

Lithuania Amends Definition of Hybrid Entity to Fully Transpose ATAD2 Directive

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Lithuania adopted amendments to the Law on Corporate Income Tax according to which the definition of a hybrid entity was amended (for previous reporting and details, see [Lithuania Transposes Definition of Hybrid Entity into Law \(11 January 2022\)](#)).

Definition of a hybrid entity was specified in respect to the management control percentage. The revised definition covers cases where a hybrid entity is an entity in which 50% and more shares/parts/voting rights are controlled, i.e.:

"Lithuanian hybrid entity – an entity, except for collective investment undertaking, or a formation in which 50% or more of the shares (or parts), voting rights or rights to a share of the distributable profit, or exclusive rights to acquire them are directly or indirectly owned either by a foreign resident for tax purposes, which is considered a separate entity according to the legislation of a foreign country, but its income and expenses are considered as income and expenses of another person(s) according to the Law on Corporate Income Tax, or several associated persons, at least one of whom is a foreign resident for tax purposes, which is considered a separate unit according to the legislation of a foreign state, but its income and expenses are considered income and expenses of another person(s) according to the Law on Corporate Income Tax."

The amended definition transposes the requirements of a hybrid entity provided in article 9a paragraph 1 of the [Amending Directive to the 2016 Anti-Tax Avoidance Directive \(2017/952\) \(ATAD 2\)](#). Previously, the definition required a control percentage of "more than 50%".

The amendments came in force as of 23 June 2023.

The amendments can be found [here](#) (in Lithuanian only).