Lithuania Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Lithuania

EU Member State Yes

Double Tax Treaties With:

Armenia	France	Kyrgyzstan	Serbia
Austria	Georgia	Latvia	Singapore
Azerbaijan	Germany	Luxembourg	Slovakia
Belarus	Greece	Macedonia	Slovenia
Belgium	Hungary	Malta	Spain
Bulgaria	Iceland	Mexico	Sweden
Canada	India	Morocco[a]	Switzerland
China	Ireland	Moldova	Turkey
Croatia	Israel	Netherlands	Turkmenistan
Cyprus	Italy	Norway	UAE
Czech Rep.	Japan[a]	Poland	UK
Denmark	Kazakhstan	Portugal	Ukraine
Estonia	Rep. of Korea	Romania	US
Finland	Kuwait	Russia	Uzbekistan

(a) Treaty signed but not yet in force.

Most important forms of doing business

Private limited liability company (UAB), Public limited liability company (AB).

Legal entity capital requirements

The minimum authorized (share) capital for UABs is EUR 2,500 and EUR 40,000 for ABs. One fourth of the authorized (share) capital must be monetary contributions; however, such monetary contributions may not be less than the minimum of EUR 2,500 for UABs and EUR 40,000 for ABs.

Residence and tax system

A company is resident if it has been incorporated in Lithuania. It is subject to corporate income tax on its worldwide income. Non-resident companies are subject to Lithuanian corporate income tax only on their Lithuanian source income, including income earned through their permanent establishments.

Compliance requirements for CIT purposes

The tax period normally corresponds to the calendar year. Upon request, the tax authorities may allow a taxpayer to use a different 12-month period as a tax period.

Annual corporate income tax returns must be filed within five months and 15 days after the end of a tax period. The final corporate income tax payment has to be made on the same date as the annual corporate income tax return is due, i.e. June 15 if the tax period is a calendar year. Corporate income tax must be paid in advance installments based on the result of the previous tax period.

Corporate Income tax rate

The standard corporate income (profit) tax rate is 15 percent. A reduced 5 percent rate applies to cooperatives engaged in agricultural activities and to small companies. A reduced 10 percent rate applies to agricultural companies during the transitional period in 2018 and will be increased to 15 percent as of 2019. Income from certain patentable inventions (R&D) may be subject to the reduced 5 percent rate (see section IP / R&D incentives below).

Withholding tax rates

On dividends paid to non-resident companies

15 percent (may be reduced to 0 percent for EU countries, subject to 10 percent holding and minimum holding period of one year, or under applicable double tax treaties).

On interest paid to non-resident companies

10 percent (0 percent to an EEA resident company or a company registered in a country with which Lithuania has a double tax treaty).

On patent royalties and certain copyright royalties paid to non-resident companies

10 percent (may be reduced to 0 percent for payments to associated companies resident in EU countries - the paying and the receiving companies are associated if (i) one of them holds directly at least 25 percent of the capital of the other, or (ii) a third company resident in an EU Member State holds directly at least 25 percent of the capital of the two companies; a two-year holding period is also required).

On fees for technical services

0 percent.

On other payments

15 percent on income from real estate; income of supervisory board members; income from sports and performance activities.

Branch withholding tax

No

Holding rules

Dividend received from resident/non-resident subsidiaries

An exemption (100 percent) is applicable for subsidiaries registered in EEA countries. For dividends received from other foreign (non-EEA) subsidiaries and from resident subsidiaries, the exemption (100 percent) applies subject to the following conditions:

- Participation requirement: 10 percent of the voting rights;
- Minimum holding period: 1 year (or commitment);
- Not applicable to tax havens.

Capital gains obtained from resident/non-resident subsidiaries

In principle, capital gains are taxable in the same way as other income.

Exemption of taxation on capital gains from disposal of shares applies if the following conditions are met:

- Participation requirement: More than 10 percent of the voting rights;
- Minimum holding period: Two years (three years in case of reorganization);
- Disposed shares belong to a company registered in the EEA country or registered in a country with which Lithuania has a double tax treaty.

Investment income (including capital gains, interest on securities, interest on deposits, etc.) is exempt under certain conditions (applicable to certain types of companies).

Tax losses

In general, tax losses can be carried forward indefinitely if the economic activity from which the loss originated is continued. Loss carry-back is not allowed.

As of the taxable year 2014, ordinary tax losses carried forward can only be set off against up to 70 percent of the calculated taxable profits of the taxable period. This restriction is not applicable to companies subject to the reduced corporate income tax rate of 5 percent.

Losses from the disposal of securities and financial derivatives can be carried forward for five years and may only be offset against gains from the disposal of other securities and financial derivatives.

Tax consolidation rules/Group relief rules

Yes. Tax losses incurred by one company may be offset against the profits of another company in the group provided the following criteria are met:

- The parent company directly or indirectly owns at least two-thirds of the shares in the subsidiaries; and
- The transfer of losses occurs between companies that have been continuous members of the group for at least 2 years; or
- The participants to the transfer have been a part of the group as of their incorporation and will be part of the group for at least another 2 years.

Registration duties	Insignificant.
Transfer duties	On the transfer of shares Insignificant. On the transfer of land and buildings Insignificant. Stamp duties Stamp duty on registration of a company is EUR 57.34. Fees for registration of other changes at the Company register range between approximately EUR 3 to EUR 30. However, company establishment documents and their amendments usually have to be approved by a notary. The fees of a notary usually range between EUR 72 and EUR 290. Real estate-related transactions are subject to a notary's approval. The fee for notarization of a sale-purchase contract is 0.45% of the value of real estate (i.e. sales price), but not less than EUR 29 and not more than EUR 5,792.40. The stamp duty for registration of the ownership rights depends on the value of real estate and may range from approximately EUR 3 to EUR 1,448.10. Real estate taxes The annual tax rate for legal entities ranges from 0.3 percent to 3 percent of the taxable value of real estate. The rate is established by the local municipalities. Separate land tax is paid by the owners of the land. Tax rate ranges from 0.01 percent to 4 percent.
Controlled Foreign Company rules	Yes. Applies where a domestic company holds, directly or indirectly, more than 50 percent of the shares or rights to dividends in a foreign company on the last day of the taxable period (or owns at least 10 percent and, together with its related parties, owns more than 50 percent) and where the foreign company is taxed at a corporate tax rate lower than 75 percent of the Lithuanian rate. Certain “white listed” countries are excluded. An exemption is applicable if the CFC’s profits represent less than 5 percent of the income of the Lithuanian controlling company. Credit is given for foreign taxes.
Transfer pricing rules	General transfer pricing rules Transfer pricing provisions follow the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations as of January 1, 2004. Detailed transfer pricing documentation rules have been established by the Minister of Finance. Documentation requirement The obligation to produce written transfer pricing documentation applies to companies meeting at least one of the following criteria:

	- Sales income of the entity before the taxable year when the transaction was actually carried out exceeded EUR 2,896,200; - Financial companies and credit institutions; - Insurance companies; - Foreign entities, engaged in activities through permanent establishments, if the attributable income exceeds EUR 2,896,000 before the taxable year when the transaction was actually carried out.
Thin capitalization rules	Debt-to-equity ratio of 4:1. Interest and currency exchange losses exceeding this ratio are non-deductible for corporate income tax purposes.
General Anti-Avoidance rules (GAAR)	General substance over form provisions apply.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules	No
Advance Ruling system	Binding rulings came into force as of January 1, 2012. The rules are applied for future transactions and transfer pricing (“advance pricing agreement”). Opinions from the tax authorities may be requested in some cases.
IP / R&D incentives	"Innovation Box" regime: as of 2018, qualifying profits from the commercialization of patentable inventions and software may be eligible for a reduced 5 percent corporate income tax rate (instead of 15 percent). Specific incentives are established for companies in free economic zones; there is an investment incentive for certain groups of fixed assets (applicable 2009-2018); special incentive for expenses incurred for scientific research and experimental development purposes; double tax incentive for movie making (applicable 2014-2018).
Other incentives	A reduced 5 percent corporate income tax rate applies to small companies and cooperatives engaged in agricultural activities. (Newly established small companies may be subject to a 0% corporate income tax rate for the first year of activity, provided certain conditions are met).
VAT	The standard rate is 21 percent. Reduced rates apply in respect of certain transactions.
Other relevant points of attention	No

Source: Lithuanian tax law and local tax administration guidelines, updated 2018.

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