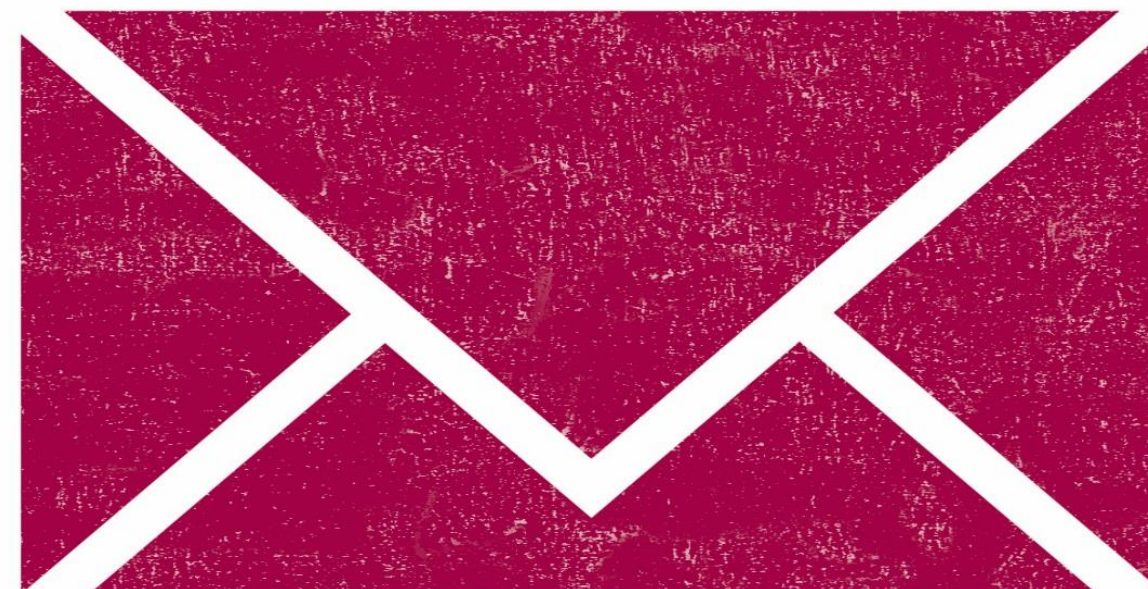


CHANGES IN TAX ADMINISTRATION SYSTEM INFORMATION REPORT

Grant Thornton Baltic UAB
2016 august



SMART TAX ADMINISTRATION SYSTEM

New smart tax administration information system (i.MAS) is based on transferring accounting data in to cloud area where tax administrator could periodically monitor activities of legal entities. This Project has been started in the beginning of 2016 and should be fully implemented by 2020. The system i.MAS consists of 7 subsystems as in the table below:

Name	Description	ERP report
i.SAF – Invoice register	List of issued and received VAT invoices	Yes (or manually)
i.VAZ – Consignment notes register	List of consignment notes	Yes (or manually)
i.SAF-T – Standard General Ledger	Standardized General Ledger	Yes
i.EKA – Cash register system	List of cash entries	Yes*
i.MAMC – Data monitoring system	Data verification system	No (used internally by tax administrator)
i.APS – Accounting system	Accounting system for small companies	No*
i.KON – Control system	Data analysis and control system	No (used internally by tax administrator)*

*Subsystems that will be started in 2018 (not applicable yet).



The first 3 subsystems (i.SAF; i.VAZ; i.SAF-T) have to be fully implemented by applicable taxpayers and started to be used this year, so in the following chapters we are giving more detailed information about them in following pages.

i.EKA subsystem has not been started yet and should be implemented by the end of 2018.

The remaining 3 subsystems (i.MAMC; i.APS; i.KON) will be used by the Lithuanian tax administrator for their internal purposes therefore data submission by legal entities is not applicable.

Content

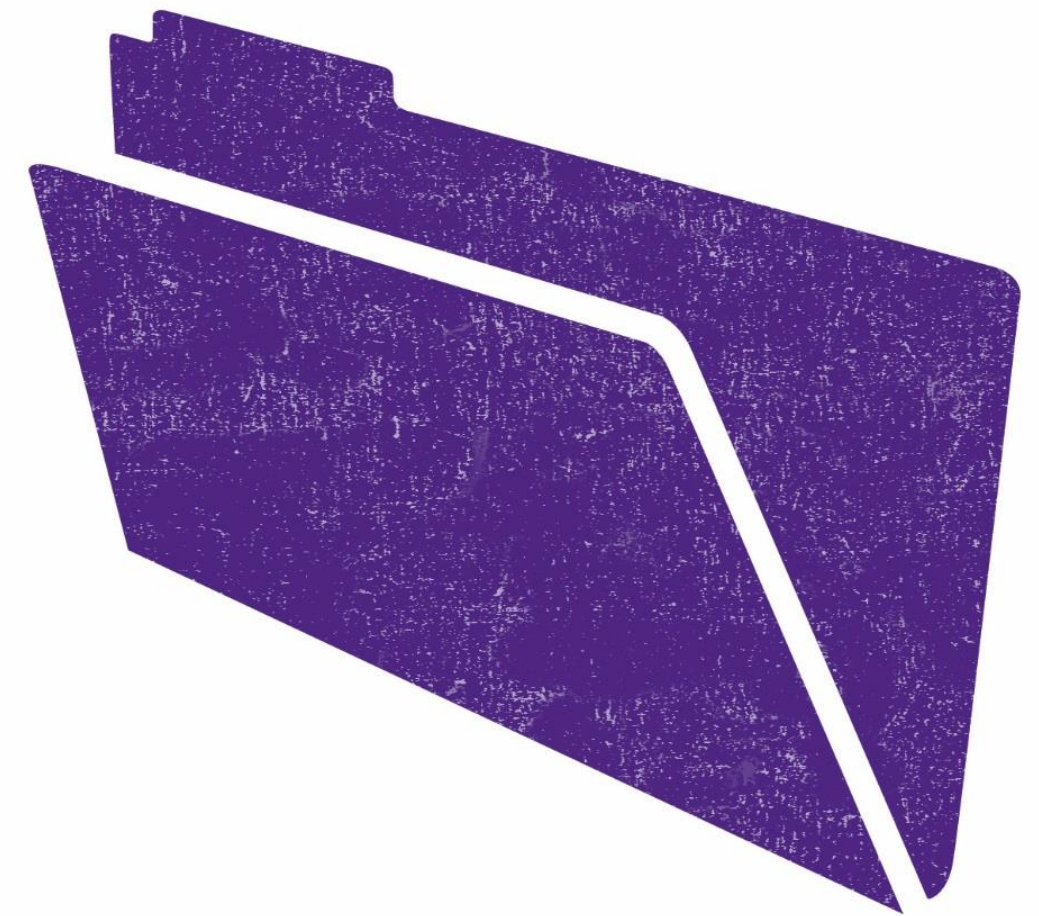


- i.SAF – invoice register
- i.VAZ – consignment notes
- i.SAF-T – Standard General Ledger



i.SAF – invoice register

i.SAF – Invoice register subsystem will cover information about received (purchase) and issued (sales) VAT invoices. These invoice registers will have to be uploaded into tax administrator system where invoice data will be crosschecked. In the table below we cover most important tax administration requirements and our insights how you could adopt this system in your business.



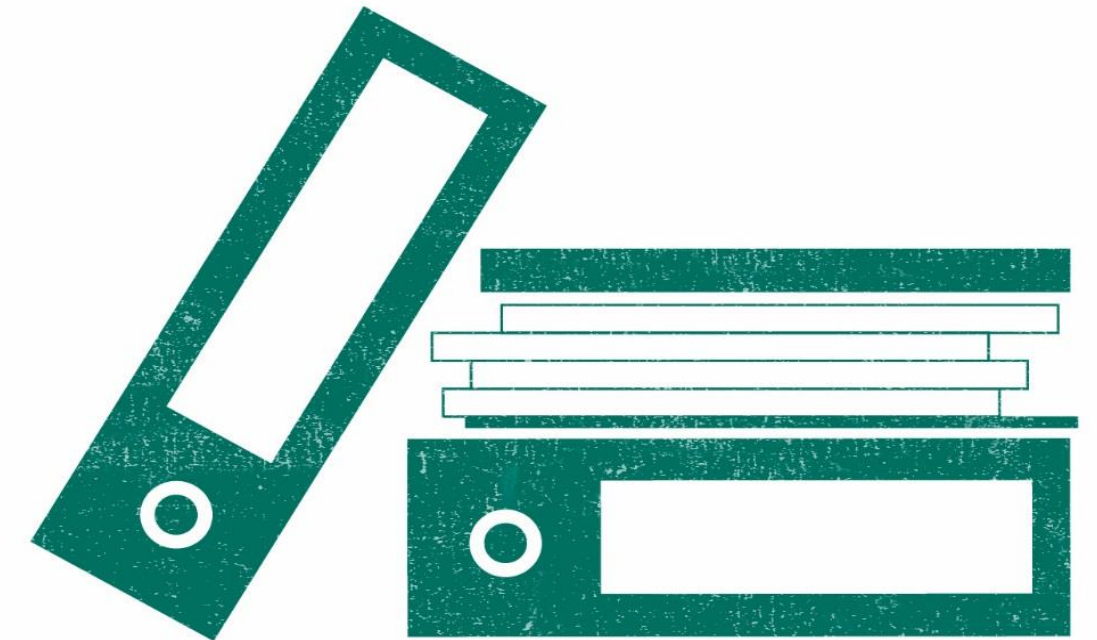
i.SAF

Who will have to submit the registers?	Taxable persons registered as VAT payers in the Republic of Lithuania with exception of VAT payers, who registered only due to movement of goods from EU or are not engaged in economical activities.
Cycle	Monthly
Beginning of the project	1st of October, 2016. Register will have to be submitted within the 20 days after taxable period ends, so the deadline for the first register is the 20th of November.
Content of the data	Purchase and Sales invoices information such as invoice number, date, amount, VAT, etc.
Responsible person	Accountant
Report type	1. XML file format for upload* 2. Manual entries directly to the system. This option should be considered only for lower volumes of invoices, for example up to 10.
New information	Several new fields will have to be created in ERP system by IT support such as VAT classification. From October 1, 2016 these fields will have to be filled during posting of the invoice. All the information about the fields you can find in the i.SAF functionality document - for using purpose (attached)
Requirements for the client	1. Prepare two XML reports (Invoice and Sales registers) in your ERP by the 1st of October according to the requirements set by Lithuanian tax administrator (requirements document attached). 2. Ensure that employees responsible for posting of the invoices are trained and aware of correct input of additional fields as of October 1, 2016.
Time consumption	Accountant will have several additional responsibilities working with this system: 1. Check that all the data is posted correctly. 2. Submit the data into the system. 3. Make sure that all the data is checked and correct. In case of any mismatched data accountant will have to adjust information and resubmit the reports. These three tasks will require a couple additional hours of accountant time every month but this time may vary on the ERP report implementation quality and volume of invoices.

*Other options may be available. For more information please contact your servicing accountant at Grant Thornton Baltic UAB.

i.VAZ – consignment notes

i.VAZ – consignment notes subsystem will collect the data which is provided in goods transport documents (consignment notes and other goods transport documents). It means that there will be a requirement to submit data into tax administrator system in advance upon most cases of goods being carried by road transport in the territory of the Republic of Lithuania.




Who will have to submit Consignment notes?	All Lithuanian legal entities who are performing economic activities in Lithuania.
Cycle	Consignment notes must be submitted into tax administrator system up to 7 days before, but <u>not later</u> than the actual transport of goods starts.
Beginning of the project	1st of October, 2016.
Responsible person who will have to submit the data	Warehouse manager, sales manager or any other person who works with consignment notes. In case outside carrier is used, sender have to make sure in advance that the carrier will submit the data on sender's behalf.
Requirements for submitting consignment notes	<u>Not all consignment notes will have to be submitted into this system.</u> The obligation relates only for those consignment notes that are issued for goods transported between Lithuanian legal entities and not crossing Lithuanian border. Accordingly, the submission is not applicable for deliveries to individuals who are not engaged in economic activity or for goods carried only for personal needs, like between own warehouses. More rules about the submitting requirements are provided in the attached document.
Data submission	There two ways of submitting the Consignment notes: a) Manual direct entry in to the system - recommended for companies who have to submit up to 30 consignment notes per month; b) XML report import - recommended for companies issuing consignment notes in ERP system and with volume of more than 30 consignment notes per month.

i.SAF-T – Standard General Ledger



i.SAF-T – Standard General Ledger subsystem will be used to standardize General Ledger to all Lithuanian entities. The obligation to provide information about all general ledger transactions for specific time period via this subsystem will be implemented in three stages:

1. Entities with sales income over 8 million euros in 2015 – due from 1st of January, 2017.
2. Entities with sales income over 700 thousand euros in 2016– due from 1st of January, 2018.
3. Entities with sales income over 145 thousand euros in 2017– due from 1st of January, 2019.



Accordingly, the entities with less 8 million euros of sales income during 2015 do not have obligation to implement Standard General Ledger this year yet.

It is important to understand that this subsystem does not necessarily mean that entities need to change current general ledger. It is rather more appropriate solution could be the preparation of the second general ledger report with mapping appropriate accounts. In the table below we provide you our insights that may be important.

i.SAF-T

Who will have to collect the data in Standard general ledger?	Lithuanian legal entities which exceed the Sales income.
Cycle	Quarterly or annually – Tax administrator will announce each taxpayer individually.
Data submission type	XML file format. There will be no possibilities for manual entries.
Responsible person	Head of the entity is responsible for system implementation. Accountant is responsible for data submission.
Requirement for companies	Implement Standard General Ledger report as a main or “secondary” with appropriate mapping of GL accounts.
Time consumption	All the information before the submission will have to be reviewed. It may take 4-8 hours of accountant’s additional time per each report, depending on the amount of data and IT solutions available for such review.

Sources of information (in Lithuanian)



- Lithuanian Tax Inspectorate
<http://www.vmi.lt/cms/imas>
- State Road Transport Inspectorate
<https://www.vkti.gov.lt/>
- Road transport code
http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=33417
- Law on VAT
<http://www3.lrs.lt/pls/inter3/oldsearch.preps2?Condition1=163423&Condition2=>
- Law on tax administration
http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=231855
- Law on accounting
<http://www3.lrs.lt/pls/inter3/oldsearch.preps2?Condition1=154657&Condition2=>





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