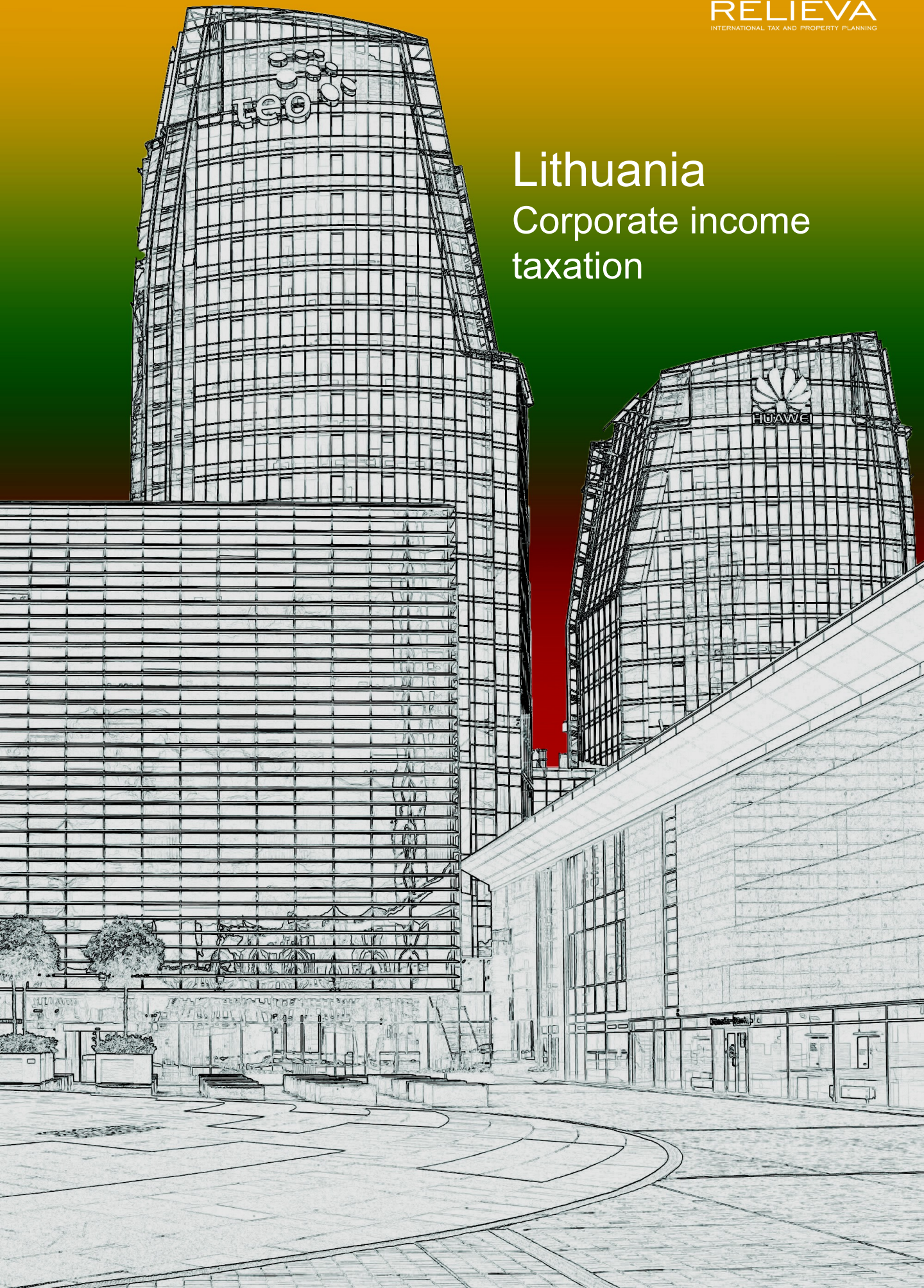


Lithuania

Corporate income taxation



Lithuania



Lithuania is along with Estonia and Latvia one of the three so-called "Baltic Republics", Lithuania is also the most populated and the biggest per GDP among the three Baltic Countries. Lithuania is located along the Baltic Sea and is bordered by Latvia to the north, Belarus to the south and the east, Poland to the south, and the Russian enclave of Kaliningrad to the south-west, this position made of Lithuania an important crossroad of Eastern European trade over the centuries. The capital of Lithuania is Vilnius whereas the ancient capital Kaunas by now is the second most important city of the Country which has Klaipeda as its major port and energy facility hub. Lithuania is member of all major Western organizations as the EU, the Eurozone, the NATO, the WTO and the OECD.



Lithuania has successfully been implementing over the years a tax legislation in order to attract foreign direct investments and to widen export markets for their domestic companies. Lithuania features now a friendly business environment for foreign investors as many bureaucratic obstacles have been removed.

Whereas both Latvia and Estonia apply the cash (also called “deferral”) system of taxation of corporate profits, Lithuania is the only one among the Baltic Republics that still taxes companies according to the traditional accrual system, that means when the profit of the accounting period are generated.

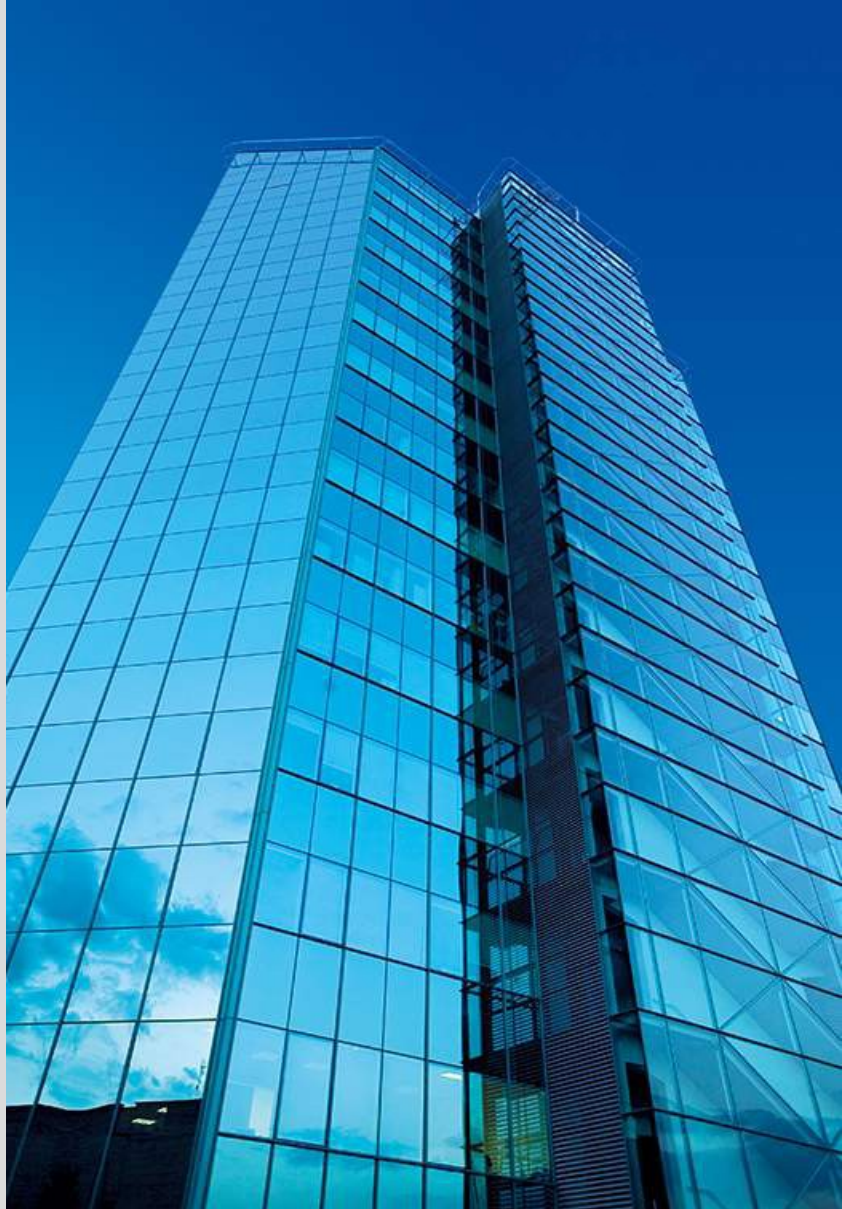
Lithuanian law provides for two different corporate tax rates:

15%
is the standard rate

5%
applies to small enterprises (0% the first year) and to income derived by R&D

A company can apply to reduced rate if it has fewer than 10 employees and an annual income less than EUR 300,000.

Capital gains are subject to the normal corporate tax rate.



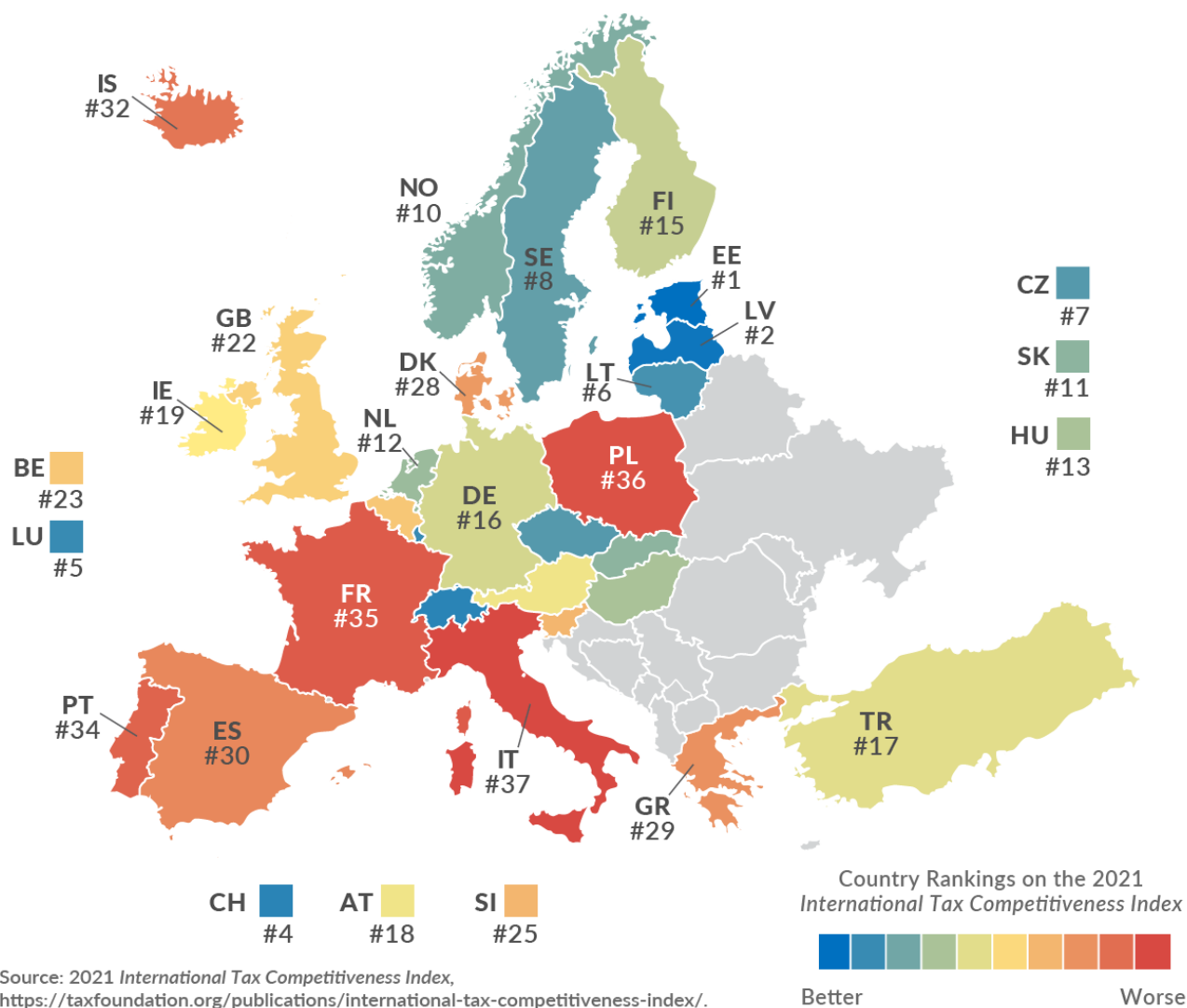
Withholding taxes (WHT)

15%
on dividends distributed to natural persons

10%
on interests and royalties

15%
on annual payments to the members of the board or supervisory board

European OECD Country Rankings on the 2021 International Tax Competitiveness Index



The "International Tax Competitiveness Index" report published by the OECD for 2021 ranks Lithuania at the sixth place among OECD countries for tax competitiveness mainly thanks to low corporate tax rates.

2021 International Tax Competitiveness Index Rankings							
Country	Overall Rank	Overall Score	Corporate Tax Rank	Individual Taxes Rank	Consumption Taxes Rank	Property Taxes Rank	Cross-Border Tax Rules Rank
Estonia	1	100.0	3	1	9	1	15
Latvia	2	85.1	2	5	27	5	9
New Zealand	3	81.3	28	6	6	2	22
Switzerland	4	78.4	10	15	1	35	2
Luxembourg	5	76.5	25	20	4	13	5
Lithuania	6	76.5	4	7	24	7	23
Czech Republic	7	75.5	8	4	35	6	12
Sweden	8	72.9	9	18	16	8	14
Australia	9	71.3	29	17	7	4	24
Norway	10	70.6	11	13	18	15	11

LITHUANIAN TAX HIGHLIGHTS

6°

OECD country for tax effectiveness

15%

Standard corporate income tax rate

5%

Corporate income tax for small businesses and for R&D-generated profit

0%

Withholding tax on inbound/outbound dividends from/to EU/EEA legal entities

15%

Withholding tax of dividends distributed individual shareholders

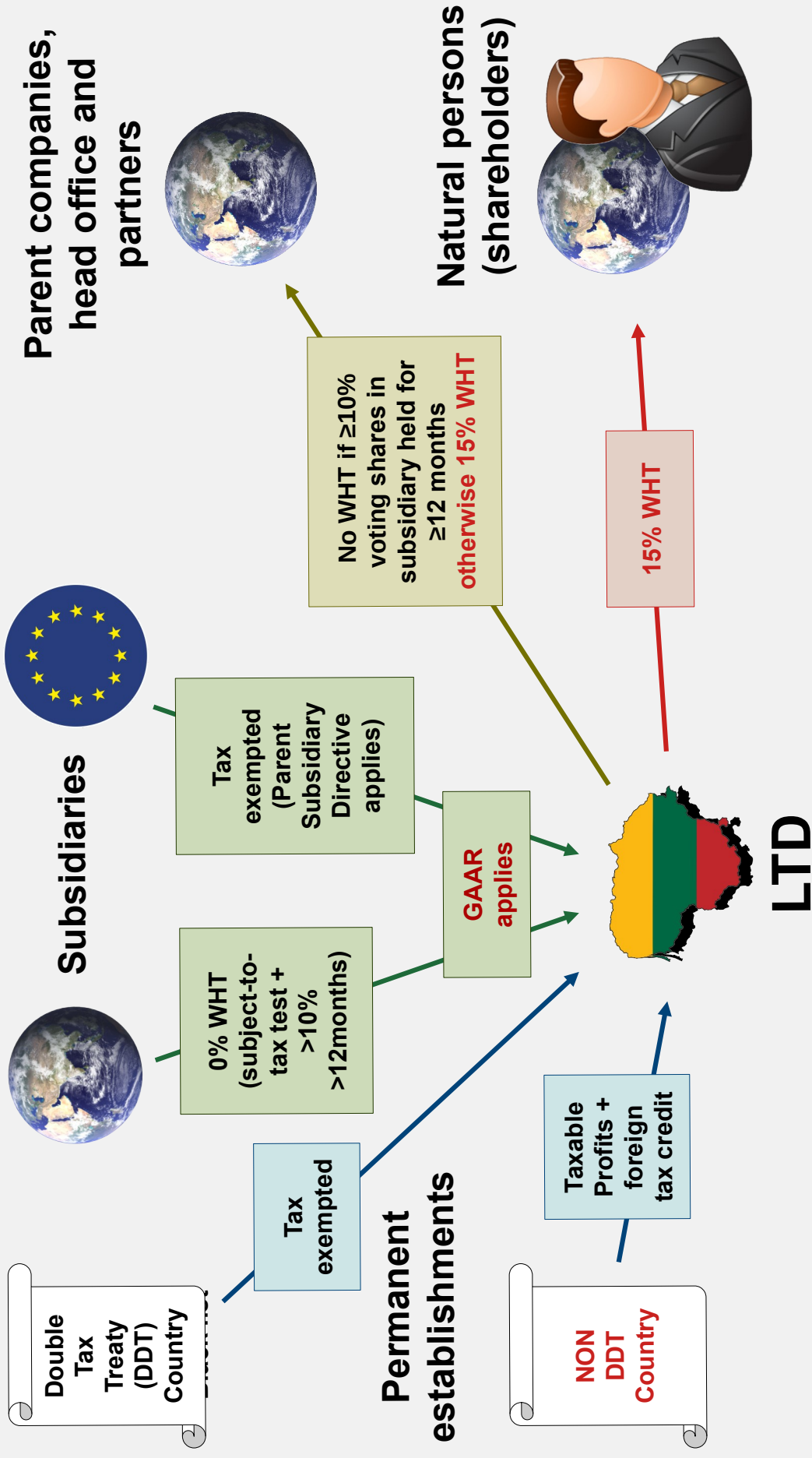
0%

Tax on profits from foreign permanent establishments in DDT countries

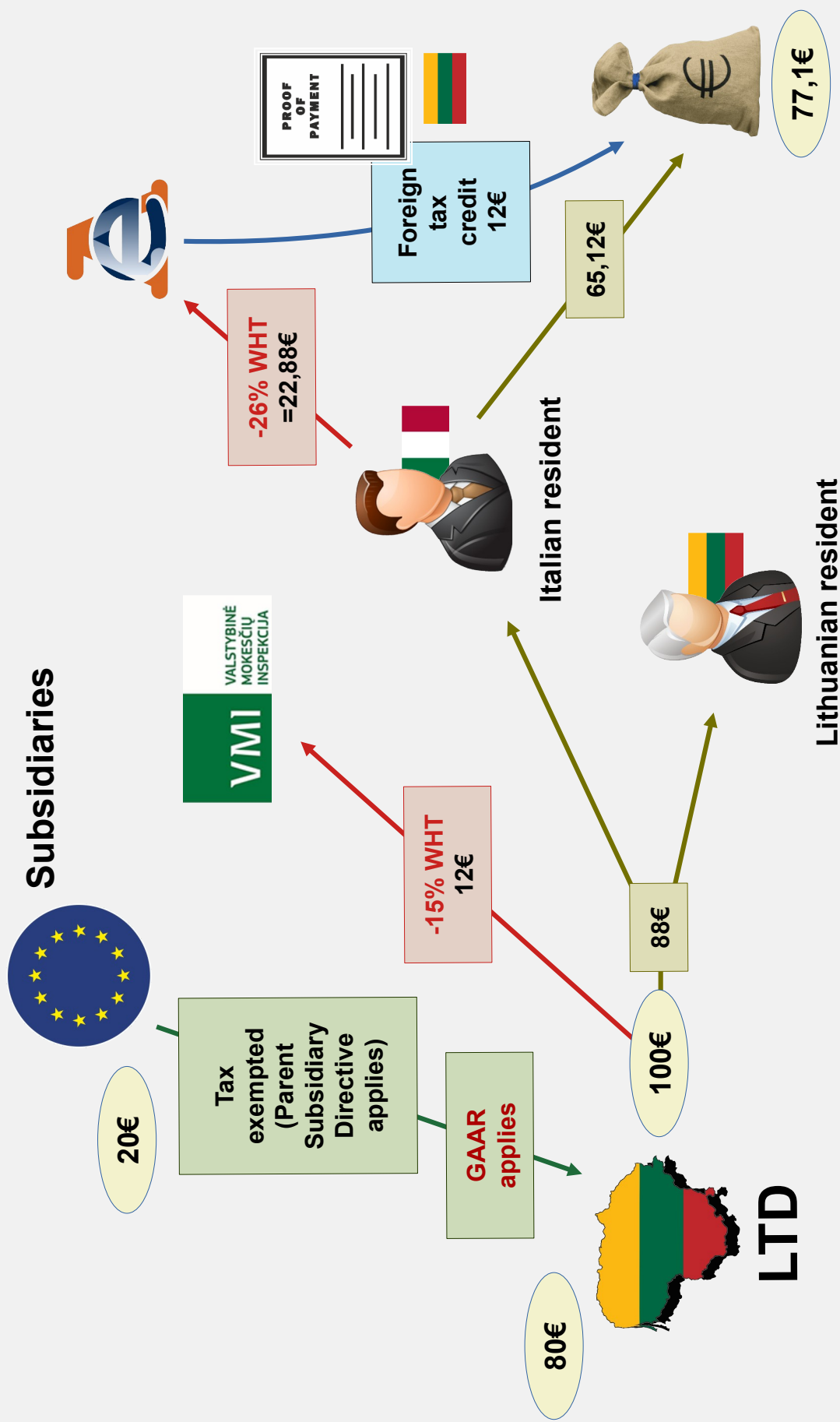
100%

Participation exemption (PEX) on capital gains for >12months old >10% shareholding

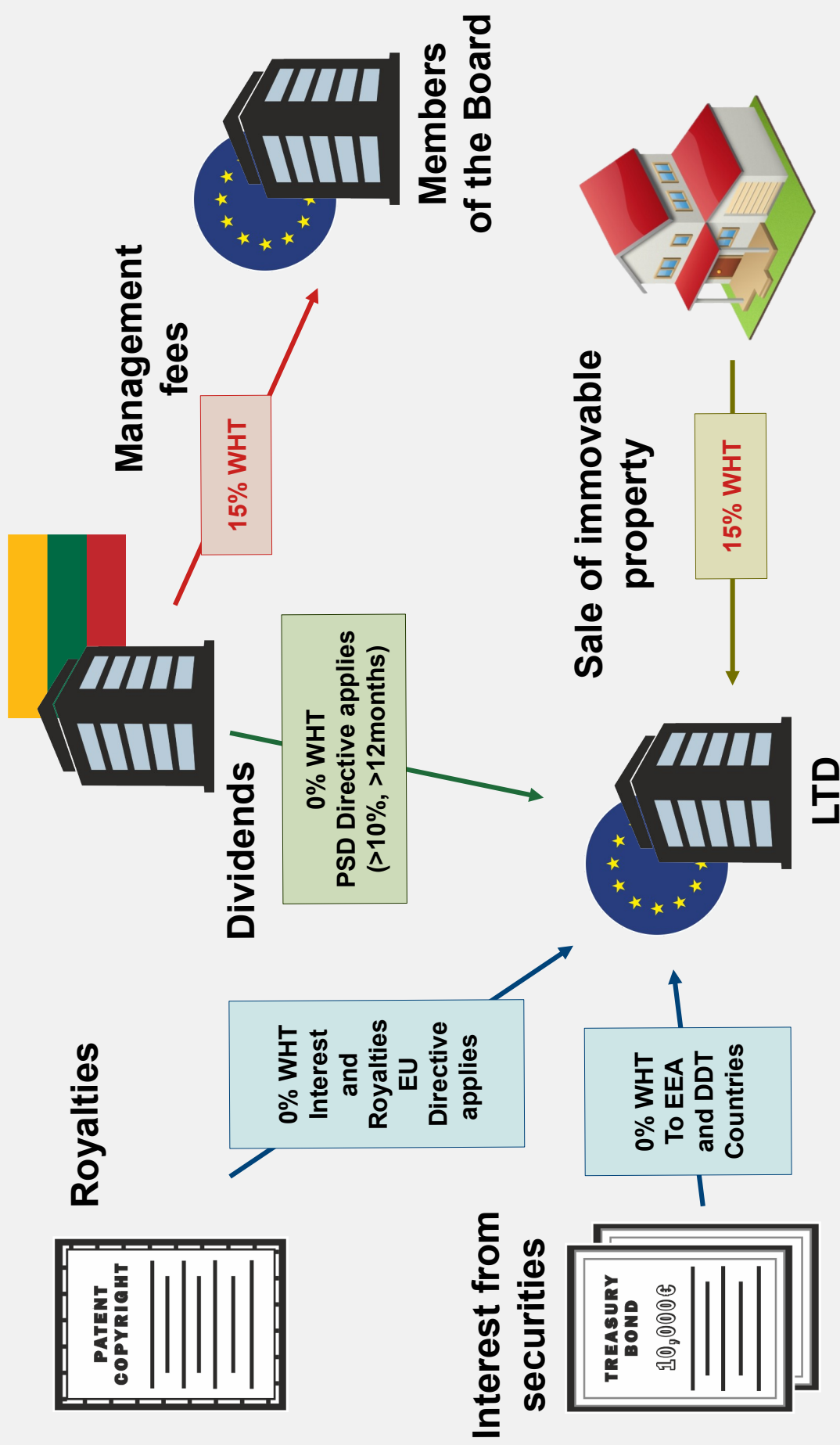
LITHUANIA: TAXATION OF CORPORATE INCOME



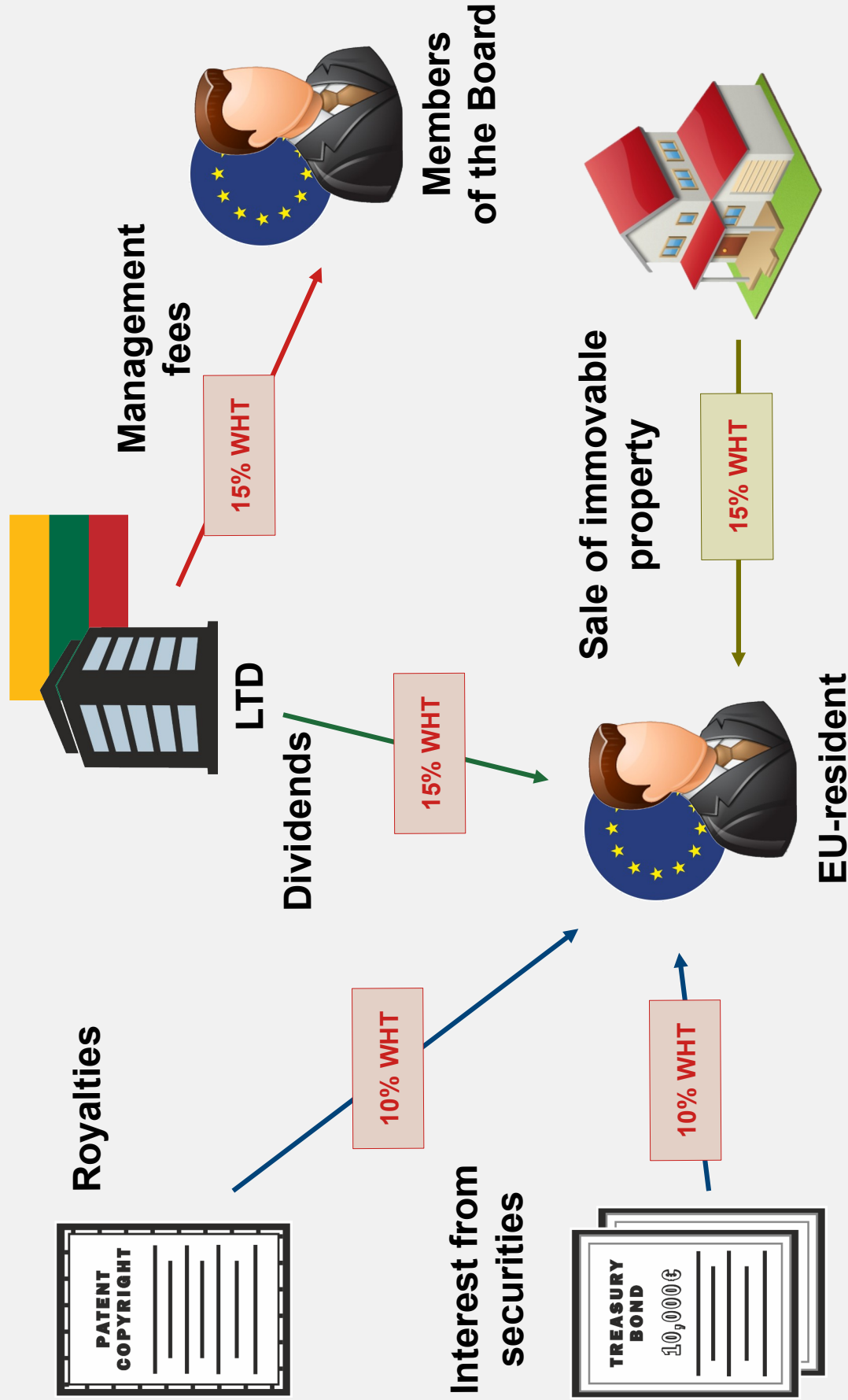
LITHUANIA: TAXATION OF DIVIDENDS IN CASE OF ITALIAN SHAREHOLDERS



LITHUANIAN WITHHOLDING TAXES: TAXATION OF EU RESIDENT ENTITIES



LITHUANIAN WITHHOLDING TAXES: TAXATION OF EU-RESIDENT INVESTORS





Corporate governance

- The UAB (Limited Liability Company) represents a private company and it is the most commonly chosen legal entity for doing business in Lithuania. A UAB must be registered with the Register of Legal Persons (The Registrar) in order to operate.
- Corporate tax residence of UAB follows the “incorporation principle” and no company incorporated outside Lithuania can be considered tax resident in Lithuania.
- The minimum share capital for a Lithuanian UAB is EUR 2,500 of which 25% must be paid at the incorporation
- Company founders can be both resident and non-residents
- To UABs is not required a Board or a supervisory body
- Managers are not liable for losses which were inflicted on a company by their decisions except where they have concluded a transaction illegally or performed other unlawful acts which caused a loss to the company
- Boards are formed entirely by shareholder's voting.

- The UAB needs to have a sole director; company director can be either a Lithuanian or foreign individual
- Shareholders can be either natural persons (also foreign citizens and non residents) or legal entities established worldwide
- Prior to registration of the company, shareholders must open a “temporary account” for the purpose of the company where the authorized capital shall be transferred to. Once the company is established, the temporary account is converted to a standard corporate account
- The UAB needs to have a legal address in Lithuania
- A company that has not more than 50 shareholders is allowed to receive loans from its shareholder, but it is prohibited for this company to provide collateral. The annual interest rate for such a loan to the company paid to shareholders may not be higher than the average interest rate for the securities (bonds), issued by the Government of the Republic of Lithuania. The right of a company to grant loans to its shareholders as well as to other persons is restricted
- Company Law requires annual audits if turnover exceeds EUR1.4m
- Lithuania follows the incorporation principle, therefore an entity will be treated as Lithuanian tax resident (only) if it is incorporated in Lithuania therefore an entity not incorporated in Lithuania is not treated as Lithuanian tax resident.





MSC, LL.M., ADIT, VCD

Lorenzo Ghigini

International Tax Affiliate of the CIOT
Certified Tax Adviser

LNKA
LATVIAN
NODARBU
KONSULTANTU
ASOCIĀCIJA

LATVIAN
ASSOCIATION
OF TAX CONSULTANTS

ADIT
International
Tax Affiliate

LORENZO GHIGINI
INTERNATIONAL TAX AFFILIATE
OF THE CHARTERED INSTITUTE OF TAXATION

Contact us for more information

Tel.: +371 29562267 +39 347 8031497

Email: info@relieva.eu info@relievaconsulting.it
www.relieva.eu

Relieva ltd © Copyright. All Rights Reserved

