



Thinking Beyond Borders: Management of Extended Business Travelers - Lithuania

January 2023



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Key message

1 Key message

In Lithuania, individual's tax liability is determined by the residence status for taxation purposes and the source of income derived by the individual. Income is taxed depending on the type of income at 5%/15%/20%/32% rates. At present, there are 58 effective double taxation avoidance treaties that Lithuania has concluded.

Tax obligations for a business traveler will generally arise after staying in Lithuania for more than 183 days in a tax year or with or without breaks for 280 or more days during two consecutive tax years (whereby one stay in Lithuania during each of these years must be at least 90 days).

Business travelers are likely to be taxed on their employment income received for the work performed in Lithuania.

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Income tax

2 Income Tax

2.1 Liability for income tax

An individual's liability for income tax in Lithuania is determined by the residence status. Tax residency in Lithuania is determined by the following criteria:

- permanent residence (domicile) in Lithuania,
- individuals whose place of personal, social and economic interest is Lithuania,
- foreign individuals staying in Lithuania for 183 days in a taxable year or staying in Lithuania with or without breaks for 280 or more days during two consecutive taxable years, whereby one stay in Lithuania during one of these years must be at least 90 days,
- employment of a Lithuanian citizen by the Lithuanian government.

For an individual to be recognized as a Lithuanian tax resident at least one of the criteria mentioned above has to be met. If an individual does not qualify as a Lithuanian tax resident, his or her Lithuanian sourced income (including earned through a permanent establishment) might still be taxed. Double tax treaty provisions are also considered when defining the individual's residency status.

2.2 Tax trigger points

Technically, there is no minimum threshold/number of days that exempts the employee from the obligation to file tax returns and pay income tax in Lithuania.

2.3 Types of taxable income

Resident taxpayers are subject to income tax on their worldwide income, while non-residents are taxed on their Lithuanian sourced income. In general, the following categories of residents' income are subject to income tax in Lithuania:

- employment income,
- property/investment income, including dividends, rental income, royalties, interest on deposits and loans, capital gains on securities, movable and immovable property (certain exceptions apply),
- other sources (sport activities, performer's activities, etc.).

Benefits in kind received by an employee are taxed in the same manner as employment income.

The taxable income of non-resident individuals include: employment income for the work performed in Lithuania; interest; income from distributed profits; payments to board and supervisory board members; income from rent or sale of immovable property located in Lithuania, also movable property which is registered in Lithuania; royalties and compensation for violation of copyright or similar rights; income from sports activities and performers' activities.

2.4 Tax rates

Personal income tax (PIT) rates that apply in 2023:

Progressive **20/32%** PIT rate is applicable to:

- employment income;
- remuneration paid for activities of the supervisory or management board;
- royalties received from employer;
- remuneration of the directors of small partnerships (under civil contracts).

If the total annual income (from sources listed above) exceeds certain threshold (EUR 101,094.00 in 2023) which also serves as a cap for social security contributions, the exceeding part is subject to 32% rate.

15% rate applies to:

- dividends;
- income from individual activities;
- social security benefits (including sickness allowance payable by employer).

Progressive **15/20%** PIT rate applies to any other income which is not subject to 15% or 20/32% rates (except for income from waste). The total annual amount exceeding the threshold established (EUR 202,188.00 in 2023) is subject to 20% rate (otherwise 15% rate applies).

Special rules are applied for self-employed individuals.

Non-residents are generally taxed at the same rates as residents.

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Social Security

3 Social Security

3.1 Liability for social security

For employment income the following social security rates apply in 2023:

- 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).

Cap for social security contributions (except for health insurance) is applied to employment income exceeding EUR 101,094.00 in 2023.

Specific rules are established for self-employed individuals.

According to EU Regulations, an individual is subject to mandatory social security in the country where the work is performed, i.e. in the EU, or EEA member state, or Switzerland, at the location of the work functions. Therefore, foreigners fall under the requirement to pay social insurance contributions in Lithuania if their work functions are performed in Lithuania, unless A1 certificate, confirming that social security contributions are paid in the foreign country, is obtained.

3.2 Employment insurance

Unemployment social insurance contributions are part of employee's social security contributions payable.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

The taxable period is the calendar year. Resident individuals are obliged to submit the annual income tax return by 1 May of the following year. If during the taxable period an individual has received taxable income only in Lithuania which was declared and tax withheld and paid by the payer, no tax return has to be filed (unless the individual wants to apply tax reliefs and get a tax refund). However, in case of foreign income or in case the individual's income exceeds the threshold for the application of progressive PIT rate, submitting the income tax return is mandatory.

If a non-resident receives income for the work performed in Lithuania, he/she has to submit a non-resident's income tax return and pay taxes due within 25 days of the income receipt.

4.2 Employer reporting and withholding requirements

Employers are required to submit personal income tax returns and social security reports on a monthly basis. The personal income tax withheld has to be remitted to the authorities by the 15th day of the current month (if remuneration is paid prior to the 15th day of the current month) or by the end of the current month (if remuneration is paid after 15th of the current month). While, the social security contributions payable have to be transferred no later than by the 15th day of the month following the month during which the payment was made.

An additional year-end annual income tax return needs to be submitted no later than by the 15th of February of the following year.

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Immigration

5 Immigration

5.1 Work permit/Visa requirements

The regulation of staying in Lithuania and working in Lithuania depends on whether the person is an EU citizen (citizens of EU, EEA countries and Switzerland are treated similarly as EU citizens) or a national from another country.

EU citizens

Citizens of EU, EEA countries and Switzerland are not required to obtain visas and/or residency permits in Lithuania. However, the EU citizens intending to stay in Lithuania for a period exceeding 3 months within a half-year have to obtain a certificate confirming their right to live in the territory of Lithuania. Afterwards they have to declare their residence place in Lithuania. A work permit is not required for EU, EEA and Switzerland citizens.

Non-EU citizens

Visa requirements

Any non-EU citizen arriving and staying in Lithuania is subject to the regulation set by the Regulation (EU) 2018/1806 of the European Parliament and of the Council listing those countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement.

Any foreigner who is subject to a visa free regime is eligible to stay in Lithuania without visa for 3 months period within a 6 month period.

Furthermore, any foreigner having a valid Schengen visa is entitled to enter Lithuania and stay for the period permitted by the visa, however, no longer than 3 months within a 6 month period.

5.2 Work permit

In general, regardless whether it is a short or a long-term stay, work permit is required to be obtained if a non-EU citizen intends to work in Lithuania. Foreigners from non-EU countries are not required to obtain a work permit in the following cases:

- permanent residence permit is obtained;
- temporary residence permit is issued on the certain grounds (e.g. a foreigner has retained the right to Lithuanian citizenship; he is a person of Lithuanian decent; a foreigner is studying in Lithuania and is planning to work as an intern; a foreigner is a highly skilled professional, etc.);
- released from the obligation to obtain work permit based on other grounds.

Non-EU citizens residing in Lithuania for a longer term than 3 months within any 6 month period, depending on the intended length and purpose of stay – shall obtain either national (D) visa that will be valid for no more than 1 year, or temporary residence permit that will be valid for no more than 2 years.

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