Value-added tax (VAT) for freight-forwarding companies

Special edition №10

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According to the State Revenue Committee, work and services performed by the carriers and other suppliers for a client under a freight–forwarding agreement is not a sales turnover of a freight-forwarding company. Accordingly, a freight-forwarding company is not allowed to offset VAT paid on such work and services. This position of the tax authorities was reflected in the new amendments to **Articles 233-2 and 257 of the Tax code** (effective starting 1 January 2016). The amendments were presented as "clarification of provisions", i.e. they reflect the historical position of the tax authorities on this issue.

However, not all freight-forwarding companies are ready to accept new provisions of the Tax Code as well as the requirement to indicate their margin in a separate line in an invoice, and continue issuing invoices without following the rules specified for freight-forwarding services. The tax authorities are not currently willing to soften the provisions to account for commercial interests of freight-forwarding companies and continue to uphold their position.

Based on the above, there is a question as to the consequences arising for the freight-forwarding companies and their clients when (i) invoices for rendered work and services are not issued in compliance with the requirements of Article 264 of the Tax code, i.e. without a separate indication of the margin, and (ii) cost of work, services carried out by carriers and other suppliers is included into turnover of a freight-forwarding company.

If you would like to understand the impact of these changes on the business of your company from a tax and legal perspective in more detail, please do not hesitate to contact with us.