

## Baltic Tax Overview Factsheet

	ESTONIA	LATVIA	LITHUANIA
<b>CORPORATE INCOME TAX</b>	<p>0 % on reinvested profit.</p> <p>On the distributed (actual and planned) profits:</p> <ul style="list-style-type: none"> <li>• 20 % on general profit distribution;</li> <li>• 14 % on regular profit distribution.</li> </ul> <p>Estonian residents (worldwide profit) and non-residents with PE in Estonia (Estonian-sourced profits) are subject to the same tax rates.</p> <p>Non-resident companies without PE in Estonia (Estonian-sourced profits) may be subject to withholding tax or corporate income tax that is assessed on case-by-case basis.</p>	<p>0 % on reinvested profit.</p> <p>20 % on profits that are distributed as dividends or other payments not directly linked with the development of the business itself.</p> <p>Micro-business tax rate 15 %.</p> <p>Latvian residents (worldwide profit) and non-residents with PE in Latvia (Latvian-sourced profits) are subject to the same tax rates.</p> <p>Non-resident companies without PE in Latvia (Latvian-sourced profits) are subject to 0-15 % withholding tax on qualifying payments.</p>	<p>The standard corporate tax rate is 15 %.</p> <p>0 % or 5 % tax rate is available to small companies and agricultural companies, if certain criteria are met.</p> <p>Resident can be exempted from paying tax or the tax rate can be reduced on abroad-sourced profit (regardless whether such profit was received through a PE or not), if:</p> <ul style="list-style-type: none"> <li>• The other state is within the EEA, or that state and Lithuania has concluded double taxation treaty, and</li> <li>• The profit was subject to taxation in the other state.</li> </ul> <p>Lithuanian residents (worldwide profit) and non-residents with PE in Lithuania (Lithuanian-sourced profits) are subject to the same tax rates.</p> <p>Non-resident companies without PE in Lithuania (Lithuanian-sourced profits) are subject to withholding tax of 15 % (or less, if there is a treaty).</p>
<b>PERSONAL</b>	Flat or proportional tax rate of 20 % on taxable	Differential personal income tax:	Flat or proportional tax rate of 15 % on taxable

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<b>INCOME TAX</b>	<p>income.</p> <p>Non-taxable minimum is differentiated:</p> <ul style="list-style-type: none"> <li>• 500 Euros per month (income up to 1200 Euros per month);</li> <li>• Up to 500 Euros per month or 6000 Euros per year (income 1200-2100 Euros per month);</li> <li>• 0 Euros (income more than 2100 Euros per month);</li> <li>• Residents are eligible for additional non-taxable minimum of 180 Euros for one's resident spouse (combined income up to 4200 Euros per month).</li> </ul> <p>From 2018 dividends are subject to withholding tax at the rate of 7 %.</p> <p>Certain pension payments are subject to 10% income tax.</p> <p>Social contributions amount to 3.6 % from taxable income:</p> <ul style="list-style-type: none"> <li>• 1.6 % as unemployment insurance;</li> <li>• 2 % as funded pension contribution.</li> </ul>	<ul style="list-style-type: none"> <li>• 20 % (income up to 20 004 Euros per year);</li> <li>• 23 % (income 20 004 – 62 800 Euros per year);</li> <li>• 31.4 % (income more than 62 800 Euros per year).</li> </ul> <p>Non-taxable minimum is differentiated:</p> <ul style="list-style-type: none"> <li>• Up to 230 Euros per month (income up to 440 Euros per month);</li> <li>• 0 Euros (income more than 1000 Euros per month).</li> </ul> <p>Dividends, interest and income from life insurance contracts and private pension funds are taxed at 10%.</p> <p>Capital gains on the disposal of capital assets (such as real estate, shares and bonds) are taxed at 20%.</p> <p>Social security contributions amount to 11 % from taxable income (for employee; employer contributes 24.09 %), for self-employed persons that rate is 32.15 %.</p> <p>Residents are taxed on their world-wide income, while non-residents on the Latvian-sourced</p>	<p>income.</p> <p>Tax rate on the income from individual activity depends on the amount of income:</p> <ul style="list-style-type: none"> <li>• 5 % (income up to 20 000 Euros per year);</li> <li>• 5-15 % (income 20 000 – 35 000 Euros per year);</li> <li>• 15 % (income 35 000 Euros or more per year).</li> </ul> <p>Income under business certificate exceeding 45 000 Euros per year is taxed at the rate of 15 % (business certificate is available for certain individual activities and is issued for a certain period of time; to acquire the certificate the person pays a fixed fee instead of income tax).</p> <p>Non-taxable minimum is differentiated:</p> <ul style="list-style-type: none"> <li>• 380 Euros per month (income up to 400 Euros per month);</li> <li>• 0-380 Euros per month (income 400-1160 Euros per month; formula <math>380 - 0.5 * (\text{monthly income} - \text{min income})</math>);</li> <li>• 0 Euros (income more than 1160 Euros per</li> </ul>

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	Residents are taxed on their world-wide income, while non-residents on the Estonian-sourced income.	income.	month). Social security contributions amount to 9 % from taxable income. Residents are taxed on their world-wide income, while non-residents on the Lithuanian-sourced income.
<b>Example</b>	<p>If a person has monthly income of <u>1000 Euros</u>, the net income is <u>871.2 Euros</u>:</p> <ul style="list-style-type: none"> <li>• 500 Euros are non-taxable income;</li> <li>• 36 Euros are paid as social contributions (<math>1000 * 0.036 = 36</math>);</li> <li>• 92.8 Euros are paid as personal income tax (<math>(1000 - 500 - 36) * 0.2 = 92.8</math>).</li> </ul>	<p>If a person has monthly income of <u>1000 Euros</u>, the net income is <u>712 Euros</u>:</p> <ul style="list-style-type: none"> <li>• 0 Euros are non-taxable income;</li> <li>• 110 Euros are paid as social contributions (<math>1000 * 0.11 = 110</math>);</li> <li>• 178 Euros are paid as personal income tax (<math>(1000 - 0 - 110) * 0.2 = 178</math>).</li> </ul>	<p>If a person has monthly income of <u>1000 Euros</u>, the net income is <u>785.5 Euros</u>:</p> <ul style="list-style-type: none"> <li>• 80 Euros are non-taxable income (<math>380 - 0.5 * (1000 - 400) = 80</math>);</li> <li>• 90 Euros are paid as social contributions (<math>1000 * 0.09 = 90</math>);</li> <li>• 124.5 Euros are paid as personal income tax (<math>(1000 - 80 - 90) * 0.15 = 124.5</math>).</li> </ul>
<b>Example</b>	<p>If a person has monthly income of <u>10 000 Euros</u>, the net income is <u>7640 Euros</u>:</p> <ul style="list-style-type: none"> <li>• 0 Euros are non-taxable income;</li> <li>• 360 Euros are paid as social contributions (<math>10\ 000 * 0.036 = 360</math>);</li> </ul>	<p>If a person has monthly income of <u>10 000 Euros</u>, the net income is <u>6650.01 Euros</u>*:</p> <ul style="list-style-type: none"> <li>• 0 Euros are non-taxable income;</li> <li>• 1100 Euros are paid as social contributions (<math>10\ 000 * 0.11 = 1100</math>);</li> </ul>	<p>If a person has monthly income of <u>10 000 Euros</u>, the net income is <u>7600 Euros</u>:</p> <ul style="list-style-type: none"> <li>• 0 Euros are non-taxable income;</li> <li>• 900 Euros are paid as social contributions (<math>10\ 000 * 0.09 = 900</math>);</li> </ul>

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	<ul style="list-style-type: none"> <li>2000 Euros are paid as personal income tax <math>((10\ 000-0)*0.2=2000)</math>.</li> </ul>	<ul style="list-style-type: none"> <li>2249.99 Euros are paid as personal income tax <math>(1667*0.2+(10\ 000-1667)*0.23=2249.99)</math>.</li> </ul> <p>* The amount here is the amount that the person receives monthly. However, the third tier tax rate is applied upon the submission of annual income declaration; hence, after income tax recalculation monthly income amounts to 6389.63 Euros <math>(10\ 000-(10\ 000*0.11)-(1667*0.2+62\ 800/12*0.23+(10\ 000-1667-62\ 800/12)*0.314=6389.63)</math>.</p>	<ul style="list-style-type: none"> <li>1500 Euros are paid as personal income tax <math>(10\ 000*0.15=1500)</math>.</li> </ul>