

INDIVIDUAL TAXATION: LITHUANIA



INDIVIDUAL TAXATION IN LITHUANIA

1. General information

Worldwide income received by a Lithuanian tax resident is subject to PIT. However, only the following income sourced in Lithuania by a non-resident is subject to PIT:

- Employment-related income or income arising from substantially similar relations.
- Income from distributed profits and payments to the members of the Board or Supervisory Board.
- Interest income, except for interest received on government non-equity securities.
- Royalties.
- Income from sports activities, including income directly or indirectly related to those activities irrespective of whether the payment is made directly to the sportsman concerned or a third party acting on behalf of and for that sportsman.
- Income from performing activities, including income directly or indirectly related to those activities irrespective of whether the payment is made directly to the performing artist concerned or a third party acting on behalf of and for that performing artist.
- Income from the lease of immovable property located in Lithuania.
- Income from the sale or transfer of movable property if that object is subject to legal registration in accordance with the local regulations and such object is (or must be) registered in Lithuania, as well as income from the sale of immovable property located in Lithuania.
- Income derived from individual activities carried out through a fixed base, as well as income earned abroad that is attributed to that fixed base in Lithuania, where the said income is related to the activities of a non-resident through the fixed base in Lithuania.
- Compensation for copyright infringement.

1.1 Personal income tax rates

PIT at a 20% rate is applied to income amounts not exceeding EUR 101,094 per calendar year in 2023 and at a 32% rate for the exceeding part for:

- employment-related income
- payments to the members of the Board or Supervisory Board
- income derived under copyright agreements (when it is received from the company that is also the employer of individual), and
- income under civil agreement received by a manager of small partnership who is not a member of such small partnership.

Income from profit distribution (e.g. dividends) is taxable at a flat PIT rate of 15%.

Individual activity income is taxed depending on the amount of income received. PIT calculated at the 15% flat rate on taxable income is reduced by applying a PIT credit, calculated according to special formulas (effective rate may vary from 5% to 15%).

Please see Business Income in the Income determination section for more information.

Other income not specified above is taxed at a PIT rate of 15% if income amounts do not exceed EUR 202,188 per calendar year. A 20% PIT rate is applicable to income exceeding this threshold.

1.2 Residence

Individuals are treated as Lithuanian tax residents if:

- An individual whose permanent place of residence during the tax period is in Lithuania.
- An individual whose personal, social, or economic interests during the tax period may be in Lithuania rather than in a foreign country.
- An individual who stays in Lithuania, continuously or intermittently, for 183 or more days during the tax period.
- An individual who stays in Lithuania, continuously or intermittently, for 280 or more days during a number of successive tax periods and who, during one of such periods, stayed in Lithuania, continuously or intermittently, for 90 or more days.
- An individual who is a Lithuanian citizen and does not satisfy the criteria set out in (3) or (4) above where such individual receives one's remuneration for work under an employment contract or any other substantially similar contract and has the costs of living in another country covered from the state or municipal budgets of Lithuania.

2. Social security contributions (SSC)

The following income is subject to SSC and health insurance contributions (only the main types of income are commented):

- Income derived under employment agreements: Social security contributions at 1.45% to 2.71% (for time limited employment agreements at 2.17% to 3.43%) are applied to employers (no threshold applies), and social security contributions at 19.5% (including health insurance contributions at 6.98%) are withheld from employees' income of EUR 101,094 per calendar year. A 6.98% rate applies above this threshold, withheld from the employee. Employers (with certain exceptions) also pay an additional contribution to the Guarantee Fund amounting to 0.16% and to the Long-term Employment Fund amounting to 0.16% on employee remuneration.
- Income from distributed profits and other remuneration received by the members of the Board or Supervisory Board: Individuals are subject to social security contributions at 15.7% up to income of EUR 101,094 and 6.98% (health insurance contribution) above this threshold.
- Income received from individual activities, except for income derived under business certificates: Social security contributions at 19.5% (including health insurance contributions at 6.98%) are applied to individuals. Social security and health insurance taxes are paid from 90% individual activity income overall (not profit).
- Income received from individual activities derived under business certificates: Social security contributions at 15.7% (including 6.98% of health insurance contribution) are paid by individual per month on the amount of official minimum monthly salary amount in force.

- Income derived from sports activities, performers' activities, and under copyright agreements (when it is received from the company that is also the employer of such individual): Income is subject to the same rates and thresholds for the company and individual as stated above for employment agreements (the additional contributions to the Guarantee Fund and Long-term Employment Fund are not applicable).
- Income derived from sports activities, performers' activities, and under copyright agreements (when it is received from the company that is not the employer of such individual): Social security contributions at 19.5% (including health insurance contributions at 6.98%) are applied to individuals. The social security contributions base is limited to 50% of taxable income. The aforementioned income subject to social security contributions derived from one company cannot exceed EUR 72,450.70 per year.

Individuals are also able to choose to additionally contribute for pension to the second-tier pension fund. Not contributing individuals under 40 years old as at 1 January of the respective year who are included in the register of insured individuals on 2 January of the same year are automatically involved in the participation in such pension accumulation system (such involvement will be performed every three years); however, they are allowed to choose whether to participate or not. Individuals over 40 years old are able to choose such a participation voluntarily.

Individuals who did not historically participate in this pension accumulation system are able to start contributing from the lowest contribution rate amounting to 2.7%, which will increase to 3% in 2023. The state respectively adds the contribution of 1.2% on the state average remuneration amount, which will increase up to 1.5% in 2023. Such individuals are also able to choose to contribute at the highest rate of 3% (with a subsidy of the state at 1.5%) from the beginning of enrolment to such system.

There is also an option to pay higher contributions (above 3%) either by individuals themselves or their employers. Such expenses are PIT deductible for individuals and corporate income tax (CIT) deductible for employers.

Social security returns should be submitted by employers on a monthly basis by the 15th day of the following month, and the contributions should be paid on a monthly basis by the 15th day of the following month. The social security returns must be submitted electronically.



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