



## Tax and Legal Newsletter

November 2017

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

### **Amended reporting rules of multinational enterprise groups country by country report**

On 2 November 2017 the Order No. VA-93 issued by the Director of The State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI under MF) has changed a previous Order No. VA-47 regarding the reporting rules for the multinational enterprise (hereinafter – MNE) groups also known as Country-by-Country (hereinafter – CbC) reporting rules in Lithuania. The main amendments made to the CbC reporting rules:

- Explanation of terminology;
- Specification that if the financial year of MNE Group starts later than on the 1st of January the CbC report for financial year 2016 should be submitted to STI under MF within 12 months after the end of the financial year. Before the amendments the deadline for submitting the first CbC report was 31 March 2018 irrespectively of whether the financial year of the MNE Group starts on the 1st of January or later;
- Amendment of the term No. 4 in the Annex 3. Based on the amendment of the rules, no adjustments would be required if the accounting policies in different countries were different;
- Addition of Annex 4 “Description of data file”;
- Other editorial changes.

More information is available [here](#).

## Legal News

### **Agricultural companies and cooperative companies will have to provide information about their participants to the administrator of information system on participants of legal entities (hereinafter – JADIS)**

On 16 November 2017, there were adopted amendments to the Law on Agricultural Companies of the Republic of Lithuania and the Law on Cooperative Companies (Cooperatives) of the Republic of Lithuania stipulating that agricultural companies and cooperative companies will be required to provide JADIS with information about the participant of the agricultural company or cooperative, the date of the person's admission to the participants, the size (when the contribution is monetary) and/or value (when the contribution is non-monetary) of the participant's contribution, also the expiration date of membership.

Agricultural companies will also be obliged to provide JADIS with information about the shareholder, the date of payment of the personal income, the size (when the contribution is monetary) and/or value (when the contribution is non-monetary) of the

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shareholder's contribution, the date of the transfer of share within the company.

The specified data must be submitted no later than within 5 days from the date of registration of the company or exchange of the data.

The new procedure will come into force from 1 May 2018.

The companies, established before the entry into force of the law, will have to submit the specified data by 31 December 2018.

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

### **The Bank of Lithuania and ESMA (European Securities and Markets Authority) presented positions on the distribution of virtual currencies and initial coin offering**

On 10 November 2017, the Bank of Lithuania has issued requirements that financial market participants should comply with. Nevertheless, this position can not be considered as an official interpretation of the law.

In its position, the Bank of Lithuania set requirements for financial market participants and indicated that financial market participants providing financial services should not participate in activities or provide services related to virtual currencies. Failure to comply with this requirement may constitute grounds for not issuing a license or revoking a license issued. Financial market participants should also ensure that financial service activities are clearly distinguished from activities in the field of virtual currencies and provide proper and non-misleading information on the nature of the services provided. Financial market participants should ensure that money laundering and anti-terrorist financing legislation is complied with by providing financial services to clients engaged in activities related to virtual currencies.

On 13 November 2017, ESMA also gave an opinion on the risks to investors and companies involved in the distribution of virtual currencies. ESMA points out that investors should pay attention to the following essential aspects:

- risk of losing all of their invested capital;
- extremely volatile price of the coin or token;
- risk of fraud or money laundering;
- risks of ICOs falling outside of the scope of EU laws and regulations.

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

### **Lithuania has changed average monthly salary**

On 24 November 2017, the average monthly salary in Lithuania was raised, at present it is 850.80 EUR/Month. Previously, the average monthly salary in Lithuania was 838.70 EUR/Month.

More information is available [here](#).

### **The part of applicable requirements for purchasers of agricultural land plots has been waived**

On 23 November 2017, amendments to the Law on Acquisition of Agricultural Land were adopted.

Previously required three years of agricultural activity, declarations of agricultural land and crops, a registered farmer's holding, and a diploma in agricultural education were cancelled as a requirements for a natural person. Eliminated requirements for a legal person - 50% of income from agricultural activity and proof of economic viability. It is also foreseen that land purchase and sale transactions must be executed only in the form of bank settlements.

The amendments adopted will facilitate the purchase and sale of agricultural land. However, the limitation of the land purchase of more than 500ha is still valid.

More information is available [here](#).

### **The Court of Justice of the European Union has extended the practice of interpreting Article 102 of the Treaty on the Functioning of the European Union which deals with the abuse of a dominant position**

On 14 September 2017, Court of Justice of the European Union indicated that the application of prices which was excessive in relation to the economic value of the service provided could be regarded as violation of Article 102. The Court has stated, that assessing whether the price is too high, the price applied must be assessed in several Member States:

- there is no minimum number of Member States that should be included in the comparison;
- Member States must be selected on the basis of objective, appropriate and verified criteria (e.g. according to consumption habits) and other economic, social and cultural factors (e.g. per capita GDP);
- price comparison must be done in a consistent manner, i.e. taking into account the country's purchasing power parity index;
- it is permissible to make a comparison in one or more market segments only if there are assumptions that the allegedly excessive nature of the charge affects those parts.

In assessing the appreciable difference in the applicable prices, the difference must be material and must remain at a certain point in time and not be temporary. A dominant undertaking may submit data demonstrating that the price difference is objectively justified.

More information is available [here](#).

**Directive of the European Union (EU) No 2017/1852 on tax dispute resolution mechanisms in the European Union came into force on 3 November**

The directive applies to multinational enterprise groups, because it solves the issue of double taxation. The directive states that primarily the tax authority seeks to resolve a dispute by procedure of an agreement. Advisory commissions and alternative dispute resolution commissions will be established in the Member States. The tax administrator will have to make a binding decision in the light of the advisory commission or alternative dispute resolution commission advice, but only if the parties do not make a consent.

Lithuania will have to prepare the law implementing the directive by 30 June 2019. The new procedure will apply to complaints filed since 1 July 2019.

More information is available [here](#).

**Amendments to the Law on Environmental Impact Assessment of the Planned Economic Activities of the Republic of Lithuania came into force on 1 November 2017**

According to the new procedure, the selection of the environmental impact assessment will be carried out only for the planned economic activities directly indicated in the law (there is no longer any possibility of selection to the proceeding by one of the parties). The procedure of revision of selection conclusions at the Environmental Protection Agency was waived from the law, as well as the right of the council of the municipality to stop the environmental impact assessment process. The amendments to the law establish the competence of the subjects of environmental impact assessment, limitate the possibility to submit additional comments and proposals if they could be submitted for the first time during examination of documents. Also, the deadlines of the process was shortened. The new provisions should ensure a more effective environmental impact assessment process.

More information is available [here](#).



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