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REPORT

From: General Secretariat of the Council
To: Delegations
Subject: Code of Conduct Group (Business Taxation)
- Report to the Council

Lithuania's Amendments to the CIT tax for companies implementing large-scale projects (LT010)

A. Background

1. The LT010 measure was notified in the standstill exercise 2024. The measure sets **new criteria for the CIT relief for investments in large-scale projects**.
2. The Group has already looked into the CIT relief for large-scale investments (**LT009**) and the measure is currently under monitoring.
3. We recall that measure **LT009** provides for tax benefit in the form of a tax exemption for up to 20 years¹, if eligible large investment projects are made in the fields of data processing², web

¹ The **CIT exemption starts applying** from the tax period in which the thresholds (investments and creation of full time jobs) are complied with, and the **exemption is suspended** for the tax period/s in which the amount of capital investment or the average number of employees have fallen below the thresholds set. **The exemption is renewed** for the tax period/s in which the required thresholds are reached again. Maximum duration of the CIT exemption (20 years) include all tax years during which the two thresholds are not reached

² Data processing, web server services (hosting) and related activities' include the following: provision of infrastructure for hosting, data processing services and related activities; specialised hosting activities such as web hosting, streaming services, application hosting; application service provisioning; general time-share provision of mainframe facilities to clients; data processing activities: complete processing of data supplied by clients,

server services (hosting) and related activities, or manufacturing.³ The measure is in place from 1 January 2021 to 31 December 2025. Given the duration of the tax exemption, the Group decided not to assess, but to monitor the regime, particularly in respect to highly mobile assets and the 25% threshold, which allows that benefitting income can arise from activities other than data processing, web server services (hosting) or manufacturing (e.g., royalties). According to the monitoring data communicated for the tax year 2021, no company benefited from the regime in 2021.

B. Relevant legal framework

4. The Law Amending Article 58 of Law No IX-675 on the Corporate Income Tax⁴ was adopted by the Lithuanian Parliament on 21 December 2023. It enters into force as of 1 January 2025. It applies to the calculation and declaration of the CIT 2025 and subsequent tax periods.

C. Purpose of the measure

5. The purpose of the measure is to lower the job creation requirement for investment projects in manufacturing activities, in order to broaden the scope of qualifying investments.

D. Design of the measure

6. The amendments are linked to the original measure on CIT relief which applies to legal entities implementing large-scale projects⁵ under investment agreements concluded during the period 2021 – 2025. They set new additional criteria under which corporate income tax relief would apply. We recall that the investment criteria related to i) the amount of the investment, ii) the number of jobs created following the investment, and iii) the amount of income benefitting from the exemption should arise from the eligible activities (at least 75%⁶).

generation of specialised reports from data supplied by clients; provision of data entry services. Class of activities above do not include those where the supplier uses the computers only as a tool (such activities are classified according to the nature of the services rendered).

- ³ Concerning the employment and capital investments' requirements, the undertaking investing in a large project is obliged, within a period of five years from the date of entry into force of the investment agreement, to:

- 1) create at least 150 new jobs (full-time) in the Republic of Lithuania and, in the case of investment in the district of Vilnius, at least 200 new jobs (full-time), and maintain each job for at least five years from the date on which the employee was first recruited; and
- 2) invest at least EUR 20 million in the Republic of Lithuania or, in the case of investments in the district of Vilnius, at least EUR 30 million.

- ⁴ [XIV-2443 Lietuvos Respublikos pelno mokesčio įstatymo Nr. IX-675 58 straipsnio pakeitimo įstatymas \(lrs.lt\)](#)

- ⁵ Legal entities investing in large-scale investment projects in the field of data processing, web server services (hosting) and related activities, and/or in manufacturing activities, can benefit from a corporate income tax relief (exemption for 20 years) if the qualifying conditions are met. This measure is under monitoring by the Group (LT009).

- ⁶ **At least 75%** of the undertaking's income in the tax year should consist of revenue from data processing, internet server services (hosting) and related activities, or manufacturing. If a large investment project involves the two kind of activities (i.e., manufacturing included), income from both the activities cannot be less than 75% of the undertaking's income. The remaining income (up to 25%) can arise from activities other than data processing, web

7. The new job-creation criteria will only apply to **investment projects in manufacturing activities**.
8. Before the amendment, the average number of employees involved in the implementation of a large project in Lithuania during the tax year should not be less than 150 (200 if the business is established in the district of Vilnius).
9. According to the amendments, another alternative for the employment requirement has been added. As of 2025, the CIT relief would also apply if the number of full-time jobs, created following the investment, is **from 20 to 149 (or from 20 to 199 when investing in Vilnius)**. Furthermore, a requirement regarding the remuneration for these new jobs has been added⁷, aiming that the new employees receive an appropriate amount of salary in relation to the average gross salary of the municipality where this legal entity is investing in.
10. The original requirement - regarding the higher number of jobs created - remains valid, if the condition regarding the amount of the remuneration is not met.
11. The required amount for the capital investment (not less than EUR 20 million or EUR 30 million when investing in Vilnius) remains unchanged.
12. It is specified that this new legal framework would apply to legal entities implementing a large-scale project under an investment agreement concluded until 31 December 2025 (as it is currently the case).

E. Conclusion(s)

13. It is the Commission Services' understanding that **the amendment broadens the scope of qualifying investments to manufacturing activities, as the requirement concerning job creation is lowered**. Thus, legal entities, with investment projects concluded at the latest 31 December 2025 and creating between 20 to 149 (to 199 for businesses in Vilnius) new jobs, - instead of 150 or more (200 for businesses in Vilnius) in the original design, would also benefit if the specific remuneration condition is met.

server services (hosting) and related activities, or manufacturing, but yet related to implementation of the agreement on the large investment project .

The exemption only applies to the income of the undertaking generated by the large investment project.

⁷ - the average gross salary for each of the 20 new positions created is at least 1.25 times the average monthly gross salary published by the Lithuanian Statistics Department in the relevant year for the municipality in which the investment is located, including individual companies;

- the average gross salary of each other new position (exceeding 20 new positions) is equal to or exceeds the average monthly gross salary published by the Lithuanian Statistics Department in the relevant year for the municipality where the investment is located, including individual companies.

14. The amendment is limited to one element of the eligibility requirements – the number of newly created jobs. It does not change the general design of the measure – e.g. investment requirement, duration, tax benefits. These elements have already been analyzed at the moment of introduction of the measure LT009 and have been put under monitoring.
15. In light of the aforementioned, it is the view of the Commission Services that the LT010 measure **does not need to be assessed**.
16. The lowering of the job creation requirement, coming into force on 1.1.2025, will also apply to investment projects ineligible under the original legal framework and which were rejected in the past, because of not meeting the original requirement (regarding the higher number of jobs created). Such investment projects can be re-submitted in accordance with the amendments, i.e. the legal entities are allowed to submit new applications according to the new criteria once the amendments come into force and the CIT relief would be applied from the tax period starting in 2025.
17. As the amendments will allow more investment projects to benefit, its effects should be monitored by the Group, along with the LT009, to evaluate the impact of lowering the substance requirement, as a result of relaxing the requisite number of newly created jobs. Moreover, concerns remain and underpin the decision to put under monitoring LT009, in particular the possibility that 25% of the income may arise from passive income.

F. Follow-up

The Group agreed that the LT10 measure **does not need to be assessed, but its effects should be monitored**.