LAW AMENDING AND SUPPLEMENTING ARTICLE 2 AND THE TITLE OF CHAPTER IX¹ OF THE LAW ON CORPORATE PROFIT TAX OF THE REPUBLIC OF LITHUANIA AND SUPPLEMENTING THE LAW WITH ARTICLES 17² AND 46²

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Vilnius


Article 1. Amending and supplementing Article 2
1. To supplement Article 2 with paragraph 10¹:

„10¹. Production of a part of film refers to a stage of implementing the film’s creative idea which includes filming based on the script that meets the criteria defined by the competent authority of the Government of the Republic of Lithuania and based on the calendar plan and the cost estimate approved by the competent authority of the Government of the Republic of Lithuania and which results in the creation of a part of the film.”

2. To supplement Article 2 with paragraph 16¹:

“16¹. Lithuanian film producer refers to a natural person who is a permanent resident of Lithuania or a citizen of a state within the European Economic Area acting through a permanent base in Lithuania, as well as a Lithuanian entity or an entity of a state within the European Economic Area acting through a permanent office in Lithuania which are engaged in film production and are in charge of the creative, organisational and financial processes of producing a film.”

3. To amend paragraph 41 of Article 2 to read as follows:

“41. Other concepts used in this Law shall be understood as defined in the Law on Tax Administration of the Republic of Lithuania (hereinafter referred to as Law on Tax Administration), the Civil Code of the Republic of Lithuania (hereinafter referred to as Civil Code) and the Film Law of the Republic of Lithuania, to the extent they do not come into conflict with this Law (unless explicitly defined in the Civil Code).”

Article 2. Supplementing the Law with Article 17²
To supplement the Law with Article 17²:

“Article 17². Reducing taxable income due to funding gratuitously granted for producing a film or a part thereof

1. In the process of calculating corporate profit tax, the funding granted gratuitously to a Lithuanian film producer in the period between 1 January 2014 to 31 December 2018 for producing a film or a part thereof in the Republic of Lithuania may be deducted from taxable income under the procedure defined in this Article, where:

1) the film meets the criteria for assessing cultural content and production established by the Government of the Republic of Lithuania or its competent authority and

2) at least 80 per cent of total production expenses of a film or a part thereof has been incurred in the Republic of Lithuania and the expenses incurred in the Republic of Lithuania, regardless of the expenses specified in paragraph 3 of this Article, are at least LTL 150,000, and

3) the total amount of funding granted by all Lithuanian entities or by foreign entities through their permanent offices in the Republic of Lithuania does not exceed 20 per cent of total production expenses of a film or a part thereof.
2. Not more than 75 per cent of funding granted gratuitously for producing a film or a part thereof in the Republic of Lithuania may be deducted from taxable income. This granted funding shall be deducted from taxable income in the return period when the certificate on the compliance of the use of funding granted gratuitously to the film producer with the requirements defined in this Article (hereinafter referred to as investment certificate) issued under the procedure established by a competent authority of the Government of the Republic of Lithuania was obtained.

3. The funding specified in paragraph 1 of this Article may not be deducted from taxable income under the procedure defined in this Article where it was used:

1) as expenses of consultations on preparing the application;
2) as expenses of preparing the application;
3) for paying penalties, default interest and litigation costs;
4) as expenses of acquisition, construction and reconstruction of fixed assets if unrelated to the production of the film;
5) as travel expenses where the Republic of Lithuania is not the place of arrival or departure;
6) as expenses of the development phase of the film;
7) as promotion and marketing expenses of the film;
8) as film distribution expenses;
9) as payments to the actors starring in the film – the amount exceeding 4 per cent of total expenses of producing a film or a part thereof.”

Article 3. Amending the title of Chapter IX
To amend the title of Chapter IX to read as follows:

“CHAPTER IX
REDUCING TAXABLE PROFIT AND CORPORATE PROFIT TAX”.

Article 4. Supplementing the Law with Article 46
To supplement the Law with Article 46:

“Article 46. Reducing corporate profit tax due to funding gratuitously granted for producing a film or a part thereof

1. A Lithuanian entity or a foreign entity which through its permanent office in Lithuania has gratuitously granted funding that meets the requirements defined in Article 17 of this Law for producing a film or a part thereof in the Republic of Lithuania may, under the procedure established in this Article, reduce the corporate profit tax in respect of the return period when the investment certificate was obtained by the amount of that funding. Where the investment certificate is obtained before expiry of the term for submitting a return on corporate profit tax, the corporate profit tax in respect of the previous return period payable in the return period when the investment certificate was obtained may also be reduced.

2. The corporate profit tax payable for the return period may be reduced due to funding gratuitously granted for producing a film or a part thereof in the Republic of Lithuania by not more than 75 per cent. Where the amount of funding specified in paragraph 1 of this Article exceeds 75 per cent of the amount of the corporate profit tax payable in respect of the return period, to the extent this amount is being exceeded, the corporate profit tax payable for two subsequent return periods in a row may be reduced, but the calculated amount of corporate profit tax for each return period may not be reduced by more than 75 per cent.”
Article 5. Entry into Force and Implementation of the Law

1. This Law, with the exception of paragraph 2 of this Article, shall enter into force on 1 January 2014.

2. The Government of the Republic of Lithuania or its competent authority shall adopt legal acts implementing this Law before it takes effect.

*I promulgate this Law passed by the Seimas of the Republic of Lithuania.*

PRESIDENT OF THE REPUBLIC

DALIA GRYBAUSKAITĖ