



SUBSCRIPTION
Print version *
Online version *
e-TBT version *

Search!

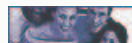
News from Latvia, Estonia and Lithuania

You are logged in. Log Out?



Advanced search

About newspaper : Contact information : Advertise



Community forum



THIS WEEK

News *
Estonia *
Latvia *
Lithuania *
Business *
Finance
Sports
Opinion
Outlook
Special

ENTERTAINMENT

Out & About
Cinema
Cultural agenda

MARKETPLACE

Business calendar
Classifieds
Real estate
Jobs

YOUR OPINION

Letter to the editor
Forum



NEWS

TALKINF TAX: Time for advance rulings system?

Mar 07, 2007
by Mantas Petkevicius [Sorainen Law Offices]

Legal certainty is a key element in a good tax system. Its implementation, however, is not easy. Tax systems in the Baltics should be regarded as newly constructed and still developing. What's more, constantly evolving economic activities do not always fit into the existing framework of tax legislation, making interpretation and application of detailed tax laws an ungrateful task. One instrument to achieve consistency and certainty in interpretation and application of tax laws is advance tax rulings. In general, advance rulings should be understood as an interpretation of legislation by tax authorities that is binding when interpreting or applying the law to a taxpayer, provided that the taxpayer's facts and circumstances are the same as those set forth in the ruling.

Currently, in Lithuania it is impossible to apply for a binding advance ruling on tax treatment of possible activities. Lithuanian laws only provide for the possibility to obtain a non-binding ruling that would give some guidelines in cases of ambiguous legal regulations, yet it is not binding on the tax authority if there is a future tax audit.

It may come as a surprise, but a future tax audit may reveal unpaid taxes, and the taxpayer might be requested to pay taxes even if he was diligent with respect to complying with legal regulations and applied for a written opinion of tax authorities. While the presence of a written opinion protects the taxpayer from imposition of fines and accrued default interest, such a regulation adds little to economic efficiency and certainty in, for example, estimating possible net profits of specific transactions contemplated by the taxpayer.

Of the three Baltic states only Latvia has implemented an advance ruling system. There a taxpayer may request an advance ruling concerning a specific situation that will be binding upon the tax office. Thus, if a taxpayer follows the course suggested by the tax office, he must not be put by the tax office in a less favorable situation than the one indicated by the tax office in the advance ruling issued.

Currently, the Lithuanian Ministry of Finance is considering amendments to the Law on Tax Administration. One of the issues to be decided is implementation of the advance rulings system.

Introduction of advance rulings will place a significant burden and responsibility on tax offices with respect to, first, retaining coherence and uniformity of the tax system, and, second, implications it may have on tax revenue. Nevertheless, legislators will hopefully decide that the merits outweigh the drawbacks and follow the recommendations of OECD to introduce such a system.

Mantas Petkevicius is a senior associate at Sorainen Law Offices in Vilnius



E-mail this article



Print this article



Discuss this article

MORE NEWS

- Lithuanian economy hums along, skirts hard-landing scenario
- TALKING TAX: Finland establishes new ways to enforce taxes
- Swedbank stock takes dive on lat devaluation fears
- Latvia has cheapest gas, thinnest men
- Devaluation talk irks Kalvitis, Central Bank
- Grybauskaitė against diesel excise hike
- Estonia's economy grows 11.5 percent in 2006
- Latvia's fourth quarter GDP astounds, while inflation continues to depress

Search!