

Tax & Legal Alert

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Tax & Legal Alert

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

In this issue:

- Amendments and draft amendments to tax legislation
- Amendments to the Law on Collective Investment
- Amendments to the Laws on Financial Statements and Consolidated Financial Statements.



Tax news

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Amendments to the Law on Guarantee Fund

As from 26 June 2008 the amendments to the Law on Guarantee Fund were enacted by the Lithuanian Parliament. The amendments suggest a reduction of the contributions' rates from 0.2% to 0.1% of the salary income calculated.

The draft amendments also suggest different payment periods. Contributions not exceeding LTL 150 per year should be paid once a year, whereas contributions amounting from LTL 151 to LTL 300 should be paid twice a year. Contributions exceeding LTL 300 should be paid on a monthly basis.

If the amendments are approved by the President of Lithuania, the new rate of contributions to the Guarantee Fund shall be calculated on the employment income calculated from 12 July 2008.

Draft amendments to the Law on Personal Income Tax (PIT)

As from 20 May 2008 the draft amendments to the Law on PIT are discussed by the Lithuanian Parliament. According to the amendments, taxable income received from the sale of non-individual activity assets shall be additionally reduced by fees and charges of financial institutions related to the management of the assets as well as fees paid to the financial institutions related to the acquisition and sale of

such assets, e.g. securities' portfolio management fees.

Draft amendments to the Law on Corporate Income Tax (CIT)

On 20 June 2008 draft amendments to the Law on CIT were proposed to the Lithuanian Parliament. Draft amendments suggest the following provisions:

- Annual payments to the members of the board received by foreign entities should be treated as income sourced in Lithuania and taxed at 15% withholding tax (WHT).
- Increase of the WHT rate applicable to foreign entities' income from sale or rent of real estate and income from sports and performance activities from 10% to 15%.
- Regulations on determination activities of foreign entities as performed through a permanent establishment when activities are carried on through a dependent agent, or a research or mining of natural resources is performed, should be made more restrictive.
- Interest on all Government securities should not be attributed to the CIT base of foreign entities. Previously, only interest on securities issued by the Government on international financial markets were not attributed to the tax base.

- Restriction that only Lithuanian entities may reduce their taxable income by the expenses related to life or health insurance of employees as well as payments to pension funds should be abolished. This right should be applicable to foreign entities performing their activities through a permanent establishment in Lithuania.
- The provisions of the Law on CIT related to taxation of income and losses resulting from reorganisations and transfers should be applicable if the assets, rights and liabilities are transferred between foreign entities complying with certain established requirements.

The draft Law also provides for other important amendments.

Amendments to implementation of provisions of the Law on Excise Duty

On 30 June 2008 the new edition of Lithuanian Government's Regulation "On amendments to implementation of provisions of the Law on Excise Duty" came into force. The amendments provide for a new edition of the rulings related to implementation of collateral acceptance (guarantee) as well as other tax requirements and approve the list of cases when the tax authorities have a right to deregister a registered trader.

Legal news

Amendments to the Law on Collective Investment Undertakings

On 19 June 2008 amendments to the Law on Collective Investment Undertakings were enacted by the Lithuanian Parliament. The purpose of the amendments is the implementation of the provisions of the EC Directive 2007/16/EC in the national legislation.

The amendments specify means of investment, derivatives and money market instruments which may be the subject of investment for concerted and special units of collective investment undertakings.

If the amendments are approved by the President of Lithuania, they will come into force as from 23 July 2008.

Amendments to the Labor Code

On 1 July 2008 amendments to the Labor Code came into force. According to the amendments the remuneration for overtime as well as for work during the nighttime, weekends and bank holidays will be calculated based on the employees' *average hourly/daily wage* (previously it was based on the employees' hourly wage/monthly salary).

Accounting news

Amendments to the Law on Financial Statements of Companies

On 26 June 2008 amendments to the Law on Financial Statements of Companies were enacted by the Lithuanian Parliament. Amendments adjusted the main definitions of the Law, increased the qualifying amounts which allow the companies to prepare condensed financial statements which represent a threshold for mandatory audit of annual financial statements, and supplemented the list of information required to be provided in an annual report by companies securities of which are traded in the regulated market, as well as other amendments of the Law.

According to the amendments, companies are not subject to mandatory audit of annual financial statements if on the last day of a financial year at least two indicators do not exceed the thresholds established by the Law for two financial years in a row. The thresholds are as follows:

- Net sales income during a financial year: LTL 12 million (previously LTL 10 million);
- Net book value of assets in the balance sheet: LTL 6 million (previously LTL 5 million);
- Average number of employees during the financial year: 50 (the same as previously).

According to the amendments, companies may prepare a concise balance sheet, a concise profit (loss) statement, a concise explanatory note and are not required to prepare a cash flow statement if on the last day of a financial year at least two indicators do not exceed the thresholds established by the Law for two financial years in a row. The thresholds are as follows:

- Net sales income during a financial year: LTL 10 million (previously LTL 7 million);
- Net book value of assets in the balance sheet: LTL 6 million (previously LTL 5 million);
- Average number of employees during the financial year: 15 (previously 10).

If the President of Lithuania approves the amendments, they shall come into force as from 1 September 2008.

Amendments to the Law on Consolidated Financial Statements of Companies

On 26 June 2008 amendments to the Law on Consolidated Financial Statements of Companies were enacted by the Lithuanian Parliament. According to the amendments preparation of consolidated financial statements will be applicable considering the indicators of the group.

This provision shall not be applicable if on the last day of a financial year at least two indicators of the group do not exceed the thresholds established by the Law for two financial years in a row:

- Net sales income during a financial year: LTL 30 million;
- Book value of assets in the balance sheet: LTL 18 million;
- Average number of employees during the financial year: 75.

The amendments also require that besides the main necessary information in the consolidated annual report companies the shares of which are traded on the regulated market should describe the main features of group's internal control and risk management systems related to the preparation of consolidated financial statements.

If the President of Lithuania approves the amendments, they shall come into force as from 1 September 2008.

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