**Electronic procurement system**

**Answers to questions from interested suppliers**

**in the open competition**

**“Tax advisory and reporting services for RB Rail AS”,**

**identification number RBR 2024/9**

RB Rail AS presents the following answers to questions received from interested suppliers until 19 February 2025:

| **Nr.** | **Question** | **Answer** |
| --- | --- | --- |
| 1. | We are writing to provide clarification regarding the payroll tax requirements applicable to services rendered to both foreign Permanent Establishments (PE) and local entities within Lithuania (requirement set in Section 8.4.6. of Regulations). We would like to highlight that, under current Lithuanian tax regulations, there is no distinction in payroll tax obligations based on entity's status as a foreign PE or a local entity.Specifically, employers are required to adhere to the same payroll tax obligations, including the calculation and remittance of social security contributions and personal income tax withholdings, preparation of same tax returns, regardless of the recipient entity's status as a foreign PE or a local entity. Thus we consider that requirement set in 8.4.6. is not justified.We provide payroll compliance services to over 30 entities including foreign permanent establishments, subsidiaries of foreign companies and local entities. Therefore we trust that we have relevant knowledge and experience to provide payroll compliance services to foreign permanent establishment like RB Rail AS Lietuvos filialas. |  The Procurement commission has reviewed the comment from the supplier and informs that the requirement will remain unchanged for following reasons:The requirement is based not only on payroll tax obligations but also on the complexity of service provision when working with international company structures. The Procurement commission seeks to ensure that the selected contractor has specific experience in handling the accounting and tax complexities of foreign permanent establishments (PEs) within a group structure. Unlike independent local entities, foreign PEs often operate within multinational corporate frameworks. This introduces additional complexities, such as:* Remote Accounting Teams: accounting function is handled in a different country than the Lithuanian branch, requiring expertise in cross-border coordination and compliance.
* Group-wide Remuneration and Benefits Policies: Multinational companies often implement common compensation structures across several countries, leading to variations in tax treatment. A service provider must be able to navigate these complexities.
* Access to Tax Databases: Unlike accountants of Lithuanian-registered companies, foreign PE accountants do not have direct access to Lithuanian tax databases. The selected service provider must be experienced in obtaining and reconciling tax data periodically with accountants to ensure compliance.

Also, the Procurement commission would like to highlight that Corporate income tax (CIT) application in Lithuania to international branches includes specific regulations, which are not applicable to independent domestic entities, such as tax treatment of costs and income allocated from head office. The Procurement commission must make sure that the potential contractor has experience in CIT application to PEs of foreign entities. |
| 2.  | We are writing to ask for clarification regarding the payroll tax requirements applicable to services rendered to both foreign Permanent Establishments (PE) and local entities within Estonia (requirement set in Section 8.4.5. of Regulations). We would like to highlight that, under current Estonian tax regulations, there is no distinction in payroll tax obligations based on entity's status as a foreign PE or a local entity.Specifically, employers are required to adhere to the same payroll tax obligations, including the calculation and remittance of social security contributions and personal income tax withholdings, preparation of same tax returns, regardless of the recipient entity's status as a foreign PE or a local entity. Thus, we consider that requirement set in 8.4.5. is not justified.We provide payroll compliance services to over 30 entities including foreign permanent establishments, subsidiaries of foreign companies and local entities. Therefore, we trust that we have relevant knowledge and experience to provide payroll compliance services to foreign permanent establishments, like RB Rail AS Eesti filiaal. | The Procurement commission has reviewed the comment from the supplier and informs that the requirement will not be changed due to following reasons:The requirement is based not only on legal payroll tax obligations but also on **fundamental differences in service provision** for foreign permanent establishments (PEs) compared to independent local entities. The Procurement Commission must ensure that the selected contractor has the necessary experience to handle the **accounting and tax complexities** specific to international branches.Foreign permanent establishments (PEs) within a multinational group operate differently from standalone Estonian companies. This introduces specific challenges, including:* Remote Accounting Teams: accounting function is handled in a different country than the Estonian branch, requiring expertise in cross-border coordination and compliance.
* Group-wide Remuneration and Benefits Policies: multinational companies implement centralized compensation structures across multiple countries, leading to varied tax treatments and compliance requirements across jurisdictions.
* Access to Tax Databases: Unlike accountants of Estonian-registered companies, foreign PE accountants do not have direct access to Estonian tax databases. The selected service provider must be experienced in obtaining and reconciling tax data periodically to ensure compliance.

Procurement commission also indicates that apart from payroll calculations consultants will be asked to judge application of corporate income tax to costs and income allocated to the branch from head office and will be required to develop annual financial statements of the branch from transactions records provided by client. The Procurement commission also indicates that content of the annual report of a foreign branch may differ from the content of an independent domestic company and need to be sure that service provider is aware of these aspects. |

Sincerely,

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| Procurement commission chairperson | I. Rudzīte |

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