



KEY TAX CHANGES 2024

JANUARY 9, 2024

LITHUANIA | LATVIA | ESTONIA

- Registration needed
- 3:00-4:30 PM
- Free
- Online

Big thanks to our webinar partners!



Key tax changes Lithuania

2023-2024

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Lithuania – 2024 Tax rates at glance

Corporate income tax	Standard rate 15% Increased rate 20% (for credit institutions) Reduced rates 5%, 0%
Personal income tax rates	15%, 20% and 32%
Basic exemption	Up to 747 EUR per month/ 8964 EUR per year *
Social Tax (employee, withheld)	19.5%
Social Tax (employer, on top)	1.77%
Voluntary pension contribution (employee)	3%
Minimum wage	924 EUR per month / 5.65 EUR per hour
VAT standard rate	21%
VAT reduced rates	9%; 5%
VAT registration threshold	45 000 EUR

* Reduced based on individual's annual gross income

1 Tax reform – postponed

Tax reform has stalled, but hope for solutions is not lost yet

id Ignas Dobrovolskas, ELTA
2023.12.26 18:17



- The tax reform package consisted of draft amendments to seven laws.
- Higher taxes were planned for some of the self-employed, more persons would have had to pay real estate tax, the procedure for applying some benefits would have changed, and a minimum unemployment benefit would have been introduced.
- Nonetheless, the reform stalled due to lack of political agreement...

2 Can the Government roll-out sudden tax increases?

Constitutional Court: tax changes must enter into force six months after adoption

Published: 2021-05-13



- The Constitutional Court allows the tax-increasing laws to enter into force no earlier than after 6 months from their adoption in Parliament, allowing businesses to prepare properly
- More quick adoption can only be done in "special circumstances (economic crisis, natural disaster, war, etc.) involving an extremely difficult economic and financial situation".
- Currently - no such special circumstances can be observed.

3 Potential Defense tax?



- Politicians are considering adopting tax changes in 2024 regarding the defense tax.
- Such a tax would enter into force in 2025.
- However, it is not clear who the taxpayers would be and what the tax base would be.
- An increase in CIT or VAT rates is also under consideration.

4 VAT changes – no more 9% rate for restaurants / catering



As of 31 December 2023, preferential VAT rate of 9% was abolished for catering services and takeaway food provided by restaurants, cafes and similar service institutions.

Standard VAT 21% rate applies from 1st January 2024.

5 Personal Income Tax changes

Date	Until 31-12-2023	Starting from 01-01-2024
Minimum wage/gross	840 EUR	924 EUR
Non-taxable minimum monthly/yearly income (if salary does not exceed minimum wage)	625 EUR (7 500 EUR)	747 EUR (8 964 EUR)
Average wage (applied for calculating the base of state social insurance contributions of insured persons)	1 684.90 EUR	1 902.70 EUR

Average wage is utilized to calculate personal income tax and apply specific rates for different kinds of personal income.

Source [here](#).

Source (for non-taxable income) [here](#).

6

PIT changes

More about monthly nontaxable income

1) If monthly income related to an employment relationship or alike > 924 (the minimum monthly salary valid for current calendar year), however, does not exceed 2 167 EUR, the following formula is applicable:

Monthly nontaxable income = 747 – 0,5 x (earned monthly income related to employment relationship – minimum monthly salary applicable for the calendar year).

2) If monthly income related to an employment relationship or alike exceeds EUR 2 167 EUR, the following formula is applicable:

Monthly nontaxable income = 400 – 0,18 x (earned monthly income related to employment relationship – 642).

7 Rules for settlements with Tax authorities

- The New rules establishing criteria according which the decision is taken whether a Tax authority should make a settlement (a peace agreement) with a legal or individual tax in civil or administrative proceedings;
- Before the rules came into effect, there were no clear criteria, when Tax authorities should make a peace agreement or not with the tax payer;
- Agreements are confidential;
- Based on the new rules the legal and individual tax payers shall be given certain points (from 0 till 4) based on different conditions. If certain points are collected, then Tax authorities will be able to make a settlement;

For example:

“If a legal tax payer undertakes to pay 50% or more of the amount of the claim before the signing of the settlement in civil or administrative proceedings, 3 points are awarded;

If the settlement agreement established that an individual tax payer pays within 6 months period, then 3 points awarded.”

[Source](#)

8

Corporate income tax related changes

- Corporate income tax reliefs for companies funding films' production and for investments into fixed assets were both prolonged for +5 years, until year 2028.
- Corporate income tax relief for very large investment projects (more than 20-30m EUR) rules were tweaked from 2025, see [here](#) for more information.

NEW mandatory disclosure of information for periods starting from 2024-06-22 and beyond (i.e. in most cases – starting year 2025):

- Applicable for International Groups of Companies incl. subs. if 2 years' group income >750m€.
- Published information, by country: income, profit, pre-tax profit, amount of income tax, amount of income tax paid, accumulated retained earnings
- Will have to be made available to the public incl. via **website**.
- Similar measures in Latvia (already in legislation) and Estonia (draft legislation).

[Source](#)

9 Provision of data of international money transfers (CESOP) (brief reminder from 2022 news)

- Data will have to be provided by payment service providers specified in Article 6(1-4) of the Law on Payments of the Republic of Lithuania. The obligation to provide data on cross-border payments from 1 January 2024 (quarterly) is:
 - 1) credit institutions;
 - 2) electronic money institutions;
 - 3) payment institutions;
 - 4) postal money forwarding systems (giro) institutions providing payment services.
- First data submission for 2024 I quarter - no later than April 30, 2024.
- What data to provide? -> LT tax authorities explanations - [See here](#)

[Source 1](#)

[Source 2](#)

10

Other changes of Lithuanian tax legislation

- Internet platforms / apps now have liability to report to tax authorities their users' related data on their income etc. (brief reminder of 2022 news item part of DAC-7 directive package)
- Tax authorities will now also be able to block non-compliant internet platforms without a separate court order, faster than before
- List of non-compliant / tax haven jurisdictions – russia was added, Paraguay removed

Changes of commentaries (tax authorities' interpretations)

Business 2024.01.01 18:13

VMI tightens the procedure: you drive home in work car – you will have to pay 1292



Guoda Pečiulytė, LRT RADIO program "Lietuvos diena", LRT.lt
2024.01.01 18:13



- Cars: tax authorities tightened the administration of income in kind – travel work-home are now by default income in kind, unless ...
- ... the work is such that it can require departure from home directly to work outside of usual workplace (client's site etc.) (exception remains)
- But also cars – plug-in hybrids can now also benefit from input VAT deductibility if <50k EUR value incl. VAT and used for VATable activities.
- Workations: tax authorities now see them as not business trips but rather remote work only. No per-diems can be paid for workations. Exceptions?
- Tax authorities' comments will be changed more often as no longer Ministry of Finance approval needed. However – courts refuse to allow tax authorities power to invent new tax rules – only Parliament can do that as per Lithuania's Constitution. See recent case law on tax loss transfer between group companies – court denied tax authorities' interpretation.
- **Take away – the law is still the primary source for tax rules, tax authorities can't invent new requirements, and taxpayers can make their rights count, and tax advisors can help.**

Key tax changes Latvia

2024

Martins Lubgans

Head of Tax Team

Latvia – 2024 Tax rates at glance

Corporate income tax	Standard rate 20% (20/80 on net distribution)
Personal income tax	Progressive rates 20% / 23% / 31%
Differentiated non-taxable minimum	Up to EUR 500 applicable to income up to EUR 1 800 per month
Social Tax (employer)	23.59%
Social Tax (employee)	10.5%
Solidarity tax (employer)	25%
Minimum object of mandatory social tax contributions	EUR 700
Minimum wage	EUR 700 per month
VAT standard	21%
VAT reduced	12% / 5%
VAT registration threshold	50 000 EUR

1 Corporate Income Tax

- Credit institutions and consumer credit service providers will have to make a premium (advance) CIT payment of 20% of the previous year profit
- Fuel and operating expenses arising from the use of the representative car, which is registered in the company's continuous possession or holding for more than 60 months, will not create a CIT taxable base

2

Changes in the Value Added Tax

- Input VAT is deductible for fuel and operating expenses arising from the use of the representative car with holding period of more than 60 months
- Taxpayer can reduce the VAT amount paid into the state budget without a court judgment on debt recovery from the recipient of goods or services and without a bailiff's act on the impossibility of debt recovery if the amount of bad debt do not exceed EUR 1 000 without VAT
 - The term of the non-cooperation condition reduced from the 6 months to 3 months
 - The supplier of goods or services has the right to include the amount of the VAT of the bad debt by submitting the tax return (previously such right was only once a year- in return for the taxation year)
- The VAT Law sets out obligations for payment service providers, to keep records, store and provide information to the Tax authorities about payees and cross-border payments.
- VAT rate of 12% is applicable to supplies of fresh fruits, berries and vegetables

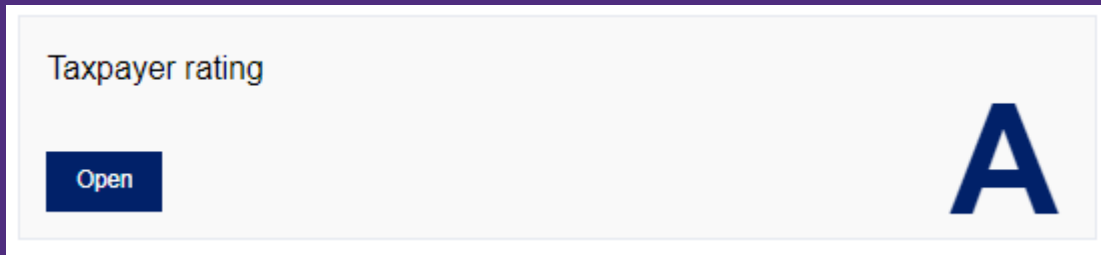
3

Changes in the Personal Income Tax

- Threshold for life, health and accident insurance premiums paid into registered private pension funds and insurance companies is increased to EUR 750
- Tuition fee paid by the employer to the employee for the employee's studies to obtain higher education is not considered as fringe benefit and therefore is not a subject to PIT, if the obtainment of higher education is related to acquiring abilities, knowledge and skills, which are required by the employer
- Exemption from PIT is applied to the employee's expenses paid by the employer and related to remote work, which are covered by the employer, if their total monthly amount for full-time work does not exceed EUR 40
- Contributions to Pan-European Private Pension Product (PEPP) funds is treated as PIT eligible expenditures

4 Changes in corporation with the Tax authorities

- In-depth cooperation program of the Tax authorities is cancelled by the end of 2023, therefore, a new taxpayer rating system is implemented from 2024.



- A – Taxpayer has good tax payment discipline and no significant risks.
- B – risk of fulfilling tax obligations in at least one area (registration, declaration submission, complete data, tax payment) which needs improvement.
- C – is applied to taxpayers that are excluded from the VAT payer register for violations or tax authorities has suspended economic activity.
- N – does not carry out active economic activity, i.e., do not employ employees and does not pay taxes.
- J – registered in the last six months.

5 Other changes

- The threshold value for Intrastat reporting of the import of goods from the EU is increased to EUR 350 000
- Changes in excise duty rates
 - Excise duty rates are increased for alcohol, non-alcoholic beverages, cigarettes, tobacco products and e-liquids
- Changes in the natural resources tax (NRT) law
 - Hydrocarbons, textiles and disposable plastic-containing products (wet wipes, balloons, filters for tobacco products and filters intended for use with tobacco products) an accumulator or a battery intended for the use of an electric vehicle or a hybrid vehicle, as well as plastic-containing fishing gears are defined as the subject of NRT
 - Increased NRT rates for packaging, vehicles, landfills for household and hazardous waste, and natural resource extraction
- Changes in the gambling and lotteries tax (GLT) law
 - The tax for roulette and card and dice game is increased to EUR 33 696 per table.
 - The tax on gaming machines is increased to EUR 6 204 for each place of play of each gaming machine.
 - The tax rate is increased to 12% from the revenues of the organization of gambling for gambling organized using telecommunications.

Key Tax Changes 2024

Estonia

Kristjan Järve, Urzula Välb

9.01.2024

Estonia – 2024 Tax rates at glance

Corporate income tax	Standard rate 20% (20/80 on net distribution) Reduced rate 14% (14/86) on regularly distributed dividends
Personal income tax	20%
Basic exemption	Up to 654 EUR per month/ 7848 EUR per year *
Social Tax (employer)	33%
Unemployment insurance premium (employer)	0.8%
Unemployment insurance premium (employee)	1.6%
Voluntary pension contribution (employee)	2%
Minimum wage	820 EUR per month / 4.86 EUR per hour
VAT standard	22%
VAT reduced	9%; 5%
VAT registration threshold	40 000 EUR

* *Reduced based on individual's annual gross income*

1 Changes in the Value Added Tax

- **As of 01.01.2024 the standard VAT rate has increased from 20% to 22%**
 - A right to apply 20% rate until 31.12.2025 in case of long-term contracts concluded before 01.05.2023, if the contract provides that the applicable VAT rate is 20% and does not provide for a change of price due to changes in VAT rate. Particularly relevant to the transactions involving immovables
 - Until 31.12. 2025 users of cash accounting may pay VAT at 20% on the supply generated after 31.12.2023 as long as the invoice was issued, and goods/services delivered before 01.01.2024
- **As of 01.01.2024 payment service providers have an obligation to store data on recipients of cross-border payments**
 - The data must be kept on recipients to whom payments are made more than 25 times per quarter
 - Payment service providers are obligated to provide this data to tax authority for each quarter
- **As of 01.01.2025 the VAT rate on accommodation will increase from 9% to 13% and the VAT rate on press publications will increase from 5% to 9%**

2 Changes in the individual taxation

- **As of 01.01.2024 a natural person will no longer have a right to deduct from their income:**
 - increased basic exemption upon provision of maintenance to child (previously 1 848 EUR for second child and 3 048 EUR for third child)
 - increased basic exemption for spouse (previously up to 2 160 EUR if the joint annual income does not exceed 50 400 EUR)
 - housing loan interest (previously up to 300 EUR per year)
- **As of 01.01.2025 income tax rate will increase from 20% to 22%**
- **As of 01.01.2025 uniform basic exemption of 700 EUR per month i.e. 8400 EUR per year**

3 Changes in the corporate income tax

- **From 01.01.2025 the corporate income tax (gross) rate will increase from 20% to 22% (22/78 on net distributions)**
- **Reduced tax rate of 14% on regularly distributed dividends will be abolished and all type of profit distributions will be taxed at 22/78 tax rate as of 01.01.2025**
- **From 01.01.2025 the corporate income tax (gross) rate on advanced income tax paid by credit institutions will increase from 14% to 18%**

4 Motor vehicle tax (2025) – in the planning stage

- **Legislation is still in development, predicted to come into force as of 01.01.2025**
- **Registration fee for the first registration of motor vehicle in Estonian traffic register (both old and new vehicles).**
- **Annual fee, calculated based on vehicle characteristics (pollution, vehicle weight and age components).**

5

Recent EU Directives

In force

- ✓ **DAC 7 – digital platforms (1.01.2023)**
- ✓ **Pillar 2 – minimum tax (1.01.2024)**
- ✓ **DAC 8 – crypto assets (1.01.2026)**

Proposals

- ❑ **Unshell/ATAD 3 – shell companies (1.1.2024)**
- ❑ **HOT – head office tax system for SMEs (1.01.2026)**
- ❑ **Transfer Pricing – harmonizing TP rules (1.01.2026)**
- ❑ **FASTER – Better withholding tax procedures (1.01.2027)**
- ❑ **BEFIT – common framework for tax base determination (1.07.2028)**

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