

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

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Supplement of the Commentary to the Law on CIT

On 11 and 18 September 2008 the Official Commentary of the Law on CIT was supplemented as follows:

- in cases when the share capital of a company is reduced for the purpose of covering losses and the nominal value of shares is reduced, the acquisition value of these shares remains the same for CIT purposes.
- Non-life insurance company's income shall be recognised upon the provision of insurance service to the insured irrespective of the payments.
- Expenses related to reduction of the share capital, should be treated as directly related to the economic activities of the company and deductible for CIT purposes during the same tax period when they actually occurred.

Supplement of the Commentary to the Law on VAT

On 17 September 2008 a new Commentary to Art. 125-1 of the Law on VAT was issued by the Tax Authorities. The Commentary provides for the procedure of covering 13% of VAT from the state budget on heating energy provided to residential properties.

Heating energy providers should calculate 18% VAT on the heating energy supplied, however consumers of this heating (residents) shall pay only 5% VAT.

According to the Commentary, the remaining difference in tariffs (13%) for the heating energy supplier should be covered from the state budget based on the requirements provided in the Order No. 924 of the Government of Lithuania.

A new Double Taxation Treaty (DTT)

On 27 August 2008 a DTT between Lithuania and Macedonia came into force.

The Treaty should be applicable as from 1 January 2009.

Amendments to the Rules on Issuing and Acceptance of the Documents Used for Tax Purposes

On 13 September 2008 amendments to the Rules on Issuing and Acceptance of the Documents Used for Tax Purposes came into force.

According to the amendments, expenses may be recognised based on the cash register receipt if the amount including VAT does not exceed LTL 1,000.

Previously this limit was LTL 500.

The rules also provide that expenses can be recognised based on the taxi receipts,

if they meet the requirements proved by the Rules on the Passenger Transportation by Taxi Cars.

Amendments to the land lease tax rates

On 3 September 2008 Order on the State Land Lease Tax was amended by the Lithuanian Government.

According to the amendments as from 1 January 2009 the tax rate on the land leased from the state shall not be less than 0.4% and shall not exceed 4% of the value of land.

Amendments to the Rules on Valuation of Land

On 9 September 2008 amendments to Order on the Valuation of Land and related orders came into force. According to the amendments as from 1 January 2009 the value of state land plots leased without an auction shall be calculated based on the land value map applicable on 1 January of the current year.

As a result, land lease tax shall be calculated based on the average market value of the land plot determined according to the land value map which should be higher than the value established by individual valuation, as used previously.

It is also provided that in case of the sale of state land plot without an auction, the value should be established by the individual valuation according to the Law on Valuation of Assets and Business.

Explanation related to the application of reduced VAT rate on medical products

As from 1 September 2008 the list of medical products taxable with reduced 5% VAT was amended.

The Tax Authorities explained that the reduced VAT rate may be applicable to drugs and medical goods deleted from the list if a VAT payer receives a certificate from the State Pharmaceuticals Regulatory Office or State Veterinary Office that the reduced VAT rate can be applicable.

Amendments to the Rules on Registration of Warehouses for Excisable Goods

On 28 September 2008 amendments to the Rules on Registration of Warehouses for Excisable Goods came into force.

The main amendments are related to the refusal to submit a written commitment guaranteeing the fulfilment of tax liabilities in certain cases. The amendments also specify the deadlines of the examination and conclusion making on the warehouse establishment documents.

The amended rules also provide for two new forms: Permission to establish a warehouse for excisable goods (form FR1057) and its annex FR1057P as well as Application to register/deregister a user in excise information system (form FR1058).

Accounting news

New name of Accounting Institute

On 28 August 2008 the Accounting Institute was renamed to the Audit and Accounting Office. The link to official Audit and Accounting Office website is www.aat.lt.

Legal news

New rules for auditors and audit companies of Non-Members States

On 14 September 2008 new rules related to the registration of Non-Member States' auditors and audit companies to the register of auditors and audit companies, the quality review of audit performed, investigations and imposition of disciplinary punishments, came into force.

The rules should be applicable to non-EU and non-EEA countries' auditors and audit companies which performed the audit of financial statements of the non-EU and non-EEA companies publicly offering or trading their securities on the Lithuanian regulated market.

The rules should not be applied if a non-EU or non-EEA registered company issues only bonds which are traded on the Lithuanian regulated market, the nominal value of which is not less than EUR 50 thousand.

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