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News

# Communal property for rent: VAT taxation procedure and tax bill preparation

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Tax officials report that Section 14 of Part One of Art. 69 of the Budget Code of Ukraine stipulates that the revenues of the general fund of budgets of cities of rayon importance, rural, settlement budgets include proceeds from rent for the use of property complex and other property that is in communal ownership, the founder of which are urban (rayon) settlements. and village councils.

According to paragraph 5 of Art. 17 of the Law of Ukraine "On Leasing of State and Communal Property", the procedure for the distribution of rents for communal property between the respective budget, the lessor and the balance holder is determined by the representative body of local self-government.

According to paragraphs. "B" Art. 185 of the Tax Code of Ukraine (hereinafter referred to as PKU) the object of taxation are transactions of taxpayers for the supply of services, the place of supply of which is located in the customs territory of Ukraine, in accordance with Art. 186 PKU.

Not subject to taxation of a lease payment or concession payment contract under the lease or concession of the entire property complex of a state or communal enterprise (its subdivision), if the lessors or concessionaires under the contract are public authorities or local authorities, and local authorities according to the law, they are credited to the State Budget of Ukraine or the local budget (paragraphs 196.1.15, art. 196 of the CCU).

That is, it is not subject to taxation of the operation for payment of rent for rented municipal property subject to the following conditions:

- lease of the entire property complex of the utility (its structural subdivision);
- the local government body is the lessor under the contract;
- lease payments are fully credited to the local budget.

If any of the above conditions is not met, the transaction for payment of the rent for the leased municipal property is subject to VAT according to the standard procedure at the basic rate.

According to paragraph 201.1 of Art. 201 PKU on the date of occurrence of tax obligations, the taxpayer is obliged to make a tax invoice in electronic form, subject to the condition of registration in the order specified by law, a qualified electronic signature authorized by the payer of the person and register it in the Unified register of tax invoices.

Thus, the services of renting communal property to the leaseholder are subject to VAT, regardless of whether the tenant distributes the amount of the rent or transfers it to the lessor's account in full (except for the operations defined in paragraphs 196.1.15 of Art. 196 PKU).

Therefore, at the date of VAT tax liability, the landlord (regardless of whether the tenant distributes the amount of the rent or transfers it to the landlord in full) makes a tax invoice for the entire amount of the lease stipulated in the contract.

*According to materials of the State DPS in Ternopil region*

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