

# New procedure for blocking registration of VAT invoices

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From 1 January 2018 blocking registration of VAT invoices/adjusting calculations (VAT invoices) has been postponed till the government approves new procedures for registration of the VAT invoices (not later than by 1 March 2018). The government has passed relevant procedures by their Resolution No. 177 dated 21 February 2018 which becomes effective in 15 days after official publication.

Updated cases where VAT invoices are exempt from blocking

Cases were updated where VAT invoices would not be subject to monitoring and their registration cannot be blocked, as follows:

- ▶ The VAT invoice is not provided to the customer (e.g., for export of goods, sales to non-taxable persons, etc.) or completed for a non-taxable transactions
- ▶ According to VAT invoices registered in the current month (including VAT invoice submitted for registration) the volume of taxable supplies is below UAH 500k, and the taxpayer's director holds the same position in less than 3 acting companies - tax payers
- ▶ Proportion of unified social security contribution and taxes (excluding import VAT) paid for the last 12 months to the total amount of taxable supplies for the past 12 months exceeds coefficient 0.03. Simultaneously, the VAT amount in the VAT invoices registered in the reporting period (including VAT invoice submitted for registration) does not exceed maximum monthly amount of VAT in the VAT invoices registered for the past 12 months and multiplied by coefficient 1.4

### Blocking VAT invoices registration

After monitoring, VAT invoice registration may be blocked where:

- ▶ VAT payer who issued the VAT invoice complies with the taxpayer's risk criteria
- ▶ VAT invoice complies with the transaction risk criteria except where VAT invoices are issued by the taxpayer who has a positive tax history

The State Fiscal Service (SFS) would maintain the Register of Blocked VAT Invoices available to public.

The SFS, by agreement with the Ministry of Finance, would set up taxpayer's risk criteria, transaction risk criteria and positive tax history criteria.

### Actions after VAT invoice registration blocking

In case of blocking of the VAT invoice registration, a taxpayer will receive the electronic receipt and, within 365 calendar days, is further entitled to submit electronically explanatory documents and the taxpayer's data at the prescribed format to the tax authorities. These documents would be considered by the SFS commissions which would take decisions regarding registration or rejection in registration of VAT invoices, as follows:

- ▶ Regional commissions (at the level of the regional SFS, Kyiv SFS units and the SFS Office of the Large Taxpayers) within 5 working days would take decisions regarding taxpayers whose supplies under VAT invoices registered in current month including submitted VAT invoice, is below UAH 30M
- ▶ If the above threshold is exceeded, the regional commission would send their decision to the central commission (at the SFS level). The central commission would need to take their own decision within the next 2 days

The decision of registration or rejection in registration of the VAT invoice must be registered in the separate Register of Blocked VAT Invoices. The decision would take effect after registration in such Register.

The decision regarding rejection of VAT invoice registration can be appealed through administrative or court procedure.

### VAT invoices blocked as at 1 December 2017

The Resolution resolved the issue of VAT invoices blocked as at 1 December 2017 and where the taxpayers failed to submit documents and explanations in relation to such VAT invoices. The VAT payers may file relevant documents and explanations to commissions within 365 calendar days following the date of arising tax liabilities indicated in VAT invoices.

*In accordance with the Resolution of the Cabinet of Ministers of Ukraine "On Approval of Regulations on Blocking Registration of VAT Invoices/Adjusting Calculations in Unified Register of VAT Invoices" No. 177 dated 21 February 2018.*

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We will continue monitoring the developments and will inform you of further significant changes.

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