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## Indirect Tax News

### VAT clarifications

The State Fiscal Service of Ukraine has issued Letter No. 5292/7/99-99-19-03-02-17 dated 17 February 2015. The letter clarifies certain issues relating to registration of VAT invoices/corrections in the Unified Register. Key highlights follow below.

#### 1. Services from non-residents (where place of supply is in Ukraine)

From 1 January 2015 the Ukrainian recipient of services can credit input VAT in the same reporting period when the VAT invoice is issued and registered in the Unified Register and VAT liabilities are recognized.

In January 2015 a VAT amount below UAH 10k is creditable regardless of whether the underlying VAT invoice is registered in the Unified Register or not.

#### *Important note*

From February 2015 "small" VAT invoices require registration. Otherwise VAT credit will be lost.

#### 2. Impossibility of crediting VAT under the complaint procedure

The provision allowing the customer to credit input VAT on the basis of a written complaint to the tax authorities (where supplier refuses to issue a VAT invoice) has been cancelled on 1 January 2015.

Consequently, the last reporting period when taxpayers could credit VAT based on complaints was December 2014.

#### *Important note*

From 2015 it will not be possible to credit VAT under the complaint procedure for transactions that took place in 2014 onwards.

### **3. Crediting VAT based on VAT invoices with late registration**

VAT on duly registered VAT invoices is creditable in the reporting period when the VAT invoice is issued.

If the VAT invoice is not registered on time, input VAT is creditable when the VAT invoice is registered in the Unified Register. Such registration must be performed within a maximum 180 days after the issue of the VAT invoice. Otherwise input VAT will be lost.

#### *Important note*

Large fines for late registration of VAT invoices should stimulate suppliers to issue VAT invoices on time. We recommend establishing a monitoring system for receipt of duly registered incoming VAT invoices.

### **4. VAT credit based on "old" VAT invoices**

From 1 January 2015 VAT payers are no longer entitled to credit VAT within the maximum 365 calendar days after issuance of VAT invoices.

Still, VAT payers can credit VAT based on "old" VAT invoices (those issued from 2014 to 2015) using adjustment calculations to VAT returns for the relevant reporting periods. This procedure will apply to "old" VAT invoices issued in paper form or electronically, registered or not (if the rules allowed for non-registration at that time).

#### *Important note*

We recommend assessing the availability of "old" invoices and implementing an action plan for utilizing input VAT.

### **5. Register of documents that entitle a party to VAT credit**

As before, buyers may credit input VAT on travel tickets, hotel invoices, cash receipts, and suppliers' VAT invoices. But since 1 January 2015 VAT payers must maintain a register of such documents. For that they can use the VAT invoice register format approved by Order of the Ministry of Finance No. 958 dated 22 September 2014.

It is not mandatory to account for outgoing/incoming VAT invoices in this register, but VAT payers can elect to do so voluntarily.

The register of documents and/or outgoing/incoming VAT invoices does not need to be filed with the tax authorities.

#### *Important note*

Whereas a register of documents is mandatory, it would still be prudent to consider maintaining a register of VAT invoices for proper numbering and issue history purposes (although this is not mandatory under the law).

### **6. Adjustments issued after 2015 to VAT invoices issued before 2015**

VAT invoices with VAT up to UAH 10k and adjustments to such VAT invoices do not need to be registered in the Unified Register.

If VAT exceeded UAH 10k as a result of adjustment, then both the VAT invoice and the adjustments must be registered in the Unified Register. The VAT invoice should be registered first, and adjustment after it.

Adjustments and VAT invoices liable for registration in the Unified Register must be registered by the supplier regardless of whether the transaction value increased or decreased as a result of adjustment.

#### *Important note*

We recommend detecting cases such as the above and, where necessary, implementing an action plan for proper registration.

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We will continue to monitor developments and will be happy to discuss with you any questions you may have.

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