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Overview

Law firm Norkus and partners COBALT | Professional Partnership, Taxand Lithuania

Law firm Norkus and partners COBALT | Professional Partnership is the Lithuanian member firm of Taxand and forms part of COBALT's integrated Baltic tax practice. COBALT's Lithuanian tax team comprises 5 tax professionals and advises local and international clients on direct and indirect tax, transfer pricing, customs and tax disputes. COBALT was named Baltic States Tax Firm of the Year at the ITR EMEA Tax Awards 2023, having also received this recognition in 2021.

Our Transfer Pricing ("TP") services cover TP planning and structuring, documentation and compliance, economic and benchmarking analyses, financial transactions, and assistance in TP audits, disputes, APA and MAP procedures.

General: Transfer Pricing Framework

Lithuanian TP rules are principally set out in the Law on Corporate Income Tax of the Republic of Lithuania and the rules approved by Minister of Finance Order No. 1K-123. They apply the arm's length principle to controlled transactions and require related parties to determine prices and profits consistently with those that would arise between independent parties under comparable circumstances.

The Lithuanian rules expressly recommend using the OECD Transfer Pricing Guidelines ("OECD TPG") to the extent they do not conflict with domestic rules. Lithuania follows the OECD TPG three-tier transfer pricing documentation approach, comprising Master File, Local File and country-by-country reporting, together with separate associated-party reporting requirements.

Both domestic and cross-border transactions may be subject to TP rules. Associated persons are:

a) related persons; or

b) persons able to influence each other so that the terms of their transactions differ from those that would apply between persons independently seeking maximum economic benefit.

Related persons include, among others:

1) an entity and its participants or management body members;

2) entities belonging to the same group;

3) entities linked through direct or indirect participation of at least 25% or at least 25% of voting rights;

4) entities under common ownership of at least 25%;

5) an entity and its permanent establishment; and

6) certain individuals connected through family or similar personal relationships.

Accepted Transfer Pricing Methodologies

Lithuania accepts all five standard OECD methods: comparable uncontrolled price ("CUP"), resale price, cost plus, profit split and transactional net margin method. The taxpayer must select the method most appropriate to the controlled transaction, taking into account the characteristics of the transaction, data reliability and comparability.

Lithuanian rules contain a limited hierarchy. If a traditional transaction method and a transactional profit method are equally reliable, the traditional transaction method is preferred. If CUP and another method are equally reliable, CUP is preferred. Other generally recognised financial valuation methods may be used where necessary and properly justified.

For qualifying low value-adding services, a simplified 5% mark-up on the relevant cost base may be applied where a cost-based method is the most appropriate, subject to the conditions in the Lithuanian rules.

Transfer Pricing Documentation Requirements

Generally, Lithuania applies the OECD TPG three-tier TP documentation approach, comprising Country-by-Country reporting, Master File and Local File documentation.

Country-by-country reporting (CbC)

CbC reporting applies to multinational enterprise groups with consolidated group revenue of EUR 750 million or more in the financial year preceding the reporting financial year.

The CbC report must generally be submitted to the Lithuanian tax authorities within 12 months after the end of the relevant reporting financial year. Lithuanian entities must also notify the Lithuanian tax authorities of the entity responsible for filing the CbC report by the last day of the relevant reporting financial year.

Master File documentation

A Master File is required for Lithuanian entities and Lithuanian permanent establishments of foreign entities whose revenue in the preceding tax period exceeded EUR 15 million, provided they belong to a multinational group.

The Master File must generally be prepared by the 15th day of the sixth month of the following tax period. It is not filed routinely with the Lithuanian tax authorities but must generally be submitted within 30 days upon request.

Local File documentation

A Local File is required for Lithuanian entities and Lithuanian permanent establishments of foreign entities whose revenue in the preceding tax period exceeded EUR 3 million.

Financial companies, credit institutions and insurance companies are subject to the Local File requirement irrespective of their revenue.

The Local File must generally be prepared by the 15th day of the sixth month of the following tax period. It is not filed routinely with the Lithuanian tax authorities but must generally be submitted within 30 days upon request.

TP documentation may be prepared in a foreign language, although the Lithuanian tax authorities may require a Lithuanian translation.

TP documentation simplifications and exemptions

The Master File and Local File requirements generally do not apply to controlled transactions between Lithuanian taxable entities where the transaction is related to their activities in Lithuania.

TP documentation is also generally not required for a controlled transaction not exceeding EUR 90,000 during the tax period. The threshold is applied taking into account aggregation rules for transactions of the same type or transactions which are inseparably linked. This exemption does not apply to transactions with associated persons registered in target territories.

Local File documentation and database searches may generally be updated every three years where the relevant circumstances remain materially unchanged, while financial data relating to the controlled transactions must be updated annually.

TP reporting

Lithuanian entities and Lithuanian permanent establishments must generally submit the associated-party transaction report (FR0528) where a transaction with an associated person, relevant aggregate transactions, or a loan amount reaches EUR 90,000. The report must generally be submitted to the Lithuanian tax authorities by the 15th day of the sixth month of the following tax period.

Separately, Lithuanian entities may be required to submit form FR0438 disclosing information on controlled entities and controlling persons. The form is generally filed together with the annual corporate income tax return by the 15th day of the sixth month of the following tax period.

Local Jurisdiction Benchmarks

Lithuanian rules give priority to internal comparables. Where a reliable internal comparable exists, it should be used first. External comparables may be used when no suitable internal comparable exists or to support the analysis. A taxpayer that has internal comparables but relies on external comparables must explain why the internal data are not suitable.

There is no formal requirement to use Lithuanian-only comparables. The geographic scope should reflect the relevant market and other comparability factors, so regional or wider European comparables may be appropriate depending on the transaction and available data. Internal CUPs are expressly acceptable and, where reliable, are effectively preferred under the rules. External database searches should document each search and selection step, including the criteria and reasons for inclusion or exclusion. Selected companies and searches may generally be updated every three years if economic conditions have not materially changed.

Focus on Financial Transactions

Lithuanian TP rules do not prescribe a separate safe-harbour interest rate for related-party financing. Intercompany loans, cash pooling, guarantees and other financial transactions are therefore subject to the general arm's length rules. In practice, the analysis should accurately delineate the transaction and consider the commercial rationale, functions and risks of the parties, the borrower's creditworthiness and the key contractual terms, including amount, maturity, currency, security, ranking and guarantees. Reliable internal comparables should be considered first, otherwise market data may be used to benchmark the interest rate or other financial remuneration.

The TP analysis applies alongside separate Lithuanian interest-deductibility rules. Under the thin-capitalisation rules, interest attributable to controlled borrowed capital above a 4:1 debt-to-fixed-capital ratio is generally non-deductible, unless the taxpayer proves that the same loan on the same terms would have been available between independent parties. Separately, net borrowing costs are generally subject to the 30% taxable EBITDA limitation, with a EUR 3 million de minimis threshold and other statutory exceptions.

Advance Pricing Agreement "APA"/Bilateral Advance Pricing Agreement "BAPA" Overview

Unilateral, bilateral and multilateral APAs are available in Lithuania. From 1 January 2026, APA procedures are governed by the Lithuanian Tax Administration Law and Lithuanian tax authorities' Order No. VA-81.

APAs may apply for the duration of the relevant transaction, but generally for no longer than the current and five following calendar years, and may be renewed. Unilateral APA applications are generally examined within 90 calendar days, which may be extended by a further 90 calendar days. Bilateral or multilateral procedures may take longer due to negotiations between the competent authorities.

An APA decision is issued in form FR1163. For decisions issued under the rules effective from 1 January 2026, taxpayers must also submit an annual PLN212 compliance report for each tax period during which the APA is in force.

Transfer Pricing Audits

Transfer pricing may be reviewed by the Lithuanian tax authorities as part of a broader corporate income tax audit or a targeted tax control procedure. As Master Files and Local Files are not routinely filed, the Lithuanian tax authorities generally obtain them upon request, with taxpayers generally having 30 days to submit the documentation.

During an audit, the Lithuanian tax authorities may review the consistency of the TP analysis against intercompany agreements, invoices, accounting records, disclosures, CbC information and tax returns.

The Burden of Proof in Transfer Pricing: Theory versus Practice

Under the Law on Tax Administration of the Republic of Lithuania, the Lithuanian tax authorities must substantiate the tax and related amounts assessed. A taxpayer disagreeing with the assessment must, in turn, substantiate why it is incorrect. Accordingly, the initial burden of supporting a TP adjustment rests with the Lithuanian tax authorities, while in practice both parties must support their respective positions once a dispute arises.

Taxpayers should retain sufficient evidence supporting the pricing and commercial substance of controlled transactions, including TP documentation, intercompany agreements, invoices, functional analyses, financial data, benchmarking files and calculations, and financing documentation where relevant. TP documentation and other supporting information must generally be retained for at least five calendar years, counted from the year following the year of the controlled transaction.

Transfer Pricing Penalties

Failure to comply with the statutory TP documentation requirements may result in an administrative fine of EUR 1,820 to EUR 5,590 for the responsible person. A repeated infringement may result in a fine of EUR 3,770 to EUR 6,000.

If the Lithuanian tax authorities make a TP adjustment resulting in an underpayment of tax, the taxpayer may be assessed additional tax, late-payment interest and a tax penalty generally ranging from 20% to 100% of the tax shortfall, depending on the circumstances and applicable statutory rules. Separate administrative penalties may also apply for late, missing or incorrect tax returns, CbC or other tax reports.

Local Hot Topics and Recent Updates

In 2026, the Lithuanian tax authorities published for public consultation draft Q&A guidance on Transfer Pricing Documentation for Controlled Transactions and Construction of the Arm’s Length Range.

The draft guidance was prepared taking into account common deficiencies identified by the Lithuanian tax authorities in practice and frequently raised taxpayer questions. It provides further practical guidance on the preparation of TP documentation and the determination of an arm’s length range.

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Documentation threshold

Master file	EUR 15 million of revenue in the preceding tax period, provided the taxpayer belongs to a multinational group.
Local file	EUR 3 million of revenue in the preceding tax period. No revenue threshold for financial companies, credit institutions and insurance companies. Transaction-level and domestic exemptions apply.
CbCR	EUR 750 million of consolidated group revenue in the preceding financial year.

Submission deadline

Master file	Preparation within 15th day of the sixth month of the following tax period. Submission within 30 days upon request.
Local file	Preparation within 15th day of the sixth month of the following tax period. Submission within 30 days upon request.
CbC Report	12 months after the reportable financial year-end.

Penalty Provisions

Documentation – late filing provision	Administrative fine of EUR 1,820-5,590. Repeated infringement EUR 3,770-6,000.
Tax return disclosure – late/ incomplete/no filing	Warning or administrative fine of EUR 200-390 under general reporting rules.
CbC Report – late/incomplete/no filing	Warning or administrative fine of EUR 200-390 under general reporting rules.
Non-compliance with the arm’s length principle	For the company – additional tax resulting from the transfer pricing adjustment, late-payment interest and a penalty generally ranging from 20% to 100% of the additional tax assessed. For responsible persons – separate administrative liability ranging from EUR 1,820 to EUR 6,000 may apply for related TP documentation or reporting infringements.

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