

# GLOBAL 2026

10<sup>TH</sup> EDITION

**TAX CHANGES**

Avalara

A TAX COMPLIANCE GUIDE FOR BUSINESSES

Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

# Introduction

The global economy looks considerably different today than it did a year ago, largely because of the tariffs imposed by the United States and the retaliatory tariffs they triggered. Tariffs have impacted all industries, and they'll continue to do so. But tariffs aren't the only factors that will shape international tax policy in 2026.

Governments worldwide are demanding greater transparency and real-time data. As a result, digital platforms and artificial intelligence technologies are assuming a greater role in tax collection and reporting.

In Europe, the European Commission is moving ahead with a plan to modernize the EU's value-added tax (VAT) system. **VAT in the Digital Age** (ViDA), which will be progressively implemented through January 2035, introduces real-time reporting for cross-border trade.

ViDA relies on electronic invoicing, which will soon become the default method for

invoicing in the EU. Since companies unable to comply with the new requirements may find themselves blocked from much of the European market, compliance is existential.

Other parts of the world are also recognizing the value of e-invoicing. In Australia and New Zealand, e-invoicing is becoming the default method for exchanging invoice information with government agencies. The United Arab Emirates is introducing an e-invoicing pilot program that will be followed by mandatory implementation for certain taxpayers.

The world will also see other tax changes. For example:

- China is updating its VAT system.
- India is transforming its goods and services (GST) tax system.
- Brazil is simplifying and streamlining its complex federal, state, and local indirect tax system.

Because no single report can cover all international tax trends, we focus on the key global indirect tax changes affecting cross-border businesses today. Let's dig in.

HELLO, TARIFFS

TRADE DEALS

GOODBYE, DE MINIMIS

HOW TARIFFS AFFECT THE BOTTOM LINE

EUROPE SINCE VIDA

INTERNATIONAL TAX COMPLIANCE  
UPDATES IN 2026

AI AND INTERNATIONAL  
TAX COMPLIANCE

LOOKING AHEAD

# What the numbers tell us about trade and tariffs in 2026

## Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

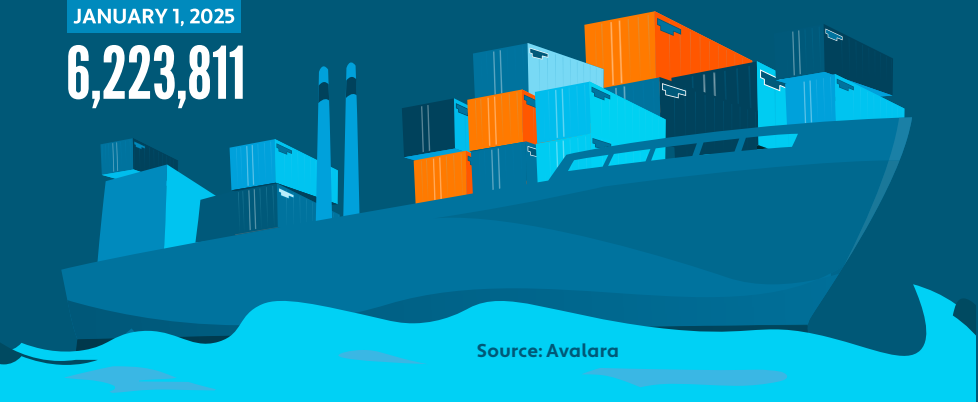
The total number of tariff rates  
worldwide increased by  
almost 3M

SEPTEMBER 30, 2025

9,174,167

JANUARY 1, 2025

6,223,811



U.S. Customs and  
Border Protection  
collected

\$216.7B

in total duties, fees, and  
taxes in fiscal year 2025  
(as of October 31, 2025)



As of November 20, 2025, President Donald J. Trump has issued

35  
executive  
orders

4  
memoranda

6  
proclamations

related to trade and tariffs during his second term

Source: Ballotpedia



There are over 17,000 unique  
10-digit HTS classification  
code numbers

Source: U.S. GPO

17,000



## Contents

[INTRODUCTION >](#)
[HELLO, TARIFFS >](#)
[TRADE DEALS >](#)
[GOODBYE,  
DE MINIMIS >](#)
[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)
[EUROPE SINCE VIDA >](#)
[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)
[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# Hello, tariffs

Less than two weeks after returning to the Oval Office for his second term, President Trump announced tariffs on Canada, China, and Mexico, his nation's largest trading partners. By December 2025, he set new tariffs on nearly every country on Earth, plus on an array of products including heavy-duty trucks, upholstered wood furniture, and steel.

None of this happened in an orderly fashion.

President Trump often announces new trade policies via social media, weeks, days, or hours before they're to take effect. He usually follows such pronouncements with an executive order that makes the policy official once published in the Federal Register of the U.S. government. But sometimes the executive order never materializes, leaving the world in limbo.

There was a staggering amount of tariff changes in 2025, many but not all imposed by the U.S. "Between January 1 and September 30, 2025, the total number of

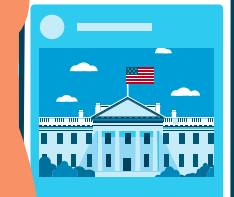
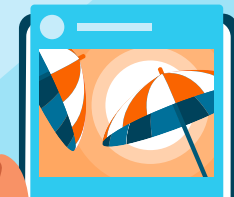
tariff rates worldwide increased from 6,223,811 to 9,174,167. That's almost 3 million new rates – nearly 49% – in just nine months," says David Lingerfelt, Senior Director of Indirect Tax at Avalara.

"This sharp expansion highlights the growing complexity of global trade policy as governments respond to persistent and intensifying trade tensions," Lingerfelt adds. "Countries are increasingly using a wider range of measures – such as punitive, retaliatory, antidumping, and countervailing duties – turning tariffs into both protective tools and instruments of economic and geopolitical strategy."

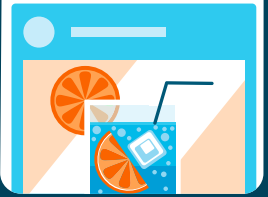
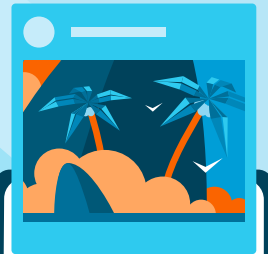
Given the pace and scale of the tariff changes, businesses need the ability to implement new rates quickly – and turn them off when they're delayed or canceled. Harmonized System (HS) code classification is key to setting the correct rate of duty.

In nine months, the **total number of tariff rates worldwide increased nearly**

# 49%



January 1, 2025



September 30, 2025

## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

## HS codes: The key to compliance

Every product traded internationally needs an HS code: a standardized six-digit chapter and heading number (the basis of all countries' tariff schedules), plus additional country-specific digits that describe the product more thoroughly and identify the country of origin.

Products entering the U.S. need a 10-digit Harmonized Tariff Schedule (HTS) code, also called a Harmonized Tariff Schedule of the United States (HTSUS) code. HTS codes set the rate of duty for U.S. imports.

**SHANE BOGDAN**

Director of Cross-Border  
Sales at Avalara

“ We call HTS codes the ‘Rosetta Stone’ of global trade. Every import and export decision – including calculating duties, determining trade agreement eligibility, and ensuring proper documentation – depends on getting the classification right. ”



# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

As there are over [17,000](#) unique 10-digit HTS classification code numbers, classifying products and ensuring they're assigned the correct rate of duty is a big job in the best of times, and the complexity is growing. According to David Lingerfelt, the number of harmonized tariff codes grew from 2,174,331 to 2,267,884 between January 1 and September 30, 2025, adding approximately 93,553 new classifications, or about 4%.

The magnitude of the tariff changes has made it practically impossible for some businesses to manage cross-border tax compliance without [automating tariff code classification](#).

“Accurate HTS classification is the foundation of global trade compliance,” explains Shane Bogdan, Director of Cross-Border Sales at Avalara. “We call HTS codes the ‘Rosetta Stone’ of global trade. Every import and

export decision – including calculating duties, determining trade agreement eligibility, and ensuring proper documentation – depends on getting the classification right. As trade regulations continue to evolve, automation and AI-driven classification tools are becoming essential.”

Many businesses were likely caught off guard by the velocity of tariff changes and unprepared to comply with rapidly implemented changes. According to a [survey of finance and tax professionals](#) conducted in March 2025 by Hanover Research in partnership with Avalara, 56% of respondents manually handled customs duties and tariffs. Only 8% of the companies surveyed used AI to make these compliance activities easier.



## HOW AVALARA CAN HELP

Tariff policies can change overnight – sometimes with little warning. Avalara Tariff Code Classification automates HS/HTS code assignments with agentic AI backed by human expertise, so your business can react quickly to new rules, update duty rates across your catalog, and avoid costly misclassification errors.

[Explore Avalara Tariff Code Classification](#)

## Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

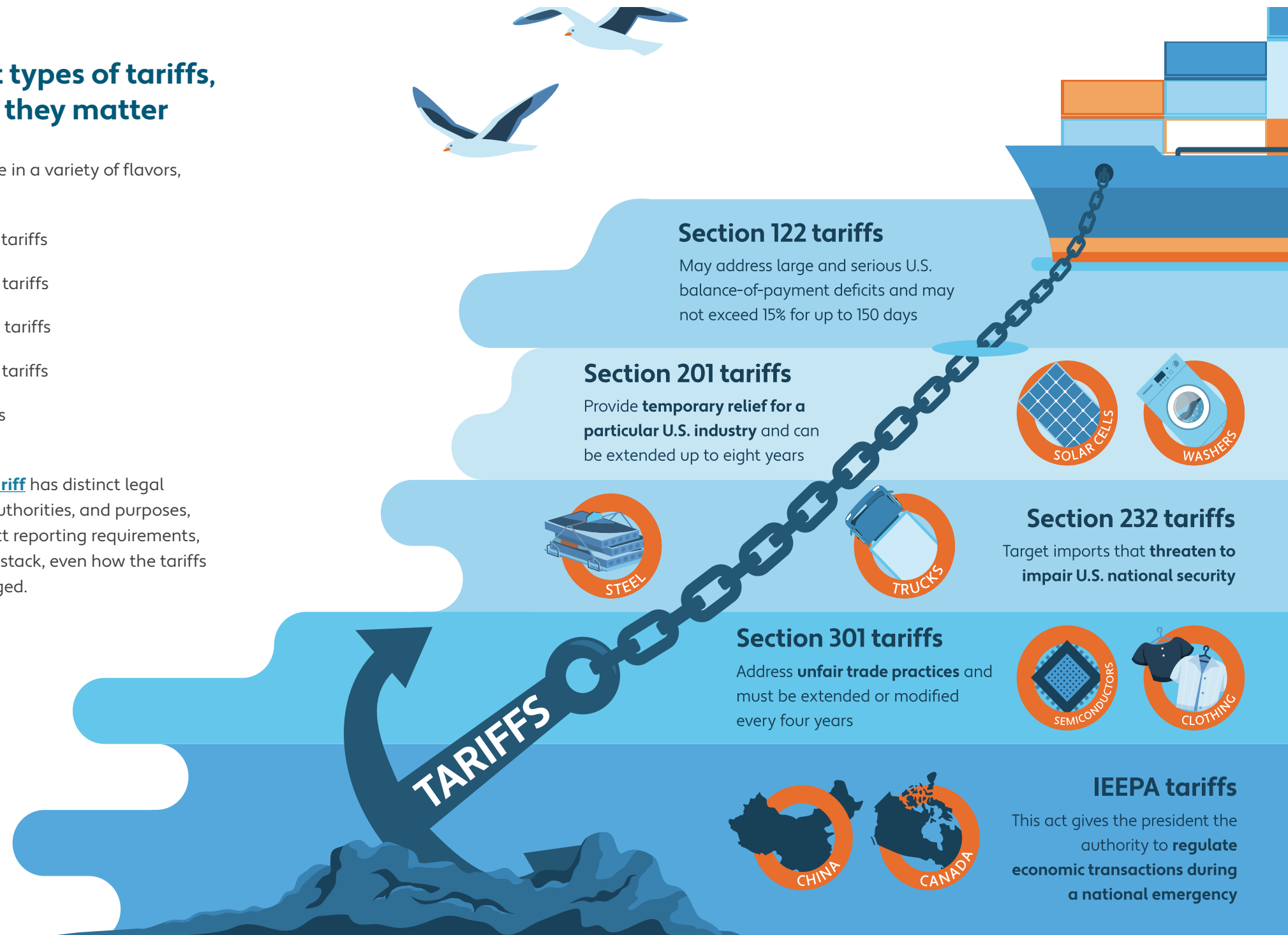
AI AND INTERNATIONAL  
TAX COMPLIANCE >

## Different types of tariffs, and why they matter

U.S. tariffs come in a variety of flavors, including:

- Section 122 tariffs
- Section 201 tariffs
- Section 232 tariffs
- Section 301 tariffs
- IEEPA tariffs

Each [type of tariff](#) has distinct legal applications, authorities, and purposes, which can affect reporting requirements, how the tariffs stack, even how the tariffs can be challenged.





# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

## Section 122 tariffs

[Section 122 of the Trade Act of 1974](#) may allow the president to temporarily impose tariffs or quotas to address “large and serious United States balance-of-payment deficits” or certain other fundamental international payment problems. However, according to a [Congressional Research Service \(CRS\) report](#) dated February 27, 2025, “Section 122 has never been used, and therefore courts have had no occasion to interpret its language.”

The CRS report also states, “Some have suggested that Section 122 might authorize the President to impose tariffs in response to U.S. trade deficits.” And indeed, with the future of the IEEPA tariffs in doubt, [Treasury Secretary Scott Bessent](#) said on December 3, 2025, “We can recreate the exact tariff structure with [sections] 301, with 232, with 122.”

If the administration does invoke Section 122 to impose tariffs, the duties would be capped at 15% and limited to 150 days.

## Section 201 tariffs

Tariffs established under [Section 201 of the Trade Act of 1974](#) are designed to provide temporary relief for a particular U.S. industry by setting tariffs or quotas on imported goods that negatively affect domestic businesses. Section 201 tariffs are usually initiated by a written petition filed by a trade association (or similar entity). Once established, they can be extended to a maximum of eight years.

President Trump approved Section 201 tariffs on large residential [washing machines and solar cells and modules](#) during his first term in office; he extended the washing machine tariff in 2021, but it expired in 2023. The Biden administration extended the solar cell tariffs in 2022.

At least one new Section 201 investigation was launched in 2025, on [quartz surface products](#).

## Section 232 tariffs

Tariffs established under [Section 232 of the Trade Expansion Act of 1962](#) target imports that “threaten to impair” U.S. national security (e.g., by undermining domestic production of materials needed for U.S. defense). Section 232 tariffs remain in place indefinitely.

During his first term, President Trump imposed Section 232 tariffs on steel and aluminum then carved out country-specific exemptions and other exceptions. The Biden administration let these tariffs stand.

As of November 5, 2025, the Trump administration had launched at least [12 new Section 232 investigations](#) and set new Section 232 tariffs on numerous products, including aluminum, automobiles and auto parts, copper, lumber, semiconductors, steel, and trucks. With the legality of IEEPA tariffs in question, as we will explain, the administration is leaning more on Section 232 tariffs.



# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

## Section 301 tariffs

Tariffs implemented under [Section 301 of the Trade Act of 1974](#) respond to what the U.S. deems to be unfair trade practices. Section 301 tariffs are very flexible and currently apply to thousands of goods, from clothing to industrial machinery. They can be imposed on any product from any country at any rate but must be extended or modified every four years.

The first Trump administration set Section 301 tariffs ranging from 7.5% to 100% on thousands of Chinese products, and the Biden administration extended them. The current administration launched a [Section 301 investigation](#) on Brazil in July 2025.

## IEEPA tariffs

[The International Emergency Economic Powers Act](#) (IEEPA) gives the president of the United States the authority to regulate economic transactions following a declaration of “an unusual and extraordinary threat with respect to which a national emergency has been declared.” It may not be exercised for any other purpose.

IEEPA doesn’t mention tariffs, and no U.S. president used IEEPA to broadly impose tariffs until Trump in his second term.

In February 2025, Trump invoked IEEPA to set tariffs on [Canada](#) (to “address the flow of illicit drugs across our northern border”), [Mexico](#) (to “stem the tide of unlawful migration and illicit drugs”), and [China](#) (“to address the synthetic opioid supply chain”). He also used IEEPA to impose tariffs on more than 60 other countries (the [“reciprocal” tariffs](#) announced April 2, 2025).

Interestingly, the administration started shifting away from IEEPA tariffs in early September – perhaps because they’re being challenged.

## SCOTUS to decide fate of IEEPA tariffs

A group of businesses and 12 states separately argued the U.S. is facing neither an unusual and extraordinary threat nor a national emergency, the two conditions required by IEEPA. They also contend the president overstepped the authority granted by IEEPA to regulate economic activity. The case ended up before [the Supreme Court of the United States](#), which heard oral arguments for nearly three hours on November 5.

Both sides faced tough questions, but overall, the court was seen to be skeptical of the IEEPA tariffs. A decision is expected by the end of the year or in early January.

If the Supreme Court rules against the administration, the government could be required to refund the duties collected under IEEPA. Justice Amy Coney Barrett asked the plaintiff’s attorney how that would work. “It seems to me like it could be a mess,” she said.

# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

Neal Katyal, the attorney for the businesses, suggested the justices could provide prospective relief. This would ensure no future tariffs are collected under IEEPA without mandating refunds.

Overturning the IEEPA tariffs would be a blow to the administration, but it wouldn't put an end to all tariffs.

"Even if the IEEPA tariffs are struck down," says Craig Reed, General Manager of Cross-Border at Avalara, "the Trump administration has made clear that it will seek other avenues to reinstate tariff policy. Treasury Secretary Scott Bessent has stated that the president has plenty of options beyond IEEPA. Bessent specifically cited Sections 122, 232, and 301."

+

UNSTACKING PROVISIONS

The president also provided certain unstacking provisions "because the rate of duty resulting from such stacking exceeds what is necessary to achieve the intended policy goals."

+

Sources: [CBP](#), [White House](#)

## Stacking tariffs

Different types of tariffs are usually stackable, meaning more than one tariff can apply to the same import. However, President Trump made an exception for some products. Effective June 4, 2025, an article subject to the Section 232 auto/auto parts tariff isn't subject to the Section 232 aluminum or steel tariffs or the Canada or Mexico IEEPA tariffs. Yet it is subject to other applicable duties, taxes, or fees, such as the IEEPA tariffs on Chinese products.

"When tariffs stack, it's often unclear whether each tariff applies to the base product price or the cumulative price that includes prior tariffs," explains George Trantas, VP of Sales, Accelerators at Avalara. "Misinterpreting whether tariffs are additive or compounded can cause underpayment or overpayment. Furthermore, since each tariff may have different filing schedules, formats, and exemption rules, businesses may need to maintain multiple compliance workflows, often in separate systems. This increases administrative overhead and the risk of error."

And according to Reed, "there's also the issue of knowing what the material contents are for a given product. It's particularly difficult for manufacturers to attribute value when products have many different metal fasteners and parts."

You can see how determining the proper tariff rate for all imported goods can quickly become a quagmire. Trade agreements can help, but they're hard to come by.



## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# Trade deals

In April 2025, the White House talked of reaching [90 trade deals in 90 days](#). It was an ambitious goal. Per [Wendy Cutler](#), Vice President at the Asia Society Policy Institute and former U.S. Trade Representative chief negotiator, U.S. officials typically spend at least six months developing their positions. “Actual negotiations usually span several years,” she explains.

That could be why the U.S. had only secured trade deals with a handful of countries as of December 1, 2025.

To encourage countries to come to the table, President Trump issued an [executive order](#) and [White House Fact Sheet](#) on September 5 stating that he “may be willing to provide a zero percent reciprocal tariff rate” for “aligned partners.”

For current trade deal partners, the key industrial goods listed in [Annex II](#) are exempt from reciprocal tariffs as of September 8, 2025.

Products listed in Annex III “are potentially eligible to be exempted from duties imposed by [Executive Order 14257](#), as amended ... for each trading partner that has concluded an agreement on reciprocal trade.”

The tactic may have helped move the needle. Toward the end of October, the White House secured trade agreements with [Cambodia](#) and [Malaysia](#), and frameworks for trade agreements with [Thailand](#) and [Vietnam](#). On November 1, 2025, the White House announced a trade deal with [China](#).

Yet many businesses continue to tread water while waiting for a trade-deal life raft that might benefit them. Without knowing which tariffs will stick and which may be waived, it’s difficult for businesses to make long-term investment decisions.

“In times of trade uncertainty, being proactive is essential” says Shane Bogdan. “Companies that react to new trade deals at the last minute risk

costly disruptions. Maintaining clear, accurate data on de minimis rules, HS/HTS classifications, country of origin, and declared value enables businesses to anticipate changes, model outcomes, and adjust strategies before new regulations take effect.”

The U.S. still has a trade deal with two of its closest trading partners: Canada and Mexico.

**SHANE BOGDAN**

Director of Cross-Border  
Sales at Avalara

“

**In times of trade uncertainty, being proactive is essential.**

Maintaining clear, accurate data on de minimis rules, HS/HTS classifications, country of origin, and declared value enables businesses to anticipate changes, model outcomes, and adjust strategies before new regulations take effect.

”

Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

The United States-Mexico-Canada Agreement

The United States-Mexico-Canada Agreement ([USMCA](#)) provides preferential treatment for most goods traded between Canada, Mexico, and the U.S. It undergirds nearly [\\$2 trillion](#) in U.S. goods and services trade in the region.

With [\\$935.1 billion](#) in trade, Mexico was the top U.S. trading partner in 2024. Canada was number two with [\\$909.1 billion](#). China came in third with [\\$658.9 billion](#).

But the fate of the USMCA has been somewhat in doubt since February 1, 2025, when Trump announced 25% tariffs on all Canadian and Mexican goods to slow the illegal flow of fentanyl into the U.S. [For a few days in March 2025](#), the so-called fentanyl tariffs applied to all Canadian and Mexican imports.

TOP U.S. TRADING PARTNERS IN 2024

Source: USTR ([China](#), [Canada](#), [Mexico](#))



When the USMCA exemption was reinstated, businesses scrambled to certify their goods. Less than 25% of imports from Mexico and less than 20% of Canadian imports were USMCA certified at the start of 2025. It's not that more imports didn't qualify for the exemption; many companies just didn't bother to certify their products for USMCA because the effective tariff rates were so low.

"Certifying products for USMCA is a multistep verification and documentation process to prove eligibility for preferential duty treatment," explains Bogdan. "The payoff here is significant – certified goods can move duty-free across North America, improving margins and competitiveness. Without certification, and due to the recent tariff rates on Canadian and Mexican imports to the U.S. since March, businesses risk overpaying tariffs and losing a valuable advantage to competitors that have taken the time to comply."

# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

Businesses can certify goods as USMCA themselves in six steps, depicted here. And they are.



In July 2025, about 79% of Canadian imports and 76% of Mexican imports [entered the U.S. duty-free under the USMCA](#). All told, about 90% of Canadian goods and 81% of Mexican goods qualify for duty-free status in the U.S.

It’s worth taking advantage of the USMCA while it lasts. The agreement is up for renewal in July 2026, and while the certainty it provides [benefits](#) all three countries, there’s no guarantee the U.S. will readopt it. Mexico has been able to stay on relatively good terms with President Trump, but the relationship between Canada and the U.S. has been a bit strained.

[On July 31](#), Trump delayed a scheduled 5% tariff increase on Mexico for 90 days to give Mexico time to address nontariff barriers to trade, such as disputes over intellectual property rights. The U.S. extended the tariff truce again in late October, giving the two countries more time to reach an agreement.

U.S.-Canada relations are a bit cooler. Trump halted trade negotiations with Canada in October after the government of Ontario ran an anti-tariff ad during the televised broadcast of the Major League Baseball World Series. The president also threatened to impose an [additional 10% tariff on Canada](#), “over and above what they are paying now” – but he didn’t follow through with it.

“Given the current direction of U.S. trade policy, and statements made by President Trump, it’s unlikely the USMCA will continue in its current form,” observes Craig Reed. “It’s more likely that individual agreements will be made with Canada and Mexico, and those agreements may be different.”

Reed explains there are different points of contention within the USMCA. The U.S. and Canada are at odds over dairy, softwood lumber, and energy, for example, but Mexico is not.

Since the “minimum” tariff for most other countries is now between 10% and 15%, Reed says it would be reasonable to expect the USMCA to be “split,” and similar minimum tariff rates established for both Canada and Mexico. “There are also likely to be certain carve-outs due to the nature of the trade flows and domestic production capabilities. With Canada, the carve-outs are likely to be metals (particularly aluminum) and energy; with Mexico, they’ll likely be produce or other products.”

If the USMCA is drastically changed, Canada-based and Mexico-based businesses may feel the loss of the de minimis exemption more keenly than they do today.

Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

# Goodbye, de minimis

Both businesses and U.S. consumers are feeling the effects of new tariffs more acutely since August 29, 2025, the day U.S. [de minimis died](#).

Most countries have a [de minimis threshold](#) – a set value below which imports enter free from customs duties and/or other taxes – “[to avoid expense](#) and inconvenience to the government disproportionate to the amount of revenue that would otherwise be collected.” The idea has merit, but de minimis shipments into the U.S. exploded after the threshold jumped from \$200 to \$800 in March 2016.

- De minimis shipments into the U.S. jumped from approximately 139 million in fiscal year 2015 to over 1 billion by FY 2023 (more than [600%](#)).
- De minimis shipments accounted for [92%](#) of all cargo entering the U.S. in 2023.
- More than [1.36 billion](#) de minimis shipments entered the U.S. in FY 2024.
- About [60%](#) of de minimis shipments sent to the U.S. in 2024 originated in China.

- U.S. Customs and Border Protection (CBP) processed about [2.8 million](#) de minimis shipments per day in 2023 and 4 million de minimis shipments per day in 2024.
- Roughly 800 million ([88%](#)) of de minimis shipments in 2024 arrived through international mail.

Politicians on both sides of the aisle agreed something needed to be done to curb the flow of low-value packages. Nevertheless, eliminating de minimis altogether, and with little advance notice, was a very big deal.

President Trump issued an executive order on February 4, 2025, that [ended de minimis for China](#) and Hong Kong as of May 2, 2025. [Congress](#) then repealed the de minimis exemption for all commercial shipments effective July 1, 2027. But on July 30, 2025, a new presidential [executive order](#) suspended de minimis for all countries starting August 29, 2025.

In a matter of weeks, parcels that previously bypassed duties and paperwork became subject to full customs procedures, duties, and regulatory compliance. Many businesses had to assign HTS codes to their entire catalog. “Businesses can no longer get away with improperly documenting low-value shipments,” says George Trantas. “And with all the tariff policy changes, it’s difficult to ensure the proper rate of duty is applied without implementing a cross-border compliance solution.”

GEORGE TRANTAS

VP of Sales, Accelerators  
at Avalara

“Businesses can no longer get away with improperly documenting low-value shipments.”

And with all the tariff policy changes, it’s difficult to ensure the proper rate of duty is applied without implementing a cross-border compliance solution.”



Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

All companies making nonpostal shipments now need a qualified third party to file the appropriate entry type in the CBP Automated Commercial Environment (ACE): Entry Type 11 for shipments valued under \$2,500; Entry Type 01 for shipments of \$2,500 or more. Both require detailed documentation, including 10-digit HTS codes. The expedited [Entry Type 86](#) created for low-value shipments is no longer available.

Companies shipping low-value parcels via the post currently have one of two options, both of which also require HTS codes.

1. Apply the ad valorem duty to each shipment (the IEEPA tariff imposed on the country of origin).
2. Apply a specific duty based on the IEEPA tariff on the country of origin:
  - \$80 per item for countries with an effective IEEPA tariff of less than 16%
  - \$160 per item for countries with an effective IEEPA tariff between 16% and 25%
  - \$200 per item for countries with an effective IEEPA tariff above 25%

The specific duty option will cease to be available effective [February 28, 2026](#). From that date forward, international postal shipments must use the ad valorem methodology.

Eliminating the de minimis exemption for all countries with such little notice sent postal operators into a tailspin.



HOW AVALARA  
CAN HELP

With de minimis gone, every shipment needs full customs documentation – including accurate 10-digit HS/HTS codes. Avalara helps businesses classify products at scale, maintain audit-ready records, and stay compliant even as duty thresholds vanish.

[Explore Avalara Tariff Code Classification](#)



# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

## Postal agencies respond to demise of de minimis

Given little time to prepare to process low-value shipments, at least [88 postal operators](#) suspended some or all commercial shipments to the U.S. in advance of the August 29 deadline. Global postal shipments dropped 81% on August 29, compared to one week earlier, and only a handful of the operators had resumed service as of October 3. Five weeks after de minimis died, postal traffic to the U.S. was still down about [70%](#).

Craig Reed says Avalara is working with many members of the [Universal Postal Union](#), the postal sector’s primary forum for international cooperation, to help calculate and collect duties in-country, prior to shipment to the United States. “We’ve developed a variety of solutions to address a range of use cases, including online checkouts, app purchases, and countertop operations. These solutions ensure that the correct amount of duty is collected at the source and efficiently routed to the CBP for seamless customs clearance.”

The more streamlined compliance can get the better, especially since other countries are introducing postal fees or eliminating de minimis.

## New fees and tariffs on international ecommerce

The United States isn’t the only country to struggle under an avalanche of low-value international ecommerce parcels. And it’s not the only country doing something about it.

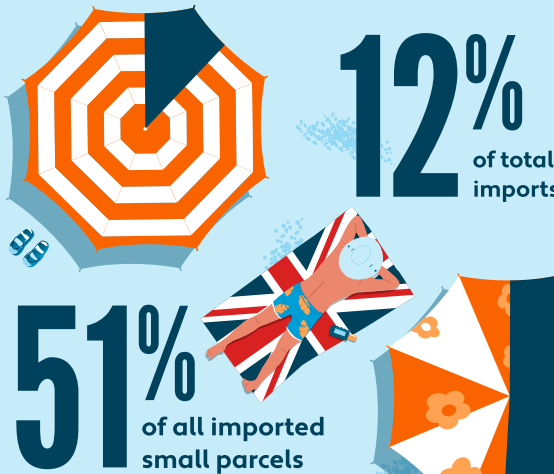
A total of [4.6 billion](#) items valued under €150 were imported into the European Union (EU) in 2024, amounting to roughly 12 million parcels each day. Approximately 91% of those shipments originated in China.

To help reduce such shipments, the European Commission considered placing a €2 handling fee on every low-value ecommerce parcel coming from a non-EU country starting in 2028. Some member states, including Belgium, France, and Romania, discussed introducing a national e-handling fee even sooner, by the end of 2025 or in 2026.

But instead of imposing a handling fee, the EU now plans to remove the duty exemption for low-value consignments altogether. In November, the EU Finance Ministers on Customs Reform agreed to [remove the €150 customs de minimis threshold](#) as soon as possible in 2026.

The [U.K. government](#) is likewise reviewing its current de minimis policy, which has a threshold of £135. Getting rid of it could result in an additional [£1 billion](#) in customs duties. HM Revenue and Customs recorded around [281,000 customs declarations for low-value imports](#) originating in China in 2024–2025, amounting to about 12% of the total shipments.

In 2024–25, low-value imports from China to the U.K. amounted to



Source: [BBC](#)

## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# How tariffs affect the bottom line

“The new U.S. tariffs are doing their job: CBP collected \$195 billion in [fiscal year 2025](#) (which ended September 30), compared to \$77 billion in [fiscal year 2024](#). According to the [Tax Foundation](#), Trump’s 2025 tariffs are the largest tax hike since 1993.

[Sales tax typically applies to tariffs](#) passed on to final consumers via higher prices or separate fees, so states may see a boost in sales tax collections as well. (Sales tax generally doesn’t apply when a consumer is the importer responsible for paying the tariff to customs, though the importer usually will owe use tax on the product sales price.)

The fixed costs incurred by classification, documentation, and the tariffs themselves affect the bottom line of all businesses. To mitigate the additional costs, many companies are looking to alter their supply chains, reduce company expenses, and/or increase prices.

Sourcing products from countries subject to lower rates of duties is an option, though there’s no guarantee a country with a low tariff today will have a low tariff tomorrow.

Misdeclaring products or their country of origin is not a good option. According to Alston Group, a licensed customs broker, CPB is closely scrutinizing import documents to ensure companies are accurately reporting the country of origin and merchandise value. It expects Department of Justice activity on trade to increase by [200%](#).

**CRAIG REED**

General Manager of  
Cross-Border at Avalara

“**2025 was an unprecedented year in international trade. Never before have we seen not only the number of tariff changes, but the speed at which they were implemented.**

The complexity of calculating tariffs, understanding product restrictions, and providing proper documentation to customs authorities has all increased dramatically, as has the level of enforcement by governments.

”

Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

“2025 was an unprecedented year in international trade” says Craig Reed. “Never before have we seen not only the number of tariff changes, but the speed at which they were implemented. The complexity of calculating tariffs, understanding product restrictions, and providing proper documentation to customs authorities has all increased dramatically, as has the level of enforcement by governments.”

Reed expects the turmoil to continue in 2026. “While it’s likely the U.S. will eventually slow its pace of tariff changes, there’s a chance the president will pursue punitive measures as world events attract his attention. Additionally, as more U.S. trade agreements are completed, we expect the rest of the world to actively pursue trade pacts with other countries or blocks of countries to mitigate the effects of the U.S. protectionist stance.”

Reed also expects other countries to reduce their de minimis levels or eliminate de minimis entirely. “Businesses will need to be prepared to continue to adapt their supply chains, and

that will require access to the right tools and information,” he explains. “Avalara can help businesses keep pace with the changes by ensuring they have the correct compliance information and decision-making solutions to both mitigate the impact of global tariff changes, and to take advantage of new trade flows as they become available.”

Businesses are encouraged to pay attention to regulatory and tax changes in the U.S., as it’s the country with the [largest economy in the world](#) when measured by nominal GDP. Yet global businesses are also advised to monitor what’s happening elsewhere in the world, particularly since many governments are demanding greater transparency and requiring real-time data for tax compliance.

So, let’s turn our attention to Europe.



HOW AVALARA  
CAN HELP

Avalara keeps pace with global trade regulations, so you don’t have to. When tariff rates, HS code requirements, or import rules change, our powerful engine updates automatically – applying the latest tax content directly to your workflows. That means fewer manual updates, less risk, and more confidence in every cross-border transaction.

[Explore Avalara Tariff Code Classification](#)

# What the numbers tell us about global tax compliance in 2026

## Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

The European VAT compliance gap was estimated to be

€89B

in 2022

Source: [European Commission](#)

VAT in the Digital Age (ViDA) is expected to help reduce VAT fraud by up to

€11B

per year over the next 10 years

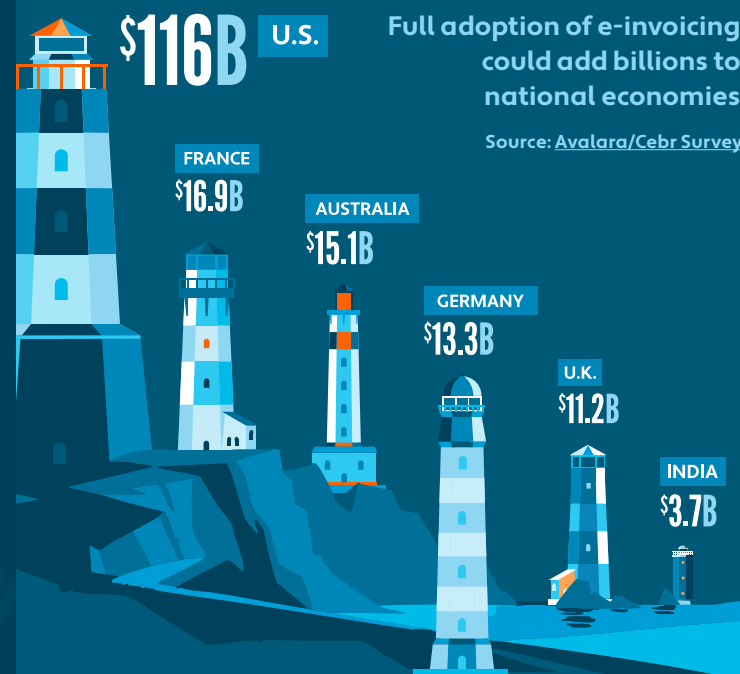
Source: [European Commission](#)

The global e-invoicing market size is forecast to reach

\$36.72B

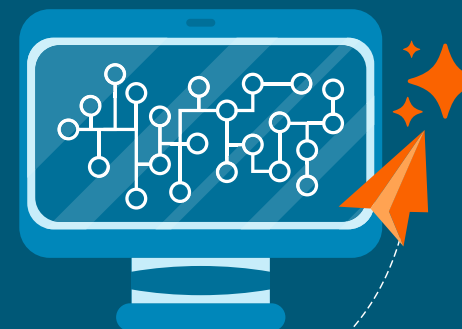
by 2032 at a CAGR of 25.4%

Source: [Data Bridge Market Research](#)



29

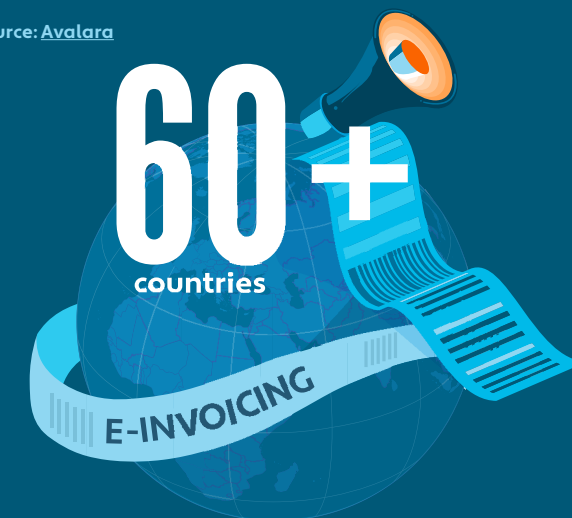
of the 38 OECD members reported using AI in tax administration in 2024



Source: [OECD](#)

Over 60 countries worldwide have announced – or already require – e-invoicing

Source: [Avalara](#)



## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# Europe since ViDA: What's changed after its March 2025 adoption?

**VAT in the Digital Age** (ViDA) is a European Union (EU) package of reforms designed to improve and digitalize tax authorities' administration of value-added tax (VAT), reduce fraud, and boost cross-border trade. Having passed its **remaining barriers** to coming into law, ViDA was adopted on March 11, 2025, and will be rolled out in stages until 2035.

Pillar 1 of ViDA is Digital Reporting Requirements (DRR) and e-invoicing.

DRR refers to the obligations imposed on businesses to electronically submit detailed transactional data (such as invoices, receipts, or accounting records) to tax authorities, often

in real time or near real time. This enables authorities to gain greater visibility into transactional data and helps them detect fraud.

E-invoicing, meanwhile, is the process of issuing, sending, and receiving invoices in a structured digital format, typically XML or UBL, that allows for automated processing by both the supplier's and buyer's systems. Unlike PDFs or paper invoices, e-invoices can be validated, transmitted, and archived electronically, often in real time and in compliance with government regulations.

Let's check in on how businesses have reacted and adapted to DRR and e-invoicing since the passing of ViDA.

## THE THREE CHANGES NEEDED TO MAKE VAT FIT FOR THE DIGITAL AGE

Source: [European Commission](#)



1

**A new real-time digital reporting system** based on e-invoicing

2

**Updated VAT rules** for the platform economy

3

**A single VAT registration** for businesses selling to consumers across the EU

Contents

- INTRODUCTION >
- HELLO, TARIFFS >
- TRADE DEALS >
- GOODBYE, DE MINIMIS >
- HOW TARIFFS AFFECT THE BOTTOM LINE >
- EUROPE SINCE VIDA >
- INTERNATIONAL TAX COMPLIANCE UPDATES IN 2026 >
- AI AND INTERNATIONAL TAX COMPLIANCE >

DRR and e-invoicing

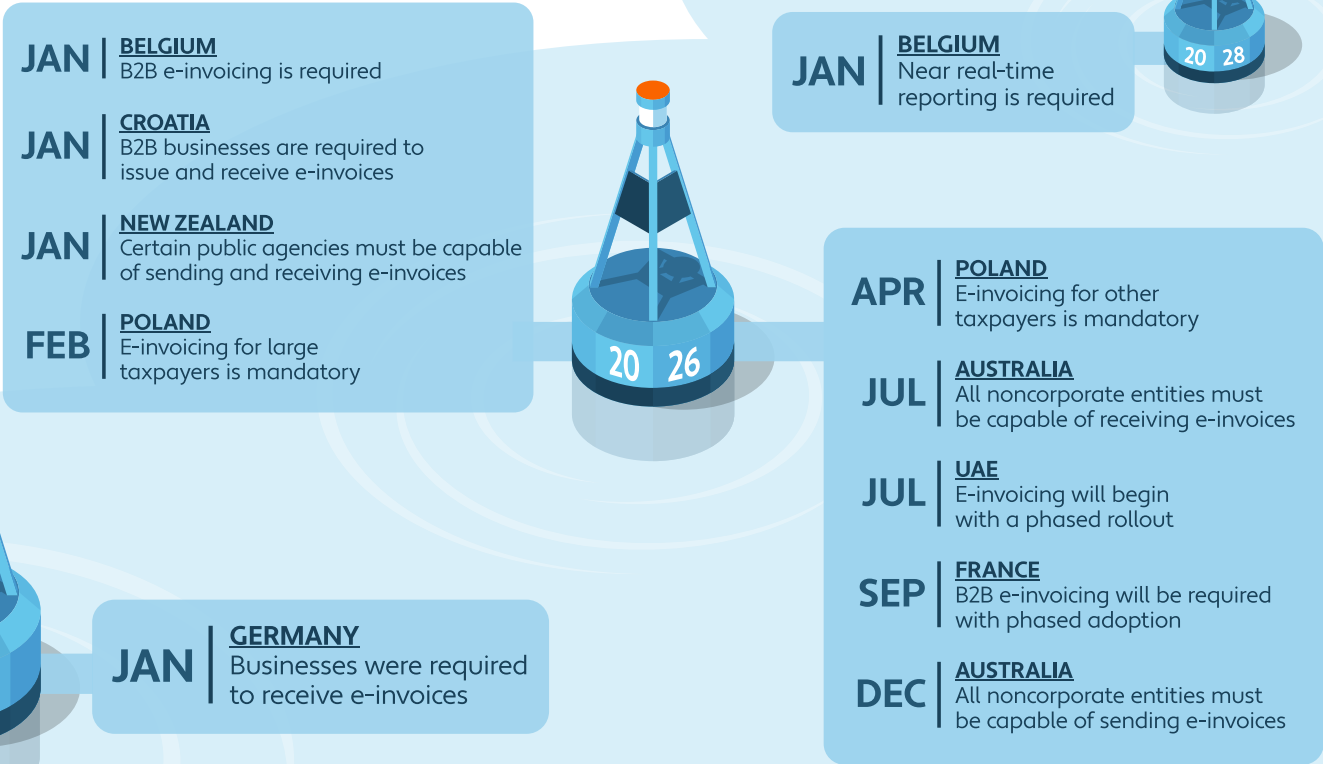
With the adoption of ViDA, businesses operating in all EU member states will have to make the transition to e-invoicing and near real-time reporting. PDF and other types of paper invoices will finally become a thing of the past.

Under prior EU rules, member states needed a derogation (a formal EU approval) before they could mandate domestic business-to-business (B2B) e-invoicing. With ViDA in place, that requirement has been removed – countries can now introduce mandatory e-invoicing for domestic transactions (for established taxpayers) without seeking EU approval.

Also, in many member states, the buyer had to expressly agree to receive an e-invoice (i.e., the buyer could reject structured electronic

formats). ViDA has removed this requirement – once domestic e-invoicing is mandated, buyers no longer have veto power over whether an e-invoice is accepted.

With administrative hurdles of derogation and consent removed, countries can mandate domestic B2B e-invoicing more freely – hence the surge in national go-lives. Here are some key examples.





Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

- **Australia:** As of July 1, 2026, all noncorporate Commonwealth entities must be capable of receiving e-invoices. By December 2026, they must also be capable of sending e-invoices.
- **Belgium:** B2B e-invoicing is required as of January 1, 2026, followed by near real-time reporting requirements in 2028.
- **Croatia:** A B2B mandate under public consultation and expected to take effect on January 1, 2026, would require VAT-registered businesses to issue and receive e-invoices for domestic B2B transactions.
- **France:** Nationwide B2B e-invoicing will be required starting September 1, 2026, with phased adoption.
- **Germany:** Businesses were required to receive e-invoices beginning January 1, 2025. The obligation to send e-invoices will be phased in through 2027–2028 using XRechnung, ZUGFeRD, and Peppol.
- **Poland:** Mandatory e-invoicing will commence February 1, 2026, for large taxpayers, and April 1, 2026, for other taxpayers.

- **UAE:** E-invoicing will begin with a phased rollout starting July 2026, initially covering B2B and B2G transactions.
- **New Zealand:** As of January 1, 2026, public agencies that issue or receive more than 2,000 domestic invoices annually must be capable of sending and receive e-invoices.

Under this DRR pillar of ViDA, from July 1, 2030, onward, structured e-invoices will become the default (and in many cases mandatory) method for intra-EU cross-border B2B and business-to-government (B2G) transactions.

That shift effectively phases out paper, unstructured PDF, or ad hoc invoice formats in cross-border trade – enforcing a unified, machine-readable standard (aligned with [EN 16931](#)) across all member states. Businesses operating in multiple EU countries will no longer need to manage different national e-invoice formats.

**Adoption of e-invoicing** is gaining strong momentum both where mandated and not yet mandated. According to a June 2025 survey of global businesses, 73% of respondents using manual invoices expect to make the shift to e-invoicing within the next five years.

While the EU’s intent is to drive harmonization, businesses have an opportunity to think more strategically about their tax compliance and the solutions they use to solve their challenges. Businesses might no longer see e-invoicing mandates as merely an imposed demand to convert their invoices into a digital format, but an opportunity to implement solutions that can be built into their ERP and business systems, as well as solutions that can scale.

MATT HAMMOND  
General Manager of  
E-Invoicing at Avalara

“ E-invoicing is no longer a passing trend – it’s a fundamental shift in how global businesses manage compliance.

Companies can no longer afford a patchwork of local solutions for each mandate.

”



# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

“E-invoicing is no longer a passing trend – it’s a fundamental shift in how global businesses manage compliance. Companies can no longer afford a patchwork of local solutions for each mandate,” says Matt Hammond, General Manager of E-Invoicing at Avalara. “The real opportunity lies in adopting a single, scalable approach that brings consistency, visibility, and efficiency across markets – exactly what the Avalara global e-invoicing solution is designed to deliver.”



## HOW AVALARA CAN HELP

As mandates under ViDA push structured e-invoices into the mainstream, Avalara E-Invoicing and Live Reporting helps you stay ahead. With one global API, prebuilt ERP connectors, and self-service mandate activation, you can issue, receive, and transmit compliant e-invoices across multiple countries – reducing risk and scaling seamlessly.

Explore Avalara E-Invoicing  
and Live Reporting

## Countdown to the Single VAT Registration has begun

Pillar 3 of ViDA is Single VAT Registration (SVR), which is set to go live on July 1, 2028. SVR is designed to streamline EU-wide VAT compliance by allowing businesses to fulfill their obligations through a single registration and a single portal in one member state. This reduces the need for multiple national VAT registrations, especially for businesses engaged in cross-border B2C sales, own-goods movements, and/or other newly in-scope transactions.

Part of this pillar is the expansion of [One-Stop Shop \(OSS\)](#). Starting January 1, 2027, OSS will expand to utilities (electricity, gas, heating, cooling), domestic supplies, installations, and on-board passenger transport. Optional OSS participation for platforms will begin in 2028, with mandatory inclusion by 2030.

Ahead of the 2028 rollout of SVR, businesses should begin building a transition plan – often called an SVR playbook – to evaluate where they currently hold VAT registrations across the EU and determine which can be consolidated into a single registration. Because not all VAT registrations can or should be cancelled at once, businesses also need to carefully plan their timing (sequencing deregistrations) to ensure operational continuity, fulfill final filing obligations, and avoid disrupting supply chains or invoicing processes.

## Single VAT Registration



## Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

## Marketplaces as “deemed suppliers”

Interestingly, Pillar 2 covers the platform economy and mandates that marketplaces become “deemed suppliers.” This means that for tax purposes, marketplaces are treated as if they themselves sold the goods or services, even though the actual seller could be a third party using the marketplace’s platform. The responsibility to collect, report, and remit VAT on certain transactions shifts from the seller to the marketplace. This approach mirrors marketplace facilitator laws in the U.S., where marketplaces are responsible for sales tax collection and remittance. In the EU, it typically applies to cross-border B2C sales, low-value goods, or services facilitated through platforms.

GEORGE TRANTAS

VP of Sales, Accelerators  
at Avalara

“In the U.S., the marketplaces decide how much of the international tax compliance burden they’ll take on.”

Since the removal of de minimis, marketplaces may now also take on import liability or serve as “importers of record” in markets such as the U.S. Platforms may enforce stricter compliance controls or restrict high-risk low-value traffic. Then again, they may not.

“In the U.S., the marketplaces decide how much of the international tax compliance burden they’ll take on,” explains George Trantas.

“[eBay](#) has the simplest model for cross-border shipments; they do everything for sellers and take on all the risk. Other marketplaces have been slow to adopt this model.”

Businesses or existing users of marketplaces may opt for platforms that support Delivery Duty Paid rules to collect import duties/taxes at checkout and offer pricing models (such as dynamic pricing) that encompass shipping and customs costs.

Both ViDA and the U.S. removal of de minimis suggest a global trend toward using platforms as tax collectors. So, while the EU’s ViDA and U.S. de minimis changes operate independently, they reflect the same policy trajectory: making digital platforms intermediaries in tax collection, especially for cross-border and ecommerce sales.

## AI and marketplaces

As tax obligations shift from individual sellers to platforms, marketplaces are under increasing pressure to determine and remit tax on behalf of their sellers. AI-powered tax engines are critical here, dynamically calculating tax based on customer location, product type, and order details.

The recent removal of de minimis thresholds in the U.S. – and potentially other global regions – has made tax and customs compliance even more granular. Every low-value shipment may now require precise duty and tax calculation – something not scalable through manual processes. AI can help marketplaces fill this gap by enabling per-parcel tax compliance at scale; real-time classification of goods; calculation of VAT, sales tax, and duties; and automated communication with customs and tax platforms.

As tax authorities tighten controls over cross-border ecommerce, AI will become even more critical – not just for compliance, but for maintaining profitability and operational efficiency in high-volume global trade.

Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

Brazilian tax reform:  
Preparing for a  
dual system in 2026

Brazil is undergoing major tax reform

designed to simplify its complex indirect tax system. The country is transitioning from a fragmented structure comprising of federal, state, and municipal taxes to a unified model. The goal is to reduce compliance burdens, improve transparency, and boost economic competitiveness. This reform marks one of the most significant overhauls of Brazil's tax code in decades and will impact virtually every business operating in or selling into the country.

At the heart of the reform is the replacement of multiple overlapping taxes with two new value-added taxes: a federal Contributions of Goods and Services (CBS) tax, and the state/ municipal Tax on Goods and Services (IBS).

These new taxes will eventually consolidate several existing levies, including the Social Integration Program (PIS), the Contribution for the Financing of Social Security (COFINS), the Tax on Circulation of Goods and Services (ICMS), and the Municipal Service Tax (ISS). The goal is to create a consumption-based system with clearer rules, fewer exemptions, and improved credit recovery.

The changes should theoretically lead to more predictable tax treatment and reduce the cascading tax effects – where taxes are levied on top of other taxes at multiple stages of the supply chain, without full credit or offset for the tax paid at earlier stages – that have long plagued Brazilian commerce.

The transition to the new regime will begin in 2026 and continue through 2032. During this time, businesses will need to be capable of operating in *both* the old and new tax systems. This dual compliance requirement will introduce complexity in the short term, particularly for companies with high volumes of transactions or diverse supply chains. Businesses will need to manage parallel tax calculations, reporting requirements, and invoice formats while the new system is phased in and legacy taxes are gradually retired.

This transition period will require updates to tax engines, invoicing systems, and ERP platforms. Businesses will need tools that can calculate and report taxes accurately under both frameworks, as well as staff or service providers who understand the evolving compliance landscape.

## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

## China's 2026 VAT reform: Toward national consistency and global alignment

### China is set to overhaul its VAT system

by consolidating it into a single, comprehensive law beginning January 1, 2026. VAT enforcement is currently carried out through local tax bureaus, leading to differences in interpretation of VAT regulations and administrative procedures. The move is part of China's efforts to improve consistency across jurisdictions, attract foreign investment with a more predictable tax environment, and align more closely with global norms.

Under the new law, the existing three-tier rate structure will remain:

- 13% for general goods and imports
- 9% for essential services like transportation, postal, and utilities
- 6% for modern service sectors, such as finance, IT, and consulting

Under China's new law, the existing three-tier VAT rate structure will remain:

**13%** for general goods and imports



**9%** for essential services like transportation, postal, and utilities



**6%** for modern service sectors, such as finance, IT, and consulting



Contents

- INTRODUCTION >
- HELLO, TARIFFS >
- TRADE DEALS >
- GOODBYE, DE MINIMIS >
- HOW TARIFFS AFFECT THE BOTTOM LINE >
- EUROPE SINCE VIDA >

INTERNATIONAL TAX COMPLIANCE UPDATES IN 2026 >

AI AND INTERNATIONAL TAX COMPLIANCE >

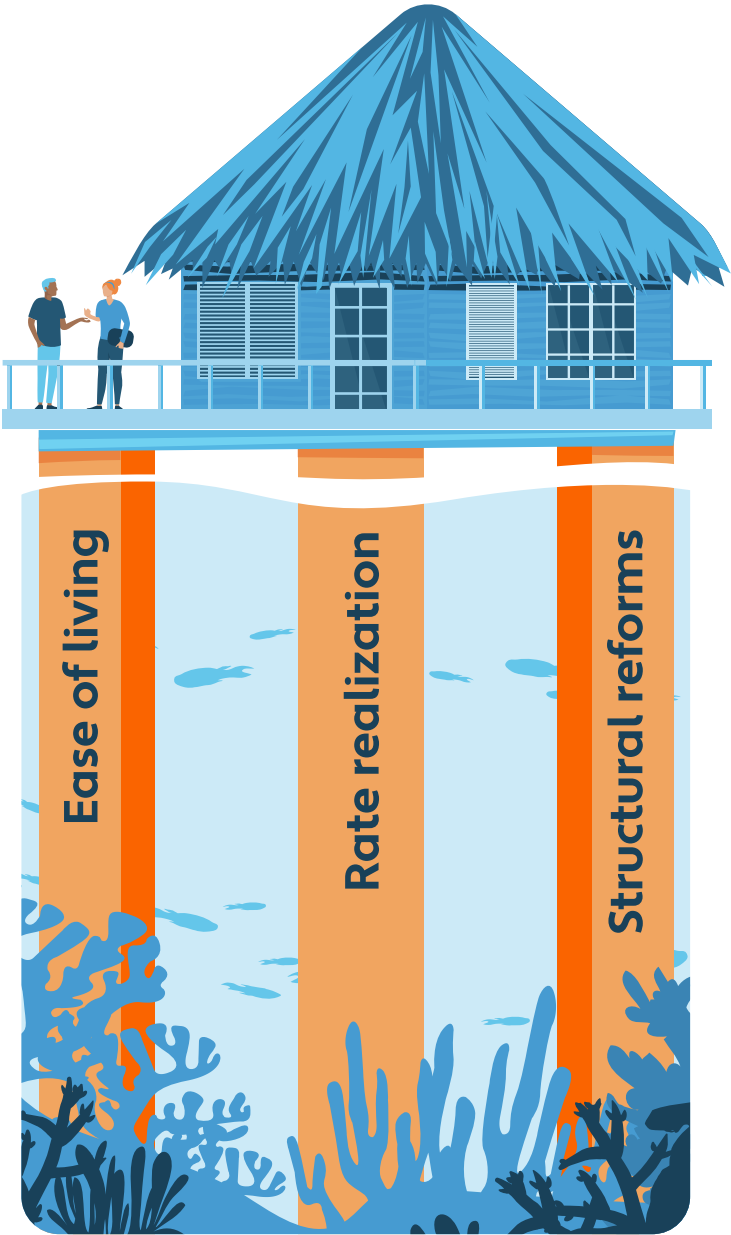
The simplified tax levy rate for small-scale taxpayers will be unified at 3%, eliminating the previous 5% rate. Meanwhile, existing rules will become enforceable law, enhancing taxpayer protection and creating administrative uniformity across the country’s regions. Taxable activities will become more clearly defined, including the sale of goods, provision of services, transfer of intangible assets, importation of goods, cross-border sales, and digital transactions.

In light of China’s new, codified VAT framework, cross-border service providers, exporters, and digital platforms should assess how their operations comply with the overhaul.

Given the emphasis of *administration* in China’s VAT reforms, plus China’s heavy investment in digital tax-invoicing and digital transaction logs in recent years, it’s a fairly safe assumption the Chinese State Tax Administration (STA) will leverage AI-driven data analytics to identify noncompliance under the new VAT system.

India’s shifting GST landscape: Evolution in the digital age

India is in the midst of a significant transformation of its Goods and Services Tax (GST) system, aimed at enhancing transparency, easing compliance, and strengthening revenue collection. Since its launch in July 2017, India’s GST regime replaced a patchwork of indirect taxes across central and state governments, establishing a more unified national tax structure. However, challenges remain, particularly around complex reporting, compliance costs, and fraud prevention. The ongoing reforms are intended to address these pain points while modernizing the system for the digital age.



The three pillars of India’s GST reforms

Source: [Fortune India](#)

# Contents

INTRODUCTION >

HELLO, TARIFFS >

TRADE DEALS >

GOODBYE,  
DE MINIMIS >

HOW TARIFFS AFFECT  
THE BOTTOM LINE >

EUROPE SINCE VIDA >

INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >

AI AND INTERNATIONAL  
TAX COMPLIANCE >

In addition to lowering tax rates on essential items, a major element of this transformation is the 2025 rollout of [e-invoicing and e-way bill integration](#), which require businesses above certain revenue thresholds to generate invoices in real time through a government portal. These measures not only enable more accurate and automated tax reporting but also help reduce invoice fraud and input tax credit misuse. As thresholds gradually lower, more small and medium-sized businesses are being brought into the fold, pushing digitalization deeper into India’s commercial ecosystem.

In parallel, India is advancing efforts to simplify GST return filings. Instead of multiple, layered forms, the government is moving toward a consolidated system that autopopulates data across forms and invoices. Along with enhanced data analytics and real-time matching, these changes aim to reduce filing errors, ease the reconciliation process, and enable faster refunds – improving overall taxpayer experience.

These reforms are also designed to improve tax compliance and enforcement, a key concern for the government as it works to expand the formal economy. Authorities are increasingly using AI-driven tools and data intelligence to identify mismatches, flag suspicious patterns, and trigger audits. This proactive approach places greater onus on businesses to maintain clean, consistent, and real-time reporting across their systems – mirroring a broader global shift toward AI-powered tax administration.



## INDIA SIMPLIFIES GST FILING



### HOW AVALARA CAN HELP

Global VAT and GST reform is increasing the complexity of cross-border trade. Avalara AvaTax Cross-Border unifies customs duties, import taxes, VAT/GST, and sales tax into one platform – giving you real-time calculations at checkout, simplified compliance across jurisdictions, and a seamless customer experience.

[Explore Avalara AvaTax Cross-Border](#)



## Contents

[INTRODUCTION >](#)

[HELLO, TARIFFS >](#)

[TRADE DEALS >](#)

[GOODBYE,  
DE MINIMIS >](#)

[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)

[EUROPE SINCE VIDA >](#)

[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)

[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# Artificial intelligence and international tax compliance

As global compliance demands rise, businesses may increasingly turn to automated solutions to navigate cross-border compliance efficiently – particularly those solutions with AI-driven tools. These functions can support efforts to scale, despite shifting compliance obligations.

At the same time, regulations like the [EU AI Act](#), the world's first comprehensive law regulating artificial intelligence, are beginning to shape how AI is developed and deployed across jurisdictions. The act aims to ensure AI systems used in the EU are safe, transparent, and respectful of fundamental rights, while promoting innovation. By establishing risk-based standards, the law also creates greater certainty for international businesses looking to deploy AI-powered solutions across borders.

Tax systems worldwide are becoming more digital, more data-driven, and more demanding. As businesses scramble to keep up with tariff shifts, the end of de minimis, e-invoicing mandates, and more, it's clear: Automation is

no longer just about efficiency. It's the baseline for staying competitive and growing globally.

If you're reading this report, you probably have a hand in keeping one or more businesses tax compliant. You know how difficult it can be to stay on top of changing requirements, much less fulfill them. You do your best.

Avalara has been helping businesses manage tax compliance for more than 20 years. Our newest innovation, Agentic Tax and Compliance™, is further simplifying complex and labor-intensive workflows for our customers. [Learn how Avalara is taking tax compliance automation to the next level.](#)

## EXAMPLES OF THE EU AI ACT'S FOUR RISK CATEGORIES

**Unacceptable risk**  
e.g., social scoring

**High risk**  
e.g., AI-based safety components of products

**Limited risk**  
e.g., AI systems with specific transparency obligations

**Minimal risk**  
e.g., AI-enabled video games or spam filters

Source: [EU AI Act](#)



## Contents

[INTRODUCTION >](#)[HELLO, TARIFFS >](#)[TRADE DEALS >](#)[GOODBYE,  
DE MINIMIS >](#)[HOW TARIFFS AFFECT  
THE BOTTOM LINE >](#)[EUROPE SINCE VIDA >](#)[INTERNATIONAL  
TAX COMPLIANCE  
UPDATES IN 2026 >](#)[AI AND INTERNATIONAL  
TAX COMPLIANCE >](#)

# Looking ahead

It's impossible to cover every tax change in one report, so we aimed to spotlight the biggest headlines affecting the tax landscape and your business. Leading tax experts take a deeper dive into some of the most pressing issues affecting tax compliance in our 2026 tax changes webinar.

[WATCH WEBINAR](#)

For more resources:

Stop by the Avalara Tax Desk for breaking tax news

[READ THE BLOG](#)

Check out the Avalara resource center for extensive tax compliance content

[DISCOVER MORE](#)

Read about VAT changes in the EU and U.K.

[LEARN THE LATEST](#)

Learn how tax changes may affect your tax obligations

[KNOW YOUR NEXUS](#)