

# Flash Report

Ukraine • Issue#9/2016 • 5 April 2016

## Qualification on legal nature of bonus payments



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### ***The State Fiscal Service of Ukraine clarified the legal nature of bonuses paid to distributors***

Recently\*, the State Fiscal Service of Ukraine (hereinafter – “the SFS”) has ruled that motivational and stimulus bonuses paid to distributors for reaching certain economic indicators should be treated as payments for marketing services.

The SFS argued that motivational and stimulus payments (premiums, bonuses, other incentives), paid to distributors (e.g. for accurate sales forecasts, reaching sales targets, selling complete product line-up), are designed to promote sales. Therefore, such payments should be treated as fees for marketing services provided by such distributors.

The SFS stated that, in light of the above, such services are subject to VAT under standard rules. Distributors receiving such bonuses, will be required to assess VAT liabilities and register respective VAT invoices, that entitle the payers to recognise VAT input.

\* Letter of the SFS dated 02.03.2016 No. 4744/6/99-99-19-03-02-15.