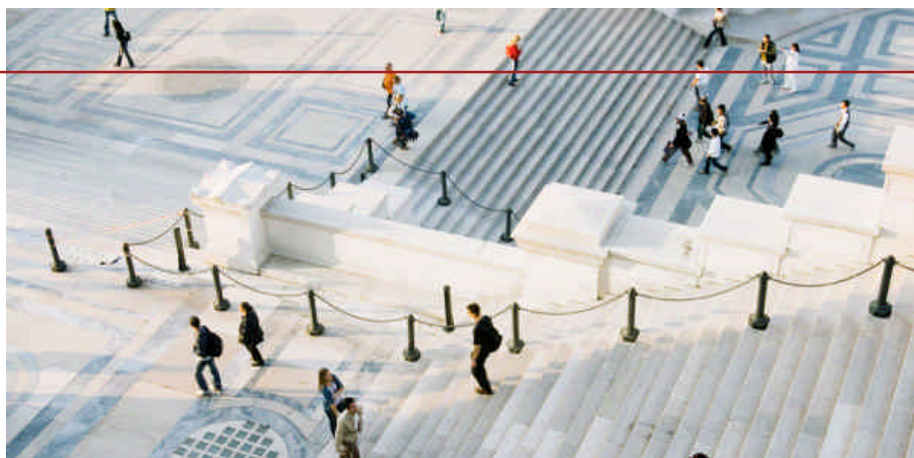


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Electronic VAT administration



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New electronic VAT system is likely to have negative cash flow consequences

The recent Resolution* of the Cabinet of Ministers of Ukraine on electronic administration of VAT contains a number of provisions that are of concern and/or may have a very negative impact on all taxpayers.

In particular, any VAT receivable accumulated by taxpayers as of 31 December 2014 will not be carried forward into the electronic VAT administration system.

Effectively, this means that despite the fact that taxpayers may have VAT receivable in their December 2014 VAT returns, they may need to transfer cash into their VAT accounts in respect of sales made starting from 1 January 2015. In fact all taxpayers may need to do this if they have not considered the timing of invoices, etc.

As there is no mechanism for a cash refund from such VAT accounts, this may result in the freezing of the respective amounts for an indefinite time period.

We will continue to monitor the situation – we had been expecting some form of transitional provisions, but these have not been forthcoming.

**Resolution of Cabinet of Ministers of Ukraine “Certain issues of electronic administration of VAT” # 569 dated 16 October 2014*