

THE OECD TAX-BENEFIT MODEL FOR LITHUANIA

Description of policy rules for 2019



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Preface

The [OECD Tax-Benefit model](#) (**TaxBEN**) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2019**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Lithuania: Policy rules in 2019

1. Reference wages and other reference amounts

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#))¹. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate..

The minimum wage [**MIN**] in 2019 is EUR 555 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2019) by 12, i.e. EUR 555 * 12 = EUR 6 660.

Several other reference amounts are frequently used for calculation of benefits and income thresholds in Lithuania:

- State supported income (SSI) is EUR 122 per month..
- Basic social benefit (BSB) is EUR 38 per month.
- Amount of minimum consumption needs (AMCN) is EUR 251 per month. This is a new reference indicator approved in 2017. Since 2019, BSB and SSI are anchored to it. The AMCN is calculated on an annual basis, and the above-mentioned indicators will increase depending on the growing annual inflation and prices of food and non-food products and services.

2. Unemployment benefits

2.1. Unemployment social insurance benefit (*Nedarbo draudimo išmoka*)

Code in the OECD tax-benefit model:³ [**UI_p**; **UI_s**]

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. 

2.1.1. Eligibility conditions

Age: The right to unemployment insurance benefit is granted to a person aged 16 and over who has not reached the retirement age (62 years and 4 months for women and 63 years and 8 months for men on 1 January 2018).

¹ Average Wages are estimated by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

² Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

³ Each section lists the variable names (in TaxBEN outputs) which correspond to the benefits/taxes described in the section. Variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” refer to the spouse.

Contribution/employment history: Social insurance contributions must have been made for at least 12 months in the last 30 months.

Behavioural requirements and related eligibility conditions:  A person must be registered in a local labour exchange (since 1 October 2018 Employment Service under the Ministry of Social Security and Labour of the Republic of Lithuania) office as unemployed; be fully unemployed; be able to work and be available for work; be ready to participate in the measures of active labour market policy. The eligibility does not depend on whether the job loss is “voluntary” or not. TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.⁴

2.1.2. Benefit amount

The unemployment social insurance benefit comprises a fixed and a variable component.

The **fixed component** equals to 23.27% of the established minimum monthly wage valid in the month for which the unemployment insurance benefit is paid.

The **variable component** is linked to the former insured income of the unemployed.

Insured income includes all incomes of an individual from which the unemployment insurance contributions were paid or had to be paid (including unemployment insurance and part-time work benefits, sickness, maternity, paternity, and child care benefits).

The average monthly insured income is calculated taking into account the amount of the actual insured income of an unemployed for every month during the previous 30 months (including months with zero income) starting from the end of the calendar quarter to the date of the unemployed registration at local labour exchange.

The variable component is calculated as follows:

- from the 1st to the 3rd months of payment it equals 38.79% of the average monthly insured income
- from the 4th to the 6th months – 31.03%;
- from the 7th to the 9th months – 23.27 %.

Minimum and maximum:

The minimum unemployment social insurance benefit consists of the fixed component, i.e. $\text{EUR } 555 * 23.27\% = \text{EUR } 129.15$.

The unemployment insurance benefit paid in each of the periods cannot exceed 75% (since 1 July 2019 – 58.18%) of the average monthly wage in the national economy (which is published every quarter by the Department of Statistics). In the third quarter of 2018, average gross monthly earnings in the whole economy (individual enterprises included) totalled EUR 927.8 i.e. unemployment insurance benefit cannot exceed EUR 695.85.

⁴ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

2.1.3. *Benefit duration*

The duration of unemployment benefit is 9 months.

For the unemployed person who is not more than 5 years below the retirement age the duration of unemployment benefit shall be extended by 2 additional months if early retirement pension is not allocated to him (*not simulated*).

Unemployed person can re-apply for unemployment benefit after 12 months after the date of termination of payment of the previous unemployment insurance benefit.

Payment of the unemployment insurance benefit to the unemployed persons who have been dismissed from work due to the fault of the employee shall be started upon expiry of 3 calendar months from the date of registration with the local labour exchange (*not covered by the model*).

2.1.4. *Means test*

The benefit is not means-tested.

2.1.5. *Tax treatment*

The benefit is not taxable.

2.1.6. *Interactions with other components of the tax-benefit system*

Unemployed who receive state social insurance, assistance or state pensions (with the exception of widows', widowers', orphan's and loss of breadwinner's pensions, compensations for extraordinary working conditions, assistance pensions received for other persons), periodic compensations for lost capacity for work due to accidents at work and occupational diseases as well as occupational rehabilitation, maternity, paternity or childcare social insurance benefits, shall be paid only the part of the unemployment insurance benefit that exceeds the sum of the pensions, compensations or benefits received (*not covered by the model*).

2.1.7. *Combining benefit receipt and employment/starting a new job*

The payment of the benefit is terminated if a person becomes an employee or self-employed.

3. Social assistance and housing benefits

3.1. *Social benefit (Socialinė pašalpa)*

Code in the OECD tax-benefit model: **[SA]**

This is a non-contributory benefit, means-tested and not taxable.

3.1.1. *Eligibility conditions*

Families (or single residents) are entitled to social benefit if they satisfy the means test (see Section 3.1.4.) and comply with these conditions (*assumed to hold in the model*):

- family members over 18 years of age are in one of these situations:

- **employed** and during the assessment period of three months worked no less than two thirds of the statutory working time or worked part-time (in special cases), and the amount of pay was not less than a minimum monthly pay or minimum hourly pay;
 - in full-time formal **education** and are under 24 years of age;
 - reached the retirement age or receive **pensions** (except the state social insurance disability pension granted to a person with capacity to work reduced by 45-55%), pension benefits or social assistance benefits;
 - persons with **reduced work capacity** (by more than 60%);
 - registered as **unemployed** with the Employment Service;
 - taking **care** a family member or a child;
 - are undergoing **treatment** in a in-patient health care institution for at least a month;
 - **pregnant** women with less than 70 calendar days left before a baby is due (28 or more weeks of pregnancy);
 - a mother or a father who **raises a child** (children) under 3 years old who does not attend a pre-school educational establishment (under 8 years old in certain circumstances);
- children between 16 and 18 years of age are in one of the following situations:
 - working (requirements for people older than 18 do not apply);
 - attend institutions of formal education;
 - are invalids or disabled in the manner prescribed by the law;
 - have registered with the Employment Service;
 - are pregnant women;
 - raising a child (children).

3.1.2. *Benefit amount*

Regular amount:

- The amount of the social benefit for a single person who is entitled to it shall make 100% of the difference between the amount of SSI per single person and the average monthly income per single person.
- The amount of the social benefit for persons living together who are entitled to it shall make up:
 - for the first person – 100% of the difference between the amount of SSI per person and the average monthly income of the persons living together per person;
 - for the second person – 80%;
 - for the third and subsequent persons –70%.

Supplement for pupils:

Pupils who study according to general education (in the model assumed to be children from 7 to 19 years old) or pre-school (6 years old) curricula are entitled to provision of school supplies if the average monthly income per family member is lower than the

amount of 1.5 * SSI. The amount of the benefit is 2 * BSB per year (paid in cash and in some cases in kind).

Reduced amount:

Reduction of social benefit is applied only with regard to unemployed persons of working age, who are capable of work (as well as to persons who are not self-employed) and are entitled to social benefit for a long time:

- for the person receiving the social benefit from 12 to 24 months the amount of the social benefit is reduced by 20%
- from 24 to 36 months – by 30%
- from 36 to 48 months – by 40%;
- from 48 to 60 months – by 50%;
- for more than 60 months – the reduced social benefit is paid in non-monetary form (since 30 September 2016).

Since 30 September 2016, the list of circumstances under which cash social assistance cannot be reduced was expanded. The scheme of proportionate reduction of social benefit is not applied if at least one of the following conditions holds:

- the Employment Service did not offer a job or an opportunity to participate in active labour market policy measures;
- a working-age unemployed person (who is employable and not in education) participated in useful social activity organized by the municipal administration.

In the model, it is assumed that one of the above conditions are satisfied, thus the reduction in social benefits is not modelled.

3.1.3. *Benefit duration*

The benefit is granted for three months. The social benefit may be renewed unlimited number of times if the circumstances have not changed.

3.1.4. *Means test*

In order to be eligible for social benefit:

- the value of the property should not exceed the threshold (*not covered by the model*);
- the average income of a family during the period of three months preceding the month when the family acquired the right to social benefit should be lower than the SSI per family.

All income (i.e. net income including pensions, unemployment benefit, alimony, periodical state benefits, etc.) is taken into account with the exception of the social benefit itself, extraordinary grants, and special social allowances.

Since 1 January 2018, the child benefit and part of the net work income of working person should not be included in a family income establishing person's (family's) right to assistance:

- 15 % – for persons who do not have children (adopted child) or for single person;
- 20 % – for persons raising one or two children (adopted child);
- 25 % – for persons raising three or more children (adoptive child);
- 30 % – for individuals raising one or two children (adopted child);

35 % – for individuals raising three or more children (adopted child).

3.1.5. Tax treatment

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

None

3.1.7. Combining benefit receipt and employment/starting a new job

Special eligibility conditions are applied in case a person starts new employment. In this case persons living together (or a single resident) shall be granted a (special) social benefit if the following conditions are met:

- at least one of the persons living together gets employed and his remuneration for work is not less than the minimum monthly wage or the minimum hourly pay but not more than two minimum monthly wages or two minimum hourly pays;
- before employment the persons were registered with the Employment Service no less than 6 consecutive months;
- persons living together were the recipients of the social benefit at least one month during the last three months before the employment;
- application for allocation of additional social benefit when employed is submitted no later than during 12 months since the employment.

The amount of the benefit equals 50% of the average amount of the social benefit paid during the last 6 months prior to employment. It is paid for each month in employment but no longer than for 12 months.

If after finding employment persons living together (or a single resident) are still eligible for social benefit, they can receive social benefit and additional 50% of the previous social benefit at the same time.

4. Family benefits

4.1. Child benefit (*Išmoka vaikui*)

Code in the OECD tax-benefit model: **[FB_curr]**

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

Since 2018, the eligibility to child benefit is universal: for every child from birth to the age of 18 years and over, if he / she is studying under the general curriculum, but no longer then until he reaches the age of 21.

4.1.2. Benefit amount

Since 2019, the universal child benefit amounting to 1.32 BSB shall be paid to all children without regard to family income from birth to 18 years of age (to 21 years if person studies

according to general education curricula), while for the disabled children – 1.84 BSB (*not covered in the model*).

For low-income families raising (or fostering) one or two children and families raising (or fostering) three or more children there is a supplementary child benefit amounting to 0.53 * BSB. Supplementary child benefit should be paid to children from birth to 18 years of age (to 21 years if person studies according to general education curricula). If the family is raising (or fostering) one or two children, then the average family's income per person per month in the previous calendar year should not exceed 1.5 * SSI; if the family is raising (or fostering) three and more children – regardless family income.

Family's income is gross earnings after deductions of taxes and social contributions, social benefits, alimony, etc.

4.1.3. *Benefit duration*

As long as the eligibility conditions hold.

4.1.4. *Means test*

The eligibility to the benefit is universal, however, the supplementary benefit for low income families raising one or two children is paid as described in Section 4.1.2.

4.1.5. *Tax treatment*

The benefit is not taxable.

4.1.6. *Interaction with other components of the tax-benefit system*

None.

4.1.7. *Combining benefit receipt and employment/starting a new job*

Possible with no restriction. However, the amount depends on the means test.

4.2. *Children's maintenance benefit (Vaikų išlaikymo išmokos)*

Code in the OECD tax-benefit model: [\[alim\]](#)

This is a non-contributory benefit, not means-tested and not taxable. Since 1 January 2018, State Social Insurance Fund administers children's maintenance benefit payment.

4.2.1. *Eligibility conditions*

The support can be paid to a child who does not receive all or part of the support awarded by the child's father. Child should be under the age of 18 years (over 18 years of with disability).

4.2.2. *Benefit amount*

The benefit is paid once a month and is no more than 1.8 * BSB.

4.2.3. Benefit duration

As long as eligibility conditions hold.

4.2.4. Means test 

Not means-tested.

4.2.5. Tax treatment

Non-taxable.

4.2.6. Interaction with other components of the tax-benefit system 

Included in the means-test for child benefit and social benefit

4.2.7. Combining benefit receipt and employment/starting a new job

No restrictions.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2019**.

The pre-school education takes place in the family; or is provided according to a pre-school curriculum. The pre-school education is provided to children from the age of 0 to 5 (or 6). Pre-primary education is compulsory at age 6 (or 5 if parents chooses to get earlier pre-primary education). The pre-school curriculum is implemented by nursery-kindergartens, kindergartens, kindergarten-schools and other schools, freelance teachers or other education providers. Families raising pre-school children at home may receive educational assistance according to a procedure established by the Government or its authorized institution. Pre-primary children can get home-based teacher education if doctors' commission recommends. Children must start attending primary schools when they turn 7 years of age during the calendar year.

5.1. Gross childcare fees

Code in the OECD tax-benefit model: **[LTcc_cost]**

The founder of the pre-school determines the fees for children attending pre-school curriculum groups. The founder of the pre-schools can be private and public. In case of public pre-schools, the founder is municipality (*savivaldybė*).

In Vilnius city municipality, parents pay a fee for a child's maintenance in municipal schools that are implementing pre-school and pre-primary education programs. The fee consists of the meal fee and the fee for child's education and other purposes.

The meal fees (EUR per child per day) are:

Group type	10.5 -12 hours	14 - 24 hours	maximum of 4 hours
Nursery groups (<i>from 1 up to 3 years old</i>)	1.81	2.07	1.36
Kindergarten groups (<i>from 3 up to 5/6 years old</i>)	2.07	2.32	1.56
Pre-primary education groups (<i>from 5/6 up to 7 years old</i>)	2.07	2.32	1.56

In 10.5-12 hours groups, the meal fee includes breakfast, lunch and dinner (*in the model, this option is assumed for full-time childcare attendance*). In 14-24 hours groups, there is one additional meal. In short-stay groups (up to 4 hours), two meals a day are offered (*in the model, this option is assumed for part-time childcare attendance*) or no meals upon parents' request.

Child education and other fees are EUR 0.72 per child per day for all families and EUR 0.29 per child per day for socially disadvantaged families (i.e. families that receive social benefit).

Any other parental support for kindergartens is voluntary.

Private institutions fees are more expensive: EUR 130-500. It includes meals and teaching aids, sometimes also non-formal education of pre-school children. Public institutions are considered in the model.

5.1.1. Discounts for part-time usage

For children who attend a short time group (up to 4 hours) in the pre-school institutions eating and paying for meals is not compulsory. In the model, the fee for short time groups includes the fee for meals as indicated in the table above.

5.2. Fee discounts and free provision

Municipalities determine discounts and free provision of childcare services in public pre-schools.

In Vilnius City municipality a fee for a child's meals in pre-school is reduced by 50% (at a request of parents) if:

- a child has only one parent (i.e. if one of a child's parents is dead, not listed in a child's birth certificate, court recognized as missing or incapable);
- a family raises three or more children under 18 (or older if in general education);
- child's parents study (*not considered in the model*);
- child has special education needs (*not considered in the model*);
- child is suffering from a certain disease (*not considered in the model*);
- the both child's parents have work capacity of up to 40% (*not considered in the model*).

In Vilnius City municipality, child meal is free if:

- the family receives a social benefit;
- child did not attend institution because of certain reasons (*not considered in the model*).

In addition, according to the Lithuania Law on Social Assistance for Pupils, if monthly income per family member is lower than $1.5 * SSI$, pupils have the right to:

- free lunch (this is modelled as a full reduction of meal fees because separate fee estimates for breakfast and dinner are not available);
- provision with pupil's supplies provided at the beginning of a school year (this is modelled as part of Social benefit, see Section 3.1.).

The same applies to families with the average per capita income below $2 * SSI$ if the following conditions hold for one of the family members:

- disease, disability, accident, or loss of breadwinner (*not considered in the model*)
- a parent is raising a child alone
- a family raising three or more children.

Municipal administrations have the right to establish meal fee reductions in additional cases if monthly income per family member is lower than $2.5 * SSI$. In view of this provision, the Vilnius City Municipality offers other reductions in some special cases if monthly income per family member is lower than $1.2 * SSI$ (*not covered by the model*).

Since 2015 some municipalities, which have a lack of free places in their childcare institutions give compensations EUR 70-100 for childcare services in private institutions

(this is about 14-60 % of monthly payment in private institutions). This is not covered in the model.

5.3. *Child-care benefits for formal centre-based care*

Code in the OECD tax-benefit model: [\[cc_benefit\]](#)

There are no special childcare benefits to parents of children in pre-schools.

5.4. *Child care allowance for children not using child care centers*

None.

5.5. *Tax concessions for childcare expenditures*

An individual will be able to deduct the expenses incurred for one's own or spouse's benefit for childcare services for children until 18 years, provided that the service provider is registered as the Lithuanian taxpayer. Deduction is not available for fees or any other expenses paid to pre-schools or school educational institutions. However, parents can deduct wages of babysitters or nannies.

6. In-work benefits

A social benefit recipient can be granted 50% of the average amount of the previously received Social Benefit in case he or she starts new employment (under certain conditions). This is an in-work benefit, however, in the model it is modelled as part of social assistance [\[SA\]](#). For more details on the rules see Section 3.1.7.

7. Social security contributions and payroll taxes

State social insurance contributions for each insured person shall be calculated on the basis of wages calculated for each such person. Since 1 January 2018, Lithuania introduced social contribution „floors” requiring employers of part-time workers to pay contributions corresponding at least to those of a minimum-wage full-time worker. Exceptions apply for below-24 year-olds, pensioners, persons working for two employers and persons insured by the state, e.g. during the second and third year of childcare leave. Since 2019, the floors are applied also to employee contributions. Employers are responsible for paying the “floors”.

From 1 January 2019, the “ceiling” of state social insurance contributions comes into force. A part of the wage above the “ceiling” is not subject to social insurance contributions (except health contributions, which are paid from the full amount). In 2019, the ceiling is 120 monthly average wages (AW)⁵ per year, i.e. 120 * EUR 1 136.2 = EUR 136 344 per year; in 2020 - 84 AW per year; in 2021 - to 60 AW per year.

⁵ The AW applied to calculate the state social insurance contribution base is approved by the law of Approval on Budget Indicators of the State Social Insurance Fund for the relevant year. It is the average gross monthly earnings (including salary data for the sole proprietorships) published by the

Since 1 January 2019, the calculations of state social insurance contributions have changed. The burden of payment of the larger part, i.e. 28.9% of social insurance contributions paid by the employers will be transferred to the employees. Respectively, the employers will be obliged to recalculate gross wage of the employee by increasing it by 1.289 and amending the employment agreements without the employees' prior consent. Wage recalculation should not lead to the reduction of the employee's net wage. It applies to all employment relations covered by state social insurance.

It should be noted that income in kind and non-monetary gifts shall not be recalculated, because they are subject to the calculation from taxable value.

7.1. Social security contributions paid by employees (*Darbuotojų mokamos socialinio draudimo įmokos*)

Variable names: **[SC_p; SC_s]**

Since 1 January 2019, the rate of the state social insurance contributions payable by insured persons is 19.5%, divided between different types of social insurance in the following way:

- for pension – 8.72%;
- for sickness – 2.09%;
- for maternity – 1.71%;
- for health – 6.98%.

7.2. Social security contributions paid by employers (*Darbdavių mokamos socialinio draudimo įmokos*)

Variable names: **[SSCR]**

Since 1 January 2019, the overall rate of the state social insurance contributions of the insurer is 1.47%, divided between different types of social insurance in the following way:

- for unemployment – 1.31% (for fixed-term employment contracts - 2.03%, *not considered in the model*);
- for accidents at work and occupational diseases – 0.16%.

The latter is the weighted average of the four categories of social insurance contributions for accidents at work and occupational diseases:

- Category I – 0.14%;
- Category II – 0.36%;
- Category III – 0.7%;
- Category IV – 1.4%.

In addition, the employer pays:

- The contributions to long-term work benefit fund – 0.16%;
- The contributions to the Guarantee fund – 0.16%.

8. Taxes

The income of spouses is taxed separately. However, there are some provisions according to which the right to deduct certain items can be shared or transferred between spouses (e.g., life insurance and pension contributions, etc.).

8.1. *Personal income tax (Gyventojų pajamų mokestis)*

Code in the OECD tax-benefit model: `[IT_p; IT_s]`

8.1.1. *Tax allowances*

Basic tax-exempt amount (BTEA):

The full BTEA consisted of EUR 300 per month in 2019. The actual BTEA depends on the amount of person's income and is calculated as follows:

- the full BTEA (EUR 300) is applied to persons whose income related to labour relations was EUR 555 or less per month (minimum monthly wage effective on 1 January of a respective calendar year);
- for a person whose income was more than EUR 555 per month BTEA is calculated according to the formula: $BTEA = 300 - 0.15 * (\text{income} - 555)$;
- If the BTEA calculated according to this formula is negative, it is assumed to be equal to 0.

Additional tax exempt amount (ATEA) is abolished since 2018.

Other allowances: *(not covered by the model)*

- a) life insurance contributions paid for his own benefit or for the benefit of his spouse or minor children;
- b) voluntary pension contributions paid for his own benefit or for the benefit of his spouse or disabled children;
- c) payments for vocational training or studies made by studying persons.
- d) pension contributions paid as additional accumulative pension contributions to pension funds, provided that such contributions exceed 3% of individual's income on which social security contributions are calculated.
- e) expenses incurred for one's own or spouse's benefit on decoration and repair of buildings (except for apartment building renovation), car repair, childcare services for children until 18 years, provided that the service provider is registered as the Lithuanian taxpayer.

The total deductible for (a), (b), and (d) should not exceed EUR 1 500 per year.

The total annual amount of (e) should not exceed EUR 2 000 per year. The relief is temporary and will be applied to 2019, 2020, and 2021 calendar years.

The total amount of all above-mentioned deductions shall not exceed 25% of the amount of taxable income.

8.1.2. *Tax base*

As concern social benefits, only insurance maternity benefit and sickness benefit are taxable *(not covered by the model)*. The taxable income shall be calculated by deducting from all income earned during the taxable period:

- tax-exempt income enlisted in the Law;

- income, derived from activity performed with a business certificate (*not covered by the model*);
- allowable deductions, related to an income derived from individual activity (*not covered by the model*);
- an acquisition price of property (*not covered by the model*);
- basic personal allowance and additional personal allowance;
- deductible expenses (*not covered by the model*);
- voluntary pension contributions to the 2nd pillar (exceeding 3%) and 3rd pillar (*not covered by the model*).

8.1.3. Income tax schedule

In 2019, the individual income tax is levied at 20%. When an individual's annual income from wages exceeds 120 average wages (AW⁶), EUR 136 344 per year in 2019 (84 AW – in 2020 and 60 AW – in 2021 and subsequent years), the tax rate for the part exceeding the limit is 27%.

8.1.4. Tax credits

There are no tax credits in Lithuanian.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Lithuania 2019 (Figure 1). TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the [project website](#). Figure 1 shows outputs for four scenarios:

- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

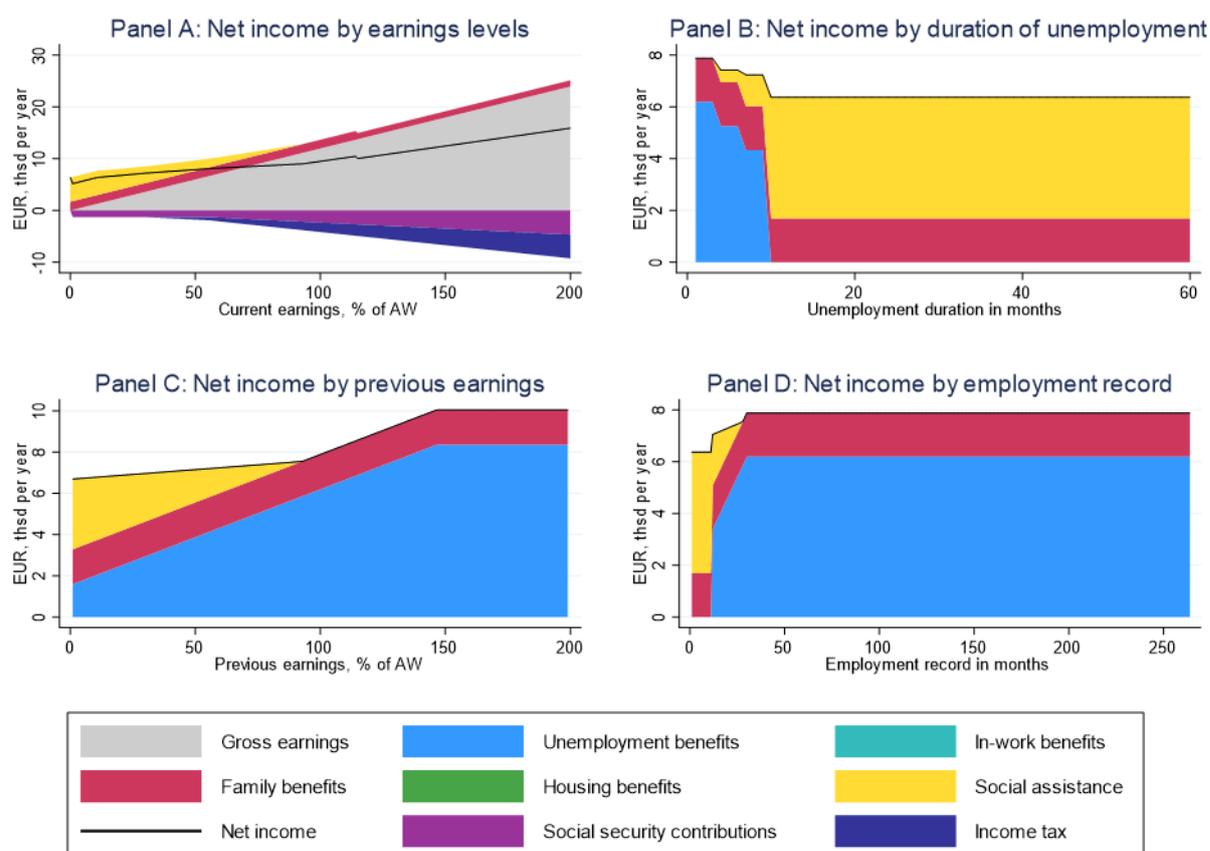
The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

⁶ The AW applied to calculate the state social insurance contribution base is approved by the law of Approval on Budget Indicators of the State Social Insurance Fund for the relevant year. It is the average gross monthly earnings (including salary data for the sole proprietorships) published by the Statistics of Lithuania of Q3 and Q4 for the year before the previous year and Q1 and Q2 for the previous year.

Results in Figure 1 refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Figure 1. Selected output from the OECD tax-benefit model

Two-adult couple with two children.



Notes: In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.

Source: Calculations based on the OECD tax-benefit model.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Lithuania that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Compensations for heating costs, drinking water costs and hot water costs (Būsto šildymo, geriamojo ir karšto vandens išlaidų kompensacijos)

This is a means-tested support to cover expenses for heating, drinking and hot water. Eligibility conditions are the same as for Social Benefit (see Section 3.1.1.). Families or single residents shall be entitled to the following compensations:

- during the heating season – part of the expenses for heating (below the limit) exceeding 10% of the difference between the income of a family and the SSI per family;
- part of the costs of cold water and sewage (below the limit) exceeding 2% of the income of a family;
- part of the costs for hot water (below the limit) exceeding 5% of the income of the family.

Compensations are not subject to taxation.

Birth grant (Vienkartinė išmoka gimus vaikui)

Each born child is entitled to a lump-sum birth grant equal to 11 * BSB. On the birth of twins (or triplets) the birth grant is doubled (or tripled). Birth grant is paid to one of the parents raising a child.

Benefit for multiple births (Išmoka gimus vienu metu daugiau kaip vienam vaikui)

When two or more children are born, one of the parents shall be granted a benefit for multiple births. If two children are born at a time, a monthly benefit amounts to 4*BSB. If more than two children are born at a time, the amount of benefit is increased by 4*BSB respectively. This benefit is paid from the moment of birth of children until they reach the age of two years.

Maternity benefit (Motinystės išmoka)

Women are entitled to receive maternity benefit for the period of pregnancy and delivery if:

- they are covered by maternity social insurance;
- they were granted pregnancy and delivery leave;
- before the first day of pregnancy and delivery leave they have the social insurance period of not less than 12 months during the last 24 months.

The maternity benefit for women, who gave birth after 30 weeks of pregnancy and later, is paid for 126 calendar days. In cases of complicated childbirth and if more than one child was born, the benefit is paid for additional 14 calendar days. Women who have not used the right to a maternity leave before the date of childbirth shall be paid a maternity benefit for 56 calendar days after the childbirth. Women who have not used the right to a maternity leave before the date of childbirth (30 or more weeks of pregnancy), in case of complicated

childbirth and if more than one child was born the maternity benefit shall be paid for 70 calendar days after the childbirth.

The amount of maternity benefit during the maternity leave period shall make 77.58% of the average monthly insured income (calculated on the basis of the person's insured income during twelve calendar months before the calendar month preceding the month in which a maternity leave began). Monthly maternity benefits cannot be less than the size of 6 BSB.

If during the period of payment of the maternity benefit the insured person has income and the amount of this income is less than the maternity benefit, the person shall be paid the difference between this benefit and the income received. If the amount of the income is higher than the maternity benefit or equal to this benefit, maternity benefit is not payable.

Child care benefit (Vaiko priežiūros išmoka)

One of the parents is entitled to the child care benefit if:

- he is covered by maternity social insurance;
- he was granted the child care leave until the child is one-year old or two-years old;
- before the first day of the childcare leave he has the maternity social insurance record of not less than 12 months during the last 24 months.

When an insured person who receives a childcare benefit, becomes entitled to a maternity or childcare benefit because of the birth of another child, she/he shall be paid both benefits, however the total sum of the benefits may not exceed 77.58% of the compensatory wage of the beneficiary.

A childcare benefit shall be paid for the period of a childcare leave from the end of pregnancy and childbirth leave until the child is one or two years old.

If the mother did not receive maternity benefit for the period of a pregnancy and childbirth leave, a childcare benefit shall be granted to other persons entitled to it from the day that the child is born or the first day after the end of paternity leave.

If the mother who received a maternity benefit during the pregnancy and childbirth leave dies, a childcare benefit shall be granted to other persons entitled to it from the day of the mother's death.

The amount of childcare benefit depends on the chosen benefit duration:

- if the insured person chooses to receive the benefit until the child turns 1 year old, the amount of the benefit is 77.58% of the beneficiary's compensatory wage;
- if the person chooses to receive the benefit until the child turns 2 years old – the benefit until the child turns 1 year old is 54.31% and 31.03% thereafter.

Monthly childcare benefits cannot be less than the size of 6 BSB.

When two or more children are born to the insured person and the person is on the childcare leave, the childcare benefits shall be increased taking into account the number of children born simultaneously, however the sum total of the paid benefits may not exceed 77.58% of the beneficiary's compensatory wage.

If the insured person who is on childcare leave in the first year of the child's life has income and the amount this income is less than the childcare benefit, the person shall be paid the difference between the benefit and the income received. If the amount of income is higher

than the childcare benefit or equal to it, the childcare benefit is not paid. Childcare benefit is not decreased if during the second year of child care leave.

Paternity benefit (Tėvystės išmoka)

A father is entitled to the paternity benefit if:

- he is covered by sickness and maternity social insurance;
- he was granted parental leave until the child is one month old;
- in the last 24 months before the first day of parental leave he has the social insurance period for sickness and maternity of at least 12 months;
- he has acknowledged paternity.

A paternity benefit shall be paid for the period of a paternity leave. 30 days paternity leave can be taken until child reaches 3 months. The amount of a paternity benefit shall make 77.58% of the beneficiary's compensatory wage. Monthly paternity benefits cannot be less than the size of 6BSB.

Pregnancy grant (Vienkartinė išmoka nėščiai moteriai)

A pregnant unemployed woman, who is not eligible for a maternity allowance, shall be granted a lump-sum pay in the amount of 2*BSB for 70 days before a baby is due. This benefit is paid irrespective of whether the person is covered by state social insurance or not.

Sickness benefit (Ligos išmoka)

Individuals covered by the sickness social insurance are entitled to receive the sickness benefit. The benefit is granted if a temporary incapacity for work is caused by:

- disease or injury, except for accidents at work or occupational diseases;
- child care;
- sickness of a family member when he needs nursing;
- treatment at in-patient facility;
- before the day on which temporary incapacity for work was established, the insured has the social insurance period for sickness and maternity of at least 3 months in the last 12 months or 6 months in the last 24 months.

The sickness benefit for the first two calendar days of sickness overlapping with the work schedule of an employee (except for the benefit for nursing a family member) is covered by the employer. The sickness benefit covered by the employer may not be lower than 62.06% and higher than 100% of the average salary of the beneficiary.

From the third day of incapacity for work the sickness benefit shall be paid from the State Social Insurance Fund. The amount shall make up 62.06% of the average monthly insured income of the beneficiary.

The amount of a sickness allowance paid with the State Social Insurance Fund resources shall make up 65.94% of the reimbursed remuneration of the allowance beneficiary for nursing a sick family member or looking after a sick child.

Child care benefit for persons in training or education (Išmoka besimokančio ar studijuojančio asmens vaiko priežiūrai)

Introduced since 1 January 2017. One of the child's parents shall be entitled to a monthly benefit of 6*BSB during the period of training or studies and for 12 months after completion of training or studies if the person studies according to the formal vocational training programme or is a full-time student at a higher education institution until the age of 26 (or a doctoral student until the age of 30) and if the person is not entitled to a child care benefit. This benefit is paid during the period of child care from the date of birth of the child until one year of age. The child care benefit shall not be granted to persons in training or education if the other parent has been granted a child care benefit for the same child.

Child adoption allowance (Išmoka įvaikinus vaiką)

Introduced since 1 January 2018. In case of the adoption of a child, one of the adoptive parents, following 24 months from the day of the court's final decision on adoption (or, in urgent cases, from the execution date of the court decision), is entitled to a monthly allowance equal to 8 BSB which is paid until the child turns 18 years of age, except in cases when under the Law on Sickness and Maternity Social Insurance of the Republic of Lithuania the adoptive parents are entitled to a child care benefit the amount of which is no less than a child adoption allowance.

If the amount of a child care benefit paid in accordance with the Law on Sickness and Maternity Social Insurance of the Republic of Lithuania is less than a child adoption allowance, the amount of the child adoption allowance is calculated as the difference between the child adoption allowance and the child care benefit.

A child adoption allowance is not paid when one of the child's adoptive parents is entitled to a child care benefit paid to the same adopted child under the Law on Sickness and Maternity Social Insurance of the Republic of Lithuania.

If 24 months did not elapse from the date on which an individual is entitled to a child care benefit under the Law on Sickness and Maternity Social Insurance of the Republic of Lithuania, a child adoption allowance is paid from the date on which the care benefit is terminated until the end of the period of 24 months from the court's final decision on adoption.

A child adoption allowance is not paid if a child is adopted by a new spouse or partner of the child's parent. A child adoption allowance is granted and paid from the day on which an individual is entitled to the allowance but no more than for 12 previous months following the submission of all documents for entitlement to the allowance to the municipality's administration.