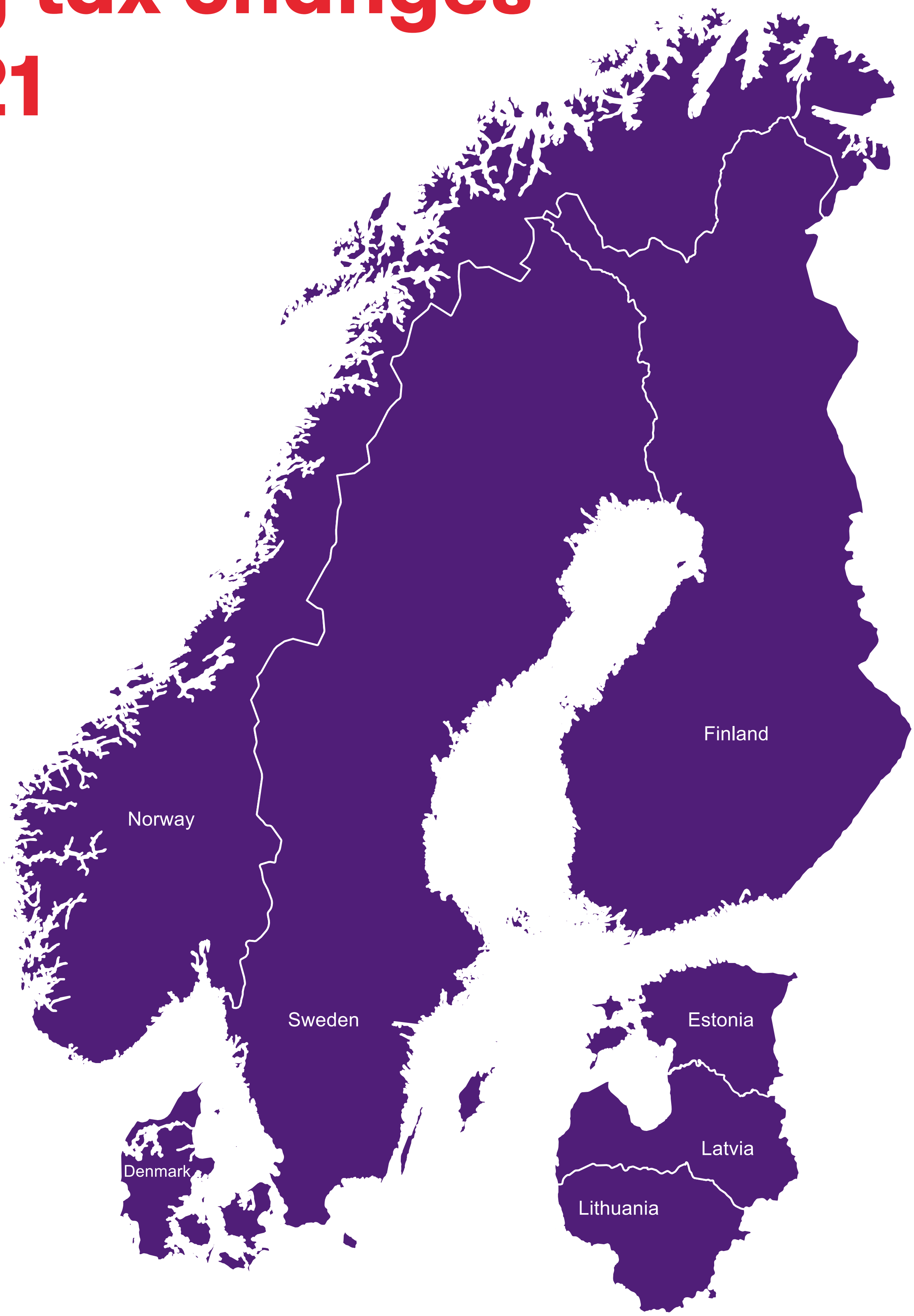
Grant Thornton

Key tax changes 2021



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  - » Bracket tax on salary income
    - Income between NOK 0 - 184,800 — No bracket tax
    - Income between NOK 184,800 – 260,100 — 1.7% bracket tax
    - Income between NOK 260,100 – 651,250 — 4.0% bracket tax
    - Income between NOK 651,250 – 1,021,550 — 13.2% bracket tax
    - Income over NOK 1,021,550 — 16.2% bracket tax
  - » PAYE (Pay As You Earn) for foreign workers 25 %
  - » PAYE (Pay As You Earn) for foreign workers who are not insured in the Norwegian National Insurance Scheme 16.8 %
  - » Wealth tax
    - NOK 0 – 1 500 000 — 0 %
    - NOK 1 500 000 - — 0,85 %
- Minimum standard deduction salary income 46 %, upper limit NOK 106 750, lower limit NOK 31 800
- Employer's national insurance 8.2 %
- Employee's national insurance 14.1 %
- VAT standard rate 25 %, rate for foodstuffs 15 %, rate for passenger transport, cinema tickets, letting of rooms 12 %
- VAT registration threshold NOK 50 000

Key Norwegian tax changes as of 2021

Tax

- Withholding tax on interest and royalties enter into force from 1 July 2021, and for certain lease payments from 1 October 2021. The withholding tax is 15 %. The tax liability includes interest on debt to related companies in low-tax jurisdictions, and remuneration to related companies in low-tax jurisdictions or the use of or the right to use intellectual property rights (royalties) and certain physical assets. A company will be considered a “related party” if the payer and the recipient are directly or indirectly under the same ownership and control by at least 50%. The tax may be reduced or exempt under the provisions of a tax treaty entered into by Norway or when the recipient is a company that is actually established and carrying on genuine economic activities within the European Economic Area (EEA).
- A time-limited exemption from limited tax liability for foreign companies applies for 2021. The exemption applies to cases where Norwegian employees who normally work abroad for a foreign company must work from a home office in Norway because of the Covid-19 situation. Normally the foreign company will be considered to have limited tax liability to Norway in these situations. However, an exemption is made for 2021 provided that the home office situation is caused by the Covid-19 situation.
- The annual amount limit for tax-free gifts to employees is increased from NOK 2 000 to NOK 5 000. The gift must be payment in kind and not cash payments. The previous condition that these kind of gifts from the employer must be given as part of a general scheme in the company is now removed.
- Employee stock purchase plan – increased tax-free limits. Employee’s benefit from having purchased company shares at a reduced price is as a main rule taxable income. There are some exemptions if the stock purchase plan is a general scheme for all employees in the company. In these cases, the employee might purchase stock with a certain discount which will not be taxable. For 2021 the discount is increased from 20 % discount of the market value, limited to NOK 5000, to 25 % of the market value, limited to NOK 7 500.

VAT and other taxes

- Alternative treatment will no longer be VAT-free. The fee will generally be introduced from the 1 January 2021 but for osteopathy and naprapathy, it will be introduced from 1 July 2021, and for acupuncture from 1 October 2021. VAT will also be introduced on cosmetic treatment and cosmetic surgery that is not medically justified.
- Tax on several popular cross-border goods are reduced: The taxes on beer and wine will be reduced by 10%, taxes on non-alcoholic beverages will be reduced by 50%, tax on chocolate and confectionery will disappear, air passenger tax will be removed for the time being, as part of the Covid-19 measures.

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Key tax rates in Denmark

2021 tax rates at glance

- Corporate income tax rates
  - » Standard rate 22 %
- Personal income tax rates
  - » Denmark has a progressive tax system with a rate up to 56% incl. labour market contribution
  - » Labour market contribution salary income 8%
  - » Tax on salary income after labour market contribution
    - Income between DKK 0 – 47,600 No tax
    - Income between DKK 47,600 – 544,800 37%
    - Income over DKK 544,800 15%
  - » Special tax regime foreign expats 27 % after labour market contribution
  - » No Wealth tax
- Social contribution
  - » employer approx. 12-15,000 DKK yearly
  - » Employee's social security contribution DKK 94,95 per month
- Share income individuals
  - » Gain and dividend up to DKK 56.500 (double married) 27%
  - » Gain exceed DKK 56.500 (double married) 42%
- VAT
  - » standard rate 25 %,
  - » VAT registration threshold DKK 50 00

Key Danish tax changes as of 2021

Tax

- Taxation of company car change from 1 July 2021. Company car is taxable in Denmark. The value is until 1 July 2021 calculated with 25% of value up to DKK 300.000 and 20% of the value which exceeds DKK 300.000 + 150% of the yearly environmental surcharge. Minimum value of the car always DKK 160.000 DKK. From 1 July 2021 and until 2025 the rates will change, thus in 2025 the value below or over DKK 300.000 will be calculated with the same rate 22,5%. The tax able value of the environmental surcharge will increase from 150% to 700%. The purpose with the change is to make it more expensive to own a gasoline car than electric car, as the environmental surcharge is much higher on gasoline cars than electric cars.
- From 2021 the employer can give each employees a voucher up to 1.200 DKK tax exempt, if the voucher can be used to restaurant, theater, movies, Zoo and Museum. The purpose it the help the entertainment business and the restaurant industry, which have suffered a lot during the Covid lock down.
- To improve the incentive to invest in new production assets, the value of new equipment increase by 16% if brought after 23 November 2020 and until end 2022. Furthermore, increase the possibility to depreciate small assets. Previous possible to deduct 100% if assets/equipment value maximum DKK 14,100, for assets brought after 23 November 2021 assets up to 30,000 DKK can be deducted immediately.
- New requirement for sending transfer pricing document (master and local file). For financial year staring 1 January 2021 or later transfer pricing documentation must be submitted to the Danish tax authorities no later than 60 days after submitting the tax return. As example companies with calendar year as financial year must submit tax return for 2021 no later than 1 July 2022. The transfer pricing documentation must be submitted no later than 29 September 2022.

Other taxes

- As a part of Covid 19 aid-package both payment of withhold tax and VAT has been postponed several times. Furthermore, it is possible to borrow withhold tax and Vat for from 2. quarter 2020 and the first months in 2021.

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Key tax rates in Sweden

2021 tax rates at glance

- Corporate income tax rates
  - » Standard rate 20.6 %
- Personal income tax rates
  - » Standard tax rate 30 - 35% (depending on municipality)
  - » Bracket tax on salary income
    - Income between SEK 0 – 537,200 — No bracket tax
    - Income between SEK 537,201 – — 20% bracket tax
  - » PAYE (Pay As You Earn) for foreign workers (salary from Swedish employer maximum stay 6 months) 25% independent of social security jurisdiction applicable.
  - » Minimum standard deduction salary income SEK 14,000 – SEK 36,700 depending on salary.
- Employer's standard social security contributions 31.42%
- VAT standard rate 25 % (normal rate on goods), 12% (e.g. grocery) and 6% (e.g. transport)
- VAT registration threshold SEK 30,000

Key Swedish tax changes as of 2021

Corporate Tax

- Interest deduction restriction clarification: Sweden has since 2019 implemented a general interest deduction restriction rule (apart from the already existing special interest deduction restriction rule). This 30% tax EBITDA rule means that a negative net interest cost is not deductible to the extent it exceeds 30% tax EBITDA. The rules have been comprised by uncertainty when calculating the tax EBITDA if the company claiming the interest deduction has restricted tax losses (due to ownership changes). A restricted tax loss is possible for to utilize towards gains for the entity by itself (not applicable on merger restricted losses) but the general interest deduction rules resulted in that the if the entity had to adjust back non deductible interest, the entity could not utilize restricted tax losses meaning that the entity would enter into tax position on the adjusted back non-deductible interest. This unfortunate wording in the general interest deduction rules has now been corrected resulting in the possibility to utilize restricted tax losses towards adjusted back non-deductible interest as from 2021.
- DAC6 (Council Directive (EU) 2018/822): The purpose of the reporting obligation is to address and mitigate aggressive tax planning, tax evasion and tax avoidance.
  - » Before the directive (DAC6) there were no obligation for advisors and intermediaries to report cross-border arrangements under Swedish legislation. The legislation drafted through Lag (2020:434) om rapporteringspliktiga arrangemang – Act (2020:434) on reporting arrangements. The legislation is in line with the EU Directive and does not include domestic arrangements. DAC6 is an EU-directive (as implied above) which imposes a duty for advisors and intermediaries to report certain cross-border arrangement. The purpose of the reporting obligation is to address and mitigate aggressive tax planning, tax evasion and tax avoidance. Applicable on cross-border arrangements, which meet one or more specified characteristics (hallmarks) implying tax evasion, and which concern either more than one EU country or an EU country and a non-EU country. The legislation is primarily aimed towards advisors that e.g. designs, markets and offers arrangements. Users are in certain situations also comprised by the rules. A reporting fee is levied, if the report on an arrangement is not filed on time. Filing due date was 31 January 2021 (arrangements provided or executed between 1 July 2020 and 31 December 2020) and 28 February 2020 (arrangements provided between 25 June 2018 and 30 June 2020). Filing from and including 1 January 2021 has to be made within 30 days from the day when the arrangement was made available, executed or the execution started. The rules were introduced 1 July 2020.

- COVID-19 measures: The Swedish Government has presented a range of different measures to limit the spread of the COVID-19 virus and to mitigate the economic impact of it.
  - » Liquidity reinforcement via tax account: Deferral of tax has been included in the Tax Procedure Act (Sw: Skatteförfarandelagen) even before COVID-19 but has been used very restrictively. The government has now issued a legislation that extends and strengthens the possibility to defer tax for companies in crisis. Companies can defer payment of employers' social security contributions, preliminary tax on salaries and value added tax that are reported monthly or quarterly. The payment deferral covers tax payments for 6 months and is granted for up to 24 months. An extension fee, which is calculated at 0.2% on the granted extension amount will be charged after 6 months (changed from every calendar month). Additionally, a non-deductible interest cost at a rate of 1.25% will be charged. The extension fee must be paid no later than the date on which the deferred amount is to be paid. The deferral period is extended and will be applicable 2021 for all companies who have been granted a deferral during 2020. The extended rules were implemented as of 1 March 2021 (deferred tax payments of 6 months (granted for up to 24 months)). However, deferred tax payments of 3 months (granted for up to 12 months) were introduced as of 7 April 2020.
  - » Short-time work allowance: Support for short-time work (also known as short-time layoffs) is regulated in the Act (2013:948) on short-time work (Lag (2013:948) om stöd vid korttidsarbete). The legislation existed before COVID-19 however has now been changed to both clarify the rules and strengthen the possibility to obtain support. The support for short-time work is regulated in the Act (2013:948) on short-time work (Lag (2013:948) om stöd vid korttidsarbete). Short-time work means that employers can reduce their employees' working hours and receive financial support from the Government to compensate for a significant part of the costs for retaining the employees. The Swedish Agency for Economic and Regional Growth ("Tillväxtverket") administrates the short-time work scheme. The Government has announced that the support will be extended up to seven months and that the support will be increased during the period January to March 2021. Companies are not entitled to the support, if the company during the support period, the two months before the support period and six months after the support period executes a decision on dividends. Potentially, a group contribution (Swedish tax consolidation rules) may also result in ineligibility for the support depending on in which direction such a group contribution is distributed and when. The rules were introduced 16 March 2020.

VAT

- Reverse charge on certain domestic supplies: Sweden has implemented the optional EU VAT rules regarding reverse charge on supplies of mobile phones, integrated circuits, game consoles, tablets and laptops. When domestic supplies of these goods are made within Sweden between taxable persons who are or should be registered for VAT in Sweden, local reverse charge should be applied if the invoice amount exceeds SEK 100,000 (c. EUR 10,000). The new rules take effect on 1 April.
- Brexit implication: As with the rest of the EU, Brexit will have implications on the VAT handling of transactions involving Sweden and the United Kingdom. The Swedish Tax Agency is still working to clarify their position on certain issues connected to the Brexit agreement, such as the need for a UK entity to employ an indirect agent when importing goods into Sweden.
- E-commerce package: The E-commerce package is stated to take effect on 1 July this year. With this and among other changes, distance sales of goods to consumers in Sweden will no longer be grounds for a VAT registration in Sweden. Swedish VAT reporting will instead be done through the new One-stop-shop and submitted in the supplier's member state of identification. Trade through electronic marketplaces and imports of low-value goods is also affected.

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Key tax rates in Finland

- Corporate income tax rate 20 %
- Transfer tax rates:
  - » Finnish shares (shares in a housing company) 2 %
  - » Real estate 4 %
  - » Shares other than housing-/ real estate-company 1,6 %
- VAT rates in 2021
  - » **The standard VAT rate: 24 %**
  - » **Reduced tax rate:** 14 % (E.g. food, animal feed, restaurant services, meal catering services)
  - » **Reduced tax rate:** 10 % (E.g. books, pharmaceuticals, physical exercise services, cinema, passenger transportation services, some works of art, etc.)
- Capital income
  - » Tax rate is 30 % income up to 30.000 EUR
  - » Income exceeding 30.000 EUR, tax rate is 34 %
- Personal income tax rates
  - » State income tax scale 2021

Taxable income, EUR	Tax at the lower limit, EUR	Tax bracket, %
18 600 – 27 900	8,00	6,00
27 900 – 45 900	566,00	17,25
45 900 – 80 500	3 671,00	21,25
80 500 -	11 023,50	31,25

- Social security contributions
  - » Earnings-related pension insurance contribution (TyEL)
    - Employer's share: average 16,95 % of the salary
    - Employee's share: 7,15 – 8,65 % of the salary
  - » Unemployment insurance contribution
    - Employer's share: 0,50 – 1,90 % of the salary
    - Employee's share: 1,40 %
  - » Health insurance contribution
    - Employer's share: 1,53 %
    - Employee's share: 0,68 - 2,04 %

Key Finnish tax changes as of 2021

Tax

- New rules regarding general tax liability in Finland, including that a foreign entity will be subject to general tax liability in Finland from 1 January 2021 if the entity's actual place of effective management is in Finland. The meaning of the place of effective management is where the most important day-to-day management decisions of the entity are taken.
- The new changes concerning the private offering of shares to the employees of unlisted companies entered into force on 1st of January 2021. An employee may subscribe shares at a price lower than fair value. The private offering to the employees does not become a taxable benefit when the share subscription price is at least equal to the mathematical value of the share.
- Some changes in Finnish withholding tax legislation entered into force on 1st January 2021. These changes have impact on all shareholders, resident outside Finland, holding Finnish securities in a bank outside Finland. The statutory rates applicable to individuals and corporate entities did not change with the legislative change, and identified individuals are still subject to 30% tax-at-source and identified corporate entities subject to 20% tax-at-source. However, for nominee-registered shares the current applicable tax-at-source rate has been 30%, as the dividend beneficiary is often unidentified at the time of payment. After new legislation, unidentified dividend beneficiaries will be subject to 35% tax-at-source when there is no knowledge of the applicable country of residence. This new legislation will be applied to dividends paid on the 1st of January 2021 or thereafter.
- Increased depreciation rate for machinery, equipment, and similar movable fixed assets for tax years 2020 to 2023, which includes the doubling of the depreciation rate for assets acquired and put into service during these years, up to 50%.

VAT and other taxes

- There is a change in the revenue threshold for VAT liability. The annual revenue threshold has increased from EUR 10.000 to EUR 15.000 and have been entered into force on 1st of January 2021.
- The expansion of VAT liability to cover all purchases of less than EUR 22 from outside the EU. All purchases from outside the EU will be subject to std 24 % VAT. The change will enter into force on 1st of July 2021.

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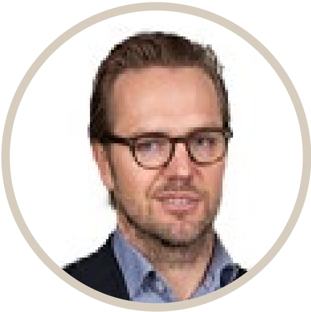

Key tax rates in Estonia

2021 tax rates at glance

- Corporate income tax rates:
  - » Standard rate 20% (20/80 on net distribution)
  - » Reduced tax rate 14% (14/86 on net distributions) in case of regularly distributed dividends
- Personal income tax rate 20%
- Non-taxable income (basic exemption) is up to 500 EUR per month and up to 6 000 EUR per calendar year depending on individual's annual gross income
- Social tax rates:
  - » Employer's liability 33.8% (consists of 33% social tax and 0,8% unemployment insurance premium)
  - » Employee's liability 1,6% unemployment insurance and 2% **voluntary** contribution to second pillar pensions fund
- VAT standard rate 20%, reduced rate 9%
- VAT registration threshold 40 000 EUR
- The minimum wage 584 EUR per month, 3.48 EUR per hour

Key Estonian tax changes as of 2021

Changes in value added taxation (in the stage of draft legislation)

- Draft legislation including new provisions allowing for taxpayer to lower their VAT liability in the amount of VAT charged on supply of goods and services for which they are unlikely to receive payment for.
  - » The taxpayers have a right to adjust VAT if the following conditions are met:
    - » an invoice in accordance with the legal requirement has been issued for the supply
    - » the VAT has been calculated and declared
    - » at least 12 months, but no more than three years have elapsed since the payment due date
    - » the claim has been written off in the accounts
    - » the claim is not against related party
    - » the claim has not been transferred
  - » In case of claims exceeding the value of 30 000 EUR, the 12-month minimum requirement is not applicable, and the claim can only be written off based on court decision.

Changes in non-resident taxation

- The user company is considered to be an economic employer within the meaning of income tax law in a situation where a non-resident natural person is performing work in Estonia under a temporary employee leasing agreement. Economic employer concept allows Estonia to tax such non-resident employees from the first day performing work in Estonia.
- A non-resident company is required to register in Estonia as a non-resident employer and withhold income tax on the remuneration paid to employee for the work performed in Estonia.

Changes in corporate taxation

- In May 2020 a Supreme Court ruled that undeclared equity contributions are not enough of a basis for imposing income tax on payments made from the equity. Thus, disbursement made from equity capital is not subject to income tax, if the disbursement does not exceed contributions to the equity and the taxpayer can provide evidence of the equity contribution regardless of whether or not the contribution has been declared.
- On 1 July 2020, a package of laws in Estonia entered into force for maritime sector introducing a tonnage tax scheme and labour tax incentives for crew members of vessels eligible for the special tax scheme. The scheme allows qualifying maritime companies to choose the tonnage tax scheme instead of normal corporate tax regime. Social tax was reduced from 33% to 20% with a cap and 0% income tax applies to the remuneration of crew members.

Changes in personal taxation

- Sole proprietors may additionally deduct up to 5000 EUR from income derived from the sale of unprocessed self-produced agricultural products.
- In addition, sole proprietors and natural persons may deduct up to 5000 EUR from income derived from the sale of timber felled from an immovable belonging to them and the transfer of the right to cut the standing crop growing there as well as Natura 2000 support for private forest land (applied retroactively as of 1st January 2020).

Pension reform

- Due to COVID-19 the state suspended its contributions to II pension pillar from 1 July 2020 until 31 August 2021. Individuals had an opportunity to submit an application requesting to waive the 2% contribution to pension fund. The employers must verify whether employees have decided to temporarily suspend contributions to II pension pillar.
- As of 1 January 2021, contributions to the II pension pillar are not mandatory anymore. People can decide whether to withdraw money from the II pillar fund, continue contributions to the fund, suspend contributions or invest the II pillar money through pension investment account. In case the application for exemption or for withdrawing the money is submitted, the individual can resume funded pension contributions only after 10 years have passed since the termination of contributions.
- Individuals who have more than 5 years away from pensionable age and withdraw money from II pension pillar will pay 20% income tax which will be withheld from the payment.

Changes in tax administration

- Obligation for non-resident employers, including self-employed persons and temporary employment agency to register at the Tax and Customs Board before starting the activities in Estonia (instead of 10 days after the tax liability had arisen).
- The Tax and Customs Board will no longer issue a document certifying registration, unless specifically requested.
- Interest on tax arrears is 0.03% per day (instead of 0.06%) until 31 December 2021.
- In addition, the tax authority has the right to reduce the interest rate to 0% in relation to the payment of tax arrears in instalments until 31 December 2021.

Excise duties

- Nicotine containing and nicotine free tobacco liquids shall not be subject to excise duty from 1 April 2021 until 31 December 2022.
- As of 1 January 2021, excise duty on cigarettes increased 5% and on smoking tobacco 8%.

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Key tax rates in Latvia

2021 tax rates at glance

- Corporate income tax rate:
  - » Standard rate 20% (20/80 on net distribution)
- Personal income tax rates:
  - » 20% for annual income up to 20 004 EUR
  - » 23% for annual income exceeding 20 004 EUR up to 62 800 EUR
  - » 31% for annual income above 62 800 EUR
  - » 20% for income from capital gains
  - » 10% for income from property
- Non- taxable minimum is proportionally applicable to income up to 1 800 EUR per month.
- Social tax rates:
  - » Employer's liability is 23.59%
  - » Employee's liability is 10.50%
  - » Solidarity tax rate 25% for annual income above 62 800 EUR
- As of 1 July minimum object of mandatory social tax contributions 170 EUR per month
- VAT standard rate 21%, reduced rates 12% and 5%
- VAT registration threshold 40 000 EUR
- The minimum wage 500 EUR per month
- Micro-enterprise tax rates (consists of State social insurance mandatory contributions, personal income tax for micro-enterprise owner)
  - » 25% for turnover up to 25 000 EUR
  - » 40% for turnover above 25 000 EUR

Key Latvian tax changes as of 2021

Changes in personal taxation (PIT)

- Income arising from reduced or cancelled liabilities is taxable.
- As of 12 January 2021, the exemption from payroll tax on income from the exercise of share purchase options shall also apply to the income received as a result of the exercise of share purchase options in a limited liability company. The minimum holding period has been reduced from 36 to 12 months.
- Payers of Micro enterprise tax will be able to distribute dividends, contingent dividends and dividend-like income without applying PIT. The liquidation quota will not be taxed.

Changes in State Social Insurance

- A solidarity tax rate changes to 25% instead of the current 25.5%
- The social insurance rates are reduced from 35.09% to 34.09% – by 0.5 percentage points for both employers and employees.
- As of 1 July 2021 the minimum amount of social security contributions has been increased to 170 EUR per month.

Changes in Excise duties

	Until 31 December 2020 (EUR)	As of 1 January 2021 (EUR)
cigars and cigarillos (per 1000 g)	95.2	104.7
Cigarettes (1000 units)	Not less than 114.70	Not less than 121.4 (as of 1 March 2021)
Smoking tobacco, tobacco leaves (per 1000g)	75	80,25
Heated tobacco (per 1000g)	75	160
Tobacco substitutes (per 1000g)	-	80
E-liquids, their components (per 1 ml)	-	0.12
Natural gas for use as fuel (per 1 MWh)	9.64	1.91

Changes in Vehicle Maintenance Tax and Company Car Tax

- As of 1 January 2021 balanced vehicle maintenance tax for passenger cars and trucks with a gross vehicle weight of up to 3 500 kg is calculated depending on CO emissions quantity in g per km, tax range is from 0 to 756 EUR.
- Determined the procedure for calculating the bus and truck vehicle operation tax in accordance with the level of their engine emissions.
- A new procedure has been established for the payment of vehicle maintenance tax (VMT) for a vehicle registered abroad: VMT = VMT per year × 1/12 × estimated months in which a foreign registered car of M1 of N1 category will be used in Latvia.

Changes in Micro-enterprise tax (MET)

- From 1 January 2021 MET regime is gradually limited.the result that unemployment benefit will be paid at the following rate:
  - » The MET regime limited to one person – the owner of a micro-enterprise.
  - » The MET rate for
    - » turnover up to EUR 25 000 per year – 25% (instead of the current 15%),
    - » but for the share of turnover above EUR 25 000 per year – 40%
  - » A VAT payer will not be able to become a payer of MET.
  - » Limited liability companies (LLCs) will no longer be able to acquire the status of MET payer.
  - » The employees of MET will be subject to labour taxes in accordance with the general procedure in accordance with the Law on PIT and the Law on State Social Insurance.
  - » There are stated a transition period until 30 June 2021.
  - » The limit of the salary of an employee (720 EUR per month) is excluded from the Law.

Changes in Natural resource tax

- The exemption for CO_2 emissions for the use of peat in stationary technological equipment is abolished.
- As of 1 January 2021, the natural resource tax rates are:
  - » 65 EUR per tonne for non-hazardous municipal and industrial waste (previously 50 EUR)
  - » 70 EUR per tonne for hazardous industrial waste (previously 60 EUR)

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Key tax rates in Lithuania

2021 tax rates at glance

- Corporate income tax rates:
  - » Standard rate 15%
  - » Increased rate 20% (for credit institutions)
  - » Reduced rates 5%, 0%
- Personal income tax rates are 15%, 20% and 32%.
- Non-taxable personal income is up to 400 EUR per month and up to 4 800 EUR annually
- Social tax rates:
  - » Employee's liability 19.5%
  - » Employer's liability 1.77%
- VAT standard rate 21%, reduced rates 9% and 5%
- VAT registration threshold 45 000 EUR
- The minimum wage 642 EUR per month, 3.93 EUR per hour

Key Lithuanian tax changes as of 2021

Changes in corporate taxation

- As of 1 January 2021, corporate income tax relief for large investments made until the end of 2025. Eligible companies will be relieved from corporate income tax for up to 20 years.
- Key eligibility conditions for the tax relief:
  - » At least 200 employees if located in Vilnius; at least 150 employees if located in province.
  - » Investment of at least 30 EUR million if located in Vilnius, and at least 20 EUR million if located in province.
  - » At least 75 % of the income must consist of income from data processing, web server services (hosting) or manufacturing.
- Clarification of conditions for applying reduced corporate income tax rate of 5%. The reduced 5 % corporate income tax rate applies only when the company together with any qualified **related units** have less than 10 employees **and** their combined income for the tax period is less than 300 000 EUR.

Changes in value added taxation

- As of 1 January 2021, not only banks and credit institutions, but also financial institutions will have the right to issue one single VAT invoice per calendar year for the provided VAT-exempt financial services.

Changes in tax administration

- Overpaid taxes for SODRA (Social Security Fund) will be transferred to the State Tax Inspectorate (STI) if there is an underpayment of taxes payable to the STI.
- Overpaid taxes for STI will be transferred to the SODRA if there is an underpayment of taxes payable to the SODRA.
- If the taxpayer wishes to recover the overpaid taxes from the STI and there is a debt in SODRA, he will be refunded only the amount remaining after the payment of the debt to SODRA and vice versa

Tax relief measures to businesses and individuals affected by the COVID-19 pandemic extended until 30 April 2021

- The STI has compiled a new list of companies affected by the pandemic, for which no late payment interest will be charged, and no tax recovery action will be taken until 30 April and two more months. A new list of companies affected by the pandemic is available here.
- Taxpayers in the list will be able to apply to the tax administrator until 30 April 2021 and enter into an interest-free tax loan agreement, deferring or postponing formed tax arrears until 30 June (they will not be subject to interest or tax recovery until 30 June 2021).

- For taxpayers that were included in such list in 2020 but are not included among those affected by the pandemic in the list of 2021, the tax relief measures are valid until 28 February 2021.
- Please note that social security contributions are administered by another authority (SODRA) and thus require a separate motivated request to postpone payments and/or not to apply penalties.

Changes in the Tax for Environmental Pollution

- As of 1 January 2021, pollution tax rates were increased, new list of rates is available online here. Amendments to the law establishes increased tax rates for pollution of the environment from stationary pollution sources and mobile pollution sources, waste from pollution products, packaging waste and waste disposed of in a landfill.
- Stricter liability was set for violations of integrated pollution prevention requirements. Tax incentives have been waived in certain areas for pollution from mobile sources.

Increase of excise duties as of 1st of March 2021

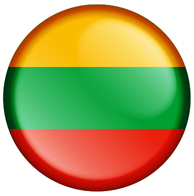
- For specific element of cigarettes excise duty is 69.4 EUR (instead of 65.7) per 1 000 cigarettes. The combined rate cannot be less than 115.5 EUR (instead of 108.5) per 1 000 cigarettes.
- For cigars and cigarillos excise duty is 55 EUR (instead of 48) per kg.
- For smoking tobacco excise duty is 90 EUR (instead of 78.5) per kg.
- For unmanufactured tobacco products excise duty is 90 EUR (instead of 78.5) per kg.

Changes in the Personal Income Tax

- Starting from the year 2021, progressive Personal income tax (PIT) rate of 32% (vs. standard rate of 20%) is applied from lower threshold, as shown in the table below.

	Standard PIT	Progressive PIT	When progressive PIT is applied?
Till 31.12.2020	20%	32%	Part of employment income exceeding 84 average monthly salaries (i.e. 104 278 EUR)*
From 01.01.2021	20%	32%	Part of employment income exceeding 60 average monthly salaries (i.e. 81 162 EUR)*

* Illness, maternity, paternity, parental leave pays and payments from long-term unemployment fund are not included into income from which progressive PIT is calculated.



Transfer pricing rules changes

- Transfer pricing rules were amended, with some changes applicable from the year 2020 retrospectively, notably – obligation to prepare transfer pricing documentation has been abolished for domestic transactions.
- Other key changes of transfer pricing rules:
  - » A 5% mark-up is allowed for “low value-adding” services
  - » “Profit split” methodology changes
  - » Introduction of the “hard to value intangible” concept.

Reminder of the obligation to provide accounting data in the SAF-T format file

The State Tax Inspectorate reminds that most of the companies (with revenue exceeding 300 000 euros):

- Must be ready to provide their accounting data for 2019 and later tax periods in the “standard audit file for tax purposes” (SAF-T) format.
- This requirement was several times postponed but now the tax authorities are ready and require data in such format. It is therefore strongly recommended for companies to verify their readiness to comply with this obligation and the correctness of their SAF-T data extracts.
- Penalty for non-compliance is up to 600 EUR for repetitive infringement.

If you have any questions, please contact our specialist:

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