

The purpose of this document is to serve as a general overview and it must be mentioned that the requirements may strongly depend on individual circumstances (e.g. tax residence status, possibility to prove it, etc.) and its content is subject to change. This document contains a summarised information of the Lithuanian and international legislative provisions as well as the requirements applicable as of 15 December 2020.

Reduced personal income tax rate application to bond interest received by a tax non-resident of Lithuania

1. Legislative background

Based on Article 5 Part 4 of the Lithuanian Law on Personal income tax (“PIT”), the Lithuanian source interest income (i.e. paid by the Lithuanian company or individual) received by a Lithuanian tax non-resident is subject to taxation in Lithuania.

The provisions of the Law on PIT (Article 6 Parts 1 and 1²) state that the applicable PIT rate to interest amounts to 15%, if annual income (including certain other personal income types received from the Lithuanian sources) does not exceed EUR 148,968 in 2020 (EUR 162,324 in 2021). 20% PIT rate is applied on the excess.

The Lithuanian company paying out interest to the tax non-resident individuals is required to withhold PIT at source based on Article 22 Part 2 Section 1 of the Law on PIT.

In case the Lithuanian tax non-resident is a tax resident in the country with which Lithuania has a valid Double Taxation Avoidance Treaty (“DTT”) concluded with, the DTT provisions overrule and the applicable PIT rate can be reduced to the one foreseen in the relevant Article of the DTT between Lithuania and the respective country. Please see the Annex of this document for the applicable PIT rate for each country’s tax residents.

If the individual is a tax resident of the country Lithuania does not have a DTT signed with, he/she is obliged to pay PIT at 15/20% as commented above.

2. The application of the reduced PIT rate upon withholding at source

If the Lithuanian tax non-resident wishes the lower PIT rate to be applied to bond interest income receivable from AUGA group, AB (“the Company“), a completed request of a special form DAS-1 (*Claim for reduction or exemption from the anticipatory tax withheld at source*) must be provided to the Company before the payout. The confirmation of tax residence status by the foreign Tax Authorities has to be in place.

One copy of the DAS-1 form should be prepared, confirmed and provided to the Company for each calendar year separately. Although the form is required to be kept in internal company’s records (to be provided to the Tax Authorities only upon a request), it is the preference of the Tax Authorities that DAS-1 should be completed in the Lithuanian language.

Below please see more detailed explanations in respect to the completion of the DAS-1:

- The *preamble* of the form should indicate the name of the country of tax residence.
- *Sections I-III* should either be completed by the Company or by the non-resident individual. Under the *Section III*, in the box “*Pajamų rūšis/Type of income*“ it should be indicated that interest on bonds will be received - “*Palūkanos už ne nuosavybės vertybinius popierius*”.

- *Section IV* should indicate only the name, surname of the tax non-resident individual, his/her signature and date.
- *Section V* should be completed and confirmed by the tax residence country's Tax Authorities (by the signature of the representative, stamp). In case the Tax Authorities do not confirm such forms, the certificate from the residence country's Tax Authorities confirming the individual's tax residence status based on the provisions of DTT concluded between Lithuania and the respective country can be provided as an alternative. The original copy of the certificate should then be attached to a pre-filled DAS-1 form. Moreover, in the field "*Priedama*" it should be indicated that the residence certificate is attached, i.e. "*Priedama rezidavimo vietą patvirtinanti pažyma*", it is also required to state the original name of the document, the date of issue, it's number (if any) and the number of pages.
- Once the above mentioned Sections of the form are completed and required tax residence confirmations are obtained, the original DAS-1 form should be submitted to the Company which needs to be mailed at:

AUGA group, AB
Konstitucijos pr. 21C, Quadrum North
LT-08130 Vilnius
Lithuania

Upon the receipt of this document, the Company will be able to withhold a reduced PIT rate on interest. It will complete *Section VI* by indicating the gross amounts of interest paid and PIT withheld during the calendar year at a lower rate, will keep this document for its own records.

3. Claiming for PIT refund in Lithuania, if higher PIT has been withheld from interest income

In case the standard PIT rate has already been withheld at source, it is possible to claim for a tax refund by applying the lower PIT rate foreseen in a respective DTT concluded between the country of tax residence and Lithuania. DAS-2 form (*Claim for refund of the tax withheld at source*) should be submitted to the Lithuanian Tax Authorities.

Two copies of the form should be completed, i.e. one should be provided to the Lithuanian Tax Authorities and another should remain for the records of the individual. It is the preference of the Tax Authorities that DAS-2 has to be completed in the Lithuanian language.

There is no official timing set in the legislation for the submission of this form. However, it is highly recommended to submit it to the Tax Authorities not earlier than 15 February of the year following the calendar year of interest receipt, as the Company has to report the annual payments made to individuals to the Tax Authorities until this date. The Tax Authorities must be able to compare the information provided in the DAS-2 with its internal records showing third party reporting. The Company's certificate confirming the amount of interest paid and tax withheld, if the tax refund is claimed in the same calendar year during which the interest income was received, may not be sufficient.

The refund can be claimed within 5 calendar years following the year of interest receipt.

Below please see more detailed explanations in respect to the completion of the DAS-2:

- The *preamble* of the form should indicate the name of the country of tax residence.

- *Sections I and V* should be completed by the individual and sent to the Company. Please note that PIT overpayment is refunded to the bank account indicated in the *Section I* of the request and payments can be transferred to the bank accounts opened either in Lithuania or in a foreign country.
- *Sections II, III and IV* should be completed by the Company and the form returned to the individual.
- *Section VI* should be completed and confirmed by the tax residence country's Tax Authorities (by the signature of the representative, stamp). In case the Tax Authorities do not confirm such forms, the certificate from the residence country's Tax Authorities confirming the individual's tax residence status based on the provisions of DTT concluded between Lithuania and the respective country can be provided as an alternative. The original copy of the certificate should then be attached to a pre-filled DAS-2 form. Moreover, in the field "*Priedama*" it should be indicated that the residence certificate is attached, i.e. "*Priedama rezidavimo vietą patvirtinanti pažyma*", it is also required to state the original name of the document, the date of issue, it's number (if any) and the number of pages. It is crucial that the tax/calendar year for which the tax residence status is confirmed is stated on the document.
- The last section of the form "*Lietuvos Resublikos mokesčių administratoriaus sprendimas/Decision of the Tax Authority of the Republic of Lithuania*" should remain empty, as it will be completed by the Lithuanian Tax Authorities once the decision regarding the tax refund is made.
- One copy of DAS-2 form should be submitted (e.g. mailed) to the Lithuanian Tax Authorities at the below indicated address (or any other territorial department of the Lithuanian Tax Authorities) along with the copy of the individual's personal document (passport or ID card) which should be signed by the individual:

Vilniaus apskrities valstybinė mokesčių inspekcija
 Ulonų str. 2
 LT-01509 Vilnius
 Lithuania

The decision regarding the PIT refund as well as the actual money transfer in case of a favourable decision should be made within 30 calendar days after the completed DAS-2 form is received by the Lithuanian Tax Authorities. The confirmed copy of the DAS-2 should be mailed back to the individual's address.

Annex

The applicable Lithuanian PIT rate based on the provisions of the DTT (in force as of 2020) to interest income received by the Lithuanian tax non-residents:

Tax residence country	PIT rate, %	Tax residence country	PIT rate, %
Armenia	10	Kuwait	10
Austria	10	Latvia	0
Azerbaijan	10	Luxembourg	10
Belarus	10	Macedonia	10
Belgium	10	Malta	10
Bulgaria	10	Mexico	10
Canada	10	Moldova	10
China	10	Norway	10
Croatia	10	Poland	10
Cyprus	0	Portugal	10
Czech Republic	10	Romania	10
Denmark	10	Russia	10
Estonia	10	Serbia	10
Finland	10	Singapore	10
France	10	Slovakia	10
Georgia	10	Slovenia	10
Germany	10	Spain	10
Greece	10	Sweden	10
Hungary	10	Switzerland	10
Iceland	10	The Netherlands	10
India	10	The United Arab Emirates	0
Ireland	10	The United Kingdom of Great Britain and Northern Ireland	10
Israel	10	The United States of America	10
Italy	10	Turkey	10
Japan	10	Turkmenistan	10
Kazakhstan	10	Ukraine	10
Kirghizia	10	Uzbekistan	10
Korea	10		