Inside Indirect Tax

July 2023

About this Newsletter

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

Table of Contents

KPMG Publications

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.

Global E-invoicing & Digital Reporting Tracker

KPMG has released an Electronic Invoicing (e-invoicing) and Digital Reporting Global Tracker, providing a summary of tax administration developments relating to e-invoicing and digital reporting around the world. Tax authorities across the globe are constantly striving for visibility into a taxpayer's end-to-end sales process using technology tools that automate the tax reporting

process, such as e-invoicing, digital reporting, and e-accounting. These technologies when usedby tax authorities can be disruptive and require radical changes in the way taxpayers interactinternally as well as with their customers, related parties, and the tax authorities.

Overview of Indirect Tax Developments from KPMG International Member Firms

- **KPMG in Australia** published a report discussing recent Australian Tax Office guidance regarding recipient-created tax invoices for goods and services tax (GST) purposes. According to the guidance, government-related entities, large business entities, and business entities may issue a recipient-created tax invoice if they are the recipient of the taxable sale, rather than the vendor. The guidance also outlines certain requirements for issuing a recipient-created invoice, including that both a recipient and a vendor of the taxable sale must be GST-registered. To read KPMG's previous discussion of this guidance, please click here.
- **KPMG in Australia** published a report discussing a recent decision of the Australian Federal Court regarding whether overhead costs apportioned to zero-rated sales result in a GST recovery right. The court held that commissions paid to a third-party for distribution and administration of life insurance policies in Australia were subject to GST and not entitled to GST recovery. However, overhead costs related to all enterprise activities were entitled to GST recovery to the extent apportioned to zero-rated sales.
- **KPMG in Australia** published a report discussing the registration of a new legislative instrument by the Australian Tax Office (ATO) that replaces the default annual reporting period for electronic distribution platform operators with semiannual reporting periods. The new semiannual reporting periods will be from January 1 to June 30, and July 1, to December 31, in each calendar year. To read KPMG's previous discussion of Australia's information reporting requirements for platform operators, please click here.
- **KPMG in Austria** published a report discussing recent VAT developments, including an overview of the EU proposed VAT in the Digital Age initiative and potential changes to the tax treatment of paid guarantee promises due to changes in Germany, which has comparable regulations.

- **KPMG in Bahrain:** published a report discussing tax developments in the Gulf Cooperation Council countries. Among other things, it notes that the Bahrain National Bureau for Revenue (NBR) updated guidance related to the VAT treatment of the sale of investment-grade gold and that the United Arab Emirates' Federal Tax Authority (FTA) announced that it will host a webinar for VAT incurred in construction and operation of mosques.
- **KPMG in Cambodia** published a report discussing a new law that consolidated 15 types of existing taxes in Cambodia under one law. It is intended to complement, provide consistency, and close the gaps in the existing regulations**.** Among other things, the law includes measures granting certain governmental organizations VAT recovery rights for both taxable and non-taxable sales without any conditions, and zero-rating certain sales related to a "qualified investment project."
- **KPMG in Canada** published a report discussing proposed direct and indirect tax measures in Bill C-47, which implements certain outstanding tax measures announced in the 2021, 2022, and 2023 federal budgets and 2022 federal economic update, along with previously announced technical amendments. The bill received Royal Assent on June 22, 2023. It includes certain indirect tax measures from the 2023 federal budget, as well as other previously announced measures, affecting the GST/HST treatment of payment card clearing services, pension plans and crypto asset mining, as well as changes related to reporting rules for digital platform operators. To read KPMG's previous discussion of tax measures in Canada's 2023 federal budget, please click here.
- **KPMG in Canada** published a report discussing changes to the tax collection obligation of online marketplaces under British Columbia's provincial sales tax (PST). Effective July 1, 2023, online marketplace facilitators must collect PST from online marketplace sellers on online marketplace services whether the online marketplace seller is selling taxable or non-taxable services through the online marketplace. In addition, online marketplace facilitators will no longer be required to collect PST on goods sent from outside Canada to British Columbia that are facilitated through their online marketplaces by online marketplace sellers.
- **KPMG in Chile** published a report discussing recent tax developments, including tax authority guidance on (1) the VAT treatment of test charges made to validate payment methods; (2) reducing the minimum amount for which taxpayers must issue tax receipts from $180 to $1, effective July 1, 2023; (3) the VAT treatment of paying for legal services by a transfer of assets, and the subsequent sale of that asset by a society of professionals; and (4) the tax treatment of the sale of non-fungible tokens (NFTs).
- **KPMG in Costa Rica** published a report noting that the Costa Rica General Directorate of Taxation (DGT) published an updated list of non-resident digital service providers for which financial intermediaries are required to withhold VAT on purchases made by Costa Rican customers. The updated list includes 13 new providers added to the list, for a total of 148 providers.
- **KPMG in the Czech Republic** published a report discussing changes to real property definitions for VAT purposes. Effective July 1, 2023, real property definitions will no longer be derived from the definitions set out in the cadastral regulations but will be based on the new "Construction Act." Most importantly, apartment building and a single-family house no longer explicitly includes the condition of the building being designated for housing under the construction law in the definition. This change will primarily affect the determination of the correct VAT rate for construction work on a completed building for housing and social housing or the construction and delivery of a building for social housing. It will also affect the fulfillment of the conditions for exemption from VAT of the delivery or lease of real property. The Czech General Financial Directorate (GFD) is updating its guidance to reflect this change.
- **KPMG in the Dominican Republic** published a report discussing mandatory e-invoicing in the Dominican Republic. Currently, e-invoicing is voluntary, but mandatory implementation will begin for large and medium-sized taxpayers in May 2025. Small, micro, and unclassified taxpayers will be brought on in May 2026. Large taxpayers are broken into 3 groups, with implementations beginning as follows: Group 1

– January 15, 2024; group 2 – March 15, 2024; and group 3 – May 15, 2024. Taxpayers may request to be reassigned to a different group. The law provides incentives to taxpayers to register under the national e-invoicing system during the voluntary period.

- **KPMG EU Tax Center**: published a report discussing a new EU proposal for “own” revenue resources that adjust and supplements an earlier proposal from December 2021**.** The initial proposal included three new sources of revenue: emissions trading, revenue from the proposed EU carbon border adjustment mechanism, and a sharing of residual profits from multinationals that would be re-allocated to EU Member States under the recent OECD/G20 agreement on a re-allocation of taxing rights. The new proposal adds a own resource based on company profits. It would require each EU Member State to contribute to the EU budget 0.5 percent of surplus corporate profits as measured through the national accounts data. To read KPMG’s previous discussion of this proposal, please click here.
- **KPMG in Germany** published a report discussing recent VAT developments, including tax authority guidance on the treatment of chain transactions, extending the period in which the application of the margin mechanism to travel services provided by companies based in third countries will “not be objected to,” and the tax registration requirement of operators of certain small photovoltaic systems.
- **KPMG in Hungary** published a report discussing changes to the “extra profit” surtaxes that are effective from June 1, 2023.
- **KPMG in Mauritius** published a report discussing tax measures in the Mauritius 2023-24 budget, including proposals to (1) launch a national e-invoicing system; (2) amend VAT refund procedures and reintroduce VAT refund limits for construction of residential buildings, house, or apartments; (3) introduce a VAT exemption for construction of school buildings and accommodation costs incurred by event organizers; (4) clarify that VAT may be recovered as from the date of voluntary registration; (5) reintroduce the tax amnesty programs “Tax Arrears Payment Scheme” and “Arrears Payment Scheme;” and (6) waive outstanding debts of the COVID-19 levy as at January 20, 2023.
- **KPMG in Mexico** published a report discussing a new decree that introduces tax incentives for taxpayers who carry out certain economic activities in the Isthmus of Tehuantepec. The decree provides that natural and legal persons resident in Mexico, as well as those with a permanent establishment in Mexico, may obtain certain benefits including a tax credit equivalent to 100 percent of VAT creditable for four years. The tax authorities will issue the necessary rules for the application of the preference.
- **KPMG in Nigeria** published a report discussing a recent decision of the Tax Appeal Tribunal Lagos Zone, in which the tribunal held that the Nigerian federal tax authority had the power to require a nonresident platform operator to collect VAT on transactions it facilitates for underlying sellers using its platform.
- **KPMG in Nigeria** published a report discussing tax measures in the Finance Act 2023, enacted on May 28, 2023. The law changes the deadline for monthly VAT compliance for VAT-collection agents from the 21st to the 14th, imposes capital gains tax on gains from the disposal of digital assets, redefines “building” for VAT purposes to exclude any structure not permanently affixed to land for all or most of its useful life, and imposes an excise tax on telecommunication services. However, the amendments will become effective from September 1, 2023, in line with an executive order issued by the Nigerian president on July 6, 2023.
- **KPMG in the Netherlands** published a report noting that the interest rate for tax delinquencies increased from 4 percent to 6 percent, effective from July 1, 2023.
- **KPMG in the Netherlands** published a report discussing proposed amendments to the draft bill to amend a law that allows for the transfer of new immovable property through a share transaction without VAT or transfer tax liability. Among other things, the proposed amendments include measures postponing the proposed effective date to January 1, 2025 and limiting the scope of the proposal to transfers of new immovable property that is not used more than 90 percent for VAT purposes for two years after the

acquisition of the shares of the real estate entity. To read KPMG's previous discussion of this measure, please click here.

- **KPMG in Pakistan** published a report discussing tax measures in the Finance Act 2023, which was enacted on June 26, 2023. The Act includes measures to (1) extend the existing sales tax exemption on electricity, sale and import of plant, machinery and equipment for installation and industrial inputs in tribal areas to June 30, 2024; (2) increase the sales tax rate on certain clothing materials from 12 percent to 15 percent; (3) introduce customs incentives for solar panels and exporters of information technology; and (4) expand the scope of the permanent establishment concept for income tax purposes to include a virtual business presence.
- **KPMG in Poland** published a report discussing recent tax-related developments, including the proposed extension of the VAT zero-rate for food under the Inflation Shield Program until the end of 2023 and the introduction of mandatory e-invoicing from July 1, 2024. To read KPMG's previous discussion of the Polish Inflation Shield program, click here, and for the e-invoicing measures, please click here.
- **KPMG in Poland** published a report discussing a recent decision of the Supreme Administrative Court (SAC) on whether, in a situation in which a customer makes a late advance payment the invoice for such an advance payment should be treated as "empty" (fictitious). The SAC held that if an invoice reflects an actual, taxable economic event, the mere fact of issuing an invoice prematurely does not give rise to the obligation to pay the tax. Such an invoice should be recorded and settled when the tax point occurs (i.e., when payment is made in case of prepayments).
- **KPMG in Rwanda** published a report discussing new proposed VAT measures to (1) establish a list of VAT exempt financial and insurance services; (2) expand the list of VAT exempt goods and services to include specified aircraft, spare parts, and maintenance tools; (3) require taxpayers desiring to acquire a service not available in Rwanda to request for authorization from the Minister of Finance and Economic Planning to import the service; (4) introduce a reward regime for final consumers who request and are given an e-invoice or a receipt issued by an electronic billing machine (EBM); (5) reduce the period to recover VAT from 2 years to 1 year; and (6) allow newly registered companies to recover VAT incurred at start-up prior to the declaration of VAT.
- **KPMG in Tanzania** published a report discussing tax measures in the 2023 Finance Act adopted on June 30, 2023. Among other things, the Finance Act (1) clarifies the scope of the digital services tax to include "electronic services" and not just services rendered through a digital marketplace and extends the DST payment due date from the 7th to the 20th of the following month; (2) limits the electronic money transfer levy to withdrawal transactions; (3) recognizes the issuance of tax receipts by devices other than electronic fiscal devices and amends the penalties for failure to issue electronic tax device receipts; (4) extends the definition of electronic services for VAT purposes; and (5) amends the list of goods and services that are either VAT exempt or zero-rated.

Back to top Back to top

Global Rate Changes

- **Azerbaijan:**[i] On June 8, 2023, Azerbaijan exempted new-generation passport and identity card forms printed abroad from VAT.
- **Azerbaijan:**[ii] On May 30, 2023, Azerbaijan's parliament considered a proposal to provide VAT exemptions for the sale of passenger cars produced in Azerbaijan for 10 years, starting May 1, 2023, and specific equipment used in military-occupied and war-affected territories for 5 years, starting March 1, 2023.

- **Bahamas:**[iii] On June 8, 2023, the Bahamas government announced plans to replace the imposition of VAT on the registration of vessels with a schedule of fees.
- **Bosnia and Herzegovina:**[iv] On June 7, 2023, the parliament of Bosnia and Herzegovina introduced a VAT exemption for donations of food to intermediaries registered for collection and distribution of humanitarian relief.
- **Cyprus:**[v] On June 16, 2023, Cyprus limited the scope of the reduced VAT rate on housing, following the launch of infringement procedures by the European Commission against the country for applying the measure too broadly. The 5 percent reduced VAT rate will apply to the first 130 m^2 of the buildable residential area of a property with maximum value of EUR 350.000, provided that the total buildable residential area does not exceed 190 m^2 and the total value of the transaction does not exceed EUR 475.000. For persons with disabilities, the reduced VAT rate will be applied on the first 190 m2 of buildable residential area, regardless of the total buildable area of the residence. To ease transition, the new provisions will not apply if a planning permit has been secured or an application has been submitted to obtain a planning permit by October 31, 2023, as long as the completed application for the reduced VAT rate is submitted to the Tax Department by June 15, 2026. To read a report prepared by the KPMG International member firm in Cyprus, click here.
- **Cyprus:**[vi] Cyprus's Council of Ministers recently approved a new 3 percent VAT rate on books, magazines, and similar products, whether provided physically or electronically; stairs, lifts, and wheelchairs for persons with disabilities; orthopedic devices; street cleaning and dog collection services; wastewater disposal and treatment; and entry to the debut of theatrical, musical, dance or classical performances. It also approved a VAT zero-rate for typewriters with braille characters and similar electronic devices, as well as wheelchairs for persons with disabilities exclusively for personal use.
- **Estonia:**[vii] Effective January 1, 2024, Estonia will increase the standard VAT rate from 20 percent to 22 percent. In addition, Estonia will increase the VAT rate for accommodation services from 9 percent to 13 percent, and for publishing newspapers and magazines from 5 percent to 9 percent effective January 1, 2025.
- **European Union:**[viii] On June 20, 2023, Austria, Belgium, Cyprus, Czech Republic, and Slovakia requested that the EU VAT Directive be amended to allow the introduction of lower VAT rates on recycled products to promote the circular economy. Under the current wording of the EU VAT directive, reduced VAT rates can be applied only to goods and services listed in Annex III of the Directive, which currently does not include any products with recycled content.
- **Finland:**[ix] Finland recently announced a new tax reform package proposing, among other things, to increase the 10 percent reduced VAT rate to 14 percent.
- **Ireland:**[x] On June 2, 2023, the Irish Revenue published Revenue eBrief No. 136/23, announcing the publication of new tax and duty manual that clarify the VAT treatment of clothing, human medicines, and animal medicines. The manuals explain that clothing is generally subject to the standard VAT rate, but the sale and importation of certain clothing for children under 11 years of age are zero-rated. Human medicines are subject to the standard VAT rate, unless they are medicines for human oral consumption which are zero-rated if licensed or authorized by the Health Products Regulatory Authority. Non-oral hormone and nicotine replacement therapies for human non-oral consumption are also zero-rated. Finally, the sale of oral medicines for animals apart from domestic pets (such as dogs, cats, and caged birds) is zero-rated for VAT purposes. The sale of non-oral medicine for all animals including domestic pets is standard rated for VAT purposes.
- **Italy:**[xi] On June 28, 2023, Italy extended the application of the 5 percent super-reduced VAT rate on natural gas used for domestic and industrial purposes and thermal energy produced with natural gas to include sales in July, August, and September 2023.

- **Fiji:**[xii] Fiji proposed in its 2023-2024 national budget to replace the current three VAT rate regime with a simplified two-rate system effective August 1, 2023. If enacted, Fiji will maintain a standard VAT rate of 15 percent (increased from 9 percent) and a zero percent rate on specified goods and services, including basic food items and prescribed medicine. The budget further includes measures to delay the implementation of the VAT Monitoring System (VMS), increase the Airport Departure Tax, and increase the import excise duty on new and used passenger motor vehicles by 5 percent.
- **Kyrgyzstan:**[xiii] On May 16, 2023, Kyrgyzstan introduced a temporary VAT zero-rate for import of raw vegetable oil and sale of vegetable oil produced from domestic or imported raw materials. This measure is effective from May 15, 2023 through December 31, 2024.
- **Liechtenstein:**[xiv] Effective January 1, 2024, Liechtenstein will increase its standard VAT rate from 7.7 percent to 8.1 percent, its reduced rate from 2.5 percent to 2.6 percent, and the special rate for accommodation services from 3.7 percent to 3.8 percent.
- **Lithuania:**[xv] On June 21, 2023, the Lithuanian parliament accepted Bill No. XIVP-2926 for consideration. It includes measures to make the 9 percent reduced VAT rate for catering and takeaway services, excluding alcoholic beverages, permanent. The application of the reduced rate is scheduled to end on December 31, 2023.
- **Nigeria:**[xvi] On June 19, 2023, the Nigerian tax authority instructed the Nigerian customs authority to begin charging VAT on imported automobile diesel fuel.
- **Oman:**[xvii] The Omani tax authority announced that electric cars and zero-emission vehicles (and spare parts) are subject to VAT at zero percent. To qualify for this treatment, the vehicle must be able to move independently using a fully electric motor or a hydrogen-powered engine, registered in Oman as an electric car or a zero-emission vehicle (hydrogen-powered); and meet the approved specifications and standards in Oman. In addition, the spare parts will qualify for VAT zero rating to the extent that they are essential parts that are used exclusively in qualifying vehicles and are purchased from a service provider who is registered for VAT purposes in Oman. Further, imports of electric cars and hydrogen-powered vehicles are also exempt from VAT.
- **Philippines:**[xviii] On May 30, 2023, the Philippines announced that it is working with the International Monetary Fund (IMF) to conduct a study aimed at improving VAT collection efficiency, including a review of currently applicable VAT exemptions.
- **Poland:**[xix] On June 27, 2023, the Polish Government extended the application of the VAT zero rate on basic foodstuffs through the end of 2023. The zero rate was introduced on February 1, 2022 and was scheduled to end on July 1, 2023.
- **Slovenia:**[xx] On May 31, 2023, the Slovenian Parliament proposed to extend the application of the 9.5 percent reduced VAT rate for energy products through December 31, 2023. The reduced rate expired on May 31, 2023. If approved, the extension will apply from June 1, 2023.
- **Spain:**[xxi] On June 13, 2023, Spain expanded the scope of existing VAT and excise tax exemptions that apply to purchases made by North Atlantic Treaty Organization (NATO) member states operating outside their territory to armed forces of those EU member states participating in overseas activities in the framework of the EU's common security and defense policy. The exemptions apply to sales, imports, and intra-EU purchases of goods for use by armed forces or civilian personnel in their service, as well as the provision of canteens.
- **Spain:**[xxii] On June 27, 2023, the Spanish Council of Ministers approved a Royal Decree-Law extending the application of the reduced VAT rates for basic food products through December 31, 2023. Under the regime, VAT at zero percent applies to basic foods, including bread, milk, eggs, cheese, fruits, and vegetables; and a 5 percent rate applies to oil and pasta products. The reduced rates were originally scheduled to end on June 30, 2023 but are extended through the end of 2023. However, the Spanish

government noted in a press release that the rates will revert on November 1, 2023, if the underlying inflation for September is less than 5.5 percent.

- **Sweden:** [xxiii] On June 1, 2023, the Swedish Tax Authority published updated guidance on banking and financial services clarifying that digital currencies stored and transferred using digital wallets are exempt from VAT if the transactions with digital currencies are equivalent to legal means of payment.
- **Switzerland:**[xxiv] Effective January 1, 2024, Switzerland will increase its standard VAT rate from 7.7 percent to 8.1 percent, the reduced rates from 2.5 percent to 2.6 percent, and the special rate for accommodation services from 3.7 percent to 3.8 percent. To read a report prepared by the KPMG International member firm in Switzerland, please click here.
- **United Kingdom:**[xxv] The United Kingdom is considering measures to introduce a zero percent VAT rate on solar panel battery storage installed as a standalone product. Currently, the zero rate applies to the installation of household battery storage at the same time as solar panels, through March 31, 2027. However, battery storage does not qualify for the zero rate if installed as a standalone product.
- **Uruguay:**[xxvi] Effective June 26, 2023, Uruguay introduced a VAT and excise tax exemption on the sale of mineral and sparkling water. In addition, a VAT refund regime applies to VAT charged on imports and purchases of goods and services that are directly or indirectly linked to sales of mineral and sparkling water.
- **Vietnam:**[xxvii] On June 24, 2023, the Vietnamese parliament approved a bill to reduce the standard VAT rate from 10 percent to 8 percent with effect from July 11, 2023 through December 31, 2023. The reduced rate does not apply to telecommunications, financial services, banking, securities trading, insurance, real estate trading, metals, mining, oil, chemicals, and goods and services subject to excise tax.
- **Zimbabwe:**[xxviii] On May 19, 2023, Zimbabwe extended the zero percent VAT rate on ethanol, retrospectively from January 1, 2023 through December 31, 2025. The measure originally expired on December 31, 2022.

Back to top Back to top

Indirect Tax Developments and News from Around the World

The Americas

United States: Washington Department of Revenue Clarifies Concept of Data Processing Services

In a recently released determination, the Washington State Department of Revenue's Administrative Review and Hearings Division concluded that a taxpayer was selling credit bureau services, rather than data processing services. In the case, the taxpayer's primary service was recommending to retail clients whether to accept a check as a form of payment. The objective of this service was to reduce a client's risk of business loss. The taxpayer's recommendations were based on it analyzing certain data, such as the customer's driver license or state-issued identification, information on the customers' recent purchases, and product information. The taxpayer also provided similar services to payroll check-cashing businesses by providing clients with immediate check acceptance recommendations. Both processes were fully automated. Following an audit, the taxpayer was assessed retail sales and use tax and retailing B&O on its sales on the basis that they were sales of credit bureau services to Washington customers. The taxpayer petitioned the Department's Administrative Review and Hearings Division (Division) for correction of the assessments.

Under Washington law “credit bureau services” are included in the definition of a retail sale and are subject to sales and use tax. The term “credit bureau services” is not defined, but the Department has previously interpreted the term to involve situations in which a business analyzes data and makes recommendations to minimize its clients’ business risk of loss. The taxpayer, however, argued that it was providing data processing services because it was extracting information to convert data to usable information. Under Washington law, a “data processing service” means a primarily automated service provided to a business or other organization where the primary object of the service is the systematic performance of operations by the service provider on data sold in whole or in part by the customer to extract the required information in an appropriate form or to convert the data to usable information. Data processing services, which are not subject to retail sales and use tax, include check processing services. In the Division’s view, the taxpayer’s services concerned more than simply extracting data provided by its clients; its services involved analyzing the data through algorithms to evaluate business risk. As such, the Division concluded that the taxpayer was selling “credit bureau services” and was subject to retail sales tax and retailing B&O. For more information, please click here.

Bahamas: Overview of Recent Indirect Tax Developments

The Bahamas recently proposed in the Customs Management (Amendment) Bill 2023 to introduce a sugar tax to discourage the consumption of sugary drinks and reduce non-communicable diseases. If enacted, the bill will allow the Bahamian Minister of Finance, after consulting with the Minister of Health, to adopt regulations for a "health and wellness levy" on imported and domestically manufactured goods that have negative health effects. In addition, the Bahamas intends to conduct consultations on the proposal before implementing the tax to address concerns from local manufacturers.

On June 21, 2023, as part of its strategy to attract more leisure vessel owners and operators to the country, the Bahamas announced a proposal to remove import duties and VAT on the import of water sports and sport fishing vessels. Under the new system, vessels imported into the Bahamas will be obligated to remit a first-time registration fee instead of being subject to import duties and VAT.

On June 26, 2023, the Bahamas published the VAT Amendment Bill 2023, effective July 1, 2023. The bill introduces measures to make owners of properties used for vacation home rentals that are mandatory registrants responsible for accounting for VAT regardless of whether they use a marketplace. In addition, the legislation provides that the transfer of real property to a Bahamian company is subject to VAT at a rate of 2.5 percent on the value that does not exceed BSD100,000 (USD100,000); the excess is taxed at 10 percent rate. It further clarifies that each member of a VAT group is jointly and severally liable for VAT when the group, or any member of the group, contravenes the VAT Act. Moreover, it requires large taxpayers to file returns and pay VAT within 14 days after the end of their tax period and prevents large taxpayers from requesting an extension of time to file a VAT return. The bill further limits the requirement to maintain electronic records to a taxpayer with gross receipts of more than BSD250,000. Finally, the bill allows the tax authority to assess VAT beyond the normal five-year limitation period in cases of “neglect or carelessness."

Source: Bahamas - Government Considers Sugar Tax to Discourage Sweetened Beverage Consumption, (June 7, 2023), News IBFD; Bahamas - Government to Eliminate VAT, Custom Duties on Imported Water Sports Vessels, (June 23, 2023), News IBFD; CCH, Global VAT News & Features, Tax On Home Rentals Among Bahamas' New VAT Changes (Jun. 29, 2023).

Back to top Back to top

Europe, Middle East, Africa (EMA)

Denmark: Amendments to VAT Legislation

On June 13, 2023, Denmark enacted amendments to its VAT law. Among other measures, the law transposes into national Danish law, the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024. This information will then be centralized in a European database, the Central Electronic System of Payment information (CESOP), where it will be stored, aggregated, and cross-checked with other European databases. All information in CESOP will then be made available to anti-fraud experts of Member States via a network called Eurofisc**.** The law also mandates taxpayers to state annually whether they perform VAT-exempt activities and, if applicable, to identify the amount of their partial right to deduct VAT incurred on expenditures. Furthermore, the law introduces a VAT self-assessment requirement for purchases of telecommunications services, clarifies the application of increased ordinance fines, adapts the VAT exemption for specific EU institutions during the COVID-19 pandemic, clarifies the possibility of registering as a consignee of goods, and simplifies the loss of value calculations for certain leased vehicles. To read KPMG's previous discussion of these amendments, please click here.

Effective July 1, 2023, Denmark implemented new regulations governing the calculation of interest charges in cases where VAT payments have not been made in full by the final payment date. The new rules allow the tax authorities to impose interest charges on the underpayment of VAT in cases of underpayment of the due amount if the taxpayer submits a supplemental return (leading to a higher tax liability) after the final payment date has lapsed, and if the tax authorities decide to correct the taxpayer's return (leading to a further tax due after the final payment date has lapsed).

The interest charge applies to all adjustments, irrespective of whether the tax authority or the company initiates them, and regardless of whether the adjustments relate to tax periods before the law's enforcement. Interest will be calculated based on the net change in the additional tax owed. If errors in a company's VAT and tax accounts result in VAT underpayment, the tax authorities may impose a monthly interest rate of at least 0.7 percent. A standard VAT recovery period covers 36 months. Consequently, an interest surcharge of up to approximately 28.5 percent can be applied to adjustments related to the oldest period (36 months), as the minimum monthly interest calculation is 0.7 percent.

Source: Denmark - Denmark Changes VAT Legislation to Combat Fraud, (June 28, 2023), News IBFD; Denmark - Denmark Changes Interest Calculation on VAT Underpayments, (June 28, 2023), News IBFD.

European Union: ECJ Clarifies that Toll Manufacturer Does Not Constitute a Fixed Establishment

On June 29, 2023, the Court of Justice of the European Union (ECJ) published its decision in *Cabot Plastics Belgium,* Case C-232/22, regarding whether a toll manufacturer constitutes a fixed establishment of a foreign principal. In the case, the taxpayer provided toll manufacturing and ancillary services in Belgium exclusively for its affiliated company in Switzerland. The ancillary services included warehousing, packaging, and logistical assistance, and thus facilitated the sale of the manufactured products by the principal to third parties, directly from the premises of the taxpayer. The taxpayer did not charge Belgian VAT on its tolling services on the basis that under EU VAT rules business-to-business services are sourced to where the customer is located (i.e., Switzerland) and not where the service provider is located or the activity is performed (i.e., Belgium). The Belgian VAT authorities, however, claimed that the affiliated Swiss principal had a fixed establishment in Belgium for VAT purposes because the taxpayer's equipment and human resources were made available to it and that the Belgian fixed establishment was the actual beneficiary of the services such that the sourcing of the services was Belgium instead of Switzerland. Accordingly, the authorities argued that Belgian VAT must be charged on the fees for the services rendered by the taxpayer.

Under EU law and according to established ECJ case law, services provided to a taxpayer are taxed where that taxpayer's business is established However, if those services are provided to a fixed establishment of the taxpayer located somewhere other than that place, the services are taxable where that fixed establishment is located. For this purpose, a fixed establishment is any establishment, other than the place of establishment of the taxpayer, characterized by a sufficient degree of permanence and a suitable structure in terms of human and technical resources to enable it to receive and use the services provided to it for its own need

In the case, the ECJ observed that although the human and technical resources concerned do not belong to the Swiss principal but to the Belgian subsidiary, this does not exclude the possibility that the Swiss company would have a fixed establishment in Belgium. However, for the existence of such a fixed establishment, the Swiss principal must have immediate and permanent access to these resources as if they were its own. The ECJ held that since the Belgian subsidiary remains responsible for its own resources and provides the services at its own risk, the contract for the provision of services, although exclusive, is not, standing alone, sufficient to establish that the means of the service provider become those of its client.

Further, in accordance with established case-law, the ECJ held that for a fixed establishment to exist the same human and technical cannot be used both to provide services and to receive those same services. In this case, the ECJ observed that it is not possible to distinguish the means used by the Belgian subsidiary for its contract work from those that would be used by the Swiss principal to receive these services in Belgium within its alleged fixed establishment.

The ECJ therefore concluded that a non-EU recipient does not have a fixed establishment in the Member State of its service provider if the latter sells it, pursuant to an exclusive contractual undertaking, with tolling services as well as a series of ancillary services that contribute to the economic activity of the non-EU recipient in that EU Member State.

European Union: Roundup of Recent ECJ Decisions

On June 29, 2023, the ECJ published its decision in *Dyrektor Krajowej Informacji Skarbowej (TVA - Agrégateur de services hôteliers)*, Case C-108/22, in which it held that services provided by a taxpayer, which involve purchasing accommodation services from other taxpayers and reselling them to other economic operators, fall under the special VAT margin mechanism for travel agents, even if the services are not accompanied by ancillary services.

On June 29, 2023, the ECJ published the nonbinding Opinion of its Advocate General (AG) in *Lin*, Case C-107/23, in which the AG opined that national criminal regulation and case law that leaves serious fraud against the financial interests of the European Union, such as VAT evasion, unpunished infringes the Treaty on the Functioning of the European Union.

Source: European Union; Poland - ECJ Decides on Application of Special VAT Margin Scheme to Hotel Services: *Dyrektor Krajowej Informacji Skarbowej (TVA - Agrégateur de services hôteliers)* (Case C-108/22) (VAT), (June 29, 2023), News IBFD; European Union; Romania - ECJ Advocate General Opines on Application of More Tolerant Criminal Law to VAT Evasion: *Lin* (Case C-107/23 PPU) (VAT), (June 29, 2023), News IBFD.

European Union: Overview of Recent Indirect Tax Developments

On June 1, 2023, the European Commission sent a reasoned opinion (second stage of an infringement procedure) to Cyprus for failing to fulfill its obligations under the EU VAT Directive as regards the rules applicable to dwellings purchased or constructed in Cyprus. Cyprus allows a reduced VAT rate of 5 percent on the first 200 meters of dwellings used as the principal and permanent residence of the beneficiary, regardless of the total area concerned, income, assets and economic situation of the beneficiary, the members of the family that will reside in the dwelling, and the maximum total area of the dwelling. According to the Commission, while the VAT directive allows Member States to apply a reduced rate on housing as a social policy, the Cypriot legislation is wide and lacks limitations. As such, it goes beyond the objective of a social policy. On the same day, the European Commission also sent a reasoned opinion to Greece regarding e extension of the environmental tax to used-vehicle purchases made in other EU member states. Both countries have 2 months to comply with their respective obligations and to notify the European Commission of the measures taken in this respect. If they fail to comply within 2 months, the European Commission may decide to refer the case to the ECJ. On June 16, 2023, Cyprus limited the scope of the reduced VAT rate on housing, following the launch of infringement procedures.

On June 7, 2023, the European Data Protection Supervisor (EDPS) published its opinion on amendments to the Directive on Administrative Cooperation (DAC) in the context of the VAT in the Digital Age (ViDA) initiative. The EDPS makes several recommendations to ensure the proposal is in line with current data protection laws, including clarifying specific obligations for access to information, providing a list of purposes for personal data processing, and specifying maximum storage periods and deletion requirements for received data.

On June 12, 2023, the Council of the European Union issued a note proposing introduction of a reduced VAT rate for products with recycled content to promote recycling and the use of secondary raw materials. This proposal is in line with the Council's aim to move toward a circular economy and considers recommendations from various directives and action plans. However, the Council also notes potential issues with the proposal, such as the lack of products with recycled content listed in the VAT Directive and the possibility of violating the principle of neutrality.

On June 13, 2023, the European Parliament published a briefing on the European Commission's proposed reforms to the Union Customs Code - Reform (New UCC). The proposal includes measures to remove the EUR 150 consignment threshold currently applicable to determine the liability of vendors and e-commerce platforms when selling imported goods to consumers in the EU. If enacted, removing the threshold will also extend the application of the “import one-stop shop” (IOSS) simplification, the deemed seller regime, and the special arrangements simplification introduced under the EU VAT e-commerce package in 2021. These measures are all currently limited to imports with an intrinsic value not exceeding EUR 150. If approved, these changes would enter into force on March 1, 2028. To read KPMG’s previous discussion of this proposal, please click here.

On June 20, 2023, the European Commission published its Annual Activity Report 2022, which details the activities of the Director-General Taxation and Customs Union (DG TAXUD) in aligning the European Union tax and customs strategies with the general objectives and priorities of the European Commission. The report notes that the three general objectives of the Commission are working on the European Green Deal initiative, creating an economy that works for the people, and promoting the European way of life. For each of these objectives, the report explains the specific sub-objectives assigned to the DG TAXUD and the activities. The main actions taken by the DG TAXUD in 2022 to work toward each general objective include delivering the proposal on the Carbon Border Adjustment Mechanism, adopting proposals to modernize the EU VAT rules (known as the "VAT in the Digital Age" proposals), presenting the VAT Gap Report, and launching an evaluation of the EU rules on VAT administrative cooperation. The DG TAXUD also worked on several measures in the customs field, such as a reform of the Customs Union and the design of IT systems that reinforce customs controls. Overall, the DG TAXUD activities focused on ensuring that the EU tax policy actively supports the European Union's high-priority policy objectives, such as the transition to a greener, digitalized, and fairer economy in the EU.

Source: European Union; Cyprus - European Commission Urges Cyprus to Comply with EU VAT Reduced Rates on Dwellings, (June 5, 2023), News IBFD; Taxnotes, EU Notifies Three Member States of Infringement Procedures, June 2, 2023; European Union - European Data Protection Supervisor (EDPS) Opines on Amendments to Directive on Administrative Cooperation Under VAT in the Digital Age (ViDA) Proposal, (June 7, 2023), News IBFD; European Union - Council of the European Union Proposes to Introduce Reduced VAT Rate for Recycled Products, (June 15, 2023), News IBFD; European Union - European Commission Reports on Directorate-General Taxation and Customs Union 2022 Activities (Indirect Taxes Part), (June 21, 2023), News IBFD.

Poland: VAT Reform Adopted

On June 1, 2023, Poland enacted its SLIM ("simple, local and modern") VAT 3 package into law. The package is designed to further simplify and accelerate VAT settlements, improve liquidity, and reduce formalities for companies in international trade. Generally, the measures are effective from July 1, 2023, with some exceptions.

Among other things, it increases the annual gross receipts limit to qualify as a small taxpayer (eligible for cash basis accounting) from EUR 1.2 million to EUR 2 million. The package also introduces new rules that will apply to exchange rates when invoices are corrected. If a taxable amount in an invoice is changed, the taxpayer must apply the same currency exchange rate in a correcting invoice as in the initial invoice. If a taxpayer issues a correcting invoice for a rebate on sales made to the same recipient in each period, the taxpayer must apply the currency exchange rate of the National Bank of Poland (or the European Central Bank) from the working day preceding the day when the correcting invoice was issued. Taxpayers may rely on the currency exchange rate rules applicable to income taxation.

The package further amends rules relating to intra-EU sales and purchases. Under prior rules for intra-EU sales, if a vendor does not hold documents confirming an intra-EU sale, the vendor must declare it a domestic sale. When the vendor receives the required documentation, the vendor can declare a zero-rated intra-EU sale (by correcting a VAT return). Under new rules, vendors may declare the zero-rated sale in the tax period when the tax became chargeable. Concerning intra-EU purchases, taxpayers could previously deduct VAT only if they have received an invoice from the vendor. If the taxpayer has not received an invoice within 3 months of declaring an intra-EU purchase, the VAT may only be deducted in the month in which the invoice is received. Under the new rules, taxpayers are entitled to deduct the VAT in the same period as an intra-EU purchase.

Moreover, the package amends specific VAT recovery rules. Under prior rules, a taxpayer may fully recover VAT only if the proportion of deductible VAT is above 98 percent and the non-deductible amount is lower than PLN 500. The package increases this amount to PLN 10,000. The package further clarifies that if the difference does not exceed 2 percent and the deductible amount calculated under initial and final proportions does not exceed PLN 10,000, taxpayers are no longer required to adjust the initial amount of VAT deducted.

As to administrative penalties, previously, taxpayers were required to pay an additional tax liability if there was a discrepancy between the declared amount of VAT and the actual amount. The law decreased the rates of this additional tax liability, and they are now treated as maximum rates. This allows the tax authorities to consider various factors such as circumstances in which irregularities occurred or the gravity of the violation and apply the additional tax liability more flexibly. To read KPMG's previous discussion of the SLIM VAT 3 measures, please click here.

Source: Poland - SLIM VAT 3 Enters into Force, (June 19, 2023), News IBFD.

Switzerland: VAT Reform Adopted

On June 16, 2023, the Swiss Parliament approved changes to the Swiss VAT act. If approved at a required referendum the amendments would introduce a deemed seller regime for the sale of goods through a digital platform. Currently, non-resident distance sellers of low-value consignments (i.e., goods for which the value of Swiss VAT would not exceed CHF 5) must register in Switzerland when their sales of such goods in Switzerland exceed CHF 100, 000 per year. The amendments clarify that when sales are made through a digital platform (defined as a digital platform is defined as an electronic interface that enables direct contact between several people online to provide a good or a service), the platform will be deemed the seller of the goods, subject to certain conditions. . The amendments would also require that all VAT registrations and filings be submitted electronically. A one-year transition period will be offered for those unable to comply with the requirement. These measures will be subject to a referendum before they become effective. To read KPMG's previous discussion of these proposals, please click here.

Source: CCH, Global VAT News & Features, Switzerland Legislates To Tackle E-Commerce VAT Non-Compliance (Jun. 29, 2023); CCH, Global VAT News & Features, Switzerland To Require All VAT Filings Electronically (Jun. 20, 2023).

United Kingdom: Overview of Recent Indirect Tax Developments

Effective June 1, 2023, the UK published the Indirect Taxes (Notifiable Arrangements) (Amendment) Regulations 2023 to ensure that the description of certain VAT avoidance arrangements concerning offshore transactions includes transactions between members of the same VAT group. UK law requires specified persons to disclose information to HMRC concerning arrangements or proposed arrangements that enable, or might be expected to enable, a person to obtain a tax advantage. Under the law, the duty of such persons to disclose information arises when the arrangements with which they are involved fall within any description prescribed by the Treasury by regulations.

Further to the decision of the UK Supreme Court on February 22, 2023, in *News Corp UK & Ireland Ltd*, [2023] UKSC 7, that digital newspapers and other digital publications were subject to VAT at the standard rate of 20 percent before May 1, 2020, (i.e., before the legislation was changed to specifically apply the VAT zero-rating to them), HMRC published on June 8, 2023 Revenue and Customs Brief 6 (2023) confirming this treatment. HMRC will be writing to taxpayers that have submitted claims for overpaid VAT to confirm whether they intend to proceed with their appeals given the Supreme Court decision. To read KPMG's previous discussion of *News Corp UK v HMRC* please click here.

Following the Bank of England Monetary Policy Committee vote on June 22, 2023, to increase the Bank of England base rate from 4.5 percent to 5 percent, HMRC's interest rates for late payment and repayment will increase to 7.5 percent.

Source: CCH, Global VAT News & Features, UK Seeks More Info On Intra-Group VAT Avoidance Schemes,(Jun. 5, 2023);CCH, Global VAT News & Features, HMRC Responds To Supreme Court Ruling On Digital Newspapers,(Jun. 9, 2023); CCH, Global VAT News & Features, HMRC To Hike Interest On Late Tax Payments,(Jun. 26, 2023).

Back to top Back to top

Asia Pacific (ASPAC)

New Zealand: Overview of Recent Indirect Tax Developments

Following the enactment of the Taxation (Annual Rates for 2022–, Platform Economy, and Remedial Matters) Act 2023, on March 31, 2023, the New Zealand Inland Revenue published guidance for the application of the "marketplace rules for listed services" on June 19, 2023." Effective April 1, 2024, New Zealand will require electronic marketplaces facilitating the provision of listed services to charge and collect GST on behalf of underlying providers using their platforms. Listed services include ridesharing and ride-hailing, delivery services for food and/or beverages, and taxable accommodations that are performed, provided, or received in New Zealand. Listed services also include certain services that are closely connected with and ancillary to such listed service. Marketplace operators are required to account for GST on these closely connected services if these services are advertised, listed, or otherwise available through the electronic marketplace (e.g., cleaning if a fee is charged for such services as part of the overall provision of a listed service made through an electronic marketplace). Closely connected services do not included services that are provided by a marketplace operator to the recipient of the listed service as they are separate from the services provided by the underlying provider. Some larger GST-registered underlying providers may opt out of marketplace rules provided they meet certain criteria. If they opt out, the underlying providers, rather than marketplace operators, would continue being responsible for accounting for GST on the provision of listed services. In some cases, opting out requires an agreement between marketplace operators and underlying providers, but certain underlying providers with more significant operations can unilaterally opt out of the marketplace rules by notifying the marketplace operator. If an underlying provider opts out of the marketplace rules, the provider chooses to remain responsible for its own GST obligations for transactions involving electronic marketplaces. The opt-out provisions came into force on March 31, 2023 to enable these rules to be used ahead of the remaining rules applying from April 1, 2024. To read KPMG's previous discussion of the New Zealand Taxation (Annual Rates for 2022–, Platform Economy, and Remedial Matters) Act 2023 and in particular, the marketplace rules for listed services, please click here.

On June 12, 2023, New Zealand's Inland Revenue Department published Exposure Draft No. PUB00424 for consultation. The document is a draft guidance on the GST rules that apply to directors and board members who provide their services through a personal services company (PSC). If the PSC contracts with a company and provides the services of the director under that contract, the provision of directorship services will not be excluded from the definition of "taxable activity." This is because the provision of directorship services is distinct from personally being a director. As long as the PSC's level of activity qualifies as a taxable activity, it can register for GST. A PSC refers to a company established by a person to provide services to clients. The person is often the only employee, shareholder, and director of the company.

Source: CCH, Global VAT News & Features, NZ Explains Incoming Gig, Sharing Economy GST Rules,(Jun. 21, 2023)**;** CCH, Global VAT News & Features, NZ Says Professional Directors May Register For GST,(Jun. 13, 2023).

Back to top
Back to top

Trade & Customs (T&C)

Canada: Proposed Changes to Value for Duty Regulations

On May 27, 2023, the Canada Border Services Agency (CBSA) released amendments to the valuation for duty (VFD) regulations that confirm when an importer "arranges" to resell goods to a Canadian customer before importing the goods into Canada, the value for duty of the goods is based on the selling price to the Canadian customer.

The primary method of customs valuation in Canada is the Transaction Value Method, wherein the value for duty is based on the price paid or payable for goods "sold for export" to a Purchaser in Canada (PIC). The current VFD Regulations generally define a PIC as a Canadian resident, a person who is not a resident but who has a permanent establishment in Canada, or a person who has not entered into an agreement to sell the goods to a resident before the goods are purchased for import into Canada. The term "sale for export" is not defined in the Customs Act or VFD Regulations. However, based on the jurisprudence of the Supreme Court of Canada, a sale for export is the sale by which the title to the goods passes to the importer. Based on the wording of the current regulations and relevant case law, if a series of transactions occurs that results in the importation of goods into Canada, the value for duty may be based on a sale that occurs before the last sale to a customer in Canada. Under the proposed amendments, the CBSA would in all cases look to the last sale to establish the value for duty unless the goods are imported based solely on the speculation of sales in Canada without any prior agreement, understanding or arrangement to sell the goods in Canada.

The proposed regulatory changes introduce new definitions and amend other definitions intended to ensure that the last sale to the buyer in the country of import is used as the basis for determining the value for duty.

They introduce a new definition for “sold for export to Canada,” which captures not only legal sales and agreements to sell, but also “understandings” and “arrangements” for the transfer of goods in exchange for payment, regardless of whether the transfer of ownership is completed before the importation of the goods into Canada. If goods are subject to more than one sale, the value for duty will be based on the last sale in the supply chain regardless of the chronological order of the sales. Additionally, the proposals significantly change the current definition of “purchaser in Canada” to simply mean the person who purchases or will purchase the goods sold for export to Canada. The term would no longer be linked to the terms “resident” or “permanent establishment.” Although the government has not yet indicated when these changes will be effective, they would likely come into force in alignment with other amendments included in the Budget Implementation Act, 2021. For more information, please click here.

European Union: Consultation on Implementation of the Carbon Border Adjustment Mechanism (CBAM)

On June 13, 2023 European Commission published a first call for feedback on the Draft Implementing Regulation for the Carbon Border Adjustment Mechanism (CBAM) during its transitional phase, which runs from October 1, 2023 through December 31, 2025. The mechanism will establish a carbon price on imports that corresponds to what would have been paid had the goods been produced in the EU. CBAM is designed to function in parallel with the EU's Emissions Trading System (EU ETS), to mirror and complement its functioning on imported goods. It will gradually replace the existing EU mechanisms to address the risk of carbon pricing leakage, in particular the free allowances of EU ETS allowances. In the CBAM transitional phase, traders will be required to report only on the carbon emissions embedded in imported goods (if those goods are under the CBAM scope), nut no associated payment will be required. The Draft Implementing Regulation (1) explains the reporting obligations of EU importers of goods that are under the CBAM scope, and (2) provides details regarding the methodology for calculating embedded carbon emissions released during the production process of CBAM goods. The regulation further provides flexibility when it comes to the values used to calculate embedded emissions on imports. During the first transition year, companies will have three alternative methods for calculating and reporting, but effective January 1, 2025, only one method will be accepted. This approach intended to ease the ability of companies to adapt to the new reporting obligations. As to next steps, the European Commission intends to formally adopt the Implementing Regulation later this summer after a vote in the CBAM Committee, comprising representatives from EU Member States.

Source: CCH, Global VAT News & Features, EU Gearing Up To Phase In Carbon Border Adjustment Mechanism (Jun. 15, 2023); European Union - European Commission Seeks Feedback on CBAM Draft Implementation Rules, (June 14, 2023), News IBFD.

Back to top Back to top

In Brief

- **African Union:**[xxix] At a June meeting, the African Union discussed the continent's response to the OECD proposed international tax reform measures. The meeting covered key issues regarding the erosion of African tax bases and discussed ways to improve domestic resource mobilization for African development. The Union discussed the OECD VAT toolkit released in February to support developing countries adapt their value-added tax regimes to better collect revenues from e-commerce. It noted the growth of the digital economy has negatively impacted Africa's ability to mobilize revenues and how Africa is looking to engage in the global tax debate at the United Nations to increase domestic resource mobilization. One conclusion reached was that revenue collection from e-commerce goods and services requires the implementation of simplified VAT regimes.

- **Antigua and Barbuda:**[xxx] On May 30, 2023, the government of Antigua and Barbuda proposed a new environmental levy to reduce plastic waste. The proposed changes will require local manufacturers to pay ECD 0.15 per container to the government for items produced locally such as empty glass, steel, aluminum, or plastic containers, as well as bottles made from high-density polyethylene (HDPE) or polyethylene terephthalate (PET).
- **Argentina:**[xxxi] On June 26, 2023, Argentina's tax agency, AFIP, released regulations governing access to tax preferences for biotechnology and nanotechnology ventures. Companies engaged in eligible activities are granted accelerated depreciation concessions as well as a fast-tracked credit or refund of VAT on purchases of new capital goods, special equipment, and component parts. Companies availing themselves of the incentive must have a Unique Tax Identification Code (CUIT) with the status "Active: No limitations."
- **Armenia:**[xxxii] On June 22, 2023, the Armenian government proposed to introduce a tax on companies providing passenger transportation services through online platforms. If enacted, the tax will apply effective September 1, 2024, and the following rates will apply per booking: 1.5 percent for cashless transactions (2.5 percent in 2025 and 4 percent in 2026); and 2 percent for cash transactions (3.5 percent in 2025 and 5 percent in 2026).
- **Aruba:**[xxxiii] On June 28, 2023, Aruba announced that the proposal to extend the gross receipts tax to imports has been postponed to August 1, 2023, allowing for further assessment and potential modifications of the draft legislation. On Jul 5, 2023, the parliament of Aruba adopted the draft Ordinance amending the Indirect Tax Ordinances (BBO, BAVP, and BAZV) to introduce a 7 percent indirect tax at the border upon import. The import tax is deductible for businesses that resell goods. On July 11, 2023, the tax authority of Aruba published additional information and a FAQ relating to the new regime. To read KPMG's previous discussion of this proposal, please click here.
- **Austria:**[xxxiv] On June 14, 2023, the Austrian government approved a draft bill to transpose into Austrian Law the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024.
- **Bangladesh:**[xxxv] On June 1, 2023, the Minister of Finance of Bangladesh presented the 2023-24 budget speech to parliament. The budget includes proposals to, among other things, (1) introduce a 5 percent VAT rate on software production and customization services and a 15 percent VAT rate on the manufacture of ballpoint pens, (2) increase the various VAT rates on mobile phone manufacturing and assembly operations, and (3) expand the definition of "online sale of goods" beyond retail sale of goods to include sales facilitated through an online marketplace
- **Belarus:**[xxxvi] On June 15, 2023, the Belarusian Ministry of Taxation clarified the VAT treatment of "electronic distance sale of goods." It clarified that a transaction qualifies as an electronic distance sale of goods if a customer orders goods through an electronic trading platform and the terms of payment and delivery are provided on that electronic trading platform. If the place of delivery of the goods to the buyer is in Belarus, the sale is subject to VAT in Belarus. If the place of delivery is outside Belarus, the sale is not subject to VAT in Belarus, but the Belarusian taxpayer must still report it in their VAT return. The taxpayer must also have confirmation of the delivery address outside Belarus, which can be provided through transport documents, marketplace reports, or documents from postal or courier services. In addition, electronic distance sales of goods must be documented by an electronic invoice.
- **Bulgaria:**[xxxvii] On June 27, 2023, Bulgaria published amendments to the VAT Act. The amendments introduce a VAT bad debt relief procedures. The amendments specify the type and content of credit and debit notes, and the procedure for reducing the tax base and tax due in case of an irrecoverable debt. The amendments also revise the provisions on proof of zero-rated sales and clarify the necessary documents. The amendments further make technical changes to the VAT Act including changes to the formula for calculating tax on common tourist services. They also address the necessary documents for

tax exemption on imports by armed forces of EU Member States or other EU organizations. Finally, the amendments clarify that recipients of goods or services sourced in Bulgaria, who are natural persons permanently residing in other Member States and habitually residing within Bulgaria, can be certified by documents other than identity documents.

- **Croatia:**[xxxviii] Croatia launched consultation on proposed tax law amendments which include measures to introduce VAT on bad debt relief procedures and transpose into Croatian Law the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024.
- **Denmark:**[xxxix] On June 12, 2023, the Danish Customs and Tax Administration published Eastern High Court Decision No. SKM2023.264.ØLR, clarifying whether a VAT-exempt insurance business is entitled to an additional reimbursement of VAT resulting from the insurance sales to Norwegian customers through its permanent establishment (PE) in Norway. In the case, a Danish company, part of a VAT group in Denmark, sought reimbursement of VAT on costs incurred for its insurance and reinsurance business both within and outside the EU. The Danish tax authority partially reimbursed the VAT and disallowed the VAT relating to the business of the company's Norwegian PE. The claim depended on whether the Norwegian PE's gross receipts from the sale of insurance policies to Norwegian customers could be included in the reimbursement. The Eastern High Court ruled in favor of the Danish Tax Ministry, stating that the taxpayer could not include the gross receipts from its fixed place of business in Norway in the reimbursement. The court also ruled that the taxpayer had not provided sufficient documentation to allocate costs to the fixed place of business, which could have resulted in a smaller reimbursement.
- **Denmark:**[xl] On June 20, 2023, the Danish Tax authority announced measures to expedite procedures for fighting tax fraud and increase penalties. The measures include larger fines and monetary limits in prison cases, additional fines in smuggling cases, and freezing bank accounts in cases with an excessive risk to collection. In a separate announcement, Denmark's political parties reached an agreement on measures to modernize the tax authority's IT infrastructure and tighten the sanctions on tax fraud. The agreement will cover the period 2023-2027 and will focus on completing politically prioritized projects involving VAT, customs, and property.
- **Estonia:**[xli] On June 5, 2023, Estonia submitted a draft bill to parliament which includes measures to transpose the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024, into Estonian Law.
- **Isle of Man**:[xlii] Effective May 31, 2023, the Isle of Man increased interest rates for the late payment and repayment of VAT and other indirect taxes from 6.75 percent to 7 percent, and from 3.25 percent to 3.50 percent, respectively.
- **Italy:**[xliii] On June 15, 2023, the Italian tax authority (ITA) launched a consultation on guidance regarding the tax treatment of crypto assets. The consultation closed on June 30, 2023.
- **Italy:**[xliv] On June 14, 2023, the ITA clarified the requirements for obtaining a VAT refund for a company with negative shareholder equity and negative assets. In the case, a Swiss company purchased goods in Italy and sold them to customers outside Italy, resulting in the company being in a refund position. The company sought clarification on its ability to receive a VAT refund over EUR 30,000 without a bank guarantee. The ITA clarified that refunds over EUR 30,000 require bank guarantees unless certain stability requirements are met, and refunds cannot be guaranteed by negative assets. As the company had negative assets, a bank guarantee was required for the VAT refund.
- **Italy:**[xlv] The ITA recently started a new program to encourage retailers to participate in the country's receipt lottery, which was launched last year to combat the grey economy. Under the program, taxpayers who provide their taxpayer ID or a lottery code can receive virtual lottery tickets for every euro spent on purchases paid for with non-cash methods and with a receipt from an enrolled vendor. The maximum

number of tickets is 1,000. Retailers who upgrade their electronic fiscal devices to issue eligible invoices can receive a refund of up to EUR 50 for the related costs. The refund can be claimed through form F24.

- **France:**[xlvi] On June 21, 2023, the French tax authorities published updated guidance on the application scope of the digital services tax (DST). The guidance clarifies that services that provide a digital interface where the interaction between users is of an ancillary nature are not subject to DST. Moreover, the guidance clarifies that the exclusion of certain services that provide digital content from the scope of the tax does not automatically apply to the digital content provided and the exclusion of intra-group services applies only to services exclusively rendered to companies within the same group.
- **France:**[xlvii] On June 21, 2023, the French tax authorities published updated guidance on the optional VAT group regime to incorporate the outcome of the public consultation on the original guidance it conducted in October 2022. The VAT grouping regime applies to taxpayers established in France or French permanent establishments that are closely bound to one another by financial, economic, and organizational links, even though legally independent. Taxpayers opting for the VAT group must comply with several conditions, and the election is binding for a minimum period of 3 years. To read KPMG's previous discussion of France's VAT grouping regime, please click here.
- **Germany:**[xlviii] On June 23, 2023, the European Commission proposed to authorize Germany to implement mandatory e-invoicing for transactions between taxpayers established in Germany. The proposed authorization will last from January 1, 2025 through December 31, 2027, or until EU Member States are required to adopt similar measures under the VAT in the Digital Age initiative.
- **Kazakhstan:**[xlix] Kazakhstan recently expanded the list of activities that are subject to the retail tax regime to include tourism, education, production and repairing of various goods, and veterinary and medical services. Previously, the retail tax regime was available only to catering activities. Businesses in the retail tax regime are not subject to VAT. To read KPMG's previous discussion of Kazakhstan's retail regime, please click here.
- **Kenya:**[l] The Kenya Revenue Authority announced that effective June 1, 2023, VAT-registered taxpayers are required to accept only e-invoices from registered taxpayers for purposes of claiming VAT recovery and processing of refunds, except nonresident providers of digital services.
- **Kyrgyzstan:**[li] Effective May 1, 2023, taxpayers in Kyrgyzstan are required to register under the national e-invoicing system. However, the requirement does not apply to taxpayers applying a zero percent tax rate that have annual revenues not exceeding KGS 8 million and comply with requirements for the use of cash registers
- **Latvia:**[lii] On June 22, 2023, the Latvian parliament adopted a law to transpose the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024 into Latvian Law.
- **Lithuania:**[liii] On June 21, 2023, the Lithuanian parliament accepted for consideration a bill to amend the registration requirement under the platform reporting rules of DAC7. The bill includes measures to establish a requirement for foreign platform operators to register with the central tax administrator, prevent foreign platform operators who fail to register, or whose registration has been revoked in the EU, from operating in Lithuania, provide a mandatory instruction to cancel website access for platform operators failing to provide seller information, after exhaustion of reminder procedures, and allow platform operators to regain website access after they eliminate their violations. If approved the measure will become effective from May 1, 2024.
- **Luxembourg:**[liv] The parliament of Luxembourg accepted for consideration a bill to transpose the EU Directive requiring payment service providers to report on cross-border payments and their recipients effective January 1, 2024 into Luxembourg Law.

- **Malawi:**[lv] Effective April 5, 2023, Malawi implemented amendments to its VAT law, including (1) the a requirement to produce the proof of deposit of the export proceeds into a financial institution in Malawi for taxpayers being allowed to claim VAT refunds, (2) a VAT exemption on wheat flour, electric motor vehicles, urinary drainage bags, and gas stoves under specified Customs Tariff Headings, (3) clarifying that the zero-rating of exports covers goods under customs control for export purposes or goods which are taken out from any part of a customs area and brought into an Export Processing Zone, and (4) introducing the concept of a VAT free transfer of a business as a going concern.
- **Malta:**[lvi] Malta's tax authority published guidance on the implementation of the digital platform reporting rules under DAC 7. The guidance sets out the scope of the rules, the rules regarding sellers, and the due diligence required of platforms. The guidance highlights that platform operators, including excluded platform operators, must register by August 31, 2023, with any changes in registration required to be completed by December 31, 2023. It also identifies the information that must be reported under DAC7, which must be submitted no later than January 31, each year.
- **Mauritius:**[lvii] On June 26, 2023, the Mauritius Revenue Authority (MRA) released details on the deployment of a national e-invoicing system, which will be implemented in two phases. Phase 1, starting June 26, 2023, requires in-house or independent software developers, as well as commercial solution providers of electronic billing systems (EBS), to register, customize, test, and self-certify their EBS for compliance with the MRA e-invoicing system. Phase 2, set to begin in early 2024, will require businesses and economic operators to generate invoices or receipts using MRA-compliant EBS solutions. Pre-validation of these invoices or receipts in real-time with the MRA will be mandatory before issuing them to customers. Currently, the system mandate is limited to e-invoices and e-receipts, as well as their debit and credit notes.
- **Moldova:**[lviii] On May 17, 2023, the Moldovan State Tax Service (STS) clarified that the importation of digital information products is subject to VAT, and any subsequent sale of the products is also subject to VAT. It also clarified that VAT liabilities in transactions involving imports of services must be determined on the earlier date on which the services were imported or the date on which payment (including advance payment) for the imported services was made. Further, if a Moldovan resident VAT payer makes an advance payment to a nonresident seller for a forthcoming sale of goods, but later decides to use those funds as payment for services instead, the VAT liability will arise on the earlier of two dates: the date on which the parties decided to change the status of the advance payment or the date on which the services are imported.
- **Nepal:**[lix] On June 1, 2023, Nepal's tax authority updated its guidelines regarding the VAT requirements for non-resident providers of digital services. The updates include holding private consumers liable for VAT if they wrongly declare themselves as a business, allowing non-resident registered taxpayers to issue e-invoices without the approval of the tax authority, and accounting for foreign currency transactions according to the Nepalese Rastra Bank exchange rate on the day of return submission.
- **OECD:**[lx] On May 25, 2023, the OECD released a paper on net effective carbon rates that builds on the approach followed in the OECD's Taxing Energy Use for Sustainable Development report**.** The OECD effective carbon rate (ECR) indicator measures the price of carbon emissions based on taxes and tradeable permits. The ECR has three components: fuel excise tax, carbon taxes, and tradable carbon emission permits. The paper builds on the previous approach to measure the effective marginal carbon rate net of pre-tax fossil fuel support, taking into account the OECD's inventory support. The inventory provides transparency and a tool for policymakers to assess the current support measures, covering budgetary transfers and tax expenditures due to data availability. The report finds that 45 countries have provided support of $110.05 billion in the form of tax expenditures and $72.35 billion in budgetary transfers.

- **OECD:**[lxi] On June 8, 2023, the OECD published the Crypto-Asset Reporting Framework (CARF) and amendments to the Common Reporting Standard (CRS). The CARF provides for the automatic exchange of relevant tax information on crypto-assets and was developed to address the rapid growth of the crypto-asset market and to ensure that recent gains in global tax transparency are not gradually eroded. The CRS has been amended, meanwhile, to bring certain electronic money products and central bank digital currencies in scope. It also includes changes to ensure that indirect investments in crypto-assets through derivatives and investment vehicles are now covered by the CRS, as well as measures to strengthen the due diligence and reporting requirements and to provide a carve-out for genuine non-profit organizations.
- **Romania:**[lxii] On June 23, 2023, the European Commission proposed to authorize Romania to implement a mandatory e-invoicing regime for transactions between taxpayers established in Romania. The proposed authorization will last from January 1, 2024, through December 31, 2026, or until EU Member States are required to adopt similar measures under the VAT in the Digital Age initiative.
- **Saudi Arabia:**[lxiii] On June 16, 2023, the Saudi Arabian Zakat, Tax and Customs Authority (ZATCA) announced that the sixth group of taxpayers that will be required to comply with the second phase of implementation of the e-invoicing system will consist of those with revenues subject to VAT exceeding SAR 70 million during 2021 or 2022. VAT-registered taxpayers meeting the criteria need to integrate e-invoicing solutions with the "Fatoora" platform starting from January 1, 2024. To read KPMG's previous discussion of Saudi Arabia's e-invoicing measures, please click here.
- **Singapore:**[lxiv] On June 15, 2023, the Inland Revenue Authority of Singapore (IRAS) published an updated e-Tax Guide - GST: Guide on Exemption of Investment Precious Metals (IPM) (Eighteenth Edition). The guide provides details on the GST exemption of investment gold, silver, and platinum (Investment Precious Metals - IPM). In general, the importation and local sale of precious metals qualifying as IPM are exempt from GST, while the sale of qualifying IPM exported from Singapore is zero-rated. The sale of precious metals not qualifying as IPM is taxable. The latest version of the e-Tax guide includes updates regarding the types of coins from different countries that qualify as IPM, as well as various editorial amendments.
- **Slovenia:**[lxv] Slovenia published a law, transposing the EU DAC7 requirements into national law. Under DAC7, digital platform operators will be required to report income earned by sellers on sales of goods, accommodation, personal, and transportation services on their platforms. EU Member States will be required to automatically exchange this information. The rules cover digital platforms located both inside and outside the EU and apply from January 1, 2023.
- **South Africa:**[lxvi] On June 21, 2023, the South African Revenue Service clarified the VAT treatment of newly built residential dwellings that have been developed and held for sale under a taxable sale by developers, but that is simultaneously temporarily applied to make an exempt lease of residential accommodation in a dwelling. Property developers may temporarily let newly developed dwellings out as residential accommodation to cover holding costs while the properties are marketed for sale, triggering a requirement to declare VAT on the open market value of the property (OMV) under the South African VAT law. The guidance clarifies the updates to the relief that the VAT law provides, which suspends the liability to declare VAT for a maximum period of 12 months.
- **Spain:**[lxvii] On June 15, 2023, Spain's Ministry of Finance launched a consultation on draft e-invoicing regulations. Spain introduced e-invoicing measures in 2022. The draft regulations provide details on what constitutes an e-invoice between VAT-registered businesses and mandate taxpayers to use private e-invoicing platforms or a public e-invoicing solution that the tax authorities will need to set up for those that cannot use a private platform. The draft regulations also outline the requirements for operating as an e-invoice exchange platform. To read KPMG's previous discussion of Spain's e-invoicing measures, please click here.

- **Zimbabwe:**[lxviii] On May 29, 2023, Zimbabwe's government announced the introduction of a 1 percent tax on all foreign payments effective from June 1, 2023. The government further announced (1) the reduction of the rate of the intermediated money transfer tax (IMTT) on local interbank foreign transactions and the POS IMTT tax on foreign currency transactions to 1 percent, (2) the introduction of a requirement that all excise duty on fuel will be payable in foreign currency, and all customs duty will be payable in local currency, except for luxury goods where the importers opt to pay in foreign currency, and (3) imposing VAT on manufacturers exporting general goods, including cement, milk, and soft drinks, among others, which will be refundable on export.

Back to top Back to top

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Back to top Back to top

Footnotes

i. Country

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