



Tax and Legal Newsletter

November 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

Change in Administrative Institution of Contributions to the Guarantee Fund

The payment order and the administrative institution of contributions to the Guarantee Fund is changing as from 1 January 2017.

The State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI under MF) announced that starting with 1 January 2017 payments to the Guarantee Fund will be administered not by STI under FM, like before, but by the State Social Security Fund (hereinafter – SSSF) Board under the Ministry of Social Security and Labor of the Republic of Lithuania and other administrative institutions of SSSF. The contributions shall be calculated, paid and reported in accordance with the procedures and timelines indicated in the Law on State Social Security of the Republic of Lithuania.

It should be noted that contributions to the Guarantee Fund for periods until 31 December 2016 are still payable to STI under MF. Contributions for periods after 1 January 2017 will have to be paid to State Social Security Fund under the ministry of Social Security and Labor budget accounts.

If contributions are mistakenly paid to STI under MF after 1 January 2017, they can be refunded by submitting form No. FR0781.

More information is available [here](#).

The commentary to the Article 17 Paragraph 1 of the Law on Personal Income Tax has been amended

STI under MF has prepared an amendment of the commentary to the Article 17 Paragraph 1 of the Law on Personal Income Tax (hereinafter - PIT).

The updated commentary provides that benefits paid from SSSF including benefits for disease caused by an accident at work, travelling to or from work and unemployment benefits are not considered as non-taxable income.

These benefits together with sick leave, maternity/paternity and child care benefits are treated as employment related income and are subject to PIT at a rate of 15%.

More information is available [here](#).

Amended Resolution for Rules of Issuing Business Certificates for Individuals and the List of Activities which can be Performed under Business Certificate

The Government of the Republic of Lithuania has amended the Resolution for Rules of Issuing Business Certificates for Individuals and the List of Activities which can be Performed under Business Certificate on 17 November 2016.

New amendments will come into force in two periods.

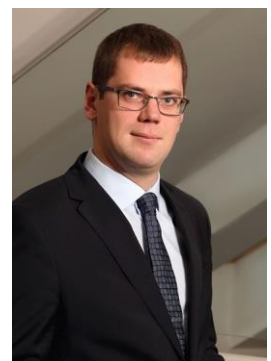
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Rules which shall apply for calculation and reporting periods of 2016 and later:

- Individuals who acquired a business certificate and paid the fixed amount of PIT are allowed to sell goods to legal entities which do not perform trade activities and individuals who are engaged in individual trade activity (except in trade of agricultural and food products) in an amount of up to EUR 4,500 per taxable period. Until this amendment these persons were not allowed to sell goods to legal entities or individuals who perform individual trade activities.
- In case the income of individuals performing their activities with business certificates exceed EUR 4,500 during tax period, the amount not exceeding EUR 4,500 shall be taxed at the time the business certificate is acquired by paying a fixed amount of PIT. Income exceeding EUR 4,500 shall be taxed as income earned from the individual activity at a PIT rate of 5% (liberal activities – 15 %). It should be noted that individuals performing their activities with the business certificate and earning the income exceeding EUR 4,500 during tax period can further provide services and sell goods only to persons who do not perform trading activities.

Rules which will apply after publication of the act in the Register of Legal Acts:

- Having purchased a business certificate and paid the fixed amount of PIT, an individual is allowed to sell goods and provide services to legal entities, if the type of the activity indicated in the business certificate does not match the type of the activity of the legal entity. Until the amendment individuals were not allowed to sell goods and provide services to legal entities if the type of the activity indicated in the business certificate coincided with the actual activity of the legal entity.
- Prohibition for individuals performing their activities under business certificates to engage in licensed activities has been repealed.
- The provision regarding non-issuance of business certificates for individuals who have unsettled liabilities to the SSSF has been adopted. The business certificates will not be issued if an individual has unsettled liabilities to the SSSF related to the previous period and the payment term has not been delayed or it has been delayed but it has already expired. If an individual has concluded an agreement regarding the delay of debt payment, the term of which has not expired yet, such an individual can acquire the business certificate.

More information is available [here](#).

The Law on Value Added Tax of the Republic of Lithuania has been amended

On 3 November 2016 the Lithuanian Parliament adopted the law No. XII-2697 Amending Articles 12³, 14, 15, 45, 53, 56, 71, 93, 94, 120, 121 of the Law on Value Added Tax (hereinafter – Law on VAT).

All the amendments, which shall come into force as from 1 January 2017, were made in order to harmonize the provisions of the Law on VAT with the European Parliament and European Council Regulation No. 952/2013, which establishes European Union customs code (OL 2013 L 269, p. 1). The

amendments are related with the administration of the value added tax (hereinafter – VAT).

The main amendments of the Law on VAT:

- The amendment of Article 53 Paragraph 4 sub-paragraph 1 of the Law on VAT provides that goods sold in specialized trading venues (Duty Free) shall only be taxed using the VAT rate of 0% where they are in sea or air ports, thus, refusing the provision allowing the activities of Duty Free shops in other border crossing points.
- Amendments of Article 123 and Article 53 Paragraph 1, Article 56 Paragraph 2 and Article 120 Paragraph 3 of the Law on VAT provides that customs approved treatment becomes customs procedures, e. g. goods entry into a free zone becomes special custom procedure of a free zone. Other customs procedures, such as processing under customs' control and temporary inward processing are replaced by a special temporary inward processing customs procedure.
- Amendments of Article 2 Paragraph 25 and Article 14 Paragraph 13 of the Law on VAT eliminated references to agricultural or other EU fees, as the regulation of the European Council specified the concept of customs duty by defining the agricultural or other EU fees as duties for imported and exported goods.

More information is available [here](#).

Amendment of Article 19 of the Law on VAT

On 8 November 2016 the Lithuanian Parliament adopted the Law No. XII-2749 Amending Article 19 Paragraph 4 of the Law on VAT.

Starting with 1 January 2017 reduced 5% VAT rate will also be applied to non-compensated prescription medicine if the taxable value of its outer packaging exceeds EUR 300. Before the amendment 5% VAT rate was applied only to fully or partially compensated medicine.

More information is available [here](#).

Legal News

Average gross salary in Lithuania has increased

At the end of November, Lithuanian Department of Statistics announced that, according to the data of the third quarter of the year 2016, the average gross monthly salary in Lithuania is EUR 793.3.

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

The Law on Crowdfunding has been adopted

On 3 November 2016 Lithuanian Parliament adopted the Law on Crowdfunding, which establishes crowdfunding legal basis and criteria, procedure of inclusion in and exclusion from the public list of crowdfunding platform operators, fundraising order, investment limitations, etc.

The Law entered into force on 1 December 2016.

More information is available in Deloitte announcement [here](#).

The Law on Credit Related to Real Estate has been adopted

On 10 November 2016 the Parliament adopted the Law on Credit Related to Real Estate (hereinafter – “Law”).

The Law establishes conditions to grant a credit, which is related to real estate, notification requirements regarding the latter conditions, obligations and responsibilities of a credit lender, a credit intermediary, a crowdfunding platform operator while carrying out the activities covered by the Law, etc.

The most relevant provisions are the following:

- 1) Credit lender is considered a person, except for a natural person and a non-profit making legal person, who for the purposes of business grants or commits itself to grant a credit;
- 2) Before a credit agreement has been concluded, a credit lender or a credit intermediary has to submit standard information regarding the credit for a credit borrower in order for him/her to compare proposals of different lenders;
- 3) Credit lender has to provide not shorter than 30 days reflection period in order for a credit borrower to take a decision regarding the conclusion of a credit agreement;
- 4) Credit borrower has a right to withdraw a credit agreement, without giving any reason, within 14 days after the day of conclusion of a credit agreement;
- 5) Requirements regarding compensation for a credit lender, when a credit borrower returns a credit or a part of it earlier than agreed, are established.

The Law will enter into force on 1 June 2017.

More information is available [here](#).



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