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TAX NEWS

UPDATE OF THE OFFICIAL COMMENTARY OF THE LAW ON VALUE ADDED TAX REGARDING INSURANCE SERVICES

On 28 January 2016 the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI under MF) released the updated publication of the official Commentary of Article 27 of the Law on Value Added Tax (hereinafter – VAT) explaining that product guarantee extension and product insurance are considered insurance services for VAT purposes and thus are treated as non-taxable from VAT perspective.

The updated Commentary provides that product guarantee extension is a service, which allows free of charge repair of the product (one, two or more times) or replacement of the product with analogous product (if repair is not possible) after the original guarantee provided by the manufacturer has expired. The extended guarantee is analogous to manufacturer guarantee, but is valid longer – from 1 to 5 years (from the date of expiry of the original guarantee).

Product insurance is a service, based on which the product is repaired or replaced when events unforeseen by the product guarantee occur. These include breaking the product, damage by water, fire or theft confirmed by the police. Product insurance service applies in cases when before the date of expiry of the original guarantee the manufacturer refuses to repair or replace the product in cases which are not covered by the original product guarantee.

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

AMENDMENT AND SUPPLEMENT OF THE OFFICIAL COMMENTARY OF THE LAW ON VAT REGARDING QUALIFICATION OF INTERMEDIARY SERVICES FOR VAT PURPOSES

On 29 February 2016 the STI under MF released the supplemented and amended version of Article 11 of the official Commentary of the Law on VAT. The Commentary is supplemented by provisions on intermediary services provided by travel agencies and other enterprises, which are engaged in sale of airline, ferry, train or bus tickets.

The updated Commentary provides that these companies can act as disclosed intermediaries within the meaning of Article 11 of the Law on VAT if the company responsible for transporting passengers is directly responsible for proper execution of the services agreement with the passenger, and in cases when the services agreement is not executed (delayed, cancelled transport, lost baggage etc.) the passenger presents complaints regarding non-execution directly to the company organizing the transport and not to the travel agency, through which the ticket was purchased. The updated Commentary also specifies the rules on the issuance of invoices and bills for transporting and intermediary services addressed to the companies providing these services.

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

RELEASE OF A LIST OF SERVICES CONSIDERED/NOT CONSIDERED TO BE CONSTRUCTION WORK

On 9 February 2016 the STI under MF released a supplementary list prepared on the basis of the information provided by the Ministry of Environment of the Republic of Lithuania.

The list specifies which services are considered/not considered to represent construction work within the meaning of Article 2 Paragraph 15 of the Law on Construction Work and therefore which work can be considered to be supply of services within the meaning of Article 7 Paragraph 4 of the Law on VAT.

It is important to note that since 1 July 2015 construction work is taxed using a reverse charge VAT mechanism, on the basis of which VAT has to be calculated by a buyer, who is a taxable person registered for VAT, and not by the company performing construction work.

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

ADOPTION OF A NEW ORDER, IMPLEMENTING AMENDMENTS OF THE LAW ON PIT

On 24 February 2016 the Head of the STI under MF adopted an Order No. VA-19 regarding the Order No. V-46, which amends the Rules on filing and submission of the non-resident personal income tax (hereinafter – PIT) on B class income return form FR0459. The Rules are amended on the basis of the law amending the Law on PIT adopted on 10 December 2015, which came into force on 1 January 2016. This Law amends Article 17 Paragraph 1 Section 28 of the Law on PIT.

The amended provision (which applies when calculating and reporting income received in 2016 and later) states that income from sale or transfer of immovable property (except in cases provided in Sections 53 and 54 of the same Article) located in European Economic Area is considered as non-taxable income for PIT purposes provided that this property was acquired at least 10 years before its sale or transfer.

If this property was acquired less than 10 years sale or transfer, income received for sale or transfer will be taxed with PIT in accordance with the provisions of the Law on PIT effective at the time of receiving income. The new rule of 10 years holding period replaced the previous 3 year requirement.

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

A CONCISE AND ILLUSTRATIVE ANALYSIS OF 2016 LITHUANIAN PUBLIC EXPENDITURES PREPARED BY THE MINISTRY OF FINANCE PREPARED

In order to encourage citizens' interest in public services covered by the tax payers' money, the Ministry of Finance of the Republic of Lithuania prepared a concise and illustrative analysis of 2016 Lithuanian public expenditures.

According to the information provided, total budget income in Lithuania (excluding EU and other international aid) amounts to EUR 11 905 million in 2016 (EUR 599 million more than actually earned in 2015). Total budget expenses (excluding EU and other international aid) amounts to EUR 12 581 million in 2016 (EUR 783 million more than actually incurred in 2015). It was also calculated that income which

was not received by the state due to tax incentives applicable to individuals and businesses amounted to EUR 914 million (EUR 67 million more than actually not received in 2015).

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

INCREASE OF THE RATES OF EXCISE DUTIES ON ALCOHOL AND TOBACCO AS OF 1 MARCH

It is important to note that following the Law Amending the Law on the Excise Duties of the Republic of Lithuania No. XII-2145 adopted on 8 December 2015, higher excise duties apply to ethyl alcohol, alcoholic drinks and processed tobacco (except handrolling tobacco) as of 1 March 2016. The new rates of excise duties apply until 28 February 2017.

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

LEGAL NEWS

AMENDMENTS TO THE LAW ON CONSUMER PROTECTION

As of 1 March 2016 the amendments to the Law on Consumer Protection, which were adopted in December 2015, enter into force. Respective amendment establishes the status of consumer information system, through which consumers can submit requests and complaints, state and municipality institutions collect requests and complaints, submit responses, provide services, which should ensure prevention of consumer rights breach and provide information on protection of consumer rights.

More information is available [here](#).

REQUIREMENTS FOR SPECIALISTS OF SAFETY AND HEALTH OF EMPLOYEES

On 1 February 2016 the minister of Social Security and Labour adopted an order, which amends requirements applicable for specialists of employees' safety and health. The main novelty is removing requirement to have education of technologies studies; also requirements for mandatory knowledge and abilities of such specialists are outlined in new wording.

The order enters into force on 1 May 2016.

More information is available [here](#).

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