Rödl & Partner

NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue: 2025

Tax changes of 2025 at a glance

www.roedl.com/lithuania | www.roedl.lt

Rödl & Partner

NEWSLETTER LITHUANIA

SUCCESSFUL TOGETHER

Issue: 2025

Read in this issue:

→ Tax changes of 2025 at a glance

Value Added Tax

DRAFT VAT LAW ON CHANGES TO TAXATION RULES FOR SMALL BUSINESSES

From 1 January 2025, amendments to the VAT Directive 2006/112/EC have been implemented across the European Union. These amendments provide small businesses with the option to apply a new VAT taxation regime. Under the new rules, small businesses conducting trade or providing services in other EU countries may be exempt from paying VAT if the following three essential conditions are met:

- The VAT registration threshold in the respective Member State is not exceeded;
- The annual turnover across the entire EU does not exceed EUR 100,000;
- The business holds a VAT identification number with the "EX" designation issued by the State Tax Inspectorate (hereinafter – tax authorities).

Lithuania has not yet incorporated these directive amendments into its legislation, but a draft law has been prepared. These provisions are expected to be implemented in Lithuania by 2026.

AMENDMENT TO VAT LAW COMMENTARY REGARDING VAT EXEMPTION FOR UNFINISHED BUILDINGS

On 4 December 2024, the Lithuanian tax authorities Director's Order amended Article 32 of the VAT Law commentary, stipulating that unfinished buildings used for more than two years can be considered old buildings (completed or substantially improved more than 24 months ago) and are thus exempt from VAT when sold.

This amendment is relevant to individuals and non-VAT taxpayers selling residential buildings registered as unfinished in the Real Estate Register.

For example, a 75% completed residential building used for more than 24 months may be sold VAT-free.

Usage can be proven with evidence such as declared residence, utility bills, sale advertisements, photos, or other proof.

Corporate Income Tax

AMENDMENT TO THE CORPORATE INCOME TAX LAW ON INCREASED TAX RATE

Effective 1 January 2025, amendments to the Corporate Income Tax Law introduce new tax rates: Standard 16% tax rate applied to:

- Taxable profits of Lithuanian entities (except where the 6% or 0% rate applies) and permanent establishments of foreign entities.
- Income from Lithuanian sources earned by foreign entities not operating through a permanent establishment (e.g., income from real estate sales, performance activities, sports activities, and supervisory board memberships).
- Dividends and other distributed profit income.
- Donations used for non-specified purposes and cash donations exceeding EUR 250,000.
- Revenue from maritime companies choosing a fixed profit tax on international shipping income.

Reduced 6% tax rate applied to:

- Small enterprises with fewer than 10 employees and annual revenue not exceeding EUR 300,000 (applicable from the second tax period).
- Cooperative societies (cooperatives) deriving more than 50% of their revenue from agricultural activities.
- Profits from intellectual property created through research and development.

AMENDMENT TO THE CORPORATE INCOME TAX LAW ON SECTORAL TAX INCENTIVES

From 1 January 2025, some sector-specific tax incentives have been abolished:

- Income from healthcare services will now be taxable regardless of the payment source, including the Compulsory Health Insurance Fund. Related costs will be recognized as deductible expenses.
- Life insurance premiums received by insurance companies for policies lasting at least 10 years or payable at retirement under pension accumulation laws will be treated as taxable service income. Related costs will be recognized as deductible expenses. However, the portion of

premiums invested for the benefit of the policyholder or beneficiary will remain tax-exempt.

AMENDMENT TO THE CORPORATE INCOME TAX LAW ON RESTRICTIONS FOR LIGHT VEHICLE ACQUISITION AND LEASING EXPENSES

Effective 1 January 2025, expenses for the acquisition and leasing of light vehicles will be classified as limited allowable deductions for corporate income tax purposes.

Restrictions will depend on vehicle CO_2 emissions and will only apply to newly acquired vehicles.

CO_2 Emission Ranges:	EUR
0 g/km	75,000
Exceeds 0 g/km but does not exceed 130 g/km	50,000
Exceeds 130 g/km but does not exceed 200 g/km	25,000
Exceeds 200 g/km	10,000

The restrictions will not apply if the rental agreement is short-term or concluded through an electronic platform (e.g., car-sharing services). Additionally, the restrictions will not apply to vehicles used for driving instruction or for providing passenger and cargo transportation services.

Personal Income Tax

AMENDMENT TO THE LAW ON PERSONAL INCOME TAX REGARDING PERSONAL INCOME TAX AND STATE SOCIAL INSURAMENDMENT TO THE LAW ON PERSONAL INCOME TAX REGARDING PERSONAL INCOME TAX AND STATE SOCIAL INSURANCE CONTRIBUTION RATES, MINIMUM MONTHLY WAGE AND TAX-FREE INCOME AMOUNT

The main amounts for 2025 that affect the calculation of the personal income tax (hereinafter – PIT) and the state social insurance (hereinafter – Sodra) contributions:

	2024	2025
MMS	EUR 924	EUR 1 038
MHS	EUR 5,65	EUR 6,35
AMS	EUR 1 902,70	EUR 2 108,88
TEA (max)	EUR 747	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 81 816,10	43 AMS – EUR 90 681,84
Employment-related income		
The PIT 20% rate applies until:	60 AMS – EUR 114 162	60 AMS – EUR 126 532,8
The PIT 32% rate applies from:	60 AMS – EUR 114 162	60 AMS – EUR 126 532,8
Sodra's max	60 AMS – EUR 114 162	60 AMS – EUR 126 532,8

The explanation on this table is provided below.

On 10 December 2024, the The Parliament of the Republic of Lithuania (hereinafter – Seimas) adopted the Law on the budget of the Sodra for 2025, where the average monthly salary (hereinafter – AMS) for the year 2025 at EUR 2 108,88 has been established.

Additionally, in 2025, there is an increase in the minimum monthly salary (hereinafter – MMS) to EUR 1 038 and the minimum hourly salary (hereinafter – MHS) to EUR 6,35.

Due to the increased MMS, the mandatory health insurance contributions also have been increased increase, reaching EUR 72,45 per month in 2025.

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 2025, 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 1 712,7 (MMS (EUR 1 038) multiplied by a coefficient of 1.65);
- the employee is subject to an hourly tariff rate equal to or higher than EUR 10 4775 (MHS (EUR 6,35) 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 or income similar to employment.

The tax-exempt amount of income (hereinafter – TEA) has been increased to EUR 1 038 per month. A higher TEA will apply to individuals whose monthly salary is up to EUR 2 387,29; for those who earn more, the calculation of the TEA remains unchanged:

- A resident whose monthly salary does not exceed one MMS (EUR 1 038); the TEA is EUR 747 per month;

If the monthly salary exceeds MMS but does not exceed EUR 2 387,29, the following formula applies:

- TEA = 747 - 0.4,9 x (gross salary amount – 1 038);
- If the monthly wage exceeds EUR 2 387,29, 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 114 due to the changed MMS and TEA formula.

PIT LAW COMMENTARY CHANGES REGARDING TAX RELIEF FOR INSURANCE PREMIUMS AND PENSION FUND CONTRIBUTIONS

Effective 31 December 2024, amendments to the PIT Law commentary specify that tax relief will no longer apply to new life insurance and third-pillar pension fund agreements signed after this date. However, contracts signed before the end of 2024 will continue to benefit from the relief for 10 years (until the end of 2034), provided annual contributions do not exceed EUR 1 500.

This relief allows taxpayers to reduce taxable income by the amount of contributions, subject to set limits. Life insurance payouts will continue to be made under existing rules, whether triggered by an insured event or upon contract maturity.

For second-pillar pension funds, PIT relief remains unchanged, provided residents make additional contributions exceeding 3% of their salary (under Article 21 of the PIT Law). For third-pillar pension funds and life insurance, relief will no longer apply, although contracts and contributions may still be made without the option to reclaim PIT. Lithuanian tax authorities will receive information about contributions from insurance companies and pension fund managers. If contributions are made abroad, the taxpayer must provide evidence to claim the relief.

PIT LAW COMMENTARY CHANGES REGARDING ALLOCATION OF DONATIONS TO NON-GOVERNMENTAL ORGANIZATIONS

Effective 1 January 2025, amendments to the PIT Law commentary stipulate that PIT donations can only be allocated to non-governmental organizations (NGO) meeting the requirements of the Lithuanian Law on the Development of NGO. These organizations must be registered in the Legal Entities Register, carry the designation "non-governmental organization," and have beneficiary status under the Charities and Sponsorship Law.

Per Article 2(3) of the NGO Development Law, an NGO is a public legal entity established voluntarily and operating independently of state or municipal institutions for the benefit of society or specific groups. Such organizations must not pursue political power or solely religious purposes.

Consequently, budgetary institutions, gardening associations, homeowner associations, family homes, and other legal entities not recognized as NGOs will no longer be eligible to receive PIT donations.

ADDITION TO THE PIT LAW – INVESTMENT ACCOUNT

From 1 January 2025, an investment account system was introduced in Lithuania under the PIT Law amendment to encourage individual investments in financial markets and simplify tax compliance.
Income generated through the investment account may include:

- Interest;
- Income from the sale of securities;
- Money market instruments;
- Collective investment securities;
- Derivative financial instruments;
- Crowdfunding;
- Peer-to-peer lending;
- Savings bonds issued by Lithuanian and foreign governments.

To open an investment account, taxpayers must notify the tax administrator of the account's purpose and confirm it will be used solely for investment activities. Such accounts can be opened in Lithuanian or foreign financial institutions, but everyone is limited to one investment account. Specific investment accounts, such as securities accounts, are preferred, while regular or deposit accounts are unsuitable since withdrawing funds may create tax obligations. These provisions apply only to permanent residents of Lithuania (tax residents).

PIT will only be payable on profits exceeding the initial investment when funds are withdrawn from the account. Reinvested profits will not be taxed annually, enabling more effective wealth accumulation. However, individuals must annually declare information about deposited and withdrawn funds, as well as account balances. This innovation aims to facilitate attractive and transparent investment opportunities while ensuring accountability.

Excise Duty

EXCISE DUTY CHANGES FROM 2025

From 1 January 2025, 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).

Product subject to excise duty	Excise duty rate in 2024	Excise duty rate from 1 January 2025
Beer 1%	EUR 9,46 / hl	EUR 10,97 / hl
Wine and other fermented beverages up to 8,5% strength	EUR 109 / hl	EUR 127 / hl
Wine and other fermented beverages of an alcoholic exceeding 8,5% strength	EUR 219 / hl	EUR 254 / hl
Intermediate products up to 15% strength	EUR 234 / hl	EUR 292 / hl
Intermediate products above 15% strength	EUR 333 / hl	EUR 370 / hl
Ethyl alcohol 100%	EUR 2467 / hl	EUR 2778/ hl
Cigarettes: Minimum excise duty rate Specific element of the excise duty	EUR 138 / 1,000 units. EUR 85,30 / 1,000 units.	EUR 149,7 / 1,000 units. EUR 92,6 / 1,000 units.
Cigars and cigarillos	EUR 95 /kg	EUR 109,7 / kg
Smoking tobacco, unmanufactured tobacco	EUR 112,8 / kg	EUR 123,5 / kg
Heating tobacco products	EUR 79,50 / 1,000 units.	EUR 89,4 / 1,000 units.
Electronic cigarette liquid	EUR 0,25 / ml	EUR 0,63 / ml

Above is a comparative table of excise rates for 2025 compared to the excise rates for 2024.

AMENDMENT TO THE EXCISE DUTY LAW – INTRODUCTION OF THE CARBO DIOXIDE COMPONENT

As of 1 January 2025, amendments to the Excise Duty Law introduced a new excise tax component, the Carbon Dioxide (CO_2) component. A portion of this tax will be allocated to the Lithuanian Defense Fund. These amendments are defined in the newly added Appendix 3 to the Excise Duty Law, which specifies the CO_2 component rates for energy products in 2025, expressed in euros.

Key aspects of the amendments include:

- Exemptions for Energy Products Used in Specific Applications: The CO_2 component will not apply to energy products used for heating or in stationary installations, provided these are consumed by energy-intensive legal entities whose activities are listed in Appendix 1 of the Climate Change Management Financial Instruments Law.
- Criteria for Energy-Intensive Legal Entities: a legal entity qualifies as energy-intensive if the cost of purchased energy products and electricity or the cost of self-produced energy accounts for at least 3% of the entity's production value over a calendar year. Alternatively, the excise duty payable for energy products and electricity accounts for at least 0.5% of the difference between the entity's total VAT-taxable sales and purchases.

The table provides specific CO_2 component values for energy products for the year 2025:

Energy Products	EUR 2025
Petrol: EUR / 1 000 l	47
Kerosene: EUR/1 000 l	53,6
Gas oil (combined nomenclature codes 2710 19 91 – 2710 19 99 energy products): EUR/1,000 l Liquid fuel as specified in Article 38(2) of the Excise Duty Law: EUR/1 000 l	53.6
Skystasis kuris (mazutai, orimulsija) EUR/t.	68,6

Petroleum gases and gaseous hydrocarbons (excluding natural gas): EUR/t	66,8
Coal: EUR/t	40,4
Coke and lignite: EUR/t	71
Peat for heating purposes: EUR/t	24,8

These rates ensure transparent and predictable application of the CO_2 component, supporting Lithuania's environmental and fiscal objectives while allocating resources to the Defense Fund.

AMENDMENT TO THE EXCISE DUTY LAW – SECURITY COMPONENT

Starting 1 January 2025, with the amendments to the Excise Duty Law new component of the excise tax – the security component – will come into effect. A portion of this component will be allocated to the Defense Fund of the Republic of Lithuania.

The security component will apply to gas oil used in agricultural activities, including aquaculture or commercial fishing in inland waters. It also applies to the production of agricultural products as defined in the Law on Agriculture, Food Economy, and Rural Development of Lithuania. In such cases, a special excise rate will be applied, which must not exceed the quantities of gas oil set by the Government (measured at 15°C) per year.

Established rates:

- Fixed component – EUR 60 per 1 000 liters of product.
- Variable component (security component) – EUR 25 per 1 000 liters.

Other News

AMENDMENT TO THE LAW REGARDING THE EXTENSION OF THE TEMPORARY SOLIDARITY CONTRIBUTION FOR 2025

On 18 June 2024, the Parliament of the Republic of Lithuania adopted amendments to the law extending the application of the temporary solidarity contribution until 2025. This contribution will apply to all banks established and operating in the Republic of Lithuania, as well as to bank branches and financial groups of central credit unions licensed in other European Union Member States.

The payment period for 2025 covers the calendar year, ending on 31 December 2025. The tax base is calculated based on the financial statements of the contribution payers, prepared in accordance with the regulations governing their activities. It is based on net interest income that exceeds 50% of the average net interest income recorded over a four-year period from 1 January 2019 to 31 December 2022, multiplied by a coefficient.

Additionally, contribution payers are required to make an advance payment, which is calculated and paid for each quarter of the payment period.

ADOPTION OF THE LAW ON THE MANDATORY REPORTING OF DATA ACCORDING TO THE OECD “PILLAR 2” REQUIREMENTS

On 1 July 2024, the Law on the Assurance of the Level of Entities of the Republic of Lithuania came into effect, partially implementing and transposing the provisions of the Council of the European Union Directive 2022/2523 of 14 December 2022.

This directive applies to international corporate groups and large domestic corporate groups whose annual consolidated revenue exceeds or equals EUR 750 million in at least two of the last four financial years. The directive’s requirements apply if the activities of such groups are taxed at an effective rate of less than 15% in any jurisdiction.

The law stipulates that the minimum 15% rate will be ensured by applying one of the following measures:

- Income inclusion rule
- Undertaxed profits rule
- Local additional tax as specified in the jurisdiction’s legal acts.

It is important to note that the local additional tax can only be applied if no exemptions or provisions are in place that would reduce the effectiveness of this taxation.

Moreover, Lithuania has only partially transposed this directive, taking advantage of the option under Article 50 of the directive to delay the application of the IIR and UTPR rules for up to six years.

ADOPTION OF AN ORDER MODIFYING THE INTRASTAT BOUNDARIES

The Director-General of the Lithuanian Statistics Department has approved the new Intrastat thresholds, which will be applicable from 1 January 2025.

Reporting thresholds:

– Acquisitions – EUR 570,000 (was EUR 550 000);
– Dispatches – EUR 400 000 (was EUR 400 000).

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 2024:

– Acquisitions – EUR 7 million;
– Dispatches – EUR 10 million.

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

CONTACT FOR FURTHER INFORMATION:

Rūta Bilkštytė
Head of Tax
T +370 5 212 3590
ruta.bilkstyte@roedl.com

Tomas Ptašnykas
Tax Consultant
T +370 5 2123 590
tomas.ptasnykas@roedl.com

Romualdas Klimas
Tax Consultant Assistant
T +370 5 2123 590
romualdas.klimas@roedl.com

Follow other news on our LinkedIn profile ».

Imprint

Publisher:
Rödl & Partner UAB
Tilto str. 1
LT-01101
Vilnius
Lithuania
T +370 5 212 3590
www.roedl.lt

Responsible for the content:
Rūta Bilkštytė
ruta.bilkstyte@roedl.com

Tomas Ptašnykas
tomas.ptasnykas@roedl.com

Romualdas Klimas
romualdas.klimas@roedl.com

Layout:
Lina Pradkelienė
lina.pradkeliene@roedl.com