



The courts have revised the impact of the analytical report "Pyramid" on the VAT refund

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In short:

The court practice shows a positive trend for taxpayers on VAT refund matters.

In details:

The key factor of positive practice is the courts' position on the procedural steps on formation of the analytical report "Pyramid" initiated for VAT refund purposes.

In recent years, based on the violations identified in the "Pyramid" report in transactions between the taxpayer's suppliers and their counterparties, the tax authorities used to challenge the VAT amount claimed for refund. Respectively, taxpayers' applications for VAT refunds were rejected due to violations in transactions such taxpayers did not make.

However, according to the current practice, the courts have decided that the results of the analytical report "Pyramid" should be taken into account only for transactions between the taxpayer and its direct suppliers. On this basis, the tax authorities actions on rejection of the VAT refund applications are recognized as illegal.

We hope that the courts' position will be taken into account by the tax authorities and will lead to an improvement in the VAT refund procedure.

In addition, according to the draft amendments and additions to the Rules on VAT refund, the tax authorities proposed to eliminate some ambiguities and establish the timeline regarding audits, "Pyramid" report formation and the requests between the tax bodies. For example, according to the draft amendments, the following changes are proposed:

- the timeline of forming the "Pyramid" report is specified;
- requests to other government bodies should be sent within 5 working days from the date of formation of the "Pyramid" report;
- ceasing the formation of the Pyramid report if the service recipient is a related party to direct suppliers in certain cases.

Are you interested in this topic?

We will be glad to discuss with you the details of the court practice and its possible impact on your business and make analysis of your business activities with regards to VAT refund.

PwC team on disputes resolution includes leading tax and legal consultants with successful experience in pre-trial and judicial resolution of disputes with government authorities. We are ready to provide assistance to companies at all stages of the refund procedure, as well as in the process of appealing unfavorable results.

If you are interested in getting more information, please contact us.

