

## Tax Compromise Introduced

On 17 January 2015 the Law of Ukraine No. 63-VII «On Changes to the Tax Code of Ukraine in Respect of the Procedure for Adjustment of Corporate Income Tax and VAT Liabilities by Way of Tax Compromise» came into force.

### Conditions for application

The Law specifies conditions for taxpayers and their officials to be released from liability for understating tax obligations under corporate income tax and/or VAT. Tax compromise applies to transactions effected before 1 April 2014.

The main principle of tax compromise is submission of adjusted reports on tax liabilities under corporate income tax and VAT. It is worth noting that such adjustment is not taken into consideration when determining the amount of tax liabilities of the taxpayer's counterparty.

Under the procedure of tax compromise, the taxpayer pays 5% of the reported understated tax liabilities, whereas the remaining 95% of understated tax liabilities are deemed to be settled. In addition, the taxpayer is relieved from any fines and penalties.

If the taxpayer submits an adjusted report for periods when no documentary check was conducted, this might be a ground for an unplanned check. Documentary unplanned check is conducted only in relation to the issues in connection with the expenditures that are taken into consideration when determining the corporate income taxable object or overstated tax credit amounts of VAT under the procedure for reaching the tax compromise.

In case the taxpayer initiates administrative or judicial appeal against the tax decision-notification issued by the controlling authority on the basis of a documentary unplanned check, the tax compromise is not applicable.

The tax compromise is deemed to be reached after the taxpayer has paid all its approved tax liabilities.

### Terms

The Law provides for 70 calendar days following submission of the adjusted report in order to reach the tax compromise.

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The taxpayers are entitled to initiate the tax compromise procedure within 90 calendar days following enactment of the Law. Thus, the deadline for initiation of the tax compromise is 16 April 2015.

### **Release from liability**

The taxpayers' officials are relieved from administrative and criminal liability for understatement of tax liabilities, provided the tax compromise is reached.