

Tax and Legal Newsletter

3rd Quarter, 2022

Please enjoy the 3rd quarter edition of the Newsletter.

Kind regards,
KPMG in Lithuania

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Increase of Minimum Monthly Salary

As of 1 January 2023, Minimum Monthly Salary (MMS) should increase from EUR 730 to **EUR 840**. The minimum hourly rate should increase from EUR 4.47 to **EUR 5.14** accordingly.



From 1 November cash payments only up to EUR 5,000

The Lithuanian Parliament implemented the Law on Restriction of Cash Payments, which stipulates that from 1 November 2022 payments in cash larger than EUR 5,000 will be restricted both for companies and residents.

The total amount of cash settlements made in installments, as well as any other payments cannot exceed EUR 5,000 or equivalent amount in a foreign currency. The parties of the transaction cannot split the transaction with the purpose to avoid the application of the established restriction on cash payments.

The restriction will not apply when peer-to-peer settlements and other transactional payments are made through payment service providers.

If the payment in cash exceeds EUR 5,000, recipient of cash will be obliged to report to the Lithuanian tax authorities the transaction and its circumstances (including reasons why the transaction is performed in cash) in 10 days after the transaction



New requirements for concluding employment contracts

As of 1 August 2022, all employers are obliged to provide additional information to new employees in writing before start of their employment. Additional information to be provided is as follows:

- Duration and conditions of the trial period;
- The dismissal procedure;
- Salary components;
- Overtime;
- Rights to training;
- Protections related to social insurance provided by the employer.



Relevant Value Added Tax (VAT) cases

According to the Lithuanian legislation the supplier has the right to opt to charge VAT on immovable property which is exempt from VAT if the property is sold to a VAT payer. In relation to the Lithuanian VAT legislation and practice, the European Court of Justice (ECJ) ruled that EU VAT Directive must be interpreted as not precluding national legislation:

- which makes the right of a taxable person to opt to charge VAT on the sale of immovable property conditional on the transfer of that property to a taxable person who, at the time of conclusion of the transaction, is already registered for VAT purposes.
- under which the seller of immovable property is required to adjust the deduction of input VAT on that property following the refusal to recognize the seller's right of option for taxation in respect of that sale on the ground that, at the time of the sale, the purchaser did not satisfy the conditions laid down in order for the seller to exercise that right.



Transfer pricing and BEPS

Poland: Transfer pricing and tax haven documentation measures

The Government of Poland published proposed legislation on 28 June 2022 that would, among other items, clarify the obligation of entities required to submit transfer pricing reports and would amend the documentation requirements for transactions with entities located in “tax haven” jurisdictions. [More](#).

A draft bill amending corporate income tax provisions enacted as part of the “Polish Deal” was submitted on 25 August 2022. Among the changes under the draft bill is a measure to repeal a requirement to follow the arm’s length principle and satisfy the documentation obligation for indirect tax haven transactions. The amendments would become effective as of 1 January 2023. [More](#).



Cyprus: Transfer pricing documentation requirements

On 30 June 2022 the Parliament of Cyprus has passed a law on the documentation requirements on transfer pricing (law and regulations). The law and regulations are aligned with the recommendations set forth in the Organisation for Economic Co-operation and Development Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD Guidelines). [More](#).

In August the government published a notice in the official gazette providing guidance regarding the required content of the Local file and Master file, as well as a table of summarized information. [More](#).



The Netherlands: Changes in the new transfer pricing decree

A new transfer pricing decree was published on 1 July 2022. Among other things, the new transfer pricing decree focuses on recent developments that have led to changes in the OECD Guidelines, but also reflects the effects of the COVID-19 pandemic. [More](#).



Germany: “Transfer of functions” proposal

The German Federal Ministry of Finance published a draft decree law regarding the transfer of functions on 5 July 2022. The aim of the draft decree law is to adapt and restructure the existing regulations on the arm’s length principle with the current measures under the OECD Guidelines. These new provisions are to be applicable retroactively to all cases of transfer of functions that begin after 31 December 2021. [More](#).



The United Kingdom (UK): New transfer pricing documentation rules

The UK government published draft clauses on 20 July 2022 for the next Finance Bill that, as expected, confirm that UK members of large groups would be required to maintain transfer pricing documentation in a prescribed form. The main changes in draft clauses are:

- Deadlines for the preparation and submission of transfer pricing documentation are set.
- The structure of transfer pricing documentation is aligned with the OECD Guidelines.
- An obligation for taxpayers to answer a questionnaire reflecting the main actions taken in preparing the transfer pricing local file document is set.

The new documentation requirements would apply for accounting periods beginning on or after 1 April 2023. [More.](#)



Italy: Criteria for selecting multinational entity taxpayers for transfer pricing audits

The Italian tax authority issued Circular No. 21/2022 on 20 June 2022 clarifying the criteria for selecting taxpayers for tax audits. According to the Circular, large multinational entity taxpayers – companies with gross receipts of more than EUR 100 million – will be selected for transfer pricing audits. [More.](#)



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