

Changes to Lithuanian tax legislation effective from 2019 (3/6/19)

This article offers an overview of the latest tax developments in Lithuania.

Minimum monthly/hourly salary

From 2019, the minimum hourly rate is EUR 3.39, whereas the minimum monthly salary is EUR 555.

Personal income tax legislation

From 2019, income is subject to progressive personal income tax (PIT) rates.

A 20% PIT applies on employment income not exceeding 120 times the national average salary for social insurance purposes (EUR 137,000 per year for 2019). A 27% PIT applies on employment income exceeding this threshold, which is to be reduced in 2020 and 2021.

Distributed profits are taxable at a flat rate of 15%.

Income from individual activity is taxable at rates ranging from 5% to 15% depending on amounts of income received (the applicable PIT rates remain unchanged).

As regards other income not specified above, a 15% PIT applies on income of up to 120 times the national average salary for social insurance purposes. A 20% PIT applies on income exceeding the threshold, which is not to be reduced.

From 2019, a monthly personal allowance of EUR 300 applies on employment income not exceeding the official minimum monthly salary. The personal allowance is to be increased in 2020 and 2021 to EUR 400 and EUR 500 respectively. The formula for calculating personal allowances has also changed slightly.

Deductible expenses

Individuals may deduct expenses incurred for their own or spouse's benefit and related to house repairs (other than renovation), car repairs, and childcare services for children under 18 years of age if the service provider is a registered taxpayer in Lithuania. This temporary deduction applicable through 2021 is capped at EUR 2,000 and 25% of the taxpayer's annual income.

Pension contributions paid by a tax resident as additional cumulative pension contributions to pension funds, associations of professional pension funds' participants etc established in EEA or OECD member states are deductible if such contributions exceed 3% of the individual's income attracting social insurance contributions (SIC). This deduction is capped at EUR 1,500 (life insurance premiums and pension contributions paid to the third-tier pension funds during the year are also included in this amount) and at 25% of the taxpayer's annual income.

Social insurance legislation

From 2019, the employer's share of SIC has been transferred to employees. As a result, employers are required to amend their employment contracts and multiply current gross salaries by 1.289.

The employee's share of SIC is set at 19.5% (i.e. the standard rate instead of 9%) and 1.47% (instead of the standard rate of 30.48%) and is payable by the employer.

The employer's contributions to the Guarantee Fund are set at 0.16%, the same as for the Long Term Employment Fund (0.16%).

The income that attracts SIC is capped at EUR 137,000 for 2019.

Reduced corporate income tax for small companies

From 2019, a group of small related companies, each separately managed by the same person and/or their family members with a total staff of up to ten, provided the total annual income of all the related companies does not reach the limit set by the Corporate Income Tax Act (EUR 300,000) qualify for a reduced rate of 13%.

Double tax treaty with Japan

Signed on 13 July 2018, the Lithuania-Japan double tax treaty came into force on 1 January 2019.

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