
Please enjoy the 2nd quarter edition of the Newsletter.

Kind regards,
KPMG in Lithuania

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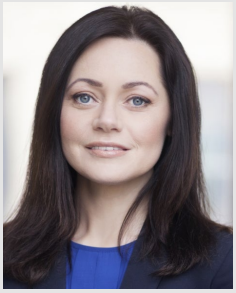

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## Personal Income tax (PIT)

### New tax-exempt amount calculation procedure

New monthly tax-exempt amounts will be applicable for employment income (EI) and will be calculated according to new formulas:

| | **Until 31.05.2022** | | | **From 01.06.2022** | | |
|---|---|---|---|---|---|---|
| Tax-exempt amount (max.), EUR | 460 | | | 540 | | |
| Formula for calculation of monthly tax-exempt amount | Monthly EI is less than EUR 730 | Monthly EI is more than EUR 730 but less than EUR 1,678 | Monthly EI is more than EUR 1,678 | Monthly EI is less than EUR 730 | Monthly EI is more than EUR 730 but less than EUR 1,704 | Monthly EI is more than EUR 1,704 |
| | 460 | 460 – 0.26 x (EI – MMS*) | 400 – 0.18 x (EI – 642) | 540 | 540 – 0.34 x (EI – MMS*) | 400 – 0.18 x (EI – 642) |
| Tax-exempt amount 0% to 25% work capacity, EUR | 740 | | | 870 | | |
| Tax-exempt amount 30% to 55% work capacity, EUR | 690 | | | 810 | | |

*Minimum monthly salary established by the Government of Lithuania as of 1 January 2022

## Value Added tax (VAT)

### VAT relief for organisations helping victims of the war in Ukraine

The Lithuanian Parliament adopted an amendment to the Lithuanian Law on VAT, adding Article $50^1$. This article establishes the application of:

- 0% VAT rate for goods supplied free of charge to beneficiaries for the purpose of providing relief to war victims, provided that the European Commission (EC) has granted Lithuania the right to exempt the goods from VAT on imports.
- The application of exemption from VAT for intra-community acquisitions of goods, provided the same conditions are met.

Per EC Decision 2022/1108 Lithuania is authorized to exempt from import VAT goods to be distributed or made available free of charge to persons fleeing the war in Ukraine and to persons in need in Ukraine. Accordingly, such goods may be subject to VAT relief established in Article 50[1].

## Customs

### Information for entrepreneurs closing businesses in Russia and Belarus

The Lithuanian Customs informs that entrepreneurs who cease operations in Russia and Belarus and bring used equipment back to Lithuania are not subject to European Union (EU) sanctions. Once a business in Russia or Belarus has ceased operations and a similar activity has been started in Lithuania, transfers of fixed assets or other equipment used for economic activity are not subject to import duties.

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### Sanctions on trade with Belarus

The following goods may not be imported from Belarus or exported to Belarus per EU Council Regulation No. 2022/355 (further – the Regulation):

- wood and articles of wood, wood charcoal;
- cement and articles of cement, concrete or artificial stone;
- iron, steel and articles thereof;
- new pneumatic rubber tyres.

Import of the following is also prohibited:

- oil and other products indicated in Annex VI to the Regulation;
- potassium chloride (potassium carbonate) and products indicated in Annex VII to the Regulation.

It is also prohibited to sell, supply, transfer or export, directly or indirectly, to Belarus, machinery originating in the EU or outside the EU.

## Transfer pricing and BEPS

### Ongoing reforms of international tax system

In 2021 the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) approved a statement finalizing several key aspects of a framework for reforming the international tax system. Pillar One of the agreement would formulaically reallocate profits from world's largest and most profitable multinational enterprises to market jurisdictions without regard to the arm's length principle and the traditional permanent establishment standard. Pillar Two secures an unprecedented agreement on a global minimum tax regime, imposing multilaterally agreed limits on tax competition among jurisdictions.

Currently, the OECD regularly provides various comments, rules, templates and guidelines on both Pillar One and Pillar Two which provide relevant information to multinational enterprises and tax administrations.

In 2021, the EC published a proposed EU Directive to incorporate the Pillar Two rules into EU law and introduced a global minimum corporate tax rate set at 15%. However, the Economic and Financial

Affairs Council of the EU (ECOFIN) did not reach political agreement on the revised compromise text for an EU Minimum Tax Directive in its 5 April 2022 meeting, due to reservations from Poland. It is expected to reach this agreement in May 2022.

For more information read here and here.

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## Legislative amendments for Advance Pricing Arrangement (APA) measures

As of 1 January 2012, taxpayers in Lithuania have a possibility to apply for an APA from the tax authorities in respect of future controlled transactions. The APA is a procedural agreement between a taxpayer and tax authorities that aims to avoid any transfer pricing disputes, by determining in advance a set of criteria to apply, within a specified period, for specific cross-border controlled transactions, to ensure their compliance with the arm's length principle.

Legislative amendments that revises Lithuanian APA rules were entered into force on 31 March 2022. Among other minor changes, the amendments also impose an obligation for the taxpayer to immediately notify the tax authorities of a significant change in the information and / or critical assumptions specified in the APA, so that the tax authorities can assess the validity of the decision taken.

More information can be found here (LT).

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## Poland: Transfer pricing reporting changes

The Minister of Finance on 25 April 2022 published draft decrees changing the scope of data and information required to be disclosed via transfer pricing reports (TPR-C / TPR-P). The changes include measures (I) to limit the scope of transfer pricing information provided by entities exempt from the obligation to prepare the Local file and (II) to clarify the content of the entity's declaration.

More information prepared by KPMG here.

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## Country-by-country (CbC) reporting notifications, requirements per country

Under the OECD BEPS model legislation for CbC reporting, groups with a consolidated global turnover of at least EUR 750 million are required to prepare a CbC report. Also, group entities are required to file a notification about the reporting entity before the end of the reporting fiscal year. Group entities resident in Lithuania must also submit a CbC report or provide notification to the tax authorities with the identity and residence of reporting entity (ultimate or surrogate parent).

To assist international business KPMG prepared and regularly updates a report of the CbC notification requirements for all countries that have implemented final OECD CbC reporting legislation.

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If you have any questions, please send an e-mail to info@kpmg.lt. "KPMG Baltics", UAB | Lvivo g. 101, Vilnius, 08104, Lietuva