1 May 2025

Baltic Tax Card

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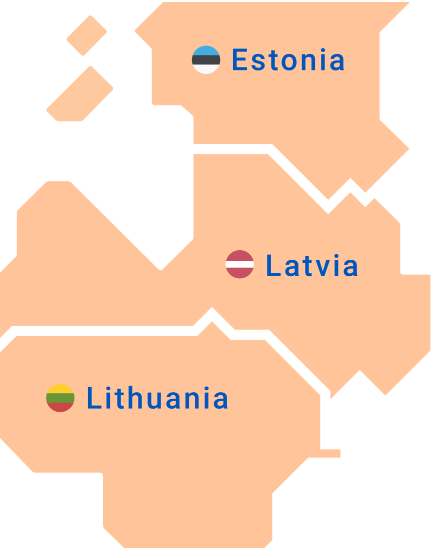
Estonia / Latvia / Lithuania

Comparative tax summary

This comparative tax summary will provide you with a brief insight into the tax rates in the Baltic States. In countries with small economies, a competitive tax regime is of utmost importance to attract foreign investments and ensure economic growth. For the past 20 years, Estonia has been well known for its corporate income tax system, under which retained earnings are effectively tax-exempt and corporate taxpayers are subject to tax on distributed profits, including hidden profit distributions. In 2017, Latvia decided to follow Estonia's example and introduced a similar corporate income tax regime. These reforms helped Latvia move to second place behind Estonia in the International Tax Competitiveness Index Rankings[1].



Although Lithuania has maintained a classical corporate income tax regime, there are a few ways for corporate taxpayers to reduce their corporate income tax, for example, by applying investment projects and R&D incentives. However, the profits of corporate taxpayers in Lithuania are taxed twice, first when profits are made by the companies and second when profits are distributed to the shareholders as dividends.

We believe that this tax summary will help to identify a potentially suitable jurisdiction in which to set up business operations or a particular line of business operations and to compare the differences between the three countries.

This tax summary is based on the laws valid as of 1 May 2025. This summary should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult an adviser concerning your situation and any specific questions you might have.

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[1] https://taxfoundation.org/research/all/global/2024-international-tax-competitiveness-index/

Corporate income tax (residents)

	Estonia	Latvia	Lithuania
Rates	Standard rate of 22% on the gross amount of distribution (22/78 on the net amount).	25% (20/80) on the net amount of the distribution.	Standard rate 16%. A 6% reduced rate applies to companies with up to 10 employees and EUR 300,000 in income per tax period.
Taxable base	Profit distributions and deemed profit distributions, such as fringe benefits, gifts, donations, entertainment expenses, profit adjustments and non-business expenses. Retained or reinvested profits are not taxed. Credit institutions in Estonia (whether legal persons or branches of foreign credit institutions) are subject to paying advance CIT at the rate of 18% on their quarterly profit. The advance payment of CIT can be offset against the tax liability arising from the payment of dividends.	Profit distributions (direct and deemed (e.g., non-business expenses, transfer pricing adjustments); reinvested profits are not taxed. From 2024 credit institutions and consumer lending companies pay a CIT surcharge of 20% from undistributed profit. This tax surcharge is further taken into account when calculating the CIT payable upon the distribution of dividends.	Total income earned in Lithuania and abroad.
Tax loss carry back / forward	No.	No.	Tax losses can be carried forward for an indefinite period. Losses incurred from disposal of securities can be carried forward for 5 years and can only be offset against income of the same nature. Only up to 70% of current year's taxable profits can be offset against tax losses carried forward. Tax losses can be carried forward within the group companies if the following conditions are met: (i) on the day of transfer of the tax losses, the parent company holds directly or indirectly at least 2/3 of shares of each of the subsidiaries taking part in the transfer of the tax losses; and (ii) tax losses are transferred between the subsidiaries, which have been part of that group for an uninterrupted period of at least 2 years calculating until the day of transfer of the tax losses; or tax losses are transferred or taken over by the subsidiary, which has been part of the group since the date of the subsidiary's registration and will be part of the group for an uninterrupted period of at least 2 years calculating from the date of the subsidiary's registration.

Corporate income tax (residents)

	Estonia	Latvia	Lithuania
Flow-through dividends	Exempt from corporate income tax if a resident company as a parent holds at least 10% of the capital or voting power of the subsidiary and one of the following conditions is met: (i) the subsidiary is resident in Estonia or another EEA country or Switzerland and is subject to corporate income tax at its place of residency (no actual payment required); or (ii) the subsidiary is resident outside of the EEA and Switzerland and income or withholding tax was levied on the dividends or the underlying profits. Additionally, resident companies are exempt from corporate income tax on distribution of dividends from the profits attributable to its permanent establishments situated in within the EEA or Switzerland. In case of permanent establishments elsewhere, the further distribution is exempt from tax if the profit of permanent establishment has been subjected to income tax.	Exempt, provided: (i) the payor of the dividends pays CIT in its country of residence and the payor is not from black-listed jurisdiction; and (ii) in the payor's country dividends are not treated as a tax-deductible expense.	Exempt from CIT if: (i) the subsidiary is resident in the EEA and is subject to CIT there. (ii) The subsidiary is resident in other country (except black-listed territories) and a resident company as a parent holds at least 10% of the capital or voting power of the subsidiary for a continuous period of at least 12 successive months.
Holding company regime	No special holding company regimes or group treatments available.	Distribution of capital gains from the sale of shares held for 3 years is tax exempt (except shares in real estate companies and companies of black-listed jurisdiction).	Capital gains from the disposal of shares are exempt if more than 10% shares of a subsidiary have been held for at least two years (three years in situations where shares have been transferred by way of tax-exempt reorganisations). The exemption only applies when a subsidiary is established in EEA or a country with which Lithuania has concluded an effective double taxation treaty and is a payor of CIT in that country.
Thin capitalization and interest deduction limitation rule	Tax is due when the borrowing costs of a company in a financial year exceed EUR 3,000,000 and 30% of EBITDA, with the borrowing costs exceeding the threshold forming the tax base.	Excessive part of interest is taxed if: (i) a debt-to-equity ratio of 4:1 is exceeded; (ii) the difference between interest payments and interest revenues (if any) exceeds EUR 3m and 30% of EBITDA. Taxable is the highest amount determined under these two methods.	Under thin capitalization rule interest is non-deductible when debt-to-fixed equity ratio of 4:1 is exceeded. Interest is also non-deductible if interest expenses exceeding interest income also exceed the threshold of either EUR 3m or 30% of EBITDA.
CFC rules	Yes.	Yes.	Yes.
Transfer pricing	Yes (generally in line with the OECD transfer pricing guidelines).	Yes (generally in line with the OECD transfer pricing guidelines).	Yes (generally in line with the OECD transfer pricing guidelines).
Returns and payment	Monthly (10th date of the following month).	Monthly return (20th date of the following month); payments – until the 23rd date of the following month	Yearly (15th date of the sixth month of the following tax period)

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Corporate income tax (non-residents)

	Estonia	Latvia	Lithuania
Dividends	No WHT.	No WHT, except payments to companies of black-listed jurisdictions.	WHT of 16%. An exemption applies when the recipient of dividends has held at least 10% shares of the distributing Lithuanian company for at least 12 months (except for recipients established in black-listed territories).
Capital gains from transfers of securities	No WHT.	No WHT.	No WHT.
Management and consultative services	No WHT.	WHT of 20% from the paid gross amount or 20% from the gain.	No WHT applies. Non-residents are generally taxable only on business income derived through a permanent establishment in Lithuania.
Sale of real estate and other rights *in rem*	22% on the capital gain.	WHT of 3% from the paid gross amount or 20% from the gain.	WHT of 16% on gross amount (can be recalculated as 16% tax on capital gain).
Sale of real estate company shares	22% on the capital gain.	WHT of 3% from the paid gross amount or 20% from the gain.	No WHT applies.

Corporate income tax (black-list country residents)

	Estonia	Latvia	Lithuania
WHT	WHT of 22% on the paid gross amount.	WHT of 20% on the paid gross amount, unless permit not to apply WHT is received.	WHT applies on interest, dividends, royalties. In case of other types of payments, the resident payee's right to attribute payments to deductible expenses is restricted.

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VAT

	Estonia	Latvia	Lithuania
General rate	22% (24% as of 1 July 2025)	21%	21%
Reduced rates	13%, 9%, 0%	12%, 5% or 0%	9%, 5% or 0%
Domestic reverse charge	(i) Voluntary taxation of the supply of real estate, except dwellings; (ii) supplies of scrap metals; (iii) voluntary taxation of supply of investment gold; (iv) supplies of precious metals, except for investment gold and metal material containing precious metals; (v) supplies of certain types of metal products used predominantly in construction.	(i) Supplies of certain types of timber products, woods and related services; (ii) supply of construction services; (iii) supplies of scrap metals and services related thereto; (iv) supplies of mobile telephones, computers, tablets, microprocessors and central processing units; (v) supplies of certain types of grains and industrial crops; (vi) supplies of unwrought precious metals, alloy of precious metal and metal clad with precious metal; (vii) supplies of semi-finished supplies of ferrous and non-ferrous metals.	(i) Supplies of mobile telephones, tablets and laptops; (ii) construction works (construction of a new building, reconstruction works of a building, demolition works); (iii) transfer of substantial improvement of a building; (iv) supplies of ferrous and non-ferrous metal waste / scrap; (v) contribution in kind or contribution due to other VAT payer's reorganisation.
Threshold for mandatory registration	EUR 40,000	Local transactions threshold: EUR 50,000 (within calendar year) or Intra-EU acquisition of goods threshold: EUR 10,000 (within calendar year).	Income threshold EUR 45,000 (within last 12 months) or Intra-EU acquisition of goods threshold EUR 14,000 (within calendar year).
Threshold for distance sales	EUR 10,000	EUR 10,000	EUR 10,000
Returns and payment	Monthly (20th date of the following month).	Monthly, quarterly (20th date of the following month); payment – the 23rd date of the following month.	Monthly, quarterly, semi-annually (25th of the first month of the next reporting period for VAT returns, recapitulative statements and payment; 20th of the first month of the next reporting period for VAT invoices registries).

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Salary tax

	Estonia	Latvia	Lithuania
PIT	In 2025: flat tax rate of 22%, with an annual personal allowance if the annual income is less than EUR 25,200. The allowance is EUR 7,848 for persons with an annual income of up to EUR 14,400, above which it is reduced, reaching zero with an annual income of EUR 25,200.	(i) 25.5% for income up to EUR 105,300 per year; (ii) 33% for income over EUR 105,300 per year. Additional 3% for income above EUR 200,000.	(i) 20% for income up to EUR 126,532.8 per year; (ii) 32% for income exceeding EUR 126,532.8 per year.
Social security contributions (employee's part)	3.6% from the gross salary withheld by the employer (including 1.6% unemployment insurance contribution and 2% pension fund payments). As of 2025, employees can choose to increase their pension payments from 2% to 4% or to 6% which increases the employee's part withheld by the employer from gross salary.	10.5% from the gross salary.	19.5% from the gross salary. Contribution to the voluntary pension fund to be withheld by an employer at a rate of 3% from gross salary.
Social security contributions (employer's part)	33.8% on top of gross salary (including 33% of social tax and 0.8% unemployment insurance contribution).	23.59% on top of the gross salary.	1.45% on top of the gross salary. The employer's also pay an additional contribution to the Guarantee and Long-term employment funds at a rate of 0.32% on top of the gross salary.
Minimum monthly salary (gross)	EUR 886	EUR 740	EUR 1,038
Total tax for monthly net salary of EUR 1000	EUR 523.42	EUR 612.85	EUR 503.21
Total tax for monthly net salary of EUR 2000	EUR 1,558.89	EUR 1,466.40	EUR 1,364.3
Cap for social security contributions	None.	EUR 105,300, excess is subject to solidarity tax.	EUR 126,532.8 annually (equal to the threshold for the higher PIT rate).

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Personal income tax (residents)

	Estonia	Latvia	Lithuania
Interest income	22%	25.5%, additional 3% for annual income above EUR 200,000	15/20% (The higher rate applies on annual income other than employment, individual entrepreneurship and dividends exceeding the threshold of EUR 253,065.6).
Dividend income	0%	0% or 25.5%, additional 3% for annual income above EUR 200,000	15%
Capital gains	22%	25.5%, additional 3% for annual income above EUR 200,000	15/20% (The higher rate applies on annual income other than employment, individual entrepreneurship and dividends exceeding the threshold of EUR 253,065.6). Capital gains up to EUR 500 are exempt.
Income from independent economic activities	22%	25.5% for income up to EUR 105,300 per year;	5-15%. Due to the applicable tax credit, effective tax rate is 5% when taxable profit does not exceed EUR 20,000 annually, then steadily increases to 15% when annual taxable profit reaches EUR 35,000.
Income from lease of real estate	22% with the right to deduct 20% from the tax base on the lease of a dwelling.	10% if no expenses deducted or as from independent economic activities.	15/20% (The higher rate applies on annual income other than employment, individual entrepreneurship and dividends exceeding the threshold of EUR 253,065.6)
Inheritance and gift taxes	There are no inheritance or gift taxes.	No tax for inheritance, 25.5% for gifts exceeding EUR 1,425 per year from unrelated people.	15% personal income tax applies on gifts from persons other than close relatives exceeding EUR 2,500 in total value per year. Inheritance tax applies only if a person inherits assets from a person other than a close relative. The taxable value of the inheritance tax is the 70% of the total value of assets inherited. 5% tax rate applies when taxable value does not exceed EUR 150,000, and 10% tax rate applies when taxable value exceeds EUR 150,000. Close relatives are spouses, children (including foster), parents (including foster), grandchildren and grandparents, brothers and sisters.

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Personal income tax (non-residents)

	Estonia	Latvia	Lithuania
Interest	Not taxable, unless the interest income is received based on a holding in an entity whose assets consist mostly of Estonian situs real estate, in which case the tax rate is 22%.	25.5% (unless a double tax treaty provides a reduced tax rate), except publicly circulated bonds.	15% (most of the double tax treaties establish a reduced 10% tax rate).
Dividends	0%	0% or 25.5% (unless a double tax treaty provides a reduced tax rate).	15% (unless a double tax treaty provides a reduced tax rate).
Capital gains	In general, non-residents are not taxed on capital gains, but the gains are taxable if the income derives from Estonian sources, e.g., from the sale of real estate located in Estonia or real rights related to Estonian-situs real estate.	WHT of 3% from the paid gross amount or 25.5% from the gain (exceptions available).	15% on capital gains from transfer of real estate located in Lithuania. Capital gains from transfers of securities are not subject to taxation.

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Tax administration

	Estonia	Latvia	Lithuania
Period open for tax audit	3 years (5 years in case of intentional non compliance).	3 years (5 years for transfer pricing and hybrids mismatch arrangement adjustments).	3 years (5 years for transfer pricing adjustments, personal income tax, except for individual entrepreneurs, for audits of taxpayers included in the unreliable taxpayers list. Longer (5, 10 years or longer) period applies with respect to deductibility of VAT on fixed assets, as well as in double taxation dispute settlement procedures and situations where it is necessary to establish the damage caused to the State in a criminal case.
Tax penalties	Interest for late payment is 0.06% per day. Intentional violations can be punishable with a fine of up to EUR 32,000.	Interest for late payment is 0.05% per day, but not more than 40% of the principaltax debt. Fines can be charged as a result of tax audit and is in a range from 10% to 100% of the unpaid tax.	Interest for late payment is 0.03% per day. Fines can be charged as a result of tax audit and is in a range from 20% to 100% of the unpaid tax (fine can be doubled in certain cases of repetitive infringements).
Advance tax rulings	Yes (state fee of EUR 300 for natural persons, EUR 1,180 for legal persons).	Yes (free of charge).	Yes (free of charge).
Advanced pricing agreement (APA)	Not available.	Yes (state fee EUR 7,114).	Yes (free of charge).

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