer's receipt confirming arrival in the other EU country). In the case, a taxpayer sold a car to a Romanian company, checked its VAT ID and commercial register details, identified the managing director by photo ID, and obtained a contractual statement that the car would be exported, but never received a Gelangensbestätigung and the car was later re-registered in Germany. The court held that since October 1, 2013 the law does not make that specific document a condition for good-faith protection: other evidence and the seller's diligence can suffice. Because the seller took all reasonable steps to verify the buyer and intended export, the court granted the VAT exemption and overturned the tax assessment and lower court decision.
- **Germany:** [xc] On May 7, 2026, the BFH published Decision No. V R 8/24, clarifying the interest waiver rules for incorrectly deducted foreign VAT. The case involved a German company that wrongly claimed foreign VAT as domestic VAT recoverable on its return. After the assessment was corrected, the tax authority imposed interest and denied a further waiver, even though the VAT could not be recovered in the other Member State. The court held that such cases represent a typical situation for statutory interest, as the incorrect claim creates a temporary domestic cash-flow benefit, regardless of VAT neutrality considerations. It also confirmed that equitable relief is not available, and that the interest assessment must be determined solely within the domestic tax framework, without taking into account cross-border VAT outcomes.
- **Germany:** [xci] On May 7, 2026, the German Federal Fiscal Court (BFH) published Decision No. V R 7/24, confirming that interest on VAT assessments does not violate EU law. The court held that the German interest rules are not governed by EU VAT law, as they serve a domestic function of ensuring equal treatment of taxpayers by offsetting timing differences in tax assessments. It rejected arguments that the rules constitute a penalty or must comply with EU proportionality or neutrality principles and confirmed that cross-border VAT outcomes are irrelevant, as the analysis is limited to the domestic tax framework.
- **Germany:** [xcii] On May 21, 2026, the German Ministry of Finance issued guidance GZ: III C 3 - S 7170/00085/004/035, clarifying the VAT exemption for aesthetic (cosmetic) procedures. The guidance confirms that such procedures qualify for VAT exemption only when they serve a medical purpose, such as treating or correcting a condition arising from illness, injury, or a congenital defect. It emphasizes that the taxpayer bears the burden of proof and must provide case-by-case medical documentation, including detailed certifications from qualified medical professionals demonstrating the therapeutic purpose of the treatment. In contrast, procedures performed for purely cosmetic reasons remain taxable, while follow-up treatments addressing the consequences of qualifying medical procedures may still be exempt.
- **Greece:** [xciii] On May 15, 2026, Greece enacted Law 5301/2026, introducing a formal advance tax ruling mechanism for tax and customs matters. The regime allows taxpayers to request an advance interpretation of tax and customs law based on specific future facts, subject to the existence of an interpretative issue and excluding certain areas such as transfer pricing and matters already under dispute. Advance rulings are binding on the tax administration as long as the relevant facts, legislation, and judicial interpretation remain unchanged and any attached conditions are satisfied, but they are not binding on taxpayers. The framework is expected to become operational following the issuance of implementing guidance setting out procedural details.
- **Ireland:** [xciv] On May 20, 2026, the Irish Revenue Commissioners issued Revenue eBrief No. 093/26 providing updated guidance on the VAT treatment of debt factoring and invoice discounting. The guidance confirms that the sale or assignment of debts is VAT exempt, and that acquiring debts below face value does not constitute a transaction subject to VAT. However, debt factoring and invoice discounting are treated as single debt collection services and are subject to VAT at the standard rate, including any related services such as funding advances or collection activities when provided as part of the overall service. Where financing or credit is provided separately, it may qualify for VAT exemption,

and VAT recovery on costs must be apportioned where financiers engage in both taxable and exempt activities.

- **Italy:** [xcv] On May 22, 2026, Italy published Law No. 88/2026 converting a law-decree introducing urgent tax measures, including revised VAT rules for barter transactions. Under the new rules, the VAT taxable base is determined by the contractual value of the goods and services exchanged, replacing the prior approach based on costs incurred by the seller or service provider introduced under the 2026 Budget Law. The contractual value may not be lower than the total costs incurred by each party, and the rules apply to contracts concluded as from January 1, 2026. The law also confirms that the EUR 2 handling fee for low-value imports not exceeding EUR 150 is postponed to July 1, 2026, along with other technical adjustments to existing tax measures.
- **Moldova:** [xcvi] On May 7, 2026, Moldova published Law No. 67, introducing several tax measures, including changes to VAT. The law subjects electricity sales and natural gas imports and deliveries to VAT for certain consumers and businesses without fiscal relations with Moldova, with this measure generally applying from January 1, 2027. It also revises the VAT refund program for agricultural producers, setting refunds at 40 percent of deductible VAT for the period March to December 2026, subject to caps. In addition, the law establishes a Convergence Fund to address regional disparities and updates administrative requirements relating to import duty exemptions.
- **Montenegro:** [xcvii] On May 13, 2026, Montenegro's Ministry of Finance opened a consultation on a draft law to transpose EU VAT directives, proposing several structural and administrative changes. The bill would define transactions subject to VAT and those that are VAT-exempt, clarify rules for remote sales through online platforms and place-of-taxation rules for services, and set out requirements for VAT recovery and refunds. It would also establish a EUR 30,000 VAT registration threshold and clarify invoice, recordkeeping, filing, and payment obligations. The law would apply from Montenegro's accession to the EU.
- **Netherlands:** [xcviii] On May 15, 2026, the Dutch Advocate General (AG) to the Supreme Court issued an opinion on whether a mandatory sector pension fund that operates a defined benefit-style pension arrangement may treat its pension execution service as VAT taxable (resulting in a more extensive VAT recovery right) or should treat it as exempt "insurance" under the EU VAT Directive and the Dutch VAT Act. The opinion concludes that the fund's activities qualify as an insurance-type service but raises doubt about whether the requirement of "prior payment of a premium", which may be inferred from EU case law, is met where employees retain pension rights even if the employer fails to pay the premium. The Advocate General advises the Supreme Court to refer a question to the CJEU on this premium requirement and, if the exemption does not apply, considers that the VAT taxable base consists of the full pension contribution (not just the administration cost "uplift"), because the fund can freely use the entire premium in its operations.
- **North Macedonia:** [xcix] On May 22, 2026, North Macedonia's Assembly accepted for consideration Bill No. 08-3607/1/2026, proposing to increase the mandatory VAT registration threshold from MKD 2 million to MKD 4 million for calendar year 2025 gross receipts.
- **Nigeria:** [c] On May 18, 2026, Nigeria's Revenue Service began rolling out a new Tax ID system, requiring all taxpayers to obtain a unique, unified identifier for use across federal and sub-national tax interactions. The new Tax ID is designed to streamline registration, filing, and payment processes, replace the existing TIN validation system, and consolidate taxpayer records to improve efficiency and reduce duplication.
- **Poland:** [ci] On April 17, 2026, Poland's Ministry of Finance and Economy published a draft bill proposing amendments to VAT rules for exports and imports. The proposal would revise the definition of exports and remove the requirement for confirmation by customs authorities, allowing businesses to rely on alternative evidence of export, such as shipping documents or records from postal or customs systems. It would also introduce a condition requiring exporters to be registered as active VAT taxpayers for at least

12 months to apply the zero percent rate to advance payments received for exports. In addition, the draft requires that import declarations be submitted exclusively through electronic means.

- **Romania:**[cii] On May 8, 2026, Romania published Government Emergency Ordinance No. 38/2026 amending the Fiscal Procedure Code, including changes to VAT refund risk assessment rules. The ordinance introduces a framework under which the tax authority will expand the risk criteria used to identify potentially undue VAT refund claims, with additional criteria to be established through a future order of the National Agency for Fiscal Administration. The ordinance became effective upon publication, although it was subsequently challenged before the Constitutional Court on procedural grounds.
- **Slovakia:**[ciii] On March 27, 2026, Slovakia's Parliament accepted for consideration Bill No. 1260, proposing to expand the self-assessment requirement to certain services, including information technology, advertising, and management consulting, where specified conditions are met. Its application would depend on a future EU Council implementing decision authorizing a derogation from the EU VAT Directive, with the Ministry of Finance tasked with publishing the effective date.
- **Slovenia:**[civ] On May 20, 2026, Slovenia issued guidance clarifying the VAT treatment of personal property imports when individuals transfer their residence from a third country to the EU. The guidance confirms that such imports may qualify for customs duty and VAT exemptions where the applicable conditions are met, including requirements. However, motor vehicles remain subject to motor vehicle tax, even where customs and VAT exemptions apply, unless a separate exemption is available under specific statutory conditions. Taxpayers must provide appropriate documentation for each case to support any exemption claim.
- **South Africa:**[cv] On April 28, 2026, the South African Revenue Service (SARS) issued VAT Ruling VR 020, confirming that deposits paid by guests to a game reserve constitute consideration for accommodation and that the reserve must account for VAT when it sets off the deposit against the total booking price. If a guest cancels and forfeits the deposit, SARS treats this as the guest still having been provided the right to accommodation (even if not used), so the situation does not qualify as a "cancellation," and no VAT credit note or adjustment applies.
- **South Africa:**[cvi] On April 28, 2026, the South African Revenue Service issued VAT Ruling VR 021, clarifying the VAT treatment of discretionary grant funding received from a Sector Education and Training Authority (SETA). The ruling confirms that funding linked to certain project milestones constitutes amounts paid for exempt educational services, and businesses cannot recover VAT incurred on costs directly related to those activities. By contrast, funding linked to other project activities constitutes amounts paid for services provided, does not qualify as a grant under the VAT Act, and is therefore subject to VAT at the standard rate, with VAT recovery allowed on related costs, subject to the general rules.
- **South Africa:**[cvii] On May 21, 2026, SARS issued an updated Voluntary Disclosure Program (VDP) guide (Issue 2), incorporating legislative changes and recent case law. The update establishes a separate voluntary disclosure framework for customs and excise matters, excluding such cases from the standard VDP, and confirms that signed disclosure agreements are final and binding, preventing taxpayers from seeking additional relief, such as interest remission, through other statutory provisions.
- **South Africa:**[cviii] On May 26, 2026, the South African Revenue Service published a High Court judgment clarifying the VAT treatment of payments made under a contract that was later invalidated. In the case, the court held that the taxpayer made taxable sales in the course of an enterprise, issued invoices, received consideration (including progress payments), and therefore incurred a lawful statutory VAT liability under the VAT Act at the time of invoicing/payment. Each VAT payment reduced the taxpayer's liabilities and thus constituted "value" under section 26 of the Insolvency Act, so the payments did not qualify as dispositions "not made for value" and could not be clawed back, even though the underlying contract was later invalidated.

- **Sweden:**[cix] On May 6, 2026, the Swedish Parliament approved a bill amending various VAT rules, aimed at strengthening tax administration oversight effective July 1, 2026. The changes grant the Swedish Tax Agency expanded powers to deny or cancel VAT registrations, and to flag VAT registration numbers as invalid in the VAT Information Exchange System (VIES). The amendments also allow the tax authority, under certain conditions, to withhold refunds of excess VAT incurred on purchases.
- **Sweden:**[cx] On May 13, 2026, the Swedish Tax Agency issued Statement No. 8-163783-2026, clarifying the Supreme Administrative Court's decision of May 11, 2026 (Case No. 1863-24) on the VAT exemption for services provided within independent groups. The court held that services of a general nature, such as accounting, payroll, human resources, and information technology (IT), may still qualify for the exemption, even where similar services are available to businesses outside the group. The key test is whether the services are directly necessary for the members' exempt activities, rather than whether the services are inherently specific to those activities. The court also found that applying the exemption in this case did not result in a distortion of competition or constitute abuse. As a result, the services qualify for the VAT exemption, and prior Swedish Tax Agency guidance that is inconsistent with this interpretation will no longer be applied.
- **Switzerland:**[cxi] On May 19, 2026, the Swiss Federal Tax Administration announced the transition from the VAT Return Easy system to the VAT Return Pro online portal. The new system will require all users to switch to VAT Return Pro to file VAT returns electronically, and the announcement includes guidance on the registration process for the new platform.
- **United Kingdom:**[cxii] On April 28, 2026, the UK First-tier Tribunal published its judgment in W*. Reilly Limited*, [2026] UKFTT 00641 (TC), clarifying whether the taxpayer was entitled to recover VAT incurred on purchases from labor providers that HMRC claimed were connected to VAT fraud. The key issue was whether HMRC had shown that the taxpayer knew or should have known that its transactions were linked to fraudulent evasion of VAT. Applying the Kittel rule, the tribunal noted that HMRC could deny VAT recovery only if it proved that the taxpayer knew, or should have known, that fraud was the only reasonable explanation for the transactions. The tribunal found that although VAT fraud existed elsewhere in the supply chain, the taxpayer operated a genuine business, carried out reasonable due diligence for its size and sector, and stopped dealing with the vendors once HMRC raised concerns. The tribunal therefore concluded that HMRC had not met the required threshold, allowed the appeal, and overturned both the VAT denial and the related penalty.
- **United Kingdom:**[cxiii] On May 6, 2026, the United Kingdom First-Tier Tax Tribunal published its judgment in John Smith, [2026] UKFTT 00663 (TC), clarifying VAT liabilities arising from continued business activities after an alleged sale. The taxpayer, a chartered accountant, claimed that he had sold his accountancy practice in 2003 and was later involved only as a self-employed subcontractor. The tribunal held that HMRC made valid, in-time assessments based on bank and client evidence, that Smith's behavior was deliberate and dishonest, and that extended 20-year time limits and most tax and VAT penalties (including civil evasion penalties) therefore applied. The Tribunal adjusted turnover and expense figures downward, directed HMRC to recalculate the tax and penalties, accordingly, set aside only the penalties for failure to comply with notices to file, and rejected Smith's claim that HMRC's conduct denied him a fair trial.
- **United Kingdom:**[cxiv] On May 5, 2026, the United Kingdom First-Tier Tax Tribunal published its judgment in Sweetmotion Limited, [2026] UKFTT 00657 (TC), clarifying the application of the Kittel test in VAT disputes involving fast-moving consumer goods supply chains. The case concerned a wholesale trader whose input VAT deductions were denied on transactions with four sellers, where fraudulent tax loss and connection to VAT fraud were admitted, but knowledge was disputed. The Tribunal found that although the director did not actually know of the fraud, the company should have known that its transactions from January 19, 2021 onward were connected with VAT fraud, given multiple red flags (sequential use of four

defaulting sellers, third-party payments, rapid turnover growth, inconsistent documentation, and HMRC's explicit warnings and guidance).

- **United Kingdom:**[cxv] On May 12, 2026, HMRC published a policy paper updating its position on the VAT treatment of electricity sold through public electric vehicle charge points, following a First-tier Tribunal decision involving a public charge point operator. The Tribunal found that the reduced five percent VAT rate for fuel and power could apply to sales of electricity to an identified person at identifiable premises, provided the total sale does not exceed 1,000 kWh in a calendar month, and that the premises need not be owned or controlled by the recipient or be buildings, meaning locations such as public car parks may qualify. However, HMRC has applied for permission to appeal and confirmed that its policy remains that electricity sold at public electric vehicle charge points is standard rated for VAT.
- **United Kingdom:**[cxvi] On May 19, 2026, the United Kingdom Upper Tribunal published its judgment in *Queenscourt Ltd*., [2026] UKUT 00195 (TCC), clarifying the VAT treatment of dip pots included in hot takeaway meal deals. The Tribunal held that each item in a multi-element transaction, including items that could be sold separately, must generally be regarded as distinct and independent for VAT rating purposes. Dip pots sold separately were treated as zero-rated food items, while hot takeaway food was subject to the standard 20 percent VAT rate. HMRC argued that dip pots bundled into meal deals were merely a means of better enjoying the hot food and should therefore be standard rated. The Upper Tribunal rejected this approach, finding that where a transaction is not treated as a single composite transaction in its entirety, individual elements cannot be selectively grouped. Accordingly, the dip pots retained their zero-rated treatment when included in the meal deal.
- **United Kingdom:**[cxvii] On March 22, 2023, the United Kingdom Supreme Court published its judgment in *Moulsdale t/a Moulsdale* Properties, [2023] UKSC 12, clarifying the VAT treatment of property sales under the option-to-tax rules. The taxpayer had opted to tax a commercial property and previously recovered input VAT on its acquisition, but later sold the property without charging VAT, arguing that special anti-avoidance rules for "developers of exempt land" switched that option off in his case, making the sale VAT-free. The court said those rules only switch off VAT if the seller expected the buyer to incur other significant VAT-bearing costs on the property (for example, big refurbishment spending), not just pay the VAT on the purchase price itself. Because no such extra VAT-bearing spending was expected, the switch-off rule did not apply, the option to tax still applied, and the sale was subject to VAT.
- **United Kingdom:**[cxviii] On May 21, 2026, the United Kingdom First-Tier Tax Tribunal published its judgment in PAP Solutions, [2026] UKFTT 00761 (TC), clarifying the VAT treatment and penalties for zero-rated intra-EU sales connected with fraudulent supply chains. The taxpayer sold branded cigarette papers, filters, lighter products, and related goods to two Bulgarian companies and zero-rated 14 sales, worth approximately GBP 98,583, on the basis that the goods were sold to VAT-registered EU customers. HMRC denied zero-rating after finding that the customers were missing traders, had declared purchases but no sales, could not be located by the Bulgarian tax authorities, and used similar trading patterns, including the same individual to collect goods and make cash deposits. The Tribunal found that the transactions were connected with fraudulent VAT evasion, that the taxpayer knew or should have known of the fraud, and that it failed to take every reasonable step to prevent participation. Accordingly, HMRC was entitled to deny zero-rating and impose penalties.

Back to top Back to top

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

- **KPMG in India** published a report discussing several court decisions. The Bombay High Court held that corporate guarantees issued to banks on behalf of subsidiary companies without consideration did not constitute a taxable sale as both sale and consideration must coexist for GST liability to arise. Separately, the Gujarat High Court upheld the constitutional validity of section 16(2)(c) of the CGST Act, 2017 and declined to read it down, holding that actual payment of tax by the seller is a valid condition for availing GST credits. The court also noted concerns for bona fide purchasers and urged the government to improve seller-payment visibility and recovery mechanisms against defaulting sellers.

- **KPMG in Indonesia** published a report discussing Regulation No. 28 of 2026, issued by Indonesia's Minister of Finance on April 29, 2026, which updates preliminary tax refund procedures, including for low-risk businesses. The regulation lowers the preliminary VAT refund threshold for taxpayers meeting specific requirements from IDR 5 billion to IDR 1 billion and provides that preliminary VAT refunds are available only where taxable sales reported in the monthly VAT return do not exceed IDR 4.2 billion. For low-risk businesses, the regulation introduces an 80 percent activity threshold related to taxable sales and/or exports and provides that low-risk status may be revoked if monthly VAT returns were not submitted on time within the last 12 months.
- **KPMG in Malaysia** published a report discussing Public Ruling 2/2026, issued by the Director General of Customs on May 18, 2026, which clarifies the meaning of "used" for sales tax drawback claims. Sales tax drawback may be allowed on taxable goods imported or purchased locally and subsequently exported, subject to the conditions under Regulation 17 of the Sales Tax Regulations 2018, including that the goods must not be used after importation or purchase. The ruling clarifies that "used" refers to taxable goods on which any activity, value-added process, or manufacturing process has been carried out, except labeling, packaging, or re-packaging, provided these excluded activities do not add value to the taxable goods.
- **KPMG in Pakistan** published a report discussing indirect tax and customs developments, including the Federal Board of Revenue's authorization of additional temporary storage areas for international transshipment cargo at Karachi Port and Port Qasim through SRO 645(I)/2026 dated April 17, 2026, and SRO 685(I)/2026 dated April 23, 2026. The measures designate the F-Range area of the Thoal Produce Yard at Karachi Port Trust and Terminal Storage Area-A at Port Qasim Authority. The report also notes that, on April 22, 2026, the Federal Government rescinded earlier notifications that provided reduced sales tax and exemption from minimum value addition sales tax on sugar imports through specified channels.

Miscellaneous Developments in ASPAC

- **Malaysia:**[cxix] On May 14, 2026, the Royal Malaysian Customs Department issued Service Tax Policy No. 1/2026, clarifying that providers of health examination management services must register for service tax under the Management Services category by April 30, 2026, and begin charging service tax on these services from May 1, 2026. The Minister of Finance granted exemptions so that recipients do not have to pay, and providers do not have to charge or collect service tax on such services for the prior period from September 1, 2018, to April 30, 2026, although any service tax already collected during that period must be remitted to the tax authority and cannot be refunded to customers.
- **New Zealand:**[cxx] On April 30, 2026, the New Zealand Inland Revenue opened a consultation on Exposure Draft No. PUB00545, proposing guidance on the GST treatment of board director services provided through personal services companies. The draft explains GST consequences for both payers and recipients where directors or board members do or do not carry on a taxable activity, under a range of contracting arrangements (direct engagement, engagement via a third party, employer, or partnership), and also covers appointments made by the Governor-General or Governor-General in Council.
- **New Zealand:**[cxxi] On May 6, 2026, the New Zealand Inland Revenue released Exposure Draft No. PUB00530 for public consultation, providing guidance on the application of GST to various types of unincorporated bodies. The draft explains how taxpayers should distinguish partnerships, joint ventures, trustees of a trust, and other unincorporated bodies (such as clubs and syndicates) from simpler co-ownership or cost-sharing arrangements, because different GST registration and accounting rules apply to each type. It clarifies when an unincorporated body counts as a separate "person" for GST,

when joint ventures can elect flow-through treatment, and revises the Commissioner's earlier view that an unincorporated body must have a "significant degree of regulation," instead requiring only some defined mutual rights and obligations among members.

- **New Zealand:** [cxxii] New Zealand Inland Revenue recently published a paper on "Current GST issues." The paper canvasses targeted changes to the definitions and treatment of dwellings and commercial accommodation (including transitional housing and student housing), proposes zero-rating surplus solar electricity exported from homes by GST-registered account holders, and explores cross-border matters such as when non-residents using clients' New Zealand premises must register and when to ignore certain zero-rated transactions for the registration threshold. It outlines a new, clearer framework for correcting errors in GST returns, options to refine input tax deductions for pre-registration expenditure, group registration mechanics, timing rules when consideration is uncertain, and the GST treatment of interests in unincorporated bodies. Officials also seek views on modernizing and restructuring the GST Act, potential zero-rating for business-event services to non-resident businesses, and international administrative developments including e-invoicing, transaction-level reporting, and using filing frequency as a targeted compliance tool.
- **New Zealand:** [cxxiii] On May 22, 2026, New Zealand Inland Revenue issued Commissioner's Statement No. CS 26/02, clarifying the GST treatment of low-value goods and services acquired before GST registration and later used to make taxable sales. The statement confirms that a GST-registered person cannot claim GST credits for goods or services acquired before registration where the GST-exclusive cost is NZD 10,000 or less, even if they later use those items in their taxable activity. The statement explains that while section 21B brings pre-registration acquisitions into the adjustment regime, section 21(2)(b) blocks any adjustment below the NZD 10,000 threshold, and that this aligns with the principal-purpose apportionment rules for low-value post-registration acquisitions.
- **New Zealand:** [cxxiv] On May 22, 2026, New Zealand Inland Revenue issued Interpretation Statement No. IS 26/11, clarifying that court-awarded costs and disbursements, and out-of-court settlement payments for those amounts, are generally compensatory and fall outside GST. The statement clarifies that the courts calculate costs using scale, increased, or indemnity bases and may adjust the quantum to reflect whether the successful party can recover GST on their legal expenses, but this does not change the basic conclusion that such awards are usually not consideration for a taxable transaction.
- **New Zealand:** [cxxv] New Zealand Inland Revenue recently published a draft interpretation statement for consultation on the GST treatment of arranging and brokering financial products. The draft guidance explains when intermediaries and brokers involved with financial products make an exempt financial service by "arranging" those products for GST purposes. It interprets "arranging" narrowly as a direct, active, and integral involvement in the supply chain that brings about a specific financial service that the customer has already decided to obtain, and distinguishes this from earlier promotional or referral activity, which remains taxable. The draft also clarifies how to determine whether an intermediary's activities form a single composite exempt service or multiple transactions (some exempt, some taxable), how the exclusion for "advising thereon" applies, when apportionment of global fees is required, and when non-financial services are merely reasonably incidental to an exempt arranging service.
- **Singapore:** Singapore's Inland Revenue Authority recently released new guidance on GST rules for the construction industry, explaining the GST treatment of common construction scenarios. The guidance clarifies that GST is chargeable on all construction services performed in Singapore, regardless of whether the services relate to residential or non-residential properties. It also explains the tax point rules for construction services, including GST accounting for progress payments and retention sums. In addition, the guidance addresses the GST treatment of counter-sales, compensation payments, worker dormitory rentals, security deposits versus advance payments, and reimbursements versus disbursements. It also outlines the conditions for input tax claims and highlights common GST reporting errors.

- **Sri Lanka:**[cxxvi] Sri Lanka recently introduced a VAT Amendment Bill proposing several VAT changes, including reducing the VAT registration threshold from July 1, 2026, to LKR 9 million per taxable period or LKR 36 million over 12 months. The Bill would also clarify the nonresident digital services rules from July 1, 2026, with a business-to-business carve-out for VAT-registered recipients. Other measures include deemed VAT credits for unsold inventory of newly registered wholesale and retail traders, VAT credit restrictions for certain project assets not re-exported, a VAT exemption for sales to approved businesses of strategic importance, revised zero-rating for garment buying office services, mandatory secured POS systems, VAT write-off powers for tsunami relief projects, and enhanced VAT penalties and criminal provisions.
- **Vietnam:**[cxxvii] On May 5, 2026, Vietnam issued Decree No. 144/2026/ND-CP, which, among other things, broadens the definition of “gross receipts” for VAT deduction apportionment to include taxable and non-taxable revenue and certain specified activities. Additionally, the Decree introduces flexibility for VAT deduction on instalment and deferred payments, allowing provisional claims subject to later adjustment. The amendments will take effect on June 20, 2026.

Back to top Back to top

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

Footnotes

i. Bloomberg Tax, Albania Parliament Considers Bill to Amend VAT Act (May 1, 2026)
ii. Orbitax, Austrian Parliament Finance Committee Approves Draft Bill to Reduce VAT rate on Select Basket of Basic Foodstuffs (May 15, 2026).
iii. Orbitax, Bulgarian National Assembly Considering 0% VAT Rate on Essential Food and Beverages (May 27, 2026).
iv. CCH, Croatian Government Empowered To Flexibly Cut VAT On Fuels (May 5, 2026).
v. Orbitax, Czech Government Approves Draft Law to Reintroduce Electronic Sales Recording Requirements, Reduce VAT on Non-Alcoholic Beverages, and Exempt Tips (May 6, 2026).
vi. Bloomberg Tax, Finland Tax Agency Posts Preliminary Ruling Clarifying VAT Treatment of Fustra Training Services (May 21, 2026).
vii. Greece - Greece Enacts Omnibus Tax Bill Covering DAC8, DAC9, Pillar Two, Corporate Tax, VAT, Shipping, Penalty Measures (May 19, 2026), News IBFD.
viii. Bloomberg tax, Iceland Parliament Passes Bill for Temporary Reduction in VAT Rate on Fuel at Pump (May 5, 2026).
ix. Indonesia - Indonesia Provides Temporary VAT Relief for Domestic Economy Class Air Travel (May 5, 2026), News IBFD.
x. Bloomberg tax, Ireland Tax Agency Updates Guidance on VAT Treatment of Accommodations, Meal Services (May 1, 2026).
xi. Bloomberg Tax, Isle of Man Treasury Announces Temporary VAT Reduction on Selected Family Activities (May 28, 2026).
xii. Bloomberg Tax, Montenegro MOF Seeks Comments on Draft Bill on VAT (May 18, 2026).
xiii. Sri Lanka - Sri Lanka Introduces Bill on VAT Changes (May 12, 2026), News IBFD.
xiv. Slovak Republic - Ministry of Finance Issues Guidance on VAT Exemption of Defence Procurements Under SAFE (May 20, 2026), News IBFD.
xv. Slovenia - Parliament Adopts Intervention Law Introducing Tax Cuts, Social Contribution Cap, Temporary VAT Reductions (May 15, 2026), News IBFD.
xvi. Sri Lanka - Sri Lanka Introduces Bill on VAT Changes (May 12, 2026), News IBFD.
xvii. Bloomberg Tax, Switzerland Gazettes Draft Bill to Further Extend Special VAT Rate for Hotels (May 13, 2026).

xviii. Bloomberg Tax, Ukraine Parliament Considers Bill on Temporary VAT Exemption for Specified Vehicle Imports Due to War (May 15, 2026).
xix. Bloomberg Tax, Ukraine Parliament Considers Bill on Temporary VAT Exemption for Ground-Based Robotic Systems Due to War (May 22, 2026).
xx. Orbitax, UK Temporarily Reduces VAT on Summer Family Activities (May 29, 2026).
xxi. Bloomberg Tax, Uruguay Gazettes Decree Further Extending Reduced VAT Rate for Tourism Sector (May 15, 2026).
xxii. CCH, Vietnam Issues VAT Law Amendments (May 19, 2026).
xxiii. Orbitax, Zambia Temporarily Zero-Rates VAT on Supplies of Petrol Diesel (May 6, 2026).
xxiv. Bulgaria - Bulgaria Submits to Parliament Draft Bill Transposing DAC8 and DAC9 (May 8, 2026), News IBFD.
xxv. Bloomberg Tax, Denmark Tax Agency Clarifies VAT-Exempt Intermediary Services for Online Holiday Home Rentals (May 26, 2026).
xxvi. Chile - Tax Administration Clarifies VAT Treatment for Digital Intermediation Platforms Linking Clients to Process Servers (May 29, 2026), News IBFD.
xxvii. Germany - German Federal Cabinet Approves DPI MCAA (May 28, 2026), News IBFD.
xxviii. Greece - Greece Enacts Omnibus Tax Bill Covering DAC8, DAC9, Pillar Two, Corporate Tax, VAT, Shipping, Penalty Measures (May 19, 2026), News IBFD.
xxix. Bloomberg Tax, Hong Kong Moves to Adopt OECD Crypto Reporting Framework (May 21, 2026).
xxx. Hungary - Hungary Indefinitely Suspends Advertising Tax (May 15, 2026), News IBFD.
xxxi. Malawi - Tax Amendment Acts 2026: Malawi Introduces VAT on Supply of Digital Services (May 7, 2026), News IBFD.
xxxii. Orbitax, Malta Implements DAC8 Crypto-Asset Reporting Obligations (May 27, 2026).
xxxiii. Orbitax, Mauritania's New Taxes on Electronic Transactions (May 28, 2026).
xxxiv. Bloomberg Tax, Morocco Tax Agency Announces Launch of Taxation on Digital Services Platform (May 28, 2026).
xxxv. Netherlands - External Study Highlights Implementation Challenges and Effects of DAC7 Reporting Obligations (May 26, 2026), News IBFD.
xxxvi. Bloomberg Tax, Poland Prime Minister Announces Bill to Partially Transpose VAT in Digital Age Directive (May 5, 2026).
xxxvii. Portugal - Portugal Transposes DAC8 and DAC9, Amends Tax Laws on Crypto Assets and Digital Financial Reporting (May 18, 2026), News IBFD.
xxxviii. Romania - Romania Adopts Crypto-Asset Reporting Compliance Procedures (May 28, 2026), News IBFD.
xxxix. Slovak Republic - MoF Consults on Draft Law to Implement ViDA Legislation, EU VAT Rules for Distance Sales of Imported Goods (May 29, 2026), News IBFD.
xl. Sri Lanka - Sri Lanka Introduces Bill on VAT Changes (May 12, 2026), News IBFD.
xli. Bloomberg Tax, United Kingdom Tax Tribunal Clarifies VAT Treatment of Amazon Marketplace Supplies, Output Tax Liability (June 1, 2026).
xlii. Ministerstvo financí, The government approved EET 2.0: a modern version of sales records will bring a fairer market and simpler tax administration (May 4, 2026).
xliii. DGT, Actualización de los Anexos y Estructuras versión 4.4 y validación de comprobantes electrónicos (April 22, 2026).
xliv. DGII, DGII otorga prórroga de seis meses a contribuyentes identificados como Pequeños, Micros y no clasificados para la implementación de Facturación Electrónica (May 6, 2026).
xlv. IRBM, E-INVOICE SPECIFIC GUIDELINE (VERSION 4.7) (April 20, 2026).
xlvi. DGI, Electronic Invoicing explained (April 19, 2026).
xlvii. Ministerie van Financiën, ViDA e-facturatie en digitale rapportage (May 21, 2026).
xlviii. DNIT, Nuevos facturadores electrónicos (May 6, 2026).
xlix. SUNAT, RESOLUCIÓN DE SUPERINTENDENCIA N. 000074-2026/SUNAT (April 28, 2026).
l. Qatar News Agency, Cabinet Holds Regular Meeting (May 6, 2026).
li. Inland Revenue Department, Notice to the Value Added Tax (VAT) Registered Persons (May 4, 2026).
lii. Argentina - Tax Administration Revamps Foreign Tourists' VAT Refund Framework (May 13, 2026), News IBFD.
liii. Brazil - Brazil Issues New Regulations on Tax and Contribution on Goods and Services Under Indirect Tax Reform (May 12, 2026), News IBFD.
liv. Brazil - Brazil Eliminates Import Tax on Low-Value International Shipments (May 18, 2026), News IBFD.
lv. Bloomberg tax, Canada Tax Court Issues Decision Clarifying GST/HST Bad Debt Deduction Rules for Legal Service Providers (May 1, 2026).
lvi. Bloomberg Tax, Canada Tax Court Issues Decision Clarifying Director's Liability for Unremitted GST/HST, Interest (May 19, 2026).
lvii. Bloomberg Tax, Canada Tax Court Issues Decision Clarifying GST, Income Tax Treatment of Post-Construction Property Sales (May 29, 2026).

lviii. Bloomberg tax, Chile Tax Agency Clarifies VAT Treatment of Pre-Litigation Collection Services Under Unified Contribution Collection System (May 1, 2026).
lix. Bloomberg Tax, Chile Tax Agency Clarifies VAT Credit Eligibility for Vehicles Imported Under Disability Tax Benefit (May 1, 2026).
lx. Chile; Argentina - Tax Administration Clarifies Withholding Tax, VAT Treatment for Technical Advisory Services Rendered from Argentina (May 1, 2026), News IBFD.
lxi. Bloomberg Tax, Chile Tax Agency Clarifies VAT Treatment of Liquefied Petroleum Gas Sales, Retailer Bonuses (May 20, 2026).
lxii. Bloomberg Tax, Chile Tax Agency Clarifies Early VAT Refunds of Credits From Fixed Assets for Pro-SME Companies (May 21, 2026).
lxiii. Bloomberg Tax, Chile Tax Agency Clarifies Income Tax, VAT Rules for Virtual Office Rental Promotions (May 22, 2026).
lxiv. Jamaica - Government Extends General Consumption Tax to Short-Term Rental Properties (May 5, 2026), News IBFD.
lxv. Jamaica - Tax Administration Issues Technical Advisory on Special Consumption Tax for Non-Alcoholic Sweetened Beverages (May 11, 2026), News IBFD.
lxvi. Angola - Angola Introduces 5% Special Tourism Contribution (May 8, 2026), News IBFD.
lxvii. Austria - Ministry of Finance Opens Consultation on Draft Bill Introducing Parcel Tax (May 18, 2026), News IBFD.
lxviii. Bahrain - Bahrain Updates Tax Agent, VAT Representative Guide (May 21, 2026), News IBFD.
lxix. Belgium - Belgium Amends VAT Rules on Deemed Supply of Own Goods Changes Following ECJ Ruling in CHEP Equipment Pooling NV (Case C-242/19) (May 15, 2026), News IBFD.
lxx. Bloomberg Tax, Bulgaria Assembly Considers Bills to Increase VAT Registration Threshold for Micro, Small Businesses (May 6, 2026).
lxxi. Bloomberg Tax, Denmark Tax Agency Clarifies VAT Treatment of Income Received by Political Associations (May 7, 2026).
lxxii. Bloomberg Tax, Denmark Tax Agency Clarifies VAT Adjustment Obligations in Property Sales (May 8, 2026).
lxxiii. Bloomberg Tax, Denmark Tax Agency Clarifies VAT Treatment of Continuing Education Courses in Body Therapy (May 13, 2026).
lxxiv. Bloomberg Tax, Denmark Tax Agency Clarifies VAT, Payroll Tax Deductions for Real Estate Share Sale Proceeds (May 13, 2026).
lxxv. Bloomberg Tax, Denmark Tax Agency Clarifies VAT, Payroll Tax Treatment of Psychotherapist Training Program (May 13, 2026).
lxxvi. Egypt - Egypt Updates Unified VAT Refund Procedures (May 15, 2026), News IBFD.
lxxvii. European Union - Council of the European Union Publishes Proposal Granting Broader Access to VAT Information to European Public Prosecutor's Office, European Anti-Fraud Office (May 1, 2026), News IBFD.
lxxviii. European Union - European Commission Publishes Analysis on Fiscal Costs, Redistributive Effects of Reduced VAT Rates (May 6, 2026), News IBFD.
lxxix. European Union - European Commission Publishes Report Based on Public Consultation on TOMS and VAT Treatment of Passenger Transport Services (May 6, 2026), News IBFD.
lxxx. European Union - European Commission Launches Public Consultation on Emissions Trading System Benchmarks
lxxxi. (May 12, 2026), News IBFD.
lxxxii. European Union - European Commission Launches Public Consultation on Draft Carbon Border Adjustment Mechanism Rules for Carbon Prices Paid in Third Countries (May 15, 2026), News IBFD.
lxxxiii. Bloomberg Tax, Finland Tax Agency Updates Guidance Clarifying VAT Exemption on Supplies of Health, Medical Care Services (May 22, 2026).
lxxxiv. Bloomberg Tax, French Supreme Court Puts Contract at Center of Amex VAT Case (May 12, 2026).
lxxxv. Bloomberg Tax, France Administrative Court of Appeal of Paris Clarifies VAT Exemption for Therapeutic Services, Qualification Requirement (May 8, 2026).
lxxxvi. Bloomberg Tax, France Administrative Court of Appeal of Nancy Clarifies VAT, Corporate Tax Deductibility of Invoiced Services (May 19, 2026).
lxxxvii. Bloomberg Tax, Georgia Gazettes Decision Clarifying VAT Treatment Economic Activities, Sales of State-Subsidized Goods (May 20, 2026).
lxxxviii. Bloomberg Tax, Georgia Gazettes Decision Clarifying VAT Treatment of Barter Transactions (May 22, 2026).
lxxxix. Bloomberg Tax, Germany MOF Clarifies VAT Treatment of Services by Intermediaries Trading Multi-Purpose Vouchers (May 5, 2026).
xc. Bloomberg Tax, Germany Fiscal Court Clarifies VAT Exemption Rules for Intra-Community Supplies (May 6, 2026).
xci. Bloomberg Tax, Germany Fiscal Court Clarifies Interest Waiver Rules for Wrongly Deducted Foreign Input VAT (May 12, 2026).

xcii. Bloomberg Tax, Germany Fiscal Court Clarifies Validity of Full Interest on VAT Arrears (May 12, 2026).
xciii. Bloomberg Tax, Germany MOF Clarifies VAT Exemption for Aesthetic Surgeries, Treatments (May 27, 2026).
xciv. Greece - Greece Enacts Advance Tax Ruling Mechanism (May 19, 2026), News IBFD.
xcv. Bloomberg Tax, Ireland Tax Agency Updates Guidance on VAT Treatment of Debt Factoring, Invoice Discounting (May 27, 2026).
xcvi. Italy - Italy Amends VAT Treatment of Barter Transactions, Introduces Individual Income Tax Exemption for Seafarers (May 26, 2026), News IBFD.
xcvii. Bloomberg Tax, Moldova Gazettes Law Establishing Convergence Fund, Amending Various VAT-Related Measures (May 12, 2026).
xcviii. Bloomberg Tax, Montenegro MOF Seeks Comments on Draft Bill on VAT (May 18, 2026).
xcix. Bloomberg Tax, Netherlands Supreme Court Issues Advocate General Opinion on VAT Insurance Exemption for Pension Fund Administration (May 20, 2026).
c. Bloomberg Tax, North Macedonia Assembly Considers Bill to Amend VAT Law (May 29, 2026).
ci. CCH, Nigeria Launches New Taxpayer ID (May 26, 2026).
cii. Poland - Poland Proposes Amendments to Export- and Import-Related VAT Rules (May 11, 2026), News IBFD.
ciii. Romania - Romania Amends Risk Criteria for Undue VAT Refunds (May 13, 2026), News IBFD.
civ. Bloomberg Tax, Slovakia Parliament Considers Bill to Amend VAT Act (May 27, 2026).
cv. Bloomberg Tax, Slovenia Tax Agency Clarifies VAT, Motor Vehicle Tax Exemptions for Individuals Moving to EU (May 27, 2026).
cvi. Bloomberg Tax, South Africa Tax Agency Clarifies VAT Treatment of Customer Deposits for Accommodation Services (May 1, 2026).
cvii. Bloomberg Tax, South Africa Tax Agency Clarifies VAT Treatment of Donor-Funded Activities (May 1, 2026).
cviii. Orbitax, South Africa Updates Guide to the Voluntary Disclosure Programme (May 29, 2026).
cix. Bloomberg Tax, South Africa Tax Agency Posts High Court Judgment on VAT Payments Under Invalid Contract (May 29, 2026).
cx. Bloomberg Tax, Swedish Lawmakers Grant Tax Agency New Powers Against VAT Fraud (May 6, 2026).
cxi. Bloomberg Tax, Sweden Tax Agency Issues Statement Clarifying VAT Exemption for Services Provided Within Independent Groups (May 18, 2026).
cxii. Bloomberg Tax, Switzerland Tax Agency Announces Transition to New VAT Return E-Filing Portal (May 22, 2026).
cxiii. Bloomberg Tax, United Kingdom Tax Tribunal Clarifies Kittel Test Application for VAT Dispute Involving Labor Supply Chains (May 4, 2026).
cxiv. Bloomberg Tax, United Kingdom Tax Tribunal Clarifies Income Tax, VAT Liabilities From Continued Business Activities After Sale (May 11, 2026).
cxv. Bloomberg Tax, United Kingdom Tax Tribunal Clarifies Kittel Test Application for VAT Disputes Involving Fast-Moving Consumer Goods (May 11, 2026).
cxvi. Tax Notes, HMRC Updates Guide on VAT Liability for Public EV Chargers (May 11, 2026).
cxvii. Tax Notes, U.K. Tribunal Nixes Disparate Treatment for Dipping Sauces (May 20, 2026).
cxviii. Bloomberg Tax, United Kingdom Supreme Court Posts Judgment Clarifying VAT Treatment of Property Sales Under Option-to-Tax Rules (May 29, 2026).
cxix. Bloomberg Tax, United Kingdom Tax Tribunal Clarifies VAT Treatment, Related Penalties for Transactions Involving Fraudulent Supply Chains (May 29, 2026).
cxx. Bloomberg Tax, Malaysia Customs Agency Issues Service Tax Policy on Health Examination Management Services (May 20, 2026).
cxxi. New Zealand - Inland Revenue Consults on GST Treatment of Directors', Board Members' Fees (May 4, 2026), News IBFD.
cxxii. New Zealand - Inland Revenue Consults on Application of GST to Unincorporated Bodies (May 7, 2026), News IBFD.
cxxiii. New Zealand - Inland Revenue Seeks Public Comments on GST Issues (May 26, 2026), News IBFD.

cxxiv. Bloomberg Tax, New Zealand Tax Agency Issues Commissioner’s Statement Clarifying GST Treatment of Low-Value Pre-Registration Goods, Services (May 27, 2026).
cxxv. Bloomberg tax, New Zealand Tax Agency Issues Interpretation Statement Clarifying GST Treatment of Court-Awarded Costs, Settlement Payments (May 27, 2026).
cxxvi. Orbitax, New Zealand Inland Revenue Consulting on Draft Guidance on GST Treatment of Arranging and Brokering Financial Products (May 26, 2026).
cxxvii. Sri Lanka - Sri Lanka Introduces Bill on VAT Changes (May 12, 2026), News IBFD.
cxxviii. Vietnam - Government Issues Decree Amending Scope of VAT-Exempt Transactions, Defining 'Total Turnover' for Input Tax Credit (May 8, 2026), News IBFD.