

LITHUANIA

As per 1 January 2018

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EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Personal Income Tax Rates – Employment Income	Different personal income tax rates from 15% – 27%, e.g. flat 15% applies on profit distributions while progressive 20% – 27% apply on employment income.
Tax period	Calendar year
Tax residency / Domicile according to domestic law	<p>Tax residency criteria is laid down in the law and principally outlines the following requirements:</p> <ul style="list-style-type: none">• Permanent residence place in Lithuania;• Place of personal, social or economic interests in Lithuania;• Present in Lithuania with or without breaks for no less than 183 days in a tax period, or• Present in Lithuania with or without breaks for no less than 280 days during two consecutive tax periods, and stayed in Lithuania during one of these periods continuously or intermittently for 90 days or more. <p>As a general rule, if at least one of the above requirements is met, individual shall be treated as being a tax resident in Lithuania.</p>
Tax registration	Generally, individuals are not required to register for tax purposes. Except certain cases, e.g. individual carries out individual activities
Employment income definition	Income received in the course of employment relations, including salaries and benefits in cash or in kind.
Examples of tax exemption	Minor exemptions could be applied, e.g. interest income of up to EUR 500, other minor exemptions
Specific expatriate concession	N/A
Income of board members	The income of a board member is broadly taxed in the same way as employees
Tax returns	<p>An individual shall submit annual income tax return until the 1st of May of the following year.</p> <p>In the case of employment relations employer is liable for monthly and annual tax compliance:</p> <ul style="list-style-type: none">• Monthly tax return shall be submitted to the Tax Authorities until the 15th of the following month;• Annual tax return shall be submitted until the 15th of February of the following year.
Tax payments	<p>Payment is required by 1 May following the end of the tax year</p> <p>In the case of employment relations employer has an obligation to withhold, declare and pay PIT to the Lithuanian budget until the 15th or the last day of the month (depending on the salary payment date).</p>

TAX TREATIES

Employment income / income from board members	Art 15/16 Model OECD Tax treaties
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INTERNATIONAL SOCIAL SECURITY

Cross border employments	EU Regulation No 883/2004 and EU regulation No. 1408 / 71.
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Exception under Art 16 of Reg. 883/2004 and Art 17 of Reg. 1408/71	Generally applicable.
Social Security Cost as % from gross salary and absolute amounts	<p>Due by employer on gross salary:</p> <ul style="list-style-type: none"> • 1.77% : Social insurance contribution ; <p>Due by employee on gross salary:</p> <ul style="list-style-type: none"> • 19.5% : Social insurance contribution ; <p>An additional 1,8 or 3% contribution may be paid by individuals who have decided to accumulate an additional pension (the employer is required to withhold this tax).</p>

IMMIGRATION

Work permit	<p>A citizen of one of the Member States of the European Union (EU), European Economic Area (EEA) and the Swiss Confederation may arrive and work in Lithuania for up to 3 months within a 6 month period starting from the day of his arrival. Persons who wish to stay longer than 3 months or have already been in Lithuania for longer than 3 months have to register with the Migration Department. Temporary residence permits are issued for periods of up to 5 years.</p> <p>A foreigner who intends to work in Lithuania must obtain a work permit before entering Lithuania. A work permit may be issued to a foreigner if there is no Lithuanian citizen meeting employer's qualification requirements.</p>
Visa	<p>EU and EEA citizens do not need a visa to enter Lithuania. Non-EU and EEA citizens from particular countries may be obliged to apply for a visa before entering Lithuania.</p>
Residency permits / registration certificate	<p>Citizens of the EU, EEA or Swiss may stay in Lithuania without formalization for up to 3 months within half a year. Otherwise special form shall be obtained.</p> <p>A temporary residence permit in Lithuania is issued to a citizen of a non-EU member state. It is usually issued for a period of one or two years, though it may also be issued for a shorter period.</p>
Driving license	<p>Driving licenses issued in other countries are recognized in Lithuania. When a person becomes a resident of Lithuania, he should obtain Lithuanian driving license within 185 days of arrival, if it was issued by a non-EU country.</p>
STOCK OPTION PLAN	<p>Provision of the right to obtain shares or receive cash payout after exercise of the stock option plan is not a taxable event. Exercise of the stock option plan is generally taxed as employment income (i.e. PIT and SSC), however, if exercised by providing shares, SSC could be not applied under certain conditions.</p>

ARTICLE 15 OF THE OECD MODEL

183 days	<p>Number of days on the territory of Lithuania, include:</p> <ul style="list-style-type: none"> • days of arrival and departure; • weekends and national holidays; • vacation days spent in Lithuania; • time spent in transit through Lithuania from one country to another if it exceeds 48 hours. Every following 24 hours are considered as a day whereas less than 24 hours are considered as a part of a day. Number of days on the territory of Lithuania does not include: • time a person could not leave because he, his spouse or his children (under 18) were sick or in case of a death of his adopted child with the condition that this time does not exceed 14 calendar days. If a person was hospitalised the period of 14 days could be prolonged until the person is no longer hospitalised;
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- time when a person was traveling in transit from one country to another and could not leave because of a forced stop and is able to present proof. Days spent outside the territory of Lithuania are not included except:
 - when a person is on a secondment sent by his employer in Lithuania;
 - when a person is on vacation and the vacation days are provided by an employer in Lithuania or an employer on whose delegation the person is in Lithuania except for the cases when the person had not come back to Lithuania.

Notion of employer

Conditions that define if a person is an employer:

- An employer is someone towards who the employee is in a situation of legal subordination;
- The employee performs certain work in accordance with the work regulations (like working hours, labour discipline) established at the workplace;
- The employer undertakes to provide the employee with the work specified in the contract (to pay him the agreed wage and to ensure working conditions as set in labour laws, other regulatory acts);
- The employee is not free to make decisions on his own regarding his work;
- The employer is the one who has to cover work related expenses (i. e. provide means so that the employee is able to perform his functions).

Existence of a permanent establishment

See the criteria of the tax treaty. In countries where no tax treaty was signed with Lithuania -> see the Lithuanian criteria of permanent establishment:

- business is conducted permanently:
 - => operations which represent a full business cycle;
 - => activity is not temporary (it is considered short term if it lasts less than 6 months and the date of the first business deal is considered to be the beginning of the 6 month period);
- activity through a dependent person (agent):
 - => it is legally independent from a foreign entity it represents;
 - => it is economically independent from the foreign entity it represents;
 - => it performs activities in its name,
 - => its ordinary activities correspond to the activities performed by the foreign entity through it.
- use of a construction site, object of a construction, equipment;
- use of a construction for exploring and extraction of natural resources in Lithuania including drilling equipment and vessels.



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