The main tax changes in Lithuania as of September 2024

Law on ensuring the minimum level of taxation of groups of entities - Qualified Domestic Minimum Top-up Tax (QDMTT)

As of July 1, 2024, a new law adopted by Parliament came into force, implementing the European Union's Pillar Two directive. This law mandates a minimum effective corporate tax rate of 15% for groups of companies with annual consolidated revenues of EUR 750,000,000 or more in at least two of the four financial years immediately preceding the audited financial year.

International groups operating in a country with a corporate tax rate of less than 15% on profits earned must pay an additional tax to meet this minimum standard.

The project does not impose taxation, so companies in Lithuania, whether they are part of a group of companies registered in Lithuania or a group of companies based abroad, will not pay additional tax for 2024. The surtax will be paid in the country where the European Union (EU) Directive is fully implemented.

- Multinational groups with a Lithuanian ultimate parent entity must ensure that all necessary data on taxable entities in other EU Member States are provided in accordance with Directive (EU) 2022/2523.
- The ultimate parent entity in Lithuania must designate a reporting entity in an EU Member State to file the surtax return within 15 months of the end of the financial year.
- If the group has no taxable entities in the EU, the designated entity must be located in a third country with which Lithuania has an agreement.
- Taxable entities in Lithuania have 13 months from the end of the financial year to submit the necessary data to the designated entity and the State Tax Inspectorate. The data includes identification data, organizational structure, tax rates and options under Directive (EU) 2022/2523.
- If a group is falling within the scope of this law for the first time, the declaration must be made within 18 months of the end of the financial year. The data must be submitted within 16 months.
- The ultimate parent entity in Lithuania must notify the State Tax Inspectorate of the designated reporting entity.
- The State Tax Office will determine the details of the reporting in accordance with the provisions of Directive (EU) 2022/2523.
- More information can be found here.

On September 19, 2024, the Ministry of Finance drafted laws to fully implement the EU Directive on a minimum tax for large corporate groups, introducing a new tax for companies with revenues over EUR 750 million. The law is set to take full effect on January 1, 2025, if approved.

More information can be found here.

Income tax changes

Acceptance of an investment account

On June 25, 2024, Parliament adopted amendments to the Law on Personal Income Tax, introducing a new investment account, effective from January 1, 2025. This account will offer greater flexibility in managing investments, as residents' income will not be taxed until funds are withdrawn. It will also allow for the consolidation of gains and losses, and investment accounts can hold financial products received as gifts or inheritances. The tax rates remain unchanged: 15% for personal income and 20% for income exceeding 120 times the average wage.

More information can be found here.

Law on adjusting the procedure for declaring the income and assets of residents

The amendment to Article 27 of the Law on Personal Income Tax introduces new rules that significantly affects residents with a sole proprietorship or a business license. The main changes:

- Compulsory declaration: a person who has obtained a business license or registered an individual activity must submit an annual income tax return even if he or she does not receive any income from the activity.
- Obligation to declare under the Electoral Code: Residents who are obliged to declare their income or assets under the provisions of the Electoral Code and the Law on Declaration of Residents' Assets are also obliged to submit an annual income tax return. This applies to residents who make donations to political parties, candidates or are involved in election campaigns.
- Declaration of income in case of donations: if a resident makes donations after 1 May, he/she must submit a declaration for the last tax period. If before 1 May, for the previous tax period. This adds an additional declaration procedure for political donations.
- Declaring assets: people who are required to declare their assets must submit their annual income tax return by 1 May. This is important to ensure transparency and compliance with the law on asset declaration.

The law enters into force on 31 May 2024

More information can be found here.

CIT changes

The amendment and supplementation of Corporate Income Tax No IX-675

This amendment to the law, which will enter into force on 1 January 2025, updates corporate tax rates and rules. The amendments include:

- Corporate tax rates - the standard rate will be 16%, with small companies (up to 10 employees and up to €300,000 in revenue) taxed at 0% in the first year of operation and 6% in subsequent years.
- Car costs - new criteria for the deduction of car depreciation and rental costs based on CO2 emissions:

1. If 0g/km CO2 – 75t. EUR
2. If ≤130g/km CO2 – 50t. EUR
3. If >130g/km CO2-≤200g/km CO2 – 25t. EUR
4. If >200g/km CO2 - tik 10t. EUR.

- Dividend taxation - Dividends from both Lithuanian and foreign companies will be taxed at 16%.
- Loss carry-forward option is extended.

These changes will apply to the calculation and declaration of corporate tax for 2025 and subsequent years.

More information can be found here.

Changes to value added tax

Change to VAT rounding

The amendment specified in Article 15, Part 24 of the Law on Value Added Tax (VAT) of the Republic of Lithuania will come into effect on May 1, 2025. This amendment stipulates that when the final amount for goods or services, including VAT, is rounded according to the Law on the Rounding of Cash Payments, the taxable value of the goods or services will be the value calculated before rounding, excluding VAT.

The law on the rounding of cash payments applies only to cash transactions. According to this law, rounding will not apply to non-cash payments, such as those made with credit cards, gift vouchers, loyalty cards, or other social cards, as well as wages, pensions, and taxes.

More information can be found here.

Simplification of VAT invoicing for financial institutions and VAT payers

VAT invoicing for financial institutions:

- The previous regulation allowed financial institutions to issue a VAT invoice for VAT-exempt services but did not specifically define the terminology or conditions.
- The new version states that financial institutions may issue a single VAT invoice during the calendar year for non-taxable services specified in Article 28 of the Value Added Tax Law. This invoice must be issued by January 10 of the following year.

Issuing a VAT invoice for fuel used for private needs:

- The previous regulation did not clearly address the issuance of a single VAT invoice for fuel used for private purposes..
- The new edition establishes that VAT payers may issue a single VAT invoice for fuel consumed during the year for private purposes. This invoice must be issued by January 10 of the following year.

The changes take effect on March 20, 2024.

More information can be found here.

Amendments to the Law on Tax Administration

Amendments to the Law on Tax Collection and Administration

The changes to this law address several key areas related to tax administration, enforcement, and collection. Here's an overview of these changes:

Taking over tax arrears (applicable):

- The new wording permits the tax administrator, in accordance with procedures set by the central tax administrator, to allow other parties to assume the taxpayer's tax arrears. Transferees are subject to the same provisions as the taxpayer concerning the payment and recovery of arrears.

Extension of foreclosure (applicable):

- The amendment includes provisions that establish the right to enforce the recovery of unpaid economic sanctions, fines for criminal acts, and sums awarded by the court.

Tax arrears recovery procedure (effective June 30, 2026):

- It has been amended that tax arrears can be enforced by various methods, including instructions to credit and electronic money institutions, guarantors, guarantors and enforcement of mortgaged property.
- Included are clauses on the terms and procedures for forced recovery of tax arrears, as well as on recovery from other states.

More information can be found here.

Regarding the change in the method of submitting tax returns and the procedure for telephone counseling

Method of submission of declarations:

- Tax declarations must now be submitted exclusively electronically through the Electronic Declaration Information System (EDS) of the State Tax Inspectorate, except in specific cases outlined in the regulations.
- Paper declarations will not be accepted and will be considered not submitted if there are no exceptions provided by legislation.
- Declaration adjustments must also be made electronically.

Telephone consultation procedure:

- A representative of the tax administrator can fill out the declaration based on the information provided by the taxpayer, if such a service is provided by State tax inspection.
- Telephone conversations regarding counseling and declaration filling are recorded, and the taxpayer can obtain copies of these recordings in accordance with the established procedure.

The changes take effect on July 4, 2024

More information can be found here.

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