



# Taxes in **Baltic States** in 2026

The 2026 tax landscape across the Baltics is shifting in significant, but very different, ways. Find out about the key changes in Estonia, Latvia and Lithuania.

# Introduction

The Baltic tax environment is changing rapidly and 2026 is shaping up to be one of the most consequential years in recent memory. Whether you are leading a company, advising clients or managing group-wide financial planning, the updates across Estonia, Latvia and Lithuania will influence everything from payroll costs and investment decisions to pricing, expansion strategy and cross-border structuring.

Some countries are tightening rules, others are simplifying them - and all three are moving in different directions. For CEOs, accountants and financial decision-makers, understanding these diverging approaches is crucial for cross-border planning, pricing decisions, group structuring and workforce strategy. As the region continues to evolve, organisations operating in multiple Baltic markets should periodically reassess tax exposure and identify opportunities stemming from the structural differences highlighted here.

We hope that in this eBook you'll find a harmonised, easy-to-navigate breakdown of each country, followed by a Baltic-wide comparison to help you make informed decisions across markets.

*On behalf of your accountants.*



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This material is intended to provide a general overview of the topics discussed and should not be treated as tailored professional advice. Because tax and legal regulations evolve frequently, certain details may change after publication. Numeri cannot accept responsibility for any consequences arising from decisions made and actions taken based on this information without seeking professional guidance.





# Tax Changes in 2026 in **Estonia**

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# Corporate Income Tax Value Added Tax

## 01 | CIT

Estonia's corporate income tax model remains stable into 2026.

Retained profits continue to be **tax-free** and income tax is charged only when dividends are distributed.

The standard tax remains at **22% (calculated as 22/78)** and special **7% withholding tax** continues to apply to dividends paid to individuals from profits previously taxed at the reduced **14% rate (2019-2024)**.

There are no changes to the rules on gifts, donations, entertainment expenses or non-business costs. The **monthly tax-free entertainment allowance remains €50 + 2% of total wages**.

Estonia does not introduce new incentives but continues to rely on its distribution-based CIT system, which effectively functions as a reinvestment incentive by leaving all retained earnings untaxed.

## 02 | VAT

Estonia's VAT system stabilizes at the **24% standard rate** which was introduced in July 2025.

All existing reduced VAT categories remain in force:

- **9%** general reduced rate, for books and periodicals (excluding advertising), certain pharmaceuticals and medical equipment
- **13%** for accommodation services (including breakfast)
- **0%** for intra-community and international transport, exports and certain diplomatic goods or services

The €40,000 VAT registration threshold is unchanged. No sector-specific VAT adjustments are introduced for 2026.

**Most Estonian parameters remain unchanged between 2025 and 2026. Key updates take effect immediately on 1 January 2026.**



# Personal Income Tax Social Contributions

## 03 | PIT

The major change for 2026 is the new universal **basic allowance of €700 per month**, applicable regardless of annual income. This simplifies the previous sliding-scale formula that phased out the allowance at higher incomes.

The PIT rate remains at **22%**.

Retired individuals continue to receive a higher allowance of €776 per month.

## 04 | SOCIAL CONTRIBUTIONS

Employer-paid rates remain unchanged:

- **33%** social tax
- **0.8%** unemployment insurance (employer)
- **1.6%** unemployment insurance (employee)

The **minimum monthly social tax base increases to €292.38**, reflecting the social-taxed minimum income level used for calculation.

Parental benefits change noticeably: minimum parental benefit rises to €886, while the **maximum decreases to €3,806.10**.



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# Excise Duties Gambling Tax

## 05 | EXCISE DUTIES

Excise duties on alcohol and tobacco products increase by 10% from 1 January 2026. In addition, excise duties on certain fuel products and electricity increase from 1 May 2026.

## 06 | GAMBLING TAX

The gambling tax in the case of organizing games of chance and games of skill as a remote gambling will be reduced during 2026-2029 as follows:

- From 2026 - to 5.5%
- From 2027 - to 5%
- From 2028 - to 4.5%
- From 2029 - to 4%





# Tax Changes in 2026 in Latvia

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# Corporate Income Tax Value Added Tax

## 01 | CIT

Latvia does not change the core CIT rate, but it introduces a **new optional tax model** for businesses owned entirely by individuals:

- **15% CIT** on distributed profits; plus
- **6% PIT** on dividends for shareholders

This optional model aims to create a more balanced tax burden for investors and simplify planning for smaller, locally owned companies, while maintaining Latvia's standard 20/80 CIT system for others.

The amendments also adjust how interest payments to non-bank lenders are treated. From 2028, interest paid to qualifying EU/EEA financial entities will not be subject to CIT, unless there is a related-party relationship. This is intended to improve access to financing and make Latvia more attractive to foreign investors. In 2026, Latvia expects more than €1 billion in EU and Recovery Fund investments targeting security, infrastructure, exports and productivity.

## 02 | VAT

Latvia introduces a **one-year 12% reduced VAT rate** for essential food items:

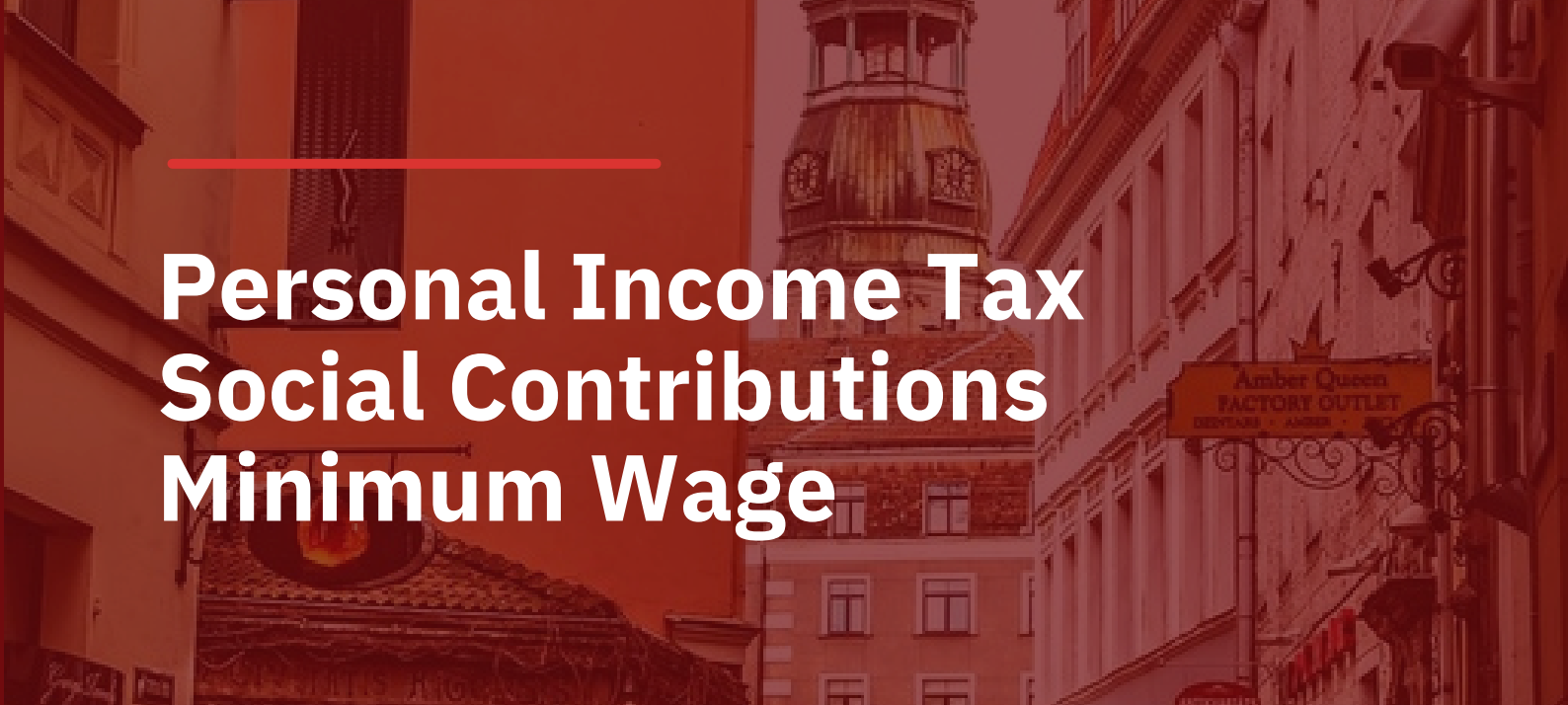
- Bread
- Milk
- Poultry
- Eggs

This is **valid from 1 July 2026 to 30 June 2027**.

At the same time, rules for the **reduced 5% VAT rate on books and press become stricter**. Only publications in EU, EEA, OECD, Swiss or official Latvian languages qualify. Publications in other languages will be taxed at 21%.

Many Latvian measures take effect gradually from 2026 to 2028, especially excise duties and environmental taxes. VAT food reductions apply only from mid-2026 to mid-2027. Other policy changes, such as supervisory mergers and institutional reforms, occur throughout 2026.





# Personal Income Tax Social Contributions Minimum Wage

## 03 | PIT

Latvia does not restructure its PIT system, but two meaningful updates apply:

- **Non-taxable minimum increases to €550 per month** helping low-income earners retain more of their income
- Municipalities receive fully guaranteed PIT revenue shares, ensuring predictable local budgets

## 04 | SOCIAL CONTRIBUTIONS

Latvia's 2026 budget includes substantial improvements to benefits for families, guardians and foster parents.

Child-related benefits:

- Birth grant: €600
- Childcare benefit: €298 per month, paid until the child reaches 1.5 years
- Family benefit extended to students up to age 20

For guardians and foster families, compensation amounts increase significantly and the state will now pay mandatory social insurance contributions for non-working guardians.

## 05 | MINIMUM WAGE

**The minimum wage in Latvia in 2026 is increased to €780.** Further planned increases are set to €820 in 2027 and €860 in 2028.

# Environmental and Resource Taxes Excise Duties

## 06 | ENVIRONMENTAL AND RESOURCE TAXES

Latvia does not introduce structural changes to real estate tax, but several environmental and resource taxes rise:

- Unprocessed wood (exported outside EU):
  - €75/m<sup>3</sup> in 2027
  - €115/m<sup>3</sup> in 2028
- Peat: rises to €3.50/tonne in 2027
- Sand/gravel: €0.55/m<sup>3</sup> in 2027
- Road-use fees for heavy trucks increase (electric trucks are exempt)

## 07 | EXCISE DUTIES

This is one of Latvia's most extensive reform areas. Increases begin in 2026 and continue to 2028.

Alcohol:

- Strong alcohol: retail price +€0.51
- Wine: +€0.15-0.30
- Beer: +€0.03

Tobacco:

- Cigarette pack to increase by €2.20, reaching €7.50 by 2028
- Heated tobacco: +€0.35
- E-liquids (2 ml): +€0.15

Sugary drinks and energy drinks:

- Sweetened beverages taxed from 2028
- Energy drinks get a new dedicated excise rate

Gambling tax (effective from 2026):

- Slot machines: €7,440 per year
- Table games: €40,440 per year
- Interactive gambling: 15% of revenue
- Betting: 18%
- Bingo: 12%

An aerial photograph of a city, likely Vilnius, Lithuania, with a large, semi-transparent number '3' overlaid in the center. The city features historic architecture, including churches and castles, and is surrounded by greenery.

# Tax Changes in 2026 in **Lithuania**

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# Corporate Income Tax Value Added Tax

## 01 | CIT

Lithuania's reform introduces several measurable changes:

- Standard CIT of 17%
- Small business CIT of 7%, which applies to revenue ≤€300,000

Newly established companies receive a more generous incentive: their zero-CIT period is extended from one to two years.

Lithuania also introduces an immediate depreciation incentive, allowing companies investing in manufacturing or digital infrastructure to deduct qualifying asset costs upfront.

Meanwhile, companies may use only up to 70% of accumulated losses each year and loss transfers within groups require a minimum two-year uninterrupted group membership.

## 02 | VAT

Lithuania adjusts VAT both upward and downward.

Publications (books and printed materials) receive a **reduced VAT rate of 5%**.

Tourism, passenger transport and cultural event services shift to a higher **12%** VAT rate.

VAT concessions for firewood and district heating are abolished, meaning the standard **21%** rate will apply.

Most Lithuanian measures take effect uniformly on 1 January 2026. Some sector-specific VAT and excise changes roll out during the year.



# Personal Income Tax

# Social Contributions

# Self-Employment

## 03 | PIT

**Lithuania moves to a unified progressive system in 2026.**

All income types (except for a few special categories) will fall into three brackets:

- **20%** for income up to ~€83,000 per year (36× average wage)
- **25%** - €83,000-138,000
- **32%** - above €138,000

Dividends, pension fund payouts, life insurance benefits and sale of long-held shares (≥ 3 years) remain taxed separately at 15%.

## 05 | SELF-EMPLOYMENT

**Self-employed individuals face a similar progressive shift.** Income up to €42,500 is taxed at 20%, while income above that amount is taxed at 25% or 32%, depending on the individual's total annual income. Lower preferential rates (5%-20%) will continue to apply only if the person's total income remains below the threshold.

## 04 | SOCIAL CONTRIBUTIONS

**A key change for employers is the reduction of the tax-exempt limit for voluntary health insurance contributions - from €660 to €350 annually.**

While no broad social insurance reforms accompany the tax overhaul, the change affects compensation packages and increases the taxable base for many employers.



# Property and Real Estate Tax Excise Duties Minimum Wage

## 06 | PROPERTY AND REAL ESTATE TAX

**Municipalities may exempt a primary residence valued up to at least €450,000.** Only the value exceeding that threshold will be taxed at 0.1%-1%. Additional real estate, including rented apartments, will be taxed progressively from 0.2% to 1% or higher. Commercial property will face an extra 0.2% levy dedicated to defence financing.

## 07 | EXCISE DUTIES

Lithuania introduces a **new sugar tax on sweetened non-alcoholic drinks** beginning in 2026, taxing drinks with over 2.5g of added sugar or sweeteners per 100ml. **Rates vary by sugar content:** €7.40/hectolitre (hl) for lower sugar (up to 8g/100ml), €21/hl for higher sugar (8g+/100ml), and €7.40/hl for those with sweeteners. Further sectoral excise adjustments are expected to continue throughout the year.

## 08| MINIMUM WAGE

**The minimum wage in Lithuania in 2026 is increased to €1153.**



# Comparison Table

Category/Country	Latvia (2026)	Lithuania (2026)	Estonia (2026)
<b>CIT (standard)</b>	20% on distributed profits (20/80 method); retained profits not taxed	17%	0% on retained profits; 22% (22/78) on distributed profits
<b>Alternative / Special CIT</b>	Optional 15% CIT + 6% PIT model for companies owned by individuals	Small-business rate 7%; start-ups: 0% for first 2 years	N/A
<b>PIT rate(s)</b>	Progressive: 25.5% / 33%	Progressive: 20% / 25% / 32%	Flat 22%
<b>Basic Tax Allowance</b>	€550 per month (income-dependent phase-out applies)	Incorporated into progressive PIT	€700/month (universal); €776 for pension-age
<b>Self-employment</b>	PIT as per individual rates + mandatory social contributions (~31%)	20% up to €42,500; 25–32% above	22% PIT + 33% social tax
<b>VAT (standard)</b>	21%	21%	24%
<b>VAT Reduced / Special</b>	12% for basic food (temporary); 5% books (EU/OECD only)	5% books; 12% tourism, transport, cultural events	9% books, medicines, press publications, 13% accommodation and 0% exports and intra-Community supplies
<b>Investment Incentives</b>	EU & Recovery Fund investments > €1B	Zero-CIT start-up; immediate depreciation	Structural incentive via tax-free reinvestment
<b>Minimum Monthly Wage</b>	€780	€1153	€886* *until the adoption of the new minimum wage, TBD

# About Us

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## OUR MISSION

Numeri core purpose is **TO BE THE GUIDE FOR BUSINESSES** by providing our clients the best expertise and tailored solutions.

## OUR VISION

Numeri strives **TO BE A HIGHLY VALUED PARTNER IN THE WORLD OF FINANCE**, to evolve into a leading accounting services provider and set the pace in our sector in the Baltics.



A background image showing three young women with long dark hair, wearing white sweatshirts, sitting around a table and smiling while looking at a laptop screen. The image is overlaid with a semi-transparent teal filter.

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