

# TAXATION OF INCOME OF NON-RESIDENTS OF LITHUANIA

(For reporting income of 2017)

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### IV. ADDITIONAL INFORMATION

## I. INTRODUCTORY PART

The purpose of the present publication is to explain to non-residents of Lithuania, who have derived/earned income from individual activities through the fixed base in Lithuania and/or received other type of income sourced in Lithuania, the procedure of taxation and reporting of such income under the Republic of Lithuania Law on Income Tax of Individuals (Law No IX-1007 of 2 July 2002; hereinafter - the LITI).

For the purposes of paying and reporting of the income tax, a non-resident of Lithuania is a person who is not considered a resident of Lithuania under Article 4 of the LITI, i.e.:

- who during a calendar year permanently resides only in a foreign state, and
- whose has more personal, social or economic interests in a foreign country, but not in Lithuania during a calendar year, and
- who has been staying in Lithuania continuously or intermittently for 183 days or less during a calendar year, and
- who has been staying in Lithuania continuously or intermittently for 280 days or less during two successive calendar years.

*For example*, a person may be considered a non-resident of Lithuania if he/she lives only in a foreign country during a calendar year or a person who comes to Lithuania and stays here less than six months during a calendar year.

A foreign national who comes to Lithuania and:

- stays here continuously or intermittently for 183 days or more during a calendar year, or
- stays here continuously or intermittently for 280 days or more during two successive calendar years and for at least 90 days in one of those years,

unless he/she meets other criteria for a resident of Lithuania laid down under Article 4 of the LITI, is not considered a resident of Lithuania:

- 1) if a foreign national only engages in individual activities through the fixed base in Lithuania,
- 2) if a foreign national works in Lithuania but is paid for his/her work in Lithuania from the budget of the foreign country,
- 3) if a foreign national works at the diplomatic or consular mission of the foreign country or at a mission of an international organisation in Lithuania.

Under the LITI, the object of income tax in Lithuania of a non-resident of Lithuania is:

- income from individual activities carried out through the fixed based in Lithuania, and
- income derived not through the fixed base but sourced in Lithuania.

## II. TAXATION AND REPORTING OF INCOME FROM INDIVIDUAL ACTIVITIES OF A NON-RESIDENT OF LITHUANIA DERIVED OR EARNED THROUGH THE FIXED BASE IN LITHUANIA

### 1. What activities conducted by an individual are considered to be individual activities?

**Individual activities** means independent activities in which an individual engages in order to derive income or other economic benefits over a continuous period.

Individual activities include:

- independent commercial or industrial activities of any nature, except for sales and/or lease of items immovable by nature and transactions with financial instruments;
- independent creative, scientific and professional activities, including liberal professions, and other similar independent activities.

A liberal profession is a profession pursued by an individual with required qualifications in a personal, responsible and professionally independent manner in providing intellectual services to clients and the public, including legal activities (lawyer, assistant lawyer, notary public, assistant notary public, bailiff, assistant bailiff, legal counsellor and other legal activities), activities of an

accountant, auditor, bookkeeper, lobbyist, financial consultant, tax consultant, architect, engineer, designer, physician, psychologist, journalist or broker, and similar activities.

## **2. What is a “fixed base”?**

A **fixed base** is an expression of independent activities of a non-resident of Lithuania, excluding sports and performer’s activities, in Lithuania.

A non-resident of Lithuania is deemed to be operating through the fixed base in Lithuania, if he/she permanently carries out the activities in Lithuania; or carries out permanent activities in Lithuania through a dependent representative (agent).

The definition of the permanency of activities of a non-resident of Lithuania, as well as the criteria of dependence or independence of a representative (agent) of a non-resident of Lithuania have been approved by Order No 301 of the Minister of Finance of 25 September 2002 on the approval of the definition of the permanency of activities of a non-resident of Lithuania, as well as the criteria of dependence or independence of a representative (agent) of a non-resident of Lithuania.

## **3. How is the individual activity registered through the fixed base in Lithuania?**

A non-resident of Lithuania engaged in individual activities through the fixed base in Lithuania must register with the Register of Taxpayers. To that end he/she must submit to the Tax Administrator the Form REG812 of the application for the registration of the individual in the Register of Taxpayers/deregistration of the individual from the Register of Taxpayers (approved by Order No VA-36 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 25 June 2013 on the approval of the rules for the registration of natural persons with/deregistration from the Register of Taxpayers).

Following the registration of a non-resident of Lithuania with the Register of Taxpayers, the Tax Administrator issues *Form FR0469 of the Certificate of registration of the fixed base in Lithuania of a non-resident of Lithuania*, which indicates that the non-resident of Lithuania named in the certificate carries out individual activities through the fixed base in Lithuania (the Form FR0469 was approved by Order No 373 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter the STI under the MF) of 12 December 2002.

A non-resident of Lithuania must provide the Certificate of registration of the fixed base in Lithuania to persons with whom he/she concludes a service contract or to whom he/she sells goods. In that case, a person who makes payments to a non-resident of Lithuania engaged in individual activities through the fixed base in Lithuania (except where a non-resident engaged in individual activities earns income from sales of standing timber, round wood or scrap base metals or receives income from individual activities through the fixed base from the Lithuanian employer for goods sold or services provided does not withhold income tax.

## **4. What income of a non-resident of Lithuania is attributed to income from individual activities derived or earned through the fixed base in Lithuania?**

Income from individual activities of a non-resident of Lithuania who carries out individual activities through the fixed base registered in Lithuania includes income from individual activities derived or earned in Lithuania and other foreign countries (including income derived/earned in kind), which is attributed to that fixed base in Lithuania.

## **5. What are the principles of recognition of income of a non-resident of Lithuania derived or earned through the fixed base from individual activities in Lithuania?**

Income of a non-resident of Lithuania, who carries out individual activities through the fixed base in Lithuania and has no value added tax (hereinafter - VAT) registration and/or has not attributed to his/her individual activities any non-current assets and does not use such assets his/her individual activities, is recognised on the **cash basis**, i.e. income is recognised at the moment of its receipt.

Income of non-resident of Lithuania, who carries out individual activities through the fixed

base in Lithuania and has VAT registration or has attributed to his/her individual activities non-current assets and uses such assets his/her individual activities is recognised on the **accrual basis**. The accrual principle is first applied during the tax period in which a resident carrying out individual activities through the fixed base is registered as a VAT payer or attributes assets to individual activities. A non-resident of Lithuania carrying out individual activities through the fixed base in Lithuania, who has started applying the accrual principle of accounting, must apply this principle throughout the entire period of his/her activities.

**6. What income tax rate is applied to income from individual activities of a non-resident of Lithuania derived or earned through the fixed base in Lithuania?**

Under the LITI, the income tax rate of **5 %** is applied to income from individual activities of a non-resident of Lithuania derived or earned through the fixed base in Lithuania, except for income from liberal professions and from securities.

The income tax rate for income from activities of liberal professions is **15 %**.

Income from agricultural activities of non-residents of Lithuania derived/earned through the fixed base in Lithuania (including farmers and their partners), who are not required to register and have no value added tax registration, is tax-exempt.

**7. What expenses are attributed to authorised deductions and when may losses be carried forward for the purpose of calculating taxable income from individual activities derived or earned through the fixed base in Lithuania?**

Allowable deductions related to deriving/earning income from individual activities of a non-resident of Lithuania through the fixed base in Lithuania and their calculation procedure were approved by Order No 304 of the Minister of Finance of 25 September 2002 on the approval of the procedure for attributing expenses related to deriving or earning income from individual activities of a non-resident of Lithuania through the fixed base to allowable deductions.

Allowable deductions related to deriving or earning income from individual activities of a non-resident of Lithuania through the fixed base include:

- expenses incurred by a non-resident of Lithuania with respect to income actually derived or earned during a tax period, which are usual for such activities, e.g. costs of acquisition of goods for resale, materials, parts, etc., costs of lease of assets used for the activities, expenses of advertising, acquisition of tools and salaries of recruited staff, social insurance contributions, compulsory charges as well as other expenses related to income from individual activities;
- expenses actually incurred not through the fixed base, where such expenses are directly related to individual activities carried out through the fixed base, including interest paid on a loan used for individual activities and royalties paid for rights or information used for individual activities carried out through the fixed base.

Expenses incurred by a non-resident of Lithuania, who carries out individual activities through the fixed base in Lithuania, are attributed to allowable deductions in the same way as expenses of a Lithuanian resident who carries out individual activities according to the certificate (see the publication "Specifics of individual activities carried out according to the certificate").

The sum of allowable deductions of non-residents of Lithuania engaged in the individual activities through the fixed base in Lithuania, whose income is recognised at the moment of its receipt, may not exceed income from individual activities derived or earned during that tax period.

Expenses attributable to the allowable deductions should be supported by documents bearing mandatory requisites of accounting records provided for under the Republic of Lithuania Law on Accounting and other legal acts.

Expenses not attributed to allowable deductions of a non-resident of Lithuania carrying out individual activities through the fixed base are listed in Articles 18(3) and 18(4) of the LITI.

For the purpose of calculating taxable income derived or earned from individual activities carried out through the fixed base in Lithuania, a non-resident of Lithuania has the choice of an alternative method for the recognition of expenses from individual activities: the non-resident may consider 30 % of the sum of income from individual activities derived or earned through the fixed base in Lithuania during the tax period as allowable deductions (unless income was received from

employer). In this case the non-resident has no obligation to hold documents supporting the deductible sum or keep records on expenses related to the activities.

Non-residents of Lithuania engaged in the individual activities through the fixed base in Lithuania, who recognise income on accrual basis may carry forward the losses accrued during the tax period (such losses are calculated by deducting the tax-exempt income and allowable deductions from income from individual activities). A non-resident may carry forward such losses for an unlimited period until he/she terminates the activities during which the losses accrued. If a non-resident of Lithuania engaged in the individual activities through the fixed base in Lithuania incurs losses for more than one year, the previous year's losses are carried forward first. Losses incurred later are carried forward only after covering the previous year's losses.

#### **8. How should the records on individual activities of a non-resident of Lithuania derived or earned through the fixed base in Lithuania be kept?**

A non-resident of Lithuania, who carries out individual activities through the fixed base in Lithuania, should keep records in compliance with the Accounting Rules approved by Order No 1K-040 of the Minister of Finance of the Republic of Lithuania of 17 February 2003 on the approval of the accounting rules for individuals engaged in the individual activities (excluding individuals who have obtained business certificates).

A non-resident of Lithuania (keeping records on the basis of both the cash principle and the accrual principle) must keep the Individual's register of income and expenses from individual activities.

The requirement to keep the Register of income and expenses shall not apply when individual:

- uses a cash register for the accounting of the operating income;
- uses a double entry for record keeping purposes and the data necessary for the calculation of taxes can be obtained from the accounting registers kept by him/her.

A non-resident of Lithuania, who engages in individual activities of several types through the fixed base, must keep separate registers of income and expenses for each type of individual activities being carried out as specified in the Form FR0469 of the certificate of registration of the fixed base in Lithuania of a non-resident of Lithuania.

A non-resident of Lithuania, who considers 30 % of the sum of income from individual activities derived or earned through the fixed base in Lithuania during the tax period as allowable deductions, is not required to fill in the columns of expenses in the register of income and expenses or to keep the documentary evidence of expenses. Other individual activity operators must keep the accounting documents and registers of income and expenses for at least 10 (ten) years.

A non-resident of Lithuania, who has registered individual activities through the fixed base in Lithuania and is not required to use a cash register in his/her activities, must issue to a buyer a VAT invoice, and a VAT payer - a VAT invoice.

If a non-resident of Lithuania, who has registered individual activities through the fixed base in Lithuania, is using a cash register in his/her activities, he/she must issue a cash register's cheque and, on the individual's request, also an invoice, and a VAT payer - a VAT invoice.

A non-resident of Lithuania, who has registered individual activities through the fixed base in Lithuania is required to use a cash register for sales activities (not only sales of foodstuffs, but also of other products) in buildings or premises, kiosks, wagons, caravans, mobile shops.

The cases of exemption from use of a cash register are established by Order No VA-40 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania on the cases of exemption from use of a cash register when its use is impossible due to objective reasons or would result in an obviously disproportionate administrative burden.

#### **9. When does a non-resident of Lithuania have to pay income tax on income derived or earned from individual activities carried out through the fixed base in Lithuania?**

A non-resident of Lithuania who has derived or earned income from individual activities conducted through the fixed base in Lithuania during a tax period must pay to the budget of the

Republic of Lithuania the income tax due under the LITI by 1 May of the next calendar year following that tax period.

**10. Must a non-resident of Lithuania report income from individual activities derived or earned through the fixed base in Lithuania?**

A non-resident of Lithuania, who has derived or earned income from individual activities carried out through the fixed base in Lithuania during a tax period, is required to report such income to the Tax Administrator at the end of the tax period, by 1 May of the next calendar year following that tax period, by filing the *Form FR0531 of the annual return on income tax of a non-resident of Lithuania from individual activities through the fixed base in Lithuania* (the Form and the rules of completion of the form and its annexes were approved by Order No VA-37 of the Head of the STI under the MF of 22 March 2004 on the approval of the Form FR0531 of the annual return on income tax of a non-resident of Lithuania from individual activities through the fixed base in Lithuania and Form FR0531V of its Annex and of the rules for their completion and submission).

**11. What are the duties of a non-resident of Lithuania carrying out individual activities through the fixed base in Lithuania as a withholding agent?**

Within the meaning of the LITI, a non-resident of Lithuania carrying out activities through the fixed base in Lithuania is a withholding agent; therefore, such non-resident must fulfil the duties of a withholding agent, i.e. having made payments of category A to individuals, must withhold and pay income tax, also and submit to the Tax Administrator the *Form FR0572 of a monthly tax return for category A income* (the form and the rules of its completion were approved by Order No VA-7 of the Head of the STI under the MF of 20 January 2004 on the approval of the form of a monthly tax return for category A income, the forms of its annexes and of the rules for their completion and submission) and the *Form FR0573 of the annual tax return for payments of category A and income tax withheld and paid thereon* (the Form and the rules of its completion were approved by Order No VA-145 of the Head of the STI under the MF of 26 July 2004 on the approval of the Form FR0573 of the annual tax return for payments of category A and income tax withheld and paid thereon, and of the rules for the completion and submission of the Form and its Annexes FR0573A and FR0573U).

A non-resident of Lithuania carrying out activities through the fixed base in Lithuania who has made payments to individuals attributed to income of category B during a tax period, is required to furnish the Tax Administrator, by 1 February of the next tax period, with the *Form FR0471 of the certificate on payments to individuals attributable under the tax payment procedure to income of category B* (the Form and the rules of its completion were approved by Order No V-238 of the Head of the STI under the MF of 29 August 2003 on the approval of the Form FR0471 of the certificate on payments to individuals attributable under the tax payment procedure to income of category B and of the rules of its completion and submission).

A non-resident of Lithuania carrying out individual activities through the fixed base in Lithuania who has made payments to other individuals must, at the individuals' request, issue certificates of payments made and sums of income tax withheld and paid.

**III. TAXATION AND REPORTING OF INCOME OF A NON-RESIDENT OF LITHUANIA DERIVED NOT THROUGH THE FIXED BASE BUT SOURCED IN LITHUANIA**

**12. What income of a non-resident of Lithuania is attributed to income derived not through the fixed base in Lithuania but sourced in Lithuania?**

Income of a non-resident of Lithuania derived not through the fixed base but sourced in Lithuania includes:

- 1) **interest** (except interest from Government non-equity securities) received from residents of Lithuania, Lithuanian or foreign entities through their permanent establishments in Lithuania and from other non-residents of Lithuania carrying out individual activities through their fixed bases in Lithuania,
- 2) **income from distributed profits (dividends)** received from Lithuanian entities,
- 3) **payments to board and supervisory board members** received from Lithuanian entities,

4) **royalties** received from residents of Lithuania, Lithuanian or foreign entities through their permanent establishments in Lithuania and from other non-residents of Lithuania carrying out individual activities through their fixed bases in Lithuania,

The term of *royalty* covers compensations paid for the right to use a work or related rights, for the right to use an industrial property item or franchise, compensations for information on industrial, commercial or scientific know-how, and compensations for infringements of copyrights and related rights. A royalty means income received by an individual not for activities being carried out (e.g. for the transfer or performance of a work) but for the granting of the aforementioned rights (i.e. the rights to use a work, related rights, industrial property, etc.).

5) **income from rent of property immovable by nature and located in Lithuania**, received from residents of Lithuania, Lithuanian or foreign entities through their permanent establishments in Lithuania and from other non-residents of Lithuania carrying out individual activities through their fixed bases in Lithuania,

6) **income from employment or equivalent relationships** for activities in Lithuania, irrespective of the person from whom it was received (i.e. a person situated in Lithuania or abroad),

7) **income from sports and performances** for activities, irrespective of the person from whom it was received (i.e. a person situated in Lithuania or abroad) and irrespective of whether it is paid directly to an athlete or performer or any third party acting on behalf of the athlete or the performer,

8) **income from sales or other transfer into ownership of movable property subject to legal registration in Lithuania**, irrespective of the person from whom it was received (i.e. a person situated in Lithuania or abroad),

9) **income from sales or other transfer into ownership of immovable property located in Lithuania**, irrespective of the person from whom it was received (i.e. a person situated in Lithuania or abroad),

10) **compensation for infringements of copyrights or related rights** received from residents of Lithuania, Lithuanian or foreign entities through their permanent establishments in Lithuania and from other non-residents of Lithuania carrying out individual activities through their fixed bases in Lithuania.

### **13. What income tax rate is applied to income from individual activities of a non-resident of Lithuania derived not through the fixed base but sourced in Lithuania?**

Interest, income from distributed profit (dividends), payments to board and supervisory board members, royalties, income from rent of property immovable by nature and located in Lithuania, income from employment or equivalent relationships, income from sports and performances, income from sold or otherwise transferred into ownership movable property located in Lithuania which is subject to legal registration in Lithuania (except for income which is tax-exempt under provisions of Article 17(1) of the LITI) are subject to income tax of 15 % fixed under Article 6 of the LITI.

NB: Taxation of income sourced in Lithuania by a non-resident of Lithuania is governed by provisions of the LITI, also taking into account the provisions of the applicable double taxation conventions concluded between Lithuania and respective foreign countries.

### **14. What income of a non-resident of Lithuania derived not through the fixed base but sourced in Lithuania may be tax-exempt?**

Under Article 17(1) of the LITI the following interest received by a non-resident of Lithuania is tax-exempt:

1) interest on deposits received from commercial banks and other credit institutions of Lithuania, if deposit agreements were concluded after 1 January 2014, and interest received from Lithuanian entities (excluding interest on Government securities) on non-equity securities (excluding non-equity securities issued by an entity related to the individual by employment or equivalent relationships, where interest paid on such non-equity securities by the entity related to the individual by employment or equivalent relationships exceeds interest paid to other holders of the same non-equity securities), if such securities were acquired after 1 January 2014, when the total amount of such interest does not exceed EUR 500 over a tax period;

2) interest received from Lithuanian entities on non-equity securities (excluding non-equity securities issued by an entity related to the individual by employment or equivalent relationships, where interest paid on such non-equity securities by the entity related to the individual by employment or equivalent relationships exceeds interest paid to other holders of the same non-equity securities), if such non-equity securities were acquired before 31 December 2013 and their redemption started not earlier than after 366 days following the day of their issue;

4) interest on deposits with commercial banks and other credit institutions of Lithuania if deposit agreements were concluded before 31 December 2013.

Under Article 17(1) of the LITI tax-exempt proceeds from sales or other disposal of property include:

- income from sales or other disposal of movable property (including a property which is movable by nature and which is attributed to immovable property by law) subject to legal registration under laws of the Republic of Lithuania and such property is (or must be) registered in Lithuania, if it had been possessed for at least three years prior to its sale or other disposal,

- income from sales or other disposal of the property immovable by nature and located in Lithuania (except for residential property and attributable land), if the property was possessed for at least ten years,

- income from sales or other disposal of residential property located in Lithuania (including attributable land), if the place of residence in such property was declared for less than two years and such income, over one year period, was not used for the acquisition of other residential property, in which the place of residence was declared, located in a country of the European Economic Area.

Under Article 17(1)(5) of the LITI, compensations for infringements of copyrights or related rights are tax-exempt.

**15. What are the types of income of a non-resident of Lithuania derived not through the fixed base but sourced in Lithuania from which income tax is withheld at payment of such income?**

Income of a non-resident of Lithuania derived not through the fixed base in Lithuania but sourced in Lithuania (except for income which under the provisions of LITI Article 17(1) is tax-exempt), from which income tax is withheld at payment of such income (i.e. income of category A), includes:

- income from distributed profits (dividends) and annual payments to board and supervisory board members received from a Lithuanian entity,

- interest and royalties received from a Lithuanian entity, a resident of Lithuania, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base in Lithuania,

- income from rent of the property immovable by nature and located in Lithuania, which is received from a Lithuanian entity, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base in Lithuania,

- income from employment or equivalent relationships for activities in Lithuania, which is received from a Lithuanian entity, a resident of Lithuania, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base,

- income from sports and performances for activities in Lithuania, which is received from a Lithuanian entity, a resident of Lithuania, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base in Lithuania,

- income from sales or other disposal of immovable property located in Lithuania, which is received from a Lithuanian entity, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base in Lithuania,

- income from sales or other disposal of movable property, if the property is subject to legal registration under laws of the Republic of Lithuania and is (or must be) registered in Lithuania, where such income is received from a Lithuanian entity, a foreign entity through its permanent establishment in Lithuania and a non-resident of Lithuania through the fixed base in Lithuania.

A non-resident of Lithuania is not required to pay himself/herself the income tax on the above-mentioned income of category A derived not through the fixed base but sourced in Lithuania, because the income tax is withheld and transferred to the budget of the Republic of Lithuania by a person who pays such income to him/her in Lithuania.

**16. What is the taxation procedure of income from sales or other transfer into ownership of immovable property which is located in Lithuania and subject to compulsory registration in Lithuania?**

Under the LITI, taxable income from sales or other disposal of movable and immovable property is calculated by deducting from income received by the non-resident from sales of such property the acquisition price and compulsory charges established by legal acts in respect of sales or other disposal of such property.

Where a non-resident of Lithuania sells immovable property located in Lithuania and movable property subject to compulsory registration in Lithuania and where income tax was withheld from the total amount of income paid to the non-resident (not only from the amount of taxable income), the non-resident may file with the Tax Administrator the *Form FR0464 of the application for recalculating the income tax and refunding the overpayment* and *Form FR0465 of the list of submitted documents* (approved by Order No V-21 of the Head of the STI under the MF of 24 January 2003 on the rules for executing, filing and examining the application for recalculating the income tax and refunding the overpayment) and recover the income tax overpaid to the budget of the Republic of Lithuania.

**17. What are the types of income derived not through the fixed base but sourced in Lithuania on which a non-resident of Lithuania must personally pay income tax to the budget of the Republic of Lithuania?**

Income of a non-resident of Lithuania derived not through the fixed base but sourced in Lithuania (except for income which under provisions of Article 17(1) of the LITI is tax-exempt), on which income tax must be paid by the non-resident personally (i.e. income of category B), includes:

- income from rent of property immovable by nature and located in Lithuania, which is received from a resident of Lithuanian, a foreign entity not through its permanent establishment in Lithuania and a non-resident of Lithuania not through the fixed base in Lithuania,
- income from employment or equivalent relationships for activities in Lithuania, which is received from a foreign entity not through its permanent establishment in Lithuania and a non-resident of Lithuania not through the fixed base in Lithuania,
- income from sports and performances for activities in Lithuania, which is received from a foreign entity not through its permanent establishment in Lithuania and a non-resident of Lithuania not through the fixed base in Lithuania,
- income from sales or other disposal of immovable property located in Lithuania, which is received from a resident of Lithuania, a foreign entity not through its permanent establishment in Lithuania and a non-resident of Lithuania not through the fixed base in Lithuania,
- income from the sale or other transfer into ownership of the movable property, if the property is subject to legal registration under legal acts of the Republic of Lithuania and is (or must be) registered in Lithuania, where such income is received from a resident of Lithuania, a foreign entity not through its permanent establishment in Lithuania and a non-resident of Lithuania not through the fixed base in Lithuania.

**18. When must a non-resident of Lithuania pay income tax on income derived not through the fixed base but sourced in Lithuania?**

A non-resident of Lithuania who derived income not through the fixed base but sourced in Lithuania, on which he/she must pay income tax personally under the LITI, must pay income tax to the budget of the Republic of Lithuania not later than within 25 days from the day of receipt of such income.

Income tax is paid to the budget revenue accounts of the State Tax Inspectorate.

**19. Must a non-resident of Lithuania report income derived not through the fixed base but sourced in Lithuania, on which he/she is required to pay income tax personally in Lithuania?**

A non-resident of Lithuania who derived income not through the fixed base but sourced in Lithuania, on which he/she must pay income tax personally, must report such income not later than within 25 days from the day of its receipt himself/herself or through an authorised person, by filing to the Tax Administrator the Form FR0459 of the tax return of a non-resident of Lithuania for income of category B (the Form and its completion procedure were approved by Order No V-46 of the Head of the STI under the MF of 7 February 2003 on the approval of the Form FR0459 of the tax return of a non-resident of Lithuania for income of category B, and the rules for its completion and submission).

**20. How can a non-resident of Lithuania apply the tax-exempt amount to income earned in Lithuania?**

In the case of income derived by a non-resident of Lithuania from employment or equivalent relationships (hereinafter - income from employment) sourced in Lithuania and eligible to the tax-exempt amount (hereinafter the TEA) under 20 of the LITI, the TEA may be applied only after the tax period when the non-resident submits to the Tax Administrator the *Form GPM309 of the annual income tax return of a non-resident of Lithuania* (the Form and its completion and submission procedure were approved by Order No VA-82 of the Head of the STI under the MF of 19 November 2009 on the approval of the Form GPM309 of the annual income tax return of a non-resident of Lithuania and the rules of its completion and submission).

The applicable annual TEA is calculated by a non-resident of Lithuania (unless a particular level of capacity for work or special needs was determined for the non-resident) according to the following formula:

If the IAI does not exceed EUR 4560, the annual TEA is EUR 3720.

If the IAI exceeds EUR 4560:

Annual TEA = 3720 - 0.5 x (IAI - 4560).

IAI - means the individual's annual taxable income. Such income of a non-resident of Lithuania includes income derived by the non-resident of Lithuania over the tax period (excluding payments made upon expiration or termination of a life insurance contract or pension accumulation agreement, which do not exceed the paid contributions), on which income tax was paid in a foreign country the resident of which the individual is considered to be (without deducting taxes withheld and/or paid in the foreign country) and income sourced in Lithuania which under the LITI is the object of income tax of a non-resident of Lithuania (including income from employment sourced in Lithuania), without deducting taxes withheld and/or paid in Lithuania. The amount of taxable income of a tax period sourced in Lithuania does not include income derived from individual activities through the fixed base in Lithuania to which income tax rate of 5 % established under the LITI applies, and income from which tax was paid when acquiring a business certificate.

In addition to the Form GPM309 of the annual income tax return of a non-resident of Lithuania, a non-resident of Lithuania must also submit to the Tax Administrator a document approved by the tax administrator of a foreign country of which he/she is considered to be a resident and specifying all types of income received during the tax period covered by the tax return being submitted, and income tax paid on such income to the budget of the foreign country. If during the tax period covered by the tax return being submitted a non-resident of Lithuania did not receive any income on which income tax had been paid in a foreign country, in addition to the tax return the non-resident must also submit a document issued by the foreign tax administrator attesting such fact.

If a non-resident of Lithuania who works in Lithuania has limited capacity for work, special needs or a certain level of disability, his/her income from employment is subject to a higher monthly TEA which does not depend on the amount of income from employment and annual income of the individual. Income from employment of the individual for whom the work capacity level of 30 %–55 % is established or of the individual who has reached the retirement age and for whom a medium or low level of special needs is established, or of the individual for whom a medium or low disability level is established is subject to the monthly TEA of EUR 320. Income from employment of the individual for whom the work capacity level of 0 %–25 % is established or of the individual who

has reached the retirement age and for whom a high level of special needs is established, or of the individual for whom a high level of disability is established is subject to the monthly TEA of EUR 380.

Non-residents of Lithuania eligible to a higher monthly TEA can apply it only at the end of the tax period and only upon submission of the Form GPM309 of the annual income tax return to the Tax Administrator in Lithuania.

Non-residents of Lithuania, who are eligible to apply, throughout the tax period, a higher monthly TEA to income earned in Lithuania, calculate the applicable amount of the annual TEA by multiplying the monthly TEA by 12 months (EUR 320 x12 or EUR 380 x 12).

Non-residents of Lithuania, who are eligible to a higher annual TEA, in addition to submitting to the Tax Administrator of the Republic of Lithuania the Form GPM309 of the annual income tax return of a non-resident of Lithuania, must also furnish the documents attesting the limited capacity for work, the disability or special needs.

We would like to note that non-residents of Lithuania are not eligible to the additional tax-exempt amount of income.

#### **21. How can a non-resident of Lithuania apply the tax relief specified in the Law on Income Tax of Individuals in respect of interest on non-equity securities and deposit interest sourced in Lithuania?**

A non-resident of Lithuania may apply the income tax relief of EUR 500 specified in the LITI to interest received from Lithuanian entities on deposits and non-equity securities only at the end of the tax period, upon submission to the Tax Administrator of the *Form GPM309 of the annual income tax return of a non-resident of Lithuania*. The Form GPM309 must be accompanied by the document specifying the total amount of interest on deposits and non-equity securities received over the tax period in foreign countries, provided that deposit agreements were concluded and non-equity securities were purchased after 1 January 2014, approved by the tax administrator of the foreign country of which the provider of the tax return is a resident.

If during the tax period a non-resident of Lithuania did not receive in foreign countries any interest on deposits and/or on non-equity securities, when deposit agreements were concluded and/or non-equity securities were purchased after 1 January 2014, he/she must enclose to the Form GPM309 of the tax return the document issued by the foreign tax administrator attesting such fact. If the total amount of interest on deposits and non-equity securities received in foreign countries by a resident of Lithuania is specified in the document approved by the foreign tax administrator, but all or part of interest was received on deposits according to agreements concluded in 2013 and in earlier tax periods, the non-resident of Lithuania must submit alongside the document approved by the foreign tax administrator the evidence that deposit agreements had been concluded and non-equity securities had been acquired earlier than before 31 December 2013.

#### **IV. ADDITIONAL INFORMATION**

Tax obligations of a non-resident of Lithuania in Lithuania and other information relevant for a non-resident of Lithuania are published on the website of the STI under the MF at [www.vmi.lt](http://www.vmi.lt).

Consultations on the matters of taxation of individuals and general information are provided by the Tax Information Department of the STI under the MF by phones 1882 or +370 5 2553190.

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