

LITHUANIAN TAX REFORM 2026

INCREASED TAX BURDEN	
Personal Income Tax	<ul style="list-style-type: none"> Progressive PIT rates are introduced: <ul style="list-style-type: none"> 20% (up to EUR 83,000) 25% (EUR 83,000–138,000) 32% (above EUR 138,000). This replaces the previous flat 15%/20% rates and significantly increases the tax burden for high-income earners by combining all major types of income into one pool before applying relevant progressive rates. The non-taxable amount of employer-paid additional (voluntary) health insurance contributions has been reduced to EUR 350.
Corporate Income Tax	<ul style="list-style-type: none"> The standard CIT rate is increased from 16% to 17%. The reduced rate for small businesses is increased from 6% to 7%. Restrictions are introduced on the use of tax losses transferred during reorganizations or acquired from other group companies: deductible tax losses for the acquiring company may not exceed 70% of its taxable profit for the respective tax period. New limitations are introduced on the transfer of tax losses between group companies.
Real Estate Tax	<ul style="list-style-type: none"> Primary residential property is taxed above EUR 450,000 (rates from 0.1% to 1%) per individual. Other real estate is taxed progressively from 0.2% to 1% above EUR 50,000. Commercial property tax rates range from 0.5% to 3%, plus an additional 0.2% contribution to the Defence Fund.
Value Added Tax (VAT)	<ul style="list-style-type: none"> The reduced VAT rate is increased from 9% to 12% for accommodation services, passenger transport, and cultural events. The reduced VAT rate for heating and firewood is abolished; the standard 21% VAT rate now applies.
Excise Duties	<ul style="list-style-type: none"> A new “sugar tax” is introduced for sweetened beverages (EUR 7.40–105 per hectolitre). Significant increases apply to: <ul style="list-style-type: none"> Fuel CO₂ tax (EUR 47–53.60 per 1,000 litres) Alcohol Tobacco E-cigarette liquids.
New Security Contribution	A 10% tax is introduced on non-life insurance premiums.

TAX OPTIMISATION OPPORTUNITIES

Corporate Income Tax	<ul style="list-style-type: none">• Immediate depreciation: 100% write-off in the first year for machinery, equipment, buildings, IT hardware, software, and freight vehicles (up to 5 years old). This provides a significant cash flow benefit, but the asset must be retained for at least 3 years to avoid tax reassessment.• Small business incentive:<ul style="list-style-type: none">▪ 0% CIT for the first two years if revenue does not exceed EUR 300,000 (employee number requirement abolished).▪ 7% CIT for subsequent periods for small companies with revenue up to EUR 300,000.• Scholarships: Directly paid scholarships to students and researchers may be deducted from taxable income.
Personal Income Tax	<ul style="list-style-type: none">• Investment income: A fixed 15% tax rate (instead of progressive rates up to 32%) applies to:<ul style="list-style-type: none">▪ Dividends▪ Sale of shares held for more than 5 years▪ Returns from investment accounts▪ Employee share options (held for at least 3 years).• Real estate: The holding period for tax-exempt sale of real estate is reduced from 10 to 5 years.• Non-employment income: The first EUR 27,745 of freelance or rental income is taxed at 15% instead of progressive rates.• Investment accounts: Tax is applied only to withdrawn returns, not reinvested amounts – offering significant tax deferral opportunities.
Self-Employed Activity	<ul style="list-style-type: none">• Agriculture:<ul style="list-style-type: none">▪ An effective 5% tax rate applies to the first EUR 20,000, gradually increasing to 15% at EUR 35,000 (via a tax credit mechanism).▪ Income exceeding 60 average salaries (approx. EUR 139,000) is taxed at 20%.• Other self-employed activities: An effective 5% tax rate up to EUR 20,000, gradually increasing to 20% at EUR 42,500, after which progressive rates apply.• Business certificates: The income threshold under a business certificate is increased from EUR 45,000 to EUR 50,000.

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The team is adept at navigating both domestic and international tax frameworks, ensuring optimal outcomes for us while minimising legal and financial risks.

CHAMBERS AND PARTNERS, 2025



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