

**IMPORTANT INFORMATION FOR POLICY HOLDERS (RESIDENTS)  
RE: THE TAXATION PROCEDURE APPLICABLE TO LIFE INSURANCE CONTRACTS  
CONCLUDED BEFORE 31 DECEMBER 2002**

**Taxation procedure applicable from 01 January 2017**

This information has been prepared in accordance with *applicable* Law on Personal Income Tax of the Republic of Lithuania as amended.

**PERSONAL INCOME TAX EXEMPTION APPLICABLE TO PERSONS WHO PAY THE LIFE INSURANCE CONTRIBUTIONS**

The permanent resident of Lithuania may deduct the life insurance contributions paid:

- To his own benefit
- To the benefit of a spouse
- To the benefit of own minor children (adopted children and children in ward who are subject to permanent custody (guardianship) in a family)
- To the benefit of own children of the age under 18 and elder children (adopted children and children in ward who are subject to permanent custody (guardianship) in family, adults who were subject to permanent custody (guardianship) in a family before they attained the age of majority and who are subject to the special need of permanent nursing, and children under the age of 18 and elder children (adopted children and children in ward who are subject to permanent custody (guardianship) in family, adults who were subject to permanent custody (guardianship) in a family prior to attainment of the age of majority) who before 30 June 2005 were recognized absolutely disabled

under a life insurance contract that provides for that the indemnity is paid not only on occurrence of the insured event but also upon expiry of the validity term of the insurance contract (par. 1 of art. 21(1) of the LoPIT).

The total sum of expenses deductible from income of a resident, as indicated in art. 21(1) of the LoPIT, shall not be over 25 percent of the total taxable income earned for a tax period, while the total withdrawable sum of life insurance contributions and contributions to pension funds or pension funds owned by associations of members of professional pension funds and (or) analogous entities operating in the member state of the European Economic Area shall not be over EUR 2,000 per tax period (art. 21(3) of the LoPIT). Expenses shall be only deducted from the income earned by the permanent resident of Lithuania when income tax earned for a tax period is calculated during filing in an annual income tax declaration (art. 21(4) of the LoPIT). **Expenses shall be deducted** from that taxable income which is subject to collection of 15% personal income tax (art. 6(1) of the LoIT, par. 6 of art. 16(1) of the LoPIT).

**II. INSURANCE INDEMNITY FOR AN INSURED EVENT**

(expiry of the validity term of a contract other than the health insurance contract)

An insurance indemnity that is paid for such an insured event as the death of the insured person, a health injury, or a disease **shall be subject to tax exemption** (par. 13 of art. 17(1) of the LoPIT).

**III. INSURANCE INDEMNITY PAYABLE UPON EXPIRY OF THE VALIDITY TERM OF THE LIFE INSURANCE CONTRACT OR THE SUM OF CONTRIBUTIONS REFUNDABLE UPON TERMINATION OF THE LIFE INSURANCE CONTRACT IN WHOLE OR IN PART**

The total insurance indemnity upon expiry of the validity term of the insurance contract or the sum of contributions refundable upon termination of the insurance contract in whole or in part **shall be subject to tax exemption** if the validity term of the contract is at least 10 years or the contract is terminated not earlier than upon expiry of 10 years from the date when it was concluded (par. 8 of art. 17(1) of the LoPIT).

**NOTES**

1. The insurance indemnities received by the non-resident of Lithuania shall not be deemed to be the income object, therefore they shall be subject to neither declaration nor taxation (art. 4 and art. 5 of the LoPIT).

2. It should be mentioned that, if during the tax period the resident's income related to employment relationship or any other relationship as a matter of fact attributable to employment relationship was subject to application of NTI (non-taxable income), then, after receiving the indemnity under a life insurance contract that has expired, cancelled, or has been partially terminated, the annual NTI shall not be reduced (by adding to annual income) by taking into account the share of the indemnity received in excess of the contributions paid under this contract because, according to the life insurance contracts concluded before 1 January 2003, the share of the indemnity in excess of the contributions paid is deemed to be tax exempt income (art. 20(7) of the LoPIT).

For more information on explanation of provisions of the LoPIT regarding the procedure of taxation applicable to life insurance contracts see the website of the State Tax Inspectorate [www.vmi.lt](http://www.vmi.lt).