

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

### Draft tax legislation enacted

#### VAT

On 3 December 2009 the Lithuanian Parliament approved the draft Law on VAT (see Tax & Legal Alert, No. 115). The draft legislation is released to the Lithuanian President for signature.

Related amendments to be introduced by the Tax Authorities:

- [Draft](#) VAT return form FR0600 version 02.
- [Draft](#) amendments to Order of the Head of the Tax Authorities No. VA-29 dated 1 March 2004.
- [Draft](#) rules on filing of VAT return FR0600 version 02 and other related forms.

#### CIT

On 9 December 2009 the Lithuanian Parliament approved the draft Law on CIT (see Tax & Legal Alert, No. 116). The draft legislation is released to the Lithuanian President for signature.

### Updates of the Commentary on the Law on PIT

On 18 November 2009 the Tax Authorities published updates to the Commentary on art. 20 and art. 23 of the Law on PIT (notifications [No. \(18.18-31-1\)-R-11062](#) and [No. \(18.18-31-1\)-R-11061](#)).

The Commentary is supplemented in accordance to the amendments of the rules on calculation of tax-exempt amount, additional tax-exempt amount and annual tax-exempt amount applicable from 1 January 2009. The Commentary is supplemented with practical explanations and examples.

### Amendments to the rules on administration of compulsory Health Insurance Contributions (HIC)

On 18 November 2009 by Order of the Head of the Tax Authorities No. [VA-81](#) amendments to the rules on administration of compulsory Health Insurance Contributions came into force.

According to the amendments, compulsory HIC on A class income should be withheld by the person paying such income. HIC should be declared in a monthly PIT return on A class income .

Previous edition of the rules provided that compulsory HIC should also be declared in an annual PIT return on A class income.

### Amendments of the rules on usage of electronic VAT invoices

On 15 November 2009 new edition of the rules on usage of electronic VAT invoices No. [VA-80](#) came into force.

Besides the amendments of editorial nature, rules are supplemented with the

definitions of the concepts used in the rules. It is explained that invoices issued by other means than established in the rules may not be treated as electronic invoices and should be kept in paper format.

### **New PIT return form**

On 19 November 2009 Order No. [VA-82](#) of the Head of the Tax Authorities came into force establishing the annual PIT return form FR309 for non-resident individuals.

The Order approves the rules on filing of the return as well as provides examples of calculation of annual tax-exempt amount applicable.

### **EU news**

On 20 November 2009 the European Commission [announced](#) that they have sent an additional reasoned opinion to Lithuania on the rules under which interest and royalties paid to foreign companies are taxed more heavily than such income paid to comparable domestic recipients.

Basically, it is the second step of the infringement procedure against Lithuania and other 8 Member States concerning discriminative taxation of dividends and interest.

The additional reasoned opinion extends the scope of previous reasoned opinion to cover royalty payments to non-resident companies.

### **Practice of the Tax Authorities**

#### *Risk related to excise duty applicable to gas used in forklifts*

On 11 December 2009 the Tax Authorities on their official internet site published a [notification](#) where informed that companies which use forklifts driven by liquefied petroleum gas (LPG) in their activities, may be required to pay excise duty.

The Tax Authorities currently perform tax inspections and examine if excise duty is paid on LPG used. The Tax Authorities claim that an obligation to pay excise duty arises to a buyer who acquires LPG in domestic gas tanks and uses it for non-domestic purposes.

Meanwhile, the requests for rulings have been submitted to the Tax Authorities by the companies using LPG in their activities for the purpose of receiving an explanation regarding the application of excise duty on LPG used.

### **News from the Tax Authorities**

#### *Measures against VAT fraud and evasion are being implemented*

On 6 November 2009 the Tax Authorities [announced](#) that most of the measures against VAT fraud and evasion are implemented.

Currently the Tax Authorities are finalising methodology for calculation of tax losses which would be base for identification of VAT overdue.

The Tax Authorities also specify that the following measures will be implemented in the future:

- Methodology for VAT fraud investigations.
- Methodology for integrity investigation of VAT payers who participated in transactions on which VAT was not paid to the State Budget.

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## **Legal news**

### **Model incorporation documents of a Private Limited Liability Company have been adopted**

On 18 November 2009 Order of the Minister of Economics of the Republic of Lithuania No. [4-589](#) approved model incorporation documents of a private limited liability company (Articles of Association and Act of Incorporation). The same order also adopted recommendations regarding completion of the mentioned documents. From

now on persons who would like to establish a private limited liability company will be able to use the model incorporation documents, therefore, the whole process of the establishment of a private limited liability company will become less complicated. In addition, extra money and time will be saved.

### **Amendments to the Regulations of the Lithuanian Register of Legal Entities**

On 4 November 2009 Order of the Lithuanian Government No. [1441](#) was adopted. This order amended the Regulations of the Lithuanian Register of Legal Entities (further – the Register). One of the most important changes is that it will be possible to submit certain documents regarding incorporation of a personal or a private limited liability company (Model Articles of Incorporation, Model Act of Incorporation and Model Regulations) to the Register using electronic means of communication.

Furthermore, in order to submit such documents to the Register the following conditions should be met: the name of the company to be incorporated should not contain the word “Lithuania”; in case a private limited liability company should be incorporated, its shares should be paid in cash and there should be only one person incorporating such company.

Moreover, it must be noted that in case the incorporator of the company does not own the premises where the company will be registered or no Lease Agreement for such premises was registered within the Register of Immovable Property, the Register should be electronically submitted with the relevant owner’s or co-owner’s permission for registering such a company’s address within his/her premises.

Additionally, it must be emphasized that the mentioned documents will be available for electronical submission only after installation of special software.

### **Amendments to Regulations on International Road Transportation**

On 16 November 2009 Order No. [3-572](#) of the Lithuanian Minister of Transport and Communications was adopted. The mentioned order abolished a requirement to obtain a special permission in order to exercise international road transportation on own account.

### **Draft legislation**

#### *The Lithuanian Government proposes to change the Law on Property and Business Evaluation*

Draft [amendments](#) to the Lithuanian Law on Property and Business Evaluation which have already been approved by the Lithuanian Government foresee important changes. The proposed changes will ensure the enforcement of common EU and international property and business system.

The amendments were prepared in accordance to the EU Directive on Services. According to the amendments evaluation of property and business could be performed not only by legal but also by natural persons. Moreover, evaluation of property and business could also be performed by companies or persons that act or are established in another Member State. According to the proposed provisions property and real estate evaluators will be able to provide their services not only in Lithuania but also in other Member States and the same rules would apply for evaluators from other Member States who would like to provide their services in Lithuania.

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## **Accounting news**

### **18<sup>th</sup> BAS “Financial assets and financial liabilities” approved**

On 11 November 2009 by Order No. [VAS-9](#) of the Director of Audit and Accounting Office the new edition of the 18<sup>th</sup> BAS “Financial assets and financial liabilities” was approved.

In the new edition of the Standard rules on recognition, valuation or devaluation of financial assets and financial liabilities remain the same. However, the wording of some clauses is specified.

The new edition of the Standard should be applicable for accounting and preparation of financial statements of the financial years starting on 1 January 2010 and later. The new edition may also be applicable for the preparation of financial statements for earlier financial periods.

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