NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue:
2024

Tax changes of 2024 at a glance

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Read in this issue:

Value Added Tax

EXPIRY OF THE APPLICATION OF THE REDUCED VAT RATE OF 9 % ON CATERING SERVICES

The reduced VAT rate of 9 % on catering services provided by restaurants, cafés, and takeaways expires on 31 December 2023. From 1 January 2024, instead of the reduced VAT rate of 9 %, the standard VAT rate of 21 % will apply.

APPLYING FOR A VAT REFUND ONLY ELECTRONICALLY

According to the Order of the Head of the State Tax Inspectorate (hereinafter – tax authorities) No 339 of 25 November 2023, from 1 January 2024 a taxable person located outside the territory of the European Union (hereinafter – EU) can apply for a refund of VAT paid in Lithuania **only** electronically, via “*Mano VMI*”.

Corporate Income Tax

EXTENTED APPLICATION OF THE CORPORATE INCOME TAX INCENTIVES

The Parliament of the Republic of Lithuania (hereinafter - Seimas) has approved the extension of the application of tax incentives for investment projects and film production until the end of the year 2028:

– Taxable entities engaged in investment projects and investing in technological renewal can reduce taxable income by expenses meeting specified requirements up to 100 % for the tax periods from 2019 to 2028.

– Non-repayable funds granted to a Lithuanian film producer for film production in Lithuania may be deducted from taxable income (from 2019 to 2028).

THE LIST OF TARGET TERRITORIES HAS BEEN SUPPLEMENTED WITH THE RUSSIAN FEDERATION

The Ministry of Finance, starting from 1 December 2023, has included the Russian Federation into the list of the Target Territories. This is an additional factor restricting economic relations. Due to this, the most incentives will not be applicable to payments to, or income received from, Russia, and there is a requirement to provide more evidences to support allowable deductions. Additionally, debts for goods that remain unpaid may be subject to taxation. It is important to note that due to the inclusion of the Russian Federation into the list of Target Territories, some tax privileges established in the Personal Income Tax (hereinafter – PIT) Law will not be applicable as well.

CORPORATE INCOME TAX INCENTIVE FOR LARGE INVESTMENT PROJECTS

From 1 July 2024, a corporate income tax incentive will be applied for large investment projects with less employees. The incentive will be granted to companies creating new jobs ranging from 20 to 149 (in Vilnius, from 20 to 199).

Currently, such companies can be exempt from corporate income tax for up to 20 years. Large investment projects are considered those that create at least 150 (in Vilnius, 200) jobs, maintained for a minimum of 5 years, with an invested amount of EUR 20 million (in Vilnius, EUR 30 million) or more, sourced from private funds.

THE TRANSPOSITION OF THE „PILLAR TWO“ DIRECTIVE INTO NATIONAL LAW

The forthcoming changes in the taxation landscape involve the transposition of Directive 2022/2523, known as the "Pillar Two" directive, into Lithuanian national law. This directive, effective from January 1, 2024, aims to ensure a global minimum taxation level for multinational enterprise groups and large local entity groups within the European Union.

Under this directive, companies that are members of groups with a consolidated global turnover exceeding EUR 750 million may face additional taxation if their effective corporate income tax rate in any country falls below 15 %. Even if a country maintains a standard corporate income tax rate of 15 % or higher, the effective rate could still be below the minimum requirement due to the application of various corporate tax incentives.

A revised draft for the transposition of this directive into national law has been prepared. The Ministry of Finance proposes to implement part of this directive's provisions necessary for the effective functioning of international taxation principles set by the directive at the EU level. However, the application of the main international taxation rules in Lithuania is suggested to be deferred for a six-year period.

Despite this deferral, Lithuanian companies will still be obligated to calculate the effective corporate income tax and share this information with tax authorities of other countries. This implies that any taxes unpaid in Lithuania might still need to be settled in other states that implement these rules.

Personal Income Tax

CHANGES IN PERSONAL INCOME TAX AND STATE SOCIAL INSURANCE CONTRIBUTION RATES, MINIMUM MONTHLY SALARY AND NON-TAXABLE INCOME AMOUNT

The main amounts for 2024 that affect the calculation of the personal income tax (hereinafter – PIT) and the state social insurance (hereinafter – Sodra) contributions:

	2023	2024
MMS	EUR 840	EUR 924
MHS	EUR 5,14	EUR 5,65
AMS	EUR 1 684,90	EUR 1 902,70
TEA (max)	EUR 625	EUR 747
The annual TEA does not apply when the annual income exceeds	EUR 34 370,67	EUR 34 370,67
Monthly TEA is not applicable when monthly income exceeds:	EUR 2 864,22	EUR 2 864,22
Sodra ceiling for self-employed persons	43 AMS – EUR 72 450,70	43 AMS – EUR 81 816,10
Employment-related income		
The PIT 20% rate applies until:	60 AMS – EUR 101 094	60 AMS – EUR 114 162
The PIT 32% rate applies from:	60 AMS – EUR 101 094	60 AMS – EUR 114 162
Sodra's max	60 AMS – EUR 101 094	60 AMS – EUR 114 162

The explanation on this table is provided below.

On 21 November 2023, the Seimas adopted the Law on the budget of the State Social Insurance for 2024, where the average monthly salary (hereinafter - AMS) for the year 2024 at EUR 1 902.70 has been established.

Additionally, in 2024, there is an increase in the minimum monthly salary (hereinafter – MMS) to EUR 924 and the minimum hourly salary (hereinafter – MHS) to EUR 5.65.

Due to the increased MMS, the mandatory health insurance contributions also have been increased increase, reaching EUR 64.50 per month in 2024.

Moreover, due to the increased MMS and MHS, the calculation rules of daily allowances for business trips abroad have been adjusted. As of 1 January 2024, the whole amount of the monthly daily allowances for business trip abroad is not taxed if:

- the employee's gross salary is equal to or exceeds EUR 1 524.60 (MMS (EUR 924)) multiplied by a coefficient of 1.65);
- the employee is subject to an hourly tariff rate equal to or higher than EUR 9,3225 (MHS (EUR 5.65)) multiplied by a coefficient of 1.65).

When the determined gross salary or hourly tariff rate for the employee is less than these amounts, the total amount of non-taxable monthly daily allowances must be equal or less than 50% of the determined employee's gross salary. Any amount of daily allowances exceeding 50 % of gross salary is taxed in as employment income.

The tax-exempt amount of income (hereinafter – TEA) has been increased to EUR 747 per month. A higher TEA will apply to individuals whose monthly salary is up to EUR 2 167; for those who earn more, the calculation of the TEA remains unchanged:

- A resident whose monthly salary does not exceed one MMS (EUR 924); the TEA is EUR 747 per month;
- If the monthly salary exceeds MMS but does not exceed EUR 2 167, the following formula applies:
  TEA = 747 - 0.5 x (gross salary amount - 924);

- If the monthly wage exceeds EUR 2 167, the following formula applies: TEA = 400 - 0.18 x (gross salary amount - 642).

The net salary of employees receiving the minimum salary is increased by EUR 84 due to the changed MMS and TEA formula.

CHANGES TO THE RESIDENT INCOME TAX COMPONENT, WITH A 1,2 % SUPPORT

From 1 January 2024, the list of recipients eligible for allocation of the 1.2 % of PIT paid by residents has been expanded by including Lithuanian communities, institutions, or organizations established abroad.

Additionally, political committees, not just political parties, are now eligible to receive the support amounting to 0.6 % of the paid PIT.

The Seimas removed from the list of recipients, individuals involved in managing extreme situations and their consequences, primarily consisting of healthcare professionals and volunteers. Changes are implemented to ensure a more transparent accounting of support and charity.

TRAVEL TO AND FROM WORKPLACE BY COMPANY CARS IS CONSIDERED AS TAXABLE INCOME

Lithuanian tax authorities have revised the commentary on Article 9 of the PIT Law, stating that the use of a company car for travelling to and from workplace is now considered as taxable in-kind income. This provision does not apply if, due to work functions, an employee may need to use a company car to travel to work at any time of the day.

Excise Duty

EXCISE DUTY REDUCTIONS FOR ETHYL ALCOHOL AND ALCOHOLIC BEVERAGES

Starting from 1 January 2024, the following provisions will be in effect:

- Excise duties for imported ethyl alcohol and/or alcoholic beverages will not be applicable when acquired from a Lithuanian Republic warehouse by a Registered Person engaged in fragrance production, who obtains or imports aromatic substances from another Member State (provided they are not manufactured on-site);

- No excise duties will be imposed on ethyl alcohol and/or alcoholic beverages imported or obtained from another Member State, intended to produce chocolate products and other foodstuffs, under the following conditions:

  - Consumption of no more than 8.5 liters of pure ethyl alcohol for every 100 kg (net) of chocolate products;
  - Consumption of no more than 5 liters of pure ethyl alcohol for every 100 kg (net) of other products;
  - Acquisition of ethyl alcohol and/or alcoholic beverages from a warehouse in the Republic of Lithuania or importation from another Member State by a Registered Person engaged in the production of chocolate products and other foodstuffs.

- A new excise duty exemption for ethyl alcohol used in scientific research will come into effect from 1 January 2024. Excise duties will not be levied when ethyl alcohol is acquired from a Lithuanian warehouse or imported from another Member State by a Registered Person authorized to conduct scientific research, and the ethyl alcohol is intended for scientific research.

Please note that persons which want to get excise duty refunds can submit applications only electronically through the tax authority’s website "*Mano VMI*"

OTHER EXCISE DUTY INNOVATIONS FOR 2024

- The Lithuanian tax authorities have provided a list of orders related to excise duty exemptions that have been repealed from 1 January 2024.

- From 18 January 2024, trading with fuel marked by the label "Solvent Yellow 124" will be prohibited, as such fuel is considered as improperly marked.

EXCISE DUTY CHANGES FROM 2023

Product subject to excise duty	Excise duty rate in 2023	Excise duty rate from 1 January 2024
Beer 1%	EUR 8,60 / hl	EUR 9,46 / hl
Wine and other fermented beverages up to 8,5% strength	EUR 93 / hl	EUR 109 / hl
Wine and other fermented beverages of an alcoholic exceeding 8,5% strength	EUR 199 / hl	EUR 219 / hl
Intermediate products up to 15% strength	EUR 216 / hl	EUR 234 / hl
Intermediate products above 15% strength	EUR 308 / hl	EUR 333 / hl
Ethyl alcohol 100%	EUR 2 310 / hl	EUR 2 467 / hl
Cigarettes: Minimum excise duty rate Specific element of the excise duty	EUR 130 / 1 000 units. EUR 79,60 / 1 000 units.	EUR 138 / 1 000 units. EUR 85,30 / 1 000 units.
Cigars and cigarillos	EUR 79 / kg	EUR 95 / kg
Smoking tobacco, unmanufactured tobacco	EUR 104,60 / kg	EUR 112,80 / kg
Heating tobacco products	EUR 60,20 / 1 000 units.	EUR 79,50 / 1 000 units.
Electronic cigarette liquid	EUR 0,19 / ml	EUR 0,25 / ml

From 1 January 2024, excise duties for all types of alcoholic beverages (beer, wine from fresh grapes, and other fermented beverages, intermediate products) and ethyl alcohol, as well as tobacco products and smoking materials (cigarettes, cigars, and cigarillos, smoking tobacco, chewing tobacco, untreated tobacco), and e-cigarette liquid are changing (increasing).

Above is a comparative table of excise rates for 2024 compared to the excise rates for 2023.

INFORMATION REGARDING EXCISE DUTY REDUCTIONS FOR DIESEL FUEL USED IN AGRICULTURAL ACTIVITIES

From 1 January 2024, the amendment to Article 37, paragraph 3, of the Excise Tax Law comes into effect. Due to this change, to benefit from the excise duty reduction for diesel fuels intended for use in agricultural activities, the following conditions must be met:

– Diesel fuels, as before, must be used to produce agricultural products or for corresponding aquaculture or commercial fishing activities in inland waters.

– Diesel fuels must be used in agricultural machinery (including tractors) or, respectively, in the engines of fishing vessels. Various equipment that may be used in the production of agricultural products but is manufactured for various agricultural branches or other purposes will no longer be classified under the category of agricultural machinery.

Tax Administration Law

PLATFORM OPERATORS START TO PROVIDE INFORMATION TO THE LITHUANIAN TAX AUTHORITIES ABOUT SELLERS' INCOME

From 1 January 2023, platform operators required to accumulate data on the income received and all deducted or accrued taxes and commissions of legal and natural persons trading through platforms. Platform operators must submit accumulated data to tax authorities for every year until 31 January of the next year. The first data submission to the tax authorities scheduled until 31 January 2024.

INNOVATIONS OF THE SMART ELECTRONIC CASH REGISTER POINT OF SALE (POS) SYSTEM i.EKA

From 1 May 2024, users of old cash registers (those still using electronic cash registers excluded from the list of permitted i.EKA models in 2019) must install the new smart electronic cash register point of sale (POS) system i.EKA. Cash registers should be modernized by supplementing them with new security and data transmission modules.

STORAGE AND SUBMISSION OF INTERNATIONAL PAYMENT TRANSACTION DATA TO THE LITHUANIAN TAX AUTHORITIES

From 1 January 2024, providers of payment services in Lithuania will be required to accumulate and store data on international payment transactions conducted through them, and submit this information to the Lithuanian tax authorities under the following conditions:

- More than 25 international transactions have been executed for the same recipient;
- Payments are received from another EU Member State, or the payment is made to a third territory or a third country.

Providers are obliged to diligently present the data on international transactions to the tax authorities for every calendar quarter, ensuring compliance with the deadline, which is set no later than the end of the month following the last month of the respective calendar quarter.

Other News

NEW INTRASTAT TRESHOLDS

The Director-General of the Lithuanian Statistics Department has approved the new Intrastat thresholds, which will be applicable from 1 January 2024:

Reporting thresholds:
- Acquisitions – EUR 550,000 (was EUR 500,000);
- Dispatches – EUR 400,000 (was EUR 300,000).

Reporting thresholds are the amounts above which VAT taxpayers are obligated to submit reports on the acquisition or supply of goods to/from EU Member States.

Statistical value reporting thresholds remain the same as in 2023:
- Acquisitions – EUR 7 M;
- Dispatches – EUR 10 M.

Statistical value reporting thresholds are the amounts above which VAT taxpayers are obliged to report the statistical values of acquired and/or dispatched goods.

DOUBLE TAXATION AVOIDANCE AGREEMENTS

There are no new double taxation avoidance agreements (hereinafter - DTAs) that become applicable since 1 January 2024. Thus, Lithuania currently applies DTAs concluded with 58 countries.

However, it is essential to note that on 30 September 2022, Lithuania and Germany signed the Protocol partially amending the Agreement for the avoidance of double taxation with respect to taxes on income and on capital of 22 July 1997 concluded between the Republic of Lithuania and the Federal republic of Germany (hereinafter – Agreement). The Protocol has entered into force since 1 January 2024. It introduces changes to the Agreement in line with measures endorsed by the Organisation for Economic Co-operation and Development (OECD) in 2015, as well as by the leaders of G20 countries. These measures aim to combat base erosion and profit shifting, preventing abusive practices in the field of tax treaties.

This document provides a summary of the tax news for 2024. If you require a more extensive analysis, please contact us.

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