

Tax & Legal Alert

Lithuania • Issue 93, 22 January 2008

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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This Tax & Legal Alert is produced by PricewaterhouseCoopers' Tax department.

Tax legislation amendments applied as from 1 January 2008:

Corporate Income Tax

- The abolishment of social tax. The temporary social tax will no longer be calculated on the CIT taxable base and paid to the budget for the periods starting from 2008.
- Amendments related to tax authority requests for warranties or indemnities in respect of tax liabilities (T&L Alert, No. 88).

Value Added Tax

- Amendments related to tax authority requests for warranties or indemnities in respect of tax liabilities (T&L Alert, No. 88).
- Lithuanian VAT payers are liable to calculate output VAT on goods and services supplied by taxable persons while under an insolvency procedure or a restructuring procedure subject to juridical oversight, or in case timber, ferrous waste and scrap is supplied (T&L Alert, No. 90).
- On 31 October 2007, a new edition of the Classification of Economic Activities was issued. The new edition of the Classification took effect from 1 January 2008 (T&L Alert, No. 92).
- Increased Intrastat thresholds for 2008 (T&L Alert, No. 91).
- Abolishment of 1% penalty for late filing of a VAT return.

Personal Income Tax and Social Insurance Contributions

- Amounts paid by Lithuanian residents for studies as well as for vocational training can be deductible for personal income tax purposes (T&L Alert, No. 85).
- The maximum PIT rate is reduced to 24%.
- The minimum monthly salary is increased to LTL 800 and minimal hourly wage is increased to LTL 4,85.
- The base for State social insurance pension is increased from LTL 266 to LTL 316.
- As from 1 January 2008, the new forms of social insurance notifications for employment of new employees, termination of employment contracts and other cases must be used. These forms may be filed electronically in Electronic system of insurers (T&L Alert, No. 88).

Law on Illness and Maternity Social Insurance

- Maternity/paternity allowance should, apart from other cases, be paid if the insured person is a part-time employee due to child care. In this case, the allowance should be paid during the part-time employment period, from the termination of maternity leave until the child is one year old (T&L Alert, No. 88).

Law on Accounting

For-profit limited liability legal entities may choose at their own discretion whether to apply the Business Accounting Standards or International Accounting Standards, if the financial year of these entities is the calendar year (T&L Alert, No. 87).

Amendments to the Law on Illness and Maternity Social Insurance

As from 1 January 2008, amendments to the Law on Illness and Maternity came into force. According to these amendments, maternity/paternity allowance will be paid until the child is two years old. The amount of this allowance will be equal to 100% of the compensated salary during the first year, and to 85% during the second year. Moreover, amendments adjust the calculation of the compensated salary, establish a longer period for payment of the allowance during the maternity leave, and increase the amount of this allowance. The allowance is increased according to the number of children born at the same time (if two children are born, the benefit should be increased twice, if three -threefold). The amendments provide an opportunity to individuals under 26 years to receive the allowance despite the fact that they do not comply with the required minimum period of illness and maternity social insurance contributions. Furthermore, some other important amendments to the Law came into force.

Amendments to the Law on Excise Duty

On 6 December 2007, amendments to the Law on Excise Duty were announced by the Lithuanian Parliament. The new edition of this Law provides the increased rates of excise duty for beer, wine, other alcohol, cigarettes, motor petrol, oil and gasoline. The increased rates should be applied as from 1 January 2008, except of new excise duty for cigarettes, which should be applied as from 1 March 2008.

Amendments to the PIT return filing rules

On 10 December 2007, the Lithuanian Tax Authorities announced the amended rules for filing of the annual PIT return FR0573 class A income and tax calculated and paid on this income.

Supplement to the official Commentary of the Law on PIT

On 29 December 2007, the official commentary on the Law on PIT was supplemented. According to the amendments, if an entity provides an individual (not its employee) with a right to acquire its shares in the future subject to certain conditions, and this individual later sells or otherwise transfers this right to the same entity or other persons against consideration, this income should be treated as income from the transfer of derivative instruments. Thus, the 15% PIT rate should be applied to this income.

The amended commentary also provides, that if the employee has the right to acquire the shares of the entity for the price agreed in advance (stock option), and after the termination of the employment contract, this right is transferred to another person, the income received should be treated as employment-related income and taxed at the rate of 24% PIT.

Draft amendments to the Law on CIT

On 20 December 2007, draft amendments to the Law on CIT were announced by the Lithuanian Parliament. If the amendments come into force, the losses incurred by companies will be carried forward for an unlimited period of time, if certain conditions are met. However, losses from the transfer of securities will be carried forward for 5 successive years. The amendments suggest a threefold deduction of the Research and Development (R&D) expenses at the tax period, when they are incurred. The amendments also provide for some releases on the deduction of study expenses of the employees or future employees, and the attribution of these expenses to the long-term assets. Amendments related to deductibility of expenses on gifts to employees are also provided in the draft amendments.

Amendments to the rules on using e-invoicing

On 21 November 2007, the Lithuanian Tax Authorities amended the rules on using VAT invoices issued by electronic means. The Order of the Tax Authorities provides that tax

payers may issue VAT invoices by electronic means upon prior agreement with the purchaser, expressed either verbally or in written form.

Accounting news

New edition of 14 BAS

As from 4 January 2008, new edition of the 14 Business Accounting Standard “Business Combinations” came into force. According to the new edition, a business combination of jointly controlled enterprises could be accounted for in the consolidated financial statement using the purchase method. Furthermore, some other important amendments to the Standard came into force.

The new edition should be applied to the financial statements for the periods starting from 1 January 2008 and later. The new edition may be also applied for the periods starting earlier.

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