

Rödl & Partner

NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue:
October 2020

Major Tax Changes
July – September 2020

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→ Covid-19 news

Change of application of COVID-19 tax aid measures

The Government of Republic of Lithuania has decided to terminate the application of several Covid-19 tax measures that have been introduced due to the declared state of emergency and quarantine from 31 December 2020.

This means that companies currently using State Tax Inspectorate (hereinafter – STI) tax aid measures (non-calculation of interest on arrears, non-commencement of compulsory tax recovery) should pay taxes from the beginning of 2021 within the deadlines set by general legislation. Outstanding tax liabilities should be paid by 31 December 2020 or the company should contact the STI and conclude a tax loan agreement by 28 February 2021, otherwise the tax authorities may start tax execution process and calculate interest for late payments.

Please be informed that it is possible to conclude a tax loan agreement now, it is not necessary to wait until the end of 2020. This can be done through the My STI system.

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



→ Tax news

VAT news



VAT refund will become faster starting from 2021

From 2021, VAT payers will be able to claim for VAT refund once it becomes available (e.g. after reporting input VAT which is higher output VAT) without waiting for the end of the calendar half year. Therefore, the following rules will apply:

- The VAT difference initially incurred will be deducted to cover future tax arrears; but also
- The remaining amount will be recoverable within 30 days of the VAT payer's request or receipt of the required documents.

The VAT Law amendment can be found [here](#).

Prolongation of exemption of import duties and VAT on the import of medical goods

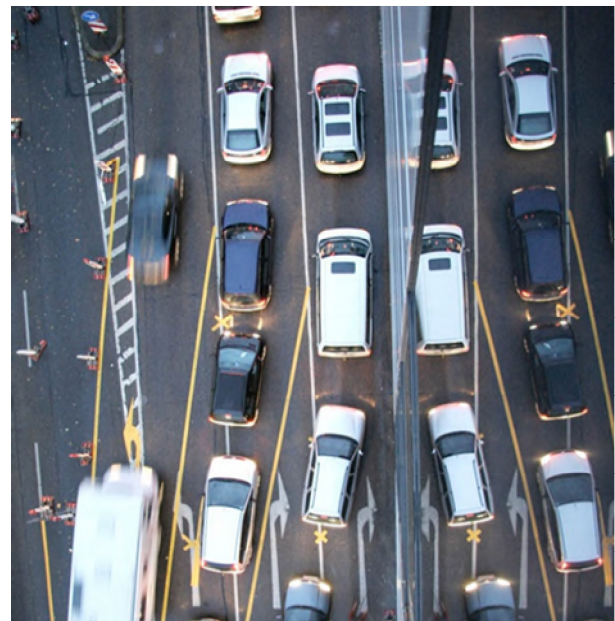
On 23 July 2020, the European Commission announced the extension by three months until 31 October 2020 of the temporary relief from import duties and VAT exemption on importation medical devices and protective equipment from third countries in order to help in the fight against coronavirus.

This measure covers masks and protective equipment, as well as testing kits, ventilators and other medical equipment.

The European Commission decision can be found [here](#).

Proposed changes to the VAT rules applicable to trade with Northern Ireland after transition period

On 23 August 2020, the European Commission has proposed changes to the EU's VAT rules, in preparation for the end of the transition period with the United Kingdom. This amendment to the VAT Directive introduces a special identification number for businesses in Northern Ireland, so that EU VAT provisions can be properly applied to goods, in line with the Protocol on Ireland / Northern Ireland. Under the Protocol, EU VAT legislation will continue to apply when it comes to goods traded in Northern Ireland.



This means, that goods sold and transported from Northern Ireland to the EU (and vice-versa) will be treated the same as cross-border supplies of goods within the EU, including for VAT exemptions and deductions.

These provisions will not apply to supplies of services in Northern Ireland, which will be subject to UK VAT rules after the transition period.

Original European Commission proposal can be found [here](#).

Clarification of the provisions of the VAT law on heating tobacco products

On 4 July 2020, an amendment to the VAT Law entered into force so that from now on heating

tobacco products will be considered as excise goods and will be subject to the rules on acquisition or supply of excise goods set out in the VAT Law.

VAT Law amendment can be found [here](#).

→ Tax news

Personal income tax news



Stock option tax benefit has been lifted

After debates regarding the taxation of stock options within the Ministry of Finance, it has been decided in July 2020 that the stock options are free from personal income tax (hereinafter – PIT), but only until the moment the individuals sell the stock options or the shares. When calculating the tax

base, the acquisition price should be considered as:

- 0 Euro, in cases when the stock options are received free of charge;
- Amount paid for stock options, in cases it is acquired in favorable price.

According to the regulation that was applicable between February 2020 and July 2020, in cases when the stock options were received free of charge, the acquisition price for the employee was considered as real market value. On this basis, when calculating the difference between the acquisition price and the sales price at the time of sale, this difference was smaller.

Stock option relief from social insurance contributions is still available.

PIT Law amendment can be found [here](#).

→ Tax news

Corporate income tax news

20 years tax holidays for large scale investments

From 2021 new and existing companies are eligible to conclude the large scale investment agreement with the Lithuanian Government and enjoy 20 years corporate income tax holidays.

The project might be applied to various business activities, including manufacturing, data processing, web server services (hosting), etc. In order to benefit from this tax relief, the investor undertakes to:

- Sign a large scale investment agreement; and
- Create at least 150 new jobs (200 new jobs when investing in Vilnius region); and
- Invest at least 20 million Euros in private capital investment (30 million Euros in private capital investment when investing in Vilnius region).



The STI publication can be found [here](#) and Corporate income tax law amendment can be found [here](#).

→ Tax news

Other tax news



Reporting to the STI about rented safes, opened accounts, representatives and beneficiaries

As of 10 September 2020, an amendment to the requirement of the Law on Tax Administration came into force, which obliges financial market participants (banks, credit unions, electronic money institutions, insurance companies, etc.) to provide additional information to the STI, if such information is not provided in the Legal Entity Participants Information System (hereinafter - LEPIIS).

Banks and other companies considered to be participants in the financial market have to provide data on accounts opened (and closed) by all Lithuanian and foreign natural persons, rented safes and their representatives (managers or other authorized persons) and the final beneficiaries (natural persons).

These data must be submitted by financial market participants to the STI no later than within three working days from the day of opening or closing the account and from the day of concluding the safe lease agreement.

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

New tax on non-recycled plastic packaging waste

From the beginning of next year, members of the European Union will pay the new tax on non-recycled plastic packaging. This decision was adopted by the European Council on 21 July 2020 in search of resources for a new recovery instrument called the "Next Generation EU".

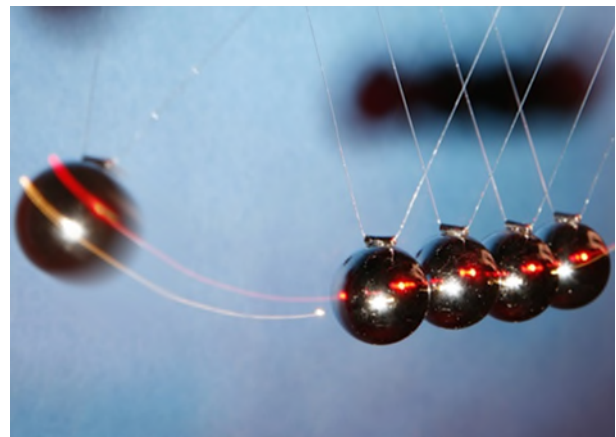
The new tax will be calculated on the basis of the weight of non-recycled plastic packaging waste with a call rate of 0.80 Euro per kilogram.

However, the relevant tax legislation has not yet been adopted, so it is not clear when the tax will actually enter into force.

The original European Council decisions can be found [here](#).

Offsetting overpayments and arrears of taxes and Sodra contributions

From 2021, it will be possible to offset the debt to State Social Insurance Fund Board (hereinafter - Sodra) with the overpaid tax amounts of the STI or to cover the debt to the STI with overpayments of the State Social Insurance (hereinafter - VSD) and Compulsory Health Insurance (hereinafter - PSD).



This means that a company with an overpayment of taxes will not have to submit a request to the STI for a refund in order to transfer the recovered money to Sodra. In another case, when the company has overpaid Sodra, but owes it to the state budget, the company will not have to

pay interest to the STI, as the overpayment to Sodra will cover the debt.

The amendment to the Law on Tax Administration can be found [here](#), The amendment to the Law on State Social Insurance can be found [here](#), The amendment to the Law on Health Insurance can be found [here](#).

No duty-free shops along the roads of railways from 2023

From 13 February 2023, the procedure of excise duty payment exemptions for passengers travelling to third countries or third territories will change.

From that date, Article 13 of Council Directive 2020/262 establishing the general arrangements for excise duty enter into force, which states that Member States may exempt from payment of excise duty excise goods supplied by tax-free shops (known as duty-free) which are carried away in the personal luggage. of travelers to a third territory or to a third country taking a flight or sea-crossing.



This means that from 13 February 2023, goods supplied in duty-free shops will no longer be eligible for excise duty, when those goods are carried in the luggage by travelers to a third territory or a third country while traveling by land transport.

Original legislation can be found [here](#).

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