

Tax & Legal Alert

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Tax & Legal Alert

provides the latest information on changes in Lithuanian legislation most urgent to our clients.

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- amendments to the Law on CIT and the Law on PIT;
- amendments to the Labor Code;
- amendments to the Law on Audit.



Tax news

Contacts:

Kristina Kriščiūnaitė - Bartusevičienė
Partner, Head of Tax department
E-mail:
kristina.bartuseviciene@lt.pwc.com
Tel: +370 5 239 23 00

Jūratė Stulgytė
E-mail:
jurate.stulgyte@lt.pwc.com
Tel: +370 5 239 23 81

Nerijus Nedzinskas
E-mail:
nerijus.nedzinskas@lt.pwc.com
Tel: +370 5 239 23 50

Lina Surplienė
E-mail:
lina.surpliene@lt.pwc.com
Tel.: +370 5 239 23 72

PricewaterhouseCoopers, UAB
J. Jasinskio 16B, Vilnius
Tel: +370 5 239 23 00

www.pwc.com/lt

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Amendments to the Law on Corporate Income Tax (CIT)

On 31 July 2008 amendments to the Law on CIT were enacted (see Tax & Legal Alert, Issue No. 99). The amendments regarding payments for the benefit of employees shall come into force from the tax period starting in 2009, amendments regarding taxation of income and losses resulting from reorganizations and transfers shall come into force from the tax period starting in 2008, all other amendments shall come into force as from 1 January 2009.

Taxation of personal income from currency trading

On 28 July 2008 the Tax Authorities published an explanatory note regarding the taxation of personal income received as a result of currency trade transactions performed on the Foreign Exchange market (FOREX). According to the explanation, if individuals perform currency trading activities for a continuous period, income received from such activities should be treated as income from individual activities. In such a case income from individual activities would be the profit incurred due to the changes in the exchange rates. This income should be subject to 15% Personal Income Tax (PIT) if an individual does not deduct allowable deductions, or 24% PIT if the income is reduced by allowable deductions

established by the Law on PIT. Furthermore, the individual would be obliged to fill in the Journal of Income/Income and Expenses of Individual Activities, where the income received (benefit received) and expenses incurred (if they are deducted from income) are recorded.

Where an individual performs currency trading transactions on an occasional basis, the income received from such activities shall be taxed as non individual activity's income at 15% PIT rate.

Financial statements shall be submitted only to the Centre of Registers

On 28 July 2008 the Tax Authorities enacted an Order to simplify the filing of the annual financial statements. The new Order provides that legal entities currently obliged to file the financial statements with the Centre of Registers as well as the Tax Authorities, from 1 September 2008 will be allowed to file the aforementioned statements only with the Centre of Registers. This new procedure shall be applicable to the financial statements for the tax periods starting in 2007 and later.

The new edition of the Order on VAT Registers

On 10 July 2008 the new edition of the Order on VAT Registers, the form FR0671 of the Register of VAT invoices

received and form FR0672 of the Register of the VAT returns issued came into effect. The new edition provided for the following amendments:

- the invoices registered in the Register of output VAT on goods (services) acquired may not be registered in the Register of VAT invoices received.
- the Register of VAT invoices issued should separately include the amount of VAT when the buyer of goods (services) is obliged to account for output VAT under the reverse-charge mechanism, i.e. VAT on the objects of ownership rights, acquired as contribution in kind or due to reorganization, VAT on the transfer of the essential improvement of the building and in some other cases.
- the new edition of the Order provides the guidelines for the filling of forms FR0671 and FR0672 for issuing/receiving joint VAT invoices applicable to parties acting based on the joint activities agreement.

Legal news

Amendments to the Labor Code

On 15 July 2008 amendments to the Labor Code were enacted. According to the amendments, the first day of Easter, Mother's Day and Father's Day that always fall in the weekends shall not be carried over to the nearest working day. All other holidays established in the Labor Code coinciding with weekends shall be carried over as before. These amendments will come into force as from 1 January 2009.

On 15 July 2008 amendments to the Labor Code related to the new requirements on remuneration for overtime as well as for work during the night-time, weekends and bank holidays were enacted by the Lithuanian Parliament (see Tax & Legal Alert, Issue No. 99). According to the new legislation, the requirements that came into force from 1 July 2008 shall be amended and remuneration for overtime as well as for work during the night-time, weekends and bank holidays shall be calculated based on the *employee's base salary and all additional allowances paid by the employer*. Previously the remuneration was calculated based on *average hourly/daily wage*, which was composed of the employee's base salary and all additional allowances paid by the employer during the last 3 months.

Accounting news

The new edition of the Law on Audit

For the purpose of implementation of Audit Directive 2006/43/EC of 17 May 2006, the new edition of the Law on Audit was announced. The main amendments provided in the new edition are related to the establishment of a public supervision system for auditors and audit companies. The amendments provide that the public supervision will be performed by a special institution – Audit and Accounting Office. The activities of the Office will be carried on by a currently acting public institution – the Lithuanian Institute of Accounting.

An important amendment is provided with regard to audits performed to companies of public interest. According to the amendments, auditors shall not be allowed to perform an audit of a company of public interest for a period longer than five years. After the end of this period, an auditor as previously shall not be allowed to audit such a company for two years. Moreover, an auditor shall not be allowed to become a head or a member of Board of such a company for two years.

The new edition of the legislation will come into force as from 1 September 2008.

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