

### Clarifications on the legal basis of VAT exemption

The right for exemption from VAT on transactions, related to procurement of goods, works and services within the customs territory of Ukraine according to the clauses of the framework of international technical assistance projects stated in the international agreements of Ukraine should be provided basing on the following regulations:

1. In accordance with paragraph 12 of the resolution of the Cabinet of Ministers of Ukraine No. 153 dated 15 February 2002 'On Establishment of a Unified System for Invitation, Use and Monitoring of International Technical Assistance state registration of projects (programs) is the basis for the accreditation of implementators and to provide evidence of relevant benefits, privileges, immunities provided by law and international agreements of Ukraine

2. In accordance with paragraph 197.11. of Tax Code of Ukraine shall be exempt from tax transactions

2.1 supply of goods and services within the customs territory of Ukraine and imported into the customs territory of Ukraine goods as technical assistance provided under international agreements of Ukraine accepted as binding by the law

2.2 supply of goods and services within the customs territory of Ukraine and imported into the customs territory of Ukraine goods funded technical assistance provided under international agreements of Ukraine accepted as binding by the established law

3. The right to have a tax relief provided by laws and international agreements of Ukraine is exercised based on:

3.1 international technical assistance (ITA) project (programme) registration card issued by the Ministry of Economic Development and Trade of Ukraine, and

3.2 plan for procurement of goods, works and services purchased through ITA finance within the framework of an ITA project (programme) certified by the donor or implementer, and approved by the beneficiary, which is submitted to the Ministry of Economic Development and Trade of Ukraine.

4. The procedure for exempt VAT

4.1 In the event of supply of goods, works and services exempted from VAT, the tax payer (seller) shall specify the reason for exemption, in particular a number of the registration ticket of the project within the framework of which the goods, works and services were procured, and a title of the respective international agreement in the Statement of VAT prepared in accordance with annex No. 6 to decree of the Ministry of Finance of Ukraine No. 1492 dated 25 November 2011 'On Approval of Forms and Procedure for Filling In and Submission of Statements of Value Added Tax'

4.2 The tax payer (seller) shall keep on file:

4.2.1 A copy of the registration ticket of the project within the framework of which the goods, works, services were procured, bearing the seal of the donor or the project implementer

4.2.2 A copy of the procurement plan bearing the seal of the donor or the project implementer;

4.2.3 A copy of the contract for supply of goods, performance of works and provision of services bearing the signature and the seal of the project implementer<sup>2</sup> (the contract shall specify that the goods, works and services are procured through finance of the international technical assistance project, in accordance with a category (type) of the goods, works and services referred to in the procurement plan).

#### Summary

Operations in the supply of goods / services under ITA projects and within the approved plans for the purchase of goods and services purchased implementators of ITA projects funded by the ITA are exempt from VAT. When executing agency of MTD projects procures goods / services under such projects, the price of such goods / services should be determined without VAT, and suppliers of such goods / services do not determine tax liabilities for such transactions and do not pay to the budget.

Please follow the link for more detailed information:

<http://sfs.gov.ua/baneryi/podatkovi-konsultatsii/konsultatsii-dlya-yuridichnih-osib/print-66352.html>