

HELPFUL TAX INFORMATION

INCOME TAX:

Rate: 5% (0% for the first year of operation*) or 15%.

If, as of 31 December, all three (3) of the following criteria are met, the rate is 5%:

- Sales revenue does not exceed EUR 300,000 per year;
- The average number of employees does not exceed 10;
- The controlling shareholder(s) (member(s)) do not jointly hold more than 50% of the shares (interests) in other companies and do not have an IE**.

*For the first tax year, companies may apply a 0% tax rate if they meet certain conditions.

More: <https://www.vmi.lt/cms/pelno-mokestis>

**As of 1 January 2019, if a shareholder (member) owns more than 50% of the shares in another company *and* the first and second criterions are met, the rate is 5% for both companies.

DIVIDENDS:

- One of the ways to distribute profits is to pay dividends. Dividends are taxed at 15% (the PIT rate).

VAT:

Rate: 21 %

- You shall register as a VAT payer if your income exceeds EUR 45,000 over any 12 calendar months;
- If the sum of your purchases of goods from the EU (VAT payers) in the previous or in the current calendar year exceeds EUR 14,000 or are expected to exceed this limit, you shall register as a VAT payer. The head of the company is responsible for adhering to this limit;
- If a shareholder (member) has 50% or more of the shares (interests) in any other companies and income and/or purchases from the EU over the last 12 months, then the market value of all of their shares in other companies must be summed up. Income must also be summed up for any shareholders (members) who operate as a natural person.

WAGE in 2021:

- For salary employees, the MMS is EUR 642 taxes excluded;
- For hourly employees, the MMS is EUR 3,93 taxes excluded;
- The MMS can only be paid to an unqualified employee.

If an employee works part-time and is paid less than the MMS, the employer must still pay SODRA contributions based on the MMS (due to SODRA's "floor"**).

*SODRA's "floor" does not apply if the employee is employed by two (2) or more companies, is under the age of 24, or receives a pension.

Non-monetary gifts to employees are tax exempt if their total value does not exceed EUR 200 in a calendar year. Once the EUR 200 limit is exceeded, any and all additional non-monetary gifts are subject to PIT and SODRA contributions. All monetary gifts are subject to SODRA taxes.

REPRESENTATION:

- 50% of the cost of representation is tax-deductible;
- The tax-deductible amount may not exceed 2% of taxable income during the accounting year.

DAILY ALLOWANCES / BUSINESS TRIPS:

- Are not taxable if the employee's wage is EUR 1059,30 or more before taxes (MMS x 1,3). If their wage is less than EUR 1059,30 before taxes, daily allowances exceeding 50% of the wage specified in their employment contract is subject to SODRA contributions and PIT (and are paid as wages);
- Directors' (and Manager's of Small Partnerships) daily allowances for business trips abroad may be increased by up to 100%;
- The rate of daily allowance may be reduced to no less than 50% of their monthly wage. Such a rate reduction must be detailed in the employment contract;
- It is mandatory to calculate and pay daily allowances;
- Expenses for the costs incurred during business trips may also be invoiced on behalf of the employee.

Abbreviations used in the text:

- MMS - Minimum Monthly Salary;
- PIT - Personal Income Tax;
- VAT - Value Added Tax.