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GLOBAL VAT NEWSLETTER

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The MGI Global VAT Specialist Group continues to bring together leading indirect tax experts from across the network, providing a true centre of excellence in VAT and customs. With members collaborating across jurisdictions, the group supports firms and their clients in navigating complex international VAT challenges, from day-to-day compliance through to strategic cross-border advice.

This latest newsletter highlights key developments and insights from around the world, including updates on evolving VAT rules, regulatory changes and practical considerations impacting businesses operating internationally. It also reflects the group's ongoing commitment to knowledge sharing, collaboration and delivering consistent, high-quality expertise across the MGI network.

For further information on any of the topics covered, please contact the relevant contributor directly. Alternatively, for general enquiries or to find out more about joining the MGI Global VAT Group, please contact Nicki Lynn at nicki.lynn@mgiworld.com.

In this edition:

Czech Republic: General Financial Directorate guidance on VAT and real property

In mid-January 2026, the General Financial Directorate (GFD) published its long-awaited Guidance on the Application of VAT to Real Estate from 1 July 2025 (the "Guidance"). Compared to the previous GFD guidance, this document is more comprehensive and draws on the case law of both the Court of Justice of the EU and Czech courts, whose conclusions have been incorporated into the Guidance. We covered the VAT Act amendment itself — which applies to all supplies of real estate made on or after 1 July 2025 — in greater detail in an earlier Newsletter. Below we highlight some of the areas in the new Guidance that we particularly recommend paying close attention to.

Building land

Land is generally exempt from VAT, except where it constitutes building land or where it shares the tax treatment of a structure with which it forms a functional unit.

Following the amendment and the case law of the Court of Justice of the EU, the GFD accepts that land does not constitute building land where construction on it is precluded by technical, fire safety, or other regulations — for example, due to the existence of protected zones. However, the Guidance does not address the question of the extent of such zones in relation to the size of the land or their location on it. The Guidance also significantly downplays the possibility that a buyer's contractual commitment not to build on the land could be relevant for the land not qualifying as building land.

Land may constitute building land even where, at the time of supply, only the foundations of a structure are present. The Guidance also sets out the criteria for determining whether a transaction constitutes a supply of building land or a supply of a structure in cases where the land being supplied contains a structure intended for demolition.

VAT exemption on the supply of real estate

The completion of a structure with a permanent connection to the ground constitutes the start of the 23-month period for VAT exemption (see below) not only in relation to the structure, but also to the land forming a functional unit with that structure. The connection of the structure to the ground must be such that the structure cannot be easily dismantled or relocated. The Guidance sets out the relevant criteria — including the need for specialist skills and tools, and the time and cost involved in dismantling or relocating the structure — which also apply in relation to mobile homes.

We would like to remind you that the conditions for VAT exemption changed significantly on 1 July 2025. Only the first supply of a completed property is now taxable, provided it takes place before the end of the 23rd month following the month of completion. All subsequent supplies are exempt from VAT.

Prior to a property being considered completed, each individual supply of that property in its uncompleted state constitutes a taxable supply. A property is considered completed on the date on which:

- the first occupancy permit (or occupancy consent) becomes final, or
- the conditions for permanent use are met where no occupancy permit is issued

Given the changes to building regulations over time, what counts as "permanent use" may vary at different times. The following circumstances may be decisive and the legislation in force at the relevant time must therefore always be considered:

- developer's intention to use the structure
- building authority's consent, where deficiencies that had led it to prohibit the use of the structure have been remedied

- compliance with the rules set out in building regulations, completion of mandatory tests and inspections

- notification of completion, assignment of a building number, commencement of use, etc.

This rule also applies to minor structures that do not require an occupancy permit or building permission.

A property is not considered completed where only part of it has been completed — for example, if a residential or non-residential unit has been completed within a structure which itself remains incomplete. However, where a completed residential unit is supplied within an uncompleted structure, the unit is assessed separately, and the 23-month period runs from the completion of the unit.

Where a completed property subsequently undergoes a substantial modification, the 23-month period starts afresh. A modification is considered substantial where it is aimed at changing the use of the property or the conditions of occupancy, and the costs of the modification exclusive of VAT exceed 30% of the tax base on the immediately following supply.

The concept of substantial modification covers two possible scenarios:

- Change of use: this may include, for example, construction works converting a hospitality building into a residential apartment building, but does not include a mere change of occupancy classification without any physical works being done

- Change in the conditions of occupancy: according to the GFD, this may include external insulation of a building, modernisation of the heating system, installation of a lift, reconfiguration of the internal layout (partition walls), replacement of a prefabricated bathroom core with a brick-built one, drying of structural dampness, repair of the roof, windows, and facade if it extends the useful life of the structure, etc.

Whether or not the works require an occupancy permit or building permission from the building authority is not relevant to whether the modification qualifies as substantial.

VAT rates

For the purpose of determining whether a structure qualifies as a residential building — which affects the VAT rates applicable to construction and assembly works — the entry in the RÚIAN register is decisive from 1 July 2025 onwards. Any actual use that differs from the registered entry does not influence the VAT treatment. This change simplifies practice and reduces disputes, but places greater emphasis on keeping registers up to date.

The amendment has also broadened the definition of an apartment building qualifying as a social housing structure. It is now sufficient for more than half of the total floor area to consist of units not exceeding 120 m^2 — it is no longer necessary for all units in the building to fall below this limit. In practice, this extends the application of the reduced VAT rate to a wider range of projects. A new methodology for calculating floor area is covered in the Annex to the Guidance.

Summary and recommendations

We would recommend keeping the following changes in mind when applying VAT to real property transactions:

- only the first supply of a property is subject to VAT, provided it takes place within 23 months of the property's completion

- subsequently, VAT liability may be triggered by a substantial modification of the property, where the costs of the works exclusive of VAT exceed 30% of the tax base on the immediately following supply — it does not matter whether the works require building permission

- when applying VAT rates, it is essential to check the entry in the RÚIAN register and to initiate a correction if the registered entry does not reflect the actual situation

- floor area must be calculated in accordance with the new methodology.

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Germany: Input VAT Deduction in Cases of Late Invoicing– Analysis of the European General Court's Judgment of 11 February 2026 (T 689/24)

Facts of the case

The verdict of the General Court of the European Union (GC) of 11 February 2026 concerning the right of input VAT deduction in cases of delayed invoicing has reignited the debate among EU Member States. The case is based on a common practical scenario: A service, in this specific example, the supply of gas and electricity by an energy supplier (established in Poland), is rendered to an operator of a clearing and settlement entity (recipient), which intends to resell such supplies to customers. The formally correct invoice is received by the recipient in a month following the month when the supplies were rendered (late invoicing), though still before the preparation and submission of the VAT declaration.

Questionable is in which tax period the VAT can be claimed. Is the month of receiving the invoice the critical point of time?

The GC ruled that the right for input VAT deduction already arises in the month in which the service is rendered (e.g. January), i.e. before the formally correct invoice is received (e.g. February). This is somehow surprising and may allow more financial liquidity for companies (positive) but could largely also increase the complexity in terms of declaration processes (negative).

In addition, the following information regarding the procedural process should be noted:

- The GC has been responsible for preliminary rulings on VAT since 1 October 2024.
- GC judgments generally become effective after a one-month review proposal period.
- If the unity or coherence of EU law is at risk, the European Court of Justice (ECJ) "overrides" the GC's ruling. A review has been requested by the First Advocate General at the ECJ (Maciej Szpunar).
- A new case has already been assigned by the ECJ, C 167/26 RX ("réexamen") which is pending.

Exercising the right to input VAT deduction – requirements and consequences

According to the wording of Article 167 and Article 179(1) of the EU VAT Directive, the right to deduct input tax is generally exercised during the period in which it arises, i.e. when the entitlement to the tax (of the sale) arises. Considering the preceding ECJ case law around "Senatex" and "Terra Baubedarf", one could have had the view that the month of the receipt of an invoice influences when the right to deduct input VAT right can be exercised. Insofar it seems, at a first glance, surprising that the GC considers that the input VAT shall, in the underlying case, be generally claimed in the month of rendering the supply (input VAT and sales VAT arise in the same month) instead of having received the invoice. Special attention may be drawn to the circumstance of the invoice received before the VAT declaration is prepared and filed.

For example, in Germany the requirements for exercising an input VAT deduction pursuant to § 15 of the German VAT include the possession of a (formally correct) invoice. If an invoice is issued late, an input VAT right does usually not already arise in an earlier month when supply is rendered – even if the invoice is received before the VAT return is filed. A similar view may also apply in other EU countries for many purchase transactions. Should the ECJ uphold the GC's ruling, this could lead, among other things, to significant changes, complications and risks as regards the allocation of input VAT amounts. The potential advantage of a better financial input VAT liquidity will be absorbed very quickly by more complex processes. Therefore, it will be interesting to see what the ECJ will decide.

Recommendations

Tax advisors as well as clients should be aware of the above GC ruling and the potential impact on input VAT processes. After the ECJ's decision, country specific implementations throughout the EU will potentially have to be considered as national VAT laws continue to vary within the EU. For the moment, we recommend the following:

- Ensure fast issuance of invoices by suppliers, especially after supplies have been rendered to avoid unnecessary time gaps.
- Avoid hasty and unnecessary adjustments of internal processes only based on the GC's ruling as further developments are expected (especially the ruling by the ECJ). Country specific implementations will have to be waited for.
- Ensure that invoices received from suppliers meet the current requirements for exercising an input VAT deduction right.
- Maintain and design processes so that necessary potential adjustments can be implemented easily at a later stage.

In conclusion, it remains to be seen how the ECJ will decide in case C 167/26 RX. The coming clarification will be relevant for all EU Member States with a potential significant impact.

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India: Strengthening VAT neutrality: judicial safeguards for ITC and refunds

In any modern VAT system, the seamless flow of input tax credit (ITC) and the timely grant of refunds are fundamental to ensuring tax neutrality and preventing cascading effects. However, in practice, taxpayers often face challenges arising from supplier defaults and procedural overreach by tax authorities. Recent judicial developments in India's GST regime have addressed these critical pain points, reaffirming that bona fide taxpayers should not be denied substantive benefits due to factors beyond their control or conditions not envisaged under law. The following rulings provide valuable insights into how courts are reinforcing the foundational principles of VAT by protecting ITC entitlements and ensuring that refund mechanisms remain fair, predictable, and legally grounded.

Case 1- ITC cannot be denied due to supplier default

Citation: R.T. Infotech vs. Additional Commissioner 2025:AHC:93151 (Allahabad High Court)

Relevant section: Section 16(2)(c), CGST Act – ITC allowed only if tax is actually paid to the Government

Issue: Whether a bona fide purchaser who has fulfilled all compliance requirements can be denied ITC solely because the supplier failed to deposit the tax with the Government.

Arguments

a) Assessee:
- Purchases were supported by **valid tax invoices** and recorded in books.
- Payments, including GST, were made through **banking channels**, evidencing genuineness.
- The purchaser has **no control over supplier compliance**, and denial of ITC would be unjust.

b) Revenue:
- Section 16(2)(c) mandates actual payment of tax to the Government as a condition for ITC.
- Since the supplier defaulted, ITC cannot be allowed.

Court's reasoning

- The Court recognized the **practical limitation** that a purchaser cannot enforce compliance by the supplier.
- Emphasized that GST is designed as a **value-added tax system**, where credit flow should not be disrupted due to third-party default.
- Relied on earlier precedents affirming that **bona fide conduct must be protected**.

Conclusion (Ruling)

- ITC denial was **set aside**, and the matter remanded for reconsideration.
- Held that **action must be taken against the defaulting supplier**, not the compliant purchaser.

Global relevance

This ruling echoes a widely accepted VAT principle:

Input tax credit is a fundamental right in a VAT chain and should not be denied due to failures of another taxable person, absent fraud or collusion.

It is particularly relevant for jurisdictions dealing with carousel fraud risks vs. genuine taxpayer protection.

Case 2 - Refund cannot be denied on non-statutory conditions

Citation: Tata Steel Ltd. vs. State of Jharkhand (Jharkhand High Court)

Relevant sections and rules:
- Section 54, CGST Act – Refund mechanism
- Rule 89, CGST Rules – Documentation and procedure
- Section 11, GST Compensation Cess Act – Refund of cess on exports

Issue: Whether refund of accumulated ITC (including compensation cess) can be denied based on **procedural or documentary requirements not expressly prescribed under the law**.

Arguments

a) Assessee:
- Refund claim complied with all **statutory requirements** under GST law.
- Department imposed **additional conditions** such as:
  - Proof of payment realization timelines
  - Declarations not prescribed in law
  - Procedural statements irrelevant to the case
- Such conditions are **ultra vires** and contrary to the scheme of GST.

b) Revenue:
- Relied on procedural interpretations and internal guidelines to justify rejection.

Court's reasoning

- Carefully examined **Rule 89** and clarified the distinction between:
- Export of **goods** (no requirement of realization of proceeds), and
- Export of **services** (where such requirement exists).

- Observed that the department had **misapplied provisions** meant for different scenarios.
- Emphasized that **tax administration cannot travel beyond the statute**.

Conclusion (Ruling)

- Refund rejection was **quashed**.
- Held that:
  - Authorities cannot impose **extra-statutory conditions**
  - Refund eligibility must be determined strictly as per law
  - Procedural lapses not mandated by statute cannot defeat substantive rights

Global relevance

This case reinforces a critical VAT doctrine:

Refund mechanisms must remain neutral and cannot be restricted by administrative overreach.

It is particularly useful for professionals handling **export refunds, zero-rated supplies, and inverted tax structures** across jurisdictions.

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Italy: The Italian Supreme Court describes the VAT exemption on brokerage insurance requirements

The Italian Supreme Court, with its decision no. 1425 of 23 January 2026, identified the requirements that need to be met for the VAT exemption regime for brokerage activities in the insurance sector to apply.

The exemption applies if the service provider is in a direct or indirect relationship (where the provider is a subcontractor of the broker or intermediary) with the insurer and the insured and if the services provided are typical of an insurance intermediary activity (such as finding and connecting potential customers with the insurer and assisting in postconclusion of the service including policy renewals).

The services described differ from those of a consultancy nature, for which the ordinary VAT taxation regime would apply.

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Philippines: Three Reforms that rewired Philippine VAT

The Philippine VAT landscape shifted decisively in 2025. Three reforms, taxing foreign digital services, flipping VAT remittance obligations for ecozone supply chains, and pushing businesses toward e-invoicing, have landed in quick succession. Together, they demand immediate attention from any business with a Philippine footprint.

Streaming, SaaS, and subscriptions: non-resident platforms now collect 12%

From 2 June 2025, non-resident digital service providers (NRDSPs) became subject to 12% VAT on digital services consumed in the Philippines. This date marks the end of the 120-day transition period under Republic Act (RA) No. 12023. Resident providers were already subject to VAT under existing rules. The implementing regulations, Revenue Regulations No. (RR) 3-2025, place the Philippines alongside the EU, Australia, and Singapore in requiring foreign digital platforms to register locally and account for VAT.

In practice, this captures streaming platforms, cloud providers, SaaS vendors, online advertising networks, digital marketplaces, and digital content sales, essentially any service delivered over the internet with minimal human intervention. Online education from accredited institutions and digital financial services from BSP-regulated entities are exempt.

The split between B2B and B2C transactions is what businesses need to act on immediately:

- **B2C**: The NRDSP collects and remits 12% VAT directly to the BIR, filing a quarterly return (BIR Form 2550-DS) within 25 days after quarter-end.

- **B2B**: The reverse charge applies, the Philippine business customer withholds and remits the VAT. The NRDSP still registers, files return and must issue a VAT invoice clearly stating that VAT is 'to be withheld and remitted by the customer.' This labelling is essential to prevent double taxation and to protect both parties in a BIR audit.

- **Marketplaces**: Platforms controlling billing, delivery terms, or payment are deemed the supplier and bear direct B2C VAT liability, not the underlying seller.

Non-compliance carries real teeth

The BIR can impose financial penalties and, acting jointly with the Department of Information and Communications Technology (DICT), issue domain-blockage orders against non-compliant platforms. Non-resident providers not yet registered should move quickly. Philippine businesses receiving digital services from abroad should confirm whether reverse charge obligations apply to existing contracts and update their VAT withholding procedures accordingly.

The Ecozone Supply Chain Shock: when the buyer becomes the taxpayer

This is the reform with the widest operational impact.

Under the CREATE MORE Act (RA No. 12066), the longstanding VAT exemption on local sales by Registered Business Enterprises (RBEs) has been replaced, but with a structural twist most businesses were not prepared for: the buyer, not the seller, is now responsible for remitting the VAT.

RR No. 9-2025 (issued 27 February 2025) made this effective for all RBEs (PEZA-registered, BOI-registered, and others) regardless of their income tax incentive regime. Where a company in an ecozone or freeport sells goods or services to a domestic market buyer, 12% VAT now applies, and the domestic buyer files and pays it directly to the BIR within 10 days following the end of the month of the transaction (15 days for eFPS filers):

- **Goods**: Filed using BIR Form 0605 (Payment Form) under tax type 'VAT' with the alphanumeric tax code (ATC) designated for 'VAT on Local Sales.'
- **Services**: Filed monthly using BIR Form 1600-VT (Monthly Remittance Return of Value-Added Tax Withheld).

This immediately creates cash flow pressure for buyers, who must fund VAT at the point of each transaction. It also creates documentation risk: the RBE-seller must label the tax separately on invoices as 'VAT on Local Sales.' This label is not a formality, without it, the BIR may hold the seller liable for the VAT rather than the buyer, creating significant audit exposure for the RBE. The labelling requirement touches ERP systems, purchase orders, and contracts across entire supply chains.

RR No. 1-2026: The BIR Course-Corrects (Effective 3 March 2026)

Implementation proved difficult. The BIR responded with RR No. 1-2026 (effective 3 March 2026), which addressed the most serious gaps:

Bulk shipment relief: Buyers making multiple purchases in a single container or delivery can now file one consolidated VAT payment instead of filing per invoice, a significant operational simplification for high-volume importers from ecozones.

- **DME carve-out**: VAT-registered Domestic Market Enterprises that sell to other B2B buyers are excluded from the buyer-remit rule. Note that this exclusion applies only to VAT-registered DMEs, unregistered entities remain subject to the buyer-remit mechanics. Without this fix, VAT-registered DME sellers would have accumulated input VAT they could never utilize.

- **Optional VAT registration for SCIT/GIE firms**: RBEs under the 5% Special Corporate Income Tax or Gross Income Earned regime can now voluntarily register for VAT on local sales, making themselves more attractive to VAT-registered customers without losing their core fiscal incentives.

- **System relief**: The deadline to reconfigure cash registers, POS systems, and accounting software to display the 'VAT on Local Sales' label has been extended to 31 December 2026.

What to do now

Businesses buying from PEZA or other RBE suppliers should audit procurement processes and confirm the correct form and ATC for each transaction type. Contracts and ERP invoicing templates need updating to capture the mandatory label. Foreign investors with Philippine ecozone operations should reassess procurement cost structures, as VAT is now an upfront cash cost rather than a reclaimable credit for many buyers.

E-invoicing: the deadline moved, but the direction has not

Mandatory transmission of electronic invoices to the BIR's Electronic Invoicing System (EIS) is coming for large taxpayers, e-commerce businesses, and entities using Computerized Accounting Systems (CAS).

The deadline for mandatory EIS transmission was extended under RR No. 026-2025 to 31 December 2026, acknowledging the practical burden of simultaneous system changes driven by the RBE reforms.

The extension applies specifically to the BIR transmission requirement. Businesses already using a CAS are required to issue electronic receipts and invoices now, the 2026 deadline covers the next step of real-time transmission to the BIR's EIS, not issuance itself.

This distinction matters: a business may believe it is compliant because it issues e-receipts, while still facing an EIS integration gap that needs addressing before year-end.
The extension buys time, but not indefinitely. Businesses should treat 2026 as the year to get systems right rather than a window to delay. Enforcement will follow the deadline.

The bigger picture

Taken together, these three reforms signal a Philippine tax authority moving faster than many businesses expected toward digital administration, broader capture from the digital economy, and a restructured ecozone fiscal framework. The changes are not incremental. They require businesses to revisit contracts, retrain finance teams, reconfigure systems, and in some cases renegotiate supplier arrangements.

Companies that treat these as routine compliance updates are likely to find themselves exposed. Those that act now will be better positioned for what is shaping up to be a demanding compliance environment through the rest of 2026.

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Poland: KSeF rollout and VAT deduction – practical challenges and EU law developments

Poland's mandatory e-invoicing system (KSeF) goes live on 1 February 2026 for large taxpayers and 1 April 2026 for most others. Although implementation is still underway, early experience is already highlighting some practical and VAT-related challenges.

What we're seeing in practice

The system is intended to standardise and improve transparency, but businesses are encountering a few consistent issues:

- Delays between invoice creation in ERP systems and formal issuance in KSeF (i.e. when a KSeF ID is assigned)
- System latency and occasional technical errors
- Limited flexibility once invoices are submitted (corrections require formal processes)

In practice, this means invoices are increasingly being issued in the following month, even where the supply took place earlier. While this is generally acceptable from a seller perspective (given the 15th day-of-the-next-month rule), it creates knock-on effects for buyers.

VAT timing mismatch

The key issue is a timing mismatch:

- Output VAT is still recognised based on the time of supply
- Input VAT, under Polish rules, depends on receipt of the invoice (i.e. availability in KSeF)

This can delay input VAT recovery and create a short-term cash-flow disadvantage.

EU ruling challenges the Polish approach

A recent EU General Court judgment (T-689/24, 11 February 2026) calls this into question.

The Court confirmed that the right to deduct VAT arises when the underlying transaction takes place and should not depend on formal requirements such as invoice receipt. In other words, the invoice is evidence of the right—not a condition for it.

This directly conflicts with the current Polish approach, which ties deduction to invoice receipt.

Why this matters for KSeF

This becomes more relevant in a KSeF environment, where:

- Invoice timing is system-driven
- Delays are often outside the taxpayer's control
- Technical issues can shift invoices into the next reporting period

Linking VAT deduction strictly to invoice receipt in this context risks producing results that are inconsistent with EU law.

Current uncertainty

The position is not fully settled. A review of the judgment has been initiated (Case C-167/26 RX), so the final outcome is still pending.

In the meantime, there is a clear tension between Polish rules and EU principles.

Practical takeaways

- Monitor timing differences between supply and KSeF invoice issuance
- Minimise delays in submitting invoices to KSeF where possible
- Be aware of the potential to claim input VAT earlier based on EU law (subject to risk assessment)

Overall

KSeF is introducing a more formalised invoicing framework, but the EU position remains focused on substance over form. How (and how quickly) Polish practice adapts to this will be important to watch over the coming months.

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UAE: E-invoicing – preparing business for the digital tax future

Introduction

The United Arab Emirates is entering a new phase of digital transformation in tax administration with the introduction of the Electronic Invoicing (e-Invoicing) system. This initiative is part of the broader government strategy to modernize the fiscal ecosystem, enhance transparency, and strengthen compliance across the business environment.

With implementation expected to begin in phases from 2026, businesses operating in the UAE should start preparing now to adapt their systems, processes, and technology infrastructure to meet the upcoming requirements.

What is e-invoicing?

E-invoicing refers to the electronic exchange of invoices between suppliers and buyers in a structured, machine-readable format that allows automated processing within business systems.

Unlike traditional invoices such as PDFs, scanned copies, or paper invoices, an e-invoice must be issued, transmitted, and received in a structured digital format (typically XML) that enables seamless validation, reporting, and processing. This shift from manual invoicing to automated digital invoicing will significantly transform how businesses manage billing, tax reporting, and financial data.

The UAE e-invoicing model

The UAE has adopted a Decentralized Continuous Transaction Control and Exchange (DCTCE) model, commonly known as the '5-Corner Model'.

Under this framework:

1. The supplier generates an invoice in its ERP or accounting system.
2. The invoice is sent to an Accredited Service Provider (ASP).
3. The ASP validates the invoice and sends it through the Peppol network to the buyer's ASP.
4. The buyer receives the invoice through its system.
5. The relevant transaction data is reported to the Federal Tax Authority (FTA) through a central platform.

This model ensures secure and standardized exchange of invoice data between businesses while enabling real-time or near real-time tax reporting.

Why the UAE is implementing e-invoicing

- Enhanced tax compliance: real-time access to transaction data will help authorities reduce tax evasion and improve VAT compliance.
- Greater transparency: the system enables improved audit capabilities and fosters a culture of compliance among businesses.
- Digital transformation of the economy: e-invoicing supports the UAE's broader vision of building a modern, digital, and paperless economy.

- Operational efficiency for businesses: automated invoice processing reduces administrative workload, errors, and processing time.
- Improved taxpayer experience: businesses can benefit from simplified reporting processes and faster tax refunds through digital integration.

Scope of e-invoicing in the UAE

The e-invoicing framework will initially apply to Business-to-Business (B2B) and Business-to-Government (B2G) transactions. All businesses conducting activities in the UAE will eventually fall within the scope of the system unless specifically excluded under the regulations.

Businesses must connect to the system through an Accredited Service Provider (ASP), which acts as the technology intermediary enabling secure invoice transmission and validation.

Key components of the system

1. Accredited Service Providers (ASPs): technology providers authorized to connect businesses to the e-invoicing network.

2. Peppol Network: a global framework enabling standardized exchange of electronic business documents. Peppol is available in Australia, Belgium, Denmark, France, Iceland, Ireland, Malaysia, Netherlands, New Zealand, Singapore.

3. PINT-AE Data Dictionary: a structured set of standardized data fields required for generating compliant e-invoices.

4. Central Data Platform: a government platform where relevant transaction data is collected for tax monitoring and analytics.

M&M with its global clientele is positioning to provide e-invoicing service to all the branches, associates or subsidiaries through an ASP who has also presence in these countries.

What businesses should do now

- Understand the new invoicing requirements and structured invoice formats.
- Assess current ERP and accounting systems to determine integration needs.
- Select an Accredited Service Provider.
- Conduct testing and system integration before go-live.
- Train finance, IT, and tax teams on the operational impact.

Conclusion

The UAE's e-invoicing initiative represents a significant milestone in the country's digital tax transformation. Businesses that begin preparing now will be better positioned to ensure a smooth transition when the system becomes mandatory.

Early readiness — including technology integration, process redesign, and collaboration with accredited service providers — will be key to successful adoption.

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United Kingdom: Mandatory direct debit payments and VAT grouping

Mandatory direct debit payments

It has been announced that a consultation is to be held by HMRC regarding making the payment of VAT (& PAYE) by Direct Debit mandatory.

As you may already be aware, you can opt to pay your VAT liability by Direct Debit, so that the VAT liability is automatically taken from your bank account 3 workings days following the VAT payment/submission deadline. Whilst it removes the admin burden of having to manually make VAT payments to HMRC from the taxpayers, it also helps the UK government ensure that they receive the VAT payments on time and in full.

The ability to pay the liability is optional however, taxpayers cannot use the Direct Debit function if they:

- Use an overseas bank account
- Are an insolvency practitioner
- Have a VAT 'payments on account' arrangement
- Are approved to send paper VAT returns

This has not been formally decided yet, we will provide an update if any further measures are announced. At this time, we are unsure how this will impact non-UK businesses that do not hold UK bank accounts or whether they will be the exception of this potential new rule.

VAT grouping

Previously, UK businesses were required to account for VAT under the reverse charge mechanism on certain intra-group services.

From 26 November 2025 the position set out in Revenue and Customs Briefs 18 (2015) and 23 (2015) is no longer effective.

HMRC now considers that an overseas establishment of a business that belongs to a UK VAT group should be treated as part of that VAT group, even if the overseas establishment is located in an EU member state that does not operate whole entity VAT grouping. Intra-VAT group supplies are usually disregarded for the purposes of UK VAT and are treated as 'outside the scope' of VAT.

HMRC acknowledges that some VAT groups may have accounted for VAT in line with the previous guidance since 26 November 2025 and may now be eligible to reclaim overpaid VAT through the error correction notification procedure. Anti-avoidance legislation should be considered when filing these notices (Section 43(2A) intra-group charges on supplies of services).

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