Taxing Wages - Lithuania

Tax on labour income

The tax wedge is a measure of the tax on labour income, which includes the tax paid by both the employee and the employer.

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((\text{Personal income tax} + \text{employer and employee social security contributions (SSCs)}) - \text{Family Benefits}) / (\text{Total labour costs (gross wages + employer SSCs)})
\]

Single worker

The tax wedge for the average single worker in Lithuania decreased by 0.5 percentage points from 41.1 in 2017 to 40.6 in 2018.

» The OECD average tax wedge in 2018 was 36.1 (2017, 36.2). In 2018 Lithuania had the 15th highest tax wedge among the 36 OECD member countries, compared with the 14th in 2017.

» In Lithuania, income tax and employer social security contributions combine to account for 83% of the total tax wedge, compared with 77% of the total OECD average tax wedge.

One-earner married couple with two children

The tax wedge for a worker with children may be lower than for a worker on the same income without children, since most OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

» Lithuania had the 11th highest tax wedge in the OECD for an average married worker with two children at 33.2% in 2018, which compares with the OECD average of 26.6%. The country occupied the 9th highest position in 2017.

» #N/A
Tax wedge trends between 2000 and 2018

In Lithuania, the tax wedge for the average single worker decreased by 5.1 percentage points from 45.7% to 40.6% between 2000 and 2018. During the same period, the average tax wedge across the OECD decreased by 1.3 percentage points from 37.4% to 36.1%.

Since 2009, the tax wedge for the average single worker decreased by 0.1 percentage points in Lithuania. During this same period, the tax wedge for the average single worker across the OECD increased by 0.6 percentage points.

Employee tax on labour income

The employee net average tax rate is a measure of the net tax on labour income paid directly by the employee.

In Lithuania, the average single worker faced a net average tax rate of 22.1% in 2018, compared with the OECD average of 25.5%.

In other words, in Lithuania the take-home pay of an average single worker, after tax and benefits, was 77.9% of their gross wage, compared with the OECD average of 74.5%.

Taking into account child related benefits and tax provisions, the employee net average tax rate for an average married worker with two children in Lithuania was reduced to 12.4% in 2018, which is the 23rd lowest in the OECD, and compares with 14.2% for the OECD average. This means that an average married worker with two children in Lithuania had a take-home pay, after tax and family benefits, of 87.6% of their gross wage compared to 85.8% for the OECD average.