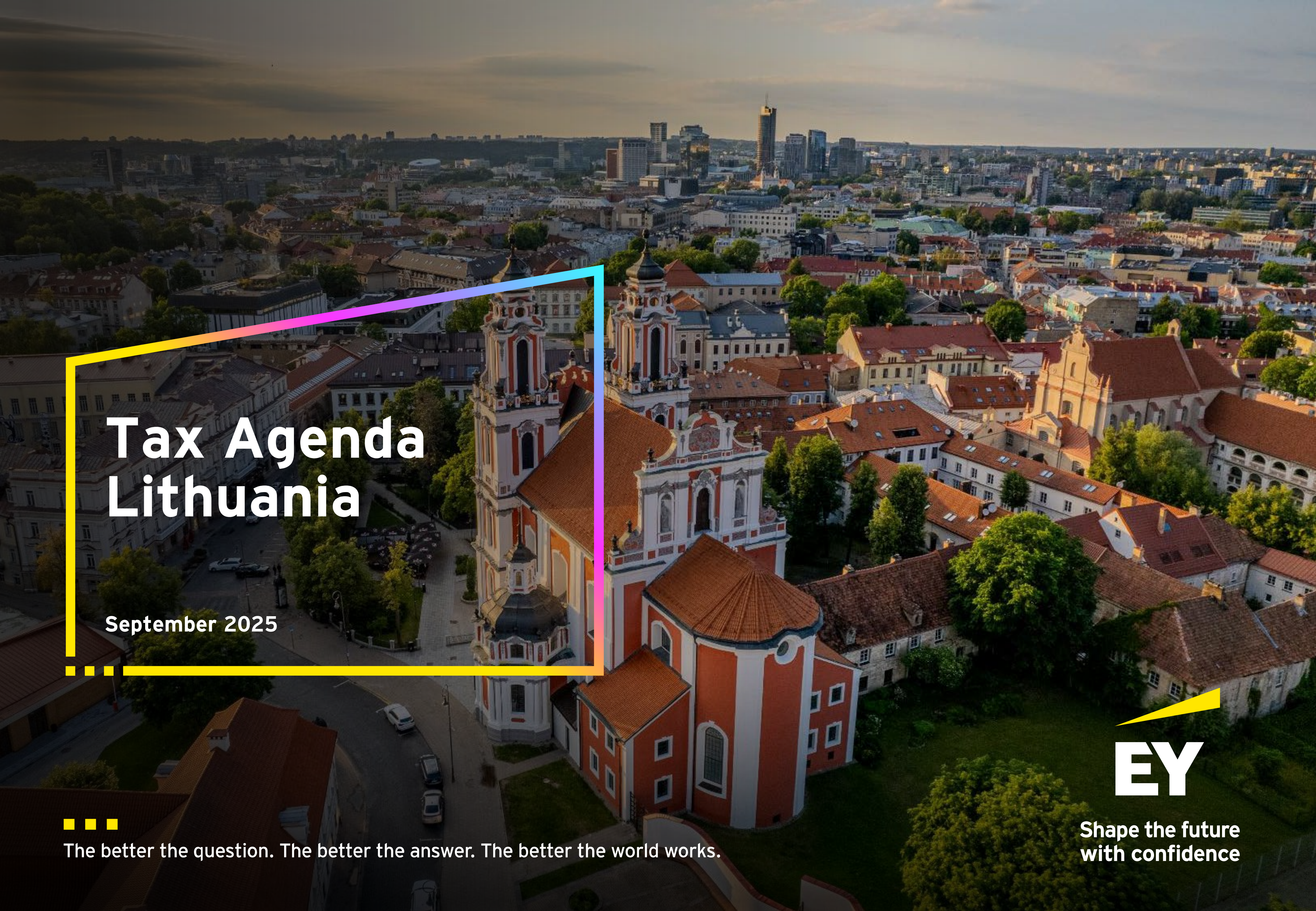

Tax Agenda Lithuania

September 2025

The better the question. The better the answer. The better the world works.

Shape the future with confidence

No.	Fact	Action
1	**Increase in corporate income tax (CIT) rates and one-off accelerated depreciation** In 2026, the standard CIT rate will increase from the current rate of 16% to 17%, while the preferential rate will rise from 6% to 7%. Tax loss transfer between LT group companies will be capped at 70% of taxable income in a loss-receiving company. The introduction of one-off accelerated depreciation will allow businesses to deduct the full acquisition cost of certain assets in the year when they are acquired.	Estimate additional CIT expenses for Lithuanian entities from 2026 onwards. To reduce the negative impact of increased CIT rates review the list of CIT incentives including one-off accelerated depreciation and assess their potential applicability.
2	**Increase in VAT rates for certain services and changed financial services VAT treatment** In 2026, the VAT rate will increase from 9% to 12% for accommodation services, passenger transport, and cultural events. The rate for centralized heating, hot water supply, and firewood will rise from 9% to 21%, while the VAT rate for books will decrease from 9% to 5%. A 0% VAT rate will apply to humanitarian aid goods. Additionally, the treatment of financial services has changed; services that do not alter the legal or financial position of the parties involved in the transaction will no longer qualify for VAT exemption.	Plan an update of accounting and invoicing systems to reflect new VAT rates. Review the substance of financial services and their VAT treatment. Consider previous VAT exemptions of financial services supported by non-binding or binding rulings obtained from the STI to determine if they remain valid.
3	**Increase in personal income tax (PIT) Burden** From 2026, a more progressive PIT system will be implemented, with rates set at 20% for income up to EUR 83k per year, 25% for income between EUR 83k and EUR 138k, and 32% for income exceeding EUR 138k. Managers receiving EUR 7-11k gross salary per month will get a lower after-tax salary. The exempt health insurance benefit paid by employer will be capped at EUR 350 per year. A new fixed 15% PIT rate will apply on capital gains on sale of shares provided that the shares are granted by an employer or via stock option scheme and they are held for more than three years.	Reassess benefit packages, particularly of middle-level and top managers. Explore share-based incentives that qualify for favourable tax treatment.

Sep

Oct

Nov

Dec

Use text boxes above the timeline to plan your actions for coming months

Compliance

Risk management

Cash-flow and ETR impact

No.	Fact	Action
4	**New Excise Duty on Sweetened Beverages** A new excise duty will be introduced in 2026 for sweetened beverages, which includes any drink containing added sugars or sweeteners. The rates will vary based on the sugar content, with different rates applying to beverage concentrates. This duty will apply to imports, local production, and intra-EU purchases. Businesses involved in the production or sale of sweetened beverages will need to register as excise duty payers and ensure compliance with monthly reporting requirements.	Plan an update of accounting and invoicing systems to reflect new excise duties. Integrate excise duty compliance into operational processes.
5	**New Insurance Premium Tax** A new insurance premium tax of 10% on non-life insurance premiums will be introduced in 2026. This tax will apply to premiums related to most of the risks covering Lithuania and will be collected from both local and foreign insurers. The funds collected will support the State Defense Fund.	Assess the impact of rising insurance costs in 2026 financial planning.
6	**Increase in the Real Estate Tax** Starting in 2026, an additional real estate tax will be imposed on commercial properties at a rate of 0.2%. Properties that are abandoned or poorly maintained will face a tax rate of 1-5%. Unfinished constructions that have not been updated in the Land Registry for over ten years will also be subject to taxation. Furthermore, valuations for RET purposes will now occur every three years instead of every five years, next valuation will be in 2026.	Assess the impact of rising RET expenses in 2026 financial planning.
7	**APA under the Law on Tax Administration** The recent amendments to the Law on Tax Administration have formalized the process of an advance pricing agreement. There is a possibility for the STI to change the transfer pricing for a future transaction if this more appropriately reflects the arm's length principle. APA can also be retrospective or extended, Additionally, the right to appeal against decisions made by the STI under certain conditions will enhance the fairness of the process.	Consider to get a tax certainty via advance pricing agreement in complex cross-border intragroup transactions. This will help reduce risks associated with tax audits and disputes.

No.	Fact	Action		
8	**Investment project incentive** Companies investing in certain assets are eligible for double deduction on the investments made by reducing their tax base to zero. All unused amounts due to such investments can be carried forward for four years. Based on the incentive, the taxable profits shall be reduced by the amount of the actual costs incurred for the acquisition of assets if they are necessary for the entity to carry out the investment project and: ▪ The assets are attributable to the following kinds of fixed assets: plant and machinery, installations, computer and communications equipment (computers, computer networks and hardware), software, acquired rights, trucks and trailers. ▪ The assets have not been used and were produced not earlier than 2 years ago.	Review the list of new investments and assess potential applicability of the tax incentive.	● ●	☐
9	**Research and development (R&D) incentive** In calculating profit tax, you can deduct R&D expenses from your income three times, excluding depreciation or amortization costs of fixed assets. Fixed assets that are used for R&D may be depreciated or amortized by applying accelerated depreciation (amortization) rates. In addition, taxable profit from the use, sale or other transfer of an intangible asset may be taxed at a 6%-7% rate if the following conditions are met: ▪ The taxpayer created the intangible asset while engaged in qualifying R&D activities. ▪ Income from the use, sale or other transfer of the intangible asset is received only by the entity that created it, and only that entity incurs all related expenses. ▪ The intangible asset is protected by copyright or a patent.	Assess the R&D projects and evaluate the eligibility of R&D expenses for triple deduction. Also, evaluate the applicability of a reduced corporate income tax on income from intangible assets created through qualifying R&D activities.	● ●	☐
10	**Free economic zones (FEZs)** Entities operating in a FEZ may benefit from 100% exemption from corporate income tax for 10 years and a further 50% reduction in corporate income tax (i.e., apply 7.5% corporate income tax rate) for additional 6 years, do not pay real estate tax and may receive 50% incentive on land lease tax. The relief applies to entities that are engaged in various economic activities: manufacturing, warehousing, even provision of services, etc.	Evaluate potential eligibility of tax reliefs relevant to a Lithuanian FEZ.	● ●	☐
11	**Large-scale investment project relief** The taxable profit of a company that invests 20 to 30 million euros or more in Lithuania and creates at least 150 to 200 or more jobs is exempt from corporate income tax for 20 years. The incentive is applied if the company earns at least 75% of its income from data processing, web server hosting or related activities, and manufacturing (related to processing). To be eligible for the relief, a large project investment agreement is signed with the Lithuanian Authorities.	When considering large investments in Lithuania, evaluate the thresholds and other requirements to be met to apply for a large-scale investment project incentive.	● ●	☐

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No.	Fact	Action
12	**Interest deductibility limitations (thin capitalization and EBITDA rules)** Borrowings from related parties and borrowings from third parties that are guaranteed by related parties are subject to Lithuania's thin capitalization restrictions (the controlled debt-to-fixed-equity ratio is equal to 4:1). If the mentioned borrowing exceeds the fixed capital 4 times, related entities' expenses are non-deductible. The positive difference between an entity's interest expenses and interest income shall be deductible only up to 30% of the entity's taxable earnings before interest, taxes, depreciation, and amortization (EBITDA) or 3 million euros. If the entity is a part of a group of entities, interest deduction limitation rules apply to all Lithuanian entities jointly.	Evaluate whether the company is compliant with the controlled debt-to-fixed-equity ratio. Follow the EBITDA rule and calculate the effect on a Lithuanian group level.
13	**Postponed introduction of BEPS Pillar 2 in Lithuania** BEPS Pillar 2 was introduced by the EU's Minimum Tax Directive on 15 December 2022. Lithuania will start to implement BEPS Pillar 2 only on 1 January 2025, beginning with Qualifying Domestic-Minimum Top-up Tax (QDMTT). Under BEPS Pillar 2, any parent entity of a multinational enterprise (MNE) group (exceeding combined annual turnover of at least 750 million euros) located in a Member State has an obligation to pay top-up tax based on income inclusion rule (IIR). This is calculated according to its allocable share in every entity of the group that is low-taxed (including itself) whether such entity is located within or outside the EU.	Assess tax liabilities in relation to a top-up tax if there are entities in Lithuania belonging to MNE group.
14	**Mandatory Disclosure Regime (MDR) implementation in Lithuania** MDR was introduced in Lithuania on 30 July 2019 and is aligned with the EU's Directive on the mandatory disclosure and exchange of cross-border tax arrangements (DAC6). MDR requires taxpayers and intermediaries to report certain cross-border arrangements that meet specified hallmarks to the Lithuanian Tax Authorities.	Follow and track your cross-border arrangements and comply with your obligation to report arrangements that meet certain hallmarks to the Lithuanian Tax Authorities.
15	**ATAD II established in Lithuania** In year 2020, complex rules were implemented with respect to hybrid mismatches. In general, Lithuania follows the principle that to the extent that a hybrid mismatch results in a double deduction, the deduction is given only in the member state in which such payment has its source, and when a hybrid mismatch results in a deduction without inclusion, the member state of the payer denies the deduction of such payment.	Analyze complex financial transactions or transactions with hybrid entities and application of ATAD II rules in Lithuania.

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