

# 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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## 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

**Egidijus Kundelis**  
E-mail: egidijus.kundelis@lt.pwc.com  
Tel: +370 5 239 23 57

**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](http://www.pwc.com/lt)

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### Amendments to the rules on performing tax reviews

On 5 August 2008 an Order of the Head of the Tax Authorities amended the rules on performing tax reviews as well as processing of their results:

- The Tax Authorities will be allowed to perform a tax review without notifying a tax payer in cases when their report is based on the documents provided by any foreign institutions and without any audit of tax calculations made by the Lithuanian Tax Authorities as well as in cases when a tax review of liquidated tax payers or deceased individuals is performed.
- A tax review may be suspended when information from other Lithuanian or foreign institutions or from other individuals is required, or when information collected on a criminal case is required.
- For the purpose of reducing the actual period of a tax review, a new provision was enacted. According to the provision, the suspended tax review should be carried on, if it was suspended due to application to other foreign institution and their answer was not received within six months.
- The Tax Authorities shall be allowed to review not only electronic accounting systems but also other data stored on a computer. In such cases, a special seizure certificate should be concluded.
- The officers of foreign competent institutions participating in a tax review carried on in Lithuania should have access to the same territory, office and documents of the tax payer being audited as officers of the Lithuanian Tax Authorities participating in the same tax review.
- Other amendments were enacted in order to harmonise the rules with the provisions of the Law on Tax Administration.

These amendments came into force as from 10 August 2008.

### The new edition of the rules on VAT registration

On 23 July 2008 an Order of the Head of the Tax Authorities approved a new edition of the rules on registration to and deregistration from the VAT Payers' Register. The new edition came into force as from 6 August 2008. The new edition provides:

- Amendments to the terms of submission and examination of the applications for VAT registration. According to the new rules, all

entities (Lithuanian and foreign) are obliged to submit applications within 12 business days or within 15 business days, if they are not registered in the Tax payers' Register, before the date when the duty (or wish) to register for VAT purposes arises. The Tax Authorities should inspect the applications and should adopt a decision within 12 or 15 days respectively.

- Amendments to the procedure of inspection of the applications by the Tax Authorities:
  - If the application includes any discrepancies, the Tax Authorities should send a notification for the provision of additional information and arrival to the Tax Authorities' office within seven business days.
  - The Tax Authorities should adopt a decision within five business days after the required information is provided.
  - the Tax Authorities should inform the applicant within three business days after the decision to register/refusal to register is adopted.
- It is also provided, that VAT payers' certificate should be sent by post within five business days if it is not reclaimed from the Tax Authorities personally.
- The reasons of the rejection to register an entity for VAT purposes are defined more clearly. Such a decision may be adopted if an entity does not provide or specify additional information upon request of the Tax Authorities or does not provide any evidence for the taxable activity being real and continuous and on other occasions.
- Occasions when entities are obliged to adjust the information provided in the application to register for VAT purposes are defined more clearly.

#### **Supplement to the Official Commentary of the Law on VAT regarding the taxation of the sale of immovable property**

On 1 August 2008 the Tax Authorities supplemented the Official Commentary of the Law on VAT. The Commentary provides for provisions of VAT treatment applicable to sale of immovable property. It is pointed out that in cases when an old building is sold with land, it is important to determine the main purpose of the transaction and the way of treatment of this transaction: (i) the sale of land with old buildings or (ii) the sale of land for construction. The Commentary also provides for relevant examples regarding VAT treatment of the sale of immovable property.

#### **Supplement to the Official Commentary of the Law on VAT regarding input VAT allocation and adjustment in cases of acquisition of a business**

On 27 August 2008 the Official Commentary on the Law on VAT was supplemented by the provisions regarding input VAT allocation and adjustment in cases of acquisition of a business. According to the Commentary, the amount of input VAT incurred on the acquisition of a business subject to VAT deduction should be calculated proportionally for each separate asset according to its market value. Such allocation is important if the input VAT deduction is adjusted in later periods.

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## Accounting news

#### **Supplement to the 11<sup>th</sup> Business Accounting Standard (BAS) "Expenses"**

On 17 July 2008 based on the requirements of the EU legislation as well as the Order of the Head of Accounting Institute, the 11<sup>th</sup> BAS "Expenses" was supplemented. According to the amendments, expenses related to services of audit companies, e.g. audit of financial statements, assurance, tax consulting and other services' expenses, have to be revealed in an explanatory note. These provisions shall be applicable for financial statements of the period starting from 1 January 2008 and later periods.

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# Legal news

## New ruling on the registration of foreign loans with the Bank of Lithuania

On 7 August 2008 the Board of the Bank of Lithuania (LB) approved a new ruling on registration of foreign loans received without State guarantee and loans provided to foreign entities with the LB. The amendments shall be applicable from 15 September 2008:

- Foreign loans received or loans provided to foreign entities should be registered with the LB within 15 business days after date of signing a loan agreement. Previously, a foreign loan had to be registered within 10 business days after the loan or a part of the loan was received;
- An entity is obliged to inform the LB on the amendments of the conditions of the main loan agreement as well as on the fact of reception or reimbursement of a part of the loan within 15 business days. Therefore, it was required to inform the LB not later than within five business days;
- Applications to register a foreign loan reception/provision may be submitted on-line, by email or by fax.

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