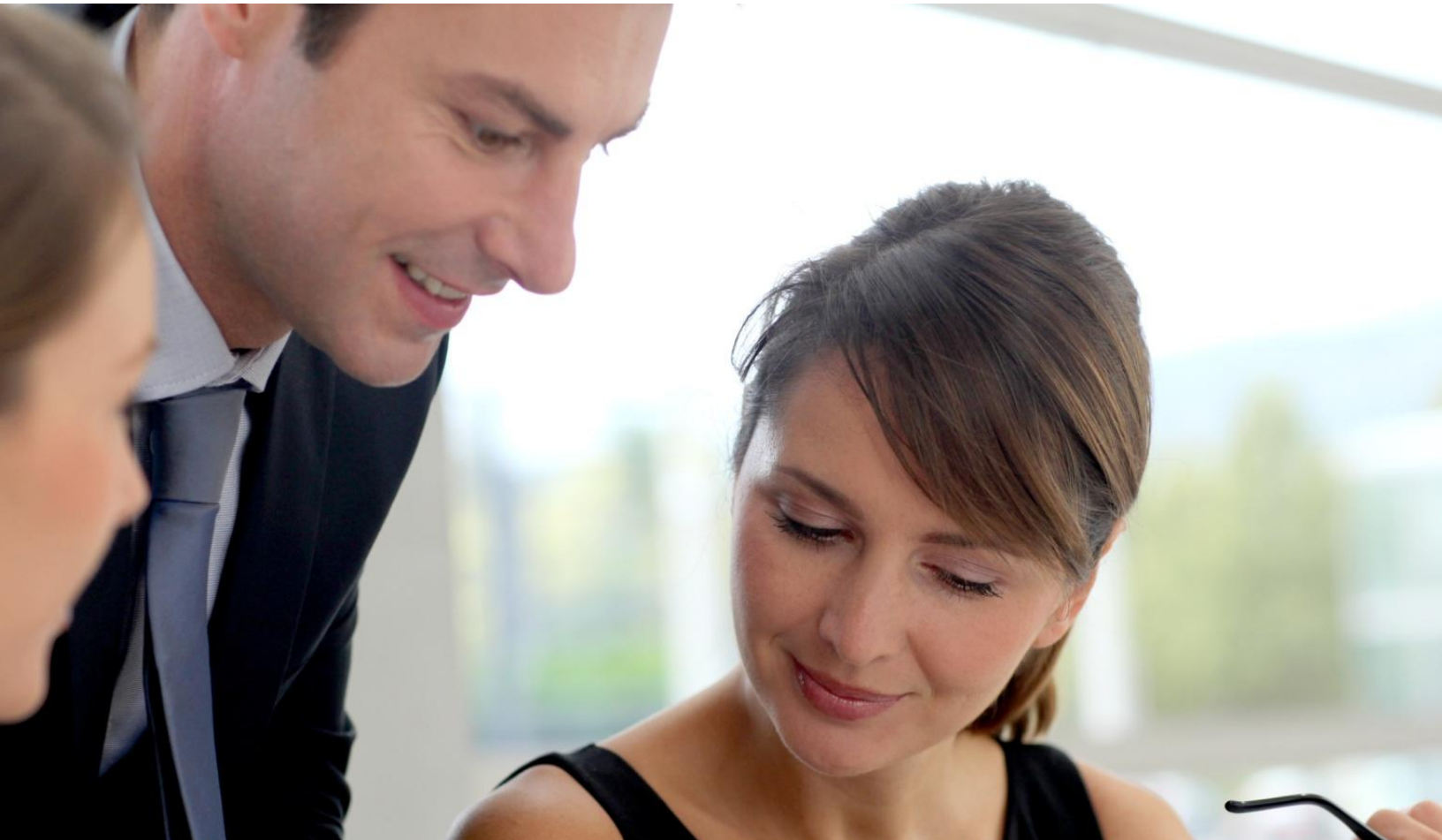


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# **News Flash**

**January, 2015**



**New electronic system for VAT  
administration in Ukraine**

## Starting February 2015 Ukraine introduces a new system for electronic administration of VAT

### Electronic tax invoices

Electronic VAT administration provides abolition of paper tax invoices. From January 1, 2015 the registration of tax invoices will be implemented only in electronic form, and all tax invoices should be recorded in the Unified Register of Tax Invoices (URTI). Registration is required even for tax invoices issued for operations on import of services from non-resident to the place of delivery in the customs territory of Ukraine. The changes to the Tax Code of Ukraine provide penalties for late registration of tax invoices. The period from February 1 to July 1, 2015 is the transition period for registration of tax invoices.

### Opening of special VAT accounts

To introduce the new electronic system for VAT administration all VAT payers got automatically opened special VAT accounts in the State Treasury of Ukraine. The data on such accounts will be kept in the State Fiscal Service of Ukraine where tax payer can receive information about the balance of his electronic account as well as the amount of tax to which he has the right to register tax invoices.

### Mandatory registration of tax invoices

If the VAT amount of incoming invoices is not enough to register outgoing tax invoices, the tax payer shall add money to his VAT account via transferring funds from current bank account.

If the tax payer's contractor failed to register tax invoice, the tax payer will have to settle

tax liabilities as he cannot use tax credit without registered tax invoice even when transferring money to the provider.

### VAT refund and carry-forward

If VAT amount indicated in the received by tax payer tax invoices and customs cargo declarations for import exceeds the amount of accrued tax liabilities VAT goes to be of negative value. From February 1, 2015 negative value of VAT can be recognized either as tax credit of future period (as it was till 2015) without tax audit or claimed as VAT refund and paid after the tax authorities approve refund.

Accumulated as of 31.01.2015 negative value of VAT in the system of State Fiscal Service of Ukraine will be considered via increase of VAT amount which taxpayer has the right to use for registration of VAT invoices/calculation of adjustments to VAT invoices registered in the Unified Register of Tax Invoices increasing tax credit to the corresponding amount in the reporting period when such increase took place.

After the VAT refund sum is declared it will be impossible to use this amount for issuing tax invoices in the future.

### Fiscal authorities' inspections

In case of any violation tax authorities can in their sole discretion before the results of tax audit define the tax amount to be paid and collect it from the taxpayer's account. When correcting the errors additionally charged tax liability and related to it penalties and sanctions shall be settled by the taxpayer via money from his current account but not

from electronic VAT account. Penalties and additional charges based on inspection results shall also be covered by the funds from current account.

If the certificate of tax payer is cancelled the funds will be automatically and irrevocably written off from the VAT account and transferred to the budget even if there is no budget debt.

Thus, the Law in fact provides settlement of VAT liabilities through advance payment i.e. tax invoices can be issued only if there is enough money on special VAT account in the Treasury Service. As a result, at first electronic VAT accounts can accumulate VAT amounts which will be temporally withdrawn from circulation. Moreover, the

State Treasury will not accrue interests on remaining VAT balance and as a result money on these accounts will be simply frozen for taxpayers and the state will be able to use them for free.

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