

Flash Report

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Loss of VAT refunds?



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Further restrictions on utilisation of VAT refunds

It appears that from 1 January 2015 the tax authorities will further restrict taxpayers' right to utilise excess VAT credit/refund accumulated before 2015.

On Friday, 14 November, a senior tax official announced that from 1 January 2015, all previous VAT refunds claimed as "offset against future liabilities", will not be available to offset 2015 VAT liabilities. If a taxpayer is in a VAT payable position for the reporting period, the respective VAT liabilities should be paid in cash, even if the taxpayer has a non-utilised VAT refund claimed as an offset against VAT liabilities before 2015.

This means that the amount of such VAT refund could be permanently lost if no cash refund is requested before year end.

The negative view expressed above is not in line with legislation, but if taxpayers wish to secure their entitlement for a refund they could submit amended returns before 31 December 2014.

We will continue to monitor the situation and keep you updated on the issue.