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Mind the Gap 2026: Country fiche – Lithuania

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Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: Lithuania

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Lithuania has made good progress in digitalising the tax administration and using targeted enforcement tools.** The VAT registration process is increasingly automated, while pilot analyses suggest that targeted enforcement is yielding results. The pre-filling of tax returns is available for personal income tax (PIT) and partially for VAT, while the Large Taxpayer Office (LTO) efficiently manages high-value taxpayers with limited resources. Tax arrears remained low at 3.7% of revenue (vs 30.7% for the EU) in 2024, though the 43.6% collectability rate suggests there are opportunities to improve tax recovery mechanisms.

Areas for Improvement

- **Estimates suggest that Lithuania's VAT compliance gap is relatively large**. Although the digitalisation of tax administration has helped narrow the VAT compliance gap, it is still above the EU average and challenges remain. Similarly, the CIT compliance gap is above the EU average. Further action could therefore focus on improving enforcement in high-risk sectors, such as construction, tourism, and retail. These efforts could be complemented by closer coordination between relevant government authorities to support a more coherent and effective approach to compliance. Lastly, estimating CIT compliance gaps at national level could help to bring about a better understanding of the nature and magnitude of CIT compliance risks.

- **Lithuania has substantial tax expenditures, particularly in direct taxation.** Despite recent reforms to income taxation to simplify the system and make taxes more growth-friendly, some special regimes and tax exemptions remain, contributing to the policy gap and tax complexity. At the same time, while Lithuania reports tax expenditures annually, a systematic evaluation of tax expenditures is lacking. Lithuania currently undertakes dedicated ad hoc evaluations of certain tax expenditures, and could make the evaluation of tax expenditures more systematic.

1. Introduction and policy context

1.1. Snapshot of the tax system

Despite recent increases, the tax-to-GDP ratio remains relatively low in Lithuania. Tax revenue (including social contributions) increased to 33.0% of GDP in 2024. This is a new historic high ([1]), but still 6.4 percentage points (pps) below the EU average. The reliance on labour taxes has increased gradually and their share in the tax mix reached 52.0% in 2024 (EU average: 51.5%), following increasing revenues from social contributions. Consumption taxes accounted in 2024 for 34.0% of total tax revenue, well above the EU average of 26.8%. VAT revenues are relatively high and amounted to 8.1% of GDP, 1.0 pps above the EU average, despite a substantial compliance gap. By contrast, capital taxes are underrepresented in the tax mix, amounting to 14.1% of tax revenue (EU average: 21.6%), with a minor contribution from property taxes and relatively low revenue from corporate income taxes. Overall, despite recent reforms, Lithuania's income tax system continues to offer tax arbitrage opportunities ([2]), e.g. between employment, self-employment, labour, capital, and some forms of incorporated business.

The progressivity of labour taxes is increasing, although Lithuania still has high rates of poverty and inequality. Until 2026, there were only two brackets in Lithuania's personal income tax system. As a result, the tax wedge ([3]) for high-income earners was roughly the same as for average-income earners ([4]). The recently introduced intermediate income bracket should increase revenues and progressivity. Lithuania's tax-and-benefit system reduced the Gini coefficient ([5]) by 7.4 pps in 2024, slightly below the EU average (7.8 pps). Income concentration is very high, as the income quintile share ratio (S80/S20) was 6.54 in income reference year 2024, compared to an EU average of 4.62 ([6]). The at-risk-of-poverty or social exclusion rate (AROPE) is among the highest in the EU ([7]), affecting 26.3% of the population (EU average: 20.9%).

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 33.4% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] European Commission 2026: Country Report 2026 – Lithuania, SWD (2026) 215 final.

[3] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[4] In 2025, the tax wedge for single workers earning 50% of the average wage was 30.8% (EU average: 31.6%); for those earning 100% of the average wage, 40.1% (EU: 40.0%); and for those earning 167% of the average wage, 40.6% (EU: 44.1%). As a result, the difference in the tax wedge between high-income and low-income earners was of 9.8 pps, 2.7 pps below the EU average.

[5] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[6] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[7] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

In 2026, Lithuania received the following country-specific recommendations (CSRs) in the area of taxation ([8]):

- *Continue to broaden general government revenue by increasing the role of taxes less detrimental to growth, by improving tax compliance, by further rationalising and simplifying special tax regimes, and by continuing the phase out of non-targeted fossil fuel subsidies.*
- *Facilitate private investment in R&D, including by reviewing existing tax incentives.*

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Lithuania's tax system presents a mixed picture in terms of complexity. Survey-based evidence from the Tax Complexity Index (TCI) places Lithuania among the most complex systems in the EU, ranking 25th among Member States in 2024. The underlying components of the TCI suggest relatively high complexity both in the design of tax rules and in administrative procedures ([9]). However, citizen perceptions are somewhat more favourable: 62% of respondents report that completing their tax return is easy, substantially above the EU average of 49%, while reliance on professional assistance is relatively limited at 4% ([10]).

Tax-related legislative activity was exceptionally high in 2025. Lithuania recorded 30 tax changes (either announced or entering into force) in 2025, more than double the EU average of around 14 ([11]). This represents a marked increase from 13 tax changes in 2024, 6 in 2023 and 8 in 2022, all considerably below the corresponding EU averages. The multi-year evidence therefore suggests that the exceptionally high level of legislative activity in 2025 represents a clear departure from the pattern observed in preceding years. The reforms adopted in 2025 form part of a broad tax reform programme, important elements of which are linked to related commitments in Lithuania's Recovery and Resilience Plan (RRP) and respond to earlier CSRs to broaden the tax base towards sources less detrimental to growth and improve the design of the tax system. Adopted reforms concern personal and corporate income taxation, VAT, property taxation, environmental taxes and social security contributions. Business-related measures include an increase in the (standard) corporate income tax (CIT) rate from 16% to 17%, the introduction of immediate depreciation for certain fixed assets, an extension of the 0% corporate income tax regime for newly established businesses from one to two years, changes to the group loss relief regime and new R&D-related deductions. While RRF-linked reforms related to investment, growth, fairness and fiscal sustainability objectives are welcome, they require businesses and households to adapt to several new tax provisions over a relatively short period.

[8] https://data.consilium.europa.eu/doc/document/ST-11127-2026-INIT/en/pdf.

[9] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[10] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[11] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

Demand-side indicators are broadly consistent with relatively modest practical compliance burdens. The accounting, bookkeeping and tax consultancy sector accounts for around 0.6% of gross operating surplus, below the EU average of 0.9% ([12]). While this indicator is influenced by several factors, it does not point to a particularly large professional services sector or a strong demand for specialised tax and accounting expertise ([13]). Taken together, the evidence suggests that Lithuania combines a comparatively complex tax system in structural terms with relatively accessible administration and lower compliance burdens in practice. While legislative activity was unusually intensive in 2025 due to the tax reform, taxpayer perceptions and demand-side indicators point to a tax system that remains relatively straightforward to navigate.

1.2.2. National simplification efforts

Lithuania undertook a tax reform in 2025, including measures that simplify the tax system as well as raise revenue. The package of tax reforms implemented in 2025 has a net revenue-raising effect, notably to support higher defence spending. Some elements also had a tax policy complexity or compliance burden-reducing effect. The country advanced nine positions to rank 21st globally in the 2025 International Institute for Management Development (IMD) World Competitiveness Ranking, though it subsequently fell to 34th place in 2026 ([14]).

The reform of income taxation has reduced but not eliminated variation in the taxation of different sources of income. These changes are linked to country-specific recommendations to broaden the tax base and to Lithuania's recovery and resilience plan (RRP) commitments to (i) remove certain tax exemptions and special tax regimes; (ii) make taxes more growth-friendly, and (iii) reduce income inequality and poverty. Tax reforms which entered into force in January 2026 include the aggregation of some but not all types of income for personal taxation purposes. Despite these measures, the income tax system continues to offer tax arbitrage opportunities, e.g. between employment, self-employment, and some forms of incorporated business. The preferential CIT treatment for the smallest businesses also creates a cliff-edge effect and encourages tax-motivated incorporation and potentially underreporting. As a follow up, the Government plans to reform the legal framework governing various business forms.

Several new measures have made it easier for certain taxpayers to calculate and pay VAT and CIT. From 1 January 2025, Lithuania extended its VAT small business scheme to EU-established non-resident taxable persons, helping to simplify certain cross-border tax procedures in line with EU VAT rules. The tax reform package also retained and later extended favourable corporate income tax treatment for qualifying new small companies, while a one-off accelerated depreciation allowance for investment in equipment, technology and software took effect from 1 January 2026, simplifying the timing of deductions. In parallel, Lithuania's State Tax Inspectorate (VMI) has continued to improve the Electronic Declaration System (EDS) as the main digital tax filing platform, thus supporting paperless compliance.

[12] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[13] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[14] https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for assessing tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([15]). The shadow economy is an analogous but narrower concept, used in the economic literature and measured via macroeconomic models, that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([16]) facilitate an estimate of the size of the non-observed economy (NOE) in Lithuania at 12.5% of GDP for 2021. The NOE comprises the underground economy (11.8%), while the contributions from the other components of the NOE are limited: 0.35% of GDP from statistical deficiencies, 0.18% from the informal economy and 0.16% from the illegal economy. Lithuania thus records a NOE above the EU average (7.4% of GDP) ([17]). The largest part of NOE is accounted for by 'Manufacturing' (3.6% of total GVA) and 'Wholesale and retail trade' (3.15%). At industry level, the highest shares of NOE are presented by 'Activities of households as employers' (100% of its GVA), 'Construction' (36.4%), 'Other service activities (35.1%), and 'Accommodation and food service activities' (30.9%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Lithuania are higher than the non-observed economy estimate discussed above. In 2022, the shadow economy in Lithuania represented 22.4% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([18]). This ratio is still 4.8 pps above the EU-27 average and it has decreased compared to 2003 (32% of GDP). The report indicates that indirect taxes, unemployment and self-employment are the main drivers of the shadow economy in Lithuania. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([19]). However, using a currency demand approach (CDA), a recent study by EY ([20]) reports lower estimates for the Lithuanian shadow economy at 7.4% of GDP in 2023 (EU average 7.9%), down from 20.2% in 2000 (EU average 13.2%).

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[15] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[16] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in European Commission (2026), Methods and data for analysing tax gaps and compliance enforcement capacity in EU Member States, Directorate-General for Taxation and Customs Union.

[17] The (unweighted) EU average does not include Luxembourg, which has not yet sent data to EUROSTAT.

[18] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[19] See Fernandes op. cit. (2025) for an overview of various studies.

[20] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf.

2. Compliance tax gaps

2.1 Overview

Lithuania estimates tax gaps but does not systematically publish results. The Lithuanian tax gap team was created in 2014. Lithuania makes use of third-party support to undertake tax gap analysis, but it does not regularly publish the results.

Lithuania participates in the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. Lithuania participated in the first cycle, which concluded in 2025 ([21]), and continues to participate in the current cycle, launched in 2026.

Under the RRP, Lithuania has implemented several reforms and actions to deliver improved tax compliance. These actions have included: (i) digitalisation projects; (ii) improving IT tools such as taxpayer risk-profile assessment; (iii) the automatic collection of data on transactions; and (iv) training to improve the skills of tax and customs specialists. A number of steps have been taken, or are upcoming, to reduce the size of the shadow economy and make tax administration more efficient. These steps include measures to: (i) introduce electronic receipts; (ii) limit cash transactions; (iii) regulate the sale of vehicles; and (iv) track alcohol sales.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([22]) in Lithuania was estimated at around 15% of the VAT Total Tax Liability (VTTL) ([23]), or approximately EUR 1 billion. After decreasing from approximately 21% in 2019 to 12% in 2022, it increased again in 2023; albeit remaining below the 2019 level ([24]). Lithuania's VAT compliance gap was higher than the EU average of 9.5% in 2023. This rise was linked to a decrease in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages) and an increase in the share of services in GDP.

In 2025 Lithuania's State Tax Inspectorate signed a technical assistance agreement with the International Monetary Fund (IMF) to support efforts to reduce the VAT gap and address elements of the shadow economy. The ongoing project aims to identify the underlying drivers of VAT non-compliance and to provide evidence-based recommendations for improving tax collection ([25]).

Several structural reforms have supported VAT compliance in recent years. These include the implementation of i.EKA (Smart Electronic Cash Registers), rolled out in 2023 and mandatory since 2025, which replaced traditional fiscal blocks with security modules for encrypted receipt signing and real-time data reporting ([26]). Lithuania has also expanded the use of pre-filled VAT returns and electronic filing systems managed by the tax administration, cutting down

[21] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[22] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[23] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[24] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[25] https://finmin.lrv.lt/lt/naujienos/lietuva-pasirase-susitarima-su-tvf-del-pagalbos-mazinant-pvm-atotruki-ir-seseli-Ea9x/.
[26] Fiscal Solutions – Lithuania. Accessed at: https://www.fiscal-requirements.com/countries/25-lithuania.

administrative burdens and errors ([27]). The introduction of new QR code requirements on fiscal receipts in 2023 has aimed to further improve tracking and transparency ([28]).

2.3 Compliance tax gaps in corporate and personal income tax

Lithuania does not produce and publish national estimates of the CIT compliance gap. Estimating CIT compliance gaps could help policymakers better understand the nature and magnitude of CIT compliance risks. In addition, measuring and monitoring compliance tax gaps can support the tax administration in assessing the effectiveness of its compliance and enforcement measures.

European Commission estimates suggest a relatively high CIT compliance gap in Lithuania. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Lithuania is estimated at around 16.3% of collected CIT revenues based on 2021 data. Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States ([29]).

The Lithuanian tax administration estimates the PIT compliance gap in aggregate terms, using a bottom-up approach, but it does not publish estimates. Lithuania calculates only the overall gross tax gap ([30]). As discussed in Section 1, Lithuania has recently enacted reforms that reduce but not fully eliminate the differential treatment of income from employment, self-employment, and some forms of incorporated business.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

While Lithuania does not currently estimate excise tax gaps, it devotes resources to strengthening EU cooperation on excise matters through its participation in the Fiscalis project group on Excise Risk.

Lithuania does not publish any information on other compliance tax gaps. There are no official programmes or published figures for compliance gaps related to other taxes.

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[27] See European Commission, 2026. Country Report – Lithuania. Accompanying the document Recommendation for a Council Recommendation on the economic, social, employment, structural and budgetary policies of Lithuania. COM (2026) 215 final, https://economy-finance.ec.europa.eu/economic-surveillance-eu-member-states/country-pages-including-country-reports/country-report-lithuania_en.

[28] VAT Update, 2023. QR code – a new requirement in accordance with the latest changes in fiscalisation. Accessed at: https://www.vatupdate.com/2023/06/13/qr-code-a-new-requirement-in-accordance-with-the-latest-changes-in-fiscalization/.

[29] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[30] OECD Tax Administration 2024.

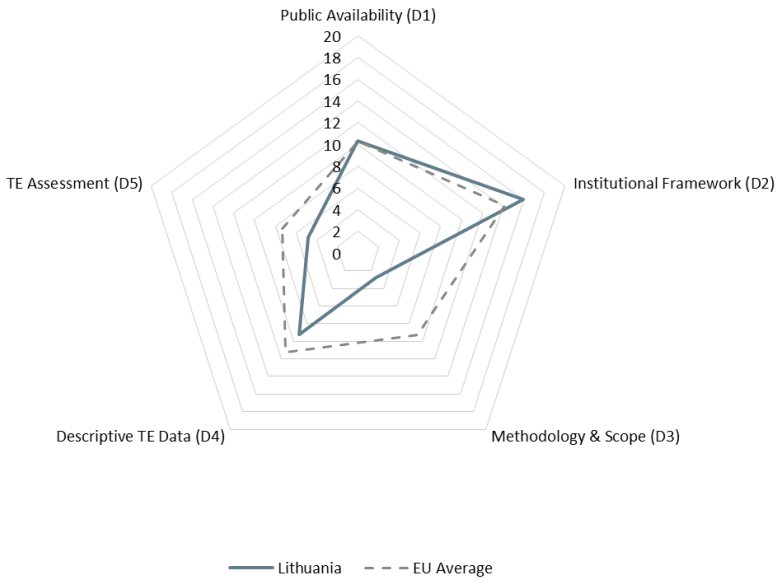
3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Lithuania reports tax expenditures annually and total revenues forgone for the main tax types and for several individual exemptions. The tax expenditure report provides information on the previous year (t-1) as well as making a projection for the following year (t+1). The budgetary costs of tax expenditures are only estimated for tax expenditures which are not mandatory under EU acquis. Overall, the methodology for defining what is a tax expenditure is quite broad, in part because it includes the non-taxable amount of personal income in the PIT tax expenditure figures.

In the last State Budget Revenue Report, covering 2024, tax expenditures were reported as amounting to EUR 3.25 billion, or 4.1% of GDP ([31]). Overall, this represented a decline from 4.6% of GDP in 2023. Of this, EUR 395 million (0.5% of GDP) was tax expenditures in the VAT system ([32]), EUR 346 million (0.4% of GDP) tax expenditures in excise duties, EUR 591 million (0.75% of GDP) tax expenditures in the CIT system, and EUR 1.9 billion (2.4% of GDP) tax expenditures in the PIT system.

Figure 1: Lithuania vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Compared to other Member States, the transparency and comprehensiveness of tax expenditure reporting in Lithuania shows room for improvement (overall it is ranked 19th in the EU according to the Global Tax Expenditures Transparency Index (GTETI) score). According to GTETI analysis, transparency in TE reporting in Lithuania is below the EU average overall, with weaknesses across several dimensions. Figure 1 depicts the GTETI results for the five

[31] The Lithuanian tax expenditure report: https://finmin.lrv.lt/public/canonical/1759311333/25666/Ataskaita%202024%20met%C5%B3%20(EN).pdf.

[32] These figures differ from the estimates of the VAT rate gap and national policy-driven VAT exemption gap produced under DG TAXUD's VAT gap in Europe study and presented in section 3.2. This is due to differences in the methodology applied.

dimensions analysed in comparison to EU averages ([33]). The maximum value for each dimension is 20. Lithuania performs above the EU average on 'Institutional Framework' (16.00 vs 14.19). Lithuania is on par with the EU average on 'Public Availability' (10.33 vs 10.26). However, 'Methodology and Scope' is below the EU average (2.80 vs 9.28), 'Descriptive Tax Expenditure Data' is below the EU average (9.27 vs 11.28), and 'Tax Expenditure Assessment' is below the EU average (4.80 vs 7.34), indicating incomplete coverage of tax types, no benchmark definition, no treatment of structural provisions, no estimation methodology disclosure.

Systematic evaluation of tax expenditures is lacking. While Lithuania undertakes dedicated ad hoc evaluations of certain tax expenditures as well as spending reviews, Lithuania could strengthen the systematic evaluation of tax expenditures. There is no institutionalised process for such an evaluation. As a recent example of an ad hoc evaluation, in July 2026, the National Audit Office of Lithuania evaluated tax expenditures related to R&D and recommended simplifying the use of the relief and reducing the administrative burden, especially for small businesses ([34]).

3.2 Policy tax gaps in VAT

A VAT reform effective from 1 January 2026 had a net base-broadening effect. It replaces the previous 9% reduced VAT rate with a restructured system based on two reduced rates, 5% and 12%. Under the new framework, books and non-periodical publications move to the 5% rate, while accommodation, passenger transport and cultural services, including tickets to concerts, theatres and exhibitions, are taxed at 12%. At the same time, heating, hot water and firewood for households lost reduced-rate treatment and reverted to the standard 21% rate.

The VAT policy gaps in Lithuania (national policy-driven VAT exemption gap and VAT rate gap) were below the EU average in 2023. Revenues forgone due to the application of reduced VAT rates and national policy-driven exemptions reached over EUR 1.5 billion in 2023 ([35]). The national policy-driven VAT exemption gap ([36]) was estimated at over EUR 900 million in 2023, or 8% of the notional ideal revenue ([37]), while the EU average was 11%. The VAT rate gap ([38]) was estimated at over EUR 700 million in 2023, or 6% of the notional ideal revenue, lower than the EU average of 12%.

[33] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

[34] https://www.valstybeskontrole.lt/LT/Post/18972/valstybes-kontrole-ragina-mazinti-biurokratija-inovatyviam-verslui-mokesciu-lengvatomis-naudojasi-maziau-nei-puse-imoniu

[35] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[36] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[37] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[38] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

Tax-simulations indicate that Lithuania's reduced VAT rates in 2025 are concentrated in a small number of consumption categories, led by the category 'health' ([39]). 'Health' accounts for the largest share of forgone revenues at 46.5%, significantly more than the EU mean share of 10.4%. 'Housing, water and electricity' comes second at 35.0%, also significantly more than the EU mean share of 8.5%. 'Transport' ranks third at 13.9%, more than double the EU mean share of 6.0%. These three categories account for 95.4% of Lithuania's total forgone revenue.

Lithuania's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.34 pps, below the EU average reduction of 0.50 pps. 'Health' contributes 0.16 pps (48.2% of the total), above the EU mean contribution of 0.05 pps. 'Housing, water and electricity' contributes 0.15 pps (45.1% of the total), above the EU mean contribution of 0.07 pps.

3.3 Policy tax gaps in corporate income tax

Lithuania has recently increased the statutory corporate income tax (CIT) rate. The top statutory CIT rate increased from 16% to 17% at the start of 2026, though this is still below the EU-27 average of top statutory CIT rates (around 21%). Lithuania's relatively low CIT yield is driven more by the statutory CIT rate than by tax expenditures. The increase in the statutory rate however changes the benchmark and can increase revenue forgone without any changes to the tax expenditure provisions.

In 2024, Lithuania estimated tax expenditures in the CIT system to be EUR 591 million (0.75% of GDP), equivalent to 30% of the CIT yield of 2.5% of GDP. More than a third of forgone revenues resulted from reductions in taxable profit for investment. A special favourable regime with a 7% tax rate (up from 5% in 2024, from when the Lithuanian estimates date) exists for some of the smallest companies, which can act as a distortive disincentive to the growth of firms. It creates a cliff-edge effect and encourages tax-motivated incorporation and potentially underreporting of revenues ([40]). Lithuania also has special economic zones, where it offers firms a tax holiday for the first 10 years in which they conduct business and a 50% tax exemption in the following six years.

3.4 Policy tax gaps in personal income tax

Lithuania has substantial tax expenditures linked to the taxation of employment. Lithuania's own figures give the value of PIT tax expenditures as 2.4% of GDP (EUR 1.92 billion) in 2024, which is equal to 30% of Lithuania's revenues from PIT the same year (which were 8.0% of GDP). Of this 2.4% of GDP, nearly two-thirds (1.5% of GDP) is accounted for by the full value of the non-taxed annual income allowance being classed as a tax expenditure.

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[39] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[40] World Bank (2022), Report Assessing the Impacts of Tax Optimization and Bunching in MEs and Self-employed and Legal Entities Responses to Size-based Tax Rates in Lithuania: Output 1 and 2 (English). Washington, D.C.: World Bank Group http://documents.worldbank.org/curated/en/099085002062326444.

National tax expenditure estimates do not fully reflect the revenue forgone under special regimes for income from different sources, although recent reforms are expected to reduce these losses without eliminating them entirely. While Lithuania has implemented some measures that simplify the tax system, the income tax system continues to offer tax arbitrage opportunities, e.g. between employment, self-employment, and some forms of incorporated business. The detailed figures published by Lithuania suggest that the revenue forgone because of the differential treatment of sources of income and the existence of special regimes may not be fully captured by the tax expenditure estimates.

Tax simulations suggest that PIT-related tax expenditures in Lithuania in 2025 slightly reduce inequality ([41]). PIT-related tax expenditures imply revenue forgone equal to 18.6% of actual PIT revenues (below the EU average of 19.1%) ([42]). PIT-related tax expenditures included in the analysis were estimated to reduce the Gini coefficient by 0.82 pps, compared to an EU average reduction of 0.46 pps. Work-related TEs (16.1% of PIT revenue) reduce the Gini coefficient by 0.90 pps Overall, tax expenditures related to PIT in Lithuania are progressive and result in good distributional outcomes at relatively moderate costs.

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Lithuania operates a largely unified identification framework. Individuals and legal entities are assigned a single core identifier anchored in central state registers ([43]). While this system ensures consistency across VAT, PIT, and CIT, VAT identification retains a distinct format for EU transactional purposes.

Lithuania's VAT registration process is efficient and increasingly automated, though some manual steps and gaps in real-time integration remain. The VAT registration is fully digitalised, with applications submitted online e.g. via *My STI*, the Lithuanian State Tax Inspectorate's (STI) taxpayer portal and typically processed within days. Since 2025, partial automation has streamlined the process: initial checks are followed by an automated risk assessment, though manual review is still required if indicators are triggered. The taxpayer database is kept up to date through links to state registers, taxpayer-submitted updates via *My STI*, and STI adjustments based on audits or third-party data. While company registration at the Centre of Registers is fully electronic, automatic VAT registration upon incorporation is not yet standard, though further automation is implemented under the RRP ([44]).

[41] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[42] According to the European Commission's taxation trends data, PIT revenues in Lithuania amounted to approximately EUR 6.3 billion in 2024. This would imply revenue forgone of approximately EUR 1.2 billion due to PIT tax expenditures according to the microsimulation (18.6% of EUR 6.3 billion).

[43] The asmens kodas (personal code) and juridinio asmens kodas (legal entity code), respectively.

[44] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection and European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Lithuania, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3135034.

E-commerce oversight remains fragmented, with no dedicated register for online traders and no real-time monitoring of digital sales activity. Since 2025, the removal of the "Retail sale via mail order or internet" classification from EU economic activity codes has further reduced visibility into e-commerce operations. While the STI has a dedicated e-commerce control unit that uses Central Electronic System of Payment (CESOP) data ([45]), integration is not automated – data retrieval is manual, and poor payee identification limits risk analysis. The STI receives customs data through automated data exchange and incorporates it into its systems. One Shop Stop (OSS) and Import Stop Shop (IOSS) data is accessible under EU frameworks but not systematically cross-checked with domestic VAT returns or customs records. Pilot analyses (e.g. a 2024 review identifying EUR 10 million in undeclared e-commerce revenues) suggest targeted enforcement, though a holistic, real-time approach still seems to be lacking ([46]).

Lithuania applies a structured risk assessment during VAT registration. The process relies increasingly on automated checks against risk criteria which are regularly reviewed and expanded to explore automated VAT registration based on automated risk scoring. Since recently, automatic registration is being expanded for taxpayers applying the small business scheme in Lithuania. While manual reviews persist for free-text risk assessments due to technical constraints, the share of automatically approved registrations has increased from 60% to 80% between 2024–2025 (prior to partial automation) and 2025–2026 (post-automation). Further enhancements, including dynamic risk scoring, are underway.

Lithuania's qualification and invalidation of VAT identification numbers may be initiated following Eurofisc fraud alerts or other risk signals; but the available (limited) data shows that processing times are rather long.

4.2 Tax filing and assessment

Lithuania's tax system is highly digitalised. The STI's Mano VMI and EDS platforms handle all PIT, CIT, and VAT filings electronically. Individuals and businesses submit returns through secure online portals, with VAT declarations and related filings processed digitally.

Lithuania's pre-fills PIT returns and offers partial support for VAT. Lithuania provides pre-filled PIT returns, while VAT returns benefit from partial pre-population through the EDS using information already available to the tax administration ([47]).

E-filing rates show full compliance across all major tax types. Lithuania achieves 100% e-filing for PIT, CIT, and VAT in 2024, exceeding EU averages ([48]). This reflects universal digital adoption, with no gaps in electronic submission across individuals, corporations, or VAT payers.

[45] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[46] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

[47] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Lithuania, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3135034.

[48] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

Lithuania offers a wide range of online taxpayer services without standardised reminders and AI tools. Taxpayers can use calculators, deadline extensions, payment arrangements, secure messaging through the My STI portal. The system also supports online objections, document uploads, and personalised tax accounts, though proactive reminders and official AI-based taxpayer assistance are not standard features ([49]).

Lithuania makes a thorough use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([50]), i.e. DAC1 ([51]), DAC2 ([52]), and DAC7 ([53]), for the purposes of personal and corporate income taxation, inheritance or wealth tax, social security contributions, and VAT where relevant. The identification of taxpayers concerned in Lithuania is efficient and above the EU average: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([54]) is 97% for the main categories of DAC1 ([55]), 95% for DAC2 and 92% for DAC7, the EU-average being 84%, 92%, and 86%, respectively.

Once the taxpayers have been identified, the Lithuanian tax authorities use the available data for a large range of activities: prefiling tax-returns, voluntary compliance programs, tax risk assessment to detect possible undeclared income, notification to prompt disclosure and, if relevant, tax assessments or general audits. In Lithuania, this use is not only relevant for personal income tax, but also for assessing corporate taxation and VAT, as tax authorities use the most recent exchange of information on income from digital platforms (DAC7). Lithuania also monitors the fiscal impact of these activities, the use of DAC data leading to important additional tax revenues.

Lithuania has been relatively active in VAT administrative cooperation ([56]). In 2024, Lithuania sent 337 requests for information and received 975 requests ([57]). Based on a standardised measure, taking into account the relative size of the Lithuanian economy, Lithuania is above the EU weighted average on the number of requests sent and significantly above the EU weighted average on the number of requests received ([58]).

[49] https://deklaravimas.vmi.lt/en/Pradinis_Prisijungimo_puslapis/Prisijungimasperisorinessistemas.aspx.
[50] Sources: Yearly Assessment 2026.
[51] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[52] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[53] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[54] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[55] Income from employment, pensions, director's fees, immovable properties.
[56] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.
[57] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation SCAC.
[58] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Lithuania sent 4.27 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 12.34 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

Lithuania records limited results in automatic exchange of VAT information. In 2024, Lithuania reported 380 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 16 cases. Based on a standardised measure, taking into account the relative size of the Lithuanian economy, Lithuania is below the EU weighted average on both VAT identification number not established in the member State and the volume of information on new means of transport ([59]).

4.3 Compliance risk management

Lithuania's compliance risk management (CRM) combines a formal strategy with digital compliance tools. The STI follows a structured approach to identify, assess, and prioritise compliance risks across filing, payment, enforcement, audits, and taxpayer services. Digital compliance tools, such as business to government (B2G) e-invoicing (E. sąskaita), structured VAT invoice registers (i.SAF), and goods movement reporting (i.VAZ) support enforcement, though real-time business to business (B2B) invoice clearance is not mandatory ([60]).

Lithuania uses limited AI and machine learning for risk assessment and debtor profiling. The STI applies natural language processing (NLP) to automate analysis of taxpayer complaints and machine learning (ML) to identify high-risk entities. A key application is the early warning system, which assigns bankruptcy probabilities to companies within a six-month horizon. These insights inform also debtor risk assessments and VAT refund processes ([61]).

Lithuania does not apply documented behavioural insights in its compliance strategies. While digital tools (e.g. PIT pre-filling) support compliance by simplifying processes, there is no evidence of formal behavioural interventions (e.g. nudges).

Lithuania uses CESOP data for limited, manual risk analysis in VAT compliance. Due to technical constraints, CESOP data is not automatically integrated but retrieved individually and stored in the tax authority's data warehouse. Manual cross-checks compare aggregated CESOP data with national VAT returns and VIES records to identify risky fund recipients. However, insufficient payee identification details in CESOP data limits automated analysis and reliable risk detection ([62]).

Lithuania also uses reports exchanged automatically under the DAC, i.e. DAC3 ([63]), DAC4 ([64]) and DAC6 ([65]) for risk-analysis purposes in the field of corporate income

[59] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Lithuania reported 4.81 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP; and new means of transport 0.20 requests per EUR 1 billion of GDP compared to an EU weighted average of 0.95 new means of transport per EUR 1 billion of GDP.

[60] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

[61] Ibidem.

[62] Ibidem.

[63] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[64] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[65] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

taxation. The Lithuanian tax authorities identified successfully 100% of the taxpayers concerned by DAC3, DAC4 and DAC6 reports in 2025, the EU average being 98%, 94% and 90% respectively. The reports are broadly used for risk-assessment (e.g. to identify risks related to transfer pricing, base erosion and profit shifting, harmful tax practice) and possible follow-up actions as general tax audits. Lithuania benefits from the EU Technical Support Instrument (TSI) to complement this fairly comprehensive use of the relevant DAC data and integrate it into a robust process to tackle aggressive tax planning.

Lithuania uses VAT gap analysis to inform compliance strategies, though with limited resources. The STI uses top-down and regression models (including a machine learning model in development) to estimate VAT gaps multiple times yearly. These estimates guide risk-based enforcement, with 80% of 2024 monitoring actions targeting high-risk sectors (wholesale, retail, construction, digital commerce). However, limited staffing constrains deeper segmentation ([66]).

4.4 Audits

Lithuania's audit system focuses on desk audits and pre-audit interventions. The tax administration conducts desk audits as its primary enforcement tool, avoiding comprehensive audits. Before formal procedures, it uses pre-audit interventions such as cross-matching third-party data, data analytics for anomaly detection, and risk reviews to request additional information. This approach prioritises early inconsistency identification over broader audit types ([67]).

Lithuania's Large Taxpayer Office (LTO) efficiently targets high-value taxpayers with limited resources. With just 2.3% of total staff, the LTO - including a High-Net-Worth Individual program - generates 43.4% of total revenue. 60.4% of its small team focuses on audits, contributing 13.8% of all audit revenue. Lithuania has received the support of the European Union's TSI on tax control of high-net-worth individuals ([68]).

Lithuania makes limited use of advanced instruments of administrative cooperation. These are provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025, Lithuania has participated in 1 MLC and 3 PAOE, representing respectively 0.4% and 1% of the total of these activities within the EU. Lithuania has not initiated any MLC or any PAOE ([69]).

4.5 Payment and collection

Lithuania demonstrates strong digitalised tax compliance with high electronic and on-time payment rates. Since 2018, 100% of tax payments have been electronic (vs. EU average:

[66] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[67] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Lithuania, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3135034.
[68] https://reforms-investments.ec.europa.eu/technical-support-instrument-0/revenue-administration-and-public-financial-management/continued-support-tax-control-high-net-worth-individuals_en.
[69] EU AIAC Statistics -2023-2025.

94.9%), with on-time payment rates exceeding EU averages for CIT (97.4% vs. 89.8%), VAT (87.9% vs. 83.7%), and PIT (80.2% vs. 79%). Cash payments for taxes are prohibited, reinforcing digital compliance ([70]).

Lithuania's VAT refund process combines speed with risk-based controls. All refund requests undergo automated risk analysis using multiple data sources. Low-risk claims are processed in 1–2 days, while medium/high-risk cases face additional scrutiny (up to 30+ days) and possible suspension. A structured system of sanctions and interest applies for late payments and filings, further strengthening compliance ([71]).

4.6 Tax debt recovery

Tax arrears in Lithuania are well below the EU average and have fallen in recent years. The closing stock of tax arrears at the end of the year as a percentage of total revenue has continued to decrease in recent years (data available until 2024). In 2024 it amounted to 3.7%, below the EU average of 30.7%. The closing stock of collectable arrears as a percentage of the closing stock arrears however also decreases, and it was at 43.6% in 2024 ([72]). Lithuania does not have specific legislation that allows exchange of information between tax (recovery) authorities and the administrator of insolvency proceedings on assets that could be used for the recovery of unpaid (tax) claims in the insolvency proceedings ([73]). As regards the write-off of tax debts, Lithuania applies rules ensuring that debts are only written off when enforcement is definitively no longer possible. There is no disaggregated information on how long it takes to solve tax disputes (at administrative level or before a court) which usually prevent or suspend the recovery of contested tax claims, nor on (administrative or judicial) appeal stages ([74]). Lithuania indicated that the time taken to resolve disputed tax claims is varied and unpredictable as it depends on the workings of the court system. Lithuania could aim to ensure that court proceedings are concluded as quickly as possible. The Lithuanian law does, however, allow the tax administration to take precautionary measures before there is an assessment/title, without a prior court order.

Regarding cross-border recovery assistance within the EU, Lithuania submits compliant requests to other Member States. Lithuanian recovery requests to other Member States generally comply with requirements ([75]), focusing on well-established claims. Only 2 recovery requests were suspended in 2025, while 127 requests for recovery were sent to other Member States in the same year ([76]).

Lithuania has integrated AEOI data in its recovery strategy. It uses information from DAC2 (financial assets) for tax recovery purposes, which is considered as best practice.

[70] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[71] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[72] ISORA Data - closing stock and collectable arrears.
[73] Lithuania's replies to questions 34-36 of the 2025 survey on tax recovery.
[74] Lithuania's replies to questions 12 and 13 of the 2025 survey on tax recovery.
[75] Statistics on rejections of requests, reported by Lithuania as applicant State, relating to recovery assistance in 2025.
[76] Statistics on the suspension of recovery requests, sent by Lithuania as applicant State, following contestation of the claim, for 2025.