



# Indirect Tax Insight Newsletter

September 2025

Brought to you by Taxand , Your Global Tax Partner



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# INTRODUCTION

We are delighted to present the latest edition of our quarterly **Indirect Tax Insight Newsletter**, bringing you timely and practical updates on indirect taxation around the world.

In this issue, we feature insights from **21 countries**, each offering an in-depth perspective on recent developments in VAT and other key indirect tax matters.

The news shows that there are constant developments in the area of indirect taxation in almost every country. This makes it all the more important to have a functioning international network such as Taxand in order to keep track of these developments.

Feel free to share this newsletter with your colleagues and contacts!

An overview shows that the introduction of e-invoicing and digital reporting is currently underway or imminent in many countries. Given the importance of this topic, we will continue our webinar series on this subject in autumn.

Enjoy reading!

Toni and Andreas



**Dr. Andreas Erdbrügger**

Partner  
Flick Gocke Schaumburg  
Taxand Germany  
E: [andreas.erdbruegger@fgs.de](mailto:andreas.erdbruegger@fgs.de)



**Toni Lewis**

Partner  
Leo Berwick  
Taxand USA  
E: [toni.lewis@leoberwick.com](mailto:toni.lewis@leoberwick.com)

## CASE LAW

### Right of appeal in VAT assessments

A partnership is a separate taxable person for VAT purposes, independent of its partners and therefore, the right of appeal lies exclusively with the partnership and not with its partners.

### Input VAT refund procedure and VAT assessment procedure

The input VAT refund procedure and the VAT assessment procedure are two separate procedures that do not exclude each other.

### Input VAT deduction and tax-exemption for export supplies in cases of VAT fraud in third country

Awareness of tax evasion in a third country does not automatically justify denying input VAT deduction or export exemption (different to EU cases).

## Financing of public infrastructure (Roundabout)

The construction and maintenance of public infrastructure by a public-law entity is a sovereign activity outside the scope of VAT; financial contributions from interested taxable persons are deemed third-party remuneration and do not allow input VAT deduction.

## Provision of motor vehicles to employees

Private use of company vehicles in Austria with non-deductible input VAT is not subject to VAT and does not count as self-supply; even if considered as rental, it remains outside VAT to ensure tax neutrality and prevent double taxation.

## VAT exemption for educational services provided by private schools

VAT exemption for private educational services in Austria requires official certification under ÖNORM ISO 21001 or comparable EU-certification. This certification must be in place at the time the service is provided. A retroactive recognition is not allowed.

## Tax Reform on Consumption

Brazil has recently approved a tax reform on consumption.

Currently, consumption taxation is divided by jurisdiction. That is, municipalities tax services (ISS), States tax sales (ICMS), and two contributions on companies' gross revenue (PIS and Cofins).

To simplify the system, those taxes will be replaced by a dual-VAT. The tax on goods and services ("IBS"), subnational, and the Contribution on goods and services ("CBS"), federal.

This change was approved by the Constitutional Amendment 132/2023, on December 20, 2023. A Supplementary Law was also approved on January 16, 2025, to regulate the subject (No. 214/2025).

The transition period begins in 2026 and ends in 2032. Until then, the publication of all regulatory legislation is awaited.

## Brazilian Invoicing System

Brazil currently uses electronic invoices to record and report commercial transactions to tax authorities, such as the sale of goods or services. It replaces traditional paper documents and is generated, stored, and transmitted electronically.

Nowadays, goods and services are reported by different types of electronic invoices, managed by different authorities, leading to operational complexity.

The recent tax reform will introduce a unified electronic fiscal document. This new system will be federally managed, standardising requirements and simplifying compliance.

Businesses must update their systems, train staff, and review processes to adapt. The unified document aims to reduce administrative burdens and enhance tax control. Companies should monitor regulatory updates and prepare for the transition to ensure compliance and operational efficiency, under the new regime.

**Your Taxand Partners in Brazil:** Douglas Mota, E: [dmota@demarest.com.br](mailto:dmota@demarest.com.br), T: +55 (11) 3356-1888 and Thiago Amaral, E: [tamaral@demarest.com.br](mailto:tamaral@demarest.com.br), T: +55 (11) 3356-1571

## Amendments to the VAT Act/Fiscal Code

### Until 31 March 2026

Extension of the reduced VAT rate of 5 % for supplies of natural gas, thermal heating (incl related fees) and wood fuels (Official Gazette NN 52/2025, [Link](#)).

## New Fiscalization Act

### Real time digital reporting (fiscalization) system based on e-invoicing

Extension of e-invoicing and real-time reporting to B2B transactions, starting 1 January 2026, with the Act coming into force on 1 September 2025, allowing a transition period for businesses (Official Gazette NN 89/2025, [Link](#)).

**Your Taxand Partner in Croatia:** Pavo Djedovic, E: [Pavo.Djedovic@leitnerleitner.com](mailto:Pavo.Djedovic@leitnerleitner.com), T: +385 1 606 44 10



## Changes in VAT concerning real estate

Effective 1 July 2025, the Czech VAT Act changes real estate taxation. The VAT-liable period after a building's completion is reduced from five years to 23 months; later transfers are VAT-exempt unless it is the first supply. The period starts from the occupancy permit's finality or when the building can be used permanently.

The "first-supply" rule means only the first transfer after completion or major change is taxable; later ones are exempt unless another major change occurs (costs exceed 30% of the subsequent tax base). The reduced 12% VAT rate on construction/installation applies only if the building remains for housing or social housing after works. Social housing limits are 350 m<sup>2</sup> for a family house and 120 m<sup>2</sup> for an apartment; larger units are taxed at the standard rate.

## Adjustment of VAT Deduction for Overdue Payables

In addition, from 1 January 2025, a new rule applies to the taxation of overdue payables. A taxpayer who has claimed input VAT on a taxable supply received from 1 January 2025 onwards, must reduce that deduction if the invoice remains unpaid for over 6 months past their due date. If the liability is subsequently paid (even partially), it will be possible to adjust the input VAT deduction upward under specific conditions.

This rule should not apply to taxable supplies under reverse charge mechanism, e.g., iC-acquisition of goods and services, or to supplies under local reverse charge mechanism. The General Financial Directorate has issued separate guidance with practical examples and instructions for reporting these adjustments in both the VAT return and the control statement.

## **Ordinary Documentation Sufficient for VAT Deduction, Even Amid Supplier Fraud - SAC 7 Afs 78/2024-31**

In judgment 7 Afs 78/2024-31, the Supreme Administrative Court confirmed that a VAT payer may rely on standard documents (such as invoices, EET receipts and delivery notes) when claiming input VAT, even if it later emerges that the supplier was involved in a fraud scheme.

The court held that the tax authority cannot require an ordinary purchaser to conduct excessive background checks on a supplier, nor refuse the deduction on the basis of vague or redacted criminal files.

Input VAT cannot be denied merely because fraudulent activity occurred further down the supply chain.

## **Negligence Justifies Denial of VAT Deduction in Fraud Cases - SAC 8 Afs 44/2024-59**

In another judgment, the SAC confirmed that a VAT deduction may be denied even if the taxable entity did not commit the fraud directly. If the tax authorities prove that the entity knew or should have known about the fraud, the deduction can be refused. Negligence is sufficient. Suspicion may arise from unusual circumstances, such as repeated price increases in the supply chain or lack of contact between suppliers.

## **Corrections of Fictitious VAT Invoices Require Proof of Good Faith and Timely Risk Mitigation – SAC 9 Afs 10/2024-41**

In judgment 9 Afs 10/2024-41, the taxpayer first issued fictitious invoices and later drew up corrective tax documents and filed amended VAT returns.

A correction is valid only if the taxpayer can prove that he acted in good faith or promptly and effectively removed the risk of tax loss.

The tax authority determined that none of the customers had filed amended returns.

The Supreme Administrative Court ruled that the burden of proving that the risk was eliminated fully and in time lies with the taxpayer, not with the tax authority.



## **Czech Tax Administration Joins Inspections of Uber and Bolt Drivers in Prague**

In June 2025, the Czech Tax Administration, Police, and Customs inspected 181 drivers providing taxi services via Uber and Bolt. The goal was to check tax compliance and gather evidence for income tax and VAT audits. Some fleet companies reportedly use non-standard contracts with working hours far above legal limits. Police found 20 administrative offences and proposed revoking nine residence permits for foreign nationals.

Customs can demand payment of outstanding traffic fines and seize licence plates, an effective way to ensure quick debt settlement. The Tax Administration considers the action successful and plans further inspections, likely on a larger scale.

## **Tax Administration Launches E-Shop Inspections**

At the end of August, the Czech Tax Administration will launch EMPORION, an inspection campaign targeting online store operators' income reporting for income tax and VAT. Analysts have already identified CZK 734 million in unreported revenues. The first phase will focus on 85 businesses selling online but reporting no revenues and not registered for VAT, despite likely obligations. The second phase will target those underreporting actual sales.

The Tax Administration urges all sellers to check their reported income to avoid penalties, aiming to give businesses a chance to correct errors before inspections start.

**Change to the electricity taxation of mining operations proposed**

The Finnish Ministry of Finance has published an amended draft proposal on the taxation of electricity used in mining activities. The proposed change would shift mining operations from the lower electricity tax bracket (0.05 euro cents per kWh) to the general tax bracket (2.24 euro cents per kWh), representing an increase of 2.19 euro cents per kWh.

The changes are scheduled to be implemented on 1 January 2026.

**Change to the electricity taxation of data centres pending**

In addition to mining operations, the Government originally proposed moving data centres from the lower to the higher tax bracket as well. According to the Government, although data centres have been excluded from the current proposal, the plan has not been dropped. According to the Finance Minister, a new model for the electricity taxation of data centres is being prepared jointly by the Ministry of Finance and the Ministry of Economic Affairs and Employment. The aim is to consider differences between data centre operators. There is no information available on the timeline for the change regarding data centres.

**VAT rate reduction for food, pharmaceuticals and some services proposed**

The Government proposes reducing the current 14% reduced VAT rate to 13.5%. During the summer, the proposal was under public consultation, with stakeholder comments due by 15 August. The reduction would apply to various goods and services, including:

- Food products
- Restaurant and catering services
- Animal feed
- Passenger transport
- Accommodation and guest harbour services
- Pharmaceuticals
- Books
- Cultural and sports activities (sporting services, event tickets to cultural and sporting events, museums, cinemas, etc)

The changes are scheduled to be implemented on 1 January 2026.

**Your Taxand Partner in Finland:** Henna Jovio, E: [henna.jovio@borenius.com](mailto:henna.jovio@borenius.com), T: +358 20 713 3465

**Recovery of French VAT on company cars : French tax authorities have published their guidelines following to ECJ case QM, Tax ruling, 30<sup>th</sup> April 2025, BOI-RES-TVA-000161 (1/2)**

## What you need to know

- The French tax authorities recently clarified, in a published tax ruling, that the provision of vehicles by a company to its employees – for professional and/or private use – is subject to VAT, as soon as consideration (even indirect) is identified.
- This ruling directly refers to the QM judgment (C-288/19 of 20 January 2021) of the CJEU, which set out the applicable rules. While Belgium, Luxembourg, and Germany had already taken positions in their respective administrative guidelines, the comments from the French tax authorities clarifies the situation in France.

## What this ruling changes

- In the relationship between an employer and an employee, the provision by the employer of a vehicle purchased or leased by the company constitutes a supply of services for consideration only if a stipulated payment is involved.
- As soon as any form of consideration exists, even implicit (e.g., salary deduction, use of convertible credits), the provision to the employee becomes subject to VAT.
- This new approach allows, subject to conditions, VAT deduction on purchases or leases.

## Key takeaway

- **Taxable basis:** according to the provisions of the contract, it consists of either the rent amount charged or the portion of the salary the employee has waived. This amount is deemed to have been determined by the employer specifically taking into account the employee's partial personal use.
- **Output VAT :** when the provision is made by a French company to employees residing in France, VAT must be collected by the company and reported on its VAT return.
- **Territoriality in a cross-border context:**
  - ✓ In the case of long-term rental to an employee residing in another EU Member State, VAT is due in that Member State.
  - ✓ When the employee resides in France and the employer is established in another EU Member State, VAT due for the provision in France may, as an option, be collected through the One-Stop Shop (OSS) to avoid VAT registration in France (and vice versa).
- **VAT deduction:** Where the provision of a vehicle to an employee qualifies as a taxable rental, the input VAT incurred on leasing or purchasing the vehicle gives rise to a right of deduction. As a reminder, in France, vehicles are generally subject to an exclusion from the right of deduction → this point represents an opportunity for companies.

However, some grey area remains (see next slide).

**Your Taxand Partners in France:** Nathalie Habibou, E: [Nathalie.habibou@arsene-taxand.com](mailto:Nathalie.habibou@arsene-taxand.com), T +33 1 70 38 47 75, Audrey Vivaldi, E: [Audrey.Vivaldi@arsene-taxand.com](mailto:Audrey.Vivaldi@arsene-taxand.com), T +33 1 70 38 92 66

# FRANCE (2 OF 3)

**Recovery of French VAT on company cars : French tax authorities have published their guidelines following to ECJ case QM, Tax ruling, 30<sup>th</sup> April 2025, BOI-RES-TVA-000161 (2/2)**

## Remaining grey areas

- Some grey area remains regarding the benefit in kind reported on the employee's payslip. As this point is not clearly addressed in the ruling, further clarifications are expected shortly in response to a parliamentary question published in June.
- The URSSAF (social security regime) regime must be carefully monitored.
- IT must also be confirmed by French Tax Authorities if this ruling creates a real opportunity for companies, who will need to evaluate financial aspects by calculating the difference between VAT to be collected and recoverable VAT.

**A VAT-exempt company that is required to self-assess VAT must request a VAT identification number and reverse charge VAT, Paris Administrative Court of Appeal, 4 June 2025, Case No. 24PA02483, Sté ISIMI**

## What you need to know

- A "taxable person" is any individual or entity that independently carries out transactions within the scope of VAT, whether such transactions actually give rise to the payment of VAT or are exempt
- The obligation to register for VAT applies as soon as the company is the recipient of services subject to the reverse-charge mechanism.
- A taxable person who, not being liable for VAT on the supply of services (because they perform VAT exempt activity), who has not been provided an individual VAT identification number, must request one from the tax authorities, in due time, in order to comply with their VAT self-assessment and reporting obligations.

## Key takeaway

- When purchasing cross-border services, entities benefiting from VAT exemptions must still register for VAT and apply the reverse-charge mechanism if it purchases cross border services.
- This solution also applies for holding companies in France deriving only VAT-exempt financial interest income

## Point of attention

- Companies engaged solely in VAT-exempt transactions will be required to remit VAT under the reverse-charge mechanism without any right to deduction (collection without deduction : non-neutral reverse charge).

**Your Taxand Partners in France:** Nathalie Habibou, E: [Nathalie.habibou@arsene-taxand.com](mailto:Nathalie.habibou@arsene-taxand.com), T +33 1 70 38 47 75, Audrey Vivaldi, E: [Audrey.Vivaldi@arsene-taxand.com](mailto:Audrey.Vivaldi@arsene-taxand.com), T +33 1 70 38 92 66

**8<sup>th</sup> Directive VAT refund procedure – a procedural error may result in the loss of the VAT credit**, *Paris Administrative Court of Appeal, 27 June 2025, Case No. 23PA03373, Sté Abo Wind AG c/ Ministère de l'Economie*

## Facts

- Abo Wind AG, a German renewable energy project developer, sought the refund of a €4,077,739 VAT credit for Q4 2018 in France (domestic procedure through French VAT return)
- Abo Wind AG had no fixed establishment in France and performed no taxable transactions there.

## What you need to know

- French court held that as a non-established EU taxpayer, the Company not performing any taxable activity in France could only claim its VAT credit via the special “non-established” refund procedure (Directive 2008/9/EC), not via the normal procedure for established taxpayers.
- The fact that Abo Wind AG was registered for VAT in France, declared VAT credits on several occasions, and obtained their refund cannot be regarded as a formal interpretation of the applicable regulations, all the more so as those refunds predated the adoption of the special procedure laid down by Directive 2008/9/EC of 12 February 2008.
- In addition, the argument that Abo Wind AG had been liable for VAT due to a billing error was also rejected, because the legislation provides an exhaustive list of transactions that exclude a foreign operator from benefiting from the refund procedure under the 8<sup>th</sup> Directive. The fact that the operator wrongly charged VAT, and that this error resulted, under domestic law, in payment of VAT has no bearing on the assessment of the right to a refund.

## Essential takeaways

- Foreign operators must pay close attention when submitting a VAT refund claim: the classification of the transactions carried out and the correct identification of the person liable for the tax are crucial in determining the appropriate procedure.
- A procedural error, even in the case of an indisputable VAT credit, can prevent the refund.
- Under the 8th VAT Directive procedure (Directive 2008/9/EC), the deadline to submit a refund claim is 30 September of the calendar year following the refund period.

This decision is in line with case law of the French supreme administrative court (Conseil d'État, n° 308471, SA Lurgi). It also applied consistent EU case law holding that the time limit for submitting a VAT refund claim by EU taxable persons not established in the Member State where the tax is due is a limitation period (see, CJEU, 21 June 2012, Case C-294/11). This time limit is consistent with the principle of VAT neutrality.

**Your Taxand Partners in France:** Nathalie Habibou, E: [Nathalie.habibou@arsene-taxand.com](mailto:Nathalie.habibou@arsene-taxand.com), T +33 1 70 38 47 75, Audrey Vivaldi, E: [Audrey.Vivaldi@arsene-taxand.com](mailto:Audrey.Vivaldi@arsene-taxand.com), T +33 1 70 38 92 66

## New transfer pricing and VAT developments

The interaction between (income tax) transfer pricing and VAT is a hotly debated topic, and not only in Germany. The European Court of Justice (ECJ) has now addressed two interesting questions:

The first case, “Weatherford,” concerned whether a parent company can simply pass on costs to its subsidiaries. The ECJ deemed it necessary for the subsidiary to actually receive an economic advantage and for the remuneration to reflect the service provided. However, the tax office cannot assess for itself whether the service provided by the parent company is “reasonable.”

The second case, “Höggkullen,” concerned whether the parent company must provide holding services to subsidiaries at full cost. This was denied if individual services are charged through and that do not together constitute a uniform service.

Two further cases concerning the VAT consequences of transfer pricing adjustments (“Acroment” and “Stellantis”) will be decided shortly.

We expect this issue to be raised more frequently in future tax audits.

## Reform of German VAT group rules

After the ECJ confirmed the German regulations on VAT groups last year, the tax authorities have resumed their plans to reform the regulations. We are indirectly involved in this process.

Until now, the effects of the VAT group have taken effect without a formal procedure. Only three integration criteria must be met (financial, economic and organizational integration).

In the future, it should be possible to opt out of the VAT group. Anyone who wants to have a VAT group must register it. It is still unclear whether this will lead to a more generous interpretation of the three integration criteria or whether there will be procedural advantages for “failed” VAT groups. As a result of the reform, the ECJ principles on ‘Skandia’ and ‘Danske Bank’ are to be implemented in Germany.



## A. New National Customs Code introduced

Law 5222/2025 has introduced the new National Customs Code - a structured effort to modernise and consolidate customs legislation. Key customs and excise reforms include:

### Customs procedures: Entry, storage, and controls

The new Code provides for digital filings of declarations, mandatory arrival notifications, and the use of electronic systems for all modes of transport, detailing more comprehensively electronic declarations and imposing narrower timelines.

The new Code also intensifies digital control and data exchange among customs authorities, clarifies digital surveillance systems and imposes more rigorous checks, while explicitly empowers customs officers to use advanced surveillance devices, install integrated monitoring systems, and share data with other agencies.

### Special procedures and free zones

Specific references in the new Code (Articles 34–35) confirm or update free zone regulations: establishing, operating, and abolishing free zones, with tight oversight and digital recordkeeping, mandating closer alignment with EU customs legislation and more detailed monitoring.

## Expanded supervision powers

Customs controls are extended beyond customs offices, including outside official hours under special fees.

## Revised excise rules

The Code reorganises excise tax provisions (for alcohol, tobacco, energy products), introduces rules for new categories (e.g. flavoured liquids for e-cigarettes), and streamlines movement, exemption, and refund procedures under EU harmonised standards.

## Vehicle taxation

The new Code's vehicle taxation rules refine the CO<sub>2</sub>-based adjustments, implement WLTP measurement standards for newer vehicles, and introduce digital checks for cross-border transport. Stricter licensing and monitoring of approved vehicle warehouse keepers are introduced in the new Code.

**Your Taxand Partner in Greece:** Alex Karopoulos, E: [a.karopoulos@zeya.com](mailto:a.karopoulos@zeya.com); T: +30 6977 274695

## Notifications and legal protection

The new Code introduces modernised processes for serving official notices and assessments, including digital notification methods, while explicitly safeguards the right to be heard before any administrative action or measure is taken against an individual's rights or interests.

The new Code further clarifies when personal liability arises (for directors, managers) for unpaid customs duties and introduces a uniform rule establishing an automatic 70% suspension of collection of certain customs fines and multiple fees assessed by the competent authorities.

## Strengthened enforcement & penalties

The new framework for customs infringements and smuggling is updated, including higher fines for customs infringements. Repeated offenses, misreporting, and operating outside authorised warehouse licenses can trigger severe financial penalties or license revocations.

Smuggling definitions largely remain the same but relevant audits will be performed via electronic means, expanded licensing oversight, and real-time data sharing.

## B. VAT Code changes

Alongside the customs reform, the new law 5222/2025 has introduced targeted amendments to the VAT Code (Law 5144/2024):

### Place of supply of services

New rules are introduced for B2B virtual events, where the place of supply will be where the service recipient is established.

Likewise, for B2C activities which are streamed or otherwise made virtually available, the place of supply will be the place where the non-taxable recipient is established or resides.

### Special scheme for small enterprises

The domestic annual turnover for the application of the scheme has remained the same at EUR 10,000, despite anticipation of the market that it would be increased.

The scheme has been extended to apply to taxable persons established in other EU Member States, whose EU annual turnover does not exceed EUR 100,000 and their annual turnover in Greece does not exceed EUR 10,000.

**Your Taxand Partner in Greece:** Alex Karopoulos, E: [a.karopoulos@zeya.com](mailto:a.karopoulos@zeya.com); T: +30 6977 274695

## **New VAT rate for works of art, collectors' items and antiques**

The import of works of art, collectors' items and antiques as well as the supply of works of art by the artist himself or his successors for the first time will be subject to the super reduced VAT rate of 6% (from 13% that was applicable until now).

The reduced rate will not be applicable for supplies of works of art subject to the special margin scheme, whereas the taxable reseller cannot opt to apply the margin scheme when the works of art, collector's items and antiques have been supplied to him or imported by him with a reduced VAT rate.

## **C. Mandatory B2B e-invoicing**

The new law has introduced mandatory B2B e-invoicing for all domestic supplies of goods and services, as well as supplies of goods and services to entities established outside the EU (although in the latter case it is allowed for the recipient to indicate an alternative way for the invoices to be sent). To be noted that B2G invoicing is already mandatory.

The details and the timeline for the implementation of the mandatory e-invoicing will be determined with decisions issued by the Ministry of Finance and the Independent Authority for Public Revenue.

**Your Taxand Partner in Greece:** Alex Karopoulos, E: [a.karopoulos@zeya.com](mailto:a.karopoulos@zeya.com); T: +30 6977 274695

## **New type of tax audit is introduced**

Introduction of a new type of tax audit: a reconciliation process designed to regularly compare the data reported in Hungary's real-time invoice reporting system with the information declared by taxpayers on their VAT returns. This development is highly significant, as it enables the tax authority to perform data-driven mass audits and generate clear datasets for further risk assessment. At the same time, it places greater responsibility on taxpayers to ensure that their internal VAT processes are accurate, consistent, and properly managed. To mitigate risks, businesses are strongly encouraged to conduct regular health check reviews with tax professionals, ensuring full compliance and reducing the likelihood of audit findings. LeitnerLeitner offers assistance in VAT health-check reviews and also representation and support in tax audits.

## **E-receipt and extension of VAT Data Reporting**

The Hungarian Tax Authority is preparing to launch an e-receipt system, where receipts will be issued digitally and transmitted in real time to the tax authority. The reform aims to increase transparency, support VAT compliance, and reduce the need for paper receipts. The launch have been postponed to 1 September 2026.

For businesses, this will mean adapting IT and accounting systems to meet new technical requirements. Early preparation and professional support are key to ensuring a smooth transition and avoiding compliance risks. LeitnerLeitner is at your kind assistance for the preparation of the new system.

## **Changes to the Real-Time Invoice Data Reporting System Validations**

New validation rules will enter into force on 15 September 2025. The modification of these validations aims to ensure more accurate reporting and improved data quality.

In practice, this means that 3 new WARNING messages will appear, 3 current ones will be removed, and 15 messages that previously appeared as WARNING messages will operate as ERROR messages in the future.

## **Change in Service Charge Rules**

From now on, the service fee applied to restaurant and catering services (including VAT) may not exceed 15% of the gross amount for private individuals and 20% for other customers. Importantly, tips remain outside the scope of VAT. This change aims to bring more transparency and fairness in pricing while clarifying the VAT treatment of service fees and tips.

## **Travel Agency Services Simplified Invoicing**

As of 1 January 2026, travel agencies applying TOMS are no longer required to state the taxable amount and VAT on invoices to non-taxable persons (e.g. a private individual).

## **Late payment interest is calculated on a monthly basis**

Late payment interest is to be calculated on a monthly instead of yearly, with annual notifications issued once it exceeds HUF 5,000 (approx. EUR 13).

**Your Taxand Partner in Hungary:** Judit Jancsa-Pék, E: [Judit.Jancsa-Pek@leitnerleitner.com](mailto:Judit.Jancsa-Pek@leitnerleitner.com), T: +36 1 279 29-30

## High Court Strikes down demand of GST on services provided by clubs to its members

- Activities or transactions by a person (other than individual) to its members is deemed to be a supply for the purposes of levying GST. The Kerala High Court in *Indian Medical Association, Kerala v. Union of India & Ors.* examined the validity of the said provision.
- The Court by relying upon the principle of mutuality as recognized in the Apex Court decision of *Calcutta Club Ltd.*, held that a club and its members are the same entity. The underlying provision was therefore declared unconstitutional and void on the grounds of requiring at least two distinct persons to constitute a “supply”. The judgement provides a huge relief to clubs, associations and other such bodies from the burden of discharging tax on activities provided to its members.

## **Cancellation of Waiver of Exemption on Sale of Property Under 'Old' Rules**

Under the 'old' VAT on property rules, which applied prior to 1 July 2008, the short-term letting of property was exempt from VAT unless a landlord waived this exemption. Where a waiver of exemption was in place, it applied to all the landlord's short-term lettings. The cancellation of a waiver generally required the landlord to pay a 'cancellation amount' to the Irish Revenue. A waiver was automatically cancelled where the landlord ceased to own any properties which were subject to a waiver of exemption (i.e., on a sale of the last of such properties owned by the landlord).

Following a recent High Court judgement, which upheld the determination of the Tax Appeal Commissioners that the requirement to pay a cancellation amount was contrary to EU law, the Irish Revenue updated its guidance to state that, from 20 December 2024, it will no longer collect payment of the cancellation amount that would otherwise have been due on the sale of a property.

## **VAT on the Supply of Gas and Electricity**

The 9% rate of VAT for the supply of gas and electricity has been extended until 31 October 2025.

## **Relevant Contracts Tax (RCT) for Contracts Including Construction of Property and Sale of Land**

It has been clarified that, where a contract provides for both construction services and the supply of land, only the construction services provided for in the contract are subject to RCT. Where there is a single consideration to cover both the construction services and the sale of the land, an apportionment between the two elements must be made by the principal. RCT and the VAT reverse charge apply to the portion of the consideration relating to the construction services but not to the sale of land. The terms of each contract should be considered in order to determine the position.

## **Guidance on the EU VAT SME Scheme**

The Irish Revenue has published its guidance on the application of the new EU VAT SME Scheme, which came into effect on 1 January 2025.

The scheme is optional for small enterprises which do not exceed the Union Annual Threshold of €100,000 and will allow them to sell goods and services to their EU customers without charging VAT. The guidance covers both the domestic and cross-border element of the scheme.

**Your Taxand Partners in Ireland:** Sonya Manzor: [sonya.manzor@williamfry.com](mailto:sonya.manzor@williamfry.com), T: +353 1 639 5212, Colin Bolger: [colin.bolger@williamfry.com](mailto:colin.bolger@williamfry.com), T: +353 1 639 5048



## Implementation of the ViDA Package in The Netherlands

On 26 June 2025, the Dutch State Secretary of Finance issued a letter to Parliament outlining the national implementation of the EU VAT in the Digital Age (ViDA) package. The ViDA package is expected to enhance fraud prevention, improve VAT collection, and support the digital transformation of tax administration in the Netherlands. The package, formally adopted by the EU Council on 11 March 2025 and published on 25 March 2025, introduces significant changes in three areas: electronic invoicing and digital reporting, the platform economy, and the extension of the one-stop shop (OSS) schemes.

For the platform economy, the new rules introduce a deemed supplier regime for digital platforms facilitating short-term accommodation rentals and passenger transport. Under this regime, platforms will be considered the supplier for VAT purposes unless the actual service provider opts to account for VAT themselves. Member States must implement these rules in national law by 30 June 2028, with the possibility to defer application until 1 January 2030 at the latest. In the Netherlands, the legislative proposal for the platform economy is planned to be published for internet consultation in autumn 2025. Anyone affected by the legislation is able to share their views through this consultation.

As you might be aware, the electronic invoicing and digital reporting requirements will take effect from 1 July 2030. From this date, all entrepreneurs engaging in intra-EU B2B transactions will be required to issue electronic invoices compliant with a harmonised EU standard and to report these transactions digitally on a per-invoice basis, with a shortened issuance deadline of 10 days after the supply. That may still seem a long way off, but this will mean major changes for all businesses involved as well as for the tax authorities and service providers required to support the IT implementation processes.

The Dutch implementation process will be split in four phases: policy research and preparation, legislation, technical development, and final implementation. The government aims to submit draft legislation to Parliament at least two years before the 1 July 2030 effective date to allow for adequate preparation and testing. Key policy decisions—such as whether to extend e-invoicing and reporting requirements also to domestic transactions—will be informed by stakeholder consultations and consideration of administrative burdens, especially for SMEs. The letter emphasises the importance of balancing regulatory efficiency, administrative simplicity, and effective VAT control, and notes that the Dutch approach will take into account developments in other Member States.

**Your Taxand Partner in The Netherlands:** Martijn Jaegers, E [martijn.jaegers@borgentax.nl](mailto:martijn.jaegers@borgentax.nl), T: +31 6 104 888 57

## **Peru introduces a progressive reallocation of the VAT and Municipal Promotion Tax (IPM) rates**

Currently, Peru's standard indirect tax rate of 18% is composed of 16% VAT and 2% IPM. Under the Law No. 32387, starting 2026, the VAT component will decrease annually from 16% to 14% by 2029, with a corresponding increase in the IPM. This reform aims to strengthen municipal finances through the FONCOMUN fund, but it has sparked debate over its fiscal sustainability and potential impact on national revenue.

## **Peru extends the special VAT credit benefit to the department of San Martín**

Law No. 32317 extends the special VAT credit benefit to the department of San Martín, aligning it with other Amazonian regions such as Loreto and Ucayali. Companies operating in San Martín may now claim a special credit equivalent to 25% of gross VAT on sales made outside the Amazon. This legislative adjustment seeks to stimulate economic activity in the region, although it has raised concerns about potential misuse and the lack of sector-specific safeguards.

### **Peru's National Tax Agency introduce targeted exclusions from Peru's VAT split mechanism (SPOT) for the mining sector**

Resolutions 000121-2025/SUNAT and 000175-2025/SUNAT establish that the transfer of unprocessed metallic minerals —such as gold and non-gold ores— outside production centers or from tax-benefited zones to other regions is no longer subject to SPOT, provided these transfers do not originate from taxable sales. These changes aim to reduce operational friction and improve cash flow management for mining companies, while maintaining tax control over actual commercial transactions.

### **Peru's National Tax Agency clarifies de scope of the VAT Early Recovery Special Regime**

The VAT Early Recovery Special Regime is a special VAT refund mechanism designed to support investment projects during their pre-productive phase, allowing companies to recover VAT paid on qualifying goods and services before generating taxable income. Report 000041-2025-SUNAT/7T0000 clarifies its scope by confirming that services invoiced before the authority's authorization may be included in the benefit, provided the pre-productive phase of the investment project had already begun. This interpretation ensures that companies can recover VAT on qualifying services acquired during the early stages of project development, improving liquidity and encouraging investment in long-term infrastructure.

In the first quarter of 2025, several significant updates and changes have been introduced to the VAT system in Serbia. These changes include amendments to the VAT Rulebook, updates to e-invoicing rules, and the introduction of pre-filled VAT returns:

- **Amendments to VAT Rulebook:** As of January 1, 2025, Serbia has implemented amendments to its VAT Rulebook. These changes cover aspects such as determining the tax base through assessment, which aims to clarify and standardize tax calculations. Also, the changes cover the amendments related to increase and decrease of the tax base, correction of input VAT deduction, advance payments, invoice for successive deliveries and deadline for creating internal invoice.
- **E-Invoicing Updates:** Serbia has extended the deadline for electronic tax recording and VAT calculation from ten to 12 days after the tax period. Additionally, corrections to electronic tax recordings for incorrect or incomplete data are now allowed, while the obligation to correct for late invoices has been removed. Until June 30, 2025, the Ministry of Finance will not take into consideration errors in the presentation of data in VAT records, in the procedures for checking the regularity of electronic VAT recording.
- **Pre-filled VAT Returns:** Serbia has introduced a system for pre-filled VAT returns, which will become effective starting with the VAT period of January 2026. These returns will be generated using data from the System of Electronic Invoices (SEF) and will require taxpayers to review them and submit them.

- These amendments of VAT and e-invoicing legislation are adopted with the aims to improve efficiency, compliance, and clarity within Serbia's VAT system, offering businesses more streamlined processes and increased flexibility in managing their tax obligations.

Electronic invoicing remains a focus area of Serbian regulatory changes, with the goal of coming to the preliminary VAT return in 2026 with the overall idea of total automatization of VAT return, as preliminary VAT return will be generated by the System of Electronic Invoices (SEF).

## Advanced Rulings of the Ministry of Finance

### VAT deduction per e-invoice

- The input VAT deduction from an e-invoice is only possible when it is received and also formally marked as accepted in the System of Electronic Invoices (SEF) (*Advance Ruling of the Ministry of Finance no. 000501114 2025 10520 004 000 011 004 of 14. 4. 2025*).

### VAT treatment of supply of high bay pallet racking in the warehouse

- The supply of high-bay pallet racks in a warehouse is not considered a supply of goods in construction area, so reverse charge is not applicable for such supply. (*Advance Ruling of the Ministry of Finance no. 002629830 2024 10520 004 000 011 004 of 14.4.2025*).

**Your Taxand Partner in Serbia:** Jelena Knežević, E: [Jelena.Knezevic@leitnerleitner.com](mailto:Jelena.Knezevic@leitnerleitner.com) T: +381 11 6555-111

## VAT Deduction for Vehicles – EC Exception Approved

Slovakia has asked the EC to approve the option of applying a limited input VAT deduction of 50 % on the purchase of M1 motor vehicles, motorcycles, on leasing, provision of services, spare parts, accessories and fuel costs. This exemption has been approved by the EC and is currently awaiting the implementation into the Slovak VAT Act. The implementation should result in the following three options:

- full 100 % VAT deduction if vehicles are used solely for business purposes,
- 50 % VAT deduction for combined business and private use,
- 0 % VAT deduction when vehicles are not used for business purposes.

Similar exceptions have been granted to other Member States.

As the text of the amendment to the VAT Act is not yet available, the planned effectiveness (1 July 2025) will be postponed, either to 01/01/2026 or even later.

## Planned Introduction of E-Invoices

Based on an already published draft amendment to the VAT Act, we expect the introduction of the e-invoicing system in Slovakia. Mandatory e-invoices for inland transactions should be introduced from 1 January 2027, and, in the next step for cross-border transactions from 1 July 2030 (based on the approved ViDA Directive). Once the amendment is approved by the Parliament, we will provide more detail.

**Your Taxand Partners in Slovakia:** Eva Kusá, E [eva.kusa@bmb.sk](mailto:eva.kusa@bmb.sk), T: +421 2 2129 9000; Kristína Reguliová, E: [kristina.reguliova@bmb.sk](mailto:kristina.reguliova@bmb.sk), T: +421 2 2129 9000

## Obligatory e-invoicing in Slovenia postponed any not yet confirmed

A proposal for a new Act on the exchange of electronic invoices and other electronic documents has been published in Slovenia. According to the latest version of the proposal, the obligation for business entities to issue only e-invoices to other business entities would be introduced as from **1 January 2028** (postponed from the initially proposed 1 June 2026).

The obligation would apply to all entities entered in the Business Register of Slovenia (AJPES). Businesses would be able to exchange e-invoices in any standard (e-SLOG, syntaxes compliant with the European e-Invoicing Standard, or other internationally accepted standards).

Furthermore, all e-invoices would have to be transmitted to the tax authority within 8 days of their issue or receipt.

## Catering services for VAT purposes are not just food delivery

The Slovenian Financial Administration has clarified that not every food delivery qualifies as catering for VAT purposes (explanation number: 0920-11069/2025-1 from June 26, 2025).

Catering services involve not only the preparation and delivery of food but also additional service elements such as on-site setup, serving, provision of equipment, and an overall tailored dining experience. Where these service elements are missing, the transaction is considered as a supply (and transport) of goods, generally subject to the reduced VAT rate for food and standard VAT rate for delivery. Merely labelling an invoice as "catering" does not suffice for applying the reduced VAT rate – the actual nature of the service determines the VAT treatment.



## Changes in the applicability of the TOGC exemption

Sweden has implemented Article 19 in the EU VAT Directive and the possibility to treat a transfer of going concern as out of scope of VAT. According to the Swedish VAT Act, one condition for the exemption to apply is that the transferee should have been entitled to deduct the input VAT that otherwise would have been charged on the transfer.

The Swedish Tax Agency's view has been that as long as the transferee is entitled to deduct input VAT to the same extent as the transferer the TOGC exemption might apply, i.e. the TOGC exemption could be applicable also when transferring a mixed business for VAT purposes and even a fully VAT exempt business.

A company in the insurance business applied for an advance ruling at the Board for advance rulings, asking whether this is in line with the condition mentioned above in the Swedish VAT Act when the transferee is not entitled to deduct input VAT at all. The Board for advance rulings ruled that this condition was not met and consequently the transfer of the insurance business could not qualify as a TOGC. This ruling was appealed to the Supreme Administrative Court and that came to the same conclusion.

Consequently, this might have a large impact when transferring a VAT exempt business in Sweden, potentially also a mixed business for VAT purposes, and might result in a great VAT leakage.

**Your Taxand Partner in Sweden:** Viktor Dalmo, E: [viktor.dalmo@skeppsbronskatt.se](mailto:viktor.dalmo@skeppsbronskatt.se) ,T: +46736409129

## US Tariffs: Burden on Switzerland

Since 7 August 2025, the United States has imposed an additional tariff of 39% on many Swiss exports – significantly higher than for most other countries. The measure is justified by Washington on the grounds of unequal trade conditions and the large US trade deficit with Switzerland. Liechtenstein, which shares a customs union with Switzerland, is exempt from the 39% rate and instead faces a 15% tariff.

The tougher US tariff policy is putting pressure on large parts of Switzerland's export economy. The US is one of the country's largest markets – according to the Swiss government, around 18% of Swiss goods exports go to the United States, and an estimated 60% of these exports (by value) are now subject to the additional 39% tariff. Sectors hit particularly hard include machinery and equipment manufacturing, the metal and electrical industries, the precision instruments/watch industry, and parts of the medical technology sector.

The Swiss Federal Council is engaged in ongoing talks with the US to reduce the 39% tariff and is calling for equal treatment with partners such as the EU. So far, the government has refrained from countermeasures to avoid further harming the economy, opting instead for dialogue, support for affected companies, and greater diversification of export markets.

**Your Taxand Partner in Switzerland:** Oliver Hulliger, E: [oliver.hulliger@taxpartner.ch](mailto:oliver.hulliger@taxpartner.ch), T: +41 44 215 77 76

### **UAE tax authority mandates formal procedures for managing natural excise goods shortages in designated zones**

The UAE tax authority, with effect from 1 July 2025, has implemented a framework for recognizing and handling excise goods shortages caused by natural factors like evaporation, leakages or spoilage occurring during production, storage or transportation within the excise tax designated zones.

The companies will be required to submit a detailed notification to the UAE tax authority along with the required documentation and verification from an independent competent entity to review the permissible shortage. The supporting documentation requirements include production formulas, manufacturing stages, expected and actual shortage percentage, past data and reports from independent competent entities.

It is important for the excise taxpayers to review and update their inventory monitoring, loss reporting, and compliance protocols to mitigate any additional tax or penalty exposure.

### **UAE announces the introduction of the new excise tax mechanism for sugar sweetened drinks**

The UAE has announced a new excise tax mechanism for sugar sweetened drinks to introduce a tiered volumetric model, under which excise tax will be determined based on the sugar content. The new model will replace the current mechanism under which a flat 50% excise tax is applicable based on the product classification.

Businesses dealing in sugar sweetened drinks must review their systems and product formulations prior to the implementation of the new model. The new model is expected to implement in the UAE in the beginning of 2026.

### **UAE issues a decision establishing eligibility criteria for accredited e-invoicing providers**

The UAE has issued a ministerial decision, setting out eligibility and accreditation rules for e-invoicing service providers.

The decision specifies criteria covering security, system capability and operational standards to ensure invoices are issued, transmitted and stored in compliance with the UAE tax authority requirements. The e-invoicing service providers must demonstrate strong systems, scalability and strong data protection capabilities in place before being formally approved.

This decision aims to streamline e-invoicing processing and improve VAT reporting accuracy in the UAE. The decision will help businesses in choosing the right e-invoicing service provider and to ensure smooth transition to the adoption of the e-invoicing system.

**Your Taxand Partner in UAE:** Anuj Bhasin, E: [a.bhasin@tamimi.com](mailto:a.bhasin@tamimi.com) T: +97165971872

# UNITED KINGDOM (1/2)

## UK-US Economic Prosperity Deal (EPD)

On 20 June 2025, in the context of continuing geoeconomic volatility and uncertainty, the UK government published an update on the UK-US Economic Prosperity Deal (EPD), signed on 8 May. The government has also passed legislation amending the UK Global Tariff (UKGT) giving effect to part of the EPD.

Under the EPD (and amended UKGT), the UK now offers:

- a preferential duty-free annual quota for US beef of 13,000 tonnes (replacing a 20% tariff on a 1,000 tonnes annual quota), and
- a preferential duty-free annual quota for US ethanol of 1.4bn litres (replacing a 19% duty).

In return, the US has committed to create:

- a 100,000-unit quota for UK car exports to the US (reducing US tariffs in imports from 27.5% to 10%), and
- reduce tariffs on imports of aerospace goods from the UK (reverting to the 'Most Favoured Nation' (MFN) rates that applied before the US Administration announced its 'reciprocal tariffs' on 2 April 2025)

Negotiations continue in relation to the creation of quotas (at MFN rates) for the export of steel, aluminium and certain derivative products from the UK to the US.

The 'baseline' US tariff applicable to all imports of goods from the UK remains at 10% despite the EPD and ongoing negotiations.

## Stamp taxes on shares: reform and modernisation

The UK government has confirmed its intention to replace the UK's two securities transfer taxes (stamp duty and stamp duty reserve tax (SDRT)) with a single self-assessed stamp tax on securities (STS). A new online portal for reporting and payment of STS will also be developed.

Key features of STS will include:

- 0.5% rate on consideration paid in money or money's worth. The current *de minimis* exclusion for transactions that have a consideration of less than £1,000 will be abolished;
- applies to non-government equity in UK companies (including stock and bonds with equity like features) but will exclude partnership interests (subject to targeted anti-avoidance measures);
- applies to any transaction involving in scope UK securities irrespective of where they are traded or where the seller and purchaser are based;
- chargeable at the earlier of "substantial performance" or completion;
- payable within 14 days (for transactions carried out in electronic settlement systems) or 30 days (for transactions outside an electronic settlement systems)
- the retention of existing stamp duty and SDRT reliefs (e.g., group, reconstruction, intermediary etc.) subject to some modifications; and
- a non-statutory pre-clearance system.

The government will publish and consult on draft legislation (most likely alongside the Autumn Budget), with the new tax, and the online portal expected to be introduced in 2027.

**Your Taxand Partners in the UK:** Madeline Gowlett, E [Madeline.Gowlett@traverssmith.com](mailto:Madeline.Gowlett@traverssmith.com), T +44 20 7295 3411  
Russell Warren, E [Russell.Warren@traverssmith.com](mailto:Russell.Warren@traverssmith.com), T +44 20 7295 3227

# UNITED KINGDOM (2/2)

## VAT: zero-rating of Exports

Two recent Tax Tribunal cases - *H Ripley & Co Ltd v HMRC* [2025] UKUT 00210 (TCC), and *Fisher Hurst Ltd v HMRC* [2025] UKFTT 562 (TC) - have considered the conditions that need to met for the export of goods from the UK to be zero-rated for VAT purposes.

In both cases, HMRC denied zero-rating where they determined that the exporter had failed to provide satisfactory documentary evidence that goods had left the UK within the necessary three-month time limit. The taxpayers appealed but (in both cases) the Tax Tribunals have supported the position of HMRC.

Both cases serve as useful reminders that taxpayers cannot assume zero-rating on the export of goods but must satisfy the stringent evidential requirements proving that the goods have left the UK.

## VAT: policy change on input tax deductions for pension fund management costs

On 18 June the UK government increased the availability of input tax recovery for defined benefit (DB) pension schemes' investment costs with immediate effect. This can be viewed as a long overdue response to the *PPG* case. However, the extent of the good news will remain unclear until the associated guidance is published (scheduled to occur "by autumn 2025").

In the UK, even though it is usual for pension funds to be run by trustees (rather than directly by employers), it is straightforward for an employer to recover (as a business overhead) input tax on costs relating to the administration of DB pension schemes. However, until the recent policy change, the position has been significantly more difficult for input tax on investment costs. Broadly, HMRC (the UK tax authority) took the view that these investment costs relate to the trustee's management of the pension fund assets rather than the employer's business. This meant that only a proportion of the input tax could be treated as an overhead of the business and even to achieve that it was necessary to use certain structuring methods e.g. bringing the trustee into the employer VAT group.

The policy change is therefore a welcome reform for taxpayers. However, important detail remains outstanding. In particular, whether it will be necessary to continue to use the traditional structuring methods (such as bringing the trustee into the employer VAT group) to allow all the input tax on investment costs to be treated as an employer overhead or whether (as is the case with administration fees) it will be sufficient for employers to hold a valid VAT invoice in respect of the supply, even if the trustee contracts for and pays for the service.

**Your Taxand Partners in the UK:** Madeline Gowlett, E [Madeline.Gowlett@traverssmith.com](mailto:Madeline.Gowlett@traverssmith.com), T +44 20 7295 3411  
Russell Warren, E [Russell.Warren@traverssmith.com](mailto:Russell.Warren@traverssmith.com), T +44 20 7295 3227

## Products or Services? The Evolution of Taxability in a Digital Economy

- Historically, few US states subject services to sales and use tax. However, that continues to change. Many states are expanding their tax base to include services or defining select services as tangible personal property, thereby including services in the sales tax base by definition.
- In our previous newsletter, we explored the complexities surrounding the taxability of digital goods and the ever-evolving state-by-state regulations in this space. Litigation in this area continues as courts are left to debate whether certain offerings should be classified as products or services under applicable state statute.
- For example, a recent ruling from the Colorado Court of Appeals concluded that Netflix's streaming services should be treated as a physical good and therefore subject to sales tax. The Court noted that the relevant sales tax statutes were enacted long before the availability of digital goods like streaming services. However, because the Colorado Department of Revenue taxes other digital goods (such as e-books and digital newspapers) as products, the Court determined that Netflix's offerings should be taxed in a similar manner.
- Note that Colorado (and certain other states, e.g., Alabama, Louisiana) is unique in that cities meeting certain population thresholds are considered "home rule" jurisdictions and are allowed to set tax policies to suit local needs. As a result, taxability may differ between the state and its local jurisdictions.
- Additionally, Maryland's digital advertising tax has been subject of multiple lawsuits challenging its constitutionality. The tax is imposed on businesses with more than \$100 million in global revenue and is assessed at a graduated rate ranging from 2.5% to 10%. While the tax remains in effect currently, taxpayers are relying on the Maryland Tax Court to review its legality and determine whether it is constitutional. The key argument asserted by the taxpayers in this case is that the tax violates the Internet Tax Freedom Act ("ITFA") passed by the US Congress in 1998 and made permanent in 2016. In a recent win for taxpayers, the 4<sup>th</sup> US Circuit Court of Appeals for the Fourth Circuit ruled on August 15, 2025 that Maryland's restriction of limiting how businesses pass on the tax is unconstitutional. The ruling reversed the lower court's decision and remanded the case back to the lower court for further proceedings. We continue to watch this case for its impact in Maryland as well as other states as they consider imposing similar taxes.
- **Takeaway:** Businesses offering digital products or services should not assume that their offerings are exempt from sales tax (or other transaction taxes) simply because they are digital. If there are concerns about the taxability of your offerings, it is best to consult with state and local tax professionals for guidance.

**Your Taxand Partner in USA:** Toni Lewis, E: [toni.lewis@leoberwick.com](mailto:toni.lewis@leoberwick.com), T: +1 (408) 858 5874





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