

Inside Indirect Tax

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About this Newsletter

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

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Global Rate Changes

- **Bahrain:**ⁱ On August 3, 2026, Bahrain's National Bureau for Revenue [updated](#) its VAT Financial Services Guide to Version 1.4, clarifying that general insurance and reinsurance premiums are generally subject to VAT at 10 percent when provided in Bahrain unless they qualify for zero-rating. The guidance also confirms that insurance and reinsurance services related to the international transport of goods or passengers, as well as certain insurance services provided to customers outside Bahrain, may qualify for zero-rating. The guide further clarifies that the VAT treatment of a reinsurance contract depends on the parties to the reinsurance arrangement rather than the location of the underlying insured risk or the status of the original insured party.
- **Bangladesh:**ⁱⁱ On June 11, 2026, Bangladesh issued several Statutory Regulatory Orders (SROs) introducing tax incentives for startups, exporters, and domestic manufacturers. [SRO No.137](#) extends through June 30, 2030, VAT incentives for domestic manufacturers of specified passenger vehicles, hybrid and electric vehicles, ambulances, buses, and trucks. [SRO No.144](#) exempts from VAT natural gas sold domestically for use in captive power facilities that generate electricity exclusively for businesses that export 100 percent of their production. To qualify, businesses must hold a valid industrial import registration certificate, remain compliant with VAT requirements, and satisfy specified application and reporting requirements. The exemption applies from July 1, 2026, through June 30, 2027. [SRO No.146](#) introduces a reduced 7.5 percent VAT regime and related incentives for domestic manufacturers of refrigerators, freezers, air conditioners, and compressors. To qualify, manufacturers must satisfy specified production and machinery requirements, obtain approval from the National Board of Revenue, and achieve at least 30 percent local value addition. The incentives remain available through June 30, 2030. [SRO No.147](#) exempts qualifying startups from VAT on domestic sales, imported services, and leased premises and relieves businesses of the obligation to withhold VAT on payments to qualifying startups. The measure applies from July 1, 2026, through June 30, 2035.
- **Bolivia:**ⁱⁱⁱ On July 30, 2026, Bolivia [enacted](#) Law No. 1755, amending the 2026 General State Budget. The law exempts the importation and domestic sale of inputs, seeds, drones and related accessories, genetic materials, tools, equipment, capital goods, and industrial plants intended for the agricultural, industrial, construction, transportation, and mining sectors from VAT and customs duties. The exemptions apply for five years from the date of enactment.
- **Botswana:**^{iv} On July 30, 2026, the Botswana Unified Revenue Service (BURS) [announced](#) the suspension of VAT on medical services. The suspension applies to private healthcare service providers, medical aid programs, and other affected parties while BURS consults with key stakeholders and the public. BURS stated that it suspended the charging of VAT on medical services to allow further consultation before implementation.
- **France:**^v On July 29, 2026, the French tax authorities [launched](#) a public consultation on revised VAT guidance regarding the VAT treatment of books. The draft guidance provides detailed criteria for determining whether a product qualifies as a book and therefore benefits from the reduced 5.5 percent VAT rate. It confirms that printed books, audiobooks, and digital books may qualify for the reduced rate where they principally reproduce intellectual work and satisfy specified content requirements. The guidance also clarifies that certain products, including advertising materials, catalogues, directories, board games, and publications primarily intended to be completed by the user, do not qualify as books and remain subject to the standard VAT rate. In addition, the guidance confirms that transfers of publishing rights relating to qualifying books continue to benefit from the reduced 10 percent VAT rate.
- **France:**^{vi} On August 26, 2026, the French tax administration [updated](#) its VAT guidance on heating and cooling energy distributed through networks. The guidance confirms that cooling energy distributed through qualifying cooling networks is eligible for the reduced 5.5 percent VAT rate beginning February 21, 2026. The guidance also clarifies the conditions for applying the reduced 5.5 percent VAT rate to heating energy distributed through qualifying networks, including the treatment of renewable and recovered energy sources and the methodology for determining whether a network satisfies the applicable energy threshold. In addition, the guidance confirms that fixed subscription charges relating to heating and cooling energy distributed through qualifying networks are eligible for the reduced VAT rate. The update also revises the administrative guidance following the repeal of the reduced 5.5 percent VAT rate previously applicable to electricity and natural gas subscription charges.

- **Hungary:**^{vii} On August 24, 2026, the Hungarian National Tax and Customs Administration and the Ministry of Finance [issued](#) guidance on changes to the VAT treatment of certain medicines that will take effect on September 1, 2026. The guidance clarifies that the new 0 percent VAT rate applies only to prescription-only medicines and certain magistral preparations for human use. Over-the-counter medicines will remain subject to the 5 percent VAT rate, while cosmetic and veterinary magistral products will continue to be subject to the standard 27 percent VAT rate. The changes implement Act XL of 2026, which reduces the VAT rate on qualifying prescription medicines from 5 percent to 0 percent effective September 1, 2026.
- **Isle of Man:**^{viii} On August 7, 2026, the Isle of Man Customs and Excise Division [published](#) VAT Notice 708 MAN providing guidance on the application of the reduced five percent VAT rate to certain construction services. The guidance confirms that the reduced rate applies to the alteration, extension, enlargement, repair, and maintenance of qualifying residential buildings, buildings used for relevant residential or charitable purposes, and places of worship. The reduced rate also applies when qualifying building materials are provided and installed as part of the work. The notice also clarifies the VAT treatment of projects that include both reduced-rate and standard-rate work, as well as certain subcontractor transactions. Separate buildings, holiday accommodation, most domestic appliances, carpets, architectural services, equipment hire, and construction work relating to business-use areas remain subject to the standard 20 percent VAT rate.
- **Japan:**^{ix} On July 30, 2026, Japan's Prime Minister [announced](#) a proposal to reduce the consumption tax rate on food and beverages from 8 percent to 1 percent for a 2-year period beginning in April 2027. The proposal would serve as a transitional measure before the introduction of an income-linked benefit system. The government also plans to introduce an advance version of the income-linked benefit in June 2027 and fully implement the system in April 2029, at which point the consumption tax rate on food and beverages would return to 8 percent. The government stated that the reduced rate would apply across all income groups and that a 1 percent rate would require fewer changes to business systems than a 0 percent rate. The announcement also acknowledged concerns about limitations on VAT refunds for certain agricultural producers and indicated that the government will consider support measures.
- **Portugal:**^x On August 17, 2026, Portugal [enacted](#) Law No. 48/2026, clarifying, among other things, that the reduced 6 percent VAT rate applies to urban rehabilitation works carried out on buildings or public spaces located within a legally designated Urban Rehabilitation Area, regardless of whether an Urban Rehabilitation Operation has been approved.
- **Romania:**^{xi} On August 5, 2026, Romania [enacted](#) Law No. 170/2026, clarifying the VAT exemption for sales to diplomatic and consular missions, qualifying diplomatic personnel, international organizations, EU Member State defense forces, and NATO forces. The amendment addresses cases where the vendor lacks an authenticated exemption certificate at the time of sale: if obtained afterward within the statutory limitation period, the exemption applies retroactively to the taxable event date; if a tax audit occurs first, inspectors will require VAT to be accounted for from that date; if the audit has already concluded and the certificate is later obtained, the vendor must regularize its position, with the tax authority deciding whether to reexamine the case; and if the certificate held was authenticated only after the sale, the exemption still applies retroactively.
- **Saint Lucia:** On July 15, 2026, the Parliament of Saint Lucia approved amendments that extend the VAT exemption on key construction materials, including cement, lumber, steel, and aluminum, until November 30, 2030. The amendments also provide temporary relief from VAT penalties and interest on outstanding VAT liabilities relating to periods ending on or before December 31, 2025. Taxpayers may access this relief until December 31, 2027. For more information, click [here](#).
- **South Africa:**^{xii} On July 30, 2026, South Africa [released](#) the Draft Taxation Laws Amendment Bill, 2026, together with an explanatory memorandum, proposing changes to the VAT treatment of services provided to Customs Controlled Area Enterprises and Special Economic Zone operators. The draft would clarify that the zero-rating available for services provided to Customs Controlled Area Enterprises and Special Economic Zone operators applies only to services physically performed in a customs-controlled area. According to the explanatory memorandum, some taxpayers have interpreted the current rules as allowing zero-rating for services provided to businesses located in a customs-controlled area regardless of where the services are performed. The memorandum states that the proposal is intended to clarify the existing policy and would not change the substantive effect of the provision. The proposed amendment would take effect upon enactment.

- **Thailand:**^{xiii} On August 20, 2026, Thailand [issued](#) a Royal Decree amending the rules on the reduced VAT rate. The decree extends the temporary reduction of the VAT rate under Section 80 of the Revenue Code by continuing to levy VAT at seven percent, rather than the statutory 10 percent rate, on the sale of goods, provision of services, and importation of goods. The measure applies to VAT liabilities arising from October 1, 2026, through September 30, 2027. According to the explanatory note accompanying the decree, the extension is intended to support domestic consumption, contribute to economic growth, and maintain economic stability by continuing the temporary VAT relief for an additional year.
- **United Kingdom:**^{xiv} On August 19, 2026, HM Revenue & Customs (HMRC) [updated](#) its VAT guidance on locum doctors and other temporary medical staff. The guidance highlights the First-tier Tribunal's decision in *Isle of Wight NHS Foundation Trust*, which held that an arrangement involving a registered locum doctor qualified for VAT exemption under the UK's healthcare VAT rules. The guidance also reviews several tribunal decisions involving temporary medical staffing arrangements and emphasizes that VAT treatment depends on the nature of the arrangement and, in particular, who directs and controls the medical professionals. HMRC notes that where doctors or other healthcare workers operate under the direction and supervision of a hospital, clinic, or other healthcare provider, the arrangement is generally treated as the provision of personnel and is subject to VAT. By contrast, arrangements in which the service provider retains responsibility for delivering medical care and overseeing the healthcare professionals may qualify for VAT exemption.
- **United Kingdom:**^{xv} On August 26, 2026, HMRC [updated](#) its VAT guidance on buildings and construction by adding electric vehicle charging points to the list of building materials ordinarily incorporated into a dwelling. As a result, electric vehicle charging points may qualify for the UK's existing zero-rating relief when installed as part of qualifying zero-rated residential construction projects.

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Digitalized Economy Indirect Tax Updates

Australia: News Media Incentive Charge Adopted

On August 26, 2026, Australia enacted the news media bargaining incentive (NMI) [legislative package](#), a new levy targeting large digital platforms that provide significant social media or search services in Australia. The NMI applies to a parent entity's "service group"—the parent entity together with all entities it controls. Liability arises where two conditions are met: first, one or more service group members must provide a "significant" social media service (exceeding 5 million average monthly active Australian users) or search service (exceeding 10 million average monthly active Australian users) in Australia during the financial year, based on usage in the prior financial year. Second, the service group's total relevant Australian digital advertising revenue attributable to those services must exceed AUD 250 million for its 12-month financial reporting period.

The NMI base is the service group's relevant Australian digital advertising revenue, broadly the portion of gross revenue—determined under accounting standards—attributable to advertising on the relevant service and to transactions within or into Australia, or to Australian assets attributable to that service, including revenue attributable to digital advertising directed at Australian users even where the contracting parties are located outside Australia. Revenue from tangible goods or other non-advertising services is excluded from the base. The applicable NMI rate of 2.75 percent is applied to Australian digital advertising revenue from the second-most-recent financial year preceding the NMI financial year; for example, the 2026-2027 NMI liability would be calculated on 2024-2025 Australian revenue.

A distinguishing feature of the regime is its offset mechanism, which allows a service group to reduce its NMI liability through payments to news business corporate groups that serve an Australian audience and produce Australian public interest journalism. Eligible expenditure is uplifted to 200 percent where paid to small or medium business entities and to 150 percent for all other news business corporate groups. To claim any offset, the service group must have new eligible expenditure with at least eight different Australian news business corporate groups, and the offset attributable to any single news business corporate group is capped at 25 percent of total NMI payable for the year (after uplift). Unused eligible expenditure may be carried forward to future years, provided the eight-group condition was satisfied in the year the expenditure arose; if not, the expenditure cannot be carried forward.

A parent entity must file a return with the Commissioner within six months after the end of the financial year, even when offsets reduce the NMI liability to nil, with payment due within 21 days of the Commissioner's notice of assessment. Each service group member and the parent entity are jointly and severally liable for any NMI and interest, and anti-avoidance rules are included to negate benefits obtained from schemes designed to avoid NMI liability. The NMI applies to financial years beginning on or after July 1, 2025, for a parent entity with a 12-month financial reporting period starting on or after January 1, 2025, meaning the levy takes effect from the 2025-2026 financial year onward. For more information, click [here](#).

Maldives: GST Reform Extending Tax to Offshore Tour Operators And Booking Platforms

On August 31, 2026, the Maldives [published](#) the Eighth Amendment to the Goods and Services Tax Act (Law No. 10/2011), moving the Maldivian GST framework from a source-based principle to a destination principle. The amendments bring foreign tour operators (FTOs) and online travel agents (OTAs) within the Maldivian GST net, regardless of whether these nonresident vendors maintain a physical presence or establishment in the country.

The vendors in scope are nonresident vendors of inbound tourism products—specifically foreign tour operators, online travel agencies, and offshore booking platforms. The sales covered include cross-border sales of “inbound tourism products” (accommodation, food, transportation, and other tourism-related activities conducted in the Maldives), as well as the commission or margin charged by FTOs and OTAs on such transactions and related agency and booking services. Notably, the amendments do not introduce a general nonresident digital services regime; digital services such as streaming, software, or digital advertising sold by nonresident vendors to Maldivian consumers would remain outside its scope.

For sourcing purposes, goods are treated as sold in the Maldives if transportation of the goods begins there, or if the vendor makes the goods available to a recipient there. Services are treated as sold in the Maldives if provided through a fixed place of business there or, where the recipient is not GST-registered, if the services are physically performed in the Maldives, connected to Maldivian immovable property, or constitute the sale of (or an agency/booking service for) an inbound tourism product.

While the general GST rate is 8%, the Maldives applies a special “tourism GST” (T-GST) rate of 17 percent. Sales of inbound tourism products by nonresident vendors without a fixed place of business would therefore fall within the T-GST mechanism and are taxed at 17 percent. Affected FTOs and OTAs are required to register for GST and account for T-GST at 17 percent, even absent a local establishment, regardless of their gross receipts. GST applies only to the margin or commission earned by the nonresident vendor, rather than the gross amount paid by the traveler, and no GST deduction is available to these nonresident vendors. For more information, click [here](#).

Mauritania: VAT Compliance Obligations for Nonresident Digital Services Vendors

On July 29, 2026, Mauritania's Parliament [adopted](#) the 2026 Amending Finance Act, introducing VAT compliance obligations for nonresident digital service vendors. New Article 210(q) brings “digital services provided by electronic means” within the scope of VAT as a taxable prestation de services, covering online advertising, cloud computing (including hosting and data storage), software and applications made available electronically (SaaS), electronic intermediation services through digital platforms or marketplaces in exchange for a commission or other remuneration, streaming of audio, video, or multimedia content, artificial intelligence and automated assistance, content-generation and data-analysis services, and other automated services provided over the internet or any electronic network.

Nonresidents are only required to collect VAT on B2C transactions; under amended Article 221(5)(b), where the service is sold to a taxpayer established or domiciled in Mauritania (B2B), VAT continues to be handled through the existing fiscal-representative/self-assessment mechanism. Digital services are deemed used or consumed in Mauritania where any (non-cumulative) of the following criteria is met: the customer is domiciled or established in Mauritania, the billing address is in Mauritania, payment is made via a payment instrument issued in Mauritania, the IP address used is located in Mauritania, the phone number used is Mauritanian, or any other element establishes local consumption.

New Article 221 bis addresses the treatment of platforms and marketplaces, clarifying that such platforms are always liable to collect VAT on their own commission or remuneration. A platform or marketplace becomes the sole taxpayer liable for VAT on the underlying (principal) transaction where it meets at least one of three conditions: it collects all or part of the price from the final customer; it sets, alone or with the vendor, essential transaction conditions such as price, payment terms, or general terms of service; or it acts as the contractual interface, notably where the final customer does not know the underlying vendor's identity or contracts only with the platform.

Nonresident digital service vendors and nonresident platforms designated liable under Article 221 bis must register for VAT from their first taxable sale, subject to a simplified registration, filing, and payment regime to be detailed in a forthcoming order of the Minister of Finance and implemented electronically; the Act does not clarify whether nonresident providers will be required to issue VAT-compliant invoices. For more information, click [here](#).

Poland: Draft DST Bill Published

On July 31, 2026, Poland released a [draft law](#) proposing a 3 percent compensatory tax on certain digital services, effective January 1, 2027. The tax would cover revenue from targeted advertising displayed on digital interfaces, multisided digital interfaces that enable users to interact or facilitate underlying transactions, and the sale, licensing, or other paid transfer of user-generated data. Exclusions would apply to direct online sales without intermediation, certain digital content, electronic communications and payment services, specified regulated financial and crowdfunding services, and entities predominantly engaged in publishing editorial content.

The tax would apply regardless of tax residence when an entity or consolidated group's worldwide revenue for the preceding calendar year exceeds EUR 1 billion and its taxable Polish revenue exceeds PLN 25 million. Intra-group revenue would not qualify as taxable revenue. The taxable base would comprise Poland-attributable revenue from covered services, excluding VAT, and taxable revenue would arise when it becomes due, regardless of whether the entity has received payment.

Poland would attribute revenue according to the location of users connected with the taxable service. Taxpayers could determine user location through IP or MAC addresses, telecommunications network data, or another sufficiently accurate method. For multisided interfaces, the taxable base would include the full commission when both parties to an underlying transaction are located in Poland and half the commission when only one party is located there. Revenue from targeted advertising and user-data transfers would be apportioned according to the share attributable to Polish users.

Non-EU taxpayers would generally have to appoint a Polish tax representative responsible for tax calculations, electronic returns, and recordkeeping, with joint and several liability for the tax. Taxpayers would notify the competent tax office within 30 days after their first taxable period, file an annual electronic return within 90 business days after year-end, and pay the tax within 30 days after the filing deadline.

Taxpayers could reduce the charge by Polish corporate income tax due, qualifying research and development costs, and specified expenditure on Polish fixed assets, but not below zero. A tax shortfall could trigger an additional liability of up to 200 percent of the unpaid tax, while failure to submit the required registration notification could result in a penalty of up to PLN 500,000. For more information, click [here](#).

Tanzania: Regulations Clarifying Excise Duty Regime for Nonresident Providers of Digital Services

On June 30, 2026, Tanzania issued the [Excise \(Non-Resident Service Providers\) Regulations, 2026](#), establishing excise duty compliance obligations for nonresident providers that deliver specified internet-based services to unregistered persons in Tanzania. The Regulations took effect on July 1, 2026, and cover electronic communication services, pay-to-view television services, including subscription video-on-demand streaming, commercial advertising relating to betting, gaming or lotteries, and money transfer and payment services.

Nonresident service providers must register online with the Commissioner General and provide specified business and contact information, including their incorporation certificate, registered address, and website details. Upon registration, the tax authority will issue a Taxpayer Identification Number for filing returns and paying duty. Providers already providing covered services in Tanzania when the Regulations entered into force must register within 90 days from July 1, 2026.

The Regulations set out rules for determining whether a service is delivered in Tanzania, based on indicators such as the recipient's physical address, bank or billing information, IP address, mobile country code, fixed landline, or other commercially relevant information. Where location indicators conflict, providers must rely on the most reliable evidence. Tanzanian residents will be treated as unregistered persons unless they provide documentary proof of registration.

Registered providers must file monthly electronic returns and pay excise duty by the seventh day of the following month. Duty may be paid in Tanzanian shillings or an equivalent convertible currency using the prevailing Bank of Tanzania exchange rate. The Regulations also exempt providers from using electronic fiscal devices and impose penalties, offences, and interest for noncompliance and late payment. For more information, click [here](#).

Ukraine: Parliament Advances VAT on E-Commerce

On July 31, 2026, Ukraine's parliament (Verkhovna Rada) registered for consideration [Bill No. 15460](#), a Customs Code amendment that would provide the customs and collection mechanics for a new VAT framework on cross-border sales of goods to individuals in Ukraine made through electronic interfaces. The substantive VAT rules are contained in a separate [Bill No. 15112-d](#), already before the Verkhovna Rada; the two bills are intended to be adopted together as a package. Together, they would establish a deemed-vendor mechanism modeled on international and EU approaches to marketplace VAT, shifting collection responsibility for qualifying low-value imports from postal operators to "electronic interface enterprises," including nonresident platforms.

The reform traces back to March 30, 2026, when the Cabinet of Ministers first submitted the Tax Code proposal, which would repeal the EUR 150 VAT exemption for commercial marketplace goods (imposing 20 percent VAT from the first euro), retain the EUR 150 threshold for import duty purposes only, and preserve the existing EUR 45 exemption for genuine noncommercial gifts between individuals. (For KPMG's previous discussion on the initial proposal, click [here](#).) Under that original proposal, VAT would become chargeable when the platform received payment, calculated on the total invoice value (denominated in EUR or USD for nonresident vendors), with platforms neither issuing Ukrainian VAT invoices nor recovering VAT on such sales; importation of goods sold under the mechanism would remain VAT-exempt. A proposed effective date of no earlier than January 1, 2027, has been retained throughout.

The resubmitted customs bill, reapproved by the Cabinet on July 29, 2026, fills in mechanics that were previously undrafted. Notable additions and clarifications include VAT collection directly at checkout, so buyers see the tax displayed at the point of purchase rather than encountering a separate customs contact on arrival; a new EUR 100,000 financial guarantee requirement for platforms (or their authorized Ukrainian intermediaries) to protect the budget against collected-but-unremitted VAT; mandatory registration of foreign platforms with the Ukrainian customs system, including designation of, or operation through, a Ukrainian intermediary responsible for the underlying tax obligations; and specified customs clearance procedures transmitted through electronic registers of international consignments.

The package also addresses several practical contingencies. Where a platform does not register, VAT would instead be assessed and collected from the recipient through postal operators or express carriers, potentially lengthening processing times. Foreign marketplaces may alternatively elect into "distance-selling" rules, under which liability arises when the buyer transfers payment to the seller and the VAT/customs duty payer is a Ukrainian marketplace or resident intermediary designated by the foreign platform; taxpayers under this election must maintain separate transaction records, remit tax monthly, and report to customs authorities even in periods with no sales. A first-year transition relief would waive penalties for unintentional payment errors provided the tax is paid in full, and the revised text drops earlier proposed restrictions on sending perfume, coffee, or tea in personal parcels. For more information, click [here](#).

Zanzibar: Nonresident Digital Services Providers to Register for VAT

The Zanzibar Revenue Authority (ZRA) recently [published](#) guidance on VAT registration and compliance requirements for nonresident providers of digital services provided to customers in Zanzibar. The guidance applies to a broad range of digitally delivered services, including software, digital content, streaming services, cloud storage, website hosting, online gaming, e-learning services, electronic booking services, and platform commissions. Nonresident providers must charge VAT at 18 percent on sales to customers in Zanzibar that are not registered for VAT. For sales to VAT-registered customers, the customer is responsible for VAT self-assessment, provided the customer provides a valid Zanzibar VAT registration number.

Digital services are treated as provided in Zanzibar based on specified payment and location indicators, including billing information, IP address, and mobile country code. Nonresident providers making taxable sales must register for VAT through the ZRA's simplified online registration system, regardless of their sales. Registered providers must file monthly VAT returns, pay VAT by the 20th day of the following month, and retain relevant records for at least seven years.

In addition, the guidance confirms that formal VAT invoices are not required for sales to non-VAT-registered customers and that customer receipts are sufficient. It also states that VAT on electronically delivered services provided by nonresident businesses is already in force, with unregistered businesses permitted until January 1, 2027, to begin collecting and remitting VAT under a transitional measure. For more information, click [here](#).

Other Developments

- **Austria:** On July 29, 2026, Austria adopted the [Parcel Tax Act \(Paketsteuergesetz, “PakStG”\)](#) as part of the Budget Accompanying Act 2027-2028, introducing a €2.00 levy per delivered parcel, effective October 1, 2026. The levy applies to parcels delivered in Austria as part of a distance sale to a consumer, regardless of where the goods sit at the time of order or their value, so domestic, intra-EU, and third-country sales all fall within scope. Only vendors whose Austrian distance sales exceeded €100 million in the prior year owe the tax, and Austria grants no exemption for a lack of physical presence in the country. Where a vendor sells through an online marketplace, a deemed-seller mechanism shifts liability for the levy to the platform. Vendors may elect to pay the levy per parcel or per order, though the election binds the vendor for the full reporting period, with liability arising upon acceptance of payment rather than upon delivery. Vendors must self-assess and file the levy quarterly through FinanzOnline, and non-EU/EEA vendors must appoint an Austrian fiscal representative. For more information, click [here](#).
- **Benin:**^{xvi} On June 24, 2026, Benin [enacted](#) Law No. 2026-10 amending the 2026 Finance Law and introducing several indirect tax measures. The law expands the contribution on electronic communication services to cover services provided free of charge, money transfers conducted through electronic or telecommunications channels, excluding bank transfers and tax payments, and cash withdrawals linked to transferred funds. The law also introduces sourcing rules for services provided through digital platforms, deeming certain online services, platform commissions, and real estate-related services taxable in Benin based on the location of the user, transaction, or property. In addition, the law requires platform operators to withhold tax on accommodation booking and rent collection transactions involving property located in Benin. For more information, click [here](#).
- **Canada:**^{xvii} On July 17, 2026, the Canadian government informed the Federal Court of Appeal that it intends to eliminate the base contribution requirement for online streaming services and replace the lost contributions with government funding. The requirement, introduced by the Canadian Radio-television and Telecommunications Commission in 2024, generally requires major streaming services to contribute 5 percent of Canadian revenue to support domestic broadcasting and news programming. The government indicated that it would issue new policy directions focused on affordability and consumer choice. However, streaming services may remain subject to separate reinvestment obligations under the Online Streaming Act. The letter was filed in consolidated litigation challenging the contribution requirement.
- **Chile:**^{xviii} On August 10, 2026, Chile’s tax authority [issued](#) Ordinance No. 1982, clarifying the VAT treatment of services paid for with stablecoins. The guidance states that where a Chilean company receives stablecoins as payment for services provided to foreign customers, the agreed price of the services remains unchanged and only the method of payment differs. For VAT purposes, businesses providing taxable services to customers without domicile or residence in Chile must issue the appropriate invoice or receipt based on the customer’s VAT status. The authority further clarified that where services qualify for the VAT exemption for exported services, the business must issue an export invoice in accordance with the applicable rules.
- **Indonesia:**^{xix} On August 5, 2026, Indonesia’s Directorate General of Taxes [announced](#) that the implementation of the income tax collection requirements for online marketplace operators will be postponed until October 31, 2026, and will take effect on November 1, 2026. Existing decisions regarding appointing marketplaces as income tax collectors will be revoked, followed by new appointments. Marketplaces must also refund domestic merchants’ income tax already collected under the earlier appointments. The announcement further clarifies that the postponement affects only the implementation date and does not change the substance of the policy. To read KPMG’s previous discussion of Indonesia’s income tax collection obligation for online marketplaces, please click [here](#).
- **Ireland:**^{xx} On August 24, 2026, Ireland’s Revenue Commissioners [issued](#) guidance on the reporting obligations of Reporting Crypto-Asset Service Providers (RCASPs) under the OECD’s Crypto-Asset Reporting Framework (CARF) and the EU’s DAC8 rules. The guidance explains the registration, due diligence, information collection, and reporting obligations applicable to crypto-asset service providers and other businesses within scope of the new reporting regime. The guidance outlines procedures for identifying reportable users and controlling persons, obtaining self-certifications, determining tax residence, and reporting information on crypto-asset transactions, including exchanges, transfers, and certain retail payment transactions. It also explains registration requirements, recordkeeping obligations, penalties, and rules intended to prevent duplicate reporting under CARF and DAC8. The reporting obligations apply from January 1, 2026. RCASPs must collect the required information from reportable users and submit their first annual reports by May 31, 2027, covering the 2026 calendar year.

- **Italy:**^{xxi} On January 22, 2026, the First Instance Tax Court of Milan [held](#) that Italy's Digital Services Tax (DST) does not apply to revenue from the taxpayer's direct online sales conducted through arrangements with vendors. The court found that, although the taxpayer operated a marketplace business that generated commission income subject to DST, the disputed transactions involved direct sales to customers rather than intermediary services between buyers and sellers. The court also noted that customers could not interact with vendors through the platform and that the taxpayer assumed key commercial risks, including inventory, pricing, payment, and unsold goods risks. As the transactions did not involve a digital platform that facilitated interactions between users, the court concluded that the related revenue fell outside the scope of DST and granted the taxpayer's refund claim.
- **Italy:**^{xxii} On August 4, 2026, the Italian Council of Ministers [approved](#) a decree implementing part of the EU "VAT in the Digital Age" (ViDA) package under Directive (EU) 2025/516. The measure, which will apply from January 1, 2027, updates Italy's VAT framework to reflect developments in the digital economy, improve VAT collection efficiency, and strengthen anti-fraud measures. The decree primarily clarifies existing VAT e-commerce rules, including the treatment of sales carried out through platforms, portals, and online marketplaces. It also clarifies the calculation of the EUR 10,000 threshold applicable to certain distance sales and digital services. The measure further updates the interaction between special VAT regimes, the small businesses VAT regime, and VAT refund procedures.
- **Luxembourg:** On July 17, 2026, Luxembourg submitted draft Bill No. 8812 to implement the first phase of the EU's VAT in the Digital Age (ViDA) package. Among other changes, the proposal would expand deemed-seller rules for online platforms, broaden the scope of the One Stop Shop (OSS) regime, revise the EUR 10,000 cross-border sales threshold, and phase out the call-off stock simplification regime. To read a report prepared by the KPMG member firm in Luxembourg, click [here](#).
- **Mauritius:**^{xxiii} On August 12, 2026, Mauritius [enacted](#) the Finance Act 2026, introducing several indirect tax and digital economy measures. The Act revises the VAT treatment of digital and electronic services sold by foreign providers by removing the requirement to appoint a local tax representative for VAT registration, return filing, and VAT remittance. The Act also brings online marketplaces and digital platforms within the scope of the digital services VAT regime and introduces a MUR 3 million annual VAT registration threshold for foreign providers beginning October 1, 2026. Foreign providers that make sales exclusively to VAT-registered business customers will not be required to register because the customer remains responsible for VAT self-assessment. Where a foreign provider makes sales to both business and consumer customers, VAT applies to both categories of sales. (For KPMG's previous discussion on the new rules, click [here](#).)
- **Mexico:**^{xxiv} On July 24, 2026, Mexico's tax administration [published](#) an updated list of 286 foreign digital service providers registered for tax purposes, reflecting registrations as of June 30, 2026.
- **Montenegro:**^{xxv} On August 7, 2026, Montenegro [published](#) a regulation establishing reporting and due diligence requirements for crypto-asset service providers, effective August 15, 2026. The regulation requires providers to collect and report information on reportable users and controlling persons, including names, addresses, jurisdictions of tax residence, and tax identification numbers. Providers are also required to report information on crypto-asset acquisitions, disposals, exchanges, transfers, and certain retail payment transactions exceeding USD 50,000, together with related transaction details. The regulation requires providers to determine users' tax residence through due diligence procedures and submit the required information annually. The first reporting period covers the relevant calendar year or reporting period beginning January 1, 2026.
- **Nepal:**^{xxvi} On August 19, 2026, Nepal's Inland Revenue Department [issued](#) a public notice clarifying the VAT treatment of nonresident digital services providers. The notice confirms that when credit notes issued during a tax period exceed taxable sales and create a negative VAT balance, the excess amount may be carried forward and applied against future VAT liabilities. The Department also amended the VAT return applicable to nonresident digital services providers to incorporate the carryforward mechanism.
- **Sierra Leone:**^{xxvii} On July 31, 2026, Sierra Leone's Government [presented](#) its 2026 Supplementary Budget and announced several indirect tax and digital tax measures to strengthen revenue collection. To enhance revenue mobilization during the second half of 2026, the government will implement the remaining measures in the 2026 Finance Act, including expedite the implementation of GST on digital services with support from the African Tax Administration Forum.

- **Singapore:**^{xxviii} On August 11, 2026, Singapore's Inland Revenue Authority [published](#) its first e-Tax Guide on the Crypto-Asset Reporting Framework (CARF), which establishes reporting and due diligence requirements for Singaporean crypto-asset service providers. Under the CARF Regulations 2026, reporting providers must conduct due diligence procedures to identify users, determine their tax residences, and, where applicable, identify the controlling persons of entity users. Providers must also report user information and transaction data annually to the tax authority for automatic exchange of information purposes. Singapore has committed to implement the framework from January 1, 2027, with the first exchange of information scheduled for September 2028. A provider that becomes a reporting crypto-asset service provider during a calendar year must register by March 31 of the following year, appoint an authorized point of contact, and notify the authority of any subsequent changes to its registration details.
- **South Africa:**^{xxix} On July 30, 2026, South Africa [released](#) the Draft Taxation Laws Amendment Bill, 2026, together with an explanatory memorandum, proposing changes to the VAT treatment of electronic services. Under the proposal, platforms that issue invoices and collect payment for electronic services would generally become responsible for accounting for VAT on those transactions unless the parties agree otherwise. The proposal would apply from April 1, 2027, if enacted.
- **Tajikistan:**^{xxx} On June 26, 2026, Tajikistan's government adopted draft amendments under Government Resolution No. 441 introducing a separate tax framework for foreign providers of remote digital services and a dedicated e-commerce tax regime. Foreign vendors providing remote services to individuals in Tajikistan would be required to register electronically for income tax purposes, while Tajik corporate taxpayers receiving remote services would be required to act as withholding tax agents. The proposal also introduces a separate e-commerce tax regime for legal entities, individual entrepreneurs engaged in qualifying e-commerce activities, and operators of trading platforms for the sale of goods. Qualifying e-commerce activities would be subject to a 3 percent income tax on gross income.
- **United Arab Emirates:**^{xxxi} The UAE Ministry of Finance [recently](#) published its Strategic Plan 2027–2029, outlining several initiatives aimed at strengthening indirect tax administration and supporting fiscal sustainability. Under its strategic objective to enhance fiscal sustainability and resilience, the Ministry identified, among other things, Tax Controls for Transactions Conducted via Digital Platforms as key strategic projects.

Developments Summary of the Taxation of the Digitalized Economy

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

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E-Invoicing Updates

Brazil: Publication of IBS/CBS E-Invoicing Implementation Calendar Under Consumption Tax Reform

On July 30, 2026, the Brazilian Federal Revenue Service and the IBS Management Committee issued Joint Act RFB/CGIBS No. 4/2026, establishing the first official implementation calendar for electronic fiscal documents supporting Brazil's new tax on goods and services (IBS) and contribution on goods and services (CBS). The calendar requires existing and new electronic fiscal document models to incorporate IBS and CBS information under the country's consumption tax reform. The IBS Management Committee had authorized the establishment of these deadlines through Resolution No. 16/2026 on July 29, 2026.

The first phase began on August 3, 2026, covering the NF-e for sales of goods and other taxable transactions, NFC-e for retail sales, CT-e for freight services, CT-e OS for passenger and valuables transportation services, MDF-e freight manifest, BP-e passenger transportation ticket, NF3e electricity invoice, DC-e for shipments not accompanied by fiscal documents, and GTV-e for transporting valuables. From October 1, 2026, the calendar covers the NFS-e for services subject to ISS and IBS/CBS, NFCom for telecommunications services, DIR for low-value shipment imports, and the first phase of the Declaration of Specific Regimes. The second DeRE phase will begin on November 15, 2026.

From December 1, 2026, the calendar will cover the NFS-e for digital platforms, NFS-e for intangible goods and digital products, NF-e for IBS/CBS taxpayers not registered for ICMS, NFGas for natural gas, NFAg for water and sanitation services, NF-e ABI for real estate transfers, and the third DeRE phase. From January 1, 2027, it will extend to the DUIMP single electronic import declaration, tax documents for Simples Nacional taxpayers, and NF-e for products subject to single-phase taxation. For more information, click [here](#).

Other Developments

- **Congo (Republic of):**^{xxxii} On July 30, 2026, the Congolese Ministry of Finance [announced](#) the phased implementation of the certified e-invoicing system (SFEC) under Decree No. 2026-101, starting August 1, 2026. Large enterprises, medium enterprises, oil and gas subcontractors, and their vendors must comply. Businesses unable to integrate via API by August 1, 2026 can temporarily register on the eFacture platform to issue certified e-invoices. Exemptions apply in cases of system malfunctions or uncontrollable circumstances.
- **Eswatini:**^{xxxiii} On July 15, 2026, the Eswatini Revenue Service (ERS) [implemented](#) the Value Added Tax (Electronic Submission of Fiscal Data and Return-Supporting Records) Notice 2026. This framework mandates taxpayers, sellers of electronic fiscal devices (EFDs), and others to electronically submit transaction-level fiscal data and VAT return-supporting records. Fiscal data must be transmitted to the ERS in real time or within 15 days if delays occur. Authorized EFDs must securely store data, issue fiscal documents, and transmit information to the ERS e-invoicing system. The Commissioner General oversees compliance, accreditation, and technical guidelines. Non-compliance may result in penalties under the VAT Act 2011.
- **Hungary:**^{xxxiv} On July 21, 2026, Hungary's National Tax and Customs Administration made its new [eVAT Tool](#) and accompanying user manual available. The Tool facilitates the processing, verification, and modification of eVAT data prepared in Excel, schema-based validation, XML-file generation, and preparation of machine-to-machine export files. The manual provides step-by-step guidance on these processes and the Tool's Log and Help functions. The broader eVAT system provides direct access to transaction-level data available to the tax authority, performs validations to identify inconsistencies and prevent logical or formatting errors, supports the digitalization and streamlining of VAT return processes, and exempts invoice recipients from M-sheet reporting. However, the Tool supports only technical preparation and validation and does not replace a substantive tax review of the data.
- **Luxembourg:** On July 30, 2026, the Luxembourg government released a draft bill to introduce mandatory structured e-invoicing for domestic B2B transactions between Luxembourg-established taxable persons where the place of taxation is Luxembourg, while maintaining the existing B2G framework. The obligation to issue and transmit compliant e-invoices will be introduced in two phases: (1) from July 1, 2028, for large and medium-sized businesses; and (2) from January 1, 2029, for all other businesses. Compliant invoices and related credit notes would need to use a structured electronic format that enables automated processing and complies with the European e-invoicing standard. Recipient consent would no longer be required, and only the compliant structured e-invoice would have legal value as the invoice.
- **North Macedonia:** North Macedonia's Ministry of Finance recently published a Draft Law on Electronic Invoicing establishing a legal framework for a centralized platform administered by the Public Revenue Office. The proposed system would regulate the issuance, receipt, validation, storage, and exchange of electronic invoices and related documents. Taxpayers could voluntarily join the system from October 1, 2026. Mandatory implementation would begin for VAT-registered entities on April 1, 2027, followed by non-VAT-registered businesses on July 1, 2027, public-sector entities on October 1, 2027, and all remaining entities on January 1, 2028. For more information, click [here](#).

- **Oman:**^{xxxv} On August 3, 2026, the Oman Tax Authority [issued](#) Decision No. 189/2026, amending the VAT Executive Regulations to introduce e-invoicing requirements in phases. Taxpayers with annual sales exceeding OMR 5 million must comply starting April 1, 2027, while additional categories follow on October 1, 2027. Key changes include mandatory electronic tax invoices, issuance deadlines, invoice integrity controls, and simplified tax invoice requirements. The tax authority will license service providers for secure invoicing systems. Exceptions may be granted under specific conditions. Businesses should prepare for compliance with Oman's phased rollout of the e-invoicing framework.
- **Peru:**^{xxxvi} On July 29, 2026, Peru's National Superintendence of Customs and Tax Administration (SUNAT) [issued](#) Resolution No. 000143-2026/SUNAT, postponing by five months the implementation of Resolution No. 000048-2026/SUNAT to provide affected taxpayers with additional time to adapt their systems. The resolution delays the general effective date of the new rules from August 1, 2026, to January 1, 2027, and postpones from November 1, 2026, to April 1, 2027 the mandatory use of the Electronic Issuance System (SEE) for airport services authorized documents (DAE-SEAE), attribution documents (DOAE), and e-invoicing obligations applicable to companies that collect the Garantía de Red Principal (GRP). The resolution also extends several transitional measures, including the period during which electronic credit and debit notes may be issued for certain legacy authorized documents, as well as the deadlines for submitting Forms 836, 847, and 837. No substantive requirements introduced by Resolution No. 000048-2026/SUNAT were modified; only the implementation and compliance dates were deferred.
- **Serbia:** Effective August 1, 2026, Serbia amended its Rulebook on Electronic Invoicing. The amendments revise Summary VAT Records by requiring separate reporting of increases in the tax base and VAT relating to advances and clarify the treatment of advance-payment reductions. They also permit corrections to electronic VAT deduction records after the prescribed deadline and establish rules for updating automatically entered data. Electronic VAT deduction records must generally be completed by the preparation date of the preliminary VAT return. Provisions concerning preliminary VAT returns will apply to tax periods beginning after December 31, 2026. The Electronic Invoicing System will prepare these returns using data from electronic invoices, VAT records, and electronic VAT deduction records, supplemented by specified manually entered information. For more information, click [here](#).
- **Sierra Leone:**^{xxxvii} On July 31, 2026, Sierra Leone's Government [presented](#) its 2026 Supplementary Budget and announced several indirect tax and digital tax measures to strengthen revenue collection. To enhance revenue mobilization during the second half of 2026, the government will implement the remaining measures in the 2026 Finance Act, including accelerate the rollout of 10,000 Electronic Cash Registers to improve GST compliance. The National Revenue Authority will also integrate its tax administration systems with Electronic Cash Registers, banking systems, product-tracking platforms for excisable goods, and fuel-marking systems.
- **Slovakia:**^{xxxviii} On August 7, 2026, the Slovak Financial Administration [announced](#) the continued registration of legal entities for tax identification numbers (TINs) based on data obtained from the Register of Legal Entities as part of preparations for mandatory electronic invoicing from January 1, 2027. The authority plans to register approximately 58,000 legal entities that currently lack a TIN. The announcement clarifies that the assignment of a TIN does not create a tax liability or filing obligation. However, registered entities will be required to use the assigned TIN for identification purposes under the VAT rules effective January 1, 2027, including the transmission and receipt of electronic invoices through the mandatory e-invoicing system.
- **Spain:**^{xxxix} On June 10, 2026, Spain's Senate [approved](#) a motion (Exp. 662/000209) urging the government to reevaluate the deployment of VERIFACTU to align with the EU's ViDA Directive (Directive 2025/516). The motion calls for a unified transaction reporting model integrating e-invoicing, VERIFACTU, and the Immediate Supply of Information (SII) by 2030. It emphasizes avoiding duplicate systems, ensuring legal certainty, reducing administrative burdens for SMEs and freelancers, and guaranteeing interoperability with the European EN 16931 standard. A transitional period and financial support for businesses, especially small enterprises, are also proposed. Coordination with regional governments and an independent impact assessment are recommended before expanding mandatory requirements.
- **Sri Lanka:** On August 6, 2026, Sri Lanka's Commissioner General of Inland Revenue issued Gazette Extraordinary No. 2500/106, postponing mandatory compliance with the revised VAT tax invoice format and specifications from July 1, 2026, to October 1, 2026. The revised requirements apply to tax invoices issued by VAT-registered persons. All other matters contained in Gazette Extraordinary No. 2481/22, dated March 27, 2026, remain unchanged. To read a report prepared by the KPMG member firm in Sri Lanka, click [here](#).

- **Uganda:**^{x1} On August 11, 2026, the Uganda Revenue Authority [announced](#) that, effective July 1, 2025, businesses operating in specified sectors are required to use the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) to issue electronic invoices and receipts, in addition to the existing obligation for all VAT-registered taxpayers. The requirement applies to sectors including manufacturing, mining and quarrying, utilities, construction, shipping and storage, accommodation and food services, information and communication activities, real estate, professional services, arts and entertainment, and wholesale and retail fuel sales. Certain categories are excluded, including passenger land transport providers and non-resident digital service providers subject to digital service tax. Small businesses with annual turnover below UGX 10 million and taxpayers earning annual rental income below UGX 2.82 million are also exempt.

Global E-invoicing Developments Timeline

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

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Other Indirect Tax Developments and News from Around the World

The Americas

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

- **KPMG in Chile** published a [report](#) discussing recent tax developments in Chile, including guidance from the Chilean Internal Revenue Service on VAT and electronic tax documents. For online betting, gambling, and casino services, the VAT base generally comprises amounts paid, deposited, or wagered by users, although certain prize payments may be deductible if properly substantiated before the tax authority. Separate guidance issued by the tax authority explains that late-payment interest and fixed collection fees arising from unpaid invoices do not constitute a sale or VAT-taxable service and therefore should not be documented through electronic tax documents.

United States: Pennsylvania Legislature Alters Local Sales Tax Sourcing Retroactively; Compliance Expected by October 1

The Pennsylvania Department of Revenue recently [issued](#) guidance regarding newly enacted legislation changing the sourcing of sales under the sales tax rules in Philadelphia and Allegheny Counties. Under the new law, vendors currently required to collect the 6 percent Commonwealth sales tax must also collect and remit the 2 percent Philadelphia local sales tax and the 1 percent Allegheny County local sales tax on taxable sales delivered to customers in those jurisdictions. The legislation was enacted on July 12, 2026, with a retroactive effective date for tax years after December 31, 2025. Recognizing that vendors need time to adjust, the Department has stated that it will not begin enforcing the new rules until October 1, 2026.

Previously, Philadelphia and Allegheny County local sales taxes were generally based on the point of sale, which was deemed to occur at the place of business of the retailer making the sale, regardless of the location of the customer. Under the new law, local sales tax is now based on the point of destination, i.e., where the product or service is delivered to the customer. This shift aligns the administration of local sales tax with the sourcing rules already used for Pennsylvania state sales tax, meaning vendors will apply a single, consistent, destination-based approach across both the state and local components.

The new law leaves other aspects of Pennsylvania's sales and use tax regime unchanged. State sales tax rules remain the same, and state sales tax must continue to be collected whenever a vendor sells taxable items or services. State and local use tax rules are also unaffected: when sales tax is not collected at the time of purchase, purchasers still owe use tax when taxable items or services are used in Philadelphia or Allegheny Counties. For more information, click [here](#).

Miscellaneous Developments in the Americas

- **Brazil:**^{xli} On July 29, 2026, Brazil's Superior Council of the IBS Management Committee (CGIBS) [published](#) Resolution No. 14, proposing that 50 percent of estimated 2027 IBS revenue be allocated to finance the CGIBS. The proposed allocation represents the maximum amount permitted under Complementary Law No. 227/2026. The resolution estimates IBS revenue for states, the Federal District, and municipalities at BRL5.153 billion for 2027, resulting in projected CGIBS funding of BRL2.577 billion. The estimate is based on the assumption that the IBS will apply from January 1, 2027, at a combined rate of 0.1 percent, consisting of a 0.05 percent state rate and a 0.05 percent municipal rate. The resolution also publishes the methodology used to estimate revenue for the first year of the new consumption tax system.
- **Guatemala:**^{xlii} On August 5, 2026, Guatemala's Superintendency of Tax Administration [issued](#) Institutional Tax Criterion No. 3-2026, clarifying the treatment of goods imported under the temporary admission for inward processing regime. The criterion provides that these goods, and products manufactured from them, are not eligible for free circulation within the Central American Common Market. They may not be sold in Guatemala or transferred to another member country unless the applicable import taxes and customs duties are paid. The criterion also provides that the DUCA-F regional customs form generally may not be used to export goods covered by the inward processing regime or to discharge the corresponding temporary admission and guarantee accounts. An exception applies to qualifying exports made entirely from Guatemalan or previously nationalized materials.

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Europe, Middle East, Africa (EMEA)

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

- **KPMG in Bahrain** published a [report](#) discussing updates to Bahrain's VAT Financial Services Guide. The report highlights clarifications on the VAT treatment of general insurance and reinsurance contracts. General insurance and reinsurance premiums, including health insurance, remain subject to VAT at 10 percent when provided in Bahrain unless they qualify for zero-rating. The report also notes that the VAT treatment of reinsurance contracts depends on the parties to the reinsurance agreement rather than the location of the underlying insured risk or the status of the original insured person. Reinsurance services provided to non-resident insurers may qualify for zero-rating as exported services if the relevant conditions are met. In addition, policy-related fees remain subject to VAT at 10 percent unless they qualify for zero-rating.
- **KPMG in the Czech Republic** published a [report](#) discussing updated guidance issued by the Czech Financial Administration on the VAT treatment of donated goods and VAT recovery in grant-funded projects. The updated guidance expands the circumstances in which businesses may assign a very low value to donated goods for VAT purposes, including certain clothing and textile donations and goods that have become unsaleable as a result of a business decision, subject to specified documentation requirements. The Financial Administration also clarified that the ability to recover VAT depends on how goods and services are used rather than on the source of funding. Businesses may recover VAT where project outputs support taxable business activities and are supported by objective evidence. By contrast, activities carried out solely without charge generally do not give rise to VAT recovery.

- **KPMG in Germany** published a [report](#) discussing recent VAT developments, including two recent Federal Fiscal Court (BFH) cases: one (Case No. V B 28/25) on allocating deductible VAT on construction costs for extending a mixed-use building, and another (Case No. V B 43/25) on whether self-procured water used in beverage manufacturing constitutes a “work supply.” The Münster Fiscal Court also held on May 19, 2026 (Case No. 15 K 3483/18 U) that group bonuses passed through by a central settlement entity do not require VAT deduction adjustment, while the Cologne Fiscal Court ruled on February 25, 2026 (Case No. 2 K 2009/24) that taxpayers performing taxable work supplies to private individuals must use the general VAT assessment procedure rather than the special refund procedure.
- **KPMG in Hungary** published a [report](#) discussing indirect tax amendments included in a tax package submitted to Parliament on July 17, 2026. The proposal confirms that the current invoice data reporting requirements on the “M sheets” of VAT returns will continue to apply after July 1, 2026. It also reiterates that businesses will need to submit VAT returns through the eVAT (eÁfa) system beginning January 1, 2027. In addition, the proposal would amend customs rules by eliminating the customs exemption for shipments valued at EUR 150 or less from July 1, 2026, requiring electronic customs notifications to display both import VAT and customs duties payable, removing the relief under which customs duties and VAT of EUR 10 or less are not payable or refundable, and clarifying authentication requirements for electronically submitted customs declarations. The proposal remains under parliamentary consideration.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including a Supreme Administrative Court decision holding that an intermediary may qualify for the VAT exemption for financial intermediation services even if it does not negotiate all contractual terms, provided it does more than perform only part of the activities related to the contract.
- **KPMG in Poland** published a [report](#) discussing recent tax developments. In a judgment of August 13, 2026 (Case File I FSK 463/25), the Supreme Administrative Court (SAC) held that whether land qualifies as “building land” for VAT purposes depends on its primary designation under the local spatial development plan; permitting only ancillary functions, infrastructure, small architecture, or shelters on a plot does not change the land’s fundamental character or forfeit its VAT exemption. Separately, in a judgment also dated August 13, 2026 (Case File I FSK 2242/23), the SAC held that providing goods (footwear) to an influencer in exchange for an equivalent advertising service constitutes a barter transaction subject to VAT under the general rules.
- **KPMG in Poland** published a [report](#) discussing recent tax developments, including two SAC judgments of August 7, 2026, concerning VAT deductions for corporate events attended by employees’ family members. In case I FSK 1980/23, the SAC held that family members’ participation does not preclude VAT deductions where the event primarily aims to strengthen employee loyalty, improve morale, or enhance the employer’s image, and any personal benefit remains secondary. In case I FSK 163/24, the SAC confirmed that companies may deduct VAT on expenses relating to employees, employees of related companies, and their families. The SAC stated that companies must separately assess whether expenses relating to other attendees, including local government and association representatives, have a sufficient connection with taxable business activities.
- **KPMG in Saudi Arabia** published a [report](#) discussing new Economic Substance Requirements for entities operating in Saudi Arabia’s Special Economic Zones. The regulations require qualifying businesses to meet specified substance requirements and submit annual compliance reports. The regulations also limit the availability of certain tax and customs incentives for intellectual property activities that relate solely to the marketing of intellectual property assets.
- **KPMG in the United Arab Emirates** published a [report](#) discussing UAE Federal Tax Authority Decision No. 13 of 2026, which introduces new due diligence requirements for businesses claiming VAT credits on purchases connected to transactions involving tax evasion. Effective October 1, 2026, businesses will be required to perform specified checks on vendors and transactions before claiming VAT credits. Under the new rules, the tax authority may deny VAT credit claims if it determines that a transaction was part of a supply chain connected to tax evasion and the required verification procedures were not performed. The guidance also outlines documentation, compliance, and verification requirements that businesses must follow.

Miscellaneous Developments in EMEA

- **Bahrain:**^{xliii} On August 9, 2026, Bahrain's National Bureau for Revenue [updated](#) its VAT Real Estate Guide to Version 1.7 and introduced additional guidance on VAT invoice requirements for real estate and construction transactions. The guide clarifies that taxpayers must issue VAT invoices for goods and services provided in Bahrain and must include all information required under Bahrain's VAT legislation. For transactions related to the construction of new buildings, the guide specifies that VAT invoices must include the relevant building permit number in the description of the transaction. The update also retains existing guidance on the VAT treatment of real estate transactions, construction services, VAT recovery, and related compliance obligations.
- **Croatia:**^{xliv} Croatia recently [launched](#) a public consultation on draft amendments to its VAT Act to implement the EU's VAT in the Digital Age (ViDA) rules, with most changes scheduled to take effect on January 1, 2027. The draft would expand and refine the One Stop Shop (OSS) and Import One Stop Shop (IOSS) regimes by allowing non-EU vendors to use OSS for all business-to-consumer services provided within the EU, clarifying that the EUR 10,000 distance sales threshold applies only to intra-EU distance sales dispatched from the seller's Member State of establishment, and treating registration for OSS as an election to tax sales in the Member State of consumption. The proposal also expands deemed seller rules for electronic platforms, excludes small-business scheme users from IOSS, introduces transitional OSS rules for transfers of a business's own goods from July 1, 2028, and extends OSS refund-related provisions and reporting requirements.
- **Denmark:**^{xlv} On March 9, 2026, the Western High Court [issued](#) its decision in SKM2026.366.VLR, regarding whether business receipts deposited into a taxpayer's personal bank accounts should give rise to VAT liability for the taxpayer or be attributed to companies owned by the taxpayer. The taxpayer argued that the deposits related to activities carried out through companies he owned and that he merely allowed those companies to use his personal accounts. The court found that the taxpayer failed to demonstrate that the business-related payments received in the accounts had been transferred to and taxed in the companies. Accordingly, the court upheld the tax authorities' treatment of the deposits as revenue from the taxpayer's unregistered business and confirmed the associated VAT liability. The court also upheld the denial of additional deductions for various expenses after concluding that the taxpayer had not substantiated their business nature.
- **Denmark:**^{xlvi} On August 18, 2026, the Eastern High Court of Denmark [published](#) its decision in SKM2026.413.ØLR concerning the VAT recovery of general overhead costs incurred by a school that provided both publicly funded education and taxable training courses. The school argued that its educational and commercial training activities formed part of a single economic activity and that it was entitled to a broader VAT deduction for general costs. The court disagreed, finding that the publicly funded educational programs and the fee-based training courses constituted separate activities for VAT purposes, despite sharing facilities, equipment, and teaching staff. As a result, the court held that VAT recovery on general overhead costs must be determined based on the extent to which those costs are attributable to the school's taxable training activities. The court also rejected the taxpayer's reliance on an alleged administrative practice, concluding that such an approach would be inconsistent with the Danish VAT Act and the objectives of the EU VAT Directive.
- **European Union:**^{xlvii} On July 20, 2026, the European Commission [adopted](#) Implementing Regulation (EU) 2026/1740 to correct technical errors and omissions affecting the calculation of Carbon Border Adjustment Mechanism (CBAM) certificate obligations. The regulation updates default emissions values, product classifications, country-specific default values, and other technical elements used in the CBAM framework. The amendments apply retroactively from January 1, 2026.
- **European Union:**^{xlviii} On July 23, 2026, the European Commission [released](#) the minutes of the 128th meeting of the EU VAT Committee, held on November 17, 2025. The minutes outline discussions on several VAT and digital reporting developments, including implementation of the VAT in the Digital Age (ViDA) package, Digital Reporting Requirements (DRR), platform economy rules, Single VAT Registration (SVR), and the secure Import One Stop Shop (IOSS). The Committee also discussed implementation of new digital reporting requirements for intra-EU transactions where electronic invoices do not include VAT rates or VAT amounts. Most delegations supported a pragmatic approach that would allow customers to report zero values for those fields, subject to amendments to the VAT Directive. In addition, the Committee considered the VAT treatment of digital services provided in exchange for users' personal data, VAT refund thresholds for nonresident businesses, and the interaction between transfer pricing adjustments and VAT. The Commission indicated that further guidance may be considered in some of these areas.

- **European Union:** On August 14, 2026, the European Commission published 10 guidance documents to support implementation of the Carbon Border Adjustment Mechanism (CBAM) during its definitive period. The guidance covers CBAM compliance requirements, emissions monitoring and reporting, the calculation of embedded emissions, and adjustments for free allocation under the EU Emissions Trading System. It also includes sector-specific guidance for cement, hydrogen, fertilizers, iron and steel, aluminum, and electricity. The guidance is intended to assist non-EU producers of CBAM goods, authorized CBAM declarants, and verifiers in meeting their reporting and compliance obligations. For more information, click [here](#).
- **European Union:**^{xlix} On August 24, 2026, the European Commission [issued](#) guidance on the verification and accreditation requirements under CBAM for the definitive period beginning January 1, 2026. The guidance applies to third-party verifiers assessing emissions reports from operators of non-EU installations producing CBAM goods and to national accreditation bodies responsible for accrediting those verifiers. The guidance outlines requirements for emissions monitoring, verification procedures, verifier competence and accreditation, and the submission of verification reports through the CBAM Registry. It also addresses the treatment of precursors, electricity, and indirect emissions.
- **France:**^l On August 19, 2026, the French tax authorities [clarified](#) that an item may qualify as a second-hand good for purposes of the VAT margin mechanism even if it has never been used and remains in its original packaging. The authorities further clarified that whether the original consumer actually used the item is irrelevant. As a result, taxable resellers may apply the VAT margin mechanism when reselling unused goods acquired from private individuals who previously bore the VAT, including items such as unworn shoes or unopened bottles of wine.
- **Germany:**^{li} On May 7, 2026, the German Federal Fiscal Court [issued](#) its decision in *V R 15/24*, on whether a taxpayer may recover VAT on advisory costs incurred in pursuing damages claimed after a planned business activity is terminated. The case concerned advisory services used to seek compensation following the termination of a project agreement that prevented the taxpayer from carrying out its intended business activity. The court found that the advisory costs constituted general overhead expenses directly linked to the taxpayer's intended taxable business activity and the winding-up of that activity. Accordingly, the court held that the taxpayer was entitled to recover the related VAT. The court also confirmed that VAT recovery may remain available even where the intended taxable transactions never occur, provided the costs arise exclusively from the taxpayer's taxable business activity.
- **Greece:**^{lii} On November 5, 2025, the Hellenic Council of State (supreme administrative court) [published](#) Judgment No. 1998/2025, concerning whether a nonresident nonprofit organization could recover VAT incurred through its Greek branch. The case involved a Belgian nonprofit cooperative that provided telecommunications services to international airlines through a Greek branch and sought a refund of VAT incurred on costs related to those activities. The Greek tax authority denied the refund, arguing that the organization's nonprofit status prevented it from qualifying as a VAT taxpayer and from claiming a VAT refund that the branch could not rely on transactions invoiced through the Brussels head office to support its refund claim. The court rejected the Greek tax authority's appeal and upheld a lower court ruling recognizing, in principle, the taxpayer's right to recover VAT. The court agreed that the Greek branch and Brussels head office constituted a single taxpayer for VAT purposes so that services invoiced by the Brussels head office may be treated as supplies of the Greek branch, and that the organization carried out an independent economic activity despite its nonprofit status. The court therefore concluded that the taxpayer could, in principle, recover VAT incurred in connection with the relevant activities. The amount of the refund remains subject to a tax audit of the taxpayer's records, returns, and supporting documentation.
- **Italy:**^{liii} On March 30, 2026, the Italian Supreme Court issued Order No. 7694, holding that a company established in another EU Member State will not be treated as established in Italy solely because certain management functions or business activities are carried out there. The case involved an Italian company that provided ship management services to a Portuguese shipping company. The tax authorities argued that the Portuguese company was effectively managed from Italy and that the services therefore should have been subject to Italian VAT. The Supreme Court disagreed, finding that the Portuguese company maintained a genuine business presence in Portugal, including its registered office, personnel, vessels, and business operations. The Supreme Court further held that outsourcing management functions to an Italian service provider did not, by itself, deprive the company of its economic substance. As a result, the Portuguese company remained established outside Italy for VAT purposes, and the services provided by the Italian company fell outside the scope of Italian VAT.

- **Italy:**^{liv} On May 28, 2026, the Italian Supreme Court issued Order No. 16741, holding that public subsidies paid to a local public transport operator to cover operating losses do not form part of the VAT taxable amount when they are not directly linked to the price charged to passengers. The Supreme Court explained that a subsidy is subject to VAT only when it effectively reduces the price paid by customers and therefore constitutes consideration for a specific service. In this case, the subsidies were calculated after the fact based on the operator's operating losses and were intended to support the financial sustainability of the public transport service. Because the payments were not tied to the number or identity of passengers and were not intended to reduce fares, the Supreme Court concluded that they were not consideration for transport services and were excluded from the VAT taxable amount.
- **Italy:**^{lv} On June 12, 2026, the Italian Supreme Court published Order No. 19536, in which it held that reimbursements of insurance premiums advanced by a company on behalf of its clients do not form part of the VAT taxable amount when the company acts in the client's name and on the client's behalf. The Supreme Court found that the company's insurance agency activities and the services it provided to car dealers constituted separate legal and economic relationships. Because the dealers owed the premiums directly to the insurance companies and the company merely advanced those amounts under a mandate with representation, the reimbursements did not constitute consideration for services provided by the company. As a result, the reimbursements were excluded from the VAT taxable amount under the Italian VAT Act.
- **Italy:**^{lvi} On June 21, 2026, the Italian Supreme Court issued Order No. 21013, clarifying the VAT treatment of a deemed buy-sell under an undisclosed agency arrangement. The Supreme Court held that the VAT treatment of a transaction generally carries through to the deemed transaction between a principal and an agent acting in its own name on the principal's behalf. The Supreme Court found that, in the case at hand, the lower court had incorrectly focused on the fact that VAT had been charged and paid on a recharge of postal services. Instead, it held that the proper analysis begins with the underlying transaction. If the underlying postal services qualify for the VAT exemption, the same treatment applies to the deemed principal-agent transaction; if they do not, both transactions are taxable.
- **Italy:**^{lvii} On August 6, 2026, the Italian Revenue Agency [issued](#) Circular No. 6/E providing clarifications on the cooperative compliance regime. This is a voluntary program letting mainly large taxpayers obtain penalty relief, faster rulings, and guarantee-free refunds in exchange for transparently disclosing tax risks through a certified internal control system. For VAT purposes, the circular confirms that taxpayers accessing the regime through a new investments ruling may treat the filing of periodic VAT settlement communications (LIPE) affected by that ruling as a relevant tax compliance step for admission purposes. The circular also clarifies that, for VAT, the requirement to disclose tax risks in advance is assessed against the deadline for filing the annual VAT return rather than earlier VAT payment or reporting obligations. In addition, VAT-related risks communicated before the annual return deadline may qualify for the regime's penalty protection, subject to the prescribed conditions.
- **Italy:**^{lviii} On August 7, 2026, the Italian Revenue Agency [issued](#) Circular No. 7/E, providing VAT guidance on the tax treatment of amateur sports organizations. The guidance confirms that nonprofit organizations and amateur sports entities that provide services closely connected with sports participation, including educational and training services, may qualify for a VAT exemption if the services are provided to individuals participating in sports or physical education. The circular also clarifies that entities making such exempt services may elect relief from certain VAT invoicing and recordkeeping requirements. In addition, the agency states that transfers of an athlete's contractual rights by an amateur sports association or company to a professional sports club do not qualify for the VAT exemption because the transaction is not considered a service closely connected with the practice of sport and therefore remains subject to the ordinary VAT rules.
- **Italy:**^{lix} On August 11, 2026, Italy published Legislative Decree No. 148/2026, [introducing](#) additional corrective measures as part of the country's ongoing tax reform. Among other changes, the decree extends the period for recovering VAT paid on purchases by allowing taxpayers to claim a VAT deduction until the filing deadline for the annual VAT return for the second year following the year in which the right arose. The measure also allows purchase invoices to be recorded up to the same deadline while remaining attributable to the year of receipt. The change effectively restores the rules that applied before 2017 and addresses situations in which businesses fail to record purchase invoices before the annual VAT filing deadline. The new rules will apply to VAT returns filed from January 1, 2027.

- **Italy:**^{lx} On August 28, 2026, the Italian Revenue Agency [issued](#) implementing provisions for the automated assessment of VAT where a taxpayer fails to file an annual VAT return. The provisions allow the tax authority to determine VAT liabilities using data from electronic invoices, electronically transmitted sales receipts, periodic VAT settlement reports, and VAT payments. A return that omits all data relating to taxable sales may also be treated as unfiled. The rules also provide that businesses may receive credit for VAT previously paid on purchases, based on electronic purchase invoices, periodic VAT settlement reports, and VAT payments. However, the tax authority will not take into account VAT credits carried forward from the previous annual return. Taxpayers who receive an assessment notice will have 60 days to provide clarifications or pay the VAT, interest, and reduced penalties.
- **Lithuania:**^{lxi} On August 6, 2026, Lithuania [published](#) a draft amendment to its VAT Law that would exclude certain incidental transactions when determining whether a business must register for VAT. Under the proposal, revenue from occasional real estate transactions, certain financial services, and insurance and reinsurance activities would not count toward the VAT registration threshold, provided the business does not ordinarily engage in those activities. The amendment would expand the current rules by expressly including insurance and reinsurance activities and by applying the exclusion more broadly to incidental transactions rather than only incidental services. If enacted, the amendment would take effect on January 1, 2027.
- **Nigeria:**^{lxii} On June 29, 2026, the Nigeria Revenue Service [issued](#) guidance on tax and VAT refunds, including new procedures, eligibility requirements, and processing timelines. For VAT purposes, the guidance explains when businesses may request a refund, including when VAT paid on purchases exceeds VAT collected on sales, when VAT has been overpaid because of filing errors, and when VAT is charged on transactions that qualify for a VAT exemption or a zero percent rate. The guidance requires businesses to submit VAT refund claims within 12 months of the transaction giving rise to the claim and to provide supporting documentation. The tax authority must either pay an approved refund or apply the amount against the taxpayer's other tax liabilities within 30 days of receiving a valid claim.
- **Nigeria:**^{lxiii} On June 29, 2026, the Nigeria Revenue Service [issued](#) Information Circular No. 2026/18, providing updated guidance on VAT withholding obligations and replacing guidance issued in December 2023. The guidance clarifies when businesses and government entities must withhold VAT from payments made to vendors and remit the tax directly to the tax authority. Businesses required to withhold VAT must remit the tax by the 14th day of the following month and file separate VAT withholding returns. The guidance also addresses transactions involving foreign sellers, clarifying when a Nigerian customer becomes responsible for withholding and remitting VAT if the foreign seller does not collect the tax. In addition, businesses must maintain separate records for VAT withheld on behalf of vendors and follow specified reporting procedures. Finally, the guidance explains how businesses may recover VAT paid on purchases when VAT on their sales has been withheld by customers and confirms that excess amounts may be carried forward or claimed as a refund in accordance with Nigeria's VAT refund rules.
- **Nigeria:**^{lxiv} On August 3, 2026, the Lagos Zone Tax Appeal Tribunal issued its decision in PZ Cussons Nigeria Plc (TAT/LZ/VAT/044/2024), holding that a taxpayer must self-assess VAT on IT services procured through a related UK vendor and recharged at cost, without markup. Applying a substance-over-form analysis, the Tribunal found the services were consumed in Nigeria, triggering the self-assessment mechanism regardless of the reimbursement structure or payment timing. However, the Tribunal set aside the 150 percent penalty imposed under Section 34, holding that the lower 10 percent penalty under Section 19 applied instead, as the taxpayer's obligation was one of self-assessment rather than collection.
- **Serbia:**^{lxv} On August 7, 2026, Serbia [released](#) a draft law amending the VAT Law to support implementation of the Serbian Integrated Tax System (SiTAX) from January 1, 2027. The proposal would revise a range of VAT registration, deregistration, filing, and payment procedures, including requiring certain businesses to remain registered for VAT during the current and following calendar year and introducing new rules for VAT deregistration and recordkeeping. The proposal would also allow businesses that failed to register for VAT on time to correct VAT for prior periods through their first VAT return after registration. In addition, the proposal would permit the tax authority to file VAT returns on behalf of taxpayers that fail to file and would introduce various administrative and digitalization-related changes to VAT compliance and reporting requirements.
- **Serbia:**^{lxvi} On August 24, 2026, members of Serbia's National Assembly [submitted](#) a draft law that would increase the mandatory VAT registration threshold from RSD 8 million to RSD 12 million of gross receipts during the preceding 12 months. The proposal would apply from January 1, 2027.

- **Slovakia:**^{lxvii} On February 23, 2026, the Supreme Administrative Court of Slovakia [issued](#) its decision in *4Sfk/64/2025*, holding that a taxpayer may lose its ability to recover VAT paid on purchases if it fails to conduct adequate due diligence and becomes involved in a fraudulent transaction chain. The case involved a taxpayer that purchased goods from a new overseas vendor and resold them without adequately verifying the origin or quality of the goods. The court found that the taxpayer relied primarily on email and telephone communications and failed to perform reasonable checks on the businesses involved in the transactions. As a result, the court upheld the tax authority's denial of the taxpayer's VAT recovery claim and emphasized the importance of conducting appropriate vendor-verification procedures before claiming VAT recovery.
- **Slovenia:**^{lxviii} On August 12, 2026, Slovenia's Financial Administration [updated](#) its VAT guidance on the records used for VAT return reporting. The guidance clarifies the reporting of domestic transactions, purchases and sales involving other EU Member States, imports, exports, transactions subject to customer-accounted VAT, transactions reported through the One Stop Shop (OSS), exempt transactions, claims to recover VAT paid on purchases, VAT adjustments, bad debt corrections, self-disclosures, and corrections of previously reported transactions. The guidance also specifies the information businesses must include in their VAT records, the rules for submitting and correcting those records electronically, and the reconciliation requirements between VAT records and VAT returns. In addition, it explains how VAT record information is used to pre-populate VAT returns and the related reporting requirements for taxpayers.
- **South Africa:**^{lxix} On August 7, 2026, the South African Revenue Service (SARS) [urged](#) schools that remain registered for VAT to apply for VAT deregistration following changes that took effect on January 1, 2026. Under the revised rules, educational services provided by schools are generally exempt from VAT, except in limited circumstances. As a result, affected schools may no longer charge VAT to students and other customers or recover VAT paid on their purchases for activities covered by the exemption. SARS stated that schools should review and, where necessary, correct VAT returns filed for periods beginning January 1, 2026, and apply for VAT deregistration. Schools seeking to remain VAT registered because they conduct qualifying welfare activities must obtain a ruling from the Commissioner.
- **South Africa:**^{lxx} On July 30, 2026, South Africa [released](#) the Draft Taxation Laws Amendment Bill, 2026, together with an explanatory memorandum, proposing changes to the VAT treatment of leasehold improvements. Under the proposal, the VAT adjustment rules for leasehold improvements would be extended to lessors that are not VAT-registered. According to the explanatory memorandum, the change is intended to address situations in which a lessor that is not VAT-registered receives leasehold improvements without triggering the existing VAT adjustment mechanism. Non-registered lessors would account for the adjustment through a separate declaration and payment process. The proposed amendment would apply from April 1, 2027.
- **Türkiye:**^{lxxi} On August 27, 2026, Türkiye [published](#) the Regulation on the Turkish Emissions Trading System (ETS), establishing a framework for greenhouse gas emissions monitoring, reporting and verification, and the operation of a national emissions trading system. The regulation applies to specified industrial facilities and requires covered businesses to monitor and report greenhouse gas emissions, obtain greenhouse gas emissions permits, and comply with annual verification and allowance surrender obligations. The regulation also establishes rules governing the issuance, allocation, transfer, trading, banking, borrowing, cancellation, and surrender of emissions allowances. In addition, it creates primary and secondary allowance markets, a registry system for tracking allowances, market stability and flexibility mechanisms, and a framework for the use of qualifying carbon credits to satisfy a portion of compliance obligations.
- **United Arab Emirates:**^{lxxii} On August 26, 2026, the UAE tax authority recently [issued](#) VAT Public Clarification VATP045 regarding the VAT treatment of certain goods imported from outside the UAE where the transaction is treated as taking place in the UAE. The clarification explains that, for imports made on or before December 31, 2025, a VAT-registered business is treated as making a taxable sale to itself and must account for VAT on the imported goods, unless the goods would have qualified for a VAT exemption if sold in the UAE. The clarification also confirms that, effective January 1, 2026, businesses are no longer required to issue tax invoices to themselves for such imports. Businesses may recover VAT paid on qualifying purchases to the extent the goods are acquired for taxable business activities, provided they retain appropriate supporting documentation.

- **United Kingdom:**^{lxxiii} On July 29, 2026, the U.K. First-tier Tribunal [issued](#) its decision in *Westbury Collections Ltd*, TC/2024/05446, concerning VAT default surcharges imposed for the late payment of VAT. The taxpayer argued that the COVID-19 pandemic, personal circumstances, and business disruptions constituted a reasonable excuse for the late payments. The Tribunal found that the taxpayer had consciously prioritized business activities over VAT compliance and had not sought a time-to-pay arrangement with HMRC. Although the Tribunal accepted that the taxpayer experienced various operational and personal difficulties during the relevant period, it concluded that those circumstances did not excuse the repeated late payments. The Tribunal therefore upheld the VAT default surcharges and dismissed the appeal.
- **United Kingdom:**^{lxxiv} On August 5, 2026, the First-tier Tribunal [issued](#) its decision in *Tapi Carpets Limited*, [2026] UKFTT 01128 (TC), on whether a flooring retailer was responsible for VAT on installation fees charged by independent flooring fitters. HMRC argued that the retailer provided the installation services to customers and therefore had to account for VAT on the related fees. The retailer argued that it introduced customers to independent fitters and provided a separate service that helped customers arrange installation. The Tribunal found that customers paid the fitters directly for the installation work and that the fitters operated as independent businesses. The fitters could accept or reject jobs, set their own schedules, negotiate additional charges directly with customers, and work for other retailers. The Tribunal also noted that fitters could arrange appointments directly with customers and remained responsible for collecting their own fees. Although the retailer matched customers with fitters, coordinated appointments, and assisted with certain customer complaints, the Tribunal found that those activities were separate from the installation work itself. The Tribunal therefore concluded that the fitters provided the installation services to customers and that the retailer provided a separate fitting-arrangement service. As a result, the retailer was not required to account for VAT on the installation fees paid to the fitters.
- **United Kingdom:**^{lxxv} On August 21, 2026, the UK Upper Tribunal [issued](#) its decision in *Eurolaser IT Limited*, [2026] UKUT 00324 (TCC), on whether a business may be denied VAT benefits when a consultant or other representative knows, or should have known, that transactions were connected with fraudulent VAT evasion. In this case, HMRC accepted that the company's sole director neither knew nor should have known of the fraud but argued that a self-employed consultant engaged by the company possessed the relevant knowledge and that his knowledge could be attributed to the company. The Tribunal reviewed the First-tier Tribunal's findings that the consultant had played a central role in arranging the transactions and had previously been involved in transactions connected with VAT fraud. It held that a person's previous involvement in VAT fraud may be relevant when determining whether that person knew, or should have known, that later transactions were connected with fraud. Finding no material error in the First-tier Tribunal's decision, the Upper Tribunal upheld HMRC's VAT assessments and penalties and dismissed the company's appeal.

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

- **KPMG in India** published a [report](#) discussing recent indirect tax developments. The report notes that the Supreme Court of India upheld the GST requirement that a vendor must remit GST to the government before a customer can claim a credit for GST paid on purchases. The report also highlights a decision of the Gujarat High Court confirming that GST may apply when a parent company provides a guarantee for a subsidiary, even if the parent company does not charge a fee. However, the High Court limited the government's approach to determining the taxable value of a corporate guarantee by allowing GST to be calculated using either the actual fee charged or one percent of the guaranteed amount. In addition, the government introduced a new cross-border e-commerce facilitation framework under the Foreign Trade Policy that enables Exporters-on-Record (EORs) to procure Indian goods against confirmed overseas orders and manage end-to-end export operations.

- **KPMG in Malaysia** published a [report](#) discussing several recent indirect tax developments. The report notes that the Royal Malaysian Customs Department (RMCD) issued Public Ruling No. 3/2026 on July 28, 2026, clarifying the determination of foreign currency exchange rates for Sales Tax and Service Tax invoices and withdrawing Public Ruling No. 1/2026. The report also highlights Service Tax policies issued on July 22, 2026, clarifying the registration, invoicing, and threshold rules for rental and leasing services provided by multiple service providers. In addition, Malaysia published several indirect tax legislation updates, including an anti-dumping duty order on certain pre-painted, painted, or color-coated steel products effective from July 20, 2026, through January 15, 2027. Malaysia also amended its Sales Tax rate and Sales Tax exemption orders, effective August 1, 2026, revising the Sales Tax treatment of specified maritime vessels, floating structures, and related goods.
- **KPMG in Pakistan** published a [report](#) discussing indirect tax developments, including a new automated IRIS portal process for claiming credits for sales tax withheld by government entities and public sector organizations, a conditional exemption from sales tax and federal excise default surcharges and penalties for Pakistan International Airlines Corporation Limited, and new sales tax procedures for steel producers. The report also covers revised Balochistan services tax rates, the designation of food delivery platforms as collection agents for service tax on restaurant services in Khyber Pakhtunkhwa, and customs developments affecting marine bunkering, transit and transshipment procedures, customs stations, ports, and import exemption requirements.

Miscellaneous Developments in ASPAC

- **Australia:**^{lxvii} On July 29, 2026, the Australian Taxation Office (ATO) [issued](#) Draft Goods and Services Tax Ruling GSTR 2026/D2, providing guidance on the circumstances in which recipients may issue recipient-created tax invoices (RCTIs). The draft ruling clarifies that a recipient may issue an RCTI only where it determines the price of the goods or services it acquires, rather than merely verifying or approving an amount set by the seller. The ruling also outlines the GST registration and written agreement requirements that must be satisfied by both parties and clarifies the GST treatment of agency arrangements and offsetting transactions. The ATO proposes that the final ruling apply from June 15, 2023.
- **Australia:** On August 3, 2026, the ATO [published](#) guidance explaining the GST and income tax treatment of compensation payments made to landholders affected by renewable energy projects. The guidance clarifies that compensation paid for impacts on land, restrictions on land use, or lost income may give rise to different GST outcomes depending on the nature of the payment and the underlying arrangement. It also explains how taxpayers should determine the appropriate GST treatment of compensation payments, apply the relevant tax rules to renewable energy project arrangements, and apportion lump-sum compensation payments where they relate to multiple components. For more information, click [here](#).
- **Australia:**^{lxviii} On August 3, 2026, the ATO [released](#) a draft legislative instrument for consultation that would introduce a new simplified GST accounting method for eligible restaurants, cafés, and catering businesses with annual sales below the small enterprise threshold. The draft would allow eligible businesses to calculate GST credits on trading stock purchases using a representative four-week sample period instead of determining the GST treatment of each purchase individually. The draft also sets out separate calculation methods for monthly, quarterly, and annual GST reporting periods and would repeal and replace the existing 2016 simplified accounting method determination for restaurants, cafés, and caterers.
- **Australia:**^{lxviii} On August 24, 2026, the ATO [clarified](#) that income tax exemption does not automatically exempt religious institutions from GST. Religious institutions must register for GST when their annual gross receipts reach AUD 150,000 and generally must register within 21 days if their projected gross receipts reach that threshold. The guidance explains that annual gross receipts include both taxable revenue and certain GST-free religious activities, such as worship services, weddings, funerals, baptisms, religious retreats, and Bible study groups. It also confirms that genuine donations and certain qualifying fundraising activities are excluded when determining whether the registration threshold has been met.
- **India:**^{lxix} On August 19, 2026, the Supreme Court of India [published](#) its decision in *M/s TVS Motor Company Limited* on whether referral charges received by an automobile dealer for customers obtaining vehicle loans and insurance policies were subject to service tax. In this case, the dealer received payments from banks and an insurance company when customers purchased vehicles using loans or insurance products arranged through the dealership. The Supreme Court held that the dealer promoted and marketed the services of the banks and insurance company and therefore provided a taxable service. However, the Supreme Court set aside the penalty because the taxpayer had paid the full service tax liability before the tax authority issued a notice. The Supreme Court also noted that uncertainty existed at the time regarding the tax treatment of these referral arrangements and therefore partly allowed the appeal.

- **India:**^{lxxx} On August 25, 2026, the Supreme Court of India [published](#) its decision in *M/s Tata Steel Limited* regarding whether the tax authority may use an extended assessment period by merely alleging fraud, willful misstatement, or suppression of facts. In this case, the tax authority issued a GST notice relating to alleged mismatches in credits for GST paid on purchases and alleged underpayments of tax after the normal assessment period had expired. The taxpayer argued that the notice failed to explain how it had committed fraud, willfully misstated facts, or concealed information to trigger the 5 year extended period as opposed to the 3 year period. The Supreme Court agreed, holding that a tax authority must identify the specific facts supporting such allegations before it can rely on the extended assessment period. The Supreme Court found that the notice contained only general allegations and lacked the factual basis needed to support the extended limitation period. As a result, the Supreme Court set aside both the notice and the resulting assessment order. However, it allowed the tax authority to initiate new proceedings if it can support its allegations with the required facts and act within the applicable statutory deadline.
- **New Zealand:**^{lxxxi} On August 6, 2026, the New Zealand Inland Revenue [issued](#) Public Rulings BR Pub 26/01–26/03, effective from August 7, 2026, providing updated guidance on the GST treatment of fees paid to directors and board members. The rulings clarify that directors and board members generally must charge GST on their fees when they perform those roles as part of their business activities and are registered for GST. The guidance also explains the GST treatment where director or board member services are provided through an employer, a partnership, or another intermediary, and when organizations may recover GST paid on those fees. In addition, the rulings confirm that fees paid to board members appointed by the Governor-General are generally not subject to GST.
- **New Zealand:**^{lxxxii} On August 14, 2026, the New Zealand Inland Revenue [issued](#) Private Ruling TDS 26/10, which considered the GST consequences of an amalgamation involving several wholly owned group companies. The ruling confirms that the companies qualified to form a GST group and that assets deemed transferred by an unincorporated body immediately before the cancellation of its GST registration would be treated as transferred to the GST group's representative member. Where the deemed transfer included land, the transfer would be zero-rated. The ruling further concludes that no GST liability arises on the transfer of assets and activities to the amalgamated company because the amalgamation is treated as not involving a sale of goods or services for GST purposes, provided the amalgamated company continues the business activities and is registered for GST after the amalgamation. Inland Revenue also concluded that the arrangement is GST-neutral and does not constitute GST avoidance.
- **Singapore:**^{lxxxiii} On August 3, 2026, the Inland Revenue Authority of Singapore (IRAS) [published](#) the eighteenth edition of its e-Tax Guide on the GST Major Exporter Scheme (MES), which allows approved businesses to defer GST on imports of qualifying non-dutiable goods. The updated guide revises the regime's administrative requirements and adds a new appendix containing contact information for approved air express companies. It also reiterates the eligibility criteria, compliance and reporting requirements, recordkeeping obligations, and the circumstances in which misuse of the scheme may result in penalties or revocation of MES status.
- **Singapore:**^{lxxxiv} On August 7, 2026, the Inland Revenue Authority of Singapore (IRAS) [updated](#) its GST Guide for Property Owners and Property Holding Companies, clarifying the GST treatment of property purchase options that include a nominee arrangement. The guidance explains that where a purchaser acquires an option in its own right and receives payment from another person for the right to exercise that option, the purchaser must account for GST on the amount received, including any markup. By contrast, where the purchaser acts solely as an agent on behalf of another person, the reimbursement of the option fee is generally not subject to GST, although any markup remains taxable. The update also clarifies the related GST recovery rules for option fees in nominee arrangements.
- **South Korea:**^{lxxxv} On August 3, 2026, the Ministry of Economy and Finance (MoEF) [released](#) its 2026 Tax Reform Proposal, which includes a range of VAT, customs, and excise tax measures. The proposal would allow businesses to recover VAT on autonomous passenger vehicles used in software development and autonomous driving research and would make several VAT exemptions permanent, including exemptions for certain agricultural, fisheries, and education-related activities. It would also extend various indirect tax incentives, including preferential deemed VAT credits for small restaurants, VAT exemptions for school and workplace catering services, and indirect tax relief for agricultural, forestry, and fishery fuels. In addition, the proposal would expand reporting obligations for digital platforms and payment intermediaries, clarify when Korean businesses must account for VAT on services purchased from foreign providers, and introduce new customs compliance and enforcement measures. Most measures would take effect on January 1, 2027, if enacted.

- **Tajikistan:**^{lxxxvi} On June 26, 2026, the Tajikistan government adopted Government Resolution No. 441, submitting a draft law that would raise the VAT registration threshold from TJS 1 million to TJS 3 million. The draft law also proposes a VAT exemption for certain tourism-related sales, electronic confirmation of exports, expanded VAT documentation requirements, and revised VAT rules for taxpayers under special regimes.

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About Inside Indirect Tax

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

Foot notes

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