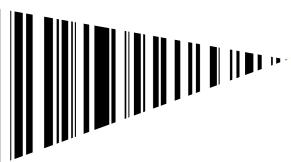
Newsletter



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Tax and Legal Newsletter

State Fiscal Service of Ukraine clarifies certain issues regarding VAT treatment of transactions involving AR Crimea

The State Fiscal Service of Ukraine ("the SFS") has clarified certain issues of VAT treatment in light of the application of the Law of Ukraine No.1636 "On Establishment of the Crimea Free Economic Zone and On the Specifics of Carrying on Business in the Temporarily Occupied Territory of Ukraine" dated 12 August 2014 (the "Law on Crimea FEZ") in its letter of 3 December 2014.

The SFS has outlined that supplies of goods/services for which the Crimea Free Economic Zone ("Crimea FEZ") is the place of supply are not subject to VAT since this territory is considered outside the customs territory of Ukraine. Neither tax liabilities nor tax credit should arise from such supplies.

Transactions involving transfer of goods into the territory of the Crimea FEZ from other Ukrainian territories are deemed as export transactions attracting 0% VAT. Transfer of goods from the Crimea FEZ into other territory of Ukraine is treated as import transaction and is subject to 20% / 7% VAT in accordance with Tax Code of Ukraine provisions.

Importantly, the SFS has clarified which documents can substantiate the taxpayer's eligibility for VAT exemption for certain import transactions.

Import of goods from the Crimea FEZ into other territory of Ukraine if the goods were manufactured or sufficiently processed in the customs territory of Ukraine or imported prior to 27 April 2014

As per the Law on the Crimea FEZ, a temporary (until 1 January 2015) VAT exemption is available for transfer of goods into other territories of Ukraine provided that the goods were manufactured or were sufficiently processed or imported into the customs territory of Ukraine and released into free circulation in the temporarily occupied territory, if such goods were accounted on a company's books prior to 27 April 2014.



To confirm eligibility for privileged tax treatment a taxpayer may submit to the customs office documents that prove that the stock in question is recorded on the books as of 27 April 2014, e.g.:

- balance sheet or other financial reports dated 1 January 2014;
- inventory sheet as of any date prior to 27 April
- customs declaration prepared prior to 27 April 2014;
- primary documents confirming the purchase (manufacture) of goods prior to 27 April 2014.

Moving tangible assets from the Crimea FEZ to other territories of Ukraine

The full tax exemption regime can be also granted to legal entities that relocate their place of business from the temporarily occupied territory (the Crimea FEZ) to other territories of Ukraine and remove fixed assets and low-cost consumable supplies to be further used in business activities in other territories of Ukraine.

As per the SFS clarifications, the right to apply tax exemption in this case may be confirmed by the following documents:

- corporate income tax return for 2013;
- balance sheet or other financial reports as of 1 January 2014;
- inventory sheet as of any date prior to 27 April 2014;
- customs declaration prepared prior to 27 April 2014;
- primary documents confirming the purchase (manufacture) of goods prior to 27 April 2014.

We would like to remind you that according to the Law on the Crimea FEZ persons residing in, or registered with the controlling authorities of, the AR Crimea or the city of Sevastopol have had their VAT registration annulled as of 1 June 2014. Such persons are not eligible to prepare tax invoices and do not submit tax reporting.

We will continue monitoring developments and will inform you on further changes in tax legislation.



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