

Tax and Legal Newsletter December, 2011



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TAX CHANGES ADOPTED TOGETHER WITH THE STATE BUDGET OF THE YEAR 2012

REGARDING THE SUPPLEMENT AND AMENDMENT OF ARTICLES 5(1), 14, 19, 31, 32, 36, 43, 47, 49, 53, 57, 64, 66, 71, 71(1), 78, 79, 80, 83, 92, THE SUPPLEMENT OF APPENDIX 2, THE REPEALING OF ARTICLE 82 AND THE SUPPLEMENT OF ARTICLES 63(1), 78(1), 89(1) OF THE LAW ON VALUE ADDED TAX

On 20 December 2011 the Lithuanian Parliament (hereinafter – Seimas) adopted the Law (No. XI-1817) concerning the supplement and amendment of Articles 5(1), 14, 19, 31, 32, 36, 43, 47, 49, 53, 57, 64, 66, 71, 71(1), 78, 79, 80, 83, 92, the supplement of Appendix No. 2, the repealing of Article 82 and the supplement of Articles 63(1), 78(1), 89(1) of the Law on Value Added Tax (hereinafter – VAT).

The approved Law foresees these principal changes and amendments of the Law on VAT:

- Article 5(1) Paragraph 2 Subparagraph 5 of the Law on VAT was supplemented by the provision, according to which the transportation of goods to another member state, in which the goods are being evaluated, is not considered as the supply of goods, if later these goods are returned to the member state. This amendment will enter into force as from 1 January 2013.
- Article 14 Paragraph 6 of the Law on VAT was supplemented by the provision, that if there is supply of the long-term services, as well as the long-term supply of electricity, gas, heat and other forms of energy and the supplier of the services is the foreign taxable entity, where according to the Article 95 Paragraph 2 of Law on VAT the purchaser has the obligation to calculate and to pay VAT and the invoice is not issued and the payment is not made, the obligation to calculate VAT for the aforementioned services arises when services are fully supplied provided that the services are supplied for the period not longer than 12 months. This amendment will enter into force as from 1 January 2013.

- Amendments to Article 19 Paragraph 3 Subparagraph 1 and Article 19 Paragraph 4 of the Law on VAT provide that application of reduced 9 % rate of VAT will be extended up to 31 December 2012 to thermal energy, supplied to heat the residential premises, hot water, supplied to residential premises or cold water and thermal energy, consumed to prepare hot water, used in residential premises. Furthermore, application of 5 % VAT rate will be extended up to 31 December 2012 to medicines and medical aid devices, when their acquisition costs are partially or fully reimbursed according to the procedures established in the Law on Health Insurance of the Republic of Lithuania. This amendment will be in force until 31 December 2012.
- Amendment of Article 31 Paragraph 3 and Article 32 Paragraph 2 of the Law on VAT provides that taxable person has a right of option to calculate VAT on lease, sale or other transfer of immovable item by its nature, which otherwise would be VAT exempt according to Article 32 Paragraph 1 or 2, if such item is leased, sold or otherwise transferred not only to taxable person VAT payer, but also to diplomatic missions, consular posts, EU institutions and their established offices as well as international organizations and their representations. This amendment entered into force on 29 December 2011.
- Article 36 of the Law on VAT was supplemented by Paragraph 4, which foresees that imported goods are exempt from import VAT if these goods are imported for the purpose of employees of EU offices (established in Lithuania and covered by the Protocol on EU Privileges and Immunities) personal use and (or) setting (excluding support staff and experts of EU member states) if these employees are not Lithuanian citizens and their permanent residence during the last 5 years (before the beginning of the work in office established by EU in Lithuania) was not the Republic of Lithuania. This relief is applicable if the goods are imported by the employees not later than one year after the start of their employment for the first time in the institution established by EU in Lithuania. The Government of the Republic of Lithuania or its authorized institution has the right to determine the restrictions to this relief. The provisions of this Article entered into force as from 1 January 2012.
- Article 43 Paragraph 1 Subparagraph 1 of the Law on VAT specified the conditions for application of 0 % VAT rate. According to this specification, 0 % VAT rate is also applicable to the supply of ships going in open sea used for carrying passengers and (or) transport of cargo on international routes and (or) for the supply of other services for reward, maintenance, repair and (or) reconstruction (modernization), as well as rent and charter. This amendment entered into force on 29 December 2011.
- Article 47 of the Law on VAT was supplemented by new Paragraph 8, which provides that 0 % rate of VAT is applied to goods if these goods are supplied for the purpose of EU offices (established in Lithuania and covered by the Protocol on EU Privileges and Immunities) employees personal use and (or) setting (excluding support staff and experts of EU member states) if these employees are not Lithuanian citizens and their permanent residence during the last 5 years (until the beginning of the work in EU established office in Lithuania) was not the Republic of Lithuania. This relief is applicable if the goods are imported by the employees not later than one year after the start of their employment for the first time in the EU established institution in Lithuania. The Government of the Republic of Lithuania or its authorized institution has the right to determine the restrictions to this relief. The provisions of this Article entered into force as from 1 January 2012.
- Paragraph 2 and Paragraph 3 of Article 49 of the Law on VAT have been amended. Additional provision to Paragraph 2 has been added, providing that 0 % VAT rate is applied to new vehicles, which are supplied to both natural and legal persons and transported from the territory of Lithuania to other member state, irrespective of who, supplier, purchaser or third party by the request of the supplier/purchaser, transported the goods. Amendment to Paragraph 3 provides that 0 % VAT rate is applied to goods taxed with excise duty and supplied to taxable person or legal person, which is not a taxable person, when purchase of goods (other than taxed with excise duty) in another member state is not subject to VAT based on the provisions of Article 3 Paragraph 1 of the 2006/EC Directive and these goods are transported from the territory of Lithuania to another member state, irrespective of who, the supplier, purchaser or third party by the request of the supplier or purchaser transported the goods. Aforementioned goods, based on the provisions of the Law of Excise Duty, have to be transported together with the transportation documents or with the simplified transportation document for goods taxed with excise duty. This amendment entered into force on 29 December 2011.
- Article 53 Paragraph 8 and Article 66 Paragraph 2 Subparagraph 3 of the Law on VAT was supplemented by the stipulation according to which the VAT deduction is also not adjusted when the goods are lost due to the reasons not depending upon the tax payer (destruction of expired goods, etc.). The provisions of this Article entered into force as from 1 January 2012.
- Article 57 Paragraph 1 of the Law on VAT was supplemented to provide that Lithuanian taxable

persons, which are not registered as VAT payers, but which were under an obligation to submit an application to register them as VAT payers in accordance with the provisions of Articles 71 and 71(1) of the Law on VAT and which supplied goods and services in the territory of Lithuania (excluding the goods and services specified in Article 117 Paragraph 2 of the Law on VAT) also have a right to VAT deduction. This amendment will enter into force as from 1 January 2013.

- Article 63(1) of the Law on VAT was supplemented providing that a tax payer, even though not registered as a VAT payer, has the right to deduct purchase and (or) import VAT, calculated from the acquired and (or) imported goods and services, if these goods and services were actually used by the tax payer for (i) VAT taxable supply of goods and (or) services, (ii) the supply of goods and (or) services outside the territory of Lithuania when the supply of such goods and services would not be VAT exempt if it occurred within the territory of Lithuania. This Article will enter into force as from 1 January 2013.
- Article 64 Paragraph 3 of the Law on VAT was amended by eliminating the requirement to fill the journal of purchased goods/services when goods/services are purchased in another member state or when according to the provisions of the Law on VAT purchaser is obligated to calculate output VAT for acquired goods/services. This amendment entered into force as from 1 January 2012.
- By the amendment to Article 71 Paragraph 2 of the Law on VAT the threshold, from which the taxable person is obliged to register as a VAT payer, was increased from TLTL 100 to TLTL 155. The remuneration for the goods provided/services only supplied in the territory of Lithuania will be included calculating the threshold of TLTL 155. Also, the amendment of Article 92 Paragraph 1 states that VAT will be calculated from the total sum of the transaction, due to which the threshold was exceeded (and not only from that part of the sum which exceeds the threshold amount as it was calculated under the previous regulation). This Article entered into force as from 1 January 2012.
- Article 71 Paragraph 3 of the Law on VAT was supplemented providing that the requirement to appoint the fiscal agent is applied not only to persons from the EU member states but also from territories, where the documents with stipulations on the mutual assistance are applicable, by essence equivalent to provisions of Council Directive No. 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures and Council Regulation (EU) No. 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of VAT. The provisions

of this Article will enter into force as from 1 January 2013.

- Article 78 of the Law on VAT was supplemented by new Paragraph 4 which provides that a taxable persons is obliged to keep separate accounts of: (i) goods, delivered to Lithuania by VAT payer, registered in another member state, or another person following his request, (ii) evaluation or the (iii) maintenance of goods (repair, adjustment and etc.), (iv) goods used for the provision of the treatment and processing services and (v) already provided services (including goods consumed for these services. The provisions of this Article will enter into force as from 1 January 2013.
- Article 78 Paragraph 5 of the Law on VAT was amended by the provision, stipulating that simplified invoices should not be included in the register of issued and received VAT invoices. This amendment will enter into force as from 1 January 2013.
- Article 78 Paragraph 7 of the Law on VAT was supplemented by the provision according to which taxable persons, which keep the issued VAT invoices in the territory of Lithuania in their name (or on behalf of purchaser or third party), as well as recovered VAT invoices using the electronic means (ensuring full access to the data they contain), must create the possibility for competent authorities of the member states, where the taxable persons are established or where they supply goods and provide services, to access to these documents by electronic means as well as read them and otherwise use for monitoring purposes. The provisions of this Article will enter into force as from 1 January 2013.
- Article 78(1) of the Law on VAT was supplemented by stipulations providing in which cases the requirements foreseen in the Law on VAT are applied to VAT invoices. According to this supplement, the above mentioned requirements are applicable when (i) the supply of goods and services is taking place in the territory of Lithuania, (ii) the supply of goods and (or) services is taking place outside EU territory and these goods or services are being supplied by Lithuania taxable person or foreign taxable person through its/his subdivision established within the territory of Lithuania. In situations when the obligation to calculate and to pay VAT for the supply of goods and services in Lithuania or another member state is imposed for the purchaser in accordance with Article 95 of the Law on VAT, the above mentioned requirements to VAT invoices are applied if goods or services (whose place of supply is in another member state), are being supplied by Lithuanian taxable person (if it/he has a subdivision in another member state and supplies goods and services not through this subdivision) or foreign taxable person through its/his subdivision established within the

territory of Lithuania. This amendment will enter into force as from 1 January 2013.

- Amendment of Article 79 Paragraph 1 of the Law on VAT provides, that if there is a supply of insurance and financial services listed in Article 27 and Article 28 of the Law on VAT, VAT invoice is issued only when insurance and financial services are provided in the territory of Lithuania by the Lithuanian taxable person or by foreign taxable person, acting through its subdivision established in the territory of Lithuania. This amendment will enter into force as from 1 January 2013.
- Article 79 Paragraph 2 Subparagraph 1 of the Law on VAT eliminates the provision that if the provider of services, rendered for a longer than 12 months period, is a foreign taxable person, when, according to the provisions of Article 95 paragraph 2 of the Law on the VAT, the purchaser (the client) has to calculate and to pay VAT, and the VAT invoice is not issued for the amount of services provided during the corresponding period, and there is an outstanding payment for the supplied goods or services, VAT invoice for the services provided during the corresponding period has to be issued not later than on the last day of the respective calendar year, and VAT invoice for the remaining amount of services provided - immediately after the completion of rendering the services. This amendment will enter into force as from 1 January 2013.
- Amendment of Article 79 Paragraph 2 Subparagraph 2 of the Law on VAT foresees that VAT invoice must be issued not later than 15th day of the next month following the month when the goods were supplied or services were provided. This provision is applicable when (i) there is an inter-community supply of goods for which the provisions of Chapter VI of the Law on VAT or equivalent Laws of other member state are applicable, (ii) the obligation to calculate and to pay VAT for the services provided is imposed on purchaser according to Article 95 of the Law on VAT or equivalent Laws of another member state, (iii) the goods are being supplied for the period longer than one calendar month, (iv) in cases of supply of long-term services. This amendment will enter into force as from 1 January 2013.
- Article 79 of the Law on VAT was supplemented by Paragraph 6 which foresees that all supplies of goods and services executed during some specific period for which the obligation to calculate and to pay VAT arises in the same calendar month, can be formalized by one VAT invoice. All the details of VAT invoice for each supply of goods and services have to be indicated in that VAT invoice, except general VAT invoice details of these supplies. The Tax Authorities has the right to determine other cases when all the supplies of goods or services that have occurred during the certain period of time and for which an obligation to calculate VAT arises

over a longer period than one calendar month can be formalized by the total VAT invoice. The provisions of this Article will enter into force as from 1 January 2013.

- Article 79 Paragraph 11 of the Law on VAT was supplemented by the provision stating that VAT invoices can be paper or electronic. Electronic VAT invoice is the VAT invoice in which the respective details of VAT invoice are indicated and which is issued and received via electronic means. This Article also provides that authenticity of an electronic VAT invoice origin, its uniformity of the content and eligibility can be secured by any means of business control, which allows to reliably verify the coherence between the VAT invoice and the supply of goods and services formalized by this VAT invoice. The provisions of this Article will enter into force as from 1 January 2013.
- The supplement of Article 79 Paragraph 13 of the Law on VAT provides that in situation when the overall amount of the sum indicated in the VAT invoice does not exceed LTL 354 (including VAT), the simplified VAT invoice may be issued. Based on Article 79 Paragraph 14 of the Law on VAT, the provisions of Article 79 Paragraph 13 of the same Law are not applicable if VAT invoicing is required under Article 79 Paragraph 1 Subparagraphs 2 and 3, Paragraph 7 of the Law on VAT or when the goods are supplied (services are rendered) by the taxable person who has not established its business in a member state where goods are deemed supplied (services rendered) and the purchaser of these goods or services in that member state where the goods are deemed supplied (services – rendered) has to calculate and pay VAT based on the provisions of Article 95 of the Law on VAT. The provisions of this Article will enter into force as from 1 January 2013.
- Article 80 Paragraph 1 Subparagraph 7 of the Law on VAT was supplemented by the new provision establishing that the amount of goods or services supplied must be indicated in the VAT invoice. The provisions of this Article will come into force as from 1 January 2013.
- Article 80 Paragraph 1 of the Law on VAT was supplemented by Subparagraphs 17-19, which provide what references have to be indicated in the VAT invoices in different cases of supply of goods or services. The provisions of this Article will come into force as from 1 January 2013.
- Article 80 of the Law on VAT was supplemented by Paragraphs 8, which provides that VAT for supply of goods or services has to be calculated and paid by the purchaser in accordance with the provisions of Article 95 of the Law on VAT, except cases when VAT invoice for supplies of good or services is issued by the buyer, the taxable value of supplied goods or rendered services can be indicated in the VAT invoice instead of details

specified in Article 80 Paragraph 1 Subparagraphs 9-12 of the Law on VAT. The provisions of this Article will come into force as from 1 January 2013.

- Article 80 of the Law on VAT was supplemented by Paragraph 9 which provides the mandatory details of simplified VAT invoice. This amendment will come into force as from 1 January 2013.
- Article 82 “The requirements for document form” of the Law on VAT will be abandoned as from 1 January 2013.
- The amendment of Article 83 Paragraph 3 of the Law on VAT provides that the details of VAT invoices as referred to in Article 80 Paragraph 1 of the Law on VAT (including details that cannot be corrected), adjusted VAT invoicing date, series, number (if it is possible to determine which document’s information is adjusted) or other details about the adjusted document (if it is possible to determine which document’s information is adjusted, e.g. period, in which goods and supplied services, etc.) have to be provided on credit and debit documents. This amendment will enter into force as from 1 January 2013.
- Article 83 of the Law on VAT was supplemented by Paragraph 4 which provides that irrespective of the provisions of Article 83 Paragraph 3 of the Law on VAT, person can choose to indicate simplified VAT invoice details referred to in Article 80 Paragraph 9 of the Law on VAT on the credit and debit documents. In such cases together with the simplified details of VAT invoices (including details that cannot be corrected), adjusted VAT invoice issue date, series, number (if it is possible to determine which document’s information is adjusted) or other details about the adjusted document (if it is possible to determine which document’s information is adjusted, e.g. period, in which goods and supplied services, etc.) have to be provided on credit and debit documents in accordance with the provisions of Article 80 Paragraph 1 of the Law on VAT. The provisions of this Paragraph will not be applied to the cases, indicated in Article 79 Paragraph 14 of the Law on VAT. The provisions of this Article will enter into force as from 1 January 2013.
- The Law on VAT is supplemented by Article 89(1), which provides for the possibility to adjust VAT due to bad debts incurred (the sum of VAT amount, attributed to debt is calculated proportionally according to the remuneration or part of remuneration received). In the mentioned case the adjustment can be made only in those cases when (i) not less than 12 months from the taxable moment of supplied goods and services have passed, and (ii) the output VAT for the debt of sold goods and services was calculated and declared, and (iii) the company is capable to prove the non-recoverability of debts and the efforts to recover them. The provisions of this Article are not

applicable if the supplier and the purchaser of goods (and services) are related parties or became such in the calendar year, following the calendar year, in which the debt was declared as irrecoverable and VAT was adjusted accordingly. It should be noted that VAT adjustment will be possible only with respect to made VAT, which was calculated and declared after 1 January 2012. The provisions of this Article entered into force as from 1 January 2012.

More information is available [here](#).

REGARDING THE LAW ON THE APPROVAL OF THE ANNUAL RATES FOR THE YEAR 2012 OF STATE SOCIAL INSURANCE FUND OF THE REPUBLIC OF LITHUANIA

On 20 December 2011 Seimas adopted the Law (No. XI-1826) on the Approval of the Annual Rates for the Year 2012 of State Social Insurance Fund of the Republic of Lithuania.

The Law approved four categories of social insurance contributions for occupational accidents and occupational diseases rates. Social insurance contributions rates of the above mentioned categories are as follows:

Category I – 0.18 %;

Category II – 0.42 %;

Category III – 0.9 %;

Category IV – 1.8 %.

It should be noted that the general rate of state social insurance contributions remains unchanged in 2012 for the insurers that belonged to the category III in 2011, i.e. 30.98 %. However, this category will be replaced and these insurers will be classified as category I in 2012.

This Law provides that the general rate of state social insurance contributions for the insurers that were classified as category II will be 31.22 % in 2012 (2011 – 31.18 %).

In addition, the new category IV of social insurance contributions for occupational accidents and occupational diseases rates was approved.

The above mentioned rates are used for calculating social insurance contributions for the year 2012.

More information is available [here](#).

REGARDING THE APPROVAL OF THE INSURED INCOME AMOUNT FOR THE YEAR 2012

On 28 December 2011 the Government of the Republic of Lithuania approved the amount of the insured income of the current year of 2012, which is LTL 1,488 from 1 January 2012.

More information is available [here](#).

REGARDING THE LAW ON AMENDMENT OF ARTICLE 4 OF THE LAW ON REFORM OF THE PENSION SYSTEM OF THE REPUBLIC OF LITHUANIA

On 20 December 2011 Seimas adopted the Law on the amendment of Article 4 of the Law on Reform of the Pension System of the Republic of Lithuania No. XI-1822.

The adopted Law provides that the amount of pension contributions to private pension funds, which is calculated from the income on which special insurance contributions are calculated, is reduced from 2 % to 1.5 % from 1 January 2012.

This amendment of the Law entered into force as from 1 January 2012.

More information is available [here](#).

REGARDING THE SUPPLEMENT AND AMENDMENT OF ARTICLES 2, 4, 6, 7, 11, 12, 14 OF THE LAW ON REAL ESTATE TAX

On 21 December 2011 Seimas adopted the Law No. XI-1828 on the supplement and amendment of Articles 2, 4, 6, 7, 11, 12, 14 of the Law on Real Estate Tax (hereinafter – RET).

The Law on RET foresees charging a natural person who owns residential, garden, garage, farm, greenhouse, household, auxiliary household, science, religious, recreational purposes buildings, fishery and engineering constructions exceeding MLTL 1 total value. 1 % tax rate will be applied to the part of previously mentioned real estate which is above the non-taxable value of MLTL 1.

In addition, the supplemented Article 7 Paragraph 6 of the Law on RET provides that non-taxable value is applied to all mentioned real estate, which is owned by the family members or purchased by them. According to this provision, the family members include spouses, single persons who are rising children (adopted children), and children (adopted children) under 18 years old who are residing with them.

Based on the amendments of Article 12 Paragraph 4 and Paragraph 6 changes to the declaration and payment deadlines have been made.

The amendment and supplement of the Law entered into force as from 1 January 2012.

More information is available [here](#).

REGARDING THE AMENDMENT AND SUPPLEMENT OF ARTICLES 2, 16, 19, 20, 21, 22, 23, 24, 25, 26, 28, 33, 39, 58, 75 AND THE ANNEX OF THE LAW ON COPYRIGHT AND RELATED RIGHTS AS WELL AS ARTICLE 20(1) AND ANNEXES 1, 2 SUPPLEMENTING THE MENTIONED LAW

On 21 December 2011 Seimas adopted the Law No. XI-1833, amending and supplementing Articles 2, 16, 19, 20, 21, 22, 23, 24, 25, 26, 28, 33, 39, 58, 75 and the Annex of the Law on Copyright and Related Rights as well as Article 20(1) and Annexes 1, 2 supplementing the mentioned Law.

Amended Article 20 Paragraph 5 of the Law on Copyright and Related Rights provides that the compensatory remuneration has to be paid for the devices, empty analogical and digital sound and audio visual media (indicated in Annex 1 of the Law) that are placed on the market for the first time and are (i) released into civil circulation within the Republic of Lithuania, (ii) produced in the Republic of Lithuania or (iii) brought into its territory to reproduce for the personal use.

In addition, amended Article 20(1) Paragraph 4 of the Law provides that compensatory remuneration has to be paid for the reprographic reproduction services provided to individuals, and for the reprographic equipment (indicated in Annex 2 of the Law) that placed on the market for the first time and are (i) released into civil circulation within the Republic of Lithuania, (ii) produced in the Republic of Lithuania or (iii) brought into its territory to reproduce for the personal use.

The amendment and supplement of the Law on Copyright and Related Rights also provides that persons who sell the above mentioned equipment, services or empty media in the Republic of Lithuania are obliged to pay the compensatory remuneration.

The paid compensatory remuneration is refunded in accordance to the procedures determined by the Government in cases when the empty media and devices as well as reprographic equipment are:

- 1) Acquired for the professional use;
- 2) Acquired for the use of people with disabilities;
- 3) Transported from the Republic of Lithuania.

The compensatory remuneration has to be calculated, excluded and indicated on a separate line in the accounting records which formalizes the sale of the above mentioned media, equipment and services, and it has to be noted in issued invoices that a person who acquired the media or equipment has the right to refund the compensatory remuneration in cases listed above (1-3).

This amendment and supplement of the Law will come into force as from 1 March 2012.

The rates of compensatory remuneration and more information are available [here](#).

REGARDING THE LAW AMENDING THE LAW ON LAND TAX

On 21 December 2011 Seimas adopted the Law amending the Law on the Land Tax No. XI-1829.

This Law amended the Land Tax calculation methodology. From 2013 the land tax will be calculated from the taxable value of the land, which will be equal to average market price of the land or from the value of the land identified during individual valuation.

In addition, this Law also provides that land tax rate in the territory of the municipalities can range from 0.01 % to 4 %, depending on the taxable value of the land.

Taking into account that average market value of the land can differ significantly compared to the previously used nominal value of the land and trying to avoid immediate increase in the land tax, the 5 year transition period has been established. During this period tax rate will be increased gradually, each year adding 20 % difference between former and new taxable amounts..

Special provisions for the agriculture land which are not applicable to abandoned land are provided:

- Taxable amount of the agricultural land, except abandoned agricultural land, will be its average market price or value determined by the independent valuator multiplied by coefficient 0.35.
- During the transition period tax for the agricultural land, except for abandoned agricultural land and gardening land used for general purposes, for taxable periods 2013–2017 will not exceed LTL 1 per one are.

Abandoned agriculture land is the land or part of the land which is overgrown with wood plants (excluding sprouts), identified using the remote mapping methods following the order of the Government of the Republic of Lithuania or its authorised institution.

The amendment of the Law will come into force as from 1 January 2013.

More information is available [here](#).

REGARDING THE AMENDMENT OF ARTICLE 4, 5 AND THE APPENDIX OF THE LAW ON TAX ON PETROLEUM AND NATURAL GAS RESOURCES

On 21 December 2011 Seimas adopted the Law amending Articles 4, 5 and the appendix of the Law on Tax on Petroleum and Natural Gas Resources No. XI-1831.

The amendment of the Law provides for new increased base rates of the Tax on Petroleum and Natural Gas Resources. In addition, Article 4 Paragraph 3 of the mentioned Law was supplemented by the provision that if not only State funds are used for the exploration of new deposits, the compensatory rate of the Tax on Petroleum and Natural Gas Resources will be reduced in proportion to the share attributable to funds other than State funds but not more than down to 4.5 %.

Until 1 July 2012, there are special tax rates and payment procedures applicable to petroleum and natural gas extracted from the deposits, where extraction began before 1 July 2003. These special rates will be abolished as from 1 July 2012.

The amendment of the Law on Tax on Petroleum and Natural Gas Resources will come into force 1 July 2012.

More information is available [here](#).

REGARDING THE AMENDMENT AND SUPPLEMENT OF ARTICLES 6, 7 AND APPENDIX 1 AND 2 OF THE LAW ON TAX ON STATE NATURAL RESOURCES

On 20 December 2011 Seimas adopted the amendment and supplement of the Articles 6, 7 and Annexes 1 and 2 of the Law on Tax on State Natural Resources No. XI-1818.

The tax period of the Tax on State Natural Resources (except the Tax on Fair Game Resource) was and new tax payment and reporting requirements are implemented by the above mentioned Law.

The tax period of the Tax on Fair Game Resources remains the same; however, the tax payment terms and reporting procedures were changed.

In addition, the rates of the Tax on Mineral Resources and the rates of the Tax on Water and Construction Priming, as well as the procedures of their indexation and their implementation were changed.

The amendment of the Law came into force as from 1 January 2012.

More information and the rates of Taxes on Minerals, Water and Construction Priming are available [here](#).

OTHER TAX NEWS

REGARDING THE AMENDMENT OF THE LAW ON TAX ON THE USE OF STATE PROPERTY BY THE RIGHT OF TRUST

On 1 December 2011 Seimas adopted the Law on the amendment of Article 5 of the Law on Tax on the Use of State Property by the Right of Trust No. XI-1753.

The new Article 5 of the mentioned Law eliminates the provision that the due payment cannot be less than 10 % of taxable profit of the previous tax period.

This amendment is related to the provision of Articles 4, 10, 11, 12, 13, 14, 15, 16, 17 and 19 of the Law on State and Municipal Enterprises of the Republic of Lithuania which foresees that enterprises will have to distribute a part of their distributable profit to the State.

These changes will be applied when distributing profit of the State enterprises of the financial year 2011.

More information is available [here](#).

REGARDING AMENDMENT OF THE LAW ON EXCISE DUTY

The amendment and supplement of Articles 30, 31, 53 and Appendix 3 of the Law on Excise Duty No. XI-1740 was published on 8 December 2011.

As from 1 January 2012 exempt from excise duty are not only (i) coal when it is sold or otherwise transferred into ownership to natural persons and public entities which are the charity recipients under the Law on Charity and Sponsorship, but also (ii) carbonate as well as (iii) lignite when it is sold or otherwise transferred into the ownership to

natural persons and public entities which are the charity recipients.

In addition, the provisions of the abovementioned amendment of the Law on Excise Duty which will enter into force as from 1 March 2012 also introduce the changes to excise duty rates for cigarettes, cigars and cigarettes.

More information is available [here](#).

REGARDING AMENDMENT AND SUPPLEMENT OF ARTICLE 34 OF THE LAW ON PERSONAL INCOME TAX

On 6 December 2011 the Law No. XI-1778 on the amendment and supplement of Article 34 of the Law on Personal Income Tax (hereinafter – PIT) was adopted.

This Law provides the possibility for the Lithuanian residents to dedicate 1 % from the amount of PIT, payable under the annual PIT return, or if the submission of the annual PIT return is not required, 1 % from the amount of PIT withheld by the withholding agent (e.g. employer) to political parties which are registered in the Register of Legal Entities in accordance with the Laws, meet requirements regarding the number of members and which are not subject to reorganization or liquidation procedure i.e. such procedures are not initiated.

The amount of PIT transferred to the political parties by the Tax Authorities on request of the Lithuanian resident will not be included into the sum of up to 2 % as currently available for transfer to Lithuanian entities that are entitled to charity and sponsorship under the Law on Charity and Sponsorship.

These changes entered into force as from 1 January 2012.

More information is available [here](#).

REGARDING AMENDMENT AND SUPPLEMENT OF THE LAW ON DECLARATION OF ASSETS OF RESIDENTS

On 6 December 2011 the Law No. XI-1785 on the amendment and supplement of Articles 2, 5, 6 and 9 of the Law on Declaration of Assets of Residents and the Law No. XI-1780 on the amendment of Articles 2 and 7(2) of the mentioned Law were adopted.

The list of residents who are subject to the declaration of assets was supplemented by adding the following persons:

- Members of board and (or) supervising board of credit institutions, heads of administration, deputy heads of administration and their family members;
- Members of board and supervising board of mass media entities, their deputies, directors and their deputies, chief editors and their deputies, editors and their deputies and their family members.

The new provisions of this amendment and supplement of the Law will be applied when calculating and declaring the asset for 2011 and subsequent years.

More information is available [here](#).

Article 2 Paragraph 1 Subparagraph 27 was amended by the Law No. XI-1780 on amendment of Law on Declaration of Assets of Residents. Before the amendment the provisions of the Law stated that assets must be declared by the persons, who intend to donate money to a political party or a participant in a political campaign, and their family members. After the amendment assets must be declared by the persons, who intend to donate money to a participant in a political campaign and, their family, except the persons whose donation provided during the political campaign to the participant in an independent political campaign does not exceed LTL 40.

Persons, who donated money to the participants in a political campaign, and their family members are obliged to declare assets that they owned on 31 December of the year when the donation was provided. The asset declaration should be submitted until 1 May of the following year.

More information is available [here](#).

REGARDING AMENDMENT OF THE RULES FOR THE COMPLETION AND SUBMISSION OF THE FORM FR0471 FOR DISBURSEMENTS TO INDIVIDUALS CLASSIFIED AS INCOME OF CLASS B ACCORDING TO THE TAX PAYMENT PROCEDURE

On 5 December 2011 the rules for the completion and submission of the certificate form FR0471 for disbursements to individuals classified as income of class B was updated by the Order No. VA-129 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter – STI under MF). This Order provides the following:

- 1) New edition of the list of codes of income type. 96 code of income type, which is designed to mark the maintenance income of the family members which was received under the Law on Social Family of the Republic of Lithuania and which is treated as income from individual activity under the Law on PIT;
- 2) Information about the disbursements that were paid till 30 April 2012 for the persons who were performing activities with business certificates and the disbursements that were paid from 1 May 2012 has to be indicated in the separate lines;
- 3) Instead of the tax payer's identification code, the number of the business certificate has to be indicated in the form FR0471 when declaring the disbursements paid in 2012 and subsequent tax periods for the sold good and provided services to a person under the business certificate;
- 4) An opportunity to indicate the number of the individual activity certificate (instead of the tax payer's identification code) is foreseen when declaring the disbursements paid in 2011 and subsequent tax periods to a person who has registered an individual business activity.

The new provisions of the Law entered into force as from 1 January 2012.

More information is available [here](#).

REGARDING AMENDMENT OF THE APPENDIX OF THE RULES FOR THE COMPLETION AND SUBMISSION OF THE MONTHLY PIT RETURN FORM FR0572 AND ITS ANNEXES FR0572A, FR0572U

On 22 December 2011 the rules for the completion and submission of the monthly PIT return form FR0572 and its annexes FR0572A, FR0572U (hereinafter – the Rules) were updated by the Order No. VA-134 of the Head of the STI under MF. The appendix of the Rules about the income type codes for class A payments has been recast by this Order.

The following amendments and supplements were adopted by the mentioned Order in the list of income type codes for class A payments which is paid in 2012 and subsequent tax periods:

- Income type code 21, which was used to declare interest on securities, deposits and loans granted was eliminated;
- Interest on securities will be declared under the new income type code 57, interest on granted loans - under 58, other interests, except income marked by codes 57 and 58, - under income type code 59;
- Income from distributed profit (dividends) will be declared under either income type code 22 (if dividends are paid for shorter period than financial tax period) or under income type code 26.

More information is available [here](#).

REGARDING AMENDMENT OF THE RULES FOR THE COMPLETING AND FILING NON-RESIDENT'S OF LITHUANIA ANNUAL PIT RETURN FORM GPM309

On 22 December 2011 the rules for completing and filing non-resident's annual PIT return form GPM309 (hereinafter – the Rules) were updated by the Order No. VA-135 of the Head of the STI under MF. The Paragraphs 14, 24, 25 and 26 were amended in the Rules.

More information is available [here](#).

REGARDING APPROVAL OF THE LIST OF LITHUANIAN COMMUNITIES OUTSIDE THE TERRITORY OF LITHUANIA, OTHER LITHUANIAN INSTITUTIONS OR ORGANISATIONS, WHICH CAN BE RECIPIENTS OF CHARITY ACCORDING TO THE PROVISIONS OF THE LAW ON CHARITY AND SPONSORSHIP

On 5 January 2012 the list of Lithuanian communities outside the territory of Lithuania, other Lithuanian institutions or organisations, which can be recipients of the charity according to the provisions of the Law on Charity and Sponsorship (hereinafter – the List), has come into force. The above mentioned List has been approved on 30 December 2011 by the Order of the Minister of Foreign Affairs No. V-265. Due to the changed List, provisions of the Article 28 of the Law on CIT will have to be applied to

Lithuanian communities, institutions and organisations listed in the aforementioned List.

More information is available [here](#).

REGARDING THE SUPPLEMENT AND AMENDMENT OF THE COMMENTARIES OF THE TAX LAWS

On 5 December 2011 STI under MF prepared the official commentary on Article 32 Paragraph 5 Subparagraph 16 of the Law on Corporate Income Tax (hereinafter – CIT) and the supplement and amendment of the commentary on Article 30 Paragraph 2 Subparagraph 4 of the Law on CIT.

More information is available [here](#).

On 6 December 2011 STI under MF prepared the amendment of the official commentary on Article 31 Paragraph 1 Subparagraph 13 Point 1 of the Law on CIT.

More information is available [here](#)

On 29 December 2011 STI under MF prepared the amendment of the official commentary on Article 17 Paragraph 1 Subparagraph 6.23.1 of the Law on CIT.

More information is available [here](#)

On 13 December 2011 STI under MF prepared the supplement and amendment of the official commentary on Article 83 of the Law on VAT.

More information is available [here](#).

On 13 December 2011 STI under MF prepared the supplement of the official commentary on Article 15 Paragraph 7 of the Law on VAT regarding the compensations for covering expenses incurred when making various payments to third parties on behalf of the buyer, for its benefit and by its account.

More information is available [here](#).

On 9 December 2011 STI under MF prepared the supplement of the official commentary on Article 8 Paragraph 4 of the Law on Real Estate.

More information is available [here](#).

On 15 December 2011 STI under MF prepared the official commentary on Article 4 of the Law on Real Estate.

More information is available [here](#).

On 27 December 2011 STI under MF amended the official commentary of Article 37 Paragraph 1 of the Law on Tax Administration. The new commentary was consistent with the Ministry of Finance of the Republic of Lithuania, the Ministry of Agriculture of the Republic of Lithuania, the Ministry of Environment of the Republic of Lithuania and the Customs Department under the Ministry of Finance of the Republic of Lithuania.

More information is available [here](#).

REGARDING THE AMENDMENT OF PUBLICATIONS

On 13 December 2011 STI under MF prepared the amendment of the publication „VAT deduction“.

More information is available [here](#).

On December 2011 STI under MF informed that amendments to the following publications have been made:

- Publication “Issuance of credit VAT invoices (including debit notes)”.

More information is available [here](#).

- Publication “News for individuals holding business certificate for retail”;
- Publication “News for individuals holding business certificate for rent of property”;
- Publication “News for individuals holding business certificate for production and provision of services”.

More information is available [here](#).

- Publication “Excise duty on Natural Gas”.

More information is available [here](#).

LEGAL NEWS

INTERIM DIVIDENDS

On 15 December 2011 the amendments to the Company Law of the Republic of Lithuania (hereinafter – the Company Law) have been adopted to liberalize the procedure of dividend distribution.

By these amendments companies (public limited companies (AB) and private limited companies (UAB)) have been granted with the right to distribute dividends to shareholders not only after the financial year ends and the set of the annual financial statements is approved, but also for the period shorter than the financial year, i.e. interim dividends.

According to the new regulation, shareholders who hold shares carrying not less than 1/3 of all votes, have the right to initiate distribution of interim dividends. After receiving such proposal from the shareholders, the managing director of the company shall be responsible for drawing up of the interim financial statements and annual report of the company.

Other managing bodies of the company shall declare their position regarding the proposed decision to distribute interim dividends until the General Meeting of Shareholders, which is to adopt this decision, is held.

The decision to allocate interim dividends may be taken only by a qualified majority vote that must be not less than 2/3 of all the votes carried by the shares held by the shareholders attending the Meeting.

The General Meeting of Shareholders, deciding on allocation of interim dividends, shall be held:

- 1) Within 3 months from the end of the period, for which it is proposed to distribute interim dividends. If, according to the Articles of Association of the company or the Company Law, the audit is mandatory for the company's set of the annual financial statements, the set of interim financial statements shall also be audited;
- 2) Not earlier than the annual financial statements of the company are approved and the profit (loss) are distributed for the previous financial year; and
- 3) Not later than by the end of the financial year.

The amendments to the Company Law provide for the conditions which must be met so that the General Meeting of Shareholders can adopt the decision to allocate interim dividends:

- 1) The set of interim financial accounts must be approved;
- 2) The amount of profit (loss) for the period, which is shorter than the financial year and with respect to which interim dividends are to be declared, must be positive;
- 3) The amount of interim dividends must not exceed the aggregate of profit (loss) for the period, shorter than the financial year, and the amount of undistributed profit (loss) for the previous year (at the end of the previous year), after the deduction of amounts of profit, made during the period shorter than the financial year, which are to be transferred to mandatory reserves to-be-formed according to the articles of association of the company and the company law;
- 4) The company must not have outstanding obligations, which had to be fulfilled before the adoption of the decision and it must be able to meet its obligations for the current year.

After interim dividends are declared, it is allowed to allocate interim dividends once again only after at least 3 months.

The rule allowing the distribution of interim dividends is not applicable to banks, other credit and financial institutions, operator of the regulated market (as it is defined by the Law on Markets in Financial Instruments), Central Securities Depository of Lithuania, as well as insurance and reinsurance companies.

The amendments to the Company Law will come into force on 1 March 2012.

ANNUAL BONUSES (TANTJEMS)

On 22 December 2011 the amendments to Article 59 of the Company Law of the Republic of Lithuania (hereinafter – the Company Law) have been adopted, which impose certain restrictions on payment of annual bonuses (tantjems) to members of Board of Directors and Supervisory Board of companies (hereinafter – Bonuses).

According to the new regulation, the share of the current financial year's profit, allocated for payment of Bonuses, must not exceed 1/3 of the profit, which is allocated for payment of dividends.

The above mentioned limitation supplements the current regulations, whereby the aggregate amount of Bonuses, annual bonuses to employees and similar compensations cannot exceed 1/5 of the net profit of the reporting financial year. Further, previously it was possible to pay Bonuses, even if dividends were not paid, and the maximum amount of Bonuses did not depend on the share of the profit, allocated for payment of dividends.

The referred amendments are effective as from 6 January 2012.

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