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Contacts

Kristine Jarve
Partner
Tax & Legal Department
+370 5 255 3000
kjarve@deloittece.com

Lina Krasauskienė
Senior Manager
Tax & Legal Department
+370 5 255 3000
lkrasauskiene@deloittece.com

Tomas Davidonis
Attorney at Law,
Senior Manager
+370 5 255 3000
tdavidonis@deloittece.com

TAX NEWS

AMENDMENTS OF THE LITHUANIAN LAW ON CORPORATE INCOME TAX

On 22 March 2016, the Lithuanian Law on Corporate Income Tax No IX-675, Art. 32, 33, 34, 35, 36, 40-1, 47, 51, 53 and Annex No 3 were amended by the Law No XII-2262, which introduced new regulatory provisions on the Law on Corporate Income Tax (hereinafter – CIT).

The provisions of the Council Directive 2014/86/EU of 8 July 2014 which were introduced to combat against the abuse and aggressive tax planning were transferred into the Law on CIT. As a result, Article 32 was supplemented with the Paragraph 6, based on which, provisions of exemption regarding the dividends paid to foreign entities and/or dividends received from these entities are not applicable for the structure or several structures if the main purpose or one of the main purposes for them is to obtain a tax advantage, which contradicts to the object and the purpose of the Directive. If, after the assessment of the facts and circumstances of the specific situations, the tax authorities would discover that business structure or structures are not used for valid commercial reasons, reflecting the economic reality, they will be considered to be artificial and the tax-free dividend exemption will not apply.

Moreover, in order to avoid double tax exemption for the dividends, i.e. situations that appears whilst practicing inadequacies of national tax systems relating to agreements of the hybrid loans (when dividends gained from the foreign units are not taxed in Lithuania, and in the foreign state where they were paid off are qualified as the interest and deducted from the taxable income) Article 35 of the Law on CIT was supplemented by Paragraph 5, in accordance to which the provisions of Paragraphs 2 and 3 of this Article relating to the exemption for the dividends gained from the foreign units are not applied to dividends, by which foreign entities reduce their taxable profit that is subject to CIT or any equivalent tax.

Aforementioned changes are applied not only to units of the EU Member States, but also to dividends paid by the entities of any other state (because tax exemption for dividends provided by the Law on CIT is applied for dividends paid not only by the Member States of the EU). The amendments of the Articles 32 and 35 of the Law on CIT came into force on 26 March 2016.

Furthermore, as of 1 January 2017 the rule of one day (the 15th) for paying and declaring CIT has been adopted. Besides, the procedure of calculating advance CIT according to the performance results of the last year has been changed. In respect to the before mentioned 15th day rule, and if the tax period of the entity equals to calendar year, then:

- CIT return for the year 2016 and/or fixed rate CIT return has to be submitted to the Lithuanian tax authorities, and the CIT and/or fixed rate CIT has to be paid to the budget by 15 June 2017 at the latest;
- If the advance CIT is based on results of activity for the previous year, the advance CIT return for the first half-year of 2017 should be submitted by 15 March, and the advance CIT return for the second half-year of 2017 – by 15 September;
- If the advance CIT is based on the estimated amount of CIT for the tax period, the advance CIT return for the year 2017 should be submitted by 15 March at the latest;

- Advance CIT has to be paid by 15th of the last month of each quarter of the tax period at the latest (for 2017 – by 15 March, 15 June, 15 September and 15 December).

Lithuanian entities which paid taxable dividends to other Lithuanian and/or foreign entities and/or permanent establishments (according to Article 33, Paragraph 1 and Article 34, Paragraph 1 of the Law on CIT) or received them from the foreign units, also permanent establishments that received taxable dividends from the foreign units (according to Article 35 Paragraph 1 of the Law on CIT), for the foreign shares, parts of the capital or holding other rights being assigned to them should pay to the budget CIT calculated on the dividends, and submit the declaration of dividends to the tax authorities by 15th of the month next to month, when the dividends were disbursed and/or received, at the latest.

Moreover, the provisions of Article 47 Paragraph 2 of the Law on CIT, subject to the calculation of the advance CIT according to the performance results of the last year, were revised:

- For the first six months of the tax period (from January to June, if tax period equals to the calendar year) is calculated according to actually calculated CIT amount for the tax period past before last tax period (e.g. when calculating advance CIT for the first half-year of the tax period 2017 the tax amount is assessed according to the amount of the calculated CIT for the 2015 tax period);
- for seventh – twelfth months of the tax period (from July to December, if tax period equals to the calendar year) is calculated according to actually calculated CIT amount of the last tax period (whilst calculating advance CIT for the second half-year of the 2017 tax period, tax amount is assessed according to the calculated CIT amount for the 2016 tax period).

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

AN EFFECT OF CODE OF ADMINISTRATIVE VIOLATIONS POSTPONED

The Code of Administrative Violations of the Republic of Lithuania (hereinafter – CAV) was supposed to come into force as of 1 April 2016. On 25 March 2016 the Law on the change of the Articles 3, 4, 5, 6 and 8 of the Law on ratification, effect and implementation of CAV No XII-1869 has been adopted by which an effect of the CAV is postponed until 1 January 2017.

We would like to remind you that according to the provisions of Article 188 of the CAV, a fine of EUR 1,400-4,300 is subject for not complying with the transfer pricing documentation regulations, and, in case of the repeated violations, the fine amounts from EUR 2,900-5,800.

After the CAV comes into force, the Code of Administrative Offences will lose its power.

The Law by which the effect of CAV is postponed until 1 January 2017 can be found [here](#).

THE RULES FOR HANDLING THE REGISTERS OF RECEIVED / ISSUED INVOICES HAVE CHANGED

On 25 March 2016 the Head of State Tax Inspectorate under the Ministry of Finance of Republic of Lithuania (hereinafter – STI under MF) has issued the order No VA-28 by which the

rules for handling and submitting the registers of VAT invoices have been changed.

The new edition is prepared in accordance with the provisions of the Law on Tax Administration of the Republic of Lithuania and the provisions of the Law on VAT of the Republic of Lithuania which will come into force on 1 October 2016. According to these provisions, all taxable persons registered for VAT will have to electronically provide the tax authorities with the registers of received / issued VAT invoices using the sub-system i.SAF of the smart tax administration system i.MAS.

The Law comes into force as of 1 October 2016.

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

CHANGE OF THE RULES ON FILING AND ADJUSTING THE PERSONAL INCOME TAX RETURN GPM308 AND ITS ANNEXES

According to the amendments of Articles 17 and 20 of the Law on Personal Income Tax (hereinafter – PIT) adopted on 10 December 2015, the Head of the STI under MF on 23 March 2016 released an order No VA-25 by which the rules for filing, submitting and adjusting the PIT return GMP308 and its annexes have been changed (hereinafter – Rules).

Besides other amendments:

- The Rules have been supplemented with the examples which explain the calculation and declaration of interests which are treated as taxable or non-taxable income, and the income tax paid on them in a foreign country;
- Adjusted provisions of the Rules regarding the taxation of the income received from the transactions related to the immovable property;
- The formula is provided for calculating the tax exempt amount for 2016;
- The lists of non-taxable, non-declarable income adjusted;
- The Rules have been supplemented with the examples explaining the calculation of Social Security contributions on individual activity income since 2015.

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

THE COMMENTARY ON ARTICLE 11 PARAGRAPH 4 OF THE LAW ON CIT HAS BEEN CHANGED

Based on the amendments of the Accounting Law No IX-574 of the Republic of Lithuania, and aiming to harmonize the application of CIT, the STI under FM has prepared and announced the amendment of the official commentary of Article 11, Paragraph 4 of the Law on CIT underlying that as of 1 January 2016, the invoices are considered to be legally binding documents even if they are not signed by the authorized person.

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

UPDATE OF A LIST OF SERVICES CONSIDERED/NOT CONSIDERED TO BE CONSTRUCTION WORKS

On 25 March 2016 the STI under MF by the Note No (18.2-31-2 E) RM-6667 has updated the list of services provided by the tax payers which, for the VAT purposes, considered/ not considered as the construction works (points 54 and 92).

We would like to remind you that as of 1 July 2015, construction works are 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 persons performing construction works.

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

LEGAL NEWS

AVERAGE GROSS SALARY IN LITHUANIA HAS INCREASED

The Lithuanian Department of Statistics announced that, according to the data of the fourth quarter of the year 2015, the average gross monthly salary in Lithuania is EUR 756.9.

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

NEW PROCEDURE FOR REGISTRATION OF FOREIGNERS' PLACE OF RESIDENCE IN LITHUANIA

On 22 March 2016 the orders of the Minister of the Interior came into force according to which the procedure for registration of foreigners' place of residence in Lithuania has been changed.

The foreigners (EU and third country nationals) who receive a document confirming the right of residence in Lithuania for the first time (i.e. temporary residence permit or certificate confirming the right to reside in Lithuania), are required to register their place of residence in the territorial migration office. Previously, foreigners had to register their place of residence in the respective district authority (lith. "seniūnija").

This obligation is not applied for foreigners, who have already registered their place of residence in Lithuania.

Foreigners are required to collect the document on residence in Lithuania and to submit the declaration on place of residence personally.

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

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