

TAXATION AND DECLARATION OF INCOME RECEIVED IN LITHUANIA BY A NON-RESIDENT OF LITHUANIA

(When income, received in 2019 and in subsequent tax periods, is declared)

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I. INTRODUCTORY PART

The purpose of this publication: to explain to non-residents of Lithuania who received / earned income from individual activity through a fixed base in Lithuania, and / or who received other types of income, where the source of the income is in Lithuania, how such income is taxed and declared in accordance with the Law of the Republic of Lithuania on Personal Income Tax (hereinafter - the LPIT).

A non-resident of Lithuania for the purposes of paying and declaring the personal income tax is such a resident who, in accordance with the provisions of Article 4 of the LPIT, is not considered a resident of Lithuania, i.e. who:

- whose habitual residence in a calendar year is only in a foreign country; and
- in a calendar year, has more personal, social and economic interests in a foreign country than in Lithuania; and
- stays in Lithuania continuously or intermittently for less than 183 days in a calendar year; and
- in two consecutive calendar years, stays in Lithuania continuously or intermittently for less than 280 days.

Examples. A person who, during a calendar year, resides only in a foreign country, or a person who comes to and stays in Lithuania for less than half a year in a calendar year can be considered a non-resident of Lithuania.

A foreign national, who came to Lithuania and stayed in the country:

- continuously or intermittently stayed for 183 days or more in a calendar year; or
- in two consecutive calendar years, stayed in Lithuania continuously or intermittently for 280 days or more and stayed in Lithuania for at least 90 days in one of those years, and who does not meet other criteria set out in Article 4 of LPIT for defining a resident of Lithuania is not considered a resident of Lithuania, if:
 - 1) he/she only pursues individual activity through a fixed base in Lithuania;
 - 2) he/she works in Lithuania, but receives salary for work in Lithuania from the budget of a foreign country;
 - 3) he/she works in a foreign diplomatic mission, consular post or in the representative office of an international organization in Lithuania.

According to the LPIT, the object of the income tax of a non-resident of Lithuania is:

- income from individual activity that is pursued through a fixed base in Lithuania; and
- income received not from a fixed base, the source of which is in Lithuania.

II. TAXATION AND DECLARATION OF INCOME FROM INDIVIDUAL ACTIVITY THAT WAS RECEIVED OR EARNED BY A NON-RESIDENT OF LITHUANIA THROUGH A FIXED BASE IN LITHUANIA

1. What activity pursued by a non-resident of Lithuania is considered individual activity?

Individual activity is a self-employed activity, in which a resident is engaged in for the purposes of obtaining income or other economic benefits over a continuous period.

The following are classified as an individual activity:

- self-employed commercial or industrial activity of any kind, except for activity of sale and/or rent of items that are immovable by their nature, as well as transactions in financial instruments;
- independent creation, scientific, professional or other independent activity of a similar nature

2. What is a fixed base?

A term “fixed base” means an expression of the individual activity of a non-resident of Lithuania, except for the sports activity and activity of performer, in Lithuania.

A non-resident of Lithuania is considered to be operating through a fixed base in Lithuania if he/she continuously pursues activity in Lithuania or pursues his/her permanent activity through a dependant representative (agent).

Definition of permanence of activity of a non-resident of Lithuania, and criteria for dependence or independence of the status of the representative (agent) of a non-resident of Lithuania are approved by the Order No 301 of the Minister of Finance of the Republic of Lithuania of 25 September

2002 on the Approval of Definition of Permanence of Activity of a Non-Resident of Lithuania, and of Criteria for Dependence or Independence of the Status of the Representative (Agent) of a Non-Resident of Lithuania.

3. How is individual activity through a fixed base in Lithuania registered?

A non-resident of Lithuania who intends to pursue individual activity through a fixed base in Lithuania must register in the Register of Taxpayers. Such a resident must submit to the tax authority Form REG812 of an Application for registration of a resident in the Register of Taxpayers / deregistration from the Register of Taxpayers (approved by the 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 to the Register of Taxpayers / Deregistration from the Register of Taxpayers).

After a non-resident of Lithuania gets registered in the Register of Taxpayers, the tax authority issues Form FR0469 of *the Certificate of registration of a fixed base of a non-resident of Lithuania in Lithuania*, which states that the non-resident of Lithuania, who is indicated in the certificate, pursues individual activity through a fixed base in Lithuania (Form FR0469 approved by the Order No 373 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 24 December 2002 on the Rules for the Issue of the Certificates of the Pursue of Individual Activity by a Resident of Lithuania and of the Registration of a Fixed Base of a Non-Resident of Lithuania in Lithuania).

A non-resident of Lithuania must submit the certificate of registration of a fixed base in Lithuania to persons with whom he/she concludes a contract for the provision of services or to whom he/she sells goods. In this case, in paying benefits to a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania (unless a resident who pursues individual activity receives income from the sale of standing timber, roundwood and waste) for the goods sold or for the services provided, a person shall not deduct the income tax.

4. What income of a non-resident of Lithuania is classified as income from individual activity that was received or earned through a fixed base in Lithuania?

Income of a non-resident of Lithuania, who pursues individual activity through a fixed base, from individual activity is the income that was received or earned in providing services, selling goods, marketing manufactured products and through similar actions in Lithuania and other foreign countries (including income that was received / earned in kind) and that is attributed to that fixed base in Lithuania.

5. What are the principles of recognition of income a non-resident of Lithuania from individual activity that was received or earned through a fixed base in Lithuania?

Income of a non-resident of Lithuania, who pursues individual activity through a fixed base in Lithuania and is not registered as a taxpayer for value added tax (hereinafter - VAT) purposes and/or has not attributed to, and does not use in, his/her individual activity non-current assets, is recognized in accordance with the cash accounting principle, i.e. income is recognized at the moment it is received.

Income from individual activity through a fixed base, received or earned by a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania and is registered as a taxpayer for VAT purposes, or attributes to, and uses in, his/her individual activity non-current assets, is recognized in accordance with the accrual accounting principle. The accrual accounting principle shall apply in a tax period in which a resident who pursues individual activity through a fixed base is registered as a taxpayer for VAT purposes or attributes assets to individual activity. After having started applying the accrual accounting principle, a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania has to apply it until the end of the activity.

6. What income tax rate is applied for taxation of income of a non-resident of Lithuania from individual activity that was received or earned through a fixed base in Lithuania?

Under the LPIT, a 15% income tax rate applies for taxation of income of a non-resident of Lithuania from individual activity that was received or earned through a fixed base in Lithuania.

Income from agricultural activity that was received / earned by non-residents of Lithuania (including farmers and their partners) who pursue individual agricultural activity through a fixed base

in Lithuania, who are not obliged to register, and are not registered, as taxpayers for VAT purposes, is not taxed with the income tax.

The income tax, which is payable on income from individual activity, is calculated in accordance with the procedure laid down in Article 18² of the LPIT:

A payable amount of the income tax is determined by deducting the amount of the income tax credit from the amount that is calculated by applying a 15% income tax rate to the annual amount of taxable income from individual activity.

The amount of the income tax credit is calculated according to the following formulas:

When the amount of the annual taxable income from individual activity is less than or equal to EUR 20,000 per year, the applicable income tax credit is calculated according to the following formula:

$\text{Income tax credit} = \text{Annual taxable income from individual activity} \times 0.1.$

When the amount of the annual taxable income from individual activity exceeds EUR 20,000 per year, the income tax credit is calculated according to the following formula:

$\text{Income tax credit} = \text{Annual taxable income from individual activity} \times (0.1 - 2 / 300,000 \times (\text{Annual taxable income from individual activity} - 20,000)).$

When taxable income from individual activity (calculated after deducting from income the actually incurred expenses or after recognizing as allowable deductions an amount that is equal to 30% of income from individual activity that was received / earned) does not exceed EUR 20,000 per calendar year, the payable income tax actually accounts for 5% of taxable income. When the annual taxable income from individual activity exceeds an amount of EUR 20,000, an amount of payable income tax increases accordingly and accounts for 5 to 15 % of taxable income. When the annual taxable income from individual activity reaches an amount of EUR 35,000, then a 15% income tax rate applies.

7. What expenses are classified as allowable deductions in calculating taxable income from individual activity that was received or earned through a fixed base in Lithuania, and when loss can be carried forward?

Allowable deductions of a non-resident of Lithuania, that are related to the receipt / earning of income from individual activity through a fixed base in Lithuania, and the procedure for their calculation are approved by the Order No 304 of the Minister of Finance of 25 September 2002 on the Approval of the Description of the Procedure for Attribution of Expenses of a Non-Resident of Lithuania, that are Related to the Receipt / Earning of Income from Individual Activity through a Fixed Base in Lithuania, to Allowable Deductions and of their Calculation.

The following are attributed to allowable deductions of a non-resident of Lithuania, that are related to the receipt / earning of income from individual activity through a fixed base in Lithuania:

- Expenses incurred by a non-resident of Lithuania, that are related to income from individual activity actually received during the tax period, that are routine in such activity, for example, acquisition costs of re-sold goods, materials, raw materials, parts or other items, rental costs of assets used in the activity, advertising costs, acquisition costs of tools, wage costs of employees, social insurance contributions, compulsory levies and other expenses related to income from individual activity;

- expenses actually incurred not through a fixed base, when those expenses are directly related to individual activity pursued through a fixed base, including interest paid for a loan used for individual activity, and royalties paid for the rights and information used for the purpose of pursuit of individual activity through a fixed base.

Expenses incurred by a non-resident of Lithuania, who pursues individual activity through a fixed base in Lithuania, are attributed to allowable deductions under the same procedure as in the case of a resident of Lithuania who pursues individual activity under the certificate of individual activity (see the publication "Peculiarities of individual activity that is pursued under the certificate of individual activity").

An amount of allowable deductions of non-residents of Lithuania pursuing individual activity through a fixed base in Lithuania, whose income is recognized at the moment it is received, cannot exceed the income from individual activity that was received or earned during that tax period.

Expenses attributable to allowable deductions must be substantiated by documents which bear all mandatory details of accounting documents that are provided for in the Law of the Republic of Lithuania on Accounting and in other legal acts.

Expenses not attributable to allowable deductions of a non-resident of Lithuania who pursues individual activity through a fixed base are listed in Article 18(3) and (4) of the LPIT.

In calculating taxable income from individual activity that was received or earned through a fixed base in Lithuania (unless income from individual activity or part thereof was received from the employer), a resident of Lithuania may choose an alternative procedure for recognition of expenses that fall within income from individual activity: a resident may consider as allowable deductions 30% of an amount of income from individual activity that was received or earned during the tax period through a fixed base in Lithuania. In this case, the resident is not obliged to have documents to substantiate the amount deducted and to keep accounts of activity related expenses.

Non-residents of Lithuania who pursue individual activity through a fixed base in Lithuania, who recognize income in accordance with the accrual accounting principle, have the right to carry forward the losses incurred during the tax period (which are calculated by deducting non-taxable income and allowable deductions from income from individual activity) to other tax periods. A resident may carry forward such losses indefinitely until he ceases the activity which gave rise to such losses. If a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania incurs losses for a period of more than one year, losses incurred in previous years shall be carried forward first. Later, losses incurred are carried forward only after losses incurred in previous years are covered.

8. How accounts of income of a non-resident of Lithuania from individual activity that was received or earned through a fixed base in Lithuania have to be kept?

In keeping accounts, a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania has to follow the Accounting Rules approved by the Order No 1K-040 of the Minister of Finance of the Republic of Lithuania of 17 February 2003 on the Approval of Accounting Rules of Residents who Pursue Individual Activity (Except for Residents Having Acquired Business Licenses).

A non-resident of Lithuania (both a resident who applies the cash accounting principle and a resident who applies the accrual accounting principle) must fill in the accounting ledger of income-expenses of individual activity of a resident (hereinafter - the income-expense accounting ledger).

Filling in the income-expense accounting ledger is not mandatory if:

- a resident uses a cash register to keep accounts of income from activity;
- in keeping accounts, a resident applies a double entry, and if data needed to calculate taxes can be determined from the accounting registered that are filled in by the resident.

A non-resident who pursues several types of activity through a fixed base may choose to fill in one income-expense accounting ledger, where records of income and expenses of all types of individual activity pursued would be kept, or to fill in separate income-expense accounting ledgers according to different types of individual activity, that are specified in Form FR0469 of the Certificate of Registration of a fixed base of a non-resident of Lithuania in Lithuania.

A non-resident of Lithuania, having chosen to consider as allowable deductions 30% of income from individual activity that was received/earned, is not obliged to fill in sections of the income-expense accounting ledger that are related to expenses, and is not obliged to retain accounting documents that substantiate expenses. Other individual operators must retain accounting documents and the income-expense accounting ledgers for at least 10 years.

If a non-resident of Lithuania, having registered individual activity through a fixed base in Lithuania, is not obliged to use a cash register in the activity pursued by the resident, then such a resident has to issue the purchaser with an invoice, and a VAT payer has to issue a VAT invoice.

If a non-resident of Lithuania, having registered individual activity through a fixed base in Lithuania, is obliged to use a cash register in the activity pursued by the resident, then such a resident has to issue the purchaser with a cash register receipt and also, at the request of the purchaser, an invoice, and a VAT payer has to issue a VAT invoice. A non-resident of Lithuania, who is obliged to use a cash register in the activity pursued by the resident, has to indicate income from the activity and activity-related expenses in the ledger of cash register transactions of a cash register.

A non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania is obliged to use a cash register when he/she pursues trading activity (trade not only in foodstuffs but also in other goods) in buildings or premises, as well as in kiosks, wagons, mobile homes, shop

on wheels.

Cases where the use of a cash register is not mandatory are set out by the Order No VA-40 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 3 April 2012 on Cases of Non-Use of a Cash Register when Using a Cash Register is Not Possible for Objective Reasons or the Use of a Cash Register would Lead to a Manifestly Disproportionate Administrative Burden.

9. When a non-resident of Lithuania has to pay the income tax on income that was received or earned from individual activity pursued through a fixed base in Lithuania?

A non-resident of Lithuania who, during the tax period (calendar year), received or earned income from individual activity through a fixed base, must pay to the budget of the Republic of Lithuania the income tax payable under the LPIT by 1 May of the next year following that tax period.

10. Does a non-resident of Lithuania have to declare income from individual activity that was received or earned through a fixed base in Lithuania and the personal income tax that was paid on such income?

A non-resident of Lithuania who, during the tax period, received or earned income from individual activity through a fixed base, has to, after the end of the tax period, declare it, either by himself/herself or this has to be done by an authorized person, by 1 May of the next calendar year following that tax period by submitting to the tax authority *the Form FR0531 of the Annual Income Tax Return of the income tax paid by a non-resident of Lithuania on income from individual activity through a fixed base in Lithuania* (this Form and the Rules for Filling in and Submitting it and its annexes were approved by the Order No VA-37 of the Head of the STI under the Ministry of Finance of 22 March 2004 on the Approval of the Form FR0531 of the Annual Income Tax Return of the income tax paid by a non-resident of Lithuania on income from individual activity through a fixed base in Lithuania and of the Form FR0531V of the Annex thereto, and of the Rules for Filling in and Submitting them).

A non-resident of Lithuania has to pay to the budget of the Republic of Lithuania the income tax on income received / earned during the tax period through a fixed base in Lithuania that, under the procedure of payment of the income tax, is classified as Class B income (except for income from individual activity of standing timber, roundwood and waste sale that was received through a fixed base) by 1 May of the next calendar year following the tax period.

The income tax on income from standing timber, roundwood and waste sale, which is paid to a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania by a Lithuanian unit or a resident of Lithuania, has to be deducted by a person/entity who/which pays out these disbursements. Please note that income from standing timber, roundwood and waste sale, which a non-resident of Lithuania receives not through a fixed base in Lithuania, is not classified as an object of the income tax paid by a non-resident of Lithuania. Therefore, such income is exempt from income tax.

11. What obligations of a person deducting the income tax has a non-resident of Lithuania who pursues individual activity through a fixed base in Lithuania?

Under the LPIT, a non-resident of Lithuania who pursues activity through a fixed base in Lithuania is a person deducting the personal income tax. Therefore, he/she has to carry out the obligations of a person deducting the personal income tax: a resident having paid out Class A income has to deduct on such disbursements and pay to the budget of the Republic of Lithuania the income tax and has to submit to the tax authority *Form GPM313 of the Monthly Income Tax Return* (this Form and the Rules for Filling in the Form are approved by the Order No VA-121 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 20 December 2017) and *Form GPM312 of the Annual Tax Return of benefits classified as Class A and Class B income that were paid out to residents* (this Form, its annexes and the Rules for Filling in and Submitting the Tax Return are approved by the Order No VA-9 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 6 February 2018).

A non-resident of Lithuania who pursues activity through a fixed base in Lithuania and who, during the tax period, has paid out to residents benefits that are classified as Class B income, has to declare these benefits in *Form GPM312 of the Annual Tax Return of benefits classified as Class A*

and Class B income that were paid out to residents which has to be submitted to the tax authority at the end of the tax period, until 15 February of the next calendar year.

III. TAXATION AND DECLARATION OF INCOME RECEIVED BY A NON- RESIDENT OF LITHUANIA NOT THROUGH A FIXED BASE WHERE THE SOURCE OF THE INCOME IS IN LITHUANIA

12. What income of a non-resident of Lithuania is classified as income received not through a fixed base in Lithuania where the source of the income is in Lithuania?

Income received by a non-resident of Lithuania not through a fixed base where the source of income is in Lithuania:

1) interest (other than interest on non-equity government securities) received from residents of Lithuania, Lithuanian units, foreign units through their permanent establishments in Lithuania and from other non-residents of Lithuania who pursue individual activity through fixed bases in Lithuania;

2) income from distributed profits (dividends) received from Lithuanian units;

3) benefits to the members of the Board and the supervisory board received from Lithuanian units;

4) royalty received from residents of Lithuania, Lithuanian units, foreign units through their permanent establishments in Lithuania and from other non-residents of Lithuania who pursue individual activity through fixed bases in Lithuania;

A term *royalty* includes remunerations paid for the right to use a work or its related rights, for the right to use an industrial property object or a franchise, and remunerations for information on industrial, commercial or scientific experience (know-how), and compensations for copyright or related rights infringements. Royalty means income that a resident receives not for the activity carried out (for example, for the transfer or performance of a work), but for the granting of the said rights (i.e. rights to use a work, related rights, object of industrial property, etc.);

5) income from rent of immovable property located in Lithuania received from residents of Lithuania, Lithuanian units, foreign units through their permanent establishments in Lithuania and from other non-residents of Lithuania who pursue individual activity through fixed bases in Lithuania.

6) income from the employment relationship or from the relationship that is consistent with the essence of employment relationship for activity in Lithuania regardless of the fact from which person (i.e. a person located in Lithuania or other foreign countries) it was received;

7) income from sports activity and income from activity pursued by performers for activity in Lithuania regardless of the fact from which person (i.e. a person located in Lithuania or other foreign countries) it was received, and regardless whether such person has paid the income directly to the athlete or performer or to a third party acting on behalf of the athlete or performer;

8) proceeds from the sale or other transfer of ownership of movable property, subject to legal registration in Lithuania regardless of the fact from which person (i.e. a person located in Lithuania or other foreign countries) they were received;

9) proceeds from the sale or other transfer of ownership of immovable property located in Lithuania regardless of the fact from which person (i.e. a person located in Lithuania or other foreign countries) they were received;

10) compensations for copyright or related rights infringements received from residents of Lithuania, Lithuanian units, foreign units through their permanent establishments in Lithuania and from other non-residents of Lithuania who pursue individual activity through fixed bases in Lithuania.

13. What income tax rate applies to income received by a non-resident of Lithuania not through a fixed base where the source of the income is in Lithuania?

Income from distributed profits (dividends), income from the employment relationship or from the relationship that is consistent with the essence of employment relationship calculated for 2018 and earlier tax periods, but paid out in 2019 and in later tax periods, and sickness, maternity, paternity, childcare and long-term employment benefits are taxed with a 15% income tax rate.

Part of income from the employment relationship or from the relationship that is consistent with the essence of employment relationship, that was received by non-residents of Lithuania in 2019 (except for sickness, maternity, paternity, childcare and long-term employment benefits, and wages calculated for 2018 or earlier tax periods), and of annual income of benefits to members of the supervisory board and of the Board, that does not exceed an amount of 120 average national wages (hereinafter - ANW) applied in calculating the base of the state social insurance contributions of insured persons in 2019 (hereinafter - SSIC) (i.e. not exceeding an amount of EUR 136,344), is taxed

with a 20% income tax rate; the annual part of such income that exceeds an amount of 120 ANW, is taxed with a 27% income tax rate.

Part of income from the employment relationship or from the relationship that is consistent with the essence of employment relationship, that was received by non-residents of Lithuania in 2020 (except for sickness, maternity, paternity, childcare and long-term employment benefits, and wages calculated for 2018 or earlier tax periods), and of annual income of benefits to members of the supervisory board and of the Board, that does not exceed an amount of 84 ANW applied in calculating the base of the SSIC of insured persons in 2020 (i.e. not exceeding an amount of EUR 104,277.60) is taxed with a 20% income tax rate; the annual part of such income that exceeds an amount of 84 ANW, is taxed with a 32% income tax rate.

Part of income from the employment relationship or from the relationship that is consistent with the essence of employment relationship, that was received by non-residents of Lithuania in 2021 and later tax periods (except for sickness, maternity, paternity, childcare and long-term employment benefits, and wages calculated for 2018 or earlier tax periods), and of annual income of benefits to members of the supervisory board and of the Board, that does not exceed an amount of 60 ANW applied in calculating the base of the SSIC of insured persons in the current year is taxed with a 20% income tax rate; the annual part of such income that exceeds an amount of 60 ANW, is taxed with a 32% income tax rate.

Taxable income received by non-residents of Lithuania in Lithuania in 2019 and later tax periods, that is related to interest, royalty, income from renting real property in Lithuania, income from sports activity and from activity pursued by performer, proceeds from the sale or other transfer of ownership of immovable property located in Lithuania and of movable property that is subject to mandatory registration in Lithuania, an amount of which per year does not exceed an amount of 120 ANW applied in calculating the base of the SSIC of insured persons in the current year, is taxed with a 15% income tax rate; the annual part of such income that exceeds an amount of 120 ANW, is taxed with a 20% income tax rate.

Note: Income of a non-resident of Lithuania, where the source of the income is in Lithuania, is taxed in accordance with the provisions of the LPIT, at the same time taking into consideration the provisions of the applicable double taxation agreements entered into between Lithuania and the respective foreign countries.

14. What income received by a non-resident of Lithuania not through a fixed base, where the source of the income is in Lithuania, is classified as non-taxable income?

According to the provisions of Article 17 of the LPIT, the following interest received by a non-resident of Lithuania is not taxed:

- interest received on deposits from Lithuanian commercial banks and other credit institutions, if the deposit agreements have been concluded since 1 January 2014, and interest received from Lithuanian units (excluding interest on government securities) for non-equity securities (excluding non-equity securities issued by a person related to a resident through the employment relationship or the relationship that is consistent with the essence of employment relationship, if the person related to a resident through the employment relationship or the relationship that is consistent with the essence of employment relationship pays the resident for these non-equity securities higher interest rates than other holders of the same non-equity securities), if such securities have been acquired from 1 January 2014, when the total amount of such interest does not exceed EUR 500 during the tax period;

- amount of interest for consumer credit granted through a peer-to-peer lending platform in accordance with the procedure established by the Law of the Republic of Lithuania on Consumer Credit, and of interest on funds provided through a crowdfunding platform in accordance with the procedure established in the Law of the Republic of Lithuania on Crowdfunding, not exceeding EUR 500 per tax period;

- interest received from Lithuanian units for non-equity securities (excluding non-equity securities issued by a person related to a resident through the employment relationship or the relationship that is consistent with the essence of employment relationship, if the person related to a resident through the employment relationship or the relationship that is consistent with the essence of employment relationship pays the resident for these non-equity securities higher interest rates than other holders of the same non-equity securities) if these non-equity securities were acquired before 31 December 2013, and their redemption started not earlier than 366 days after the date of issue of these securities;

- interest on deposits held in Lithuanian commercial banks and other credit institutions, where agreements for such deposits have been concluded before 31 December 2013.

According to Article 17(1) of the LPIT, proceeds from the sale or other transfer of ownership of property, that are listed below, are exempt from tax:

- proceeds from the sale or other transfer of ownership of movable property (including property that is movable by its nature, which is recognized as immovable property by law), which is subject to legal registration in accordance with the legal acts of the Republic of Lithuania, and which is (or must be) registered in Lithuania (for example, car, agricultural machinery, weapon), if such a property was acquired less than 3 years before its sale or other transfer of ownership;

- proceeds from the sale or other transfer of ownership of immovable property (building, land, etc., except for housing, where proceeds from its transfer is subject to tax exemption) located in Lithuania, if such a property was acquired less than 10 years before its sale or other transfer of ownership;

- proceeds from the sale or other transfer of ownership of housing located in Lithuania (including land attached to the housing), if the place of residence of the resident has been declared in such housing for the last two years prior to the sale or other transfer of ownership;

- proceeds from the sale or other transfer of ownership of housing located in Lithuania (including land attached to the housing), in which the place of residence has been declared for less than two years and these proceeds, over a period of one year, were used to acquire another housing located in a country of the European Economic Area where the place of residence of a resident was declared.

According to Article 17(1)(5) of the LPIT, compensations for copyright or related rights infringements are exempt from the income tax.

15. On which income received by a non-resident of Lithuania not through a fixed base, where the source of the income is in Lithuania, the income tax is deducted when the income is paid out?

The income/proceeds listed below are classified as income received by a non-resident of Lithuania not through a fixed base, where the source of the income is in Lithuania (excluding income that, according to the provisions of Article 17(1) of the LPIT is exempt from the income tax), and where the income tax on such income is deducted at the time it is paid out (i.e. Class A income):

- income from distributed profits (dividends) and benefits to the members of the Board and the supervisory board received from a Lithuanian unit;

- interest and royalty received from a Lithuanian unit, from a resident of Lithuania, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania;

- income from rent of immovable property located in Lithuania received from a Lithuanian unit, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania;

- income from the employment relationship or from the relationship that is consistent with the essence of employment relationship for activity in Lithuania received from a Lithuanian unit, from a resident of Lithuania, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania;

- income from sports activity and income from activity pursued by performer for activity in Lithuania received from a Lithuanian unit, from a resident of Lithuania, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania;

- proceeds from the sale or other transfer of ownership of immovable property located in Lithuania, when such a property is sold or its ownership is transferred within 10 years from its acquisition, received from a Lithuanian unit, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania;

- proceeds from the sale or other transfer of ownership of movable property that, in accordance with the legal acts of the Republic of Lithuania, is subject to legal registration in Lithuania and that is (or must be) registered in Lithuania, if ownership of such property was transferred within 3 years of its acquisition, when such proceeds were received from a Lithuanian unit, from a foreign unit through its permanent establishment in Lithuania and from a non-resident of Lithuania through his/her fixed base in Lithuania.

A non-resident of Lithuania does not have to pay the income tax on the aforementioned Class A income (proceeds) that was (were) received not through a fixed base (since the income tax is deducted and transferred to the budget of the Republic of Lithuania by a person in Lithuania who pays out such income (proceeds) to the resident), unless an obligation arises for such a resident to recalculate the income tax payable by applying the income tax rates set out in Article 6(1¹) or (1²) of the LPIT (i.e. in applying progressive income tax rates).

According to the provisions of Article 6(1¹) of the LPIT, the income tax has to be recalculated by a non-resident of Lithuania who, during the tax period, received in Lithuania taxable income from the employment relationship or from the relationship that is consistent with the essence of employment relationship (except for sickness, maternity, paternity, childcare and long-term employment benefits, and wages calculated for 2018 or earlier tax periods), and who received from Lithuanian units profit shares and remuneration for activity in the supervisory board, Board or loan committee (i.e. who received benefits as the member of the Board and of supervisory board), if the total amount of such income received during the year exceeded the amount of the ANW that is set out in the LPIT for the relevant year and applied in calculating the base of the SSIC of insured persons in the current year.

In accordance with Article 6(1²) of the LPIT, the income tax also has to be recalculated by a non-resident of Lithuania who, during the tax period, received the following types of taxable income: income from sports activity and from activity pursued by performer, when activity was pursued in Lithuania (including income that is either directly or indirectly related to this activity), income from rent of or proceeds from the sale or other transfer of ownership of immovable property located in Lithuania, and proceeds from the sale of movable property that is subject to mandatory registration in Lithuania, royalty or interest received from persons in Lithuania, where the total amount of such royalty or interest during the tax period exceeded the amount of the ANW that is set out in the LPIT for the relevant year and applied in calculating the base of the SSIC of insured persons in the current year

16. How is income of a non-resident of Lithuania from the sale or other transfer of ownership of real property located in Lithuania or of movable property that is subject to mandatory registration in Lithuania is taxed?

According to the LPIT, taxable proceeds from sale or other transfer of ownership of movable and immovable property are calculated by deducting from the proceeds from the sale of such property the purchase price of such property and the mandatory payments laid down by the legal acts that are related to the sale or other transfer of ownership of such property

If a non-resident of Lithuania sells immovable property located in Lithuania and movable property that is subject to mandatory registration in Lithuania, and the income tax was deducted on the total amount of income that was paid out to him/her (not only on the amount of taxable income), during the tax period, the resident may submit to the tax authority *the Application Form FR0464 for recalculation of the income tax and refund of overpayment* (approved by the Order No V-104 of the Head of the STI under the Ministry of Finance of 17 October 2014 on the Amendment of the Order No V-21 of the Head of the State Tax Inspectorate under the Ministry of Finance of 24 January 2003 "On the Rules for the Processing, Submission and Examination of an Application for Recalculation of the Income Tax and Refund of Overpayment" and on the Approval of Annex FR0464P "Description of the Documents Submitted" of Form FR0464 of an Application for Recalculation of the Income Tax and Refund of Overpayment), and recover the income tax overpaid to the budget of the Republic of Lithuania.

If during the tax period a non-resident of Lithuania has not submitted such an application, he/she may recover overpayment of the income tax, after the end of the tax period, after submitting to the tax authority *the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania* (this Form and the Rules for Filling in the Form have been approved by the Order No VA-112 of the Head of the STI under the Ministry of Finance of 20 December 2019 on the Approval of the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania, of the forms of its Annexes GPM314A and GPM314B, and of the Rules for filling in and submitting them).

17. On which income received not through a fixed base in Lithuania, where the source of the income is in Lithuania, a non-resident of Lithuania has to pay by himself/herself the income tax to the budget of the Republic of Lithuania?

The income/proceeds listed below are classified as Class B income received by a non-resident of Lithuania not through a fixed base, where the source of the income is in Lithuania (excluding income that, according to the provisions of Article 17(1) of the LPIT is exempt from the income tax), and where the income tax on such income/proceeds has to be paid by the resident:

- income from rent of immovable property located in Lithuania received from a resident of Lithuania, from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- income from the employment relationship or from the relationship that is consistent with the essence of employment relationship for activity in Lithuania received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- income from sports activity and income from activity pursued by performer for activity in Lithuania received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- proceeds from the sale or other transfer of ownership of immovable property located in Lithuania, when such a property is sold or its ownership is transferred within 10 years from its acquisition, received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- proceeds from the sale or other transfer of ownership of movable property that, in accordance with the legal acts of the Republic of Lithuania, is subject to legal registration in Lithuania and that is (or must be) registered in Lithuania (where ownership of such property was transferred within 3 years of its acquisition) when such proceeds were received from a resident of Lithuania, from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania.

A non-resident of Lithuania must also pay the income tax if he/she received Class A and/or B income during the tax period (excluding income from distributed profits), where an obligation arises for such a resident to recalculate the income tax payable on such income by applying the income tax rates set out in Article 6(1¹) ir (1²) of the LPIT (i.e. in applying progressive income tax rates).

18. When a non-resident of Lithuania has to pay the income tax on the income that was received not through a fixed base where the source of the income is in Lithuania?

A non-resident of Lithuania who received not through a fixed base the taxable income of Class B listed below:

- income from the employment relationship or from the relationship that is consistent with the essence of employment relationship (hereinafter - income from the employment relationship) for work in Lithuania, when the income was received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
 - income from activity pursued by performer and / or from sports activity, when activity was pursued in Lithuania, received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
 - income from rent of immovable property located in Lithuania (apartment, house, land, etc.) when the income was received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
 - proceeds from the sale or other transfer of ownership of immovable property located in Lithuania (building, land, etc., except for housing, where proceeds from its transfer is subject to tax exemption) when such a property is sold or its ownership is transferred within 10 years from its acquisition, received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
 - proceeds from the sale or other transfer of ownership of a car, agricultural machinery, weapon or other movable property that is subject to legal registration in Lithuania when the ownership of such a property was transferred within 3 years of its acquisition, and when the proceeds were received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- has to pay the income tax on such income (proceeds) to the budget of the Republic of Lithuania not later than within 25 days of the date of receipt of such income (proceeds).

A non-resident of Lithuania who during the tax period received Class A and/or Class B income (excluding income from distributed profits), and such an income gives rise to the resident's obligation to recalculate the income tax payable on such income by applying the income tax rates set out in Article 6(1¹) and (1²) of the LPIT (i.e. in applying progressive income tax rates), has to pay the income tax to the budget of the Republic of Lithuania at the end of the tax period until 1 May of the calendar year following this tax period.

The income tax has to be paid to the budget revenue collection accounts of the State Tax Inspectorate.

19. In what case a non-resident of Lithuania has to declare income received not through a fixed base from the source in Lithuania and the income tax paid on the income in Lithuania?

A non-resident of Lithuania who received not through a fixed base from a source in Lithuania the taxable income of Class B listed below:

- income from the employment relationship for work in Lithuania, when the income was received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- income from activity pursued by performer and / or from sports activity, when activity was pursued in Lithuania, received from a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- income from rent of immovable property located in Lithuania (apartment, house, land, etc.) when the income was received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- proceeds from the sale or other transfer of ownership of immovable property located in Lithuania (building, land, etc., except for housing, where proceeds from its transfer is subject to tax exemption) when such a property is sold or its ownership is transferred within 10 years from its acquisition, received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;
- proceeds from the sale or other transfer of ownership of a car, agricultural machinery, weapon and other movable property that is subject to legal registration in Lithuania when the ownership of such a property was transferred within 3 years of its acquisition, and when the proceeds were received from a resident of Lithuania, a foreign unit not through its permanent establishment in Lithuania and from a non-resident of Lithuania not through his/her fixed base in Lithuania;

has to declare such income (proceeds), either himself/herself or through an authorized person, not later than within 25 days of the date of its (their) receipt by submitting to the tax authority *the Tax Return Form FR0459 of the income tax of a non-resident of Lithuania that is paid on Class B income* (this Form and the Rules for filling in it were approved by the Order No V-46 of the Head of the STI under the Ministry of Finance of 7 February 2003 on the Approval of the Tax Return Form FR0459 of the income tax of a non-resident of Lithuania that is paid on Class B income, and of the Rules for the Filling in and Submitting it).

A non-resident of Lithuania, who received not through a fixed base in Lithuania Class A income and / or Class B income (excluding the income from distributed profits), where a source of such income is in Lithuania (i.e. income that, under the provisions of Article 5(4) of the LPIT, is the object of the income tax of a non-resident of Lithuania) and such an income gives rise to the resident's obligation to recalculate the income tax payable on such income by applying the income tax rates set out in Article 6(1¹) and (1²) of the LPIT (i.e. in applying progressive income tax rates), has to declare such an income in *the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania and its Annex GPM314A "Employment-related income received in Lithuania" and / or in its Annex GPM314B "Income received in Lithuania"*

When a non-resident of Lithuania declares in *Annex GPM314B "Income received in Lithuania" of the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania* interest and/or royalties received in Lithuania, and specifies in the Tax Return amount of the income tax, that was calculated by applying the tax rate for the taxation of this income, which is established in the double taxation agreement applicable between Lithuania and a foreign state, a certificate of residence, issued by the tax authority of the foreign country of which such a person is considered to be a resident, has to be submitted along with the Tax Return.

Income is not required to be declared in *the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania* by a non-resident of Lithuania who during the tax period received only Class A income from the same person in Lithuania (for example, wages, profit share, royalty, etc.), and the person having made disbursements deducted the income tax at the maximum tax rate on an amount of disbursement that exceeded an amount of the ANW set out in the LPIT. This Tax Return has neither to be submitted by a non-resident of Lithuania who during the tax period received only Class B income in Lithuania and who himself/herself paid the income tax at the maximum rate of the tax to the budget of the Republic of Lithuania on the income exceeding an amount of ANW established in Article 6 of the LPIT, and who declared such income by submitting to the tax authority the Tax Return Form FR0459 of the income tax of a non-resident of Lithuania that is paid on Class B income.

20. How a non-resident of Lithuania may apply a tax-exempt amount of income to income received in Lithuania?

A non-resident of Lithuania who wishes to apply a tax-exempt amount of income (hereinafter - the TEAI) for income from the employment relationship or from the relationship that is consistent with the essence of employment relationship received for work in Lithuania after the end of the tax period, has to submit, not earlier than from 15 February of the next year following that tax period, to the tax authority *the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania and its Annex GPM314A "Employment-related income received in Lithuania"*. A non-resident of Lithuania has to specify in the Tax Return all types of taxable income received in Lithuania that, according to the LPIT, is the object of the income tax of a non-resident of Lithuania. A non-resident of Lithuania has to specify in the Tax Return all types of taxable income received in Lithuania, that, under the LPIT, is the object of the income tax of a non-resident of Lithuania.

If a non-resident of Lithuania did not have limited working capacity, disability or special needs throughout the calendar year, he/she must enclose to this Tax Return a document approved by the tax authority of the foreign country, in which he/she is a resident, about the income received in that year on which the income tax was paid to the budget of the foreign country. If no such income was received in the calendar year by a non-resident of Lithuania, he/she must enclose to the Tax Return a document attesting to this fact issued by the tax authority of a foreign country. If in the calendar year a non-resident of Lithuania had a limited level of work capacity, disability or special needs or such a level was established for the resident, such a resident has to enclose to the Tax Return a document proving a limited work capacity, disability or special needs.

21. How a non-resident of Lithuania may apply the income tax exemption of EUR 500, that is set out in the Law on Personal Income Tax, to interest that was received in Lithuania.

A non-resident of Lithuania, who wishes to apply in respect of interest received from Lithuanian units, on which the income tax was deducted and paid to the budget of the Republic of Lithuania, the income tax exemption of EUR 500 that is laid down in Article 17(1)(20) and/or Article 20² of the LPIT, has to submit, after the end of the tax period, not earlier than from 15 February of the next calendar year, to the tax authority *the Form GPM314 of the Annual Income Tax Return of a non-resident of Lithuania and its Annex GPM314B "Income received in Lithuania"*. If a non-resident of Lithuania received no income during the tax period, on which, subject to the provisions of Article 6(1¹) and (1²) of the LPIT, an obligation arose for the resident to recalculate the income tax payable on the income, only interest that is subject to income tax exemption has to be declared in the Tax Return (the indication of other types of income is optional).

IV. ADDITIONAL INFORMATION

Tax liabilities of a non-resident of Lithuania in Lithuania and other information relevant to the non-resident of Lithuania are available publicly on the website of the STI under the Ministry of Finance at: www.vmi.lt.

Consultations on personal income taxation issues and general information are provided by the Tax Information Department of the STI under the Ministry of Finance through the counselling lines 1882 or +370 5 260 5060.