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Tax System in *Lithuania* 2026

A concise guide to corporate and personal taxation, VAT, withholding taxes, social security and other key Lithuanian taxes.

EXECUTIVE OVERVIEW

Tax at a glance

Lithuania's tax system is based on EU-aligned indirect taxation, taxation of corporate and individual income, and mandatory social security contributions. Several important rates and thresholds changed in 2026.

17%	21%	20–32%	19.5%
STANDARD CORPORATE INCOME TAX	STANDARD VALUE ADDED TAX	PROGRESSIVE PIT RATES	EMPLOYEE SOCIAL & HEALTH INSURANCE

Tax	2026 headline treatment
Corporate income tax (CIT)	17% standard; 7% for qualifying small entities; 0% for the first two tax periods of certain new small entities owned by individuals.
Withholding tax (WHT)	Corporate dividends generally 17% unless the participation exemption or treaty relief applies; royalties 10%; interest exempt for EEA/treaty-country recipients, otherwise 10%.
Value added tax (VAT)	21% standard, 12% and 5% reduced rates; 0% for qualifying international transactions.
Personal income tax (PIT)	Progressive PIT rates: 20%, 25% and 32%. Dividends received by individuals generally 15%.
Social security	19.5% standard employee contribution (plus 3% for participants in pension accumulation); employer contributions typically 1.77%.
Real estate and land	Commercial real estate: municipal rate of 0.5–3% plus an additional national 0.2%. Land: 0.01–4%.
Insurance tax	10% charge on certain non-life insurance premiums, payable by insurers, subject to statutory exclusions.

Scope. This is an overview of the 2026 tax framework, not a complete list of exceptions. In particular, cross-border taxation depends on the transaction, tax residence, EU rules, applicable tax treaties and supporting documents.

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01 / TAX SYSTEM

The Lithuanian tax system

Lithuania's principal taxes include corporate income tax, personal income tax, value added tax, property taxes, excise duties, environmental taxes and customs duties. Compulsory social and health insurance contributions are collected separately from income tax. Different authorities administer different obligations.

Tax administration

The State Tax Inspectorate (*Valstybinė mokesčių inspekcija*, VMI) administers most national taxes. The Lithuanian Customs Authority administers customs processes and relevant import charges, while the State Social Insurance Fund Board (*Sodra*) administers compulsory social security contributions. Local governments set certain property and land tax rates within statutory ranges.

Businesses normally file returns electronically through the Electronic Declaration System (EDS). The VMI's *Mano VMI* service supports taxpayer registration, information and communication. The i.MAS platform incorporates i.SAF for VAT invoice register data, i.VAZ for relevant domestic transport documents and i.SAF-T for standardised accounting information where required.

Advance certainty, disputes and international reporting

Taxpayers may seek guidance from the VMI and, in qualifying cases, binding rulings on proposed transactions or advance pricing agreements. Decisions may be challenged through the statutory administrative review and tax dispute procedures, including the Tax Disputes Commission and the courts. The applicable deadlines depend on the particular decision and procedure.

International reporting and exchange-of-information requirements include mechanisms under EU law and OECD standards. Certain businesses and financial institutions may face specific reporting obligations in addition to their ordinary tax returns.

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02 / CORPORATE INCOME TAX

Corporate income tax (CIT)

Tax residence and scope of taxation

A legal entity established in Lithuania is generally a Lithuanian CIT resident. Its tax base ordinarily covers income earned both in Lithuania and abroad, subject to statutory exclusions. Income attributed to a foreign permanent establishment in an EEA state or a state with which Lithuania has an effective tax treaty may be excluded from the Lithuanian base if it is subject to an equivalent profit tax there under the relevant rules.

Foreign companies can be taxable on business profits attributable to a Lithuanian permanent establishment and on specified categories of Lithuanian-source income received without a permanent establishment. The tax treatment of cross-border profits is also affected by applicable double taxation treaties.

CIT rates in 2026

Rate	Application
17% — standard	Taxable profits of Lithuanian companies and permanent establishments, distributed profits, and support used contrary to its purpose, unless a specific provision applies.
7% — reduced	Entities with income for the tax period not exceeding EUR 300,000, unless the related-party aggregation rules apply. Also qualifying agricultural cooperatives and the qualifying share of profit from self-created software and patented inventions (patent box).
0% — start-up relief	First and second tax periods of new entities with income not exceeding EUR 300,000, provided the shareholders are individuals and, during three consecutive tax periods, activities are not suspended, the entity is not liquidated or reorganised and no shares are transferred to new shareholders.

The 7% and 0% rates are not automatic merely because turnover is below EUR 300,000: income of associated entities is aggregated under the statutory related-party tests. The former headcount condition no longer applies from 2026.

Taxable profit and deductibility

Taxable profit is generally derived from accounting results adjusted for non-taxable income, deductible expenditure, limited deductions and other CIT-specific adjustments. Ordinary expenses incurred to earn income or obtain an economic benefit are normally deductible, subject to documentation and statutory limits. Depreciation, provisions, representation expenses and interest costs are governed by separate rules.

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02 / CORPORATE INCOME TAX — CONTINUED

Anti-avoidance and transfer pricing

Lithuania applies a general anti-avoidance principle and specific rules addressing controlled foreign companies, related-party prices, financing arrangements, hybrid mismatches and other arrangements. Related-party transactions must comply with the arm's-length principle; transfer pricing documentation obligations depend on applicable statutory criteria. Interest deductibility may also be restricted under thin-capitalisation and earnings-based rules.

Loss relief and group taxation

Ordinary operating tax losses can generally be carried forward without a fixed time limit if the underlying activity continues. As a general rule, the amount of losses deducted in a profitable year is limited to 70% of the relevant taxable profit. A special exception applies to certain entities taxed at the 7% small-entity rate. The 2026 rules generally combine the taxpayer's own losses and eligible losses taken over from group companies when applying the 70% limitation. Securities and derivative losses are subject to separate rules, including a five-year period for many non-financial entities.

Tax losses may be transferred between qualifying group companies if ownership, timing and other legal requirements are met. Lithuania does not operate a general consolidated CIT return regime.

Participation exemption and tax incentives

Qualifying dividend income and qualifying gains on transfers of shares may benefit from participation exemptions. A common dividend exemption condition is ownership of at least 10% of voting shares for an uninterrupted period of 12 months; share-disposal relief has different ownership and holding-period conditions. Anti-abuse restrictions remain relevant.

Qualifying research and experimental development (R&D) expenditure may be deducted three times under the statutory regime. Other reliefs may apply to qualifying investment projects, specified intellectual property income, free economic zone activities and film production support. Each regime has its own eligibility, documentation and duration rules.

Returns and advance payments

The CIT year is generally the calendar year, although another 12-month period may be approved. The annual CIT return (normally PLN204 for a limited liability company) and the resulting tax are due by the fifteenth day of the sixth month following the tax period: 15 June for a calendar-year taxpayer. Advance CIT may be payable subject to the relevant thresholds and method of calculation.

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03 / WITHHOLDING TAX

Withholding tax (WHT)

Payments to businesses

Specified Lithuanian-source income paid to non-resident companies may be subject to corporate withholding tax even without a permanent establishment in Lithuania. The Lithuanian payer normally withholds and remits the tax. Exemptions and treaty relief depend on the recipient's status, participation conditions, beneficial ownership and supporting evidence.

Income paid to a foreign company	2026 domestic treatment
Dividends	17%; a participation exemption generally applies to a qualifying holding of at least 10% of voting shares for an uninterrupted 12 months, excluding recipients established in target territories and subject to anti-abuse rules.
Interest	Generally exempt for eligible recipients established in the EEA or a country with which Lithuania applies a tax treaty. Otherwise generally 10%, subject to specific exclusions.
Royalties	Generally 10%. An exemption may apply to qualifying EU associated-company payments.
Lithuanian immovable property	Generally 17% on specified rental income or disposal proceeds, with potential treaty relief and statutory recalculation provisions.
Performers and sports activities	Generally 17% for taxable Lithuanian-source receipts, subject to treaty provisions.
Supervisory board membership	Generally 17% on remuneration paid to a foreign entity for supervisory-board activity; treaty provisions may alter the result.

Evidence is essential. Corporate exemptions and treaty reductions must be assessed against the transaction and supported by appropriate tax-residence and other documentation.

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03 / WITHHOLDING TAX — CONTINUED

Payments to individuals

Payments to individuals are governed by Lithuanian personal income tax (PIT), not the corporate WHT rules. For non-residents, Lithuania taxes defined categories of Lithuanian-source income, including dividends, interest, royalties, remuneration for work performed in Lithuania and certain property income. A Lithuanian payer generally withholds PIT on income classified as *Class A*; *Class B* income is normally declared and paid by the individual.

Income paid to an individual	2026 domestic treatment
Dividends	15% flat PIT, normally withheld by a Lithuanian company. A lower rate may be available under a tax treaty.
Interest	Generally 15% withheld on taxable payments to non-residents, subject to statutory exemptions and treaty relief. Annual progressive taxation can be relevant depending on income classification and amount.
Royalties and non-employer copyright fees	Generally 15% at withholding, with potential progression in the annual calculation. Copyright fees from an employer follow different rules.
Remuneration for work in Lithuania	Generally 20% withholding on taxable employment income, with 25% and 32% rates applying at higher annual income bands; treaty rules may limit Lithuania's taxing rights.
Management and supervisory board fees	Progressive PIT rates of 20%, 25% and 32% can apply. The applicable rate depends on the taxable income and annual thresholds.
Rent of Lithuanian immovable property	Generally 15% withheld by a Lithuanian business payer, with potential progressive taxation depending on the annual income amount. Payment by an individual may follow different withholding rules.
Sale of Lithuanian immovable or registrable movable property	Generally 15% at source where the payment is Class A income. Exemptions, acquisition costs, recalculation of taxable gain and treaty provisions may affect final liability.

Withholding is not always the final tax. For 2026, the progressive PIT rates are 20% up to 36 VDU (EUR 83,237.40), 25% between 36 and 60 VDU, and 32% above 60 VDU. Qualifying other non-employment income can benefit from a 15% rate on the first 12 VDU (EUR 27,745.80); dividends remain taxed at a flat 15%. The result also depends on the recipient's residence, treaty position and the A/B income classification.

A Lithuanian withholding agent reports Class A payments to individuals through the monthly GPM313 and annual GPM312 returns. Where relevant, a treaty reduction requires the appropriate residence confirmation and relief documentation.

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04 / VALUE ADDED TAX

Value added tax (VAT)

Lithuania's VAT system is based on EU VAT legislation. VAT generally applies to taxable supplies of goods and services, intra-Community acquisitions and imports, with exemptions, reverse-charge rules and zero-rating for certain transactions.

VAT rates in 2026

Rate	Typical application
21% — standard	Most supplies of goods and services, including heating and hot water from 2026.
12% — reduced	Accommodation services, passenger transport on regular routes, and admission to arts and cultural institutions and events. Replaces the former 9% rate.
5% — reduced	Reimbursable medicines and medical aids and non-reimbursable prescription medicines; technical aids for persons with disabilities; printed and electronic newspapers and periodicals; printed and electronic books and non-periodical publications.
0% (zero-rated)	Qualifying exports, intra-Community supplies, certain international transport and other transactions expressly covered by law.
Exempt	Certain financial and insurance services, healthcare, education and real estate transactions under the relevant conditions. An exemption is not equivalent to a 0% rate for input VAT recovery.

VAT registration and small-business regime

The domestic small-business VAT threshold in 2026 is EUR 45,000 of qualifying Lithuanian turnover. Since 1 May 2025 the threshold is tested by reference to the preceding and current calendar years rather than a rolling 12-month period. Separate VAT obligations can arise from cross-border purchases or supplies even if domestic turnover remains below the threshold.

Under the EU small-enterprise scheme, businesses established in another EU Member State may qualify for exemption in Lithuania where both the Lithuanian EUR 45,000 threshold and the EUR 100,000 EU-wide turnover threshold are met, and the relevant identification and other conditions are satisfied.

Cross-border transactions, reverse charge and OSS

The VAT treatment of a cross-border supply depends on whether goods or services are supplied, the location of the customer, the place-of-supply rules, and any applicable exemption or zero rate. For many B2B services, the recipient accounts for VAT under reverse charge when the supplier is not established in the customer's country. Domestic reverse charge also applies to specified transactions, including certain construction services, under national law.

EU one-stop-shop regimes (OSS and IOSS) can simplify VAT reporting for eligible cross-border B2C sales. Import VAT may be accounted for through the Lithuanian VAT return in qualifying circumstances instead of being paid directly at customs clearance.

Input VAT recovery and reporting

Input VAT is generally deductible to the extent that purchases support VAT-taxable activities, subject to statutory limitations and adjustment rules. Restrictions may apply to purchases and use of passenger cars, entertainment costs and VAT-exempt activities. Bad-debt relief, input VAT adjustment and options to tax certain property transactions can be relevant in practice.

The standard monthly VAT return is form FR0600, due by the 25th day of the following month. Monthly i.SAF invoice register data for a legal entity are ordinarily due by the 20th day of the following month. Some taxpayers have different VAT reporting periods, and EU sales lists or special scheme returns may be required.

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05 / PERSONAL INCOME TAX

Personal income tax (PIT)

Tax residence and tax base

Lithuanian tax residents are generally taxable on their worldwide income, with relief for foreign income where the law or an applicable double taxation treaty provides. Residence can arise, among other conditions, through a permanent home or centre of personal and economic interests in Lithuania, or physical-presence tests including 183 days in a tax year. Non-residents are normally taxed only on specifically defined Lithuanian-source income.

Progressive tax rates from 2026

Annual income band	PIT rate
Up to 36 average monthly wages (VDU) — EUR 83,237.40 in 2026	20%
Above 36 and up to 60 VDU — EUR 83,237.40 to EUR 138,729 in 2026	25%
Above 60 VDU — EUR 138,729 in 2026	32%

One VDU for 2026 purposes is EUR 2,312.15. The progressive rates apply to the annual aggregate of specified categories of taxable income; income taxed at a flat 15% (see below) is not included in the aggregate.

Dividends, other income and individual business activities

A flat 15% rate, outside the progressive aggregate, applies to dividends and other distributed profits, certain social insurance benefits, gains on shares acquired more than five years before disposal, income received through an investment account and qualifying employee share-plan gains. Other non-employment income is taxed at 15% up to 12 VDU a year (EUR 27,745.80 in 2026), with the excess taxed at the progressive rates.

For registered individual business activity, taxable income up to EUR 20,000 generally bears an effective 5% PIT burden after the statutory tax credit. Between EUR 20,000 and EUR 42,500 the credit reduces and the effective burden rises progressively towards 20%. Once taxable income exceeds EUR 42,500, no credit applies and the whole amount is aggregated with other income at the 20%, 25% and 32% rates. Business-certificate income can be taxed at a fixed amount up to EUR 50,000 a year.

Allowances, exemptions and double taxation

Employment income can benefit from an income-dependent non-taxable amount (*neapmokestinamasis pajamų dydis*, NPD). Exemptions and deductions may apply to certain family transfers, qualifying asset disposals, benefits and other payments. The conditions frequently depend on holding periods, the nature of the income or the recipient's status. Foreign income may be relieved through exemption or credit mechanisms, subject to the relevant legislation and treaties.

Compliance

Employers ordinarily withhold payroll PIT and report salary-related payments. Individuals may need to submit annual PIT return GPM311 and pay any additional tax, generally by the beginning of May following the tax year (subject to non-working-day rules). Reporting may also be necessary to claim reliefs, declare foreign income or reconcile progressive tax.

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06 / SOCIAL SECURITY

Social security

Mandatory Lithuanian social security and health insurance contributions are separate from personal income tax. They ordinarily apply to employees working in Lithuania, although cross-border coordination provisions can allocate social security to another state.

Standard contributions on employment income

Contributor	2026 rates
Employee	19.5% total: 12.52% state social insurance (VSD) plus 6.98% compulsory health insurance (PSD). An additional 3% is payable by those participating in the relevant supplementary pension accumulation system.
Employer	Typically 1.77% in total: 1.31% unemployment insurance (2.03% for fixed-term contracts), accident-at-work insurance of 0.14–1.4% depending on the risk group, and 0.16% to each of the Guarantee Fund and the Long-Term Employment Benefit Fund, subject to exceptions.

The 2026 VSD contribution ceiling is 60 VDU, or EUR 138,729, applied to annual income from all insurers combined; it applies to both employee and employer VSD contributions. PSD remains payable above the ceiling. Self-employed individuals pay on a different base, capped at 43 VDU (EUR 99,422.45).

Employees working across borders

EU/EEA social security coordination and relevant international agreements can determine the country of coverage. In qualifying assignments or multi-state work arrangements, an A1 certificate evidences which state's social-security legislation applies. Payroll compliance and employer registration may still be required even where the worker is employed by a foreign company.

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07 / OTHER TAXES

Other taxes

Real estate tax

For business and other property, municipalities set an annual rate within a 0.5–3% range of the taxable value. From 2026 an additional national 0.2% rate applies to the same base, i.e. to all real estate other than an individual's main residence and the individual non-commercial property described below. Municipalities set rates of 1–5% for property listed as abandoned or neglected.

An individual's main residence benefits from a tax-free value set by the municipality at not less than EUR 450,000; the excess is taxed at a municipal rate of 0.1–1%. Other individually owned residential, garden, garage, recreational and similar property is taxed on its aggregate value at 0% up to EUR 50,000, then 0.2%, 0.4%, 0.6%, 0.8% and 1% across bands up to and above EUR 1,000,000.

Land tax and lease of state-owned land

Private land generally attracts an annual land tax determined by the municipality in the 0.01–4% range of the taxable land value. Separate payments apply to the lease of state-owned land; the applicable rate and calculation depend on the governing rules and lease arrangement.

Lottery and gambling tax

Licensed lottery operators generally pay an 18% tax on the statutory value of distributed lottery tickets. Gambling operators are generally taxed at 22% of the difference between stakes received and winnings paid, subject to the classification and legal requirements of the gambling activity.

Environmental and excise taxes

Environmental charges can arise from pollution, certain products and packaging, and the use of natural resources. The tax base, available exemptions and reporting depend on the activity and product. Excise duties apply to defined categories of alcohol, tobacco and nicotine products, energy products and certain other excisable goods. Lithuania increased multiple excise rates from 1 January 2026, including rates on alcoholic beverages and tobacco, and introduced excise on sweetened beverages.

Insurance tax

With effect from 1 January 2026, Lithuania introduced a 10% insurance tax (security contributions) on certain non-life insurance premiums where Lithuania is the relevant state of risk. The legal payer is the insurer; exemptions and transitional rules apply. The application to a particular policy depends on the nature of the insured risk, the contract's date and statutory exceptions.

Customs duties

As an EU Member State, Lithuania applies the EU customs framework, including the Union Customs Code and the EU common customs tariff. Customs duties and import VAT depend on the classification, origin and value of goods, applicable trade measures and customs procedures. Import and export formalities are administered electronically through the Lithuanian Customs systems.

About this publication. This guide summarises the main elements of the Lithuanian tax system applicable in 2026. The information is general and does not replace an assessment of individual circumstances.