

Electronic administration of VAT

From 1 January 2015 amendments to the Tax Code of Ukraine, introduced by, inter alia, the Law No. 71-VIII dated 28 December 2014, became effective. Among them particular attention should be given to establishment of the Unified Register of Tax Invoices and the procedure of automatic VAT refund.

Electronic registration of tax invoices

Starting from 1 February 2015 all tax invoices shall be submitted exclusively in an electronic form. In addition, such tax invoices shall be signed with the electronic digital signature of the taxpayer's official, which is the equivalent of a seal.

All tax invoices shall be registered in the Unified Register of Tax Invoices. The term for registration in the Unified Register of Tax Invoices is 15 calendar days after issuance of the invoice.

Failure to timely register tax invoices results in fines in the following amounts:

- 10% of VAT in case of delay of up to 15 calendar days;
- 20% of VAT in case of delay of 16 to 30 calendar days;
- 30% of VAT in case of delay of 31 to 60 calendar days;
- 40% of VAT in case of delay of 61 to 180 calendar days;
- 50% of VAT in case of delay of more than 180 calendar days.

From 1 February to 30 June 2015 the electronic administration will work in a test mode. During duration of this mode no fines of 10% of VAT will be imposed.

Electronic administration of VAT

For functioning of the system a so-called electronic account in the electronic administration system is opened to each taxpayer. Such electronic account is opened automatically with the State Treasury Service of Ukraine on a cost-free basis.

After changes brought by the Law dated 28 December 2014, the VAT electronic administration system is introduced in stages:

- from 1 January to 30 June 2015 – in a test mode;
- from 1 July 2015 – on a permanent basis.

As of 1 January 2015 the VAT taxpayers' account balance amounts to UAH 0 (zero), which means that the state is nullifying its legal relationships regarding VAT payment with the entrepreneurs. In addition, it worth noting that the sum for which a VAT taxpayer is entitled to issue a tax invoice will be calculated in accordance with the formula specified in the Law. In the event such sum is less than the amount of a tax invoice, a legal entity should refill its VAT account.

From the VAT accounts the tax will be transferred to the state budget based on the declared data. Such amounts will be automatically deducted from the

taxpayers' personal VAT accounts. The system will automatically calculate the amount of tax liabilities and sums for issuing a tax invoice.

Automatic VAT refund

Also, the taxpayers will be able to receive an automatic budget VAT refund.

Under the law, there are no provisions regarding a non-automatic VAT refund. Thus, from 1 January 2015 a budget VAT refund is only possible for those who are entitled to an automatic budget refund.

Persons, who are entitled to an automatic budget VAT refund, must simultaneously meet the following criteria:

- not be involved in the judicial insolvency procedure;
- no entries regarding absence of data confirmation, absence at the registered address, decisions on split-up or termination of legal entity are found in the Unified Register of Legal Entities and Individual Entrepreneurs;
- absence of the tax debt;
- be in possession of non-current assets with the remaining balance value of in three times more than the amount of tax claimed for refund at the reporting date, or be in receipt a bank guarantee (list of the banking institutions is approved by the Cabinet of Ministers of Ukraine) for a period of one year;
- for exporters: the overall volume of export transactions within last 12 months is not less than 40% of overall volume of transactions;
- for investors: investment in non-current assets within last 12 months amounts to not less than UAH 3 million.

In addition, the Law amended the financial threshold of registration for VAT taxpayers. Thus, for registration as a VAT taxpayer the volume of taxable transactions within last 12 months should exceed UAH 1 million, which is significantly more than the rates in effect prior to 1 January 2015 (UAH 300,000).