

Cabinet attempts to restrict VAT credit and promises mass tax audits

International Tax Review, September Issue, 2009

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In July 2009, the Cabinet of Ministers passed Order No. №757-p of 1 July, and Order No.838-p of 17 July, both dealing with VAT administration. These Orders restrict VAT credit for past periods and limit the right to adjust VAT returns to two months only. An adjustment to a VAT return exceeding 10% total VAT liabilities or VAT credit for a reporting month may be grounds for an off-schedule tax audit in the next month.

Order No. 757-p also threatens to cancel VAT registration for VAT invoices issued without reporting VAT liabilities if the understatement exceeds UAH 300,000 (app. EUR 28,000).

The Orders overtly contradict the VAT Law and other tax laws, and the authority of the government to issue such Orders is questionable. The business community is protesting this blatantly unlawful attempt.

Accelerated tax depreciation ruled unconstitutional

On 14 July 2009, the Constitutional Court of Ukraine ruled unconstitutional Law of Ukraine № 694-VI of 18 December 2008, and so abolished the accelerated tax depreciation of 3-d group fixed assets (25% per annum) and other tax incentives for energy-saving companies introduced by this law.

Penalty for illegal use of tax privileges introduced starting 2010

Law of Ukraine No. 1342-VI of 19 May 2009 introduced a 200% penalty for improper use of tax privileges starting in 2010. Taxpayers who use tax privileges improperly will be found guilty of willful tax evasion. New draft tax code submitted to Parliament on 21 July

New draft tax code submitted to Parliament

The Ukrainian Parliament has resumed its efforts to develop a Tax Code. On 21 July a reworked draft code replaced one of the previous drafts, under registration number 2215. No hearing has yet been scheduled.