Lithuania

Capital city:
Vilnius

Language:
Lithuanian

GDP/capita 2015:
USD 14 147

Telephone code:
+370

Superficy:
65 303 km²

Political system:
Parliamentary republic

Currency:
Euro

National day:
February 16th and march 11th

Population:
2'939 M.

ISO Code:
LTU

Lithuania

1. Corporate taxation

1.1 Taxes on entities

The profit of Lithuanian companies is subject to an income tax of 15%. A reduced rate of 5% applies to small businesses (annual income below 3000 000 EUR and up to 10 employees).

1.2 Residence and non-residence

There are a few differences in taxation of non-resident companies as compared to resident companies.

A participation exemption in taxing dividends applies here as well; non-residents from EU and EEA countries pay no tax on interest and royalties.

1.3 Tax year and filing

The taxable period is usually a calendar year. The tax return has to be filled and CIT due has to be paid before 1 June of the next taxable period.

1.4 Types of income

For local Lithuanian companies- all income sourced inside and out-side Lithuania. For foreign companies- income received from business activities carried out through permanent establishments in Lithuania and other specific income sourced in Lithuania, such as:

- Interests;
- Dividends;
- Royalties;
- Proceeds from rent/sale of immovable property, etc.

1.5 Group income and grouping arrangements

A participation exemption applies to dividends paid to a parent company holding more than 10% of the voting shares in the distributing company continuously for at least 12 months, provided the distributing company is not established or otherwise organized in a tax haven country.

1.6 Capital gains

National dividends
Generally, dividends received by a resident company are subject to corporate income tax at a rate of 15%. .

Foreign dividends
There are a few differences in taxation of non-resident companies as compared to resident companies. A participation exemption in taxing dividends applies here as well; non-residents from EU and EEA countries pay no tax on interest and royalties.

Deductible expenses

1.7 Losses

Fixed assets are depreciated using straight-line method, for certain groups the double-declining method may also be used. No carry back, unlimited carry forward of losses (in case of losses from the transfer of securities and derivative financial instruments 5 years), intra-group transfer of losses is permitted.

1.8 Exemptions

Exemption is applied to income earned through permanent establishments in EEA countries which have a DTT signed with Lithuania.

1.9 Rates

15%, small businesses 5%. Thin capitalization rules: debt to equity ratio 1:4 applies; interest-free loans are not included in controlled debt.
Royalties are taxed with 10% rate.
Interest payments to non-resident companies are not subject to withholding tax

1.10 Double tax relief

Lithuania has tax treaties with 48 countries.
A credit is given for withholding taxes on dividends interest and royalties if taxable in Lithuania while income from a permanent establishment abroad is generally tax-exempt.

2. Personal income taxation

2.1 Taxes on income

Residents are subject to personal income tax on their worldwide income.

2.2 Residence and non-residence

Non-residents pay income tax on their income sourced in Lithuania. Basically same rates apply as to residents unless reduced under double taxation treaties. The sale of shares by non-resident is not taxed in Lithuania.

2.3 Tax year and filing

The tax year is the calendar year. There is a self-assessment system although in some cases tax is withheld at source.

2.4 Types of income

Taxable income includes:
Income from agriculture and forestry
Industrial and commercial income
Non-commercial income
Wage income
Investment income
Other income

2.5 Capital gains

Capital gains are tax-exempt if derived from the sale of shares acquired before 1999, otherwise taxed as ordinary income (15%).

2.6 Losses

Generally, losses cannot be carried forward or back.

2.7 Exemptions

There are certain limited exemptions including for some pensions.

2.8 Allowances and rates

The general flat rate is 15%. A reduced, 5% rate applies to certain activities carried out by self-employed. Interest income is taxed with a 15% rate. A small personal allowance is available calculated according to a formula.

2.9 Social security

In Lithuania both, the employers and the employees pay social security contributions. The employers pay 31% social tax, while social insurance contributions for employees are 9%.

2.10 Expatriates

There are no special tax rules for expatriates.

2.11 Options

Stock options for employees are taxed at the moment of exercise on the basis of market value.

2.12 Partnerships

The income of partnerships is taxable to the individual partners

2.13 Pensions

State pensions and other qualifying pensions are exempt from tax.

3. Inheritance and gift tax

Inheritances are subject to tax. There are exemptions for close relatives. Gifts, other than small gifts are treated as income except if to close relatives.

4. Wealth Tax

In Lithuania, similarly to Latvia both the employers and the employees pay social security contributions. The employers pay 31% social tax, while social insurance contributions for employees are 9%.

5. Value Added Tax

5.1 Rates

Standard rate is 21%, a reduced rate of 9% applies to heating energy, books and non-periodical press, and a reduced 5% rate applies to medicines and medical products. The VAT registration threshold is 155 000 LTL (approximately 45 000 EUR).

6. Other taxes

Other taxes include:
Real estate tax. A rate is from 0.3% to 3% depending on local municipalities.
Pollution tax. The tax rates vary depending on the type and toxicity of the pollutant in question.
Contribution to the Guarantee Fund. Rate- 0.2%
Land tax. Rate ranges from 0.01% to 4% depending on local municipalities.
Land lease tax. The minimum tax rate is 0.1% and the maximum rate is 4%
Lottery and gaming tax.

Contact

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