



Doing business in  
Lithuania 2016

An inset photograph showing a street scene with several bus stops. Pedestrians are walking on the sidewalk, and a person is riding a bicycle in the foreground. The scene is set in a city with trees and buildings in the background.



# Introduction

The Moore Stephens Europe *Doing Business In* series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

*Doing Business in Lithuania 2016* has been written for Moore Stephens Europe Ltd by UAB Moore Stephens Vilnius. In addition to background facts about Lithuania, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in Lithuania either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Lithuania to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 1 January 2016. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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# 1. Lithuania at a glance

## Geography, population and history

Lithuania, officially the Republic of Lithuania, is situated in Northern Europe along the south-eastern shore of the Baltic Sea. It borders Latvia to the north, Belarus to the east and south, Poland to the south, and a Russian exclave (Kaliningrad Oblast) to the southwest.

It has an area of 65 300 km<sup>2</sup> and a population of 2.89 million.

The capital city is Vilnius, and other larger cities are Kaunas, Klaipėda, Šiauliai and Panevėžys.

Lithuania can be said to have first become a state in the modern sense on 6 July 1253, when the prince Mindaugas, who united the Lithuanian lands, was crowned king. The kingdom later became a Grand Duchy. Beginning in the 14th century, the Grand Duchy of Lithuania was the largest country in Europe, including within its territory present-day Belarus, most of Ukraine, and parts of present-day Poland and Russia. Dynastically united with Poland since 1385 by the marriage of Grand Duke Jogaila to Queen Jadwiga of Poland, Lithuania formally merged with Poland in the Union of Lublin in 1569, into a voluntary two-state union, the Polish–Lithuanian Commonwealth. The Commonwealth lasted more than two centuries, until the partitions of Poland-Lithuania staged by Russia, Prussia and Austria. Lithuania disappeared completely from the map, along with Poland, following the Third Partition of 1795. Most of its territory was annexed by the Russian Empire.

In the aftermath of World War I, Lithuania's Act of Independence was signed on 16 February 1918, declaring the re-establishment of a sovereign, democratic state. In 1940 Lithuania was occupied and annexed by the USSR as agreed in the secret protocol of the Nazi-Soviet Non-Aggression Pact of August 1939. In July 1941, Lithuania was invaded and occupied by Nazi Germany. As World War II drew towards an end in 1944 and the Germans retreated, the Soviet Union reoccupied Lithuania. Its annexation of Lithuania was not recognised by the majority of Western countries throughout the post-war period.

On 11 March 1990, the year before the break-up of the Soviet Union, Lithuania became the first Soviet Republic to declare independence. In 2004, Lithuania became a member of the European Union and of NATO.

## Language and religion

The official language of Lithuania is Lithuanian, one of the two surviving Baltic languages (the other being Latvian) of the Indo-European family. Significant minority languages are Polish and Russian.

Lithuanians are predominantly Roman Catholic (79% of the population). Some 4% of the population profess the Russian Orthodox religion.



## Climate

The climate ranges between maritime and continental and is relatively mild. Average temperatures on the coast are  $-2.5^{\circ}\text{C}$  in January and  $16^{\circ}\text{C}$  in July. In Vilnius the average temperatures are  $-6^{\circ}\text{C}$  in January and  $16^{\circ}\text{C}$  in July. During the summer,  $20^{\circ}\text{C}$  is common during the day while  $14^{\circ}\text{C}$  is common at night; in the past, temperatures have reached as high as  $30^{\circ}\text{C}$  or even  $35^{\circ}\text{C}$ . Some winters can be very cold. The average annual precipitation is 800 mm on the coast, 900 mm in the Samogitia highlands and 600 mm in the eastern part of the country. Snow occurs every year. It can snow from October to April. In some years sleet can fall in September or May.

## Politics and government

Lithuania is a parliamentary republic, with some aspects of a semi-presidential system. The President is directly elected for a five-year term and the same individual may not serve more than two consecutive terms. Although the post is largely ceremonial, the President is Commander-in-Chief of the armed forces and appoints the Prime Minister, whose government must have the confidence of parliament. The current President is Ms Dalia Grybauskaitė, re-elected for a second term in 2014.

Lithuania has a unicameral parliament, the *Seimas*, consisting of 141 members, 71 of whom are elected by a two-round system in single-member constituencies, while the remaining 70 are elected by a nationwide list system of proportional representation. Parties must secure at least 5% of the vote nationwide in order to qualify for any list seats. Members serve a four-year term.

Executive power is exercised by the government, which is headed by the Prime Minister. The current incumbent is Algirdas Butkevičius, of the centre-left Social Democratic Party of Lithuania. He heads a coalition between his own party, the populist Labour Party, the right-wing Order and Justice Party (*Tvarka ir teisingumas*) and the centre-right Electoral Action of Poles in Lithuania.

## Currency, time zone, weights and measures

Since 1 January 2015, Lithuania's currency is the euro, which replaced the litas. At the time of going to press (early June 2016), the euro was quoted as against the US dollar at EUR 1 = USD 1.1125.

Lithuania uses Eastern European Time (EET), which is two hours ahead of UTC/GMT. Daylight saving time (EET + 1) is in place between the last Sunday in March and the last Sunday in October.

The metric system of weights and measures and the Celsius scale of temperature is used in Lithuania.

## 2. Doing business

### Main forms of business organisation

Table 1 shows the main types of business entity that exist under Lithuanian law and their characteristic features.

Table 1

Main forms of business organisation	Restrictions on the nationality of directors	Restrictions on foreign ownership	Minimum share capital	Governance
<i>Uždaroji akcinė bendrovė</i> (UAB) – private limited liability company <sup>(1)</sup>	None	None	EUR 2 500	general shareholders' meeting, managing director; board of directors (not mandatory)
<i>Akcinė bendrovė</i> (AB) – public limited liability company <sup>(1)</sup>	None	None	EUR 40 000	general shareholders' meeting, managing director; board of directors (not mandatory)
<i>Individuali įmonė</i> (IĮ) – individual enterprise	None	None	-	The founder, who cannot also be a manager of other entities)
<i>Tikroji ūkinė bendrija</i> (TŪB) – general partnership	None	None	-	partners
<i>Komandinė ūkinė bendrija</i> (KŪB) – limited partnership	None	None	-	partners

<sup>(1)</sup> There is no limit to the number of shareholders

### Labour relations and working conditions

Employment relations in Lithuania are governed by the Employment Code and associated regulations. The maximum length of the working day is set by law at eight hours (subject to exceptions) and the maximum length of the working week is 40 hours. A maximum working week of seven days cannot exceed 48 hours (including overtime).

There is a statutory minimum wage set at EUR 380 as from 1 July 2016.

There are 14 public holidays (although some of these may fall on a Sunday) and a maximum of 28 days' paid holiday in any calendar year. Statutory maternity leave extends for 70 days before the birth and 56 days thereafter. Paternity leave is one month. A certain amount of childcare leave may be taken by a parent, grandparent or other relative until the child is three years old.

The unemployment rate in December 2015 was 8.8%, more or less the EU average. The Lithuanian Labour Exchange (*Lietuvos darbo birža*) under the Ministry of Social Security offers support for jobseekers giving them the opportunity to acquire the necessary skills to compete and succeed in the labour market, pays unemployment benefits and helps employers find a qualified labour force.

The Employment Code guarantees individual employees' rights to join or not join a trade union. Trade union membership, however, is extremely low, no more than approximately 9% of the employed workforce. Most trade unions in Lithuania are affiliated to the Lithuanian Trade Union Confederation (*Lietuvos profesinių sąjungų konfederacija* – LPSK).

### Social security benefits

Lithuania has a comprehensive system of social security, financed by social security contributions (see Chapter 9). The state agency responsible for the system is the State Social Insurance Fund Board (*Valstybinio socialinio draudimo fondo valdyba* – SODRA). Its duties include:

- Organising compulsory as well as voluntary state social insurance
- Drafting and fulfilling the state social insurance fund budget
- Administering social security contributions
- Ensuring the correct calculation, allocation and payment of state pensions, allowances and other benefits

- Organising the correct handling of the social security database
- Administering the register of members of different pension schemes and pensions-savings agreements
- Organising transfers of pensions-saving contributions to pension funds under the management of pensions-saving companies.

Health services are provided under the auspices of the National Health Insurance Fund (*Valstybinė ligonių kasa*), to which dedicated contributions are made (see Chapter 9).

#### Work permits, visas etc

For EU citizens planning to spend over three months in any six-month period in Lithuania, a permit from the Migration Department is required. Depending on the purpose of the stay (study, work, visiting relatives) additional documents (besides an EU passport and an official request form) which explain the purpose of the stay (e.g. employment contract, contract with university, statement of income) have to be presented to the Migration Department of the Ministry of Home Affairs. For permanent residence, EU citizens have to file an official request, present an EU passport and documents of consent from the EU country in which they are currently residing for the country of residence to be changed to the Republic of Lithuania. The list of countries, citizens of which do not require visas for Lithuania, as well as the list of visa offices of the Republic of Lithuania abroad is available on the webpage of the Migration Department ([www.migracija.lt](http://www.migracija.lt)).

## 3. Finance and investment

### Business regulation

Business owned by foreigners and locals are regulated alike. The extent of regulation mainly depends on the activities pursued. Some activities require special licences and approval from government bodies, but generally business regulation depends on the type of entity, valid tax laws and other generally applied laws and regulations. Licence requirements for business activities are thoroughly described in the webpage of the Business Gateway ([www.verslovartai.lt](http://www.verslovartai.lt)). The Trademarks Act of the Republic of Lithuania establishes and protects intellectual property (and is harmonised with EU legislation).

### Banking and finance

The main banking institution in Lithuania is the Bank of Lithuania (*Lietuvos bankas*), which is the country's central bank. It is independent of the Government of the Republic of Lithuania and other state institutions. The activities and responsibilities of the Bank of Lithuania include:

- Issuing the currency of the Republic of Lithuania
- Formulating and implementing monetary policy
- Managing, using and disposing of foreign reserves at the Bank of Lithuania
- Acting as a State Treasury agent
- Issuing and revoking licences to Lithuanian credit institutions and permissions for the establishment and operation of branches and representative offices of foreign credit institutions, supervising their activities and establishing the principles and procedures for financial accounting and reporting
- Developing and managing an inter-bank fund-transfer system and establishing the requirements for the participants in the inter-bank fund-transfer system
- Collecting monetary, banking and balance of payments statistics, as well as data on Lithuanian financial and related statistics, implementing standards on the collection, reporting and dissemination of such statistics and compiling the balance of payments of the Republic of Lithuania
- Establishing principles and procedures for financial accounting and reporting by Lithuanian credit institutions and the branches of foreign credit institutions operating in Lithuania
- Encouraging the stable and efficient operation of payment and securities settlement systems

There are currently six commercial banks operating in Lithuania and licensed by the Bank of Lithuania:

1. SEB bankas – the largest and oldest commercial bank in Lithuania
2. Swedbank – belongs to the largest finance group in the Baltics
3. DNB bankas – belongs to the largest Norwegian finance group DNB Bank ASA
4. Šiaulių bankas – the bank with the greatest percentage of Lithuanian shareholdings;
5. Medicinos bankas
6. Citadele – belongs to the Latvian group Citadele

There are also seven foreign banks that have branches in Lithuania: Danske Bank, Nordea, OP Corporate Bank plc, Scania Finans AB, Svenska Handelsbanken AB, TeliaSonera Finance and Bigbank.

### Exchange control

There are generally no restrictions on the inflow or outflow of foreign capital.

### Investment incentives

There are two free economic zones in Lithuania – in Kaunas and in Klaipėda. In return for an investment of at least EUR 1 million, special tax reliefs are available. See further Chapter 6).

## 4. The accounting and audit environment



### Audit requirements

Audit firms follow the International Standards on Auditing, the Code of Ethics for Professional Accountants, The Auditing Act and other related legislation. Auditors and audit firms are licensed, monitored and reviewed by the official body – the Lithuanian Chamber of Auditors (*Lietuvos auditorių rūmai*) – member of IFAC and accountable to the Ministry of Finance.

### Accounting requirements

Accounting in the Republic of Lithuania is regulated by the Accounting Act, which has been harmonised with EU legislation. The Audit and Accounting Authority (*Audito ir apskaitos tarnyba*) is the official body administering all matters related to accounting. This authority is a state entity managed by the Ministry of Finance. Under the Accounting Act, business entities can either follow Lithuanian generally accepted accounting standards (Lithuanian GAAP) or IFRS, except for publicly traded entities, brokerage firms, regulated market operators, the Central Securities Depository of Lithuania, management entities operating under the Collective Investment Undertakings Act, management entities operating under the Additional Voluntary Pension Savings Act and credit institutions (except credit unions), for which IFRS is mandatory.

Lithuanian entities (except for the types listed above) usually choose to operate under Lithuanian GAAP.

“Auditors and audit firms are licensed, monitored and reviewed by the official body – the Lithuanian Chamber of Auditors (*Lietuvos auditorių rūmai*).”

## 5. Overview of the tax system

### The tax authorities

The State Tax Inspectorate (*Valstybinė mokesčių inspekcija* – abbreviated to STI in English) administers the assessment and payment of taxes and other duties payable to the state or local authorities.

### Principal taxes

The principal taxes levied in Lithuania are:

- Corporate income tax (*pelno mokestis*)
- Personal income tax (*gyventojų pajamų mokestis*)
- Value added tax ( *pridėtinės vertės mokestis*)
- Inheritance tax (*paveldimo turto mokestis*)
- National natural resources tax (*mokestis už valstybinius gamtos išteklius*)
- Oil and gas resources tax (*naftos ir dujų išteklių mokestis*)
- Immovable property tax (*nekilnojamojo turto mokestis*)
- Land tax (*žemės mokestis*)
- Excise duties (*akciza*)
- Customs duties (*muftai*)

### Appeals

There are three possible stages to an appeal. In the first instance, if a taxpayer is dissatisfied with an act or decision by his local tax office, he may appeal to the Central Tax Administrator (*Centrinis mokesčių administratorius*), within 20 days of the disputed act or decision. The Central Tax Administrator (CTA) has 30 days (60 days if additional investigation is required) to come to a decision on the appeal. If the taxpayer is dissatisfied with that decision, he may then appeal further, to the Commission on Tax Disputes, within 20 days of receiving the CTA's decision. An appeal against the Commission's decision lies to the courts. However, the court of first instance is also the court of last instance, since all tax cases are heard by the Vilnius District Administrative Court, whose decision is final, subject to a referral of questions to the Court of Justice of the European Union.

# 6. Taxes on business

## Corporate income tax

### Scope and extent

In principle, all legal persons and entities, where not specifically exempt, are liable to corporate income tax (actually known as 'profit tax').

A Lithuanian legal person (see below) is liable to corporate income tax on its worldwide income, whereas a foreign legal person is taxable on its Lithuanian-source income only, unless it has a permanent establishment in Lithuania, in which case that establishment is treated as if it were a separate Lithuanian legal person.

A Lithuanian entity with a permanent establishment abroad in a jurisdiction that is either within the European Economic Area or that has a double tax treaty with Lithuania is not taxed in Lithuania on the profits of that permanent establishment if they are taxable in that jurisdiction.

A permanent establishment is considered to exist where a foreign entity permanently carries out activities in Lithuania; or carries out its activities in Lithuania through a dependent representative (agent) with the authority to conclude contracts; or uses a building site, a construction, assembly or installation object; or makes use of installations or structures in Lithuania for prospecting or extracting natural resources, including wells or vessels used for that purpose, beyond a certain period of time.

### Company residence

The Lithuanian Profit Tax Act (*Pelno mokeščių įstatymas*) distinguishes between 'Lithuanian legal persons' and 'foreign legal persons', and does not refer to residence. A Lithuanian legal person is a legal person duly established under Lithuanian law, whereas a foreign legal person is a legal person established under foreign law. These categories are thus broadly equivalent to residence and non-residence.

### Taxable entities

Entities (henceforth, 'companies') that are specifically exempt from corporate income tax include:

- Entities financed by the state
- The Bank of Lithuania
- National and local government and their agencies
- European Economic Interest Groupings

### Partnerships

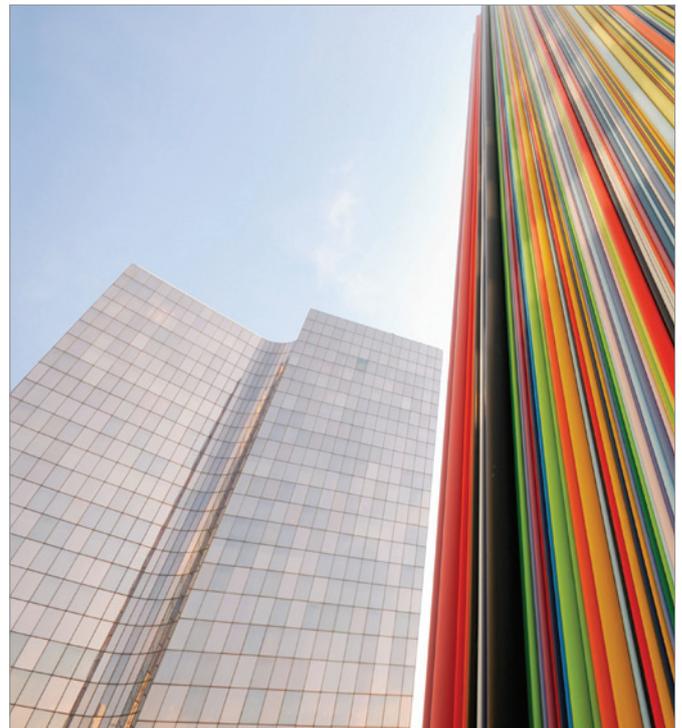
In Lithuanian law, partnerships are legal entities in their own right, and hence liable to corporate income tax.

### Taxable period

The taxable period is the company's accounting period, which is normally the calendar year. Provided objective reasons exist, a company may seek STI approval for a different accounting period.

### Taxable income

Taxable income includes any type of income earned and/or received in cash and/or in kind from a source in or outside Lithuania. Income and costs are generally recognised on an accruals basis and in accordance with Lithuanian GAAP.



Companies may opt for cash accounting if their annual income has not exceeded EUR 30 000 in any of the last three taxable periods. When a company's annual income exceeds that amount in any taxable period, it must switch to accruals accounting from the beginning of the next period, and it may not revert to cash accounting thereafter. Under cash accounting, revenue is not recognised until received and expenditure, determined as for the accruals basis, is recognised in the period in which the income to which it is related is recognised.

Taxable income is based on the net profit recognised in the income statement, adjusted as follows:

- By deducting non-taxable income
- By adding back disallowable expenditure and the appropriate part of expenditure with limited deductibility

Non-taxable income includes:

- Receipts from insurance policies in respect of loss or damage
- Revaluation surpluses from revaluation of fixed assets or securities

### Capital gains

Capital gains are treated in the same way as ordinary business income and are subject to the standard rate of corporate income tax. There are no inflation adjustments in computing gains.

Capital gains from the disposal of shares in a company incorporated in the European Economic Area or a jurisdiction with which Lithuania has a double tax treaty are exempt provided that:

- The company whose shares they are is subject to corporate income tax or an equivalent tax
- The Lithuanian company making the disposal has held more than 25% of the voting rights in the company concerned for an uninterrupted period of at least two years and
- The acquiring party is not the issuing company

Losses from a disposal on which a gain would be exempt as above may be set off against taxable gains from the disposal of other shares and securities in the same taxable period, up to the limit of those taxable gains. No carry-forward of excess losses is permitted.

### Deductions

Allowable deductions include all the usual costs that a company actually incurs for the purpose of earning income or deriving economic benefit. Expenses for the benefit of employees are also allowable where the benefit is taxable in the hands of the employee.

Some expenditure is only partially deductible or deductible subject to certain conditions. This includes:

- Depreciation or amortisation costs of fixed assets
- Operating, repair and renovation costs of tangible fixed assets (capitalised where it prolongs the life of the asset or improves it)
- Business travel (up to the specified amount for the country visited)
- Advertising and promotional activities (25% is generally disallowed; the disallowance is 100% if paid to a controlling or controlled entity)
- Bad debts (deductible only if the debtor is dead; in liquidation or bankrupt, or the debt is not recoverable within one year)
- Expenses for the benefit of employees and/or their family members where the benefit is not subject to income tax
- Special provisions by credit institutions and insurance companies
- Sponsorship (double the amount of support given, but capped at 40% of net income)
- Membership fees, payments and contributions (limited to 0.2% of gross income)
- Interest subject to thin-capitalisation rules (see under 'Thin capitalisation')

The following expenses are generally treated as non-deductible for tax purposes:

- Corporate income tax and VAT (however, input VAT not deductible for VAT purposes may be deductible if the expenditure itself is deductible)
- Default and late-payment interest and fines

- Business gifts
- Payments to entities located in a listed tax haven (unless certain conditions are satisfied)
- Expenses related to non-taxable income and expenses not attributable to operating activities

#### Depreciation

Depreciation of fixed assets may be made by the straight-line method or by the reducing-balance method (not always available). Companies are free to choose the rate of depreciation but it may not exceed the rate stipulated in the Corporate Income Tax Act (in actual fact, the Act stipulates a minimum period over which an asset may be depreciated and the corresponding maximum straight-line and declining-balance rate deduced accordingly). Where the reducing-balance method is available and chosen, the maximum rate is double the maximum straight-line rate.

Illustrative rates are given in Table 2.

Table 2

Type of asset	Maximum straight-line rate (%)
New buildings	12.50
Residential premises	5.00
Plant and machinery (generally)	20.00
Electricity transmission networks	12.50
Rolling stock and ships	12.50
Computer and communications equipment	33.33
Furniture	16.67
Trademarks and patents	33.33
Goodwill	6.67
Other intangible assets	25.00
Motor vehicles not older than 5 years	16.67 <sup>(1)</sup>
Motor vehicles older than 5 years	10.00

<sup>(1)</sup> A special rate applies to vehicles used for short-term leasing or transportation services

Land is not depreciable. Goodwill is depreciable only if purchased or acquired. Self-generated goodwill may not be depreciated.

#### Dividends, interest and royalties

##### Dividends

Dividends received by a Lithuanian company from another Lithuanian company are exempt from corporate income tax where the recipient company has held at least 10% of the voting rights in the distributing company for an uninterrupted period of at least 12 months.

Dividends that do not qualify for exemption are subject to tax and are paid under deduction of withholding tax of 15%. This withholding tax may be credited against the recipient company's liability to corporate income tax. Excess credits may be refunded.

Dividends received from foreign companies are normally subject to corporate income tax, but a participation exemption exists in respect of dividends where:

- The distributing company is subject to a tax equivalent to Lithuanian corporate income tax and is not located in a listed tax haven and
- The recipient company has held at least 10% of the voting rights in the distributing company for an uninterrupted period of at least 12 months

Any foreign withholding tax on the dividend may be set against the Lithuanian tax due on the dividend.

### *Interest*

Interest received from Lithuanian or foreign entities is normally taxable. There is no withholding tax on interest payable by one Lithuanian company to another.

Any foreign withholding tax on interest received from abroad may generally be set against the Lithuanian tax due on the interest.

### *Royalties*

What applies to interest applies also to royalties.

### **Group taxation**

Lithuanian tax law recognises the concept of a group of companies, consisting of a parent entity and one or more taxable subsidiaries, in each of which the parent entity holds more than 25% of the shares.

There is no consolidated taxation, but current-period losses may be transferred between companies in a group provided that:

- On the day of transfer, the parent company in the group holds, directly or indirectly, at least two-thirds of the shares of each of the subsidiaries taking part in the transfer and
- The losses are transferred between companies that have been members of the group for an uninterrupted period of at least two years immediately preceding the day of transfer

Where a company has been a member of the group since its incorporation but not yet for two years, it may participate in the transfer on condition that it remains a member of the group for an uninterrupted period of at least two years from the date of incorporation.

A foreign group member may transfer tax losses (or a part thereof) to a Lithuanian group member only where:

- The foreign company is resident in an EU Member State
- It takes one of the corporate forms listed in the Annex to the Mergers Directive (90/434/EEC) and is subject to one of the corporate taxes specified in Article 3(c) of that Directive
- The losses to be transferred may not be carried forward to the following tax year or deducted from its income or profit under the law of its state of residence and
- The losses transferred by the foreign company are calculated in accordance with Lithuanian law

A company may not transfer losses of a taxable period in respect of which it is exempt from corporate income tax or subject to a zero rate of that tax.

### **Losses**

Losses arising from ordinary operating activities may be carried forward indefinitely, provided that the trade in which they were incurred continues to be carried on. Losses incurred on the disposal of securities or derivative financial instruments may be carried forward for a maximum of five years, but are available for set-off against income from such disposals only.

On a change of ownership, losses continue to be available provided that the trade remains the same.

## Withholding taxes on outgoing income

### *Dividends*

Where dividends payable to other Lithuanian companies qualify for the participation exemption (see above under 'Dividends') they are paid gross. Dividends that do not qualify for the participation exemption are paid under deduction of 15% withholding tax. The distributing company must account to the tax authorities for the tax withheld by the 10th day of the month following the month of the distribution.

Dividends payable to resident and non-resident individuals are paid under deduction of 15% withholding tax.

### *Interest*

Interest paid to other Lithuanian companies or individuals resident in Lithuania is free of any withholding tax.

Interest paid to non-resident companies or individuals is paid under withholding tax of 10%. However, if the recipient of the interest is a company resident in another member state of the European Economic Area or in a jurisdiction with which Lithuania has concluded a double tax treaty (see Appendix 1), the interest is paid gross.

Interest payable to resident and non-resident individuals is paid under deduction of 15% withholding tax.

Certain types of interest are exempt from income tax. These include interest payable on Lithuanian government and local-authority securities and deposit interest payable by banks and other credit institutions established in Lithuania or in another EEA member state.

### *Royalties*

Royalties are also paid under deduction of 10% withholding tax. However, the EU Interest and Royalties Directive (2003/49/EC) applies, so that royalties are paid gross to an associated company resident in another EU Member State. Companies are associated for this purpose if one of them has held at least 25% of the share capital of the other or where a third EU-resident company has directly held at least 25% of the share capital of both companies, for an uninterrupted period in both cases of at least two years.

Royalties payable to resident and non-resident individuals are paid under deduction of 15% withholding tax.

### *Thin capitalisation*

Thin-capitalisation rules apply in respect of borrowings from related parties as well as borrowings guaranteed by related parties. The maximum 'safe-harbour' debt-to-equity ratio is 4:1. Where this ratio is exceeded, the whole of the interest (not just that part attributable to the excess) is disallowed, with no facility for carry-forward. The rules apply to loans made by a party that directly or indirectly holds more than 50% of the dividend-bearing shares of the debtor company or by a party that directly or indirectly holds no less than 10% alone, and more than 50% in association with related parties.

The thin-capitalisation rules do not apply if the Lithuanian company can prove that a loan on the same conditions would have been granted between non-related parties.

### *Transfer pricing*

All transactions between associated parties must be performed at arm's length. The State Tax Authorities have a right to adjust transaction prices if they do not conform to market prices.

The Lithuanian transfer-pricing rules refer to the OECD Transfer Pricing Guidelines, to the extent that they do not contradict the domestic rules.

According to the Lithuanian transfer-pricing regulations, companies may apply the following transfer-pricing methods in the order of preference in which they appear:

- The comparable uncontrolled-price method;
- The resale-price method;
- The cost-plus method;
- The profit-split method;
- The transactional net-margin method.

All companies with an annual revenue exceeding EUR 2.896 million as well as banks, insurance companies and credit institutions are required to prepare transfer-pricing documentation in a specifically prescribed form. The documentation may be in a foreign language, but upon request has to be translated into Lithuanian.

As of 1 January 2012, a possibility to apply for a binding ruling or advance pricing agreement (APA) from the State Tax Authorities in respect of future transactions is available for taxpayers.

### Controlled foreign company (CFC) rules

Lithuania also has CFC rules.

A CFC is any foreign company in which a Lithuanian-resident person:

- directly or indirectly holds more than 50% of the dividend-bearing shares of the foreign company or
- together with related parties holds more than 50% of such shares and himself holds no less than 10% alone

The CFC's income is attributable only where it is not in an exempt jurisdiction (see below) and it is subject to a rate of corporate tax on profits that is less than 75% of the Lithuanian rate (hence less than 11.25%).

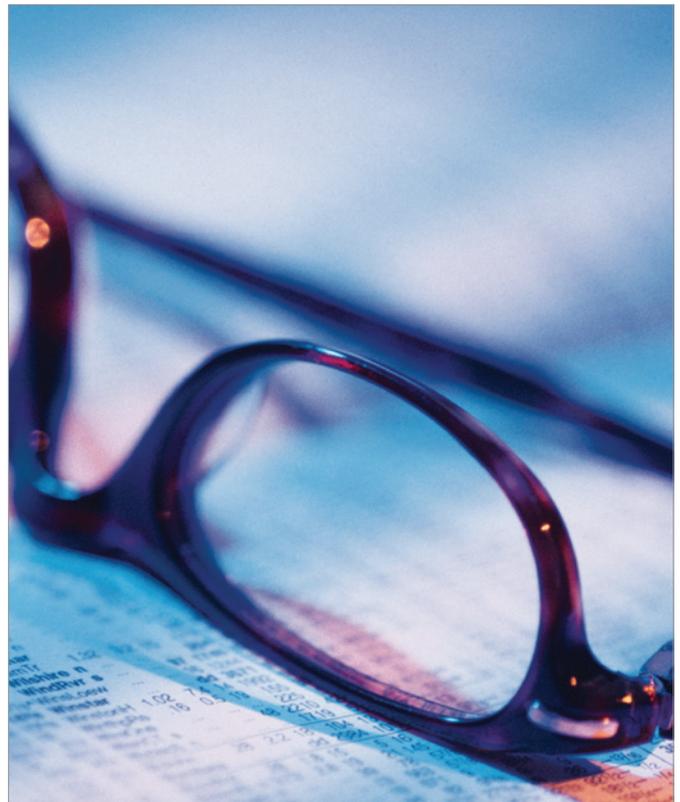
Only the CFC's passive income is attributed (pro rata) to the Lithuanian controlling party. Passive income excludes the CFC's normal operating income and any undistributed dividends (subject to conditions).

### Exemptions

Companies established in a 'whitelisted' jurisdiction are exempt. The whitelist includes EEA countries (except Liechtenstein), Canada, China and the United States and a number of CIS members.

Companies established in a blacklisted jurisdiction are also exempt, as separate anti-avoidance rules apply to them (see below).

CFCs are also exempt from the rules if their total income is less than 5% of the Lithuanian controlling party's income.



## Other significant anti-avoidance rules

### *Abuse of law*

The abuse-of-law doctrine applies. Where any transaction or series of transactions is considered to have been undertaken principally in order to obtain a tax advantage, the tax authorities may recharacterise the transaction(s) in order to negate the advantage. Where the tax benefit is merely incidental, the doctrine does not apply. Its use has yet to be tested in the courts.

### *Blacklist of jurisdictions*

Payments made by Lithuanian companies to foreign entities resident or established in a blacklisted jurisdiction are not deductible for tax purposes unless strict conditions are met. The jurisdictions concerned are listed in Table 3 below.

Table 3

Alderney	Gibraltar	Nauru
Andorra	Grenada	New Caledonia
Anguilla	Guatemala	Niue
Antigua and Barbuda	Guernsey	Panama
Aruba	Hong Kong	St Christopher & Nevis
Azores	Isle of Man	St Helena
Bahamas	Jamaica	St Pierre et Miquelon
Bahrain	Jersey	St Vincent and the Grenadines
Barbados	Kenya	Samoa
Belize	Kuwait	San Marino
Bermuda	Lebanon	Seychelles
British Virgin Islands	Liberia	Tahiti
Brunei	Liechtenstein	Tonga
Cayman Islands	Macau	Turks and Caicos Islands
Cook Islands	Madeira	United Arab Emirates
Costa Rica	Maldives	Uruguay
Curaçao	Marshall Islands	US Virgin Islands
Djibouti	Mauritius	Vanuatu
Dominica	Monaco	Venezuela
Ecuador	Montserrat	

## Tax incentives

### *Accelerated depreciation*

Certain fixed assets, such as machinery, IT equipment and software, where used for the purposes of research and development, may be depreciated at the straight-line rate of 50%.

### *Investment projects*

Where companies invest in the years 2009-2018 (inclusive) in certain types of fixed asset in order to manufacture new products, provide new services or make substantial changes in existing business processes, they may, after first notifying the tax authorities, claim a tax deduction of 50% of their investment. These deductions may not exceed 50% of taxable income; any excess may be carried forward for a maximum of four years.

Qualifying investments include the acquisition of plant and machinery, structures, computer and communications equipment, rights to intangible property etc. The assets must be unused and no more than two years old, and must be applied in the company's business operations for a minimum of three years.

### *Research and development expenditure*

Qualifying R&D expenditure may be deducted at a rate of 300% (i.e. triple).

### *Tax reliefs in free zones*

In the Kaunas and Klaipėda free zones, in return for an investment of at least EUR 1 million, special tax reliefs are available. These include:

- Exemption from corporate income tax for the first six years
- Profits of the next 10 years are taxed at 50% of the normal rate (i.e. at 7.5%)
- Exemption from immovable property tax (for which see Chapter 8)
- Exemption for dividends

### **Tax rate**

The standard rate of corporate income tax is 15%.

A special reduced rate of 5% applies to 'small' companies, defined as having:

- An average number of employees no greater than 10
- And taxable income of no more than EUR 300 000

A number of exclusions apply.

A 5% rate is also applicable to companies deriving more than 50% of their income from agricultural activities.

Some companies employing a specified percentage of disabled people or the long-term unemployed may qualify for a 0% rate.

### **Assessment procedure**

Corporate income tax is subject to self-assessment.

### **Returns and payment**

#### *Returns*

Annual corporate tax returns must normally be filed within five months of the year-end. Hence the last filing date for the taxable period which is the year ending 31 December 2015 is 1 June 2016.

Withholding-tax returns need to be filed on a monthly basis within 15 days of the end of the previous month.

Returns of dividends received also need to be filed on a monthly basis, no later than the 10th day of the following month.

#### *Payment*

Unless its taxable income in the previous taxable period was no more than EUR 300 000, a company is required to make quarterly payments of corporate income tax in advance. There are two methods of calculating these advance payments: one based on previous liabilities and one based on estimated current liability.



Companies choosing to make payments based on previous liability do so on the basis of the final liability of the period immediately preceding the previous period, e.g. advance payments for 2016 will initially be based on the final liability for 2014 (assuming calendar-year periods). The first three quarters' payments are 25% of the liability of the reference period. The final quarter's payment must, however, amount to 25% of the previous period's final liability, so that, for example, the fourth quarter's payment for 2016 will be 25% of the final liability for 2015.

Alternatively, companies may make payments based on their estimate of the current year's final liability (new start-ups have no other option). To deter unrealistically low estimates, late-payment interest is charged if the four advance payments add up to less than 80% of the actual final liability.

Payments for the first three quarters are due no later than the last day of the quarter and for the last quarter no later than the 25th day of that quarter.

Any balance remaining to be paid once the final liability of the year is determined as per the tax return is payable no later than the first day of the 10th month of the following period (e.g. no later than 1 October for a calendar-year end).

Late-payment interest will be charged where payments are not made on time.

#### Appeals

See Chapter 5.

### Value added tax

#### Taxable activities

As a Member State of the European Union, Lithuania has a value added tax (VAT) régime similar to other VAT régimes throughout the European Union. In general, VAT is due on supplies of goods and services, the import of goods from outside the European Union and the 'intra-EU acquisitions' of goods from other EU Member States. If these transactions take place in Lithuania, they are in principle subject to Lithuanian VAT.

Businesses ('taxable persons') charging VAT to their customers are liable to report and pay this VAT to the Lithuanian tax authorities. Any VAT incurred in the course of the taxable person's taxable activity (e.g. charged by the taxable person's suppliers), can in principle be deducted or set off against the VAT due. Only the net amount must be paid to the tax authorities. If there is a balance of deductible VAT, the amount is in principle recoverable from the tax authorities (but see below). Consequently, the real burden of VAT falls on the final consumer, with the intervening business effectively acting as a collecting agent for the tax authorities.

Although most taxable persons are businesses and most businesses are taxable persons, a taxable person is any person independently carrying on an economic activity. The definition of 'economic activity' is quite wide, so that on occasion, even persons not carrying on a business in the generally understood sense of the word may have to charge and pay over VAT.

### VAT rates and exemptions

The standard rate of VAT in Lithuania is 21%, with reduced rates of 5% and 9%.

The 5% rate applies, inter alia, to medicines and medical aids, the cost of which is fully or partially reimbursed by the state. The 5% rate also applies to technical aids for the disabled and their repair as of 1 January 2013.

Supplies liable at the 9% rate include:

- Certain books and newspapers
- Public transport and
- Domestic heating (until 31 December 2016)
- Accommodation at hotels and other special accommodation services supplied according to the procedure laid down in the legal acts regulating tourist activities.

When the place of supply of goods or services is deemed to be outside Lithuania, no Lithuanian VAT should be charged. This is, for example, the case for most types of services supplied to foreign businesses and intra-EU supplies. Although no VAT is charged, the taxable person can in principle still deduct VAT incurred for the purpose of these activities ('exemption with the right to deduct'). This is also the case with exports of goods from the European Union to third countries. There are also other exempt transactions, such as supplies of land, insurance, certain legal services as well as postal, financial, educational and health services, which do not carry the right to deduct. In other words, the taxable person making these exempt supplies cannot deduct or recover the VAT he has incurred on his purchases and expenses related to this activity ('exemption without the right to deduct').

### Registration

Anyone who is liable to pay VAT to the Lithuanian tax authorities and any taxable person 'established' in Lithuania (whether based in Lithuania or having a fixed establishment in Lithuania from which taxable transactions are carried out) must in principle register for VAT purposes and obtain a VAT identification number. The Lithuanian identification number consists of the letters LT followed by a nine or twelve-digit number.

Foreign taxable persons with a fixed establishment for VAT purposes in Lithuania must register in the same way as a Lithuanian taxable person.

Foreign taxable persons without a fixed establishment in Lithuania from which taxable transactions are carried out should only register for Lithuanian VAT purposes if they carry out taxable activities in Lithuania for which they are liable to pay Lithuanian VAT (i.e. where there is no application of the reverse charge, which makes the customer liable for payment of the tax due). This can, for example, be the case where the taxable person:

- imports goods from outside the European Union
- makes intra-EU acquisitions of goods from other Member States
- makes local supplies of goods or services to non-taxable persons or
- carries on a property business (selling or letting immovable property)

in Lithuania.

Foreign taxable persons without a fixed establishment in Lithuania from which taxable transactions are carried out who need to register may either do so directly or appoint a tax representative to act on their behalf. However, non-EU businesses without an establishment in the European Union do not have this choice and must register by appointing a tax representative.

#### Registration thresholds

The small-business registration threshold in Lithuania is EUR 45 000 (by reference to the VAT-exclusive turnover in the previous 12 months). This threshold applies only in the case of Lithuanian taxable persons. Taxable persons not established in Lithuania who make taxable supplies there must register no matter what the value of their transaction(s).



The distance-selling threshold (for taxable persons selling into Lithuania) is EUR 35 000. The registration threshold for non-taxable persons making intra-EU acquisitions in Lithuania is EUR 14 000.

#### VAT returns

The standard return period for legal persons is one calendar month. Legal persons whose turnover in the previous calendar year did not exceed EUR 60 000 may apply to transfer to a six-month period.

The standard return period for natural persons, on the other hand, is six months, although they may file a request for monthly periods.

Returns must be filed no later than the 25th day of the month following the end of the return period, which is when payment is also due. Large VAT payers whose VAT payments have exceeded EUR 3 million for three successive months are obliged to make advance payments if they are not on a calendar-month period.

If there is an excess of input tax over output tax for a period, the excess is normally carried over, but the taxable person may apply to have the excess refunded, in which case the authorities will first set the excess against any other tax liabilities the taxable person may have.

#### VAT grouping

Lithuania does not offer a facility to form VAT groups.

# 7. Personal taxation

## Income tax

### Extent and scope

Individuals who are resident in Lithuania are liable to personal income tax on all their worldwide income. Non-residents are liable on certain Lithuanian-source income only.

### Residence

An individual is considered to be resident in Lithuania for tax purposes if he or she satisfies any of the following conditions:

- The individual has a permanent place of residence in Lithuania. A permanent residence is a flat, house, room or other premises suitable as living accommodation, which the individual has at his or her disposal and in which he or she lives permanently or predominantly (not only when on business trips or holidays). If the individual has such a residence in both Lithuania and another country, the permanent residence is considered to be the one in which the individual resides more or most often
- The individual's personal, social or economic interests are in Lithuania
- The individual is present in Lithuania for 183 days or more in the calendar year
- The individual is present in Lithuania for 280 or more days over two successive calendar years and was present for at least 90 days in one of those years
- The individual is a Lithuanian citizen working abroad and maintained by the Lithuanian state or by a Lithuanian local authority

### Non-resident's taxable income

The following types of income arising or deemed to arise in Lithuania are taxable in the hands of a non-resident individual:

- Interest
- Dividends and other profit distributions
- Directors' fees to members of executive and supervisory boards
- Rents from immovable property located in Lithuania
- Royalties
- Income from employment and from relationships equivalent to employment
- Income from sporting or artistic activities, including income directly or indirectly related to such activities, irrespective of whether it is paid directly to the performer or to any third party acting on behalf of the performer
- Proceeds from the disposal of movable property registrable in Lithuania and from the disposal of immovable property located in Lithuania
- Compensation for infringements of copyright and related rights.

### Structure of income tax

Taxable income is computed separately per recognised type of income. The law recognises the following types of income:

- Income from employment and equivalent relationships
- Income from independent business activities
- Income from the exercise of a profession
- Interest
- Dividends and other profit distributions
- Rents and other income from immovable property
- Income from sporting and artistic performances
- Proceeds of disposal of movable and immovable property
- Miscellaneous other income

### Exempt income

Categories of income exempt from income tax include:

- Social security benefits, except sickness benefit and maternity/paternity pay
- Lithuanian or foreign state pensions

- Interest on Lithuanian or other EEA government securities
- Deposit interest from Lithuanian or other EEA credit institutions
- Certain gains from the disposal of movable and immovable property (see below)

#### Treatment of partnerships

As noted in Chapter 6, partnerships are considered to be legal persons in their own right and their profits are subject to corporate income tax.

The drawings that individual partners make from a partnership are treated in one of two ways. Drawings of between the monthly minimum wage (EUR 350 from 1 January 2016) and the social-security ceiling (EUR 21 360 in 2016 – see Chapter 9) are treated as employment income. Drawings in excess of that amount are treated as other income.

#### The family unit

There is no joint taxation of husbands and wives or of other couples. Each individual is taxed separately, although there is scope for the transfer of certain personal allowances (see below).

Minor children's income is taxed separately from that of their parents.

#### Taxation of employment income

Income from employment includes all types of remuneration from an employment or equivalent relationship – wages, salaries, benefits-in-kind, bonuses, compensation for termination of employment, directors' remuneration etc. Employment income also includes drawings of between EUR 350 and EUR 21 360 by an individual partner from a partnership (see above).

"In principle, all benefits-in-kind – defined as property or services received gratuitously or at a preferential price by reason of the employment – are taxable."

#### *Benefits-in-kind*

In principle, all benefits-in-kind – defined as property or services received gratuitously or at a preferential price by reason of the employment – are taxable. However, certain benefits are specifically exempt. These include tools, overalls and equipment provided to wear at work and direct payments to educational institutions for the employee's vocational or professional education.

The taxable value of a benefit is its market price at the date of acquisition. In the case of company cars, the taxable benefit is 0.70% or 0.75% (if fuel is also made available) of the car's market value per month. An alternative calculation involves the market lease rental.

#### *Deductions*

No deduction is available for expenses of employment.

#### *Salary tax*

Employers deduct income tax and social security contributions from employees' remuneration. Deductions are based on details contained on the employee's social security card (*socialinio draudimo pažymėjimas*) and tax deduction tables.



### Income from independent business and professional activities

Where an individual's income from certain types of business activity do not exceed the VAT registration threshold (currently EUR 45 000 – see Chapter 6), it is exempt from normal personal income tax. Instead, the individual is taxed on a lump-sum basis predicated on a number of factors independent of actual revenues or outgoings. The types of business concerned all need a local-authority licence and include:

- Hairdressing
- Beautician's services
- Translation
- Handicrafts

This treatment is mandatory, but persons letting immovable property as a business may also opt for lump-sum taxation.

Where the business does not fall into one of the defined categories or its turnover is above the VAT registration threshold, and also in the case of professional income, it is liable to normal income tax, and taxable income is calculated on a cash basis. Business-related expenditure as specified in the Personal Income Tax Act (*Gyventojų pajamų mokesčio įstatymas*) may be deducted.

Generally speaking, if depreciation is to be claimed in respect of fixed assets, the taxpayer must use accruals accounting and may deduct expenditure more or less as under the Profit Tax Act (see Chapter 6).

Whereas the income of most self-employed professionals (e.g. lawyers, accountants, architects etc) is taxable at 15%, some professionals are taxed at only 5%.

### Investment income

#### *Dividends*

Dividends and other profit distributions are taxed at a flat rate of 15%.

#### *Interest*

Interest from bank deposits is generally exempt from income tax (see above). Where it is taxable, it is liable at the single general rate of tax (see under 'Tax rates') on the gross amount.

#### *Royalties*

Royalties are liable to tax at the single general rate on the gross amount.

#### *Rental income*

Rental income is liable to tax at the single general rate on the gross amount. Where the letting of property is carried out as a business under licence, the taxpayer may opt for lump-sum taxation (see above) if annual rental income does not exceed the VAT registration threshold.

### Capital gains

Capital gains from the disposal of assets are generally aggregated with income and taxed accordingly. In calculating the gain, the acquisition cost and taxes and duties associated with both acquisition and disposal are deductible.

Exemptions are available in respect of immovable property and shares.

In the case of immovable property, the gain is exempt if the property was acquired before 1 January 2011, is located in an EEA member state and has been owned for at least three years. In the case of property acquired after 31 December 2010, the exemption applies if the property is located in an EEA member state and has been owned for at least five years.

Gains from share disposals are exempt if the shares were acquired before 1 January 1999 or they have been owned for at least 366 days and the taxpayer's holding did not exceed more than 10% of the company's share capital at any time during the three years preceding the end of the tax year of disposal.

Gains of any nature are exempt if they do not exceed EUR 2500.

#### Gifts

Most lifetime gifts received by taxpayers are subject to income tax at the normal 15% rate. The main exemptions include gifts:

- From spouses, children, adopted children, parents, adoptive parents, siblings, grandparents and grandchildren or
- Not exceeding EUR 2500

#### Reliefs and deductions

##### *Deductions*

The law recognises certain expenses of a personal nature as deductible from taxable income. These include:

- Mortgage interest on one residential property the construction or acquisition contract for which was concluded before 1 January 1999
- Private pension contributions on behalf of the taxpayer, the taxpayer's spouse or minor or fully disabled children
- Life assurance premiums on behalf of the taxpayer, the taxpayer's spouse or minor or fully disabled children (under certain conditions)
- Fees and loan repayments for a first undergraduate or postgraduate degree

The total deductible under all these headings may not exceed 25% of taxable income (excluding dividends).

##### *Personal allowances*

A basic personal allowance is available for all taxpayers provided they have income from employment. The allowance is not available against other forms of taxable income.

The allowance is EUR 166 per month (annual equivalent: EUR 1992), provided that monthly employment income does not exceed EUR 350 per month (annual equivalent: EUR 4200). Where employment income does exceed LTL 1000 per month, the allowance is progressively reduced, according to the formula:

$$A = 200 - 0.34 (E - 350)$$

where A is the amount of the allowance and E is the amount of employment income.

It will be seen that once employment income reaches or exceeds EUR 938.24 per month, the allowance is zero.

For taxpayers who have reached retirement age and have a high level of special needs or taxpayers who have 0 – 25% capacity for work or are severely disabled are entitled to a basic allowance of EUR 270 per month (EUR 3240 annually).

For taxpayers who have reached retirement age and have a medium or low level of special needs or taxpayers who have 30 – 55% capacity for work or have a medium or low level of disability are entitled to a basic allowance of EUR 210 per month (EUR 2520 annually).

An additional personal allowance is granted for parents with minor children (or those 18 or over still undergoing full-time education). The allowance is EUR 120 per month (EUR 1440 annually) for every child. The allowance may be claimed by one parent alone or may be divided between the parents. This allowance is not dependent on the existence of employment income, but is deducted from employment income in preference to other types of taxable income.

These personal allowances are taken into account when deducting salary tax.

### Tax rates

All taxable income is subject to a single flat rate of 15%.

Some personal business income may be taxed at 5%, however (see above).

### Inheritance tax

#### Extent and scope

Resident taxpayers are liable to inheritance tax on the transfer to them mortis causa of all property wherever situated. Non-residents are liable in respect of immovable property located in Lithuania and of movable property that has to be legally registered in Lithuania.

Assets are normally valued at their market value for the purposes of the tax.

#### Exemptions and reliefs

The following transfers are exempt:

- Transfers from a spouse
- Transfers to children, adopted children, parents, foster parents, persons under guardianship, guardians, grandparents, grandchildren and siblings
- Any property of a value no greater than EUR 2500

Double tax relief is normally available on a per-country basis, if payment of the foreign tax is properly documented.

### Tax rates

There are two rates of tax only, as shown in Table 4.

Table 4

Value of property transferred	Rate of tax (%)
No more than EUR 150 000	5
Over EUR 150 000	10

NB: these rates are discrete, so that the whole of a transfer exceeding EUR 150 000 is taxed at 10%.

### Gift tax

There is no separate tax on gifts. Most gifts are, however, subject to income tax (see above).

### Wealth tax

There is no wealth tax in Lithuania.

## 8. Other taxes

### Immovable Property Tax

Immovable property tax is payable by a natural person who is the owner or lessee (on a lease of over one month's duration) of commercial property or property put to certain specific uses at a rate of between 0.3% and 1% of the taxable value of the property.

The exact rate is set by the relevant local authority, which may also introduce exemptions. Failure to set a rate by 1 June of the tax year results in a default rate of 0.3%

In the case of residential property, there is a flat 0.5% rate, but the tax is payable only where the value exceeds EUR 220 000 and is payable on that excess.

### Land tax

Land tax is payable by both natural and legal persons on immovable property that is not a building or construction. The rate of the tax varies from 0.01% to 4%, and is set by each local authority independently on the cadastral value of the land (which is considerably lower than the market value).

Certain classes of person are exempt. These include:

- Persons who have reached retirement age
- Minors and
- Persons with no more than 40% capacity for work

provided that no members of their immediate family have a capacity for work and own land above a *de minimis* area.

### Customs Duties

The EU customs code and legislation have been in force in Lithuania since 1 May 2004. Its provisions to a large extent are set out in Council Regulation No 2913/92 and Commission Regulation No 2454/93 (as amended).

### Excise duties

Excise duties are imposed on the following goods produced in or imported into Lithuania:

- Ethyl alcohol and alcoholic drinks, including beer and wine
- Cigarettes, cigars, cigarillos and smoking tobacco
- Fuel, including petrol, kerosene, gasoline, fuel oil and their substitutes and additives
- Coal, coke and lignite
- Electricity

## 9. Social security contributions

### Employers and employees

All persons working under an employment contract in Lithuania must be covered by a social security scheme.

Contributions are paid into five funds:

- The social security fund
- The health insurance fund
- The sickness and maternity fund
- The unemployment insurance fund
- The industrial accident fund

although the employee contributes solely to the first two.

The contributions are charged on the employee's gross salary, including benefits-in-kind, although some benefits (such as training costs and health insurance paid on the employee's behalf) are exempt. There is no ceiling on contributions.

The employer deducts the contributions from the employee's salary and accounts for the amounts deducted as well as his own liability no later than the 15th day of the following month.

The rates applicable in 2016 are set out in Table 5.

Table 5

Fund	Employee rate (%)	Employer rate (%)
Social security	3.00	30.80
Health	6.00	
Sickness and maternity	0.00	
Unemployment insurance	0.00	
Industrial accident	0.00	0.18 – 1.80 <sup>(1)</sup>
<b>Total</b>	<b>9.00</b>	<b>30.98 – 32.60</b>

<sup>(1)</sup> The amount varies according to the degree of actual accidents in the previous three years

Sportspeople and performers as well as persons receiving copyright royalties are deemed to be employees for the purpose of social security contributions.

Persons receiving copyright royalties without any employment income and sportspeople and performers are also liable to total contributions of 9% whether or not they are in an employment relationship with the payer of the income. However, in the absence of an employment relationship, the contributor's contributions are based on 50% of income, subject to a monthly cap of EUR 1780 (annual equivalent: EUR 21 360).

Where no employment relationship subsists, the payer of the income must make contributions of 39.98% in the case of royalties or 38.7% in the case of performance income. Where the payer of the income is the employer, the employer's rate is 30.98%.

### Self-employed contributors

Unless they are subject to the special lump-sum régime for microbusinesses (see Chapter 7), the self-employed pay social security contributions of 37.5% on a base equal to 50% of their taxable income, subject to an annual minimum of EUR 4000 and an annual maximum of EUR 21 360.

# 10. Moore Stephens in Lithuania

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# Appendix 1: Double tax treaties

## Comprehensive double taxation treaties

Lithuania has comprehensive double taxation treaties with the following countries:

Armenia	Hungary	Portugal
Austria	Iceland	Romania
Azerbaijan	India	Russia
Belarus	Ireland	Serbia
Belgium	Israel	Singapore
Bulgaria	Italy	Slovakia
Canada	Kazakhstan	Slovenia
China	Korea	Spain
Croatia	Kyrgyzstan	Sweden
Cyprus	Latvia	Switzerland
Czech Republic	Luxembourg	Turkey
Denmark	Macedonia	Turkmenistan
Estonia	Malta	Ukraine
Finland	Mexico	United Arab Emirates
France	Moldova	United Kingdom
Georgia	Netherlands	United States
Germany	Norway	Uzbekistan
Greece	Poland	

A treaty has been signed with Kyrgyzstan but is not yet in force.

## Double tax treaties: air transport and shipping

Lithuania has a double tax treaty with the following other jurisdiction covering profits from shipping only.

Aruba		
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## Double taxation treaties: estates, gifts and inheritances

Lithuania has no such treaties.

## Treaties on administrative assistance

With regard to the EU Member States, mutual administrative assistance in the area of direct taxation is governed by the Council Directive on Administrative Cooperation in the Field of Taxation (2011/16/EU) (this has been implemented in domestic legislation) and its Implementing Regulation (Regulation (EU) No 1156/2012). Administrative assistance in the field of VAT is governed by Council Regulation (EU) No 904/2010.

As regards third countries, Lithuania has agreements on the exchange of tax information with the following:

Anguilla	Cayman Islands	Turks and Caicos Islands
Aruba	Curaçao <sup>(1)</sup>	
British Virgin Islands	Montserrat	

<sup>(1)</sup> Agreement with the former Netherlands Antilles

**Social security agreements**

The interaction of national social security systems within the European Economic Area is governed by EU Regulations which also extend, by agreement (and with some differences), to Switzerland. The United Kingdom has pre-existing bilateral agreements with some of these states. These have largely been superseded by the EU regulations, but may be applied where, occasionally, they give a more beneficial result. The following non-EEA countries have social security agreements with Lithuania, the terms of which differ from case to case.

Belarus	Russia	United States
Canada	Ukraine	

## Appendix 2: Moore Stephens around the world

Moore Stephens member firms may be found in 106 countries and territories around the world, with correspondent firms in another ten.

Albania	Denmark	Latvia	Russia
Argentina	Dominican Republic	Lebanon	Saudi Arabia
Australia	Ecuador	Liechtenstein*	Serbia
Austria	Egypt	Lithuania	Seychelles
Azerbaijan	El Salvador*	Luxembourg	Singapore
Bahamas	Estonia*	Macedonia	Slovakia
Bahrain	Finland	Malta	South Africa
Bangladesh	France	Mauritius	South Korea
Belgium	Germany	Mexico	Spain
Belize	Gibraltar	Monaco	Sri Lanka*
Bermuda	Greece	Mongolia*	Sweden
Bolivia	Guatemala	Morocco	Switzerland
Botswana*	Guernsey	Netherlands	Syria
Brazil	Honduras	New Zealand	Taiwan
British Virgin Islands	Hong Kong	Nicaragua	Thailand
Bulgaria	Hungary	Nigeria*	Tunisia
Burundi	India	Norway	Turkey
Cambodia*	Indonesia	Oman	Ukraine
Canada	Iraq	Pakistan	United Arab Emirates
Cayman Islands	Ireland	Panama*	United Kingdom
Chile	Isle of Man	Papua New Guinea	United States
China	Israel	Paraguay	Uruguay
Colombia	Italy	Peru	Venezuela
DR Congo	Japan	Philippines	Vietnam
Costa Rica	Jersey	Poland	Zambia
Croatia	Jordan	Portugal	Zimbabwe*
Cyprus	Kazakhstan	Qatar	
Czech Republic	Kuwait	Romania	

\*denotes a correspondent firm only

For more detail, see [www.moorestephens.com](http://www.moorestephens.com) under 'Locations'.

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