



Tax and Legal Newsletter

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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

Change of the calculation of the tax-exempt amount

The amendment of Law on Personal Income Tax (hereinafter – PIT) related to changes in the calculation of the tax-exempt amount (hereinafter – TEA) was adopted on 13 December 2016.

- The monthly TEA was increased from EUR 200 to EUR 310, for employment related income not exceeding the amount of the minimum monthly salary which was in force as of 1 January of the current calendar year (i.e. currently EUR 380 per month);
- The TEA is proportionally reduced for larger amounts of income, and if it amounts to or exceeds EUR 938 per month, no TEA is applicable;
- If employment related income exceeds the minimum monthly salary, the TEA is calculated as follows:
 - $TEA = 310 - 0.5 \times (\text{monthly employment related income} - \text{minimum monthly salary which was in force as of 1 January of the current calendar year})$;
 - Annual TEA = $3,720 - 0.5 \times (\text{annual income of the individual} - 12 \times \text{minimum monthly salaries which were applicable on 1 January of the current calendar year})$.
- The TEA was increased:
 - From EUR 270 to EUR 380 for persons with 0-25% of working capacity;
 - From EUR 210 to EUR 320 for persons with 30-55% of working capacity.
- The additional TEA for a child (adopted child) was increased from EUR 120 to EUR 200.

The amendments came into force as of 1 January 2017.

More information is available [here](#).

The reduction of tax-deductible expenses

The amendment of Law on PIT was adopted on 22 December 2016. It establishes that the total amount of life insurance and pension contributions that can be deducted from the taxable income while submitting the annual PIT return, shall not exceed EUR 2,000 per calendar year. The limitation that the total amount of the tax-deductible expenses shall not exceed 25% of the taxable income earned over the tax period remains applicable.

The amendment entered into force as of 1 January 2017, therefore, the total amount of refundable PIT shall not exceed EUR 300 ($2,000 \times 15\%$) while declaring income received in 2017 and later periods.

More information is available [here](#).

The rates of social security contributions for 2017 confirmed

On 22 December 2016, the Law on State Social Security Fund Budget's Indicators for 2017 No. XIII-174 was adopted. It establishes the rates of social security contributions for 2017. It should be noted that in some cases the applicable rates for the first half-year could differ from the rates established for the second half-year.

The rates applicable for insurers are as follows:

- Pension social insurance – 23.3% (as of 1 June 2017 – 22.3%);
- Sickness social insurance – 1.2%;
- Maternity social insurance – 2.2%;

Contacts:



Kristine Jarve

Partner

Tax and Legal Department

Tel: +370 5 255 3000

Email: kjarve@deloittece.com



Lina Krasauskienė

Senior Manager

Tax and Legal Department

Tel: +370 5 255 3000

Email: lkrasauskiene@deloittece.com



Tomas Davidonis

Attorney at Law

Tax and Legal Department

Tel: +370 5 255 3000

Email: tdavidonis@deloittece.com

- Unemployment social insurance – 1.1% (as of 1 June 2017 – 1.6%, for fixed-term contracts – 2.2%);
- Occupational accidents and occupational diseases social insurance – 0.18% (First group), 0.39% (Second group), 0.9% (Third group), 1.8% (Fourth group).

For the insured persons the rate of 3% of pension social insurance contributions remains the same as it was in 2016.

More information is available [here](#).

Amendment of the Law on State Social Insurance

On 20 December 2016 the amendment of the Law on State Social Insurance was adopted, according to it, the cap of social security contributions has been repealed.

Please note that on 29 June 2016 the Parliament of the Republic of Lithuania amended the Law on State Social Insurance aiming to reform the State Social Security Fund. One of the amendments was the introduction of the cap for social security contributions payable by each insurer and insured persons, which supposed to be applicable as of 1 January 2017. It was set that calculating the payment to State Social Security Fund for the calendar year, it could not exceed 120 average national salaries of the previous year. This provision was repealed by the amendments of the Law on State Social Insurance adopted on 20 December 2016.

The amendments entered into force as of 30 December 2016.

More information is available [here](#).

The extension of VAT relief

The amendment of the Law on Value Added Tax (hereinafter – VAT) was adopted on 20 December 2016 according to which the applicability of the reduced rate of 9% VAT for central heating was extended until 31 May 2017.

More information is available [here](#).

Changes in the Law on Corporate Income Tax

As of 24 December 2016 the Article 40¹ of the Law on Corporate Income Tax (hereinafter – CIT) was abolished.

Until the aforementioned amendment, the profits distributed to natural persons were subject to 15% CIT in case the profits were earned during the year when the company applied certain CIT incentives.

Please note that such limitation was not applicable for free economic zone enterprises.

Thus, as of 24 December 2016, the conditions for the applicability of the aforementioned tax incentives were harmonized, irrespective whether the recipients of the dividends are natural or legal persons.

The amendments entered into force as of 24 December 2016.

More information is available [here](#) and [here](#).

Increase of excise duties on alcohol and tobacco

According to the amendments of the Law on Excise Duties adopted on 13 and 22 December 2016, the excise duties applied for processed tobacco (with the exception of the smoking tobacco), alcohol and alcoholic beverages were increased.

More information is available [here](#) and [here](#).

Legal News

Postponed entry into force of the new Labour Code

On 20 December 2016 the Parliament adopted amendments to the Law on Approval, Entry into Force and Implementation of the Labour Code (hereinafter – the Law). The Law postponed entry into force of the new Labour Code until 1 July 2017.

The Law also established new dates applicable to the following provisions of the new Labour Code:

- Employees who have not taken annual leave days granted for more than 3 years of work until the entry into force of the new Labour Code, are entitled to use them until 1 January 2020;
- Collective agreements concluded until entry into force of the new Labour Code are valid according to the provisions of applicable regulation, however, only until 1 January 2019.

More information is available [here](#).

Amendments to the Law on Financial Statements

On 15 December 2016 the Parliament adopted amendments to the Law on Financial Statements, which establish new requirement for large public interest companies to prepare and incorporate social responsibility report into annual report. The Law establishes that social responsibility report should provide information on issues related to environmental protection, social and personnel issues, ensuring human rights, fighting against corruption and bribery.

New requirements are applicable for the preparation of annual reports covering reporting periods, which starts on 1 January 2017 or later reporting periods.

More information is available [here](#).

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