

31/01/2017

## LITHUANIAN TAX LAW CHANGES AS FROM 2017

(Please note, that this summary does not cover all tax law changes, but rather the most important ones)

### 1. Excise duties

#### 1.1. As of 1 January 2017:

Excise duties exemption is repealed for the goods exported from the places located at the crossing point of Lithuanian border with the third countries (so called „duty-free“ shops) and supplied to customers, departing to third territories or countries.

#### 1.2. As of 1 March 2017 the following excise duties rates are changing:

##### 1.2.1. Rates on manufactured tobacco:

- a specific component - 56 EUR (instead of 50,68 EUR) per 1000 cigarettes is set;
- a combined rate of not less than 90 EUR (instead of 85 EUR) per 1000 cigarettes is set;
- a rate of 33 EUR (instead of 29,54 euro) per kilogram of Cigars and Cigarillos is set;

##### 1.2.2. Rates on ethyl alcohol and alcoholic beverages:

- beer: rate of 7,11 EUR (instead of 3,36 EUR) per hectolitre (actual alcoholic strength by vol. 1%) is being set;
- wine and other fermented beverages (with the factual alcohol content maximum 8.5% by volume): rate of 65,46 EUR per hectolitre (instead of - 30,96 EUR) is being set;
- other wine and fermented beverages: rate of 164,67 EUR per hectolitre (instead of 77,89 EUR) is being set;
- intermediate products (with the factual alcohol content maximum 15% by volume): rate of 185,82 EUR per hectolitre (instead of 96,65 EUR) is being set;
- intermediate products (with the factual alcohol content exceeding 15% by volume): rate of 264,52 EUR per hectolitre (instead of - 136,37 EUR) is being set;
- ethyl alcohol: rate of 1 665,04 EUR per hectolitre of pure ethyl alcohol (instead of - 1 353,69 EUR) is being set.

**1.3. The provisions of Lithuanian Law on Excise duties have been harmonized with EU legal norms**  
Lithuanian Law on Excise duties has been harmonized with the legal provisions of Regulation (EU) No 952/2013 of the European parliament and of the Council of 9 October 2013, laying down the Union Customs Code.

### 2. Personal income tax

#### 2.1. Amount of non-taxable income increases

##### 2.1.1. Monthly non-taxable income:

As of 1 January 2017 monthly non-taxable income shall reach 310 EUR. The amount shall be applied only to resident's employment income, which does not exceed minimum wage (as of 1 July 2016 minimum wage – 380 EUR).

The formula for calculation other residents' monthly non-taxable income is the following: monthly non-taxable income = 310 – 0,5 x (resident's monthly employment income – 1 size of minimum wage (effective as of 1 January of relevant calendar year).

##### 2.1.2. Monthly non-taxable income for individuals with reduced capacity for work:

As of 1 January 2017 monthly non-taxable income for individuals with reduced capacity for work shall reach 380 EUR (for those who have been determined with reduced capacity for work of 0-25%) and 320 EUR (for those who have been determined with reduced capacity for work of 30-55%).

#### 2.1.3. Additional non-taxable income:

As of 1 January 2017 additional non-taxable income shall reach 200 EUR per child (100 EUR for each parent).

#### 2.1.4. The annual non-taxable income:

The annual non-taxable income shall amount to 3720 EUR. The amount would be applicable only to those residents whose employment income does not exceed 4560 EUR – 12 minimum wages (380 EUR x 12 months).

### **2.2. Incentives applicable to benefits according to life insurance contracts**

As of 1 January 2017 incentives established in Articles 9, 9<sup>1</sup>, 10 of Lithuanian Law on Personal income tax in regard to the benefits paid out according to life insurance contracts shall be applicable to individuals with disabilities who reached certain pension age or individuals who are younger than 26 if:

the beneficiary determined in the contract has not changed since the date of the conclusion of the contract except in the following cases:

- the beneficiary has been changed due to the death of the beneficiary or
- end of the marriage; or
- the beneficiary has been changed before 1 January 2017.

Total and maximum amount of life insurance contributions and pension contributions to pension funds deducted from resident's income shall not exceed 2000 EUR per taxable period.

### **2.3. Other changes**

Certain changes due to Monthly class A income tax return FR0572 (in regard to the order of declaration of resident's payments) have been made.

## **3. Corporate income tax**

### **3.1. Tax declaration and payment date**

The rule of single date for tax declaration and payment became effective on 1 January 2017: all corporate income tax returns must be submitted and tax must be paid by the 15th of relevant month:

- Annual income tax return (form - PLN204) and annual fixed rate corporate income tax return (PLN205) must be submitted and taxes according to them paid not later than by the 15th of sixth month of the following taxable period (by the 15th of June, if the taxable period corresponds to the calendar year).
- Advance corporate income tax return (FR0430) must be submitted by the following dates:
  - the return must be submitted by the 15th day of the third month of the relevant taxable period (when it is submitted for the first six months of taxable period). E.g. for the first six months of 2017: the return must be submitted by the 15th of March, if the taxable period corresponds to the calendar year;
  - the return must be submitted by the 15th day of the ninth month of the relevant taxable period (when the return is submitted for the second semester of the taxable period). E.g. for the 7-12 months of 2017: the return must be submitted by the 15th of September, if the taxable period corresponds to the calendar year.

- if advance corporate income tax is calculated according to expected corporate income tax amount, the return must be submitted by the 15th of the third month of corresponding year.
- Advance corporate income tax must be paid by the 15th of the last month of every quarter (for the year of 2017: by 15th of March, 15th of June, 15th of September and 15th of December, if taxable period corresponds to the calendar year).
- Tax return on corporate income tax calculated and paid in respect of the dividends received and paid out (FR0640) must be submitted and tax paid not later than by the 15th of the month, following the month when dividends were paid out/received.

### **3.2. Advance corporate income tax**

The order of calculation of advance corporate income tax according to the results of the previous taxable year has changed as of 1 January 2017:

- the advance corporate income tax for the first six months is calculated according to factual corporate income tax amount calculated for the taxable year prior to the previous taxable year (e.g. the amount of advance corporate income tax for the first six months of 2017 year is determined by the estimated tax amount of the year 2015);
- the advance corporate income tax amount for the second semester of taxable period is calculated according to factual tax amount of previous taxable period (e.g. the amount of advance corporate income tax for the second semester of 2017 is determined by the estimated tax amount of the year 2016).

### **3.3. Additional incentives for companies operating in free economic zones**

As of 1 January 2017, in Lithuania more companies based in Free economic zones (FEZ) will be able to benefit from corporate income tax relieves as capital investments in such zones might be 10 times smaller.

The FEZ company which average number of employees in the tax year shall not be lower than 20 and capital investment into which shall be not lower than 100'000 EUR:

- shall not pay any corporate income tax for 6 taxable periods; and
- shall be applied the corporate income tax tariff reduced by 50% (7,5%) for the next 10 taxable periods.

The tax exemption shall be applicable in the following circumstances:

- the company shall provide auditor's report, confirming capital investment of 100'000 EUR; and;
- not less than 75% of the income of the FEZ company shall be received from the following activities: a) accounting, bookkeeping, consulting activities; b) office administrative and support activities; c) HR activities, architectural and engineering activities.

**The maximum amount of tax relieves is limited by EU laws.**

### **3.4. Dividend taxation**

The following profits are not taxable as of 24 December 2016:

Profits distributed to natural persons of a Lithuanian entity, which is not an undertaking located in a free economic zone, proportionately attributed to the profits that are not taxed with regard to

reliefs specified in subparagraphs 5, 15 and 16 of Article 12 and in Article 46<sup>1</sup> of the Law on Corporate income tax and/or the taxable profits taxed at a rate of 0% are not taxed at the rate of 15%.

#### **4. VAT**

##### **4.1. Reduced VAT rates shall be applicable**

###### 4.1.1. VAT rate of 5%

As of 1 January 2017 VAT rate of 5% is established for non-compensated prescriptions which taxable value of external packaging is more than 300 EUR.

###### 4.1.2. VAT rate of 9%

Reduced VAT rate of 9% is extended till 31 May 2017 for the heat energy supplied for housing heating and for hot water supplied for housing.

##### **4.2. Reduced VAT rate of 0% for „duty free“ goods**

As of 1 January 2017 (in relation to changes made to Regulation (EU) No 952/2013 of the European parliament and of the council) „duty-free“ shops shall only operate in international air and sea ports, which means that VAT rate of 0% shall not be applicable to goods sold in the shops operating at the crossing points of Lithuanian border.

##### **4.3. Services related to immovable property**

As of 1 January 2017 new provisions of Council implementing Regulation (EU) No 1042/2013 enter into effect, which means that the place of supply for VAT purposes of the services such as:

- intermediation on the sale of immovable property,
- legal services relating to the transfer of ownership of immovable property (e.g., sale-purchase agreement, notary services),
- evaluation and verification of risk and integrity of immovable property,
- determination of immovable property value and ect.

shall be in that member state where the immovable property is situated.

#### **5. Land tax**

As of 1 January 2017 land tax shall be calculated on the total taxable value of the land (i.e. tax reduction applied to the land value is no longer in effect).

#### **6. State social insurance contributions**

##### **6.1. Members of small partnership, general partners of general partnership, limited member of limited partnership and owners of individual company**

The individuals mentioned above shall pay state social insurance contributios at the rate of 30,8% or 32,8%, if the individual additionally saves for pension in the II level pension fund.

Contribution base is the following: a) withdraws for personal needs; b) withdraws for personal needs, which may not be lower than minimum wage.

##### **6.2. Individuals, carrying out individual economic activity and individual agricultural activities (payers of personal income tax and non-payers of personal income tax)**

The individuals mentioned above shall have to pay state social insurance contributios at the rate of 29,7% or 31,7%, if the individual additionally saves for pension in the II level pension fund.

Contribution base is the following:

- 50% of taxable income derived from individual economic activity; and the amount of contributions paid shall not exceed the amount paid from 28 national average wages;
- freely chosen amount (for individuals who carry out individual agricultural activities and who are payers of personal income tax), however the amount of contributions paid per year shall not exceed the amount paid from 7 national average wages;
- minimum wage (for individuals who carry out individual agricultural activities and who do not pay personal income tax); however the amount of contributions paid per year shall not exceed the amount paid from 12 minimum wages.

### **6.3. Individuals carrying out sports and performing activities**

State social insurance contributions for the individuals (who do not get employment income from the payer of the contributions) must be paid at the rate of 38,7% or 40,7%, if the individual additionally saves for pension in the II level pension fund.

Contribution base is the total amount of income received. The amount of contributions paid shall not exceed the amount paid from 28 national average wages.

### **6.4. Members of supervisory and management board and loan committee**

Members shall have to pay state social insurance contributions, which base shall be bonuses and/or remuneration for work at the board or loan committee. Rate of the contributions shall be 26,3% or 28,3%, if individual additionally saves for the pension.

### **6.5. Individuals, performing under copyright agreements**

Author who does not have employment contract or is not a civil servant, shall pay his/her state social insurance contributions from the whole income (until 1 January 2017, contributions have been paid from 50% of income).

## **7. Other tax law changes**

Other tax law changes have been made in regard to:

- Law on Charity and Sponsorship;
- the order of issuance of business certificate;
- taxation of income from activities under the business certificate;
- payment order of contributions to guarantee fund.

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