



# Tax and Legal Newsletter

## Tax changes in Lithuania starting 2026

The Lithuanian Parliament has enacted a comprehensive tax reform, effective as of 1 January 2026. The reform revises the rates and regulatory provisions of corporate income tax and value added tax, modifies the taxable base for real estate tax, and alters the existing framework for personal income tax. Furthermore, the reform provides for the introduction of a new excise duty and security contribution (Insurance premium tax) for insurance companies.

The adopted amendments are designed to enhance the national defense budget, ensure a fairer allocation of the tax burden with a view to reducing income inequality, foster the development of business and innovation, and facilitate the attainment of public health policy goals.

Set forth below are the key tax amendments that will take effect as of 2026.

- ▶ [Personal income tax \(PIT\)](#)
- ▶ [Real estate tax](#)
- ▶ [Corporate income tax \(CIT\)](#)
- ▶ [Insurance premium tax \(IPT\)](#)
- ▶ [Value added tax \(VAT\)](#)
- ▶ [Excise taxes](#)

## Personal income tax (PIT)

As of 2026 the total annual income of an individual will generally be combined (with certain exceptions) to determine the applicable PIT rate. Nevertheless, some categories of income will be excluded from this calculation and will be subject to separate taxation (e.g. dividends). Progressive PIT rates applicable to employment and some other income will change from 20/32% to 20/25/32% (the main PIT rates).

## Rates as of 2026

The main PIT rates will be the following:

- **20%** — will apply to the portion of combined annual income not exceeding 36 times the average monthly salary (preliminary approx. EUR 82,962 per year).
- **25%** — will apply to the portion of combined annual income exceeding 36 times but not exceeding 60 times the average monthly salary (preliminary approx. from EUR 82,962 to EUR 138,270 per year).
- **32%** — will apply to the portion of combined annual income exceeding 60 times the average monthly salary (preliminary above approx. EUR 138,270 EUR per year).

## Taxation of specific income categories

- For income from individual activities (self-employed) that does not exceed EUR 42,500 tax credit will apply resulting in effective rates ranging from 5% to 20%. Annual income exceeding EUR 42,500 will be subject to the main PIT rates (20/25/32%).
- Income under business certificates up to EUR 50,000 will be taxed at a fixed-rate income tax, while the exceeding part will be subject to main PIT rates.
- A 5% rate will apply to income from the sale of waste up to 12 times average salary; the portion exceeding this threshold will be subject to the main PIT rates.
- Other non-employment related income not exceeding 12 times average salary will be subject to 15% PIT rate, while the exceeding part will be subject to the main PIT rates.
- Income from agricultural activities up to 60 times average salary will be subject to 15% rate, while 20% rate will apply to the portion exceeding 60 average salaries.

## Income subject to 15% flat PIT rate

The following types of income will not be combined with other types of income discussed above and will be taxed separately at a 15% flat rate:

- Income from distributed profits (dividends).
- Sickness, maternity, paternity, childcare, and long-term employment benefits.
- Income from the sale of shares, units, or interests, if acquired more than 5 years ago and not through an investment account.
- Life insurance benefits and refunded contributions.
- Pension fund benefits and refunded contributions.
- Interest and other income received through an investment account (excluding distributed profits and the sale of certain financial instruments).
- Shares acquired under stock options from an employer or related company, if sold not earlier than three years after the right to acquire the shares was obtained.

## Other PIT changes

- Employer-paid health insurance contributions for the benefit of an employee exceeding EUR 350 per year will be subject to PIT and social security contributions (application of social security is still in draft legislation).
- Income from the transfer of real estate will be tax exempt if the property has been held for at least 5 years (previously, the requirement was 10 years).
- As of 1 January 2027, an additional non-taxable income amount will be introduced for individuals raising children. An extra EUR 87 per month will be applied as a non-taxable amount for each child (including adopted children).

## Real estate tax

### Taxation of primary and non-primary residences

As of 2026 the primary residential property the taxable value of which does not exceed EUR 450,000 will be exempt from real estate tax. If the value of the primary residence exceeds the specified tax-exempt threshold, a tax rate ranging from 0.1% to 1% will apply to the excess value, with the specific rate determined by the respective municipality.

Taxation of non-primary residential premises will become progressive, with tax rates determined according to the taxable value of the property:

- 0% – for taxable value up to EUR 50,000;
- 2% – for taxable value over EUR 50,000 and up to EUR 200,000;
- 4% – for taxable value over EUR 200,000 and up to EUR 400,000;
- 6% – for taxable value over EUR 400,000 and up to EUR 600,000;
- 8% – for taxable value over EUR 600,000 and up to EUR 1,000,000;
- 1% – for taxable value exceeding EUR 1,000,000.

Currently, total taxable value of non-commercial real estate held by individuals exceeding EUR 150,000 is subject to 0.5% - 2% tax rate.

These changes will only be relevant for reporting and payment of real estate tax for 2026, with a deadline of 15 March 2027.

### Taxation of commercial real estate

Commercial real estate will remain subject to tax rates ranging from 0.5% to 3%, as determined by the respective municipalities. In addition, as of 2026, an extra 0.2% tax rate component has been introduced for commercial real estate and will be added to the tax rate determined by municipalities.

## **Corporate income tax (CIT)**

### **CIT rate increase**

The standard and reduced CIT rates will be increased by 1 percentage point as of 2026, resulting in 17% standard rate. The reduced CIT rate will increase from 6% to 7% respectively.

### **Prolonged CIT relief for newly established businesses**

A 0% CIT rate will be available to newly established small entities (the annual revenue of which does not exceed EUR 300,000) for their first and second taxable periods (previously – only the first), subject to additional eligibility criteria. For all following periods, a 7% tax rate will apply to taxable profits. The existing requirement limiting the number of employees to no more than 10 will be abolished as of the beginning of 2026.

### **Immediate depreciation for fixed assets**

The amendments enable companies to claim an immediate deduction for the full acquisition cost of certain fixed assets (such as machinery, equipment, and software) in the year the asset is first placed into service. This measure is applicable only if the asset remains in use for at least three years and the investment project relief (under Article 46-1 of the Law on CIT) is not applied.

### **Stricter limitations on the transfer of tax losses between group companies**

As of 2026, the amount of tax losses acquired from other entities may only be used to offset no more than 70% of taxable profit (currently such limitation applies to company's own losses carried forward). Additionally, tax losses calculated for a given taxable period will be permitted to be transferred to another entity within the same group, provided that a direct or indirect holding of at least two-thirds (2/3) will be continuously maintained from the last day of the relevant tax period through to the date of the tax losses transfer. In addition, both entities will be required to have been uninterrupted members of the group for at least two years before the transfer of the losses.

## Insurance premium tax (IPT)

Starting in 2026, security contribution (Insurance premium tax) will be imposed on insurance companies. A 10% levy will apply to non-life insurance premiums under contracts concluded from 1 January 2026, as well as to contracts concluded before 31 December 2025 that are extended or amended on or after 1 January 2026. The following will be exempt from this levy:

- Compulsory motor third-party liability insurance contracts concluded with individuals.
- Insurance contracts where the insured interest relates to crops or plants.

Insurers will be required to calculate, pay, and report this levy to the tax authorities on a quarterly basis.

## Value added tax (VAT)

Beginning next year, the 9% reduced VAT rate will no longer apply and will be replaced by differentiated rates according to the type of goods or services. The changes are as follows:

- The VAT rate for books and other non-periodical publications will be reduced from 9% to 5%.
- Passenger transport services on designated routes, accommodation services, admission to art and cultural institutions and events will be subject to an increased VAT rate of 12%.
- The VAT rate for district heating will rise from the current 9% to the standard rate of 21%.

## Excise taxes

As of 2026, a new excise duty will apply to sweetened beverages. For the purposes of this legislation, sweetened beverages are defined as all drinks containing more than 2.5 grams of added sugars per 100 ml or any number of sweeteners. However, an exception will apply to beverages containing only naturally occurring sugars (for example, those derived from fruit or milk), which will not be subject to the excise duty.

Depending on the type of sweetening and the sugar content, different excise duty rates will apply:

- Beverages containing between 2.5 g and 8 g of added sugars per 100 ml will be subject to an excise duty of EUR 7.4 per hectoliter.
- Beverages containing 8 g or more of added sugars per 100 ml will be subject to an excise duty of EUR 21 per hectoliter.
- Beverages containing only sweeteners, or sweeteners and less than 2.5 g of added sugars per 100 ml, will be subject to an excise duty of EUR 7.4 per hectoliter.

Concentrates intended for the preparation of non-alcoholic sweetened beverages by dilution with water or other liquids will also be subject to excise duty:

- Liquid concentrates will be subject to an excise duty of EUR 105 per hectoliter.
- Concentrates in other forms will be subject to an excise duty of EUR 4.3 per kilogram.



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