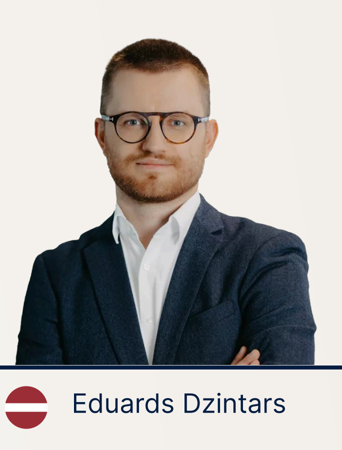
TAX OVERVIEW

# Baltic Tax Rates 2025

| Estonia | Latvia | Lithuania |
|---|---|---|
| **Corporate income tax** | | |
| From 2025, standard CIT rate - 22% (dividends, hidden distributions, non-business-related expenses etc).<br><br>Reduced 14% corporate income tax rate abolished from 2025.<br><br>Bank levies increase to 18% from January 2025. | 20% rate (on gross dividends) applies to distributed dividends, liquidation quota, hidden distributions, and non-business-related expenditures and other payments that are considered as profit distribution. | Standard CIT rate – 16%.<br><br>Banks and credit unions, including branches of foreign banks in Lithuania, shall pay additional 5% CIT on profits, subject to special calculation rules, exceeding EUR 2 million.<br><br>Reduced CIT rate for small companies – 6% (0% for the first year if some conditions are met).<br><br>CIT rate for agricultural cooperatives – 6%. |
| **Personal income tax** | | |
| 22% from January 2025.<br><br>7% withholding tax on dividends paid to natural persons was abolished from January 2025. | 25.5% from January 2025<br><br>33% rate applies to income above EUR 105,300<br><br>Additional 3% (for residents) apply to all income exceeding EUR 200,000 per year | 20% PIT rate applies to income up to EUR 126,532.80 per year, and 32% for income exceeding this amount. This rate is applicable to:<br>• employment-related income<br>• payments to the members of the Board or Supervisory Board<br>• income derived under copyright agreements (when it is received from the company that is also the employer of individual), and<br>• income under civil agreement received by a manager of small partnership who is not a member of such small partnership.<br>Dividends are taxed at a flat 15% rate.<br>Individual activity income is taxed at 15%, with a PIT credit reducing the effective rate to 5%-15%.<br>Other Income:<br>• 15% on income up to EUR 253,065.60 per year<br>• 20% on income exceeding EUR 253,065.60. |
| **Capital gains** | | |
| 22% from January 2025. | 25.5% rate applies to income from capital and capital gains. | Taxed as other income (15% on income up to EUR 253,065.60 per year and 20% on income exceeding this amount). |
| **Royalties** | | |
| For resident individuals, a 22% income tax applies. For legal entities, income tax applies upon distribution with a 22/78 rate. A 10% income tax applies to non-residents, but tax treaties may provide for a lower rate or an exemption. A tax exemption applies between parent and subsidiary companies in the EU and the Swiss Confederation if the royalty recipient has at least 25% ownership. | 25% rate applies to royalties. | Taxed as other income (15% on income up to EUR 253,065.60 per year and 20% on income exceeding this amount). |
| **Nomads** | | |
| No special regime. | 15% rate applies to digital nomads' income. | No special regime. |
| **Micro-enterprise Tax** | | |
| No special regime. | 25% applies to natural person – economic operator's income (turnover). | A 6% reduced CIT rate applies to small companies (see above for details). |
| **Minimum monthly wage** | | |
| EUR 886 | EUR 740 | EUR 1038 |
| **Tax-free mini-mum** | | |
| The annual income up to 14 400 euros, i.e. 7848 euros per month is basic exemption, depending on the annual income. If annual income increases from 14 400 euros to 25 200 euros, basic exemption decreases according to the following formula: 7848 – 7848 ÷ 10 800 × (income amount – 14 400), if annual income is above 25 200 euros, basic exemption is 0. | EUR 510 per month | Depends on the type of income, e.g., EUR 8,964 per the year if the person's salary for the whole year is equal to the minimum monthly salary. |
| **State Social Insurance Contributions** | | |
| Social tax 33%;<br>Employee's social security tax: 1,6%;<br>Employer's social security tax: 0,8;<br>Pension contribution (second pillar): employee can choose 2, 4 or 6%. | Standard rate – 34,09%<br>Employee: 10.50%<br>Employer: 23.59% | Standard rate – 21.27%<br>Employee: 19.5% (additional pension contribution – 3 % if the employee participates in the 2nd tier pension fund)<br>Employer: 1.77% |
| **Solidarity tax** | | |
| No special regime. | 25% on income exceeding EUR 105,300 per year. | N/A |
| **Solidarity Contributions** | | |
| No special regime. | Banks and foreign branches in Latvia: 60% (on income calculated according to the special formula). Special regulation for rebates apply | Banks only: 60% (on income calculated under the special formula). |
| **Value added tax** | | |
| Registration threshold EUR 40,000 per tax year (calendar year). | Registration threshold EUR 50,000 per tax year (calendar year). | Registration threshold EUR 45,000 per 12-months. |
| N/A | VAT exemption for small and medium-sized enterprises EUR 55,000*. | N/A |
| Standard rate 22%<br><br>Reduced rate 13%<br>(accommodation or accommodation with breakfast, except for goods or services accompanying this service).<br><br>Super reduced rate 9%<br>(books, medical products, press publication).<br><br>Zero rate 0% | Standard rate 21%<br><br>Reduced rate 12%<br>(fresh fruit, berries and vegetables, certain medicines and medical devices, foodstuffs for infants, tourist accommodation etc.)<br><br>Super reduced rate 5%<br>(printed and electronic books, magazines, brochures, maps etc.)<br><br>Zero rate 0% | Standard rate 21%<br><br>Reduced rate 9%<br>(thermal energy supplied for space heating, printed and electronic books and printed and electronic non-periodical information publications, etc.)<br><br>Super reduced rate 5%<br>(supply of pharmaceuticals, medical aid equipment, printed and/or electronic newspapers, magazines and other periodicals, etc.)<br><br>Zero rate 0% |
| **E-invoicing** | | |
| E-invoicing is mandatory for the public sector. | From 1 January 2025, e-invoicing is mandatory between public administrations and businesses (G2G, B2G). | E-invoicing is not yet implemented. However, since October 2016, Lithuania requires all VAT-registered taxable persons, including non-resident businesses, to submit transactional data through i.SAF. This excludes non-resident VAT-registered non-taxable persons registered only for intra-Community acquisitions without other economic activities in Lithuania. |
| **Sustainability report** | | |
| As of 1 January 2024, large companies are required to prepare sustainability reports. | As from 1 January 2025, large companies are obliged to prepare a sustainability report. The reports will have to be published in 2026. | As of 1 January 2024, large public interest entities and parent companies of large groups are required to prepare sustainability reports, which must be published in 2025. As of 1 January 2025, other large companies will also be obligated to prepare such reports, with publication due in 2026. |
| **Security tax** | | |
| On 11 December 2024, the Estonian Parliament adopted the Security Tax Act, a temporary state tax designed to bolster Estonia's defense capabilities and support security-related investments. As outlined in the coalition agreement, the tax will remain in effect until the end of 2028.<br><br>The Security Tax will consist of three components:<br><br>1) Increase in the standard VAT rate:<br>effective 1 July 2025, the standard VAT rate will rise from 22% to 24%.<br><br>2) New 2% on individuals' taxable income:<br>Starting 1 January 2026, a 2% tax will be levied on taxable income earned by individuals, including non-residents. This tax will be calculated without applying any deductions otherwise allowed for income tax purposes. Additionally, the tax rate applicable to individual entrepreneur accounts will also increase to include the security tax.<br><br>3) Additional 2% on companies' profits:<br>From 1 January 2026, a 2% tax will be imposed on the profits of companies. The calculation will generally be based on the accounting profit of the previous financial year (i.e. starting from 2025), adjusted for security tax purposes. The first advance payments for this profit tax are due by 10 September and 10 December 2026. Companies will need to submit their first security tax declaration by 10 September 2027, covering profits derived in 2026.<br><br>Double tax treaties concluded by Estonia will also apply to the Security Tax, ensuring coordination with international tax agreements. | N/A | N/A |



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