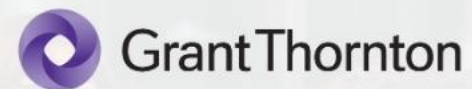




KEY TAX CHANGES IN LITHUANIA 2026



ONLINE WEBINAR

Thursday, **10 July, 2025**

03.00 - 03.45 PM (EEST)

- Registration needed
- Free
- Online

EXECUTIVE SUMMARY:

Whose tax burden will decrease, and whose – increase?

TOP 5 TAX BURDEN DECREASES

1. EMPLOYEES RAISING KIDS – additional non-taxable limit ~209 EUR
2. Micro companies of up to 300k EUR – no more 10 employees' limit and 0% tax rate possible for 2 years (1 year currently)
3. Large machinery-intensive industries – “instant” expensing of assets instead of depreciation over several years
4. Shares received through stock-options mechanisms – 15% tax instead of 20% upon selling, if held for 3 years
5. Tax relief for individuals selling 5 years held immovable assets (currently 10 years), possibility to deduct capital repairs

TOP 5 TAX BURDEN INCREASES

1. EMPLOYEES EARNING 83-138k EUR annual salaries – 25% personal income tax rate instead of 20% (and no soc. sec. ceiling)
2. FREELANCERS EARNING more than 42.5k EUR - tax burden gets close to employment taxation
3. COMMERCIAL REAL ESTATE - +0.2% real estate tax
4. NON-LIFE INSURANCE – additional 10% contribution
5. Corporate Tax Rates – increased by 1%, to 17% standard and 7% reduced (for micro companies)

DEFENCE FUND FINANCING INCREASE

DEFENSE FUND FINANCING SOURCES (FROM 2026)

Defense Fund will additionally consist of:

- 2% of personal income tax directly allocated to the fund;
- State revenue from the newly introduced security contribution, calculated from non-life and property insurance premiums;
- 50% of the non-commercial real estate tax, for non-commercial property of residents other than their main residence, and the entire additional 0.2% real estate tax for commercial real estate.

In addition, it is intended to allocate a larger share of budget revenues to the Defense Fund, received from:

- Corporate income tax (CIT) - from 1.9% in 2025, to 8% in 2026 and 11.2% from 2027;
- Excise duties - from 4.1% in 2025, to 8% in 2026 and 8.4% from 2027.

These changes are based on the geopolitical situation and the need to ensure long-term stability in defense financing, especially in response to regional threats and strengthening NATO commitments.

The Ministry of Finance presents a package of tax proposals for the defense fund on its website at <https://finmin.lrv.lt/lt/naujienos/seimo-priimti-mokesciu-istatymu-pakeitimai/> (updated 2025-07-01).

NEW SECURITY CONTRIBUTION (FROM NON-LIFE INSURANCE AGREEMENTS)

A new mandatory security contribution for national security financing:

- 10% of non-life insurance premiums (e.g., property, travel insurance);
- 0% rate for mandatory vehicles civil liability insurance contracted with individuals (except for carrying out economic activities).

The contribution will supplement the income of the State Defense Fund.



CORPORATE INCOME TAX CHANGES

TAX RATES INCREASE BY 1 PERCENTAGE POINT

A standard corporate tax rate increase from 16% to 17% would take effect in 2026. This would also increase the rate for small businesses from 6% to 7%.

SMALL BUSINESS TAX RELIEF (0%) EXTENDED FROM 1 TO 2 YEARS

The period during which newly registered small businesses will be subject to a 0% corporate tax rate on profits earned is being extended. This period will be extended from 1 to 2 years in order to provide additional support to growing businesses. 10 employees' limit is abolished.

NEW "INSTANT" DEPRECIATION ALLOWANCE FOR FIXED ASSETS

It is envisaged to allow a possibility of applying instantaneous depreciation of fixed assets to the asset groups "Machinery and equipment", "Equipment (structures, wells, etc.)", "Computer equipment and communications equipment", "Software", "Acquired rights", and "Trucks, trailers and semi-trailers".

This preferential instantaneous depreciation does not apply to assets that are subject to the investment projects relief under Article 46-1 of the Corporate Income Tax Law (i.e., it is possible to choose, to either depreciate immediately but only once through instantaneous depreciation, or twice - by applying the investment projects relief and then also further depreciating the asset in the "classic" way).

RESTRICTION ON GROUP LOSS CARRYFORWARDS

It is planned to limit the possibility of tax loss carryforwards to 70% of the company's taxable income. It is also determined that the conditions of duration (2 years) and scope (2/3) of group membership are assessed on the last day of the period, and not at the moment of transfer, as previously established by the Supreme Administrative Court of Lithuania. The motivation is indicated as the desire to prevent abuses.

STEM SCHOLARSHIP DEDUCTION

A possibility is envisaged for companies to deduct scholarships for students and researchers in the STEM fields (science, technology, engineering and mathematics) as expenses, up to EUR 2,500 per tax period under tripartite agreements, in order to promote science and technology.

CHANGES TO THE PERSONAL INCOME TAX (1/2)

PERSONAL INCOME TAX (PIT)

PIT rates were changed, applying them taking into account the total annual amount of all types of income, except income from distributed profits:

- The portion of income not exceeding 36 average salaries (~EUR 82,962) would be taxed at a rate of 20%;
- The portion of income exceeding 36 average salaries (~EUR 82,962) but not exceeding 60 average salaries (~EUR 138,270) would be taxed at a rate of 25%;
- The portion of income exceeding 60 average salaries (~EUR 138,270) would be taxed at a rate of 32%;
- The 15% rate applies to dividends, sales of retained shares, life insurance and pension savings benefits (for which tax exemption was used), social benefits (sickness, maternity, paternity, childcare, etc.);
- Farmers up to 60 average salaries (~EUR 138,270) will also pay 15% PIT, exceeding part will be taxable with 20%. N.B., it is not fully clear from the law how it will work when summing-up with other types of income?
- Other than employment income incl. income from selling of scrap, up to 12 average salaries (~EUR 27,654), will be taxable with 15% PIT rate.

An annual contribution limit of EUR 350 is envisaged for voluntary health insurance premiums (the amount in excess would be taxed as personal income).

The Ministry of Finance provides examples of PIT calculations on its website at <https://finmin.lrv.lt/lt/gpm-skaiciavimo-pavyzdziai/>



CHANGES TO THE PERSONAL INCOME TAX (2/2)

PERSONAL INCOME TAX (PIT)

Shares received via stock options or similar mechanisms:

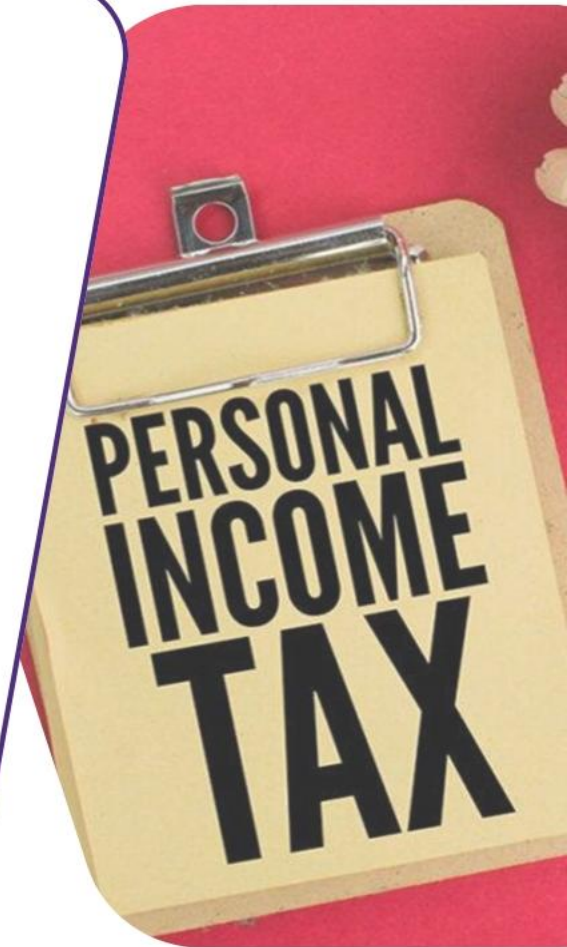
- Selling of shares received via stock-option mechanism can enjoy 15% tax rate subject 3 years term, after the right to acquire the shares ([Law on PIT, Art. 6., Pt. 6., Part 7](#))).
- I.e., now the rate is 20%, as these are deemed „employment related income“, but in year 2026, if 3 years will not lapse, then progressive rates of 25% or 32% will potentially be applicable.

Assets disposal income taxation:

- Tax relief for selling 5 years' held immovable assets (currently 10 years)
- Possibility to deduct expenses incurred for assets' reconstruction or capital repairs (as defined in Law on Construction).

Other:

- Fixed amount tax regime (business certificate) - applicable up to 50k EUR of revenue from real estate rent during the year
- Freelancers earning more than 42.5k EUR annually – their tax burden gets very close to employment relationship taxation
- Individuals raising kids obtain additional non-taxable credit of ~209 EUR (only one parent)



CHANGES TO REAL ESTATE TAX

REAL ESTATE TAX

- Commercial real estate will be taxed at rates between 0,5-3% set by municipalities.
- **An additional 0.2% tariff component** has been established for legal entities' / commercial real estate (to the state budget / defense fund) (Art. 6 Pt. 8 of the [Law on RET](#));
- N.B. Commercial real-estate reliefs remain, e.g. for environmental or fire safety assets.
- Rates for primary residence – from 0.1 to 1% of the value of the residence, above the exempt amount – EUR 450,000.
- Abandoned and unmaintained real estate will be taxed at rates selected by municipalities, ranging from 1-5%.
- For individuals, the tax administrator will prepare real estate tax returns.
- For other non-commercial real estate, progressive rates will apply – see table below.

Tax rates	Tax rates application limits, based on property value (non-primary residence) – per tranche
0%	<50 000 EUR
0,2%	50 000 - 200 000 EUR
0,4%	200 000 - 400 000 EUR
0,6%	400 000 - 600 000 EUR
0,8%	600 000 - 1 000 000 EUR
1%	>1 000 000 EUR

VAT AND EXCISE DUTIES CHANGES

VAT CHANGES

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

- Accommodation services;
- Passenger transport services;
- Attendance at art and cultural events and institutions.

The reduced VAT rate will be decreased to 5% (from 9%) and additionally applied to:

- Books and non-periodical informational publications.

The 9% rate for heating, firewood, and hot water will be abolished - the standard 21% rate will be applied.

The VAT exemption for financial services was clarified (Art. 28, Pt. 9 of the [Law on VAT](#)):

- Services of an administrative, physical, technical or similar nature which do not result in a **change in the legal and financial situation of the parties** to the transaction **shall not be considered as the provision of financial services**

EXCISE DUTIES CHANGES

To contribute to the financing of state defense and public health policy goals, non-alcoholic sweetened beverages, energy drinks, and beverage concentrates will be taxed, thus avoiding a potential substitution effect.

- When the sugar content in 100 ml of the drink does not exceed 8 g - 7.4 EUR/100 l;
- When the sugar content in 100 ml of the drink exceeds 8 g - 21 EUR/100 l;
- For beverage concentrates - 105 EUR/hl or 4.2 EUR/ kg.

CONCLUSIONS – LIKELY DEVELOPMENTS AND PITFALLS

1. UPCOMING “BOOM” OF MICRO-COMPANIES ESTABLISHED BY FORMER EMPLOYEES/FREELANCERS?

- High-earning individuals (and their employers?) are likely to try structuring their 2026 earnings via micro-companies and dividends, to enjoy 0% initial CIT and 15% dividend PIT rate?
- Pitfall to consider – reclassification to employment relationship by the authorities, if substance remains with “employment” indices

2. REVIEW OF CORPORATIONS LONG-TERM FIXED ASSETS

- Choosing between investment projects’ relief (double deduction) and instantaneous depreciation (one-time instant deduction) – one eliminates the other
- Possible to adjust depreciation norms without preapproval from tax authorities
- Analysis of real estate items’ taxable values and potential reliefs to mitigate the +0,2% tax increase

3. FINTECH INDUSTRY – “FINANCIAL” SERVICES VAT

- Reviewing what qualifies as VAT exempt “financial” service?

TAX PENALTIES REMINDER

1. 20-100% of unpaid tax!
2. 9.9% late payment interest per year of delay
3. Losing “reliable” taxpayer status for 3 years (reputational damage and stricter tax authorities procedures)

Thank you for your attention!

QUESTIONS?

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