

Business Advice During COVID-19 Situation

Tax and Legal aspects

2020 03 17



Tax Aspects

ADVANCE INCOME TAX

As a reminder, companies have the right once a year **to change the way they pay their advance tax**: change the way they calculate their advance income tax from their "previous year's performance" to the method "expected years results". In order to change the method of calculating tax, a company must indicate this when filing an advance tax return.

We recommend all those declaring to choose the method based on 'expected year results' (Part D) and to indicate their expected profit for this year. If the company plans to end the year unprofitably, it should indicate as 0. If the company has already submitted a declaration, it can be adjusted.

As a reminder, FR0430 Advance Income Tax returns are not filed by newly incorporated companies or those whose income did not exceed EUR 300,000 last year.

State tax inspectorate delays the advance profit tax return and payment deadline for two weeks, until March 30.

Companies that are currently facing financial challenges due to COVID-19 will have more time to file an advance tax return. The Tax Authorities have extended the deadline and provides that the advance income tax return must be filed and the 1st quarter advance tax payment should be filed **by March 30, rather than March 16.**

DEFERRAL OF TAXES

Grant Thornton Baltic offers to make use of the tax facilitation provisions contained in the Law of Tax Administration. For example, in the event of temporary financial difficulties, taxpayers may ask the tax authorities to defer or spread the debt (tax arrears). In such a case, a tax loan agreement (hereinafter "TLA") is concluded with the taxpayer and the fees are paid on a deferred (stated) schedule. Grant Thornton Baltic can assist with filing a tax loan agreement applications and other applications processing decisions. When making a TLA decision, state tax inspectorate assesses each taxpayer application and situation individually based on the information provided and based on validated criteria.

The decision on deferral or spread taxes take up to 30 days (from the date of submission of the application and other documents). Once a positive decision has been made on the placement or postponement of payment, the person must complete the TLA within 10 business days.

As part of the expansion of business support measures, a proposal is currently being prepared that will allow TLA to be made for personal income tax (PIT) contributions with a due date is March 16. This will allow businesses facing COVID-19 financial challenges to arrange their instalments of PIT and pay them on an agreed schedule.

Until there is no legislation to extend business support measures and allow for a tax credit agreement on PIT (due on March 16 this year), STI will not enforce this tax.

Exemption from filing a tax return. In cases where taxpayers are temporarily inactive (no transaction; no settlement with economic entities; no income other than interest on the funds in the taxpayer's bank accounts), they may be temporarily exempt from tax return and / or other submission of documents specified in legal acts.

<https://www.e-tar.lt/portal/lt/legalAct/TAR.28DAF91380F1/asr>

ANNUAL PERSONAL INCOME TAX

The State Tax Inspectorate informs that due to the situation regarding COVID-19, the deadline for filing and paying personal income tax is postponed: it will be required to declare income and pay the tax until July 1, instead of May 4 this year.

Therefore it will be possible to submit and request income tax claims to organizations, political parties and trade unions for longer.

Legal Aspects

After declaration of quarantine on the entire territory of Lithuania, relevant restrictions were adopted which inevitably makes an impact to business, company economic status, compels to change the forms of work organization. Here is a brief summary of what to look out for.

ESSENTIAL APPLICABLE RESTRICTIONS

- It is forbidden to the citizens to depart from Lithuania, **except cases** when they return to their residence or work place;
- Persons, whose returns from abroad, must comply 14 days isolation;
- Catering, restaurants, cafes, bars (except take away, delivery of the food), cultural, leisure, sport activities is forbidden;
- Suspension of notarial acts.

There are no restrictions on movements of goods.

ORGANIZATION OF WORK

In the private sector it is recommended to work remotely. In order to protect the health of the employees and those around, considering to the condition of the company, work relationships may be changed and organized by the ways indicated hereinafter.

Remote work. The employer may apply the form of remote work. In this case, additional consent of the employee is not needed, however the employer must grant to the employee appropriate work tools. Supplement of the paragraph 49 of Labour code of Lithuania will be considered in the Parliament of Lithuania which upon adoption will determine that after the announcement of the government of the state level emergency, the employer must offer to the employee, whose health condition cause serious threat to other employees health, to work remotely. **If the employee refuses to work remotely, he / she will be suspended from work and salary will not be paid.**

Certificate of incapacity. It may be issued if there is a necessity to look after the child who is educated under preschool, primary school program, sickness benefit for parents and persons whose attended the areas affected by the virus or who had a contact with expected COVID-19 case.

Vacation. The Employee have a right to use, with employer agreement, annual leave or unpaid vacations.

Downtime. The Employer have a right to announce a downtime for one, part or all employees. The Employer have a right to insist to return to work next work day.

Noteworthy, that amendments of paragraph 47 of Labour code of Lithuania have been initiated which will expand the limits of application of downtime. In the amendments it is offer to determine that announcement of downtime may be when: 1) the employer cannot pay (without the employee fault) due to objective reasons to employee the salary indicated in the employment contract and the employee refuses to work other offered job;

2) The government declares the state level extreme situation and, in order to assure protection of employees and third persons health, the employee due to objective reasons and without his / her fault don't have possibilities to work remotely and (or) refuses to work other job.

The government intends to provide financial support in the event of downtime or partial downtime.

Individual agreement. The employer and the employee have a right to agree regarding the amendments / supplementments (etc. change the place of work, function, agree regarding working time rate) of labour contract. Such agreements shall be applicable individually.

Pay attention that only companies which not force employees to choose unpaid vacations shall have a right to aspire financial support, granted by the government.

DATA PROTECTION

In order to ensure safe working conditions and the public interest in compliance with the principles determined in the General Data Protection Regulation, the following employees' data may be processed: whether the person was traveling to a foreign country; whether the person was in contact with a person traveling to a state of risk or suffering from COVID-19; whether the employee had symptoms of the virus. However, data collection must comply with data minimization, legitimacy and other principles, indicated in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

FORCE MAJEURE

The declaration of quarantine **is not a sufficient** fact to apply force majeure freely (i.e. to apply financial liability for not fulfilling obligations).

It is recommended to agree regarding certain circumstances taking into account the specifics of each party's activities, the moment of contract conclusion, the behaviour of the parties in the presence of a virus threat.

The Party which faces the difficulties to comply with the contract shall promptly notify the other Party. The other party shall not have the right to terminate the contract, unless the circumstances of non-performance continue for a longer period than the parties intended.

For more detailed business advice please contact Grant Thornton Baltic UAB Legal and Tax team:



Vykintas Valiulis

Partner, head of Tax and Advisory services

Phone: + 370 654 07786

E-mail: vykintas.valiulis@lt.gt.com



Greta Vitaitė-Aliukonienė

Legal project manager

Phone: +370 620 39759

E-mail: greta.aliukoniene@lt.gt.com