



Lithuania

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2004
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Does your country apply the arm's length standard?	Yes
Which TP methods may be applied?	Five transfer pricing methods recommended by OECD – comparable uncontrolled price (CUP) method, resale price, cost-plus, transactional net margin method (TNMM) and profit split – are recognised. Based on national regulation, all transactions with related parties have to conform to the market value (i.e. be in line with the arm's length standard).
Are any TP methods preferred over others?	CUP, resale price and cost-plus methods are preferred over TNMM and profit split method.
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR implemented; MF and LF-Intentions
Reference to documentation and statements of local-government or tax authorities regarding OECD BEPS implementation status	CbCR is regulated by Article 61 of the Law on Tax Administration of the Republic of Lithuania and Order No VA-47 issued by the Head of The State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general.	<ol style="list-style-type: none"> Article 40 of the Law on Corporate Income Tax of Lithuania; Order of the Minister of Finance No. 1K-123 as of 9 April 2004 on transfer pricing evaluation and documentation rules; Order of the Head of the State Tax Inspectorate No. VA-27 as of 22 March 2005 on the related-party transaction disclosure in the annual corporate income tax return; the Law on Corporate Income Tax of Lithuania and its implementation rules, introduced in 2004.
2. Master File (MF)	
	Intentions
3. Local File (LF)	
	Intentions

4. Country-by-Country Reporting	Yes
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	EUR 750 million
Euro Equivalent	EUR 750,000,000
As from which year does this CbCR obligation exist?	<p>As from the year following the year that the threshold is met. For primary reporting, CbCR is first to be prepared for fiscal years starting on 1 January 2016;</p> <p>For the further taxation periods CbCR has to be prepared within 12 months after the end of the reporting financial year.</p> <p>A reporting entity that is not a parent entity of the group shall submit the country-by country report for the first time for the financial year that begins on 1 January 2016.</p>
When and how do the tax authorities need to be notified who the reporting entity is?	The notification obligation shall be performed within the last day of the end of the financial year that is the reporting year of the group. The notification can be submitted: via electronic Lithuanian State Tax Inspectorate's ManoVMI system.
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	12 months from the end of the fiscal year to which CbCR relates. The first CbCR for the year 2016 must be submitted till the end of the first quarter (March 31) of year 2018 (or later, if the financial year did not start on 1 January 2016, but within 12 months after the end of financial year).
Are there any deviating submission deadlines for the secondary mechanism?	No
Does your country have a requirement that the financial figures of the group need to be aligned with?	No
Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	Electronically through the systems provided by the tax administration.
How is the CbCR to be submitted, specifically, is there any prescribed standard?	Xml-standard, direct delivery by using the standardised tool through MANO VMI system.
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
Imprisonment?	Yes
Shifting of the burden of proof?	No
Other?	Yes
To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Consistent with OECD requirements.
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	Yes
Please specify the country involved and date the agreement came into force.	Arrangement between U.S. and Lithuania on the exchange of country-by-country reports (entered into force on 26 July 2017).
Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes

5. TP disclosure in tax return or transfer pricing specific returns

Does a taxpayer need to disclose information regarding TP documentation in his tax return?	No. 60 days as of the tax authorities request.
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	In case of tax audit the State Tax Inspectorate may adjust related-party transaction price for tax calculation. If after the adjustment taxable result increased, late payment interests at a rate of 0,03% per day and fines from 10% to 50% of tax arrears may be imposed toward the taxpayer. Moreover, failure to fulfil obligations arising from the tax laws may also result in application of administrative and criminal liability.
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	No direct liability is currently introduced in Lithuania and imposed to tax advisors or administrators. Administrative or criminal liability may only be imposed towards the managing director or bookkeeper of the company.
Does a taxpayer need to file TP-specific returns?	Yes
Please state the filing form number and name.	FR0528 (Report on Transactions or Economic operations Between Associated Parties) and FR0438 (Report on Controlled and controlling entities) in which the information about controlling entities and information about controlled entities should be disclosed.
What would be the filing deadline?	Forms must be submitted alongside annual corporate income tax return after the end of the tax period before the fifteenth day of the sixth month of the next tax period.
What would be the penalties for non-compliance?	The Code of Administrative Offences establishes that for failure to submit information or declaration that is mandatory by the laws an administrative fine from EUR 150 to EUR 300 may be imposed.

6. Benchmarking

Is there any local guidance or requirement with regard to the preparation of a benchmark study?	No
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No
Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	Yes. In general yes, however it is not determined in any law.

7. Year-end adjustments

Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	Yes. Year-end adjustments should preferably be reflected in the financial statements. It is, however, also possible to make the year-end adjustments in the tax return. Adjustments may have both customs and VAT implications. Year-end adjustments must be substantiated.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	There are no specific areas in which tax authorities mainly carry out transfer pricing audits. Usually tax administration initiates a transfer pricing audit within the framework of other tax audit.
Based on your experience, are joint or multilateral audits initiated and carried out?	Yes
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes
Are there any restrictions?	<p>An application for an APA may be filed only in respect of a future transaction or an operation to be carried out after the application is filed provided that the situation and transfer pricing issues are complex.</p> <p>The deadline for issuing an APA by the tax authorities is 60 days, extendable by 60 days.</p> <p>APA binds tax authorities throughout the entire period of the transaction but no longer than 5 calendar years after the year in which the decision was adopted.</p> <p>The APA is not binding on the taxpayer.</p>

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