TAXAND

Indirect Tax Insight Newsletter

December 2025

Brought to you by Taxand , Your Global Tax Partner

CONTENTS

INTRODUCTION

We are pleased to present the Q4 edition of our Indirect Tax Insight Newsletter, offering a comprehensive overview of the latest developments shaping the global indirect tax landscape.

In this issue, we share updates from 21 countries, each outlining recent changes in VAT, e-invoicing, and other key indirect tax matters. The continued pace of change across jurisdictions highlights the importance of the Taxand network in helping businesses stay informed and navigate increasing complexity.

A notable trend this quarter is the ongoing rollout of e-invoicing and digital reporting requirements, which remain a priority for many tax authorities worldwide. Further, we continue to see a global trend in the taxation of digital products and services.

Each country chapter also includes key local contacts should you wish to explore any of the developments in more detail or assess their potential impact on your organisation.

We hope you find this edition insightful and encourage you to share it with colleagues and contacts who may benefit from these updates.

Enjoy reading!

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CASE LAW

Preliminary ruling request to the ECJ on the VAT treatment of contributions in kind

The Supreme Administrative Court (SAC) asks whether a contribution (in kind) of commercially used real estate by the shareholder who qualifies as a taxable person for VAT to his corporation free of charge qualifies as a supply for consideration or as a deemed supply for consideration.

Furthermore, it should be examined whether a tax-neutral transfer in the context of restructuring is compatible with Art 19 VAT Directive and directly applicable.

Subsidies as rent prepayments subject to VAT

Subsidies of the public sector granted to the lessee and paid directly to the owner of the building for renovation work as well as to cover rental costs, are subject to VAT as advance rent payments if they can be clearly assigned to the specific rental service.

No input tax deduction for subsequent decontamination costs

Acquired services related to the decontamination of land, which shall be sold and on which a taxable business was operated in the past, do not qualify for input VAT deduction if the remediation takes place decades later, as there is no longer a direct and immediate connection with the business activity in the past.

Formal errors in input tax refund application

Mere formal deficiencies in the input VAT refund application do not automatically justify the denial of input VAT deduction, as the tax authorities are obliged to either correct easily recognisable errors or to request the taxpayer to make corrections.

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BELGIUM (1/2)

Belgium's New Budget Agreement: VAT Hike for Hospitality and Leisure

- The Belgian Federal Government has finalised its **2026–2029 budget framework**, introducing targeted VAT increases to boost revenue while avoiding a general rate hike. The standard VAT rate remains at **21%**, but several reduced rates will rise significantly.

Effective Date: 1 January 2026 (to be confirmed)

Key Changes

- **Hospitality & Tourism**:
  - **Hotels, campsites, and tourist accommodations**: VAT increases from **6% to 12%**.
  - **Takeaway meals**: VAT rises from **6% to 12%**.
- **Leisure & Entertainment**:
  - **Sports and recreational activities**: VAT moves from **6% to 12%**.
  - **Day attractions (amusement parks, zoos, indoor leisure)**: VAT also increases to **12%**.
- **Cultural Sector**:
  Entertainment events (cinema, festivals) currently taxed at 6% will also shift to **12%** (museums remain exempt).
- **Other Adjustments**:
  Non-alcoholic beverages in restaurants/cafés: VAT decreases from **21% to 12%**.
  Pesticides: VAT rises from **12% to 21%**.

These changes aim to raise **€1.3–1.5 billion annually** and align Belgium with EU fiscal targets.

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BELGIUM (2/2)

ARTEO

Mandatory E-Invoicing – Effective 2026

- Starting **1 January 2026**, Belgian businesses will face a major shift: **structured electronic invoicing becomes compulsory for domestic B2B transactions**. This reform aims to modernise invoicing, combat fraud, and streamline cross-border bookkeeping.

Key Highlights

- **Effective Date**: 1 January 2026
- **Scope**: Domestic transactions between VAT-registered businesses
- **Exclusions**: B2C transactions remain outside the obligation
- **Public Sector**: E-invoicing for government contracts has been mandatory since March 2024
- **Format**: The **Peppol BIS standard** will be used, enabling automated processing by accounting systems

Last minute update

On December 2, the Ministry of Finance announced a **three-month grace period** during which companies that can demonstrate reasonable efforts to comply will not face fines. This measure recognizes that some businesses may encounter practical challenges in fully implementing the new requirements.

Looking Ahead

The federal coalition agreement includes plans for **near real-time VAT reporting by 2028**. While the 2026 mandate does not require invoice data to be transmitted to the tax administration, adopting a structured format lays the foundation for future automated reporting.

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Brazil's Tax Reform: CBS/IBS, Broad Credits, Transition

Brazil is moving to a dual VAT-style model with the federal CBS and the subnational IBS, alongside a Selective Tax. The new system applies destination-based taxation and "tax-on-top" pricing and introduces full non-cumulative crediting via the financial credit method, with broad credit entitlement and targeted exceptions. A phased transition (2026–2033) replaces PIS/COFINS, IPI, ICMS and ISS, calibrates rates, and governs legacy credits. This matters for pricing, invoicing, ERP reconfiguration, cash-flow from credits, supply-chain contracts, and compliance planning of the coexistence period and sector-specific rules.

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Exemption for export of goods and VAT refunds to travellers from third countries

The amendment introduces a new electronic system for refunding VAT to tourists from non-EU countries effective from 1 January 2026.

The core conditions (non-EU resident, personal use, export within 3 months, CZK 2,000 per receipt incl. exempt supplies; refund request within 6 months) remain unchanged.

Newly, after issuing the receipt, the seller will submit the data to an online customs system and wait for automatic acknowledgement. If no acknowledgement is received, the seller must issue a paper receipt marked "VAT REFUND"/"TAX FREE" and submit the data no later than the following day. Each receipt must include the passport number, country code, currency and value of exempt supplies. Customs send export confirmation electronically and the seller must claim the refunded VAT by the end of the calendar year following the year of the confirmation.

Government's Policy Statement – Proposal November 2025

According to the Government's Policy Statement of November 2025, several changes to the Czech VAT system have been proposed, which are not yet in the legislative process. The proposal of the new government includes:

- Introduction of a 0% VAT rate on prescription medicines.
- Unifying the VAT rate at 12% for restaurant and catering services and serving of non-alcoholic beverages.
- Initiating negotiations at EU level to increase the threshold for mandatory VAT registration significantly above the current CZK 2 million.
- Shortening the period for reclaiming VAT on unpaid invoices from six to three months.

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FINLAND (1/2)

Supreme Administrative Court Precedent Confirms Partial VAT Deduction of Acquisition Costs

The Supreme Administrative Court ("**SAC**") has issued a new precedent, SAC 2025:61, confirming partial VAT deductions for costs related to corporate acquisitions by companies indirectly held by private equity investors. The SAC held that deductions are partially permitted when the acquiring entity takes an active role in managing the target or its subsidiaries through taxable management services.

Accordingly, services directly related to the purchase of the target are fully deductible. These include the preparation of sales and purchase agreement, advisory work connected to the acquirer's own financing, and business planning carried out for the acquirer itself.

Services that only benefit entities or investors above the acquirer in the ownership chain are not deductible. These include work related to investment decisions, broader group structure planning, financing arrangements and shareholder agreements at that level.

Services that may simultaneously benefit the acquirer's taxable activities and entities or investors above the acquirer are only partially deductible. According to the SAC, these may include due diligence work, market studies, valuation assignments, project management and tactical advisory tasks, assessments of industry outlook and risk, assistance with closing processes, regulatory approval related services, and a range of legal services.

Supreme Administrative Court on Transfer of a Wind Power Project as a Going Concern

The SAC has held in an unpublished decision that the transfer of a wind power project in its development phase meets the criteria for treating the transaction as a transfer of a business as a going concern for VAT purposes. The SAC noted that the need to acquire additional resources as a project advances does not affect the VAT treatment as a transfer of going concern. It further clarified that the VAT treatment remains the same regardless of whether the project includes an operational wind power plant or involves the transfer of personnel.

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FINLAND (2/2)

BORENIUS

Reduced VAT Rate to Be Lowered to 13.5%

The Finnish government has proposed lowering the current 14% reduced VAT rate to 13.5%. The reduction would apply to various goods and services, including:

- Food
- Restaurant and catering services
- Animal feed including related substances
- Services relating to physical exercise and cultural activities, sports, admission tickets to events, operation of facilities for sports
- Books (printed and electronic)
- Pharmaceuticals
- Passenger transport
- Accommodation services

Whilst the legislation has not yet been formally approved, the approval now appears imminent. The legislative procedure is in its final stages. The changes are expected to enter into force on 1 January 2026.

Proposed Changes to Electricity Taxation

The Finnish Government has published amended draft proposals on the taxation of electricity used by mining operations and data centres. The proposals, both of which are now pending before the Parliament, would move both sectors from the lower electricity tax bracket of 0.05 euro cents per kWh to the general tax bracket of 2.24 euro cents per kWh, resulting in an increase of 2.19 euro cents per kWh.

In addition, the Government is preparing a significant increase in the electricity supply security fee, charged in connection with the electricity tax. The fee would rise from the current 0.013 euro cents to 0.085 euro cents per kWh, applying to all industrial and household electricity consumption.

The changes are scheduled to take effect as follows: 1 January 2026 for mining operations, 1 April 2026 for the electricity supply security fee, and 1 July 2026 for data centres.

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GERMANY (1/2)

Flick Gocke Schaumburg

E-Invoice in Germany

New error terms

The Federal Ministry of Finance published a new BMF letter on e-invoicing (October 15, 2025). In the new letter, the potential errors in an e-invoice are described more clearly. First, a distinction is made between formal and content errors.

A formal error occurs when there is a violation of syntax or technical requirements (e.g., a TXT file instead of an XML file). Despite a formal error, input tax deduction is possible until the end of the transition period. From 2027 onwards, this will no longer be possible.

Content errors occur when the transmitted information is factually incorrect. For example, the name of the invoice recipient might be missing. Every e-invoice should be validated using a validation program. However, the technical validation of an e-invoice does not capture all content errors. Therefore, the e-invoice should still be checked separately.

Change of the taxable amount

According to the tax authorities, based on the BMF letter, no invoice correction is required if the taxable amount is reduced due to discounts, rebates, or other allowances. However, distinguishing this from "changes in the scope of services" remains challenging.

E-invoice Storage

Invoices must be stored in an unalterable manner. However, the strict requirements of the GoBD (Principles of Proper Accounting) do not necessarily have to be adhered to in certain cases.

Reduced tax rate on restaurant and catering services

According to a draft government bill with changes to the Value Added Tax Act of September 11, 2025, the tax rate on restaurant and catering services is reduced (with the exception of the supply of beverages). According to the legislative rationale, the reform is intended to economically support the gastronomy sector. At the same time, it eliminates difficult differentiation issues between the simple supply of food (reduced tax rate) and the supply of food with significant service elements. (currently standard tax rate)

Educational services

There is a new BMF letter from the Federal Ministry of Finance regarding educational services. The qualification as an educational service is relevant to determine whether the service is exempt from value-added tax according to Section 4 No. 21 of the German Value Added Tax Act (based on Article 132(1) (i) and (j) of the VAT Directive).

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GERMANY (2/2)

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The letter contains examples on the case law of recent years, including driving school lessons (not tax-exempt), swimming lessons by private teachers (tax-exempt), and equestrian (= horses) sports lessons (not tax-exempt). The certification procedure in order to get the tax exemption remains in place.

Digital educational offerings, remote learning, hybrid educational offerings (in-person and online)

Providing a recording of the class following an 'on-site' event or a live stream without a separate fee constitutes an ancillary service to the educational service and is therefore tax-exempt like the educational service. However, pre-recorded courses are not tax-exempt.

Transition period

For transactions carried out before January 1, 2028, service providers can continue their previous practices instead of immediately implementing all changes in full.

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Reduction in VAT rates applied on Greek islands

Greek VAT law provided so far that the generally appliable VAT rates (24%, 13%, 6%, 4%) are reduced under conditions by 30% for sales of goods made in/to certain Greek islands in the Aegean Sea, as well as supplies of services made therein. These islands are Lesvos, Kos, Samos and Chios, and the reduced rates apply, as long as in these islands there are reception and identification centres and structures for immigrants, refugees and asylum seekers.

Now the 30% reduction in the VAT rates has been extended to apply to all the Aegean Sea islands in the North Aegean Region, the Evros Regional Unit and the Dodecanese Prefecture, with a population of up to 20,000 inhabitants, according to the most recent census.

The list with the islands that qualify for the above reduction in the VAT rates is pending to be issued.

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HUNGARY

ViDA road map is available

Hungary has prepared a road map for the VIDA implementation and opened a public consultation on its draft e-invoicing concept developed jointly by the Ministry for National Economy and the Hungarian Tax Authority. Professional comments and suggestions are welcome until **20 January 2026**.

The consultation follows the EU's **VAT in the Digital Age (ViDA)** package, in force since 14 April 2025, which will reshape VAT invoicing and real-time reporting across the EU by 2030. Hungary's plan moves invoices beyond documents toward real-time data links between tax authority and businesses, enabling automation for both suppliers and customers. The concept also considers potential alignment with the Peppol Network, supporting interoperable cross-border e-invoicing. **LeitnerLeitner offers assistance in digitalization and support for your own software developments.**

Planned changes to the digital reporting platforms

The Hungarian Tax Authorities are changing the past offline-based reporting platforms to web-based ones. Parallelly for high data traffic M2M (machine-to-machine) solutions will be available. **The previously used offline-based reporting platforms will be switched off as of 1 January 2027**. With this tight schedule the taxpayers need to start the necessary preparations and software developments as soon as possible. **LeitnerLeitner offers assistance in digitalization and support for your own software developments.**

Increased VAT exemption threshold for small businesses

The threshold for the VAT small business exemption scheme will be increased in three steps to HUF 20 million in 2026, HUF 22 million in 2027 and HUF 24 million in 2028.

Transitional provisions already allow taxpayers to opt for the exemption using the increased 2026 threshold from 22 November 2025, provided that the taxpayer's revenue did not exceed the applicable threshold in 2025 and is not expected to exceed it in 2026. The option remains available even if the prohibition period after exceeding the threshold has not yet expired.

Detailed reporting of the deducted VAT in the VAT report

As of 1 July 2026, detailed reporting about VAT deduction will be mandatory in the VAT report, which was voluntary so far.

Representation of VAT groups

The joint and several liability of VAT group members is extended. If the group representative ceases to exist, the members will have 15 days to appoint and notify a new representative. If this does not happen, the HTA will appoint the member with the highest tax performance in the group as the new representative.

VAT report filing frequency for retroactive registrations

VAT subject initiating a VAT registration with retroactive effect (which is available in Hungary within the practically 6-years of limitation period) should file their VAT returns on a monthly basis for each and every missing months concerned (earlier filing frequency was quarterly).

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ECONOMIC LAWS PRACTICE
ADVOCATES & SOLICITORS

India GST 2.0: Rate Rationalisation, Exemptions and Cess Overhaul

Effective 22 September 2025, India’s GST 2.0 package simplifies multiple slabs into two main rates (5% and 18%), reduces GST on a wide range of consumer goods, and removes Compensation Cess on most products while sharply increasing GST on high-margin “sin” sectors like online gaming and casinos. Exemptions for individual life and health insurance and many lifesaving medicines aim to lower household risk-protection and healthcare costs.

The GST Council also proposes export-friendly place-of-supply rules for intermediary services, which would resolve long-running disputes affecting cross-border support and marketing structures. The said change for intermediary services (which will be notified in due course) will also result in GST levy under reverse charge mechanism if such services are provided from outside India to India.

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IRELAND

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TAX ADVISORS

Finance Bill 2025 has been passed by the Irish Government and includes the following main developments in relation to Irish VAT:

Extension of Reduced VAT Rate on Gas and Electricity

The reduced 9% VAT rate for supply of gas and electricity has been extended until 31 December 2030.

Reduced VAT Rate for Hairdressing and Food Hospitality Services

The VAT rate for supply of hairdressing services and restaurant / catering services is reduced from 13.5% to 9% effective from 1 July 2026.

Reduced VAT Rate for Hotel Meeting Rooms

The 23% standard rate of VAT will apply to the rental of rooms in hotels and guesthouses used for purposes other than accommodation.

Residential Apartments

The VAT rate applicable to a supply of completed new apartments is reduced from 13.5% to 9% effective from 8 October 2025 to 31 December 2030. The apartment must be in an 'apartment block', which is defined as a multi-storey residential property comprising at least three apartments with grouped or common access.

Irish Revenue Commissioners issue New Guidance on Territorial Scope of Irish VAT Groups

On 19 November 2025, the Irish Revenue Commissioners published new guidance confirming a change in their position on VAT grouping in Ireland.

The guidance outlines that VAT grouping is only available to a head office or branch established in Ireland. Non-Irish head offices or branches of a VAT group member are no longer considered part of the Irish VAT group. The change aligns with recent CJEU rulings on the territorial scope of VAT groups.

The new guidance will apply immediately to VAT groups established from 19 November 2025. Existing VAT groups can avail of a transitional period up to 31 December 2026.

Digital Services and E-Invoicing Preparations

Ireland will align with the EU VAT in the Digital Age (ViDA) initiative and a phased roll-out of mandatory domestic business-to-business (B2B) electronic invoicing (eInvoicing) has been announced on a phased basis between 2028 and 2030.

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Publication of the Federal Revenue Law for fiscal year 2026

On November 7, the Federal Revenue Law for fiscal year 2026 was published in the Official Gazette of the Federation (known in Mexico as the *Diario Oficial de la Federación* or "DOF"). This publication introduces relevant modifications for value added tax purposes, including the following.

Digital Intermediation Services – New Withholding Obligations

As of January 1, 2026, digital intermediation platforms (e.g., Amazon) must apply: (i) a 50% VAT withholding on the consideration paid for the sale of goods, provision of services, or granting the temporary use of goods by Mexican legal entities under article 18-J of the VATL; and (ii) a 100% VAT withholding on the consideration paid for the sale of goods within Mexican territory by foreign residents without a permanent establishment in Mexico. The 100% VAT withholding obligation will also apply to payments made to foreign bank accounts.

These intermediaries will also be obligated to remit the amounts withheld to the Mexican tax authorities, issue invoices, and report client information to such authorities.

Real time review of digital platforms by the Mexican tax authorities

As of April 1, 2026, providers of digital services will be obligated to grant Access to the Mexican tax authorities to the information that allows such authorities to validate proper compliance with their tax obligations. The tax authorities are expected to issue general rules to apply these provisions.

Crowdfunding Institutions – Income Tax and VAT Withholdings

Crowdfunding institutions will be obligated to withhold 20% income tax on nominal interest paid, as well as 16% VAT on the nominal value of accrued interest, and must issue invoices for such interest payments.

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Peruvian Government requests legislative powers through Bill N.º 13280/2025-PE

The Peruvian Government has submitted a bill to Congress seeking special legislative powers to reform certain aspects related to indirect taxation. The proposal includes the following areas: (i) the optimization of the VAT withholdings system (*detracciones*), allowing tax authorities to use withheld funds to offset overdue tax debts and improve liquidity; (ii) the adjustment of the VAT perception system (*percepciones*), introducing stricter criteria for applying the 10% rate on imports based on taxpayer risk profiles; and (iii) the regulation of interest rates applicable to tax refunds and penalties, aiming to incentivize timely compliance and differentiate rates based on the source of error. These measures are intended to strengthen tax collection and reduce evasion, but they have raised questions about their administrative complexity and potential impact on businesses.

Peru's Tax Agency clarifies digital platforms facilitating taxi bookings must charge VAT

SUNAT has issued Report No. 000107-2025-SUNAT/7T0000, clarifying the VAT treatment for digital intermediation services in the taxi sector. The report analyzes whether the principle of accessoriness allows the VAT exemption for taxi services to extend to digital intermediation platforms operated by non-resident companies. SUNAT concludes that these are two independent operations: the taxi service itself, which is VAT-exempt, and the digital intermediation service, which is subject to VAT when provided to users residing in Peru. The exemption does not apply to the digital service, as the accessoriness rule only covers complementary services provided by the same entity issuing the payment voucher. Therefore, digital platforms facilitating taxi bookings for Peruvian residents must charge VAT, even if the underlying taxi service is exempt.

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VAT groups

Portugal finally implements the VAT group regime, to become effective on July 1, 2026.

Unlike other EU countries, the Portuguese regime does not exclude intragroup transactions from the scope of VAT but instead allows offsetting balances between companies within the same group.

For its application, the parent company must hold, directly or indirectly, at least 75% of the share capital and more than 50% of the voting rights, and this participation must have been held for more than one year, except in cases of entities established by the parent company or by other entities that form part of the group. Similar, complementary, or interdependent economic objectives are also required, as well as a common management structure or one subordinated to the same business strategy.

This regime is optional but must be maintained for a minimum period of three years.

It should cover all eligible entities with their head office or permanent establishment in Portugal that are under the standard VAT regime with monthly reporting and that carry out transactions granting the right to deduct input VAT (in whole or in part). Thus, entities subject to special or exempt regimes, as well as mere VAT registrations, are excluded.

Each company remains responsible for submitting its own periodic VAT returns, while the Portuguese Tax Authority consolidates the respective information, which is then sent to the parent company for confirmation. Credits accumulated before joining the group can only be used to offset tax due by the company that generated the same.

The VAT group ceases if the respective requirements are no longer met, as well as in cases where there are no taxable transactions for more than one year, insolvency, or submission to a special revitalization process. The exclusion of a company does not terminate the VAT group, except when it is the parent company itself not meeting the relevant requirements anymore.

Electronic invoicing

The Draft State Budget Law for 2026 proposes a new extension of the Covid extraordinary measure that allows invoices in PDF format to be used, for all legal purposes, as electronic invoices. This measure, still in effect until December 31, 2025, is now proposed to be extended to December 31, 2026.

Permanent establishment for VAT purposes

The Portuguese Tax Authority finally discloses a ruling information on the permanent establishment concept for VAT purposes, in line with Council Implementing Regulation (EU) no. 282/2011 of March 15, 2011, and with the established case law of the Court of Justice of the European Union on this matter.

Accordingly, under this ruling is clarified that the existence of a permanent establishment requires, cumulatively, a sufficient degree of permanence in Portugal, an adequate structure of human and technical resources, as well as operational autonomy. For this purpose, the Portuguese Tax Authority considers that such structure must be capable of receiving and using services in Portugal, as well as should autonomously perform the contracted services. Consequently, it is confirmed that the mere existence of a postal address or facilities without their own resources or without a representative with operational and decision-making capacity does not constitute a permanent establishment.

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ROMANIA (1/2)

TAXHOUSE

Tax compliance & reporting

- **SAF-T reporting – 3rd wave - onboard completed for all taxpayers**

As of 1st of January 2025 SAF-T became mandatory for small taxpayers as well as for non-residents registered for VAT purposes in Romania (either directly or through a fiscal representative). The 6 months grace period applied and during such period no fines were assessed for incorrect/delayed/non-submission. The grace period expired on 31 July 2025, and taxpayers were liable to submit the returns starting with January 2025. Fines can be applied where any category of taxpayer (established or not established but VAT registered in Romania) fails to comply with their SAF-T reporting requirements.

- **RO e-Invoicing extended to B2C transactions**

As of 1st of January 2025 invoices issued in relation to B2C transactions should be raised via the RO e-factura platform. The grace period ended on 30 June 2025, and fines can be applied for failing to comply with RO e-Invoicing requirements.

- **Increased VAT registration threshold**

Resident taxpayers applying the special VAT exemption regime for small enterprises should register if the annual turnover exceeds RON 395,000.

Point of attention – Taxable persons benefiting from this regime who exceed the updated threshold throughout the year are required to **apply for VAT registration no later than the date on which the threshold is exceeded!**

- Romania also implemented the legislative framework allowing taxable persons established in Romania to request the application of the special VAT exemption regime for small enterprises in other EU Member States, together with regulations allowing taxable persons established in other Member States to request the application of the special exemption regime in Romania.

- **RO e-VAT – improved desk audit**

- Each month, the tax authorities send the VAT return populated with the data available in their system and compare it with the VAT return submitted by the taxpayer. If significant discrepancies occur, a notification requesting for clarification is also transmitted. The taxpayers are required to submit electronically within 20 days of receiving the "RO e-VAT compliance notification", the results of the checks performed on the differences communicated through the notification. The application of any related fines/penalties (i.e., administrative offence and/or treatment of the failure to do so as an indicator of potential tax risk) are suspended until 31 December 2025.

- This period can be used to check the root cause of the potential discrepancies and implement solutions to prevent the recurrence.

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ROMANIA (2/2)

TAXHOUSE

VAT rate changes

- As of 1 August 2025, the standard VAT rate was increased from 19% to 21% and the two reduced VAT rates of 5% and 9% were merged into a single reduced VAT rate of 11%.
- Certain products/services previously subject to the reduced rate of 9% VAT became subject to the standard VAT rate of 21% such as: supply of veterinary medicines; seeds, bee food, certain plants and ingredients used in food preparation; delivery and installation of photovoltaic panels and delivery and installation of components for their repair and extension; access to fairs, amusement and recreational parks with certain NACE codes, etc.
- **Key takeaway –** Correctly determining the chargeable event date is essential to ensure mandatory VAT rate adjustments and proper re-invoicing (e.g. when invoices or advance payments precede the actual supply).

Additional turnover tax ('ICAS') in the Oil and Gas Sector

- Romanian established taxpayers as well non-residents having a registration in Romania, acting in the oil and gas sector and rendering services or supplying goods in Romania, or supplying goods from Romania, are liable to pay an additional turnover tax (hereinafter "ICAS").
- In the context of ICAS, supply of goods from Romania means any operation which implies the goods leaving Romania.
- The additional tax is calculated at a rate of 0.5% of the total revenues. Exempt revenues and certain other indicators (e.g., accounting depreciation of certain assets), may be deducted from total revenues for the purpose of computing the tax.

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Amendment to the Rulebook on electronic invoicing

The Ministry of Finance has adopted an amendment to the Rulebook on Electronic Invoicing, published in the Official Gazette of the Republic of Serbia No. 85/25 of 3 October 2025. The amendment enters into force on 11 October 2025. The Rulebook contains only one amendment: it introduces the possibility of submitting a notice of correction for deduction of previous tax via the SEF. This means that there is no obligation to issue the notice through SEF — it remains optional, and the document can still be issued outside the SEF platform.

Right to deduct input VAT when a paper invoice is issued instead of a mandatory e-invoice

The Ministry of Finance clarified that when the law requires issuance of an electronic invoice, the recipient (VAT payer) may exercise the right to deduct input VAT only on the basis of an accepted e-invoice. Therefore, if the supplier issues a paper invoice instead of a mandatory e-invoice, the VAT recipient has no right to input VAT deduction, regardless of all other conditions being met.

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SLOVAKIA

Minor changes to VAT rates from 1 January 2026

With the aim of reducing the state budget deficit, an extensive consolidation package was approved in September 2026, also affecting the VAT area. The reduced rate of 19 % for selected goods (food) with a high sugar and salt content (sweets, sugary drinks, ice cream, salty snacks) will be abolished. These goods will now be subject to the **23 %** VAT rate.

Flat-rate input VAT deduction for company vehicles used also for private purposes – applicable from January 2026

A flat-rate input VAT deduction of **50 %** is being introduced for company passenger cars that are also used for private purposes, including related goods and services. A full deduction will remain available only where the vehicle is used exclusively for business purposes.

General Tax Amnesty

In order to motivate taxpayers to settle their past liabilities, the government has approved (by way of regulation) a general tax amnesty. This means that taxpayers who, during the period from 1 January 2026 to 30 June 2026, pay their tax arrears or additionally declare tax in a tax return will have their penalties and late-payment interest waived. This measure will apply to numerous tax types, **including VAT.**

Introduction of e-Invoices and e-Reporting – still awaiting approval

The draft amendment to the VAT Act introducing the long-awaited **mandatory electronic invoicing** has so far passed the first reading in Parliament. The need for this legislative change arises from the European VAT in the Digital Age (ViDA) package. The amendment will bring fundamental changes to invoicing and reporting obligations.

Key dates:

- In 2026, the central e-invoicing infrastructure will be made available on a voluntary basis to all VAT-registered entities.
- As of **1 January 2027**, mandatory electronic invoicing (e-invoicing) and mandatory reporting of data will apply to **domestic transactions between taxable persons established in Slovakia**.
- As of **1 July 2030**, the obligation will be extended to **all cross-border B2B and B2G transactions within the EU**, regardless of where the entities are established.

The amendment is scheduled to enter into force on 1 January 2026; however, it has not yet been approved by the Parliament. Once approved, we will provide more detailed information in the final wording.

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SLOVENIA

LeitnerLeitner Tax

Obligatory e-invoicing in Slovenia finally confirmed

After multiple revisions of the draft law and postponements of its effective date, Slovenia has finally confirmed the new *Act on the Exchange of Electronic Invoices and Other Electronic Documents*.

Under the new Act, all business entities will be required to issue electronic invoices exclusively when invoicing other businesses as of **1 January 2028**.This obligation applies to **all entities registered in the Slovenian Business Register** (AJPES), including branches of foreign legal persons, as these are also considered registered business entities.

Businesses will be able to exchange e-invoices using any recognised standard - including e-SLOG, syntaxes compliant with the European e-Invoicing Standard, or other internationally accepted formats.

For **consumers**, nothing changes: they may continue receiving invoices in paper form unless they choose to receive them electronically. They may also withdraw their consent to electronic invoices at any time.

The current Act does not make the exchange of **other electronic documents** mandatory. However, it sets standards for their exchange should businesses decide to use them (e.g. e-orders, e-delivery notes, e-reminders).

Joint liability related to new VAT records submission requirements

The Slovenian Financial Administration (FA) has issued a notice regarding potential joint liability risks connected with the VAT records obligations.

From July 2025, all VAT-registered taxable persons are required to submit detailed records of incoming and outgoing transactions (VAT records).

Initial analyses of the VAT records submitted identified certain discrepancies, including cases where taxable persons claimed input VAT from suppliers who are not meeting their VAT obligations. In such situations, **the FA will send warning letters** to taxable persons and may initiate control procedures.

Once a taxable person receives a notice, it is considered that they are aware of the potential risk. Any further purchases from the same supplier may therefore fall under the definition of participation in transactions aimed at avoiding VAT payment, as set out in Article 76.b(2) of the Slovenian VAT Act.

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South Africa proposes introduction of 20% National Online Gambling Tax

South Africa’s National Treasury has released a Discussion Paper for public comment containing proposals to address the current state of the online and interactive gambling industry in South Africa which has dramatically increased in popularity in recent years. Turnover from online and interactive gambling in South Africa is already subject to the standard rate of VAT (presently 15%). The Discussion Paper proposes a set of recommendations, including the introduction of a 20% national tax on the gross gambling revenue of providers in the online and interactive gambling industry. Due date for public comment is 30 January 2026.

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SWITZERLAND

Taxpartner Taxand

Non-binding memorandum of understanding with the United States

Switzerland, Liechtenstein, and the United States agreed on a non-binding memorandum to ease their tariff dispute. The U.S. will cap additional tariffs on Swiss and Liechtenstein goods at 15% instead of up to 39%. In return, Switzerland and Liechtenstein will lower tariffs on selected U.S. products and grant duty-free quotas for meat products. The memorandum also aims to reduce non-tariff barriers, simplify customs procedures, and deepen digital and strategic cooperation. Swiss firms plan major investments in the U.S. by 2028. The memorandum is intended to evolve into a full trade agreement, but timing for ratification and implementation — especially of the new 15% cap — remains uncertain. Companies should stay prepared for rapid policy changes.

New Free Trade Agreements

Switzerland concluded two major Free Trade Agreements in 2025: the EFTA–India Trade and Economic Partnership Agreement TEPA, in force since 1 October 2025, and the EFTA–Mercosur Agreement, signed in September 2025. Both aim to reduce tariffs, improve market access, and strengthen economic cooperation. India and the Mercosur countries will gradually eliminate most tariffs on key Swiss exports such as pharmaceuticals, machinery, chemicals, medical devices, watches, and food products over a period of 10 years resp. 15 years. Switzerland grants duty-free access for industrial goods and selected concessions in agriculture. Companies should analyse tariff schedules and origin rules to optimise savings and adjust origin-management processes.

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UNITED KINGDOM (1/3)

TRAVERS SMITH

Budget 2025: Government confirms introduction of UK CBAM in 2027

As originally announced in December 2023, and following policy consultation in 2024 and technical consultation in 2025, the government has confirmed that the UK will introduce a Carbon Border Adjustment Mechanism on 1 January 2027.

CBAM places a carbon price on all emissions embedded in imports of aluminium, cement, fertiliser, hydrogen, and iron and steel products that are at risk of carbon leakage. The charge will also apply to emissions embedded in precursor goods used in the production of in-scope goods. CBAM rates will be calculated by reference to the costs incurred by UK producers under the UK Emission Trading Scheme (ETS). Indirect emissions (related to the generation of electricity, where that electricity is consumed during the production of CBAM goods) are excluded until 2029 (at the earliest).

The primary legislation will be included in Finance Bill 2025–26, with additional rules and draft guidance expected in early 2026.

The importer will need to register with HMRC, submit CBAM returns, and pay any taxes due. The registration threshold will be £50,000+ of CBAM goods imported into the UK over a given period. The initial regime will allow importers: (a) to use actual verified emissions data or a default emissions value to determine embedded emissions, (b) to reduce their liability where emissions have already been subject to a qualifying carbon price, and (c) an exemption from CBAM for goods originating in a country with an ETS linked to the UK ETS.

For more on Autumn Budget 2025, please see our analysis: Autumn Budget 2025 | Travers Smith

Budget 2025: UK will introduce mandatory e-invoicing for all VAT invoices from 2029

In response to a consultation during the spring, the UK government has announced that it will mandate e-invoicing for all VAT invoices from April 2029.

However, while it will continue to explore the potential benefits of 'real-time-reporting' (RTR), the government will not introduce it alongside the e-invoicing in 2029. It is intended that plans to introduce RTR will, instead, align with HMRC's wider technology and data initiatives under their Transformation Roadmap, and will build on the e-invoicing infrastructure once in place.

Respondents to the consultation acknowledged the benefits of e-invoicing for businesses highlighting efficiency, accuracy, streamlined financial operations, faster payments and lower costs. Key concerns included the cost of adoption, staff training, integrating e-invoicing with existing technology systems, and cybersecurity.

The government will begin stakeholder engagement in January 2026, working with businesses, representative bodies, tax professionals and software providers, to develop an implementation roadmap intended to give businesses and their advisors clarity, certainty, and time to prepare. The roadmap is expected to be published alongside the next UK Budget (most likely in autumn 2026).

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UNITED KINGDOM (2/3)

Budget 2025: Revised VAT grouping rules and the Skandia judgment

Following the European Union Court of Justice's decision in *Skandia* (C-7/13), the UK adopted the position that an overseas branch of a UK-established entity should be treated as a separate taxable person if that overseas branch was VAT-grouped in an EU Member State that operated 'establishment only' grouping provisions.

As a result, in such cases, businesses were required to treat intra-entity services provided to (or by) such branches as supplies made to (or by) another taxable person, and account for VAT accordingly.

HMRC have announced that, from 26 November 2025, that interpretation of UK VAT law is no longer effective.

HMRC have reverted to their pre-*Skandia* interpretation that an overseas establishment of a UK-established entity should be treated as part of the same taxable person. This means that services provided between the overseas establishment and the UK entity are not normally supplies for UK VAT purposes. The revised interpretation also extends to group situations: HMRC will now consider that an overseas establishment of a business VAT grouped in the UK should be treated as part of that UK VAT group, even when located in an EU member state that does not operate whole entity VAT grouping.

HMRC have confirmed that UK VAT groups that have accounted for VAT under their post-*Skandia* interpretation may be eligible to reclaim overpaid VAT through the error correction notification procedure.

Prudential: Supreme Court clarifies interaction of VAT grouping time of supply rules

The UK Supreme Court has clarified how the VAT grouping rules interacts with the time of supply rules for 'successive supplies' (Prudential Assurance Company Ltd v HMRC [2025] UKSC 34).

A company provided investment management services to Prudential while it was in the same VAT group. Fees were paid quarterly but the company was also entitled to a success fee, contingent on fund performance exceeding a benchmark. The company left the VAT group and ceased providing the services. The quarterly fees ceased immediately but, many years later, the performance of the fund triggered the success fee. The company invoiced Prudential and charged VAT. Prudential argued VAT was not due because the invoice related to the services provided intra-group.

The Supreme Court ruled that the contingent success fee related to 'successive supplies'. As a result, the chargeable event was to be determined by reference to the time of the invoice, not when the services were performed "in the real world." Therefore, because the chargeable event occurred after the company had left the group, the VAT grouping rules has no effect, and VAT had been correctly charged.

Entities with intra-group contingent or performance-based fee arrangements may wish to review their structures to identify areas of potential risk, especially in situations where any VAT charged would be potentially irrecoverable.

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UNITED KINGDOM (3/3)

Insurance intermediary services: VAT deductions for supplies outside the UK

Following the decision of the First Tier Tribunal (FTT) in *Hastings Insurance Services Ltd* [2025] UKFTT 275 (TC), HMRC has issued a policy brief confirming a change in the right to input tax deduction for insurance intermediary services supplied outside the UK before 31 December 2023. The change in creates a potential refund opportunity for insurers and intermediaries.

Despite Brexit, UK law preserved the right to rely on the direct effect of EU law after 31 December 2020 (the implementation period completion day) until 31 December 2023 (when those provisions were repealed). In this case, the FTT decided that UK rules, introduced in 2019 to prevent 'offshore looping' by restricting the right to deduct input tax to cases where the final consumer (not just the recipient of the supplies) belonged outside the UK, were incompatible with the Principal VAT Directive.

The decision means that insurance intermediaries supplying services outside the UK are entitled to recover any input tax incurred prior to 1 January 2024 irrespective of whether the insured party is in the UK or not. HMRC has confirmed that they will not appeal against the decision and accept that the direct effect of EU law continued until 31 December 2023.

The case is a noteworthy decision on the importance and authority of EU law post-Brexit. Insurance intermediaries supplying relevant services outside the UK will (subject to a 4-year time limit) be able to claim for under-recovered input tax by submitting an error correction notice to HMRC.

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USA (1/3)

Leo Berwick

Flash Updates

- As a result of US federal income tax legislation that was passed as part of the One Big Beautiful Bill Act earlier this year, states are facing budgetary shortfalls and are considering additional means of funding as a result. One method states are seeking is to expand the sales tax base to include services that have historically not been subject to tax. We anticipate more states will begin to propose and pass legislation in the coming year with respect to this expansion.
- In our Q3 2025 newsletter update, we covered the latest judicial developments on Maryland's digital advertising tax. The overall legality of the tax is still in dispute, and several states continue to watch the challenges brought against the state to see how their own proposed digital advertising taxes may be viewed.

Voluntary Disclosure Agreements and Amnesty Agreements

- We often find that businesses are operating in a state and realize that they should have been filing in that state for historical periods. In general a "nexus" or filing obligation is established when revenue exceeds a certain threshold (US$100k for sales tax purposes) or when property (leased or owned) or people (permanent or temporary) are located in a state. As such, we find that many businesses have inadvertently created sales tax exposure that covers multiple years. Most states offer an opportunity to remediate this exposure as discussed below.
- Almost all states offer some form of a voluntary disclosure agreement ("VDA") for state income/franchise tax, sales and use tax, and unclaimed property. A VDA is a contract between a taxpayer and a state tax authority that allows a taxpayer to report previously unpaid tax liabilities in exchange for certain benefits. These benefits vary by state, but often include:
    - Waiver of penalties for late filings (interest is typically still applicable for the VDA period).
    - A limited lookback period (i.e., three to four years vs. 5+ years as many audits cover).
    - Anonymity during the VDA process.
- To be eligible, a taxpayer must not have filed returns for the tax type included in the VDA in the state for which the VDA is applied. Additionally, in most states, a taxpayer must not have been contacted by the state's department of revenue regarding the tax liability and must not currently be under audit for the tax liability.

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USA (2/3)

Voluntary Disclosure Agreements and Amnesty Agreements (continued)

- Washington recently announced that it will launch a temporary International Remote Seller Voluntary Disclosure Program, effective February 1, 2026 through May 31, 2026. The program covers both business and occupation (B&O) taxes (Washington's gross receipts-based tax) and retail sales tax and will be open for businesses that are headquartered outside of the United States and must not have been previously registered, contacted by the Department of Revenue for enforcement purposes, or engaged in evasion or misrepresentation in reporting tax liabilities. This expansion of sales tax VDAs to foreign remote retail sellers is the first of its kind being offered in any state. Note that Washington imposes a $100k economic nexus (i.e., revenue) threshold for sales tax and B&O tax purposes.
- Similar to VDAs, states will sometimes temporarily offer amnesty agreements, which are state-sponsored programs that allow taxpayers with potential exposure to come into compliance. However, unlike a VDA, a taxpayer who has already been filing with a jurisdiction is often eligible for an amnesty program.

Voluntary Disclosure Agreements and Amnesty Agreements (continued)

- Illinois recently completed its extended amnesty program, which waived both penalties and interest for taxpayers and allowed them to pay outstanding Illinois tax due. The eligible periods for taxes due under the amnesty program are July 1, 2018, to June 30, 2024 and ran from October 1, 2025 to November 17, 2025. Illinois is also implementing another amnesty program specifically for the remittance of sales tax (called retailer's occupational tax) by remote retailers. This program will cover the period January 1, 2021 through June 30, 2026 and will run between August 1, 2026 and October 31, 2026.
- To the degree property or people (permanent or temporary) are located in or sales exceed US$100k to a particular state, a company should consider evaluating its nexus / filing requirements and whether seeking a VDA is appropriate.

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USA (3/3)

Property Tax Impacts

- Property taxes are another form of indirect tax in the US and include tax on both tangible personal property (e.g., equipment, furniture) and real property (e.g., buildings, land). Some states impose property tax on tangible personal property owned by a business, but all states impose a real property tax.

Property Tax Assessment Basics

- Property taxes are generally assessed based on the value of real estate or personal property as of a specific "lien date," which establishes the taxable value for the upcoming fiscal year. In most U.S. jurisdictions, this lien date falls on January 1, allowing local governments to capture changes in property values from the prior year and plan their budgets accordingly. This system ensures a stable revenue stream but can lag behind rapid economic shifts, such as inflation or market downturns, prompting adjustments in rates or assessments to maintain funding levels for essential services like schools, public safety, and infrastructure.

Property Tax Impacts

State Budget Deficits Driven by Federal Changes

- As noted, numerous states are grappling with significant budget shortfalls exacerbated by shifts in federal fiscal policy, including reduced allocations and the expiration of pandemic-era aid. For instance, Washington State is forecasting a $390 million deficit for the 2025-2027 biennium, partly due to declining revenues tied to federal funding cuts. Similarly, Colorado anticipates a $1.2 billion revenue loss in fiscal year 2026 from aligning with updated federal tax codes. These federal changes have created a "big shift" in costs to states and localities, forcing them to absorb expenses previously covered by the Federal Government.

Local Jurisdictions Seeking New Revenue Sources

- In response to these deficits, local governments, including counties, cities, and school districts, are increasingly turning to alternative revenue streams to mitigate fiscal pressures without drastically cutting services. A primary strategy involves potentially raising property tax rates or adjusting assessment ratios to capture more value from existing properties, as property taxes remain a cornerstone of local funding, supporting over 90% of local governments' budgets for essential services. In addition, taxing jurisdictions may begin scrutinizing and reforming property tax incentives for businesses seeking to develop or expand within their jurisdictions to capture additional property tax revenue.

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