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International Tax
Lithuania Highlights 2024

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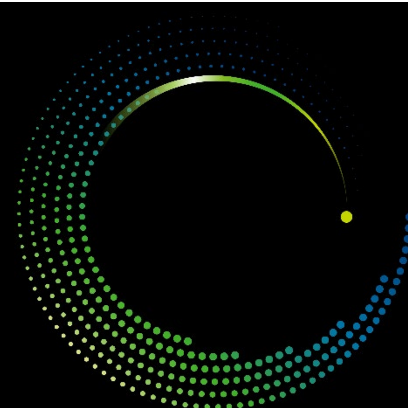

Investment basics

Currency: Euro (EUR)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: IAS and IFRS, or Business Accounting Standards (BAS) apply. BAS are prepared in conformity with IAS, IFRS, and the European accounting directives. Financial statements must be prepared annually.

Principal business entities: These are the public/private limited liability company, general/limited partnership, small partnership, subsidiary of a foreign enterprise, and branch or representative office.

Corporate taxation

Rates	
Corporate income tax rate	0%/5%/15% (general rate)
Branch tax rate	0%/5%/15% (general rate)
Capital gains tax rate	0%/15%

Residence: A corporation is resident if it is incorporated in Lithuania.

Basis: Lithuanian entities are subject to tax on their worldwide income less the income of their permanent establishments (PEs), provided the PEs are based in European Economic Area (EEA) member states or in jurisdictions that have concluded a tax treaty with Lithuania and the income from activities carried out through the PEs is subject to corporate income tax (or an equivalent tax) in those jurisdictions. Nonresident entities are subject to corporate income tax on Lithuania-source income and on income received by a PE in Lithuania. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on a company's profits, which consist of business/trading income, passive income, capital gains, and positive income of a Lithuanian entity's controlled foreign entity, or part of such income. Normal business expenses may be deducted in computing taxable income.

Rate

General

The general corporate income tax rate is 15%. Micro companies (i.e., those with up to an average of 10 employees and annual income of up to EUR 300,000) may be exempt from tax for the first tax period and entitled to a reduced rate of 5% for subsequent tax periods. In determining whether a company is treated as a micro company, the total average number of employees and the total annual income of associated companies are taken into consideration. Income earned from the commercialization of scientific research and experimental development production is subject to a reduced rate of 5%.

A 20% corporate income tax rate applies to the taxable profits of banks and credit unions in excess of EUR 2 million.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Lithuania is in the process of transposing into its domestic legislation the EU “Pillar Two” directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least EUR 750 million. The legislation is expected to be adopted during 2024.

Taxation of dividends: Dividends are taxable at a rate of 15% unless the participation exemption applies. Under the participation exemption, dividends are exempt from corporate income tax if a parent company holds or intends to hold at least 10% of the shares of the subsidiary continuously for at least 12 months. The participation exemption does not apply if the dividends are paid pursuant to an artificial arrangement and the arrangement’s main purpose or one of its main purposes is to receive tax benefits.

Dividends received from a foreign entity registered in an EEA member state and whose profits are subject to corporate income tax or an equivalent tax are exempt from tax. Dividends received from a foreign entity registered in a state other than an EEA member state also may be tax exempt if the Lithuanian company holds at least 10% of the shares of the subsidiary for at least 12 months, the foreign entity’s profits are subject to corporate income tax or an equivalent tax, and the foreign entity is not registered in a “blacklisted” territory (as approved by the Ministry of Finance).

Capital gains: Capital gains of resident and nonresident companies are taxed as general taxable income, at a rate of 15%. An exemption may apply to capital gains derived by a Lithuanian resident holding company or PE of a foreign company on the disposal of shares in a company (that is subject to corporate income tax) located in Lithuania, another EU/EEA member state, or a jurisdiction that has concluded a tax treaty with Lithuania. To qualify for the exemption, the Lithuanian company or PE must hold more than 10% of the voting rights for an uninterrupted period of at least two years. In the case of a reorganization, the exemption applies if a company or PE has held more than 10% of the voting rights for an uninterrupted period of at least three years. However, the exemption does not apply to asset transfers (e.g., a cross-border merger resulting in a cross-border transfer of shares) or where shares are transferred to the entity that issued those shares.

Losses: Operating losses may be carried forward indefinitely if the entity continues to carry on the activity that resulted in the losses. However, losses carried forward cannot offset more than 70% of the entity's taxable profit in any tax period, except for micro companies. Losses incurred on the sale of shares may be carried forward for five consecutive tax periods and may be offset only against taxable profit from the sale of shares. Losses may be transferred within a group of companies if certain criteria are met. The carryback of losses is not permitted.

Losses incurred by a PE may be transferred and deducted from a Lithuanian entity's income if (i) the income attributed to the PE is taxed in an EU member state; (ii) all available options to deduct the losses in the jurisdiction of the PE have been utilized; and (iii) the PE's transferrable tax losses are calculated in accordance with the provisions of Lithuania's corporate income tax law.

Foreign tax relief: Foreign tax paid may be credited against Lithuanian tax on the same profits, but the credit is limited to the amount of Lithuanian tax payable on the foreign income. Foreign tax paid on income earned through a Lithuanian company's PE located in an EEA member state or a jurisdiction that has concluded a tax treaty with Lithuania may not be credited against Lithuanian tax.

Participation exemption: Dividends are exempt from corporate income tax if the parent company holds or intends to hold at least 10% of the shares of the subsidiary continuously for at least 12 months. See also "Taxation of dividends" and "Capital gains," above.

Holding company regime: A corporate tax exemption may be available on capital gains derived from the disposal of shares (see "Capital gains," above) and an exemption also may be available on dividends (see "Participation exemption," above).

Incentives: Three times the amount of scientific research and experimental development costs incurred may be deducted when calculating corporate income tax. Profits derived from the use or the transfer of assets (e.g., copyrighted software or patented or similarly protected inventions) generated through scientific research and experimental development activities concluded in Lithuania are subject to the reduced corporate income tax rate of 5%. Under an incentive for investment projects, a company may reduce its taxable profits by 100% of any qualifying expenses incurred by 31 December 2028. Incentives also are provided for micro companies and companies in free economic zones.

The incentive for film production is available for costs incurred by 31 December 2028 and a Lithuanian entity or a PE of a foreign entity that provides funds to a Lithuanian film producer for the production of all or part of a film may be entitled to (i) reduce its taxable income by 75% of funds provided to the film producer, and (ii) reduce up to 75% of the corporate income tax payable by the amount of funds provided to the film producer, provided certain conditions are satisfied.

A legal entity that implements a large scale project under an existing large project investment contract concluded between 1 January 2021 and 31 December 2025 may apply for a corporate income tax exemption for up to 20 years as from the tax period in which (i) the project creates at least 150 new employment positions in Lithuania (200 in Vilnius) and an average number of at least 150 employees (200 in Vilnius) is preserved during the 20-year incentive period (otherwise, the incentive will be suspended until this number is reached again); or (ii) the project creates between 20 and 149 new employment positions in Lithuania (or between 20 and 199 in Vilnius) and ensures that the average monthly gross salary of each of the first 20 new employment positions for the relevant tax period is not less than 1.25 times the average monthly gross salary of the municipality in which the investment is made, and the monthly gross salary for each additional new employment position is not less than the average monthly gross salary of the municipality in which the investment is made (this provision will apply as from 1 July 2024); and (iii) private capital investment in the project in Lithuania totals at least EUR 20 million (EUR 30 million for investments in Vilnius) and the amount of private capital

investment is maintained during the 20-year incentive period (otherwise, the incentive will be suspended until this amount is reached again). The incentive applies if the legal entity does not benefit from free economic zone incentives or other large-scale project incentives as provided by the corporate income tax law. In addition, the incentive only applies if (i) at least 75% of the legal entity's revenue for the relevant tax period is derived from data processing, web server services (hosting) and related activities, or manufacturing in the context of implementing the large-scale project, and (ii) an auditor's report confirms that the required level of private capital investment has been received.

Compliance for corporations

Tax year: The tax year is a financial year that coincides with the calendar year. However, at the request of the taxpayer and taking into account the characteristics of the taxpayer's activities, the tax authorities may set a 12-month tax period other than a calendar year.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return.

Filing and payment: Companies are required to file an annual corporate income tax return and advance corporate income tax returns (if the income for the previous tax year exceeded EUR 300,000). The annual corporate income tax return must be submitted, and the corporate income tax must be paid, by the 15th day of the sixth month of the following tax period, i.e., by 15 June of the following tax year for calendar-year taxpayers. If the company's income for the previous tax period exceeded EUR 300,000, the company also is required to make advance payments no later than the 15th day of the last month of each quarter of the tax period of at least 25% of the total annual corporate income tax calculated according to the rules specified in the corporate income tax law.

Penalties: Penalties ranging between 20% and 100% of the tax liability may be imposed; the amount depends on the type of violation, whether the taxpayer cooperates with the tax authorities, and other circumstances the authorities deem relevant. A daily penalty of 0.03% applies to late tax payments.

The statute of limitations is the current year and the three previous calendar years. In certain cases, the statute of limitations may be extended to 10 years.

Rulings: A taxpayer can request a nonbinding ruling, binding ruling, or advance pricing agreement on future transactions.

Individual taxation

Rates

Taxable income	Rate
Employment-related income and certain other income	20%/32%
Dividends	15%
Other income	15%/20%
Capital gains	0%/15%/20%

Residence: An individual is treated as a resident if at least one of the following conditions is satisfied: (i) the individual's permanent place of residence during the tax period is in Lithuania; (ii) the individual's personal, social, or economic interests during the tax period are in Lithuania, rather than abroad; (iii) the individual is present in Lithuania for at least 183 days during the tax period; (iv) the individual is present in Lithuania for at least 280 days during two consecutive tax periods and has stayed in Lithuania for at least 90 days in either of the tax periods; or (v) the individual is a citizen of Lithuania who does not meet the criteria in either (iii) or (iv) above and who receives employment-related remuneration

or whose costs of living in another jurisdiction are covered by the state budget or municipal budgets of Lithuania (e.g., diplomats, consuls, etc.).

Basis: Lithuanian tax residents are subject to tax on their worldwide income; nonresidents are subject to tax only on Lithuania-source income and on income derived from activities through a fixed base in Lithuania, including foreign-source income attributed to that fixed base.

Taxable income: Taxable income includes employment income, income from commercial activities, royalties, income from the lease of assets, and all other personal income.

Rates: Employment-related income derived by individuals generally is subject to individual income tax at the standard rate of 20%. Any portion exceeding 60 average salaries per year (EUR 114,162 for 2024) is subject to individual income tax at a rate of 32%.

Other income unrelated to employment (royalties, interest, gains from the sale of property) generally is subject to individual income tax at a rate of 15%, provided the annual amount of such income does not exceed 120 average salaries (EUR 228,324 for 2024). Any amount of income exceeding 120 average salaries is subject to individual income tax at a rate of 20%.

Income from distributed profits (dividends) is subject to individual income tax at a rate of 15%.

The following types of income are subject to individual income tax at a rate of 20%, or 32% on any portion exceeding 60 average salaries per year: “tantiems” (annual payments) or other payments to the members of a board or supervisory board; income derived under copyright agreements (received from a company that also is the employer of the individual); and income received under civil agreements by a manager of a small partnership that is not a member of the partnership.

A progressive system of taxation applies to income from independent individual activities (i.e., business and professional income). A 5% rate applies where annual profits do not exceed EUR 20,000, and the rate increases progressively to a maximum of 15% where annual profit is at least EUR 35,000. Alternatively, fixed income tax rates may apply to (i) income earned from individual activities or the rental of real estate that does not exceed EUR 35,000 per tax period; or (ii) income earned from activities for which the taxpayer holds a business certificate.

Capital gains: Individuals are taxed at a rate of 15% on gains from the disposal of property exceeding EUR 500 in a tax period, including shares. The amount of any gain that exceeds 120 average salaries per year is taxed at a rate of 20%. Any gains from the disposal of financial instruments not exceeding EUR 500 per tax period are tax exempt, unless the shares disposed of were issued in a “blacklisted” territory or were sold to the entity that issued the shares.

Capital gains from the sale of immovable property located in the EEA are exempt if the property is owned for at least 10 years before the sale. Gains derived from the sale of a residence are not taxable if the individual lived in the residence for at least two years, or, if less than two years, when the income from the sale is used within one year to purchase another residence where domicile will be declared.

Deductions and allowances: The annual tax-exempt amount (TEA) on the minimum salary is EUR 8,964 and the TEA decreases as the salary grows. The TEA is applicable where annual income does not exceed approximately EUR 34,370.

The annual TEA is calculated by taking into account taxable income (not only employment income), with certain exceptions. A tax resident also may deduct the following expenses: life insurance premiums and contributions to private pension funds (up to a total combined amount of EUR 1,500), and fees paid for certain types of studies. In addition,

interest on a mortgage taken out on or before 31 December 2008 may be claimed as a deductible expense. The annual amount of deductible expenses may not exceed 25% of an individual’s annual taxable amount.

Residents carrying out individual business activities may deduct 30% of their annual income without providing documentation for the expenses. Deductible expenses, however, generally are similar to those available for corporate income tax purposes.

Foreign tax relief: Foreign tax paid may be credited against Lithuanian tax on the same income, but the credit is limited to the amount of Lithuanian tax payable on the foreign income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint filing is not allowed.

Filing and payment: Employment income is taxed by withholding at source.

Individual tax returns are due by 1 May following the end of the taxable year. Individuals must file an annual return unless (i) they do not wish to utilize unused additional tax-exempt amounts and deduct expenses; or (ii) they did not receive income other than employment income from a Lithuanian entity during the tax year.

Penalties: Penalties ranging between 20% and 100% of the tax liability may be imposed; the amount depends on the type of violation, whether the taxpayer cooperates with the tax authorities, and other circumstances the authorities deem relevant. A daily penalty of 0.03% applies to late tax payments.

Rulings: Individuals can request a nonbinding ruling, binding ruling, or advance pricing agreement on future transactions.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/15%	15%	0%/15%	15%
Interest	0%	0%	0%/10%	15%
Royalties	0%	15%	10%	15%

Dividends: Dividends paid to a resident company or individual are subject to a 15% withholding tax but may be exempt for a resident company if the participation exemption applies. The withholding tax on dividends paid to a nonresident company is 15%, unless the rate is reduced under an applicable tax treaty, the participation exemption applies (see “Taxation of dividends” and “Participation exemption” under “Corporate taxation,” above), or the EU parent-subsidiary directive applies. The withholding tax on dividends paid to a nonresident individual is 15% unless the rate is reduced under an applicable tax treaty.

Interest: Interest paid to residents is not subject to withholding tax. There is no withholding tax on interest paid to EEA-resident companies and companies resident in jurisdictions that have concluded a tax treaty with Lithuania; otherwise, the rate is 10%. The withholding tax rate for nonresident individuals is 15%. In the case of nonresidents, the rate may be reduced under an applicable tax treaty.

Royalties: Royalties paid to a resident company are exempt from withholding tax. A 15% withholding tax rate applies to royalties paid to a resident individual. Royalties paid to a nonresident company are subject to a 10% withholding tax,

unless the rate is reduced under an applicable tax treaty or eliminated in accordance with the EU interest and royalties directive. The withholding tax rate for nonresident individuals is 15% unless it is reduced under an appliable tax treaty.

Fees for technical services: There is no withholding tax on fees paid for technical services, other than for fees paid to resident individuals, which are subject to a 15% withholding tax.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Transfer pricing documentation rules apply to domestic and cross-border transactions with associated enterprises. Lithuania has adopted the OECD's three-tiered documentation structure, comprising a master file, local file, and country-by-country (CbC) report.

A master file is required by companies that belong to a multinational entity group and whose revenue in the previous tax year exceeded EUR 15 million. A local file is required by companies whose revenue in the previous tax year exceeded EUR 3 million. A CbC report must be prepared if the multinational entity group had consolidated revenue in the previous tax year of at least EUR 750 million.

The preparation of a local file is not required for domestic transactions; however, the taxpayer is expected to be able to justify the transfer pricing of domestic transactions if requested to do so by the tax authorities.

A simplified approach to transfer pricing for low value-added intragroup services allows taxpayers to apply a 5% mark-up to allocated costs without the need for benchmarking study results.

The deadline for preparing the master file and local file is the 15th day of the sixth month of the following tax year. CbC reports must be submitted by the end of the following tax year. The entity submitting the CbC report on behalf of the group must be identified to the tax authorities by the end of the current tax year (CbC report notification).

Advance pricing agreements are available.

Interest deduction limitations: Thin capitalization restrictions apply to interest paid to controlling entities. A creditor qualifies as a controlling entity if it owns more than 50% of the shares in the company paying the interest (or more than 50% of the shares are owned together with associated persons and the creditor's own holding is at least 10%). A group company also qualifies as a controlling entity. A debt-to-equity ratio of 4:1 applies, and any interest attributable to the debt in excess of this ratio is nondeductible.

In addition to the debt-to-equity ratio of 4:1, additional interest deduction limitation rules apply. These rules are not limited to interest expense on loans received from related parties and also apply to interest expense incurred on bank loans.

Entities may fully deduct interest expense that does not exceed interest income (taking into consideration the debt-to-equity ratio of 4:1) and deduct any excess amount of interest expense that does not exceed 30% of earnings before interest, taxes, depreciation, and amortization (EBITDA) or up to EUR 3 million. Entities also are allowed to fully deduct interest expense if they are members of a consolidated group for financial accounting purposes, provided they can demonstrate that the ratio of their equity over their total assets is not more than two percentage points lower than the equivalent ratio of the group and all assets and liabilities are valued using the same method as in the consolidated financial statements.

EBITDA and the deductible amount of interest expense are calculated at the group level. A group of entities includes entities in respect of which the controlling entity directly or indirectly holds more than 25% of the shares (interests, member shares), voting rights, or other rights to a portion of the distributable profits, or exclusive rights to the acquisition thereof.

Interest expense that is nondeductible in a year under the interest deduction limitation rules may be carried forward indefinitely.

Controlled foreign companies: A foreign company is treated as a controlled foreign company (CFC) if (i) it is controlled by the controlling person on the last day of the tax period; and (ii) the controlling person directly or indirectly holds more than 50% of the foreign company's shares or other rights to its distributable profits or the exclusive rights to acquire them; or (iii) the controlling person, together with related persons, holds more than 50% of the shares, and the portion controlled by the controlling person accounts for at least 50% of the shares in the controlled entity or in other rights to a portion of distributable profits or preemptive rights to the acquisition thereof. The CFC definition also applies to foreign PEs of Lithuanian taxpayers.

The CFC rules apply to CFC income in the tax base of the controlling person if:

- The controlled company is established in a "blacklisted" territory; or
- All of the following conditions are fulfilled:
  - The passive income of the CFC (e.g., dividends, interest, royalties, income from financial activities, commissions) exceeds one-third of its total income;
  - The corporate income tax rate applied to this income is lower than 50% of the effective corporate income tax rate that would be applied in Lithuania to such passive income; and
  - The CFC has insufficient staff and assets to carry out actual economic activities in the territory in which it is registered or organized.

Anti-hybrid rule: Lithuania has implemented regulations in line with the EU Anti-Tax Avoidance Directive regarding hybrid mismatches with third countries (ATAD 2).

Economic substance requirements: The substance-over-form principle applies.

Disclosure requirements: Lithuania has adopted CbC reporting rules in accordance with action 13 of the OECD BEPS project.

It also has implemented regulations in line with the EU directives on:

- The mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC 6), to which a 30-day reporting period applies;
- Administrative cooperation in the field of taxation in relation to reporting obligations for digital platform operators (DAC 7), for which the first reporting deadline is 31 January 2024; and
- The mandatory requirement for payment service providers to record and report transactional data of cross-border payments (CESOP), for which the first reporting deadline is 30 April 2024.

Exit tax: A taxpayer is subject to corporate income tax if the assets that it owns are transferred outside of Lithuania in one of the following situations:

- The assets are transferred from a Lithuanian entity to its PE established outside of Lithuania (no change in the ownership of the assets);

- The assets/business of a nonresident entity that carries out its business activities in Lithuania through a PE are transferred from the PE to the entity/another PE outside of Lithuania;
- A Lithuanian entity transfers its Lithuanian business activities to a foreign jurisdiction, except when those assets remain effectively connected with a Lithuanian PE; or
- A nonresident entity that has carried out its business activities in Lithuania through a PE transfers the business activities to a foreign jurisdiction.

General anti-avoidance rule: Lithuania has implemented regulations in line with ATAD 1 related to a general anti-abuse rule (GAAR). The GAAR tackles abusive tax arrangements if there is no other anti-avoidance rule that specifically covers such an arrangement, and it allows the tax authorities to ignore artificial tax arrangements and tax an arrangement on the basis of its real economic substance.

Value added tax

Rates	
Standard rate	21%
Reduced rate	0%/5%/9%

Taxable transactions: VAT applies on the sale of goods and the provision of services, intra-Community acquisitions, and the import of goods.

Rates: The standard rate is 21%, with reduced rates of 0%, 5%, and 9%.

As from 1 January 2024, the reduced VAT rate of 9% applies to various supplies, including thermal energy, printed and electronic books, certain tourist accommodation, and entry to artistic and cultural institutions. The reduced rate of 5% applies to supplies including certain medicines and similar medical items, technical assistance services for persons with disabilities, and printed and/or electronic periodicals.

The 0% VAT rate is applicable to specific cases such as the export of goods from the EU, intra-Community supplies of goods, the repair or upgrade of ships and aircraft, insurance and financial services related to the export of goods, etc. However, the application of the 0% rate is subject to meeting certain conditions.

Registration: Registration is compulsory for Lithuanian businesses whose annual turnover exceeds EUR 45,000, but voluntary registration also is possible. Where the same person controls multiple legal entities, each legal entity in the group (as well as the controlling person, if it carries out economic activity) must register for VAT if the group's aggregate annual turnover exceeds EUR 45,000. However, this rule does not apply if (i) the entities' management bodies (or individual members thereof) and economic activities are different and (ii) the entities do not act for each other's benefit or in each other's interest.

The turnover threshold does not apply to foreign companies—they must register irrespective of turnover. Foreign taxable persons must register through either a local affiliate or a fiscal agent. Direct registration is possible only for companies established in an EU member state or in territories where agreements exist concerning mutual assistance for the recovery of claims relating to taxes and duties, and concerning administrative cooperation for combating fraud in the field of VAT.

Lithuanian and foreign taxable persons, or legal persons that are not taxable persons, also must register as VAT payers in Lithuania if they acquire goods in Lithuania from another EU member state and the value of such goods exceeded EUR

14,000 in the previous calendar year, or if it is foreseeable that the value of such goods will exceed that amount in the current calendar year.

Filing and payment: VAT must be paid monthly, no later than 25 days after the end of the taxable period. In some instances, a calendar quarter, half-year, or other taxable period basis may be applied. The annual tax return (if applicable) is due on 1 October of the following tax year.

VAT payers registered in Lithuania also are required to submit VAT registers no later than 20 days after the end of the taxable period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: On behalf of employees, the employer must withhold 12.52% of the employee's gross salary for social security contributions (8.72% for pension social insurance, plus 1.99% and 1.81% for sickness and motherhood social insurance, respectively), an additional 3% for participants in the second pillar pension funds program, and 6.98% for health insurance contributions. The employer's portion usually is equal to 1.77% or 2.49% (depending on the type of employment agreement and risk group); contributions are made to unemployment insurance, social insurance for accidents at work and occupational diseases, and the long-term employment benefit fund.

Income received from an appointment to a management board, supervisory board, or loan committee is subject to a 6.98% health insurance contribution (plus an additional 3% for participants in the second pillar pension funds program) and an 8.72% pension social insurance contribution withheld by the employer.

Income from independent individual activities generally is subject to a 6.98% health insurance contribution (except where the individual holds a business certificate). This income also is subject to social security contributions, at a rate of 12.52% (plus 3% for individuals participating in the second pillar pension funds program). Caps for both health insurance and social security contributions are set so that annual contributions are calculated on the amount of income not exceeding 43 average salaries in Lithuania, which amounts to approximately EUR 81,816.10. The base for health insurance and social security contributions is 90% of taxable income before the deduction of health insurance and social security contributions.

Income of owners of unlimited civil liability entities, members of partnerships, and members of small partnerships are subject to a 6.98% health insurance contribution and a 13.83% social security contribution (plus 3% for individuals participating in the second pillar pension funds program). The base for the social security contributions is 50% of the remuneration received by the owners of the unlimited liability entity and members of partnerships, declared to the State Tax Inspectorate as employment-related income (in certain cases, income is exempt from social security contributions). The base for health insurance contributions is the amount on which the owners of unlimited civil liability entities and members of partnerships pay social security contributions and cannot be calculated on a lower amount than the minimum statutory monthly salary.

The health insurance contribution on income derived from carrying on individual activities with a business certificate is 6.98% of the minimum statutory monthly salary. Health insurance contributions for persons that carry on individual activities with a business certificate and who also receive employment-related income are calculated in proportion to the time during which they hold a valid business certificate. Social security contributions on such income are 8.72% (plus 3% for individuals participating in the second pillar pension funds program) of the minimum statutory monthly salary.

Special provisions apply to income derived by athletes, income from entertainment activities, income from farming, and certain other types of income.

An employee’s social security contribution ceiling applies for income exceeding 60 average salaries.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: Real property (with certain exceptions) owned by a legal person; real property used by a legal person under an installment sale or lease contract, or financial lease providing for the transfer of ownership; or real property owned by an individual and transferred to a legal person for an indefinite period or a period exceeding one month is subject to real property tax.

Progressive tax rates apply to real estate (such as residential property; gardens; garages; farms; greenhouses; households or auxiliary households; buildings used for scientific, religious, or recreational purposes; and fishery and engineering constructions) owned by individuals depending on the value. Real estate with a value of up to EUR 150,000 is exempt; a 0.5% tax rate applies to the total value of real estate valued between EUR 150,001 and EUR 300,000; a 1% tax rate applies to the total value of real estate valued between EUR 300,001 and EUR 500,000; and a 2% tax rate applies to the total value of real estate valued in excess of EUR 500,000.

Preferential rates and thresholds apply to individuals raising three or more children (or adopted children) under the age of 18 and children (or adopted children) who require special care.

Real estate tax rates from 0.5% to 3% apply to buildings intended for certain purposes (administration, accommodation, trading, services provision, catering, transportation, manufacturing, industrial, warehousing, medical services, and sports) that are owned by individuals. Rates may vary depending on the municipality.

Individuals do not pay real estate tax if use of the real estate is transferred to another legal person for an indefinite period or a period exceeding one month. In that case, the legal person using the real estate must pay the real estate tax.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty, but a notary fee may apply to certain transactions.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: The inheritance tax rate is 5% of inheritable assets valued at EUR 150,000 or less, and 10% on inheritable assets valued at more than EUR 150,000. However, the taxable base is only 70% of the inherited assets. The taxable value not exceeding EUR 3,000 is exempt. Exemptions also apply to assets inherited by family members.

Other:

Companies and PEs in Lithuania operating in the crude oil, natural gas, coal, and oil refining sectors are subject to nondeductible solidarity contributions at a rate of 33% of taxable income earned from electricity production in the tax year that is in excess of 120% of the average taxable profits in the previous four years, subject to certain conditions. Lithuanian and EU banks, bank branches, and financial groups of central credit unions operating in Lithuania are subject to a solidarity contribution that is payable on surplus interest received in 2023 and 2024 from residents’ loans.

An employer must contribute 0.16% of an employee’s gross salary to the Guarantee Fund.

A 15% personal income tax is imposed on gifts valued at more than EUR 2,500, but only the portion of the gift exceeding EUR 2,500 is subject to tax. Gifts received from a spouse, child, brother, sister, parent, grandparent, or grandchild are tax exempt.

Tax treaties: The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Lithuania on 1 January 2019.

For information on Lithuania's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, Customs Department of the Republic of Lithuania, State Social Insurance Fund Board under the Ministry of Social Security and Labor

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