



## Tax and Legal Newsletter

August – September 2016

Audit and consulting company, Deloitte Lithuania, is glad to introduce you with Tax and Legal Newsletter. In this edition, you will be presented with the latest tax and legal news prepared by our Managers from Tax and Legal Department.

## Tax News

### **New version of advance corporate income tax return form FR0430 and its completion rules**

State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI under MF), in accordance to changes in the Law on Corporate Income Tax (hereinafter – CIT) that are to be implemented as of 1 January 2017 related to:

- a) newly adopted single date (15th month day) rule regarding CIT payment and reporting,
- b) amended advance CIT calculation method based on the last year result,

has issued 15 July 2016 Head of STI under MF order No. VA-103 amending 8 October 2002 order No. 289 “On approval of advance corporate income tax return form FR0430 and its filling rules” and has newly laid down advance CIT return form FR0430 (version 02) and its filling rules.

The aforementioned order is to be implemented as of 1 January 2017.

More information can be found [here](#).

### **Amended commentary of the Law on Personal Income Tax**

On 2 August 2016 STI under MF has newly laid down commentary of Article 20 of the Lithuanian Law on Personal Income tax (hereinafter – PIT).

The commentary examples have been updated, other changes of editorial nature related to changes in non-taxable income that have been adopted as of 1 January 2016 provided for in Lithuanian Law on PIT have been performed:

- non-taxable income for natural persons whose income from employment relations does not exceed the minimum monthly salary has been increased to EUR 200;
- non-taxable income for parents (adoptive parents) raising children up to 18 years old has been increased to EUR 120 per child (adopted child);
- non-taxable income for persons with limited physical abilities has been increased to EUR 270 and EUR 210, depending on the level of working capacity.

More information can be found [here](#).

### **Amended i.SAF data file description**

As of 1 October 2016 value added tax (VAT) payers will have to submit VAT invoice register data through a subsystem of i.MAS called i.SAF.

Following the comments of business experts, an 11 August 2016 order of head of STI under MF No VA-109 was released amending the annex of rules of VAT invoice register data processing and submission (i.SAF data file description) provided for by 21 April 2004 order of head of STI under MF No. VA-55.

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The amendments include changes in necessity of several data elements, as well as clarifications on filling and other minor changes.

More information can be found [here](#).

### **An obligation to submit tax returns only by electronic means came into force as of 1 October 2016**

Please be reminded that as of 1 October 2016 Lithuanian legal persons are obliged to submit tax returns by electronic means, using EDS system only. This arrangement does not apply in cases when submission of tax returns by electronic means would cause a manifestly disproportionate administrative burden or submission would be impossible for objective reasons.

More information in the [Newsletter for June](#).

### **Explanation regarding the taxation of unemployment allowances**

STI under MF on 21 September 2016 prepared an explanation regarding taxation of unemployment allowances, taking into account the Law amending the Law on PIT dated 28 June 2016, which is related to child care and unemployment allowances.

STI under MF explains that unemployment or partial employment allowances are intended for the replacement of income related to labor relations or essentially equivalent income or part of such income, lost due to unemployment or partial employment. Therefore, for the purpose of application of tax-exempt amount, unemployment and partial employment allowances as well as maternity, paternity and parental allowances are attributable to income related to labor relations or essentially equivalent income and should be taxed according to rules applicable for such income as set in the Law on PIT.

More information [here](#).

### **Amended commentary of Subparagraph 9 of Article 12 of the Law on Corporate Income Tax**

STI under MF amended and supplemented the official commentary of Subparagraph 9 of Article 12 of the Law on CIT. According to Subparagraph 9 of Article 12 of the Law on CIT, income received from legal persons of unlimited civil liability that are CIT payers, whose income was taxed by CIT, shall not be taxed. In the amended commentary it is explained that income taxed by CIT should be income to which no CIT incentives were applied. The commentary was also supplemented by respective example.

More information [here](#).

### **Amended commentary of Paragraph 1 of Article 7 of the Law on Corporate Income Tax**

STI under MF amended and supplemented the official commentary of Paragraph 1 of Article 7 of the Law on CIT regarding recognition of income and expenses for CIT purposes. The commentary was supplemented by new explanations regarding recognition of taxable income and allowable deductions in the following cases:

- dividends and other amounts regarding distributed profits (prescribed in Articles 33 and 35 of the Law on CIT) received by permanent establishments;
- the conversion result (profit or loss) which occurred due to adoption of the euro;
- profit or loss which occurred due to termination of a leasing contract;
- income and expenses related to transfer of non-equity securities (bonds) as well as interest income regarding such securities;
- income received by travel agencies by providing services on its own behalf or acting as intermediary;
- income and expenses related to excise duties received and paid to the budget;
- income regarding grants received as compensation of expenses incurred;
- income regarding deposit for disposable packaging;
- income received due to projects implemented by public-private partnership.

The commentary was also supplemented by new examples and other editorial changes were made.

More information [here](#).

## Legal News

### **Average gross salary in Lithuania has increased**

At the end of August, Lithuanian Department of Statistics announced that, according to the data of the second quarter of the year 2016, the average gross monthly salary in Lithuania is EUR 771.9.

More information can be found [here](#).

### **New Labour Code adopted**

On 14 September 2016 the Parliament adopted new wording of the Labour Code. The main novelties are introduced in the following areas:

- Employment termination: amendments include new grounds for employment termination, shortened notice periods, lower amount of severance pay;
- New rules for calculation of working time, overtime and annual leave;
- New types of employment contracts: the law establishes zero-hour employment contracts, project-based employment contracts, employment contract for several employers, etc.

More information about amendments can be found in a special **Deloitte overview:**  
<http://www2.deloitte.com/lt/en/pages/legal/articles/new-labour-code-in-lithuania.html>

The adopted Labour Code will come into effect on 1 January 2017.

### **Amendments to the Law on Legal Status of Foreigners**

On 14 September 2016 the Parliament adopted amendments to the Law on Legal Status of Foreigners (hereinafter – „Law“). Relevant amendments include:

- New basis for the issue of temporary residence permit in Lithuania for establishing start-ups, related to new technologies;
- Facilitated arrival of highly qualified specialists (monthly salary shall be not lower than 1,5 Lithuanian average gross salaries, professional experience of at least 5 years will be recognised as high professional qualification, etc.).

More information can be found in a special **Deloitte overview:**

<http://www2.deloitte.com/lt/en/pages/legal/articles/immigration-law-news-overview.html>

The amendments of the Law will enter into effect on 1 January 2017.

**Reminder: change of Articles of Association in relation to Euro introduction**

Please be reminded that due to introduction of Euro in Lithuania, a statutory duty to amend the Articles of Association (by specifying the share capital and nominal share value in Euros) has been established. Amended Articles of Association have to be submitted to the Commercial Register of Lithuania by 31 December 2016.

More information is available [here](#).



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