



2026 Tax Card

With effect from
1 January 2026

Corporate Income Tax

Taxable profit of Lithuanian and foreign corporate taxpayers is subject to a standard (flat) rate of 17%. A reduced 7% rate applies to cooperatives engaged in agricultural activities and small companies (newly established small companies are subject to a 0% tax rate for the first and second taxable periods).

Lithuanian entities are taxed on worldwide income; the tax liability of foreign entities is limited to income sourced in Lithuania, including income earned via permanent establishments (PEs).

Taxable profits are calculated by deducting exempt income, allowable and partly allowable expenses from taxable income. Deductions include all expenses actually incurred in the ordinary course of business that are necessary to generate income or obtain economic benefits.

Dividend taxation

Dividends received from European Economic Area (EEA) companies (subject to corporate income tax or equivalent tax) are tax-exempt. Dividends received from other foreign companies (subject to corporate income tax or equivalent tax) are tax-exempt if they qualify for participation exemption (not less than 10% of the voting shares are held continuously for at least 12 months), except for dividends received from tax haven. The aforementioned exemptions for inbound dividends may not apply where the main purpose or one of the main purposes of an arrangement or a series of arrangements is obtaining a tax advantage.

Capital gains

Capital gains are non-taxable if they are derived from the transfer of shares of an entity that is registered in Lithuania or another EEA country, or in a country which Lithuania has a double tax treaty with and is subject to corporate income tax or equivalent tax (participation requirement: more than 10% of shares held continuously for at least 2 years). If the transfer of shares takes place in the course of reorganisation, the minimum holding period is 3 years.

Carry forward of tax losses

Ordinary tax losses can be carried forward indefinitely if a taxpayer continues to perform business activities from which such losses have occurred. Ordinary tax losses carried forward can only be set off against up to 70% of the calculated taxable profits of the taxable period. Capital losses from the disposal of securities or financial derivatives can be carried forward for 5 years and exclusively to set off gains from the disposal of securities or financial derivatives.

Transfer of tax losses

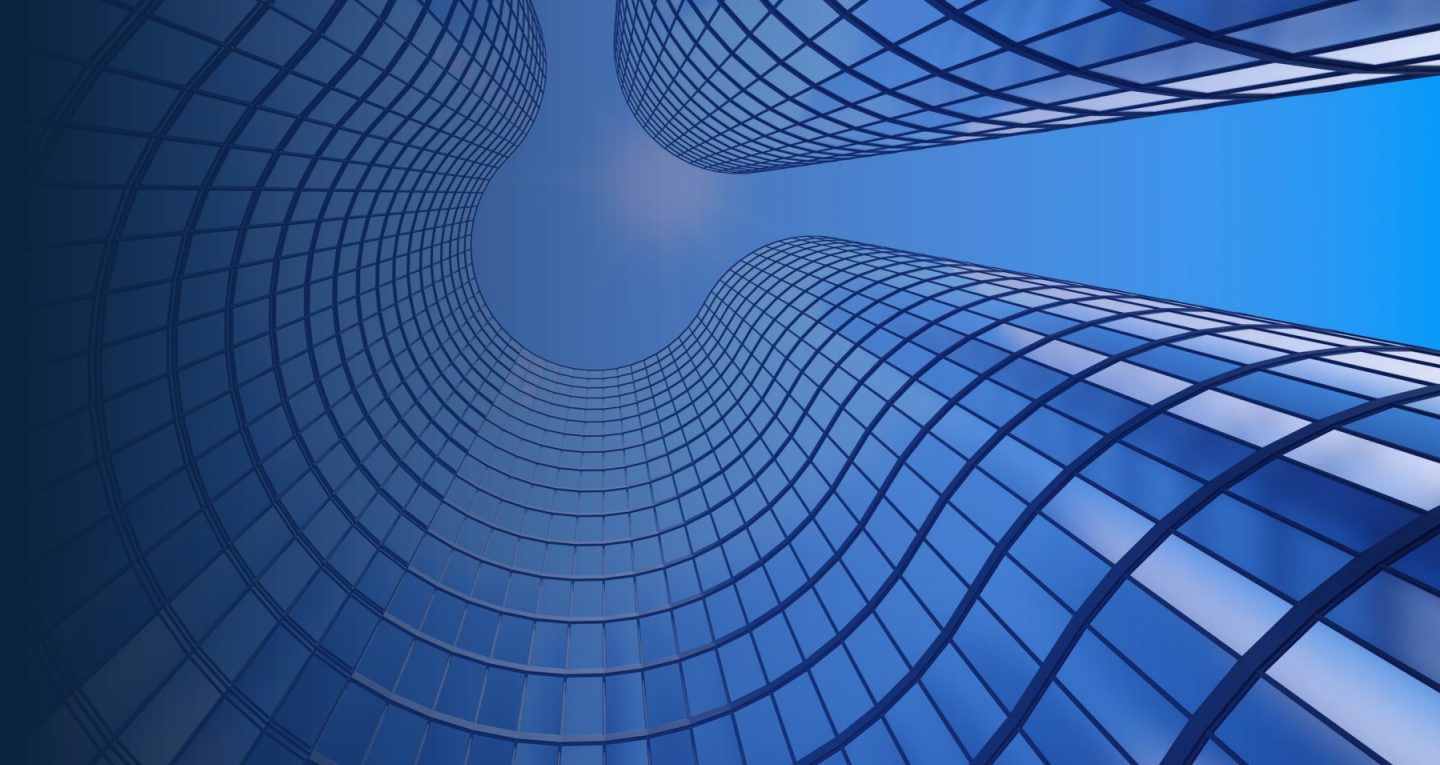
Tax losses incurred by a company during a taxable period may be offset against the taxable profits of another company within the same group, provided that: i) there is a direct or indirect ownership of at least two-thirds (2/3) in the subsidiaries involved; and ii) the companies have been part of the group continuously for at least 2 years, or since their incorporation, and will remain within the group for at least 2 years. From 2026, losses transferred within a group may be used to offset up to 70% of the taxable profits for the relevant period.

Group relief for foreign losses is available where the loss-making entity is an EU tax resident and the tax losses cannot be carried forward under the tax rules of that foreign jurisdiction.

Withholding taxes

| | |
|-------------|--|
| Dividends | 0%*, 17% * Dividends paid to a company holding not less than 10% of the shares granting the same percentage of votes for at least 12 months are tax-exempt, except for dividends paid to tax haven countries. The exemption may not apply where the main purpose or one of the main purposes of an arrangement or a series of arrangements is obtaining a tax advantage. It is possible to pay interim dividends in Lithuania. |
| Interest | 0%** , 10% ** Interest paid to an EEA company or a company registered in the country, which Lithuania has a double tax treaty with, is tax-exempt. |
| Royalties | 0%***, 10% *** Royalties paid to associated EU companies (including Switzerland) are exempt from withholding tax. Two companies are deemed to be associated companies if one of them holds directly at least 25% of the capital of the other, or a third EU company holds directly at least 25% of the capital of these two companies. A minimum holding period of 2 years is required. |
| Real Estate | 17%**** **** Non-resident companies are subject to a 17% withholding tax rate on income from sale, transfer or rent of real estate situated in Lithuania. |

Withholding tax rates may be reduced under Double Taxation Treaties (see the list on page 4).



Anti-avoidance provisions

Substance over form principle is formally established and applicable in Lithuania. Lithuania also implements internationally agreed anti-avoidance measures based on the EU and OECD initiatives like general anti-abuse rule (GAAR). Special rules on exit taxation and hybrid mismatches apply.

Transfer pricing

Transfer pricing documentation is required to be prepared by Lithuanian entities, foreign entities acting in Lithuania via PEs, financial companies, credit institutions and insurance companies. Transfer pricing documentation is not required for transactions carried out between Lithuanian taxpayers.

Local File must be prepared if turnover exceeds EUR 3 million and the value of controlled transactions throughout the year exceeds EUR 90 thousand per related party. Master File, describing the whole group, must be prepared by companies, the turnover of which exceeds EUR 15 million and the entity belongs to an international group.

Transfer pricing documentation has to be prepared by the 15th day of the 6th month of the end of the taxable year.

The tax payers can opt for a 5% mark-up without comparative analysis for justifying the pricing of low value added services provided by associates.

Thin capitalisation and interest limitation

„A certain part of interest paid to a controlling lender may not be deductible for corporate income tax purposes. Under the thin capitalisation rules, the non-deductible part of interest expenses is calculated based on the debt/equity ratio of 4:1.

In addition, interest costs exceeding interest revenue are subject to the interest limitation rule. Interest deduction is limited to the higher of 30% of the taxpayer's taxable EBITDA or EUR 3 million. The aforementioned rule jointly applies to the Lithuanian group entities and PEs of the foreign group entities in Lithuania. Exemptions may be applicable.

Binding ruling

Binding ruling can be applied for future transactions and transfer pricing (“advance pricing agreement”). Tax payers are able to obtain a binding ruling by providing all relevant information, description of the conditions and expected tax implications of their planned transactions to the tax authorities. The rulings are only binding to the tax authorities for a prescribed period, but not more than the current year and 5 calendar years from the date of the ruling.

BEPS 2.0 Pillar two implementation

Lithuania has not fully adopted EU minimum Top-up tax directive EU 2022/2523 (BEPS 2.0 Pillar two initiative) for 2026. Under the Lithuanian law partially implementing the EU directive, only notification obligations apply, while the top-up tax obligation in Lithuania is not yet established.

The Ultimate parent entity (UPE) of a group based in Lithuania must notify the Lithuanian tax authorities about the designated filing entity (located outside of Lithuania), which would file a top-up tax information return on behalf of the group. Additionally, notification about transferring the necessary data to the designated entity and the initial phase of activities must also be submitted.

Investment Incentives

Investment project relief for certain groups of fixed assets (applicable in 2009-2028)

Companies may reduce their taxable profits up to 100% by the amount of expenses incurred for investment in certain fixed assets, machinery and equipment, computer hardware and software, communication equipment, and acquired rights. The incentive also applies to acquired trucks, trailers and semitrailers. Part of the acquisition costs of fixed assets, which has not been utilised during the taxable year, may be carried forward, but not more than 4 years.

Immediate depreciation of fixed assets

From 2026 companies may claim an immediate deduction for the full acquisition cost of certain fixed assets (such as machinery, equipment, and software) in the year the asset is first placed into service. This measure is applicable only if the asset remains in use for at least 3 years and the investment project relief (as described above) is not applied.

Incentive for research and development (R&D)

Expenses incurred for scientific research and experimental development purposes may be deducted three times in the tax period when they are incurred, provided that the R&D works are related to usual business activities.

Innovation Box regime

A reduced 7% corporate income tax rate (instead of 17%) may be applied to qualifying profits from commercialization of patentable inventions and software.

Double tax incentive for movie making supporters (applicable in 2014-2028)

An entity may deduct up to 75% of the funds provided for production of a film or its part in Lithuania from its taxable profit. Furthermore, the payable corporate income tax may be reduced up to 75% by the amount provided for film production. If the amount of funds exceeds 75% of corporate income tax payable, the exceeding amount may be carried forward to reduce profits of the two subsequent tax periods.

Large project incentive (applicable for large investment project agreements signed until 31 December 2035)

Companies performing large project based on large investment project agreement are tax exempt from corporate income tax up to 20 years on income generated from that large project if special conditions are met.

Tax free regime for collective investment vehicles (CIV)

Investment income of CIV as well as risk and private equity undertakings is tax-exempt. Exemption includes inter alia dividends and other profit distributions. Income of Lithuanian entities from investments held in CIV is non-taxable as well. Any Lithuanian or foreign CIV, including those that do not have the status of a legal entity, are considered as taxable entities for Lithuanian corporate income tax purposes to enable them to benefit from international reliefs. Moreover, profit distribution to a foreign entity by a Lithuanian CIV is not subject to withholding tax. Nevertheless, the regime is limited for income from and proceeds to tax havens.

Free economic zones (FEZ)

Qualifying FEZ companies are exempt from corporate income tax for 10 taxable periods and are subject to 50% of the standard corporate income tax rate in subsequent 6 periods. Trade activities do not qualify for the incentive. The relief requires investment of at least EUR 1 million by a FEZ company. An alternative exists for FEZ companies rendering services - investment of at least EUR 100 thousand, but an average minimum of 20 employees. At least 75% of company's income during a taxable year must be derived from the activities carried out in a FEZ. Exemption from real estate tax applies in a FEZ.

Taxation Treaties

In 2026, Lithuania has effective double tax treaties* with the following countries:

| | | |
|----------------|-----------------|------------------|
| Armenia | India | Poland |
| Andora | Ireland** | Portugal |
| Azerbaijan | Israel | Romania |
| Austria | Italy** | San Marino |
| Belgium** | Japan | Serbia |
| Bulgaria | Kazakhstan | Singapore |
| Canada** | Kosovo | Slovak Republic |
| Czech Republic | Korea | Slovenia |
| China | Kuwait | Spain** |
| Croatia | Kyrgyzstan | Sweden** |
| Cyprus | Latvia | Switzerland** |
| Denmark** | Liechtenstein | Turkey |
| Estonia | Luxembourg** | Turkmenistan |
| Finland** | North Macedonia | UAE |
| France** | Malta | Ukraine |
| Georgia | Mexico | United Kingdom** |
| Germany | Moldova | USA |
| Greece | Morocco | Uzbekistan |
| Hungary** | Netherlands** | |
| Iceland** | Norway** | |

*The Multilateral Instrument (MLI) is applied by Lithuania meaning that certain provisions of the bilateral double tax treaties are amended accordingly.

**The "most favoured nation" clause was triggered by the Lithuanian – Japanese double tax treaty (applicable as of 2019). Consequently, relevant provisions of other treaties were automatically amended, granting certain exemptions from withholding tax on interest and/or royalty payments and modifying additional provisions accordingly.

Personal Income Tax (PIT)

Tax rates

From 2026, annual income is aggregated (with certain exceptions) to determine the effective personal income tax rate.

Standard personal income tax rates:

- 20% rate applies to the part of annual income not exceeding EUR 83,237.40;
- 25% rate applies to the part of annual income exceeding EUR 83,237.40 but not exceeding EUR 138,729.
- 32% rate applies to the part of annual income exceeding EUR 138,729.

Preferential personal income tax rates:

- A 15% tax rate applies to certain non-employment income not exceeding EUR 27,745.80.
- A 5% tax rate applies to income from the sale of waste not exceeding EUR 27,745.80.
- Taxable income from self-employed activities up to EUR 42,500 per year is subject to a tax rate ranging from 5% to 20%, depending on the level of income.

Types of income that are not aggregated with other annual income and are taxed at a fixed 15% rate:

- income from dividends;
- sickness, maternity, paternity, parental and long-term employment benefits;
- income from the sale of shares, units or holdings, if they were acquired more than 5 years ago and not through an investment account;
- life insurance benefits and refunded contributions;
- pension fund benefits and refunded contributions;
- interest and other income earned through an investment account (except distributed profits and the sale of the respective financial products);
- income from sale of shares acquired under stock option agreements from an employer or a related party, provided they are sold no earlier than 3 years after the right to acquire the shares was granted.

Special preferential taxation rules apply to other types of income (e.g. individual activities).

Tax-exempt amount

The law exempts certain amounts of employment income from tax for 2026:

- Monthly tax exempt amount of EUR 747 is applicable for employment income not exceeding EUR 1,153;
- Monthly tax-exempt amount applicable for employment income is calculated according to the formula: $747 - 0.49 \times (\text{gross monthly income} - 1,153)$, for employment income exceeding EUR 1,153, meaning that if gross income is

EUR 2,677.49 per month (EUR 32,129.88 per year) or higher – no tax-exempt amount applies.

Tax-exempt income

Tax-exempt income includes certain interest not exceeding EUR 500 per year; capital gains from securities not exceeding EUR 500 (not applicable if the income is received through an investment account); gifts from close relatives, gifts not exceeding the value of EUR 2,500; prizes and gifts from an employer not exceeding the value of EUR 200 per taxable year; public transport and railway tickets provided to an employee to commute to/from work, certain allowances and compensations, insurance benefits, etc.

Investment account

The investment account regime entered into force as of 2025. A Lithuanian tax resident can designate an account as an investment account, which must be used solely for investing in certain financial products. This regime allows individuals postpone tax payment until the funds are withdrawn for non-reinvestment purposes. However, some tax exemptions won't apply to funds withdrawn from the investment account. The account is reported as an investment account after the end of the year, by submitting the PIT return for the respective tax period.

Employee stock taxation

Value of shares vested under stock options not earlier than after 3 years of grant will be exempt from PIT (similar exemption from social security contributions is applicable). Taxation is applied on the sale of shares (15%/20%/25%/32% PIT rate).

Deductions

The following expenses incurred by individuals can be deducted from their taxable income:

- Housing loan interest if the credit was granted before 2009;
- Fees for higher education or vocational training;
- Contributions for/to (total amount up to EUR 1,500):
 - Life insurance*;
 - III pillar pension funds*;
 - II pillar pension fund greater than 3% withheld from salary.

* The deductions will only apply until 2034 and only for contracts concluded before the end of 2024.

The limit for such deductions is set at 25% of the total income, which is subject to 15%/20%/25%/32% PIT rate.

VAT

The standard VAT rate is 21%, the reduced rates are 5% and 0%.

The following are examples of transactions subject to a VAT rate of zero (0%):

- export of goods and intra-community supplies;
- passenger transport on international routes;
- transport services related to import or export of goods;
- supply of aircrafts operating on international routes, their maintenance and supply of goods for the fuelling and provision of such aircrafts;
- supply of vessels operating in high seas, their maintenance and supply of goods for the fuelling and provision of such vessels;
- supplies of goods and services under diplomatic and consular arrangements.

The following are examples of VAT non-taxable supplies:

- insurance and financial services (some with an option to tax domestically);
- immovable property (excluding new buildings and structures) or parts thereof (with an option to tax);
- the leasing or letting of immovable property or parts thereof (with an option to tax);
- universal postal services;
- betting, lotteries, and gambling;
- certain education services;

- certain health and welfare, social services;
- qualifying services by independent groups to their members.

The following are subject to a VAT rate of 12%:

- passenger transport on certain regular routes, and related baggage handling services;
- the supply of heating and hot water for dwellings;
- attendance of artistic and cultural institutions and events.

The following supplies are subject to a VAT rate of 5%:

- compensable pharmaceuticals and medical aids;
- non-compensable prescription pharmaceuticals;
- technical aids for persons with disability and repairs of such aids;
- printed and/or electronic newspapers, magazines and other periodicals (exceptions apply);
- books and e-books and certain non-periodicals;
- food products for special medical purposes.

The compensatory VAT rate applicable for small farmers is 6%.

Certain goods and services are subject to a local VAT reverse charge procedure, i.e. the customer has to apply and pay VAT to the state budget if it is a taxable person registered as a VAT payer: construction works, tablets, laptops and mobile phones, etc.

Social Security

For employment income the following standard social security rates apply in 2026:

- Employees rate: 19.5% (additional 3% is paid by employees participating in certain pension accumulation plans; withheld by employer);
- Employer's rate: 1.77% (2.49% applies for temporary employment contracts).

Ceiling for social security contributions (except for health insurance) is applied to employment income exceeding:

- 60 times the average country's monthly salary and beyond - EUR 138,729 in 2026.

Real Estate Tax

Real estate tax is paid by Lithuanian and foreign legal entities and organisations, also by Lithuanian and foreign individuals holding real estate in Lithuania.

Real estate owned by entities (including rented out from individuals or leased) as well as commercial real estate owned by individuals is subject to the annual tax rate ranging from 0.5% to 3% of the taxable value of real estate. The exact rate is determined by municipalities. In addition to the rate set by municipalities, a rate of 0.2% applies to such property.

As of 2026 the primary residential property of the individuals the taxable value of which does not exceed EUR 450,000 is exempt from real estate tax. If the value of the primary residence exceeds the specified tax-exempt threshold, a tax rate ranging from 0.1% to 1% applies to the excess value, with the specific rate determined by the respective municipality. Other non commercial real estate owned by individuals is taxed based on its value at rates ranging from 0.2% to 1%. Certain groups of individuals as well as types of real estate are eligible for exemptions.

Land Tax

Land tax is paid by the owners of private land. The land tax rate ranges from 0.01% to 4% of the taxable value. The rates are established by local municipalities.

The taxable values are established at least every 5 years based on the real market price of the land using a mass valuation method.

Insurance Premium Tax (Security Contribution)

From 2026, a 10% tax applies to insurers on non-life insurance premiums when the insurance risk is located in the Republic of Lithuania. Exemptions apply to motor third-party liability insurance contracts with individuals and to contracts when the insured object is property interests related to crops, plants or animal health.

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This card was prepared in January 2026 as a quick-reference tool for the most common taxation rules. Any exceptional or special regimes have been deliberately omitted.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.

Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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