

Essential information for policyholders (residents) about taxation procedure applicable to life insurance contracts concluded on or after 1 January 2003

Prepared in accordance with the version and comments of the Republic of Lithuanian Law on Personal Income Tax (hereinafter – the LPIT), the Republic of Lithuanian Law on Accumulation of Occupational Pensions (hereinafter – the LAOP), the Republic of Lithuanian Law on State Social Insurance (hereinafter – the LSSI), and the Republic of Lithuanian Law on Health Insurance (hereinafter – the LHI) as of 1 January 2026, as well as the official explanations and letters from the State Tax Inspectorate.

I. Personal income tax relief for payers of life insurance contributions

A permanent resident of Lithuania may deduct from his/her income life insurance premiums paid:

- for his/her own benefit,
- for the benefit of the spouse,
- for the benefit of minor children (adoptive children, foster children, rated as requiring permanent nursing (care) in the family),
- for the benefit of disabled children under 18 years of age and older (adoptive children, foster children, rated as requiring permanent nursing (care) in the family), rated as requiring permanent nursing care in the family, adults rated as requiring permanent nursing (care) in the family before reaching the full age), for whom the need for compensation of first or second level individual assistance provision costs has been determined, as well as children under 18 years of age and older (adoptive children, foster children, rated as requiring permanent nursing (care) in the family), rated as requiring permanent nursing care in the family, adults rated as requiring permanent nursing (care) in the family before reaching the full age), who were rated as totally disabled before 30 June 2005),

before 31 December 2034, under a life insurance contract concluded before 31 December 2024 which provides that the insurance benefit shall be paid not only upon occurrence of an insured event but also upon expiry of the insurance contract validity period. The personal income tax relief shall not apply to premiums paid under a life insurance contract concluded after 1 January 2025 (Article 21(1)(1) of the LPIT).

The total amount of expenses deducted from the resident's income, specified in Article 21(1) of the LPIT may not exceed 25% of the taxable income for the tax period, to which the 15%, 20%, 25%, and 32% income tax rates apply. Also, the total amount of deductible life insurance premiums under life insurance contracts concluded before 31 December 2024, and contributions to pension funds, associations of participants of occupational pension funds, and/or equivalent entities operating in the country of the European Economic Area to pension funds held under pension accumulation agreements concluded before 31 December 2024, as well as additional accumulated pension contributions paid according to the provisions of Article 8(3) of the Law on Pension Accumulation (exceeding 3% of the resident's income from which state social insurance contributions are calculated), may not exceed EUR 1 500 per tax period (Article 21(3) of the LPIT).

Expenses shall be deducted only from the income of a permanent resident of Lithuania for the purpose of calculating income tax for the tax period and filing an annual income tax return (Article 21(4) of the LPIT).

II. Insurance benefit due to an insured event (other than expiry of a life insurance contract validity period)

The insurance benefit payable in the case of the insured person's death, health injury, or illness, shall not be taxable. (Article 17(1)(13) of the LPIT).

III. Insurance benefit payable upon expiry of validity period of a life insurance contract or amount payable upon its full or partial termination

1. The total amount of the insurance benefit upon expiry of the insurance contract validity period or the amount payable upon full or partial termination of the insurance contract shall be non-taxable, if:

- 1.1. under a life insurance contract concluded for a term of not less than 10 years or terminated not earlier than 10 years after its conclusion, insurance premiums were paid only by residents and were not deducted from income in accordance with the procedure established by Article 21 of the LPIT (Article 17(1)(11) and (12) of the LPIT);
- 1.2. under a life insurance contract, premiums were paid by residents and were deducted from income according to the procedure established in Article 21 of the LPIT, or premiums were paid by legal entities, or by residents and legal entities, and the beneficiary specified in the insurance contract has not changed from the date of conclusion of the insurance contract, except in cases where the beneficiary has changed due to the death of the beneficiary or the end (beginning) of marriage, or if the beneficiary – own child (adoptive child, foster child) was replaced by another own child (adoptive child, foster child), also if the beneficiary had changed before 31 December 2016 (Article 17(6) of the LPIT), and at least one of the following conditions is met:
 - the contract term is not less than 10 years or the contract is terminated no earlier than 10 years after its conclusion, and at the time of receiving the benefit, the beneficiary is younger than 26 years old (Article 17(1)(10) of the LPIT); or
 - the contract term is not less than 5 years or the contract is terminated no earlier than 5 years after its conclusion, and at the time of receiving the benefit, the beneficiary has reached the age of 55 (for contracts concluded between 1 January 2003 and 31 December 2012) (Article 17(1)(9) of the LPIT); or
 - the contract term is not less than 5 years or the contract is terminated no earlier than 5 years after its conclusion, and at the time of receiving the benefit not more than 5 years remain until the beneficiary reaches the retirement age specified in the Republic of Lithuania Law on Social Insurance Pensions, which was in effect at the time of the conclusion of the life insurance contract (for contracts concluded from 1 January 2013) (Article 17(1)(9¹) of the LPIT); or
 - the contract term is not less than 5 years or the contract is terminated no earlier than 5 years after its conclusion, and at the time of receiving the benefit the beneficiary has an established participation level of 0–40% (until 31 December 2023, the working capacity level of 0–40% had been established), or the beneficiary is a disabled child with the established need for compensation for the costs of providing the first or second level individual assistance (a special need for permanent care has been established before 31 December 2023,) (Article 17(1)(9),(9¹) of the LPIT).

2. If the life insurance contract does not meet the conditions specified in paragraph 1, the life insurance benefit at the end of the insurance contract term or the amount payable upon termination or partial termination of the insurance contract shall be taxed in the following manner:

- 2.1. the portion equal to the life insurance premiums paid by residents and deducted from income according to the procedure established by the LPIT, shall be subject to a 15% personal income tax (Article 6(4) of the LPIT);
- 2.2. the portion equal to the life insurance premiums paid by residents and not deducted from income according to the procedure established by the LPIT shall be non-taxable (Article 17(1)(12) of the LPIT);
- 2.3. The portion equal to the life insurance contributions paid by legal entities shall be subject to progressive personal income tax rates (Article 6(1) and (2) of LPIT):
 - the portion not exceeding 12 average national salaries (hereinafter – ANS) shall be taxed at a rate of 15%;
 - the portion exceeding 12 ANS but not exceeding 36 ANS shall be taxed at a rate of 20%;
 - the portion exceeding 36 ANS but not exceeding 60 ANS shall be taxed at a rate of 25%;
 - the portion exceeding 60 ANS shall be taxed at a rate of 32%.
- 2.4. the portion exceeding the life insurance premiums paid shall be non-taxable if the term of the life insurance contract is not less than 10 years or the contract is terminated not earlier than 10 years after its conclusion (Article 17(1)(11) of the LPIT). If the term of the life insurance contract is less than 10 years or the contract is terminated earlier than 10 years after its conclusion, this portion of the personal income tax shall be taxed at progressive personal income tax rates (Article 6(1) and (2) of the LPIT):
 - the portion not exceeding 12 ANS shall be taxed at a rate of 15%;
 - the portion exceeding 12 ANS but not exceeding 36 ANS shall be taxed at a rate of 20%;
 - the portion exceeding 36 ANS but not exceeding 60 ANS shall be taxed at a rate of 25%;
 - the portion exceeding 60 ANS shall be taxed at a rate of 32%.

Contributions of the state social insurance and of the compulsory health insurance from benefits received by a resident paid upon expiry or termination of a life insurance contract shall not be payable (Article 10 of the LSSI and Article 17 LHI).

Notes

1. When paying an insurance benefit upon the expiry of a life insurance contract or upon the termination or partial termination thereof, the insurer shall apply the relevant personal income tax rate and withhold the tax taking into account the amount payable. Where the amount payable consists of a portion equal to the life insurance contributions paid by legal entities and a portion exceeding the total life insurance contributions paid, these portions shall be aggregated for the purpose of determining the applicable personal income tax rate (Article 23(7) of the LPIT).

2. The taxable portion of the insurance benefit paid upon the expiry, termination or partial termination of a life insurance contract, i.e. the portion equal to the contributions paid by legal entities and the portion exceeding the total life insurance contributions paid, shall be included in the taxpayer's total taxable annual income for the purpose of calculating the final personal income tax liability. Non-taxable amounts shall not be included in total income. Any additional personal income tax calculated upon annual declaration shall be payable by the individual (Article 27(1) and (5) of the LPIT).

3. Insurance benefits received by a non-permanent resident of Lithuania shall not be subject to income tax, therefore, they shall be neither declared nor taxed (Articles 4 and 5 of the LPIT).

4. Where, during the tax period, a non-taxable income amount (NPD) was applied to income derived from employment or relationships equivalent thereto, and the individual receives a benefit under an expired, terminated or partially terminated life insurance contract, the annual NPD shall be reduced by taking into account (by adding to annual income) the portion of the benefit exceeding the contributions paid under the contract, provided that such portion was subject to personal income tax (Article 20(7) of the LPIT).

5. A life insurance contract shall be partially terminated when fewer insurance premiums are returned than would be returned upon full termination of the contract, and the contract remains valid after the repayment of premiums (STI interpretation No KM0829, 22 11 2018).

6. The amount of the average national salary shall be determined annually in the Law approving the indicators of the State Social Insurance Funds' budgets for the respective year.

A more detailed interpretation of provisions of the LPIT regarding the taxation rules applicable to life insurance contracts can be found on the State Tax Inspectorate's website. www.vmi.lt.

IV. Regarding amendment to the terms and conditions of life insurance contracts and possibility of abuse

In cases where certain amendments are made to the terms and conditions of the insurance contract according to the provisions of legal acts regulating insurance activities, but the rights established in those legal acts are used to seek tax benefits (e.g., to receive a benefit not taxed with a personal income tax), the tax administrator shall have the competence to qualify such cases as abuse and, applying the principle of substance over form established by Articles 10 and 69 of the Republic of Lithuania Law on Tax Administration, the benefit received by a resident shall be taxed at the personal income tax rate established by the PITL.