Lithuania

Lithuania offers a 300% super deduction for qualified research expenses.

Background

The corporate income tax rate is 15%. Micro companies (companies with less than 10 employees or income less than LTL 1M per year) may be entitled to a reduced tax rate of 5%.

Nature of incentives

The Lithuanian R&D tax incentives became applicable for tax years beginning on or after 1 January 2008. The following two tax incentives are available to companies performing qualified research:

300% super deduction: The deduction is available for:

- Expenses incurred by companies conducting research activities; and
- Expenses incurred to acquire research technologies conducted within EEA countries or countries that have concluded a tax treaty with Lithuania.

Accelerated depreciation: Certain capital assets used in the R&D activities (e.g., plant, equipment, computers, communications equipment, and software) may benefit from accelerated depreciation. Depending on the type of capital asset, the depreciation period may be shortened from eight, five, four or three years to two years.

A company that incurs losses attributable to R&D super deductions can carry the losses forward indefinitely.

Eligible industries and qualifying costs

Eligibility for research incentives is not limited to particular industries or types of entity. To claim the benefit, the taxpayer must prove that the activities performed are R&D activities. The activities must have an element of novelty and the underlying activities must address scientific and/or technological uncertainty. The aim of an R&D project must be scientific or technological progress and the results must be significant for entities that initiated and executed the project.

Qualifying expenditure includes gross wages, social security and health insurance contributions, business trip expenses, expenses for purchased services (consultation services with respect to the research activities), building and equipment leasing, maintenance expenses, warehousing, utility services, expenses for raw materials or other consumable used in the research activities. Input/import value added tax (VAT) is nondeductible.

IP and jurisdictional restrictions

The 300% super deduction must be taken to offset taxable income in the period in which the expenses are incurred. The expenses must be incurred by the entity with the intention to generate income or economic benefit. Qualified activities may be undertaken anywhere, as long as a Lithuanian entity pays for the research.

The super deduction also applies to a Lithuanian entity that acquires research technology if the acquired technology has been conducted within the EEA or a country that has concluded a tax treaty with Lithuania. If technology acquired from another entity or individual results in IP, the rights or any part of the rights also must pass to the acquiring entity.

Other concerns

The taxpayer must have documentation to substantiate eligible expenses, although the documentation need not be submitted until requested by the tax authorities. A taxpayer may seek approval from the Lithuanian Agency for Science, Innovation and Technology that particular projects meet eligibility requirements, but pre-approval is not required. The R&D tax benefits are claimed on the taxpayer's annual corporate income tax return, which can be amended for the preceding five tax periods.

Contact:
Kristine Jarve
kjarve@deloittece.com
371 67 074 112

Lithuania

Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/Carryforward
Super deduction and accelerated depreciation	1. 300% super deduction for qualifying expenses. 2. Accelerated depreciation on capital assets used for R&D activities.	No	Companies incurring losses can carry forward eligible expenses indefinitely.

R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Acquired technologies must be developed within the EEA or a treaty country.	No	IP must be retained by Lithuanian company.	No