



# Key tax changes in the Baltics

2026





# Key tax changes in Estonia

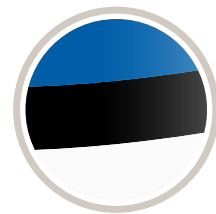
2026





# 2026 tax rates at glance

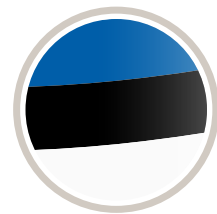
- Corporate income tax rate 22% (22/78).
- Personal income tax rate 22%.
- Entrepreneur account income tax rate 20%.
- Non-taxable income (basic exemption) is 700 € per month and 8400 € per calendar year regardless of the person's income.
- Non-taxable income (basic exemption) in retirement age is 776 € per month and 9312 € per calendar year.
- Social tax rates:
  - « Employer's liability: 33,8% (consists of 33% social tax and 0.8% unemployment insurance premium).
  - « Employee's liability (withheld from gross salary): 1,6% unemployment insurance and 2%, 4% or 6% contribution to second pillar pensions fund.
- Monthly minimum social tax base 886 €, i.e. minimum social tax obligation 292,38 €.
- Minimum wage for 2026 has not yet been announced and thus it remains at €886 per month, €5.31 per hour.
- Standard VAT rate 24%, reduced VAT rates 13% ja 9%.
- VAT registration threshold 40 000 €.



# 2026 tax changes

## Income Tax

- From 01.01.2026 the so-called tax hump will be abolished and instead a uniform basic exemption of 700 euros per month, i.e. 8400 euros per year, will apply.
  - « For persons of retirement age, the basic exemption is 776 euros per month, i.e. 9312 euros per year.
  - « For a more detailed overview, see our article [„Calculating the Basic Exemption from 2026“](#).
- From 01.09.2025, fees paid for childcare services and private kindergartens are treated as training expenses, which give the right to an income tax refund.
  - « The exemption applies only to documented training expenses, which are paid to institutions with a license and registration for the relevant curriculum – for example, childcare providers operating under the Early Childhood Education Act.
- The income tax exemption for donations and gifts made for the purpose of supporting Ukraine has also been extended until the end of 2027.
  - « Legal persons do not have to pay corporate income tax on donations made to the following organizations: Estonian Refugee Council, NGO Mondo, Ukrainian Cultural Centre, National Defence Promotion Foundation, Estonian Red Cross, Rescue Association, Rotary Club Tallinn Vanalinn, and non-profit association Freedom Convoy.



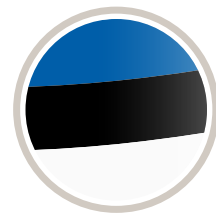
# 2026 tax changes

## Value-Added Tax

- No changes to the VAT Act are planned for 2026.
- In 2027, there are changes expected in data content of the VAT return.
  - « The separate intra-Community supply report (VD) will be abolished, and such transactions must be reported in the main VAT return.
  - « The VAT return annexes (INF A and B) will be abolished and sales and purchase invoices to be declared will need to be reported in the data content of the main return.
- A reminder, that from 01.07.2025 the standard VAT rate is 24%.
  - « The rate increase is indefinite, and the previously applicable transitional measures have ended. For more information, see our [article](#).

## Defense Tax

- The Defense Tax Act was repealed before coming into force.
  - « The Act was initially planned to come into force from 01.01.2026 but was repealed on 18.07.2025. It introduced defense tax as new temporary tax type applicable to corporate profits and individuals' gross income.



# 2026 tax changes

## Motor Vehicle Tax Act

- Retroactively from 01.01.2025, the taxation period is shortened where, during the taxation period, the vehicle has been deleted from the traffic register or has been temporarily removed from the register due to theft.
  - « Within 15 working days of the entry in the traffic register, the Estonian Tax and Customs Board will automatically issue a decision to shorten the taxation period. Any overpaid tax will then be refunded to the taxpayer's prepayment account.
  - « Tax notices issued before the amendment entered into force will be cancelled if, during the period 01.01.2025–30.11.2025, the vehicle has been deleted from the traffic register or temporarily removed from the register due to theft. New tax notices will be issued by the Tax and Customs Board at the latest by 14.12.2025.
- Retroactively from 01.01.2025, a tax reduction is granted to parents (and guardians), in one taxation period, 100 euros per child may be deducted from the tax on M1- and N1-category vehicles (passenger cars and minibuses).
  - « For the purposes of the Motor Vehicle Tax Act, a child is up to 18 years old (inclusive), and a parent is a guardian who has valid custody rights. This means that under this Act a child may have more than two parents.
  - « The amount reducing the tax liability is divided equally between the parents. If one parent's tax liability is smaller than the reduction available to that parent, the remaining part is allocated to the other parent(s).
  - « The reduction of the tax liability is applied automatically. For example, if a child is born in the middle of the taxation period, the Estonian Tax and Customs Board will automatically issue a new, reduced tax notice.
  - « However, no recalculation is made and the tax liability is not increased if custody ends in the middle of the year, for example when the child turns 19 or custody is withdrawn.
  - « As a result of the reduction, any overpaid tax amount is refunded to the parent(s)' prepayment account(s).
  - « The Estonian Tax and Customs Board will review the motor vehicle tax notices issued in 2025 and, where necessary, issue new tax notices with reduced tax amounts.

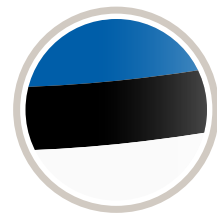




# 2026 tax changes

## Motor Vehicle Tax Act

- From 15.11.2025, a motor vehicle tax notice is treated as an administrative decision, to which the provisions of the Taxation Act concerning tax assessments apply.
- From 15.11.2025, when the registration fee has been paid in an amount higher than due, it will be possible to submit an application to the Transport Administration for the refund of the overpaid amount. Unlike motor vehicle tax, the registration fee is not refunded automatically; the refund is based on an application submitted by the taxpayer.
- From 01.01.2026, M1-category motor vehicles (i.e. passenger cars) with more than seven seats will be taxed at the rate applicable to N1-category motor vehicles (vans/minibuses).
  - « This amendment reduces tax liability on average from 183 euros to 63 euros, thereby supporting in particular large families.
  - « The annual tax on M1-category vehicles is calculated on the basis of three components: base amount 50 euros, CO<sub>2</sub> emissions and weight.
  - « The annual tax on N1-category vehicles is calculated only on the basis of two components: base amount 50 euros and CO<sub>2</sub> emissions.
  - « The amendment applies not only to the annual tax but also to the registration fee.
- From 01.01.2026, a state fee of 15 euros will apply to the deletion from the traffic register of lost or destroyed vehicles that do not have a certificate of destruction.
  - « From 01.01.2027, the state fee for removal of a lost or destroyed vehicle from the register will increase to 800 euros.
- NB! Until the end of 2025, removal from the register of vehicles with a suspended register entry is free of charge.
  - « The removal from the register will remain free of charge if a valid certificate of destruction is presented.
- From 01.01.2027, the annual motor vehicle tax will also apply to vehicles with a suspended register entry.

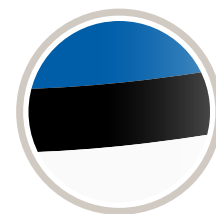


# 2026 tax changes

## Social tax

- From 01.01.2026, a daily upper limit of 126.87 euros will be introduced for temporary incapacity benefits paid by the Health Insurance Fund (i.e. from the 9th day of illness).
  - « A new upper limit will be set for each calendar year.
  - « The upper limit does not apply to incapacity benefits paid to person who went on sick leave or care leave before the beginning of 2026.
- Where an employee's average daily pay exceeds the established upper limit, the employer is allowed to compensate the amount not paid due to the upper limit to the employee with no social tax applicable.
- The possibility to compensate the amount not received due to the upper limit with no social tax applicable also applies to sole proprietors (FIEs).





# 2026 tax changes

## Excise duty

- From 01.01.2026, excise duty rates on tobacco products and alcohol will increase by 10%.
  - « Excise duty rates on alcohol and tobacco products will increase by 5% in both 2027 and 2028.
- From 01.05.2026, excise duty on electricity and many other fuels will increase as follows:

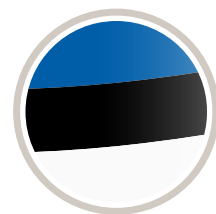
Product (unit)	Excise rate from 01.05.2025	Excise rate from 01.05.2026
Electricity (1 MWh)	2,1 euros	3,07 euros
Petrol (1000 litres)	563 euros	621 euros
Diesel fuel (1000 litres)	428 euros	459 euros
Aviation spirit (1000 litres)	563 euros	621 euros
Liquefied petroleum gas (1000 kg)	79,91 euros	90,98 euros
Light heating oil (1000 litres)	428 euros	459 euros
Heavy fuel oil (1000 kg)	490 euros	525 euros
Shale-derived fuel oil (1000 kg)	481 euros	515 euros
Natural gas (1000 m3)	56,42 euros	66,58 euros
Motor natural gas (1000 m3)	43,66 euros	45,5 euros
Liquefied motor natural gas (1000 kg)	60,90 euros	64,45 euros



# 2026 tax changes

## Land tax

- From 01.01.2026, local governments will be able to independently set the annual upper limit for a land tax increase within a range of 10–100%.
  - « Previously, a uniform national limit applied – up to 50% or 20 euros if a 50% increase in the tax amount was less than 20 euros.
- From 01.01.2026, the homeowner's tax relief will become a fixed amount-based relief, with the exact amount in the range of 0–1,000 euros to be determined by local governments.
  - « Previous national wide tax relief was area-based – 0,15 hectares in densely populated areas (towns and small towns) and up to 2 hectares elsewhere.
  - « In addition, local governments may introduce an additional allowance for pensioners and/or repressed persons.
  - « If local government does not set the allowance amount for 2026, the allowance will be deemed to be 0 euros.
- An overview of the 2026 land tax rates and allowances can be found here: [the Tax and Customs Board table of tax rates and allowances.](#)



For more information please see our [pan-Baltic tax system comparison](#)

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# Key tax changes in Latvia

2026







# 2026 tax rates at glance

- Corporate income tax (CIT) rate:
  - « Standard rate 20 % is applied to the gross amount, or 20/80 (effective rate 25%) of the net cost.
  - « When distributing profits as dividends, companies whose shareholders are only natural persons will be able to choose a split income tax system – applying PIT rate of 6% and CIT rate of 15% (gross), or 15/85 (effective rate 17.7%) of the net cost.
- Personal income tax (PIT) rates:
  - « 25.5% for annual income up to EUR 105 300;
  - « 33% for annual income exceeding EUR 105 300;
  - « 25.5% for income from capital gains;
  - « 10% for income from property.
  - « An additional 3% rate applies to the portion of annual income exceeding EUR 200,000 (paid by the individual when submitting the Annual Income Declaration).
- Fixed non-taxable minimum for everyone regardless of gross income – EUR 550 per month.
- Social tax rates:
  - « Employee's liability is 10.50%;
  - « Employer's liability is 23.59%;
  - « Solidarity tax rate 25% for annual income above EUR 105 300.
- Minimum object of mandatory social tax contributions EUR 780 per month.
- Value added tax standard rate 21%, reduced rates 12% and 5%.
- Value added tax registration threshold EUR 50 000.
- The minimum wage EUR 780 per month.
- Micro-enterprise tax rate (consists of State social insurance mandatory contributions, personal income tax for micro-enterprise owner) – 25%.





# Key Latvian tax changes as of 2026

## Changes in the value added tax (VAT) law

- As of 1st January 2026, the VAT rate for books, magazines and other press publications that are not in Latvian or in the official languages of the European Union member states, candidate countries or the Organisation for Economic Co-operation and Development member states is increased from 5% to 21%.
- From 1 July 2026 until 30 June 2027, the VAT rate for one year will be reduced from 21% to 12% for essential food products – bread, milk, eggs and fresh poultry meat.

## Corporate income tax (CIT)

- As of 1st January 2026 an alternative tax regime has been introduced for companies whose shareholders are only natural persons. When distributing profits as dividends, such companies are able to choose a split income tax system – applying CIT rate of 15% (gross) and PIT rate of 6%.
- Starting from 2026, CIT limitations on interest payments are significantly eased: the restriction no longer apply to interest on publicly traded EU/EEA securities, financing obtained via EU/EEA licensed crowdfunding platforms, investment brokerage firms and credit institutions, as well as securitisation companies and EU/EEA alternative investment funds (with certain related-party exceptions). In addition, the interest limitation rules do not apply to target entities established under the Public-Private Partnership Law.
- Starting from the reporting year beginning in 2026, port authorities shall be CIT payers.



# Key Latvian tax changes as of 2026

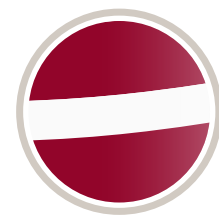
## Transfer Pricing (TP)

Latvian Government has adopted amendments to the Law “On Taxes and Duties”, with the aim of revising transfer pricing documentation requirements. These changes are intended to reduce the administrative burden for taxpayers while maintaining the State Revenue Service’s (SRS) ability to effectively monitor transfer pricing risks.

Until 1<sup>st</sup> January 2026, the transfer pricing documentation requirements in Latvia have been relatively strict, creating additional costs for companies and, in some cases, reducing Latvia’s attractiveness in the eyes of investors.

### Key developments

- **Threshold for global documentation**  
The threshold for preparing global (master file) documentation at the level of a multinational group is increased from EUR 15,000,000 to EUR 20,000,000.
- **Local documentation**  
The threshold for local file documentation remains unchanged, with the existing criteria being preserved.
- **Submission of documentation**  
Both global and local transfer pricing documentation will in future only have to be submitted upon request of the SRS, rather than automatically by specific deadlines. This means that the documentation will still need to be prepared, but its submission will be linked to SRS control activities.
- **Transaction threshold for documentation**  
The value threshold from which a particular controlled transaction must be reflected in the transfer pricing documentation is increased from EUR 20,000 to EUR 90,000.
- **Controlled transaction report**  
A new element is introduced – the controlled transaction report, which will be a structured summary of controlled transactions.



# Key Latvian tax changes as of 2026

## A controlled transaction report must be prepared and submitted if:

- in the reporting year, the total amount of controlled transactions exceeds EUR 250,000
- the report must be submitted via the SRS Electronic Declaration System (EDS) within 12 months after the end of the reporting year
- the report must contain structured information, including:
  - « data on transaction counterparties
  - « types, directions and amounts of transactions
  - « methods used for determining arm's-length prices (values)
  - « other indicators necessary for the SRS to assess transfer pricing risks

SRS EDS classifiers will be used for data submission, enabling the automation of transfer pricing risk analysis and more targeted selection of transactions for detailed review.

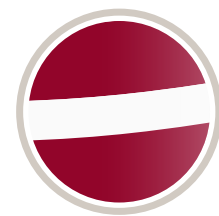
## Application and timelines

- The amendments to the law are intended to enter into force on 1 January 2026.
- The new rules will apply to transactions commenced on or after 1 January 2025.
- The first controlled transaction reports will have to be submitted by 31 December 2026.

## Changes in the personal income tax (PIT) law

As of 1st January 2026:

- The non-taxable minimum is increased to 550 euros.
- Dividends paid to an individual who is a shareholder of a capital company (where such dividends have been distributed by applying the alternative CIT rate of 15%) are subject to PIT at the rate of 6%.
- According to the amendments to Cabinet Regulation No. 899 (Regulations on the application of the Personal Income Tax Law), the tax-exempt reimbursement for the depreciation of an employee's private vehicle used for business purposes (where such use is stipulated in the employment contract) has been increased.  
An employer may reimburse EUR 0.08 per kilometre, capped at EUR 115 per month (before EUR 0.04 per kilometre, capped at EUR 57 per month).



# Key Latvian tax changes as of 2026

## Changes in the lotteries and gambling fee and tax law

As of 1st January 2026 the gambling tax has been increased as follows:

- for slot machines – from EUR 6 204 to EUR 7 440
- for roulette, card and dice games – from EUR 33 696 to EUR 40 440
- for games of chance by phone, totalizators and betting – from 15% to 18%
- for bingo – from 10% to 12%
- for interactive gambling – from 12% to 15%

## Changes in the excise duty law

- In 2026, 2027 and 2028, excise duty rates will gradually increase on alcoholic beverages, tobacco products, heated tobacco, tobacco leaves, liquids used in electronic smoking devices and their preparation components, as well as tobacco substitute products (excluding cigars, cigarillos, and, in 2026, the liquid and its components used in electronic smoking devices), on non-alcoholic beverages and coffee, and on petroleum products and natural gas.

## Changes in the natural resources tax (NRT) law

- Starting from 2027 the NRT rate for peat will be raised to EUR 3.50 per tonne.
- Starting from 2027 the NRT rate for sand and sand-gravel will be increased by 25%.
- Starting from 2027 the NRT DRN rate of EUR 75 per cubic meter will be introduced for unprocessed wood obtained in Latvia for commercial purposes, which has not been processed into wood products and is exported outside the European Union.



# Key Latvian tax changes as of 2026

## Changes In the Tax and duties Law

- From 1 January 2026, amendments to the Law “On Taxes and Duties” and related Cabinet regulations introduce new reporting obligations for crypto-asset service providers and expand existing financial account reporting. (DAC8, CARF).
- Crypto-asset providers will be required to collect and submit detailed data on all users’ transactions (both Latvian and foreign taxpayers) to the State Revenue Service for international information exchange.
- In addition, the CRS framework will be updated to cover new types of financial assets (e-money, central bank digital currencies, and crypto-linked instruments) and to broaden the scope of reportable information, including data on beneficial owners, account type and self-certification of tax residence.

## Electronical Declaration System (EDS)

- As of 1 January 2026, access to the SRS Electronic Declaration System (EDS) is possible only using a secure electronic identification tool.
- Non-residents will continue to be able to log in using a username and password.
- It is important to note that, starting from 2025, the password must be changed at least once every 90 days.





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# Key tax changes in Lithuania

2026





# 2026 tax rates at glance

- Corporate income tax (CIT) rates:
  - « Standard rate 17%
  - « Additional CIT tax rate for credit institutions - +5% (total 22%)
  - « Reduced rates 7%, 0%
- Personal Income Tax (PIT) Rates:
  - « 20% for annual income not exceeding 36 average salaries (~EUR 83,237);
  - « 25% for annual income exceeding 36 average salaries, but not exceeding 60 average salaries (EUR 138,729);
  - « 32% for annual income exceeding 60 average salaries;
  - « 15% rate will apply, disregarding of income amount, to dividends, sales of retained shares, life insurance and pension savings benefits (for which tax exemption was used), social benefits (sickness, maternity, paternity, childcare, etc.).
- Social tax rates:
  - « Employee (withheld) 19.5%;
  - « Employer (on top) 1.77%;
  - « Voluntary pension contribution (employee) 3%
- The minimum wage - EUR 1153 per month (gross).
- Value Added Tax (VAT): Standard rate 21%,
- Reduced rates 12% and 5% (instead of 9% previously).
- VAT registration threshold EUR 45 000.



# Key Lithuanian tax changes as of 2026

## Corporate Income Tax (CIT)

- The standard corporate tax rate will increase from 16% to 17% with effect for financial year starting 2026. This would also increase the rate for small/micro businesses of up to 300k EUR revenue from 6% to 7%.
- The period during which newly registered small businesses will be subject to a 0% corporate tax rate on profits earned is being extended from 1 to 2 years in order to provide additional support to growing businesses. Furthermore, 10 employees limit is no longer required for small businesses.
- Instantaneous depreciation will be allowed for fixed assets belonging to the asset groups “Machinery and equipment”, “Equipment (structures, wells, etc.)”, “Computer equipment and communications equipment”, “Software”, “Acquired rights”, and “Trucks, trailers and semi-trailers”. I.e. acquisition cost of such assets could be wrote-off to expenses in current year, instead of previously several years. Note however, that this tax relief is alternative to “investment projects” relief, allowing double expensing.
- Tax loss group transfer will be limited to 70% of the company’s taxable income. It is also determined that the conditions of duration (2 years) and scope (2/3) of group membership are assessed on the last day of the tax year, and not at the moment of transfer of tax losses, as previously allowed by courts.
- Companies may deduct scholarships for students (only STEM - science, technology, engineering and mathematics) up to 2500 EUR, and for researchers (any field) – unlimited amounts. However, notably, scholarships must be paid under tripartite agreements (company – university – researcher).
- Corporate income tax exemption will be extended for investors implementing a very large investment project under a very large project investment agreement (the agreement must be concluded until December 31, 2035, required investment amount  $\geq 30$ m EUR if in Vilnius /  $\geq 20$  mln. EUR elsewhere in Lithuania).





# Key Lithuanian tax changes as of 2026

## Personal Income Tax (PIT)

As of January 1, 2026:

PIT rates were changed, applying them taking into account the total annual amount of all types of income, except income from distributed profits:

- The portion of income not exceeding 36 average salaries (~EUR 83,237) would be taxed at a rate of 20%;
- The portion of income exceeding 36 average salaries (~EUR 83,237) but not exceeding 60 average salaries (EUR 138,729) would be taxed at a rate of 25%;
- The portion of income exceeding 60 average salaries (EUR 138,729) would be taxed at a rate of 32%;
- The 15% rate applies to dividends, sales of retained shares, life insurance and pension savings benefits (for which tax exemption was used), social benefits (sickness, maternity, paternity, childcare, etc.).
- Farmers up to 60 average salaries (~EUR 138,729) will also pay 15% PIT, exceeding part will be taxable with 20%.

An annual contribution limit of EUR 350 is envisaged for voluntary health insurance premiums (the amount in excess would be taxed in the very same way as a salary / any other income in kind).

The sale of shares acquired through stock options can enjoy more favourable 15% PIT tax rate, subject to lapsing of 3 years term, after the right to acquire the shares. According to latest [tax authorities opinion](#), this term can be matching the vesting period. Currently, the rate is 20%, as these are deemed „employment related income“, but in year 2026, if 3 years vesting term will not lapse, then higher progressive PIT tax rates of 25% or 32% will be applicable upon selling of such shares.

New PIT exemption will also be applicable, starting year 2026, for scientists' scholarships, paid by companies through tripartite agreements (company – university – researcher). Notably, the amounts paid to researchers are not limited, and universities can also be foreign, from any other double taxation treaty country. More information available [here](#).





# Key Lithuanian tax changes as of 2026

## Investment accounts taxation deferral (special Personal Income Tax regime)

- Lithuania implements new investment accounts taxation deferral regime, designed to make long-term investing more tax efficient. Under this system, individuals can open special accounts in financial undertakings where reinvested profits are not taxed annually (as was case before). Instead, taxation is deferred until funds are withdrawn, and even then, personal income tax at 15% applies only to gains that exceed the total contributions made to the account.
- The regime covers various financial instruments, e.g. shares, bonds, investment funds, and certain crowdfunding platforms – but excluding dividends and cryptocurrencies, which remain taxed separately under general rules.
- There are no limits on the number of accounts or the amount individual investors can contribute, but it is important to note, that the account must be declared to the tax authorities as being designated as “investment account” by **1 May 2026**, together with the annual income tax return for 2025.

## VAT changes

As of January 1, 2026 the reduced VAT rate will be increased to 12% (from 9%) for:

- Accommodation services;
- Passenger transport services;
- Attendance at art and cultural events and institutions.

The reduced VAT rate will be decreased to 5% (from 9%) and additionally applied to:

- Books and non-periodical informational publications.

The 9% rate for heating, firewood, and hot water will be abolished - the standard 21% rate will be applied.

The VAT exemption for financial services was clarified and set into level of the Law on VAT:

- Services of an administrative, physical, technical or similar nature, which do not result in a change in the legal and financial situation of the parties to the transaction, shall not be considered as the provision of financial services



# Key Lithuanian tax changes as of 2026

## Changes in Real Estate Tax

As of January 1, 2026:

- Commercial real estate will be taxed at rates between 0.5% to 3% set by municipalities.
- An additional 0.2% tax rate component has been established for commercial real estate (to the state budget / defence fund);
- Rates for primary residence – from 0.1 to 1% of the value of the residence, above the exempt amount – EUR 450,000.
- Abandoned and unmaintained real estate will be taxed at rates selected by municipalities, ranging from 1 to 5%.
- For residents, the tax administrator will prepare real estate tax returns.
- For other non-commercial real estate, progressive rates apply.

## Changes in the Excise Duty Law

- Non-alcoholic sweetened beverages (not very clear definition yet), energy drinks, and beverage concentrates will be taxed:
  - « When the sugar content in 100 ml of the drink does not exceed 8 g - 7.4 EUR/100 l;
  - « When the sugar content in 100 ml of the drink exceeds 8 g - 21 EUR/100 l;
  - « For beverage concentrates - 105 EUR/hl or 4.2 EUR/ kg.



# Key Lithuanian tax changes as of 2026

## New tax on non-life insurance agreements (security contribution)

A new mandatory security contribution for national security financing will apply:

- 10% tax on non-life insurance premiums (e.g., property/assets based in Lithuania, travel insurance if travel duration up to 4 months);
- 0% rate for mandatory vehicle civil liability insurance contracted with individuals (except for carrying out economic activities), farming crops, animals, plants will also be exempt.

The contribution will supplement the income of the State Defense Fund and will be paid quarterly. First instalment date – 15th April 2026.



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