

# Rödl & Partner

NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue:  
July 2025

Tax changes

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Read in this issue:

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→ Tax changes

- Personal Income Tax
- Corporate Income Tax
- Security Contribution in Lithuania

## → Tax changes

### Personal Income Tax

#### PROGRESSIVE TAXATION SYSTEM

The Lithuanian Parliament has adopted amendments to the Law on Personal Income Tax. Under the newly adopted law, which will come into effect on 1 January 2026, the following progressive tax rates will apply:

- Annual income up to 36 average wages – taxed at 20%;
- Annual income from 36 to 60 average wages – taxed at 25%;
- Annual income up to 60 average wages – taxed at 32%.

Based on the projected 2026 average wage of EUR 2,304.50, the new tax brackets will be as follows:

- 20% rate: annual income up to EUR 82,962 (monthly income up to approximately EUR 6,913);
- 25% rate: annual income from EUR 82,962 to EUR 138,270 (monthly income between EUR 6,913 and EUR 11,523);
- 32% rate: annual income exceeding EUR 138,270 (monthly income above EUR 11,523).

#### INCOME NOT SUBJECT TO PROGRESSIVE TAXATION

The following types of income fall under exemptions and will not be subject to the newly introduced progressive personal income tax rates. Instead, they will be taxed at a flat rate of 15%:

- Income from distributed profit (dividends);
- Sickness, maternity, paternity, childcare, and long-term employment benefits;
- Income from the sale of shares (stocks, units) not acquired through an investment account, held for more than 5 years;
- Life insurance payouts;
- Payments received from a pension fund;
- Income received through an investment account;
- Income from employer-granted stock options (shares acquired under option agreements).

#### SPECIAL TAXATION REGIME FOR FARMERS' INCOME

- The portion of a farmer's total annual income – including both agricultural and non-agricultural income – up to 60 times the average gross monthly wage (approximately EUR 138,270) will be taxed at a 15% rate.
- The portion of a farmer's total annual income exceeding 60 times the average gross monthly wage (EUR 138,270) will be taxed at a 20% personal income tax rate.

#### INCOME THAT IS SUBJECT TO PROGRESSIVE TAXATION

Income earned from individual activity and business certificates is taxed as follows:

- Income from individual activity up to EUR 20,000 is taxed at a 15% rate, with an effective tax rate of 5% when the income tax credit is applied.
- Income from individual activity between EUR 20,000 and EUR 42,500 is taxed at a 20% rate, with the income tax credit reducing the effective rate to between 5% and 20%.
- Income from individual activity exceeding EUR 42,500 is subject to the progressive PIT rates.
- Income under a business certificate up to EUR 50,000 is taxed at a fixed income amount (previously, the threshold was EUR 45,000).
- Income under a business certificate exceeding EUR 50,000 is taxed at a 20% rate.

Other income is subject to tax:

- From employment or equivalent relationships (e.g., participation in a supervisory board, honoraria, members of a small partnership etc.)
- Income received from the sale of waste, not exceeding 12 times the average monthly wage, is taxed at a 5% rate.
- Real estate, if sold within 5 years of acquisition, is subject to progressive tax rates.

## ADDITIONAL NON-TAXABLE INCOME AMOUNT FOR PARENTS AND GUARDIANS

Starting 1 January 2027, permanent residents of Lithuania who are parents, adoptive parents, or permanent guardians raising children (including adopted children) under 18 years old will be eligible for an additional Non-Taxable Income Amount. This benefit will also apply to older children studying under the general education program until they reach 23 years of age.

The additional NPD will amount to **EUR 87** per month for each child, which totals **EUR 1 044** per year.

The NPD will be calculated during the annual personal income tax return, so taxpayers will not need to apply it monthly. There is also an option to split this additional NPD equally between parents or guardians, or allocate it according to their preference, except in cases where a child is raised by a single parent.

## Corporate Income Tax

### INCREASED CORPORATE INCOME TAX RATES

As of 1 January 2026, amendments to Lithuania's Corporate Income Tax Law will take effect, introducing revised tax rates and criteria for preferential treatment. The main change is the increase in the standard corporate income tax rate from 16% to 17%, affecting a broad scope of taxpayers.

The new 17% rate will apply to:

- The taxable profits of Lithuanian entities and the permanent establishments of foreign entities, unless preferential rates apply.
- Distributed profits, including dividends and other profit-sharing payments.
- Certain types of income from Lithuanian sources received by foreign entities not operating through a permanent establishment in Lithuania
  - such as income from real estate transactions, performances, sports activities, and participation in supervisory boards.
- Donations that are used for non-specified purposes under the Law on Charity and Sponsorship, or the portion of cash donations from a single donor exceeding 250 MGL;
- Other income categories as specified by the law.

The reduced 7% tax rate (up from 6%) will apply to:

- Small entities whose annual income does not exceed EUR 300,000, regardless of the number of employees.

- Cooperative societies deriving more than 50% of their annual income from agricultural activities.

### NEW DEPRECIATION FOR FIXED ASSETS

In Addition, a new corporate income tax incentive allows for the immediate deduction of certain fixed asset acquisition costs. This means that eligible assets can be fully expensed in the same tax year they are brought into use, helping businesses recover investments faster and reduce taxable profits.

It applies to the following asset groups:

- Machinery and equipment;
- Installations (buildings, boreholes, etc.);
- Computer equipment and communication devices (computers, networks, and related hardware);
- Software;
- Acquired rights;
- Freight vehicles, trailers, semi-trailers, and buses - not older than 5 years.

It is important to note that this incentive applies only if the asset is used in the company's operations for at least three years. If the asset is no longer used or is transferred before the three-year period (except in specific cases such as force majeure, legal requirements, or company reorganization), the income tax must be recalculated using standard depreciation rates.

## Security Contribution in Lithuania

### LITHUANIA TO ENFORCE SECURITY CONTRIBUTION LAW

As of 1 January 2026, a 10% security contribution will apply to non-life insurance premiums where the insurance risk is located in Lithuania. The contribution will be used to finance the State Defence Fund and must be paid by insurers.

#### **Subject to the contribution:**

- Non-life insurance premiums (10% rate applied).

### CHANGES ON VALUE ADDED TAX LAW

Starting 1 January 2026, the reduced 9% VAT rate will be eliminated and replaced by the standard 21% rate for:

- Thermal energy (heating);
- Hot water supplied to residential premises;
- Supplied firewood and wood products.

The VAT rate will be increased from 9% to 12% for:

- Accommodation services related to tourism activities;
- Passenger transport services and the transport of passenger luggage;
- Admission to all types of art and cultural institutions, as well as to art and cultural events.

The VAT rate will be reduced to 5%:

- For printed and electronic books, as well as printed and informational publications.

### CHANGES ON EXCISE TAXATION OF SWEETENED BEVERAGES

Starting in 2026, an additional excise tax will be introduced on sweetened beverages.

The excise tax will apply as follows:

- Sweetened beverages containing less than 8 g of added sugar per 100 ml will be subject to an excise rate of EUR 7.4 per hectolitre of product.
- Sweetened beverages containing 8 g or more of added sugar per 100 ml will be subject to an excise rate of EUR 21 per hectolitre of product.

#### **Exempt from the contributions:**

- Compulsory motor third-party liability insurance for individuals whose vehicles are not used for economic activities;
- Insurance covering property interests related to crops and/or plants.

Insurers must calculate, declare, and pay the contribution quarterly – by the 15th day of the month following each calendar quarter. The contribution is administered by the State Tax Inspectorate.

- Beverage concentrates will be taxed at EUR 105 per hectolitre if in liquid form, or EUR 4.3 per kilogram in other cases.
- Sweetened beverages containing both added sugars (up to 2.5 g / 100 ml) and sweeteners, or only sweeteners, will be subject to an excise rate of EUR 7.4 per hectolitre of product.

The excise tax on sweetened beverages will apply to registered excise taxpayers, importers of sweetened beverages, and individuals or businesses purchasing these products for commercial purposes. The tax period will be one calendar month, with the obligation to declare and pay the tax by the 15th day of the following month.

### CHANGES TO THE IMMOVABLE PROPERTY TAX

From 1 January 2026, individuals with a registered primary residence worth up to EUR 450,000 will be exempt from property tax. If the value exceeds this, municipalities may apply a 0.1%–1% tax on the excess, based on the owner's economic and social situation. For joint ownership, the threshold is EUR 900,000.

For other properties owned by individuals, excluding the primary residence progressive tax rates will apply:

- 0% for values up to EUR 50,000;
- 0.2% up to EUR 200,000;
- 0.4% up to EUR 400,000;
- 0.6% up to EUR 600,000;
- 0.8% up to EUR 1,000,000
- 1% for values exceeding EUR 1,000,000.

The municipal council may also set higher tax rates ranging from 1% to 5% on abandoned or neglected properties based on their taxable value.

A new 0.2% tax on commercial properties has been introduced, in addition to the property tax, which ranges from 0.5% to 3% set by municipalities.

Privately owned non-commercial premises (such as residential properties) that are rented out

or otherwise made available for use by legal entities or businesses will also be taxed as commercial property, subject to the newly introduced 0.2% rate.

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