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VAT PROFILE, LITHUANIA

The VAT directive is implemented in Lithuania through the Law on VAT (in Lithuanian “Pridėtinės vertės mokesčio įstatymas”). VAT is called in Lithuania “Pridėtinės vertės mokestis” or “PVM”.

1. TAXABLE PERSONS**1.1. Registration threshold for domestic businesses**

Registration may be compulsory or voluntary.

Lithuanian taxable person has an obligation to register as a VAT payer in Lithuania and charge VAT to his customers starting from the month in which his revenue from supplies of goods and services exceeded LTL 155,000 (approx EUR 45,000). The request to register as a VAT payer must be filed with a local tax office before the revenue exceeds the threshold. However, registration is not necessary in case only goods and services, for which a customer has an obligation to count and pay VAT, are supplied.

Furthermore, Lithuanian taxable person or non-taxable legal entity must register as a VAT payer in Lithuania if in Lithuania it acquires goods from other Member States that do not fall under the application of exemption (please see paragraph 5).

1.2. Registration threshold for foreign businesses

There is no registration threshold for foreign taxable persons, thus foreign taxable person has an obligation to register as a VAT payer in Lithuania before performing first transaction subject to Lithuanian VAT. Obligation to register does not arise in case only goods and services, for which a customer has a duty to count and pay VAT, are supplied or if the supply is VAT exempt or taxed with a zero rated VAT (except export and intra-community supply of goods).

Furthermore, foreign taxable person or non-taxable legal entity must register as a VAT payer in Lithuania if in Lithuania it acquires goods from other Member States if it does not fall under the application of exemption (please see paragraph 5).

1.3. VAT grouping

No VAT grouping provisions are available in Lithuania.

1.4. Fiscal representative

Foreign taxable person must register as a VAT payer in Lithuania through its subsidiary established in Lithuania or through a fiscal representative. Requirement to have a fiscal representative is not applied to taxable person established in the European Union (EU).

2. SIMPLIFICATION MEASURES

2.1. Call off stock

Call off stock simplification exists in Lithuania since adoption of the changes to the Law on VAT in force as of 1 January 2007. However the Law on VAT does not allow consignment stock simplification.

The transfer of goods to the call off stock located in Lithuania is treated as an intra-community acquisition by the local customer if the following preconditions are met:

- the goods are stocked in a call off stock which is owned or otherwise possessed by the local customer (VAT payer);
- the goods are taken away from the stock by the local customer within 12 months after stocking;
- the local customer is the only legal entity which exploits the transferred goods in its economical activity.

Consequently, if the goods are delivered to the consignment stock, the supplier of the goods will not have to register for VAT in Lithuania and he will be able to issue zero rate VAT invoices.

2.2. Simplified triangulation rules

Under Lithuanian VAT legislation the simplified triangulation rules may be applied if the following conditions are met:

- all three parties participating in the triangulation (the so called ABC contract) are registered as VAT payers in different Member States; and
- Lithuanian VAT payer is either the intermediary (A), the supplier (B), or the buyer (C);
- the goods sold by A to B and by B to C are being transported directly from A to C.

3. INSTALLATION SUPPLIES

When the supplied goods have to be assembled or installed by the supplier or another person acting on behalf of the supplier, such goods are treated as supplied in the country where they are assembled or installed. Reverse charge is mostly applied to such supplies with an international element. No reverse charge is available for domestic supplies.

Construction of a new building or reconstruction of a building resulting in its substantial improvement is treated as a supply of goods. This supply is generally subject to reverse charge when supplied to the owner of the building.

4. DISTANCE SALES THRESHOLD

The distance sales threshold is LTL 125,000 (approx EUR 36,200).

5. ACQUISITION THRESHOLD

If an individual or a legal entity acquires goods from another Member State, it is required to register as a VAT payer in Lithuania unless the following conditions are met:

- 1) a buyer is:
 - a farmer performing activities taxable under the special countervailing tariff scheme; or
 - a taxable person performing activities not conferring the right to VAT deduction; or
 - a non-taxable legal entity; and
- 2) taxable amount of all the goods acquired during the previous taxable period did not exceed LTL 35,000 (approx EUR 10,150).

6. EFFECTIVE USE AND ENJOYMENT

6.1. The below mentioned services are considered to be rendered in Lithuania if the effective use and enjoyment takes place in Lithuania:

6.1.1. services rendered by a non-EU resident to a non-taxable person residing in Lithuania:

- electronically provided services;
- telecommunication services;
- radio and television broadcasting services;
- non-standard software development, sale and other transmission services.

6.1.2. services rendered by a non-EU resident to a taxable person residing in Lithuania:

- carriage of goods, additional transportation services and agency in these contracts services;
- long term lease of means of transport.

7. BAD DEBT RELIEF

Bad debt relief for VAT purposes is available in Lithuania as of 1 January 2012.

The amount of payable output VAT may be reduced by VAT attributable to bad debts. A consideration is treated as a bad debt if it is not received from the purchaser of goods or services for a period exceeding one year after the supply, provided that the output VAT was reported in VAT return and supplier can prove the efforts to recover the debt.

8. VAT RATES

8.1. Standard rate

The standard VAT rate in Lithuania is 21%.

8.2. Reduced rate of 9%

The reduced rate of 9% is applicable to:

- energy supplied to residential premises for the purpose of heating, the supply of hot water to residential premises or cold water for the preparation of hot water and heating energy used to warm up this water (until 31 December 2012);
- supply of books and non-periodical press;
- supply of newspapers, magazines and other periodical press (as of 1 January 2013);

- Transportation of passengers and their baggage by regular routes.

8.3. The reduced rate of 5%

The reduced rate of 5% is applicable to:

- supply of some pharmaceutical products (until 31 December 2012);
- supply of technical aid for disabled people and maintenance thereof.

8.4. Zero rate

Zero rate is applicable to:

- export of goods;
- intra-community supply of goods;
- goods (the value of which does not exceed a certain amount set by the Lithuanian Government) exported by persons who have their permanent residence outside the EU;
- supply, maintenance, repairs, modification, modernisation and hiring-out of seagoing vessels used for transportation of passengers or goods on international routes or for other services for reward, of sea-going fishing vessels and of vessels used for rescue or assistance at sea;
- supply and hiring-out of aircraft to taxable persons who receive more than half of their annual income from transporting passengers and (or) cargo on international routes and related services;
- resources supplied to vessels and aircrafts mentioned above;
- transportation and other services directly related to export and import of goods;
- transportation of passengers and their luggage on international routes;
- insurance and financial guarantees directly linked to the exportation of goods;
- goods and services destined for diplomatic missions, consular institutions, EU institutions and international organisations as well as the staff of those organisations and their family members;
- gold destined for the System of the European Central Banks and the European Central Bank;
- goods supplied to Lithuanian recipients of sponsorship who transport them as sponsorship outside the EU to organisations which could be recipients of sponsorship under Lithuanian laws;
- maintenance and recycling of goods under inward-processing.

9. DEDUCTION OF INPUT VAT

9.1. Non-recoverable input VAT and partially recoverable input VAT

Input VAT can not be recovered if it is:

- Related to goods and services intended for entertainment and representation, if the expenses incurred can not be deducted from income when counting the taxable profit.

- Related to purchased or leased passenger cars designed for the transportation of not more than 8 persons (excluding the driver), including off-the-road vehicles, if the purpose of their use is not rendition of services of transportation of passengers or driving instruction, reselling or lease. This exclusion is not applicable for the special purpose motor vehicles.
- Related to the passengers transportation by motor vehicles, unless the taxable person is involved in that transportation as a commissionaire.
- Paid on behalf of a third party.

If goods and services are used for both taxable and exempt purposes, input VAT may be deducted in proportion to annual turnover derived from taxable and all supplies.

9.2. Excess input VAT

Primarily, input VAT may be deducted from the payable output VAT. If the amount of input VAT exceeds the amount of output VAT payable, the amount of excess input VAT may be carried forward to the following tax periods or recovered. Input VAT can only be recovered for current and previous 5 years. The request to recover input VAT must be accompanied by a valid VAT invoices confirming input VAT paid. The excess VAT is recovered by the tax authorities in 30 days from the application or if a tax audit is carried out – in 20 days after its completion.

9.3. Tangible assets – adjustment periods

For immovable property – 10 years from the taxable period in which input VAT was deducted.

For other long-term tangible asset – 5 years from the taxable period in which input VAT was deducted.

10. REVERSE CHARGE

10.1. Reverse charge mechanism – supply of gas, electricity, heating and cooling energy

If gas, electricity, heating and cooling energy is supplied by a foreign person to Lithuanian VAT payer whose purpose of acquisition is reselling or if place of a real use of gas, electricity or energy supplied to Lithuanian VAT payer for non-reselling purposes is in Lithuania, the place of supply is considered to be in Lithuania and therefore the buyer is entitled to calculate VAT under the reverse charge mechanism in Lithuania.

10.2. Reverse charge mechanism – B2B services

Under the general rule, in case of B2B rendition of services the buyer is entitled to calculate VAT under the reverse charge mechanism in his residence country. For the purpose of application of this rule, the buyer is considered to fall under the definition of “business” if it is:

- legal entity or individual established in Lithuania and carrying out only economic or composite activities;
- non-taxable legal entity registered as a VAT payer;
- taxable person acquiring goods and services being used in its non-taxable activities.

10.3. Reverse charge mechanism – non-resident suppliers

Lithuanian taxable person and foreign taxable person registered as a VAT payer in Lithuania or having a fixed establishment in Lithuania is required to calculate VAT under the reverse charge mechanism for the goods and (or) services supplied in Lithuania by a non-resident person.

10.4. Reverse charge mechanism – specific domestic rules

Lithuanian VAT payer is required to deduct and pay input VAT if:

- it buys goods from a legal entity for which a bankruptcy or reorganisation procedures have been started;
- it gains property as a contribution;
- it is an owner of the building and gains a substantial improvement of it;
- it buys ferrous or non-ferrous metals scrap or materials resulting from their recycling;
- it buys timber.

11. INVOICE REQUIREMENTS

11.1. Invoice requirements

Invoice has to contain the following data:

- date on which the invoice was issued;
- invoice serial number;
- VAT identification number, name and address of a supplier;
- VAT identification number, name and address of a buyer;
- description of goods delivered or services rendered and amount thereof;
- date of the supply if it does not coincide with the date of the invoice;
- price of the good or service per unit (excluding VAT), discounts not included in the price;
- taxable amount of the goods;
- applicable VAT rate;
- amount of VAT in national currency;
- grounds for the application of an exemption, zero rate or reverse charge (reference to the corresponding article of the Law on VAT or of the 2006/112/EC Directive or another indication of the reason of such application);
- VAT identification number, name and address of the fiscal representative (if applicable);
- reference to the corresponding article of the Law on VAT or 2006/112/EC Directive under which a special margin scheme is applicable;
- identification data of the motor vehicle if it is supplied to another Member State.

11.2. Time limits for issuing invoices

The invoice should be issued immediately after supply of goods or services. However, in case of a long-term services and permanent supply of electricity, gas, heating and cooling energy

invoice may be issued for the services or goods supplied during the period of 1 month and therefore it should be issued till the 10th day of the following month.

For the supplies of goods subject to zero rate VAT, as well as for supplies of services subject to reverse charge invoice should be issued until the 15th day of the next calendar month. The same deadline applies to supplies of the aforementioned goods and services that last for more than one month.

11.3. Self billing

Under the Law on VAT contractors may agree that the issuer of the invoice will be the buyer. There are currently no additional requirements or restrictions related to such invoicing.

11.4. Storage of invoices

The minimum term of storage of invoices is 10 years.

11.5. Electronic invoicing

Electronic invoices may be used if origin authenticity and content integrity is assured by using one of these means: 1) safe electronic signature; or 2) specialised equipment for acceptance and transmission of electronic data (EDI); or 3) software of commercial bank registered in Lithuania or other company, institution or organisation. The supplier must have consent of a purchaser to use electronic invoice.

Invoice send to the contractor by electronic mail or by other means (in pdf or other format) is not considered to be an electronic invoice. Such invoice is only an electronic version of ordinary invoice and therefore the invoice should be also kept in printed form.

12. VAT COMPLIANCE

12.1. VAT return period

A standard VAT return period for legal persons is 1 month. However, if annual income of a taxable legal person did not exceed LTL 200,000 (approx EUR 57,920) VAT return period under the request of the taxable person may be changed to 6 months. Furthermore, VAT return period may be changed to a period not longer than 60 days with accordance to the taxable period of the parent foreign taxable person.

A standard VAT return period for natural persons is 6 months, which under the request of a taxable person may be changed to 1 month.

12.2. Filing of VAT return and payment

Under the general rule VAT return should be filed and VAT paid within 25 days from the end of the VAT return period.

However, if the average monthly amount of VAT paid in 3 months in a row exceeds LTL 10,000,000 (approx EUR 2,900,000), advance payments of one third of the average monthly amount of VAT should be paid. The advance payments have to be made 3 times a month. This rule is applicable only when the VAT return period is 1 month.

12.3. European Sales Listing

The European Sale Listing has to be submitted on a monthly basis until 25th day of next month.

12.4. National recapitulative statement

There are no national recapitulative statements in Lithuania.

12.5. Tax assessment period

The tax assessment period in Lithuania is current and previous 5 years. Therefore, in the year 2012 the last open year for assessment is the year 2007.

13. SPECIAL RULES

13.1. Postponed accounting on import

Legal entities have a right to a delayed payment of VAT, if a guarantee for the payment of import VAT is provided. It means that import VAT can be paid not at the time of importation but until the 16th day of the next month for all the goods imported during the previous month.

13.2. VAT warehouse

There is no VAT warehouse regime in Lithuania.

14. PENALTIES

14.1. Penalties for not filling a VAT return or a European Sales Listing in time

There is no separate penalty for the late filling of VAT return.

14.2. Penalties for not paying VAT in time

Under the general rule, interest is calculated (for the 4th quarter of the year 2012 default interest rate is 0.03% per day) for late payment of VAT.

14.3. Penalties on VAT assessments when VAT is not reported correctly

In addition to late payment interest (please see 14.2) a fine of 10% to 50% of the amount of underpaid VAT may be imposed depending on the type and circumstances of misdemeanour.

15. INTRASTAT

Intrastat reports have to be submitted to the Department of Statistics under the Lithuanian Government.

15.1. Intrastat threshold

For 2011 the annual threshold for reporting is LTL 650,000 (approx EUR 188,253) for arrivals and LTL 700,000 (approx EUR 202,734 for dispatches (until 31 December 2012)).

15.2. Intrastat data to be reported

The information to be reported is:

- VAT payer's data;
- data of intermediary;
- reporting period;
- code of the good under the Combined Nomenclature;
- description of the good;
- contract;

- delivery conditions;
- mean of transport;
- country of consignor;
- country of consignee;
- country of origin;
- net weight (kilograms);
- value;
- statistical value.