

Ministers and president fight over deductibility of foreign currency exchange losses

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On August 26 the cabinet of ministers passed resolution no. 895 attempting to restrict tax deductibility of foreign currency exchange losses. Specifically, taxpayers were strongly discouraged from deducting unrealised currency exchange losses resulting from revaluation of loans and some other foreign currency liabilities. The resolution blatantly contradicted the CPT Law.

The resolution applied to operations of 2009 and could have impacted deductibility of 2008 tax losses. Taxpayers refusing to follow the resolution were threatened by unscheduled tax audit. On September 2009 the president applied to the Constitutional court of Ukraine in order to cancel the resolution, and issued a Decree no. 717/2009 suspending the same (to be effective when published).

VAT credit restriction suspended

Effective September 9 2009, the president suspended illegal restrictions regarding VAT credit for past periods and adjusting VAT returns, imposed by resolutions of the cabinet of ministers no. 757-p and no. 838-p, and filed a suit to the Constitutional Court of Ukraine to cancel said resolutions. The resolution will remain suspended until the decision of the Constitutional court.

The cabinet of ministers is rumored to be working on new VAT resolutions in the same lines as the suspended ones. The tax authorities are reported to be still actively working on the implementation of the suspended restrictions.

The changes to the VAT law will come into force on September 1

In June 2009 the Parliament agreed to change the VAT law with respect to taxation of international transportation services as well as definition of some VAT-able transactions. The changes will come into force on September 1. The changes remove the concept of place of provision from the VAT law and significantly affect taxation of international carriers.