

Rödl & Partner

NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue:
2022

Tax changes of 2022 at a glance

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→ Major Tax Changes

VAT news

From 2022, reverse charge will no longer apply to timber and insolvent companies

On 31 December 2021, the reverse charge period for VAT on timber and goods and services supplied by insolvent companies expired.

From 1 January 2022, in the case of timber supplies, the usual method of calculating and collecting VAT should be applied: VAT on sales is calculated, declared and paid to the budget by the seller of the goods. The buyer does not take over the purchase VAT, only deducts the purchase VAT. The same rules apply to a supplier of goods / services who has been declared bankrupt.

However, reverse charge will continue to apply to ferrous and non-ferrous waste and scrap. Until 28 February 2022, the reverse charge will apply to hard drives, and for mobile phones, tablets and laptops, the reverse charge will apply until 30 June 2022.



The Government decree on the reverse charge of VAT can be found [here](#).

→ Major Tax Changes

Personal income tax news

From 2022, personal income tax changes enter into force

On 14 December 2021, the Seimas passed the Law on the Budget of the State Social Insurance Fund (hereinafter – VSD or Sodra) for 2022, which also approved the average national salary for 2022 (hereinafter – AMS) in the amount of 1 504.10 Euros.

Also in 2022, the minimum monthly salary (hereinafter – MMS) will increase to 730 Euros, the minimum hourly salary (hereinafter – MHS) to 4.47 Euros.

The non-taxable amount of income (hereinafter – NPD) has been increased to 460 Euros per month. The higher NPD will be applied to those persons whose monthly salary is up to 1 AMS, who earn more – the calculation of NPD will not change.

The net salary of the minimum wage will increase by 65.24 Euros due to the change in the MMS and NPD formula.

Below is a table with the main amounts for 2022 that affect the calculation of Personal Income Tax (hereinafter – PIT) and Sodra contributions.



	2022	2021
MMS	730 EUR	642 EUR
MHS	4.47 EUR	3.93 EUR
AMS	1 504.1 EUR	1 352.7 EUR
NPD	460 EUR	400 EUR
The NPD does not apply when the annual income exceeds:	34 370.67 EUR (2 864 EUR /month)	34 370.67 EUR (2 864 EUR /month)
Sodra ceiling	60 AMS – 90 246 EUR	60 AMS – 81 162 EUR
Sodra ceiling for self-employed persons	43 AMS – 64 676.30 EUR	43 AMS – 58 166.1 EUR
The PIT 20% rate applies until:	60 AMS – 90 246 EUR	60 AMS – 81 162 EUR
The PIT 32% rate applies from:	60 AMS – 90 246 EUR	60 AMS – 81 162 EUR

The Personal Income Tax Law can be found [here](#).
The State Social Insurance Law can be found [here](#).

From 2022, three PIT benefits will no longer apply

From 1 January, the benefits will expire which are relating to deductions from the income received for the purposes of the PIT paid for:

- Finishing and any repairs of buildings and other structures performed for the benefit of a permanent resident of Lithuania (or his / her spouse), except for the renovation (modernization) of multi-apartment residential buildings;
- Car repair services;
- Care services for minor children (adopted children, wards under permanent custody (care) in the family) up to 18 years of age.

These benefits apply to the calculation and declaration of income for the tax periods of 2019, 2020 and 2021.

The original amendment to the law can be found [here](#).

The annual declaration has been changed

The State Tax Inspectorate (hereinafter – STI) has decided to supplement the annual PIT declaration (form GPM312) when filling in for the years for 2022 and later, benefits in kind for use of car owned by other entity (e.g. company) for personal purposes will have to be declared separately. Such income of benefit in kind will need to be identified and declared on a separate line, in box L6, with the letter A.

Income in kind from car use in the 2021 annual PIT declaration will need to be declared as before, i.e. together with income in kind of the same type in box L6, with the letter N.

This decision was made following a large-scale campaign conducted by the STI this year to control the misuse of company cars by shareholders and / or employees.

The order of the head of the STI can be found [here](#).

Applications for PIT support only electronically

From 1 January 2022, applications for the transfer of part of the PIT (form FR0512) to beneficiaries, trade unions and/or political parties will only be able to be completed and submitted electronically, applications submitted by post will not be processed.

The original legislation can be found [here](#).



→ Major Tax Changes

Corporate income tax news

Amendments of the Corporate Income Tax Law regarding the Financial Accounting Law

From 1 May 2022, the Law on Financial Accounting (hereinafter – FAL) will enter into force, which will replace the current the Law on Accounting, and these amendments will result in amendments to the Corporate Income Tax (hereinafter – CIT).

Here are the main changes:

- It will no longer be necessary to apply to the STI for permission to use a method of pricing inventories other than the “first to first out” (FIFO) inventory for tax purposes;
- References to FAL are changed;
- The term “accounting” used in the CIT is changed to “financial accounting”;
- The document will no longer be required to have legal effect, only formal information in documents will be required.



The original amendment to the law can be found [here](#).

→ Major Tax Changes

Excise duty

From 2022, excise duties on all smokes and alcohol will increase

The Parliament of the Republic of Lithuania has decided that from 1 January 2022, excise duties on beer, wine, ethyl alcohol, cigarettes, cigars and cigarillos, smoking, heating, raw tobacco and electronic cigarette liquid will start to increase. These excise duties will increase in 2023 and 2024, respectively. Please find the corresponding rates in the table on the next page:



	Excise duty rate			
	2021	2022	2023	2024
Groups of alcoholic beverages				
Wine and other fermented beverages up to 8,5 % strength	65,46	78	93	109
Wine and other fermented beverages of an alcoholic exceeding 8,5 % strength	164,67	181	199	219
Intermediate products up to 15 % strength	185,82	200	216	234
Intermediate products above 15 % strength	264,52	285	308	333
Ethyl alcohol 100 %	2 025	2 163	2 310	2 467
Beer 1 %	7,11	7,82	8,6	9,46
Cigarettes				
Minimum excise duty rate EUR/1 000 units	115,5	122,5	130	138
Specific element of the excise duty EUR/1 000 units	69,4	74,3	79,6	85,3
Value element of the excise duty rate, %	25%	25%	25%	25%
Groups of tobacco products and alternative products				
Cigars and cigarilles, EUR/kg	55	66	79	95
Smoking tobacco, unmanufactured tobacco, EUR/kg	90	97	104,6	112,8
Heating tobacco products, EUR/kg	113,2	45,6	60,2	79,5
Electronic cigarette liquid, EUR/ml	0,12	0,15	0,19	0,25

The amendment to the law can be found [here](#).

Relief for small brewers

The Parliament of the Republic of Lithuania has decided to reduce the excise duty rate for small brewers from 1 January 2022. The amendments to the law stipulate that small breweries producing

no more than 80,000 hectoliters of beer per year will be subject to a 50 per cent lower excise duty rate. This lower rate will be applicable to a maximum of 10 thousand hectoliters of beer sold per year.

The amendment to the law can be found [here](#).

→ Major Tax Changes

Other tax news

The various tax law exemptions relating to the United Kingdom expire

Following the withdrawal of the United Kingdom (hereinafter – UK) from the European Union (hereinafter – EU), temporary provisions of the CIT, PIT, Charity and Support (hereinafter – CS) Laws were introduced for a transitional period, and the UK was treated in the same way as other EU Member States. These temporary provisions expire on 31 January 2022.



Here are the main changes:

- Article 56¹ of the CIT provides for the possibility to transfer the losses (or their part) of the EU unit to the Lithuanian unit, but after 31 January the losses of the UK unit will no longer be carried forward;
- Pursuant to Art. 35 part 2, dividends received by Lithuanian companies from UK companies, regardless of the number of shares held by Lithuanian company, will be subject to income tax. However, under the treaty on avoidance double taxation between the Republic of Lithuania and the Government of the United Kingdom of Great

Britain and Northern Ireland, dividends paid to a beneficial owner holding at least 25 per cent of the shares may not be taxed for more than 5 per cent;

- Article 17 of the PIT provides for preferences in relation to the countries of the European Economic Area (hereinafter – EEA). One of them is the non-taxable life insurance premiums paid by the employer for the benefit of the employee under the life insurance contract, if the recipient of the premiums is a unit registered or otherwise organized in an EEA State. Therefore, after 31 January, premiums transferred to a UK-registered life insurance company will no longer be a subject to the PIT benefit;
- Residents will no longer benefit from the transfer of housing or real estate, so a permanent resident of Lithuania will not be able to sell real estate in the UK without paying PIT;
- After 31 January, support will no longer comply with the provisions of the CS when it is provided to legal entities or other non-profit organizations established in the UK and the profits generated cannot be distributed to their participants.

Please find PIT provision for the UK transition period [here](#).

Please find CIT provision for the UK transition period [here](#).

Please find CS provision for the UK transition period [here](#).

From 2022, payments to employees will only be made to bank accounts

The Parliament of the Republic of Lithuania has agreed that all payments to employees, where the amount paid is related to the employment relationship, can only be made by transfer to the person's bank account. These are payments such as wages, daily allowances, reimbursement of secondment expenses, mobile work allowances or other allowances paid by the employer to the employee. This requirement applies to all employers – companies and self-employed residents.



However, amounts received by reporting entities to cover the purchase of goods or services by the enterprise are not included in the employee's income or employment benefits, so the non-cash settlement requirement may not apply in such cases.

Also, it will be possible to continue to settle cash with individuals under civil purchase-sale, lease or service agreements. The same conditions will apply when a company enters into these contracts with its employees.



It should be emphasized that payments for previous periods (e.g. wages for December 2021) from 1 January 2022 must be made via bank transfer, except when wages are paid to seafarers, in accordance with the Law on Merchant Shipping of the Republic of Lithuania.

The original legislation can be found [here](#).

The Financial Accounting Law replacing the Accounting Law has been adopted

From 1 May 2022, the Financial Accounting Law will come into force, which will replace the Accounting Law. Not only the title of the law is being changed, but also concepts such as accounting policy or accountant. However, the changes in these concepts are most relevant in the Lithuanian language.

Here are the main changes:

- There is no longer a requirement for private companies to carry out inventory or cash register in accordance with the rules established by Government resolutions. Companies will be able to set these rules themselves;
- The number of mandatory accounting registers decreases, leaving only two: the general ledger and the cash accounting journal (cash book). The cash book must be completed by the last day of the month, other transactions should be recorded as soon as possible, but no later than the reporting date;
- Company managers will need to establish their own internal control procedures, including rules such as documentation and inventory control;

The original amendment to the law can be found [here](#).

Intrastat thresholds are changing

The Director of Statistics Lithuania has approved the new Intrastat thresholds, which will apply from 1 January 2022.

1. Reporting limits:

- Acquisitions – 280 K EUR (was 250 K EUR);
- Dispatches – 200 K EUR (was 150 K EUR).

Reporting thresholds are the amounts above which VAT payers are required to report on the acquisition or dispatches of goods from / to EU Member States.

2. Limits for providing statistical value:

- Acquisitions – 5M EUR (was 3M EUR);
- Dispatches – 8M EUR (was 6M EUR).

The thresholds for providing statistical value are the amounts above which VAT payers must report the statistical values of imported and / or exported goods.

The original order can be found [here](#).

From 2022, the rules for filling in Intrastat and report forms will change

On 30 July 2021, the Order of the Directors General of Statistics Lithuania and the Customs Department was approved, which sets out the new rules for the completion, submission and acceptance of Intrastat statistical returns, and approves the new UPS-01 dispatches and UPS-02 acquisition reporting forms.

Below are the main changes:

1. It is foreseen that goods can be declared on one line in the UPS-01 report if:

- Identical goods are dispatched;
- They are coded with the same 8-digit Combined Nomenclature code;
- They are dispatched from the same county, in the same transaction, under the same conditions of delivery, by the same mode of transport to the same consignee country;
- The same country of origin (new condition);
- To the same partner (new condition).

2. Box 8b of the UPS-01 report shows the 'Partner Identification Code', which is the identification code assigned to the economic operator's partner in the recipient country. The alphanumeric and numeric parts of the VAT code are indicated. If the recipient of the goods is not registered for VAT in the recipient country or the VAT code is not known, enter code QV9999999999999999 (new condition).

3. It has been specified that the UPS-01 and UPS-02 reports will not be required to fill in columns such as:

- Date of completion;
- Fax No.;
- Brief description of the item;
- Sum of all invoice values.

Please find the new rules [here](#).

Pollution tax rates for packaging are rising

From 2021, the rates of the tax on environmental pollution of packaging waste have been increased, but from 2022, different tax rates have been set for recyclable and non-recyclable types of packaging.

The tax rates that were applied in 2021 and will be applied in 2022 can be found here:

Type of packaging	Packing rate, EUR/ton	Tariff for reusable packaging and recyclable disposable packaging, EUR/ton	Tariff for non-recyclable disposable packaging, EUR/ton
	2021	2022	
Glass packaging	225	279	395
Plastic packaging	618	618	875
PET (polyethylene terephthalate) packaging	618	618	875
Combined packaging	900	900	1200
Metal (including aluminum) packaging	186	186	263
Paper and cardboard packaging	125	133	188
Wooden packaging	159	189	225
Other packaging	299	299	423

An amendment to the Pollution Tax Law can be found [here](#).

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