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What changes will 2025
unwrap in the Baltic tax field?
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Key tax changes in Estonia

Corporate income tax changes from 2025

- Corporate income tax (CIT) rate will increase from 20% to 22% of the gross amount (22/78 of the net distribution)
- Reduced 14% CIT rate applicable to „regular“ profit distributions will be abolished
- Advance CIT on profits of credit institutions will increase from 14% to 18%

New defence tax

The new defence tax is supposed to be temporary (until 2028) and will consist of three components:

- From July 1 2025, VAT rate will increase from 22% to 24%, and
- A 2% income tax on corporate profits will be introduced from 1 January 2026 (on top of the existing distribution tax system), and
- A 2% additional tax on individual income will be introduced from 1 January 2026

Individual income tax changes from 2025

- The individual income tax rate will increase from 20% to 22%
- The investment account regime will now also cover, most notably, certain regulated crypto-assets and regulated crowdfunding instruments

VAT

- As from 2025, the VAT rate on accommodation services will increase from 9% to 13%, and the VAT rate on press publications, both physical and electronic, will increase from 5% to 9%

- A special scheme for small enterprises will simplify operations in other EU member states for small enterprises with the total annual turnover in the EU below 100,000 euros

- Several other changes will be introduced, such as the change of how the threshold for the obligation to register as a VAT-able person should be calculated, definition of a new building, etc.

New motor vehicle tax

- The new tax will consist of two components: the annual tax (to be administered by the tax authority) and the registration fee (to be administered by the Estonian Transport Administration)

- For passenger cars and vans, the rate of the tax will depend on the CO_2 emissions and the weight of the vehicle. The rate of the annual tax will also depend on the age of the vehicle

- The tax amounts will be sizeable, and they are already impacting the car purchasing decisions

Personal Income Tax law news in Latvia

New tax rates

- Object: salary and income from economic activities
- In 2025: two progression thresholds: 25.5% and 33% for income above EUR 105,300 (previously 20%, 23%, and 31%)

New capital gains tax rate

- Object: capital gains (sale of shares, real estate) and other income from capital assets (interest)
- In 2025: 25,5% (before 20%)

New additional tax rate

- Object: salary, income from economic activities, capital gains, and other income from capital assets
- In 2025: a 3% additional rate on total income exceeding EUR 200,000

Tax news in Lithuania

Investment account offers favourable regime for private individuals

- Investment account in Lithuania follows its peer instrument in Latvia and Estonia and offers alternative to tax your investment gains only once they are used for personal needs

Increase of corporate income tax (CIT)

- General CIT rate increases from 15% to 16%, reduced CIT – from 5% to 6%
- Even not luxury cars become luxury: tax depreciation of vehicles, acquired from 1 January 2025 will depend on the CO2 emission, with maximum EUR 75 000 of tax deductible acquisition costs for cars with zero CO2 emission

Other important tax news

- Prices for fuel will increase substantially as additional CO2 part of excise duty is imposed

- For those who would plan to receive income from russia: double tax treaty with russia will soon discontinue to be applicable and russia is already included in the list of target territories as of December 2023


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best wishes from the
WALLESS Tax team
to you!