Native Teams

Lithuania Tax Knowledgebase

Employee personal income tax

Tax residence

An individual is considered a Lithuanian tax resident if:

1. Their permanent place of residence is in Lithuania during the tax period.
2. Their personal, social, or economic interests are primarily in Lithuania.
3. They stay in Lithuania for 183 or more days during the tax period.
4. They stay in Lithuania for 280 or more days over multiple successive tax periods, with at least 90 days in one of those periods.
5. A Lithuanian citizen who does not meet the above criteria but receives remuneration for work under an employment contract or similar, with living costs covered by Lithuania's state or municipal budgets.

Conditions for the obligation to file the PIT

In Lithuania, income is divided into two classes for tax purposes: Class A and Class B.
Class A income includes employment-related income, income from sports and performing activities, income from the sale of property in Lithuania (movable or immovable), and certain other income, such as royalties and interest income from Lithuanian residents or entities.
Class B income includes gambling and lottery winnings, income from individual activities (with exceptions), the sale of financial instruments, and other income not falling under Class A.

Employers are responsible for withholding and paying taxes on Class A income and must file monthly returns by the 15th of the following month. A summary annual report for Class A income must be submitted by February 15. Entities paying Class B income must file an annual statement by February 15 of the following year.

Individuals with both Class A and B income must submit an annual tax return by May 1 of the following year. However, those receiving only Class A income with correct tax withholding may opt not to file a return.

If an individual becomes a Lithuanian tax resident (by spending over 280 days in two successive tax periods), they must file a tax return by December 31 of the second year. Non-residents must file monthly tax returns for income from foreign sources and submit an annual tax return by May 1 if the higher PIT rate applies.

Tax report in question (Form name)

The GPM311 form - the Annual Income Tax Return used by individuals to report their income, calculate tax liabilities, and claim deductions.

Tax year

The tax year in Lithuania is the calendar year (January 1 to December 31).

Tax rates

Personal Income Tax Rates in Lithuania (2025)
Employment-related income, payments to members of the Board or Supervisory Board, income under copyright agreements (when received from the employer), and income under civil agreements received by a manager of a small partnership who is not a member of the partnership are subject to progressive personal income tax (PIT) rates as follows:

- 20% on income up to EUR 126,532 per calendar year
- 32% on income exceeding EUR 126,532

Income from profit distribution (such as dividends) is subject to a flat PIT rate of 15%.

Individual activity income is taxed based on the total income received. A flat 15% PIT is applied to taxable income, with potential reductions based on a PIT credit calculated through special formulas. This can result in an effective tax rate ranging from 5% to 15%, depending on the circumstances.

Other income not specifically mentioned above is taxed at 15% if it does not exceed EUR 253,065 per calendar year. Income exceeding this threshold is taxed at a 20% rate.

Tax returns and payment of tax

Employers must remit the income tax withheld to the state budget by the 15th day of the respective month if a portion of income is paid by that date, or by the last day of the respective month if the final portion of income is paid by then.

Lithuanian tax residents who file annual income tax returns must pay the related PIT by May 1.

Lithuanian tax non-residents who file monthly tax returns must pay PIT within 25 days of receiving the reported income. If an individual owes additional PIT due to income exceeding established thresholds, the PIT must be paid by May 1 of the following year.

Personal deductions (salary)

1. Basic tax-free allowance:
- Up to €400 per month.
- Decreases as income rises.
- Phases out entirely for monthly income over €3,000 gross.

2. Social Insurance Contributions (SODRA):
- Pension insurance: 6% of gross salary paid by the employee.
- Health insurance: 3% of gross salary paid by the employee.
- Employer contributes an additional 12.52% for pension and 3% for health insurance.

3. Deductions for dependents:
- €200 per month per dependent (children or spouse).
- Applicable for children under 18 or up to 24 if they are full-time students.
- The deduction may decrease or phase out at higher income levels (over €1,300 per month).

Tax allowances

Several tax allowances can be provided to employees without being subject to tax, including:

1. Insurance: Private health, life insurance, and pension contributions are exempt if they don't exceed 25% of the employee's annual income.
2. Gifts and prizes: Gifts and prizes up to EUR 200 per year are tax-free.
3. Education and training: Employer contributions to higher education or job-related training courses are tax-exempt.
4. Public transport: Employers can cover public transport costs for commuting, which is also tax-free.

Additional tax reliefs (not mentioned above)

In Lithuania, the following types of income are exempt from tax:

1. Benefits & compensations: Set by law, including insurance, pensions, and interest that meet legal conditions.
2. Charitable donations: Income received as charity.
3. Gifts: Family gifts are exempt, and non-family gifts are exempt up to EUR 2,500 per year.
4. Employer-provided benefits: Gifts and awards up to EUR 200, and transport tickets for commuting.
5. Inheritance: Income from inheritance, subject to estate tax.

6. Property transactions: Income from the sale of property not related to individual activities, under certain conditions.
7. Agricultural income: Income from agricultural activities, under specific conditions.
8. Court awards: Amounts awarded by courts.
9. Scholarships: If they meet legal conditions.
10. Prizes & lottery winnings: Prizes and lottery winnings, meeting legal conditions.
11. Political donations: Donations during political campaigns used for their intended purpose.
12. Clergy & religious staff: Income received as maintenance.
13. Service vouchers: Rewards for services under service vouchers, meeting legal conditions.
14. Mariners' income: Certain income types received by mariners.
15. TEA (tax-exempt amount) - A monthly TEA in Lithuania is applied to employment-related income, with EUR 747 for income up to one minimum monthly salary (EUR 1,038 in 2025), and reduced progressively for higher incomes, with no TEA applied if income exceeds EUR 2,864.22; the TEA is recalculated annually based on total income, and non-residents can claim it if their income is below EUR 34,370.67.

How to submit the tax return

To submit a tax return in Lithuania, taxpayers can use the State Tax Inspectorate's Electronic Declaration System (EDS). The EDS allows individuals to file tax returns and perform related actions such as VAT registration or deregistration, viewing income and expense information, and managing user rights.

Key features of the EDS:

- Tax returns filed electronically are legally valid and do not need to be submitted in hard copy.
- Documents can be submitted at any time, avoiding the need to visit the tax office.
- The system offers tools to fill and check documents directly online, and taxpayers receive quick notifications about the acceptance or errors in their returns.
- Electronic filing can result in faster processing of tax refunds or other administrative tasks.

Requirements to use EDS:

- To begin submitting documents electronically, taxpayers must sign an agreement with the tax administrator, which can be done electronically or at a tax office.
- Legal persons must have their agreement signed by someone with the appropriate authority and can use electronic signatures.
- If amendments are made to the agreement after July 30, 2010, a new agreement must be signed.

How to submit:
Users can submit documents directly through the EDS portal or via a web service (with special settings required).
After submission, taxpayers can check the status of their returns in the portal's "History of Documents Submitted" section or via email notifications if selected.

Employee taxation of income (int, div, royalties)

Interest income: Tax rates

Interest income is subject to personal income tax (PIT) at a flat rate of 15%.
This applies to interest from bank deposits, loans, or any other financial instruments, including bonds or loans.

The following interest income is tax-exempt:
1. Interest from peer-to-peer lending or crowdfunding platforms in Lithuania or the EEA, if it does not exceed EUR 500 per year.
2. Interest from government or municipal bonds and deposits in EEA banks or credit institutions, if the bonds or deposit contracts were made before December 31, 2013.
3. Interest from non-equity securities (e.g., corporate bonds) acquired before December 31, 2013, with redemption starting at least 366 days after issuance.
4. For deposits, non-equity securities, or non-equity government bonds acquired after January 1, 2014, tax relief applies only to the portion of interest not exceeding EUR 500 per year.

Dividend income: Tax rates

Dividends are subject to a 15% tax rate for Lithuanian tax residents.

Non-residents are subject to 15% withholding tax on dividends paid by Lithuanian companies.

If a Double Tax Treaty (DTT) exists, this tax rate can be reduced depending on the treaty provisions.

Capital gains: Tax rates

Capital gains are taxed at 15% for both residents and non-residents.

This includes capital gains from the sale of real estate, securities, or other assets.

If the individual is selling a real estate property, the capital gains tax applies on the sale price minus the acquisition cost and possible allowable deductions (e.g., expenses related to the acquisition or sale).

Royalty income: Tax rates

Royalties are subject to personal income tax at a rate of 15% in Lithuania, provided the total annual amount does not exceed 120 average national wages (approximately €60,000 in 2025). Any portion exceeding this threshold is taxed at a higher rate of 20%.

Withholding

Withholding tax on interest: Rates

Non-residents earning interest from Lithuanian sources are generally subject to a 15% withholding tax. It can be reduced by the application of a Double Tax Treaty.

Withholding tax on dividends: Rates

For non-residents, the withholding tax on dividends is 15%. However, the rate may be reduced by applicable DTTs.

Withholding tax on capital gains: Rates

Non-residents are subject to a 15% withholding tax on capital gains derived from Lithuanian-source assets.

Withholding tax on royalties: Rates

Non-resident individuals receiving royalty payments from Lithuanian entities are generally subject to a 10% withholding tax. However, this rate may be reduced under an applicable Double Taxation Treaty (DTT) between Lithuania and the recipient's country of residence.

Fees for technical services:

Fees paid for technical services are generally not subject to withholding tax in Lithuania. However, payments made to Lithuanian resident individuals are an exception and are subject to a 15% withholding tax.

Employee tax - Special regimes to apply

Digital nomads' tax regime

Lithuania does not offer a digital nomad visa. However, members of the following groups can stay and work in Lithuania for up to 90 days:

- European Union citizens
- European Economic Area (EEA) citizens
- Swiss citizens

Double taxation agreements (link website)

You can find a list of the Double Tax Treaties signed by Lithuania and currently in force on the following website:

https://finmin.lrv.lt/en/competence-areas/taxation/tax-treaties/