**Proposals on streamlining of tax audit**

**1. General comments**

While conducting survey on taxation reform, we approached AmCham Members to indicate spheres that require improvements and steps need to be done:

**1.1. Procedure for granting references and checks, requests and submitting of tax information (45% of respondents believed that it should be improved):**

- implement full automation of the process;

- provide reference for taxpayer on the day of registration of such reference;

- establish mandatory provision of information by the fiscal authorities on taxpayers’ request;

- reduce the number of queries from fiscal authorities for providing information, due to the availability of access to all tax returns;

- provide more clear and detailed information on the taxpayers’ request;

**1.2. Selection process and conducting of tax inspections** **(45% of respondents believed that it should be improved):**

- reduce the number and frequency of these inspections;

- ensure public access to annual plan of inspections;

- establish transparent selection criteria;

- introduce indirect tools of public control over efficiency and the use of automated selection criteria;

- introduce percentage of random selection.

**1.3. Procedures related to the control of tax (actual checks, cash registers, monitoring of excise goods, control of labor relations) (35% of respondents believed that it should be improved):**

- ensure transparency and simplicity;

- use analytical approaches and work with databases;

- e-tape should actively be built into the process;

- single electronic invoice system should cover also a single tax payers;

- replace licensed cash registers to any computer with printer with giving information on transactions in the online mode;

- control over labor relations should be reduced to control over payment of PIT (and SSC in current form).

**2. VAT tax credit**

As tax credit is secured by taxpayer cash, in case a tax return is registered in the Single Register of Tax Returns, ban cancellation of tax credit amounts on formal grounds by fiscal authorities.

**3. VAT invoice**

Inclusion of 4 digits of goods code according to the Ukrainian Classification of Goods for Foreign Economic Activities (УКТЗЕД) as a mandatory requisite in VAT invoice for all goods without exceptions.

**4. Tax due diligence**

Based on the generalized court practices as well as application of sufficient tax prudence doctrine, which follows directly from the judgment of the European Court of Human Rights "Bulves AD against Bulgaria" and states that VAT payer should not be responsible for ones supplier if this taxpayer didn’t know or couldn’t know about such an abuse, the State Fiscal Service of Ukraine should accept as proper tax due diligence of taxpayer the following steps:

* Registration of the company in SFS system as a VAT payer <https://cabinet.sfs.gov.ua/cabinet/faces/public/reestr.jspx>;
* Registration of the company in SFS system as a tax payer in general, tax debt information absent <http://sfs.gov.ua/businesspartner>;
* Registration in EDRPOU (Single State Register of Enterprises and Organizations of Ukraine) in place, date of company registration in place, respective code of economic activity in place <https://usr.minjust.gov.ua/ua/freesearch>;
* Authorities of person acting on behalf of CPTY\* and signing of behalf of CPTY (copies of the By-Laws, Power of Attorney to the signatories,  copies of the signatories ‘ passport);
* Proceeds from all types of activities excluding indirect taxes for the previous year (Income Declaration – row 01);
* Income for the previous year  (Financial Statement Form #2, row 2000);
* Crop acreage in place (Statistical Form  4-SG (yearly) is submitted after sowing session, but not later than June 02;
* Registration in ERPN (Single Register for Tax Invoices);
* Way bills or warehouse receipts in place depending on delivery basis (documents are provided by carries or warehouses/grain elevators);
* [Goods](http://www.multitran.ru/c/m.exe?t=3841031_1_2&s1=%F0%E0%F1%F5%EE%E4%ED%E0%FF%20%ED%E0%EA%EB%E0%E4%ED%E0%FF) delivery note in place (document is provided by the supplier).