



In this issue

- Tax news
- Legal news

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TAX NEWS

UPDATE OF THE PUBLICATION “INCENTIVES ON CORPORATE INCOME TAX“

On 7 January 2016 the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania has released an update of publication “Incentives on corporate income tax”.

Main amendments:

- The definition of non-profit making legal entity, rates of Corporate Income Tax (hereinafter – CIT) applicable for non-profit making legal entities, estimation of taxable profit for non-profit making legal entities and provisions of reporting financial statements have been discussed;
- Provisions of tax incentives of CIT applicable on individuals engaged in farming have been explained;
- Application of 5 percent CIT rate incentive according to the Article 5 paragraph 2 of the Law on Corporate Income Tax of the Republic of Lithuania (hereinafter – Law on CIT) and limitations recorded in Article 5 paragraph 3 points 1, 2, 3 and 4 of the Law on CIT have been explained.

The full issue can be found [here](#).

EXPLANATION ON VAT TAXATION OF E-INVOICE SERVICES

On 31 December 2015 the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania announced that due to number of inquiries received an explanatory note on Value Added Tax (hereinafter – VAT) implications on the e-invoice service has been released.

The note explains how the direct debit is replaced by the new e-invoice service. The process of issuing and paying for the e-invoice is explained in details. The main point of the note is to explain that in cases related to e-invoice service transactions two separate services should be distinguished for VAT purposes:

- A service of issuing an e-invoice for the receiver of goods or services;
- A service of transferring the funds.

The issuing of an e-invoice is not considered as a financial service for VAT purposes thus it should be taxed with a standard VAT rate. The transfer of funds is considered to be a financial service which is exempt from VAT according to the Article 28 of the Law on VAT.

The full explanatory note can be found [here](#).

VAT APPLICATION RELATED TO DRIVING COURSES

On 30 December 2015 State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania has prepared an explanation and the amendment to the official commentary on the Law on Value Added Tax in relation to VAT implications on driving courses.

The explanation and the commentary provide that driving courses related to categories A, B or BE are exempt from VAT only in cases these courses are necessary for professional functions. Prior to this explanation, driving courses related to category B had been treated as professional training and therefore were held as VAT exempt activities.

The original document can be found [here](#).

THE APPLICATION OF VAT REVERSE CHARGE MECHANISM HAS BEEN EXTENDED

In accordance with the 15 December 2015 Resolution of the Government of the Republic of Lithuania No 1318 "On Resolution of the Government of the Republic of Lithuania No 900 "On Means to Ensure the Execution of Tax Liabilities" Amendment", adopted on 15 December 2015, the application of VAT reverse charge mechanism has been extended to 31 December 2018, in cases the procedure of bankruptcy has been initiated for the supplier of goods and/or services, or the object of transaction is certain kind of wood material:

- Logs – round pieces of wood cut across the axis of a tree;
- Planks – oblong pieces of lumber, 3-40 mm depth and not wider than 22 mm;
- Girders – logs sawn/hewed/milled parallel to the axis of a log (from two/three/four sides), not wider than 40 mm.

The full note can found [here](#).

LAW ON AMENDMENT OF ART. 6 OF THE LAW ON TAX ON LOTTERY AND GAMBLING NO IX-326

On 23 December 2015 the Parliament of the Republic of Lithuania adopted the Law No XII-2243 on the amendment of the Article 6 of the Law No IX-326 on Lotteries and Gambling of the Republic of Lithuania (hereinafter – Law on Gambling).

As of 1 January 2016 the provisions of Art. 6 p. 1 of the Law on Gambling come into force, providing that legal entities, organizing lotteries or gambling, calculate and pay tax on lotteries and gambling at the end of each tax period not later than on 15th of the first month of the following tax period. A fixed amount or set rate of tax is used in accordance to the provisions of Art. 5 of Law on Gambling.

More information is available [here](#).

A NEW TERM FOR REPORTING AND PAYMENT OF TAX ON STATE ASSETS HELD ON A FIDUCIARY BASIS HAS BEEN ADOPTED

On 13 January 2016 an Order of Head of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania No VA-7 "On Order of Head of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania No VA-169 "On validation of form FR0770 for tax on state assets held on a fiduciary basis and its filling rules" amendment" has been adopted.

Based on the abovementioned provision, the term for reporting and payment of tax on state assets held on fiduciary basis is set to 15th of the seventh month of the current tax period.

The original copy of a [document](#).

LEGAL NEWS

AMENDMENTS TO THE REGULATION ON FOREIGNER'S EMPLOYMENT IN LITHUANIA

On 26 January 2016 the regulation on decision adoption of foreigner's work in Lithuania, which requires high professional qualification, meeting Lithuanian labour market needs, was amended. The main novelties include:

- A minimal period of time, during which employment position should be registered in a territorial labour exchange office, is shortened from 14 days to 7 days;
- Requirement for an employer to look actively for highly qualified employee is eliminated;
- Application form for adopting decision on foreigner's employment corresponding to the needs of Lithuanian labour market was amended.

Amendments entered into force on 27 January 2016.

More information is available [here](#).

INCREASE OF THE MINIMUM SALARY

As from 1 January 2016 the minimum salary in Lithuania is increased. Hourly gross salary is EUR 2.13 and monthly gross salary is EUR 350.

More information is available [here](#).

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