

# Tax & Fiscal Alert

October, 2014

## Tax news of Ukraine

*On July 31, 2014 the Parliament of Ukraine adopted the Law of Ukraine No.1621-VII "On Amending the Tax Code of Ukraine and Certain Other Legislative Acts of Ukraine". Among other changes the Law introduces military tax, electronic system for VAT administration and notably changes the procedure for VAT refund.*

### Value-added tax

The regulation concerning the date of accrual of right to tax credit when the services are provided by non-residents in the customs territory of Ukraine has been amended. From January 1, 2015 the right to tax credit under such transactions will arise on the date of VAT invoice for transactions provided that it is registered in the Unified Register of Tax invoices. In this case, such a tax invoice can be deemed as ground to include the specified VAT amounts into tax credit, if it is registered in the Unified Register of Tax invoices. Now this right arises on the date of VAT payment (accrual) under tax liabilities included by the services recipient into the tax return of the previous period.

The Law of Ukraine from 31.07.2014 №1621-VII "On Amending the Tax Code of Ukraine and certain other legislative acts of Ukraine" introduced several amendments to Section V «Value Added Tax" that are coming into effect from 01.01.2015. Therefore, from 01.01.2015 all tax invoices (regardless of the VAT amount in a tax invoice) are subject to registration in the Unified Register of Tax invoices in soft form (p.11 subdivision 2 of section XX of the Tax Code of Ukraine is amended correspondently).

### Individual income tax

Such income as wages, bonuses and benefits or other payments and allowances being paid (provided) to the object of taxation is a military tax, to the payer under employment relationship is the subject to military tax. The Government of Ukraine suggests not to cancel military tax till January 1, 2016 as detailed in the draft law №5079, registered in the Verkhovna Rada. The Cabinet also proposes to increase the rate of obligatory state pension insurance duty to 2% on from operations of foreign currency purchase.

As it was published earlier, on July 31, 2014 the Parliament of Ukraine agree with the proposal of the Cabinet of Ministers to introduce temporary, till January 1, 2015, national 1.5% military tax.

### Control and liability

Tax officials believe that the rule of "conflict of interests" specified in 56.21 of the Tax Code of Ukraine shall be applied only when appeal against decisions of the regulatory authorities.

It is to be recalled that according to the paragraph 56.21 of the Tax Code of Ukraine when the norm of this Code or other regulatory act issued on the basis thereof, or when provisions of different laws or different regulatory acts or provisions of the same act are inconsistent with each other and allow ambiguous interpretation of the rights and duties of taxpayers or regulatory authorities, whereupon there is possible to decide in favor of taxpayer as well

as the regulatory authority, the decision shall be made in favor of taxpayer.

It should seem that this rule should protect taxpayer under any circumstances. However, the tax authorities believe that as this rule is enshrined in the provisions of the Tax Code of Ukraine, which regulate the procedure for appealing decisions of the tax authorities, then under any other circumstances it shall not be applied. As for the principle of presumption of legality of the taxpayer's decision as set out in paragraph 4.1.4 of the Tax Code, it does not have the independent value and shall be implemented through the same paragraph 56.21 of the Tax Code.

### Contact

**Oksana Dzuienko**

Junior accountant

[Oksana.Dzuienko@accace.com](mailto:Oksana.Dzuienko@accace.com)

[www.accace.com](http://www.accace.com)

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