



## LITHUANIA – December 2022

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### LITHUANIAN GOVERNMENT UNVEILS PLANS FOR PROPERTY TAX

Lithuania's Ministry of Finance has unveiled a new plan for taxing residential real estate. The tax will apply to around half of properties in each municipality and, according to the government, will be socially just.

The new proposal sees taxing individual properties rather than the sum total of the value held by one owner.

The average tax on a basic residential property is estimated to be around 14 euros per year.

Properties would be taxed not according to their market value, however, but a mass valuation by the Centre of Registers.

The tax would be calculated on the basis of the median value of the property in the municipality where the person has declared his or her residence.

"All properties are lined up [according to their value] and the median is the middle value," explains Finance Minister Gintarė Skaistė.

All properties below the median value – half of them – will not be taxed. Properties valued at between the median and twice the median will be taxed at one rate and those above a higher rate.

"If the median value in Vilnius is, say, 60,100 euros, then properties worth between the 60,100 and 120,200 according to the assessment of the Centre of Registers, will be taxed at the rate of 0.06 percent. For those above 120,200, the rate would be 0.1 percent," according to Skaistė.

### International Property Tax Institute

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The annual tax for a property in Vilnius, for example, can range from a few euros to more than a hundred.

“I think the proposal is more socially sensitive,” Skaistė says.

The tax would be introduced in 2026 and calculated for the year 2025.

Experts say it is a good thing that the introduction is delayed, especially since higher interest rates may dampen housing prices.

Moreover, the tax would be collected by municipalities, providing them with a revenue stream independent from the central government.

However, critics dispute the claim that the tax would be socially just.

“A landlord with twenty properties, as long as they are tiny flats in old apartment blocks, will probably not even have to pay property tax. [...] Meanwhile, a spacious family dwelling of 4-5 people will fall above the median by a factor of two or three and will probably pay the higher rate,” says Arnoldas Antanavičius, head of the real estate consultancy Realdata.

Other criticise the proposal for its excessive complexity.

“It is a very complicated tax and it would be difficult to understand because you’ll never know [how much you’ll need to pay], as there are medians, the value of a property is a variable thing,” says Mindaugas Vanagas, the owner of the brokerage Citus.

Moreover, the levy may not have a moderating impact on real estate prices, which is one of the purposes of property tax, he adds.

It would be better to have a small, but universal and easy to calculate tax, he believes.