

GMS Flash Alert

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Lithuania – Restrictions on Cash Payments

The Parliament of Lithuania implemented the “Law on Restriction of Cash Payments,”¹ which stipulates that from 1 November 2022, payments in cash larger than EUR 5,000 will be restricted.

The law introducing the changes was approved by Parliament on 23 June 2022.

WHY THIS MATTERS

This measure will hamper the ability of individuals – including expatriates and mobile employees in Lithuania – to make payments and transfers in cash exceeding EUR 5,000. Affected individuals will need to find alternative methods of making any necessary cash payments that total over EUR 5,000, or risk running afoul of the law.

Summary of Limited Cash Payments

Settlements, as well as any other payments, can be made in cash (a banknote or a coin) if they do not exceed EUR 5,000 or the equivalent amount in a foreign currency. The restriction applies to settlements and any other payments made by all persons – residents and legal entities.

It should be noted, the **total amount** of cash settlements made in installments, as well as any other payments, **cannot exceed EUR 5,000** or the equivalent amount in a foreign currency. The parties to the transaction **cannot split the transaction** with the purpose of avoiding the application of the restriction.

The restriction will not apply when peer-to-peer settlements and other transactional payments are made through payment service providers.

If the payment in cash exceeds EUR 5,000, the recipient of the cash will be obliged to report² to the Lithuanian tax authorities the transaction and its circumstances (including reasons why the transaction is performed in cash) in 10 days after the transaction.

KPMG NOTE

Global-mobility programme managers should inform their employees on assignment in Lithuania of the new rules. If expatriates or mobile employees are considering making cash payments in excess of EUR 5,000, they should first consult with their tax service provider and/or global-mobility programme manager.

The new law is an important tool in the fight against the shadow economy and money laundering. The restriction on cash payments will hopefully increase transparency of transactions, and other settlements and payments, reduce opportunities for tax avoidance, and eventually create more favourable conditions for fair competition.

Moreover, the Lithuanian tax authorities may limit the availability for use of expenses for tax purposes in specific cases.

FOOTNOTES:

1 The “Law on Restriction of Cash Payments” (*Atsiskaitymų Grynaisiais Pinigais Ribojimo įstatymas*) can be found (in Lithuanian) at: <https://www.e-tar.lt/portal/lt/legalAct/d7206ef0fdf311ec8fa7d02a65c371ad>.

For a press report, see S. Balčiūnaitė, BNS, “Lithuania caps cash payments at €5,000,” [www.lrt.lt](https://www.lrt.lt/en/news-in-english/19/1726455/lithuania-caps-cash-payments-at-eur5-000), 23 June 2022, at: <https://www.lrt.lt/en/news-in-english/19/1726455/lithuania-caps-cash-payments-at-eur5-000>. (Please note that by clicking on this link, you are leaving the KPMG website for an external site, that KPMG is not affiliated with nor does KPMG endorse its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator.)

2 A PRC915 report needs to be submitted to the tax authorities electronically (via the electronic declaring system, EDS <https://deklaravimas.vmi.lt/>) or on paper in the 10 days after the transaction. If the report is not submitted, such transactions would not justify expenses (e.g., acquisition of property) and sources of income. Also, administrative penalties may apply.

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Contact us

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