

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Lithuania 2023



THE OECD TAX-BENEFIT DATABASE FOR LITHUANIA

Description of policy rules for 2023

OECD contact: Olga Rastrigina, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team: Rima Kurlianskienė, Vaidotas Kalinauskas, Indrė Lankelienė, Vilma Pėčė, Donata Telišauskaitė-Čekanavičė, Soneta Brinienė, Jelena Polijančuk, Indrė Raubė, Inga Liubertė, Eglė Ramanciuškienė, Ministry of Social Security and Labour.

This version: September 2023

This work is published on the responsibility of the Director of the OECD Directorate for Employment, Labour and Social Affairs. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.

Table of contents

Preface	4
The OECD tax-benefit model for Lithuania: Policy rules in 2023	5
1. Reference wages and other reference amounts	5
2. Unemployment benefits	7
2.1. Unemployment social insurance benefit (Nedarbo socialinio draudimo išmoka)	7
2.2. Unemployment assistance	11
3. Social assistance and housing benefits	12
3.1. Social benefit (Socialinė pašalpa)	12
3.2. Reimbursement of part of housing rental (Būsto nuomos mokesčio dalies kompensacija)	18
3.3. Social assistance for pupils (Socialinė parama mokiniams)	22
4. Family benefits	24
4.1. Child benefit (Išmoka vaikui)	24
4.2. Children's maintenance benefit (Vaikų išlaikymo išmokos)	25
5. Net costs of Early Childhood Education and Care	28
5.1. Gross childcare fees	28
5.2. Fee discounts and free provision	29
5.3. Child-care benefits for formal centre-based care	30
5.4. Child care allowance for children not using child care centers	30
5.5. Tax concessions for childcare expenditures	30
6. In-work benefits	33
7. Social security contributions and payroll taxes	34
7.1. Social security contributions paid by employees (Darbuotojų mokamos socialinio draudimo įmokos)	34
7.2. Social security contributions paid by employers (Darbdavių mokamos socialinio draudimo įmokos)	34
8. Taxes	36
8.1. Personal income tax (Gyventojų pajamų mokestis)	36
9. Selected output from the OECD tax-benefit model (TaxBEN)	40
Annex: Other benefits and direct taxes	42
Compensations for heating costs, drinking water costs and hot water costs (Būsto šildymo, geriamojo ir karšto vandens išlaidų kompensacijos)	42
Birth grant (Vienkartinė išmoka gimus vaikui)	42
Benefit for multiple births (Išmoka gimus vienu metu daugiau kaip vienam vaikui)	42
Maternity benefit (Motinystės išmoka)	43
Child care benefit (Vaiko priežiūros išmoka)	43
Paternity benefit (Tėvystės išmoka)	46
Pregnancy grant (Vienkartinė išmoka nėščiai moteriai)	47
Child care benefit for persons in training or education (Išmoka besimokančio ar studijuojančio asmens vaiko priežiūrai)	47
Long-term work benefit (ilgalaikio darbo išmoka)	47

Preface

This report provides a detailed description of the tax and benefit rules in Lithuania as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)


Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 January 2023**.
- The symbol  in the text provides a link to the 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.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Lithuania: Policy rules in 2023

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 2023 is EUR 840 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2023) by 12, i.e. EUR 840 * 12 = EUR 10 080. The amount of the minimum monthly salary is approved by the Government after negotiations with the social partners. Usually, the amount of the minimum monthly salary is determined from the beginning of the calendar year.

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

- State supported income (SSI) in 2023 is EUR 157 per month.
- Basic social benefit (BSB) is in 2023 EUR 49 per month.
- Amount of minimum consumption needs (AMCN) in 2023 is EUR 354 per month.

The minimum consumption needs (AMCN) indicator was approved in 2017. Since 2017, the size of the minimum consumption needs basket is calculated annually. The size of this basket consists of two parts: food and non-food part. The indicator is calculated for one person and for other family members: the first person gets 100% of AMCN, the second – 80% and the third and subsequent persons – 70%. The AMCN amount shows what is the minimum amount needed for person (family) to meet basic food and non-food needs.

Since 2019, the basic amounts of social benefits are computed based on the previous year's AMCN amount. The basic social benefit (BSB) may not be less than 16% and the state-supported income (SSI) and may not be less than 50% of the last year's AMCN.

AMCN is calculated on an annual basis, taking into account the annual inflation and prices of food and non-food products and services.³ Additionally, for example, in response to high

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 AMCN depends on prices of goods from previous year's IV quarter and current year's I-III quarters as well as HICP forecast for the upcoming year. The methodology for calculating AMCN is available [here](#).

inflation in the country, a supplementary increase in the basic amounts of social benefits could be done.

2. Unemployment benefits

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


Code in the OECD tax-benefit model:⁴ [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 (64 years for women and 64 years 6 months for men on 1 January 2023).

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 the Employment Service under the Ministry of Social Security and Labour of the Republic of Lithuania 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.*⁵

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 penultimate calendar month to the date of the acquiring status of unemployed at the Employment Service.

The variable component is calculated as follows:

⁴ 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.

⁵ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [How demanding are activation requirements for jobseekers? - OECD](#).

- 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. EUR 840 * 23.27% = EUR 195.47 per month in 2023.

The unemployment insurance benefit paid in each of the periods cannot exceed 58.18% of the average gross monthly wage in the national economy published by the State Data Agency for the quarter before the last calendar quarter from the day of the unemployed person's acquiring status of unemployed at the Employment Service. Hence, if the benefit is calculated on 1 January 2023, the reference wage is for the third quarter of 2022. In the third quarter of 2022, the average gross monthly earnings in the whole economy (individual enterprises included) totalled EUR 1787.10, i.e. unemployment insurance benefit on 1 January 2023 cannot exceed EUR 1039.73 per month.

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 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 three calendar months from the date of acquiring status of unemployed at the Employment Service (*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

The unemployed persons who receive certain benefits (for example, state pensions, occupational rehabilitation, maternity, paternity or childcare benefits), shall be paid only the part of the unemployment insurance benefit that exceeds the sum of these benefits (*not covered by the model*).

Unemployment social insurance benefit is included in means tests for social benefit, compensations for heating costs, drinking water costs and hot water costs, housing benefit, child benefit, social support for pupils. However, income disregards of 20-40% (depending on the household type) apply since 1 June 2020 (see Section 3.1.4).

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

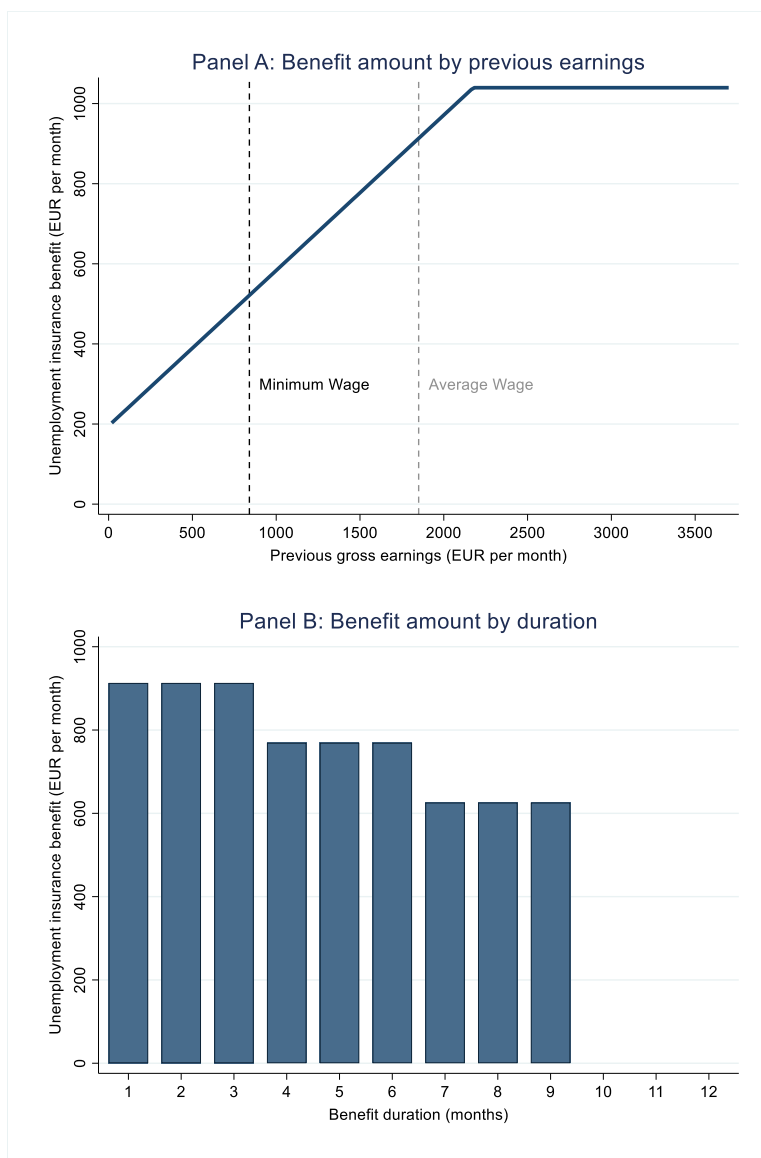
The payment of the benefit is terminated if a person becomes an employee or self-employed.

2.1.8. *Indexation*

The fixed component (the minimum benefit amount) is linked to the minimum monthly wage. The amount of the minimum monthly salary is approved by the Government after negotiations with the social partners. Usually, the amount of the minimum monthly salary is determined from the beginning of the calendar year. The variable component is linked to the former insured income. The maximum benefit amount is linked to the average gross monthly wage in the national economy published by the State Data Agency. There are no other monetary parameters subject to regular indexation in this policy.

Figure 1. Unemployment social insurance benefit

40-year-old single person without children



Note: Benefit rules do not depend on family structure. Long and continuous employment record (22 years) is assumed. Panel A shows benefit amount in the 2nd month of benefit receipt. Panel B shows benefit amount for a person with previous earnings at the average wage.

Source: OECD Tax-Benefit Model.

2.2. Unemployment assistance

OECD note: In many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). These UA and SA benefits have different purposes (and reach different target groups). For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is not always the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

Lithuania temporary introduced an unemployment assistance benefit, Jobseeker's benefit (*Darbo paieškos išmoka*), due to Covid-19 emergency from May 2020 to September 2021. Since then, Lithuania does not provide a national/local Unemployment Assistance programme. However, it provides Social Assistance programme that also covers persons in need of assistance due to unemployment (as described in Section **Error! Reference source not found.**).

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** of a family member or a child;
 - are undergoing **treatment** in an 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);
 - one of the grandparents **takes care of a child** under the age of 3, for whose care this grandparent has been granted childcare leave.
- 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:

From 1 June 2020, the eligibility conditions for social benefit have been temporary eased and the amount of social benefit has been increased and differentiated depending on the duration of payment. Except for the owned property test (see Section 3.1.4. , all other measures introduced since 1 June 2020 became as a part of permanent social benefit policy measures.

Social benefit is paid if average household's monthly income does not exceed 1.1 of SSI.⁶

- The amount of the social benefit **for a single person** is:
 - the difference between the amount of 1.4 SSI per person per month and the actual income of a single person when social benefit is paid for the first six months (i.e. from month 1 to 6);
 - the difference between the amount of 1.2 SSI per person per month and the actual income of a single person when social benefit is paid for the following six month (i.e. from month 7 to 12);
 - the difference between the amount of 1.1 SSI per person per month and the actual income of a single person when social benefit is paid for more than 12 months (i.e. from month 13 onwards).
- The amount of the social benefit **for family** (persons living together) is:
 - for the first family member: the difference between the amount of 1.1 SSI per person per month and the actual income of the family member;
 - for the second family member: 90% of the difference between the amount of 1.1 SSI per person per month and the actual income of the family member;
 - for the third and subsequent family member: 70% of the difference between the amount of 1.1 SSI per person per month and the actual income of the family member.

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;

⁶ This *eligibility* condition applies to all households even though the maximum *amount* of the benefit might be higher than 1.1 SSI.

- 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 family should satisfy asset and income tests.

*Asset test*⁷

An asset test affects eligibility of poor residents to cash social assistance, including social benefit. Municipal administrations are responsible for the assessment of the asset test.

Upon inspection of the living conditions of family or a single person and conclusion of an act on the inspection of the household and living conditions, the municipal administration shall be entitled to grant the social benefit if the income test is satisfied (see below) and if the value of the property does not exceed the standard of assets value (for example, the value of the property exceed the standard of assets value by 10 percent). The standard of assets value is calculated by adding the standards of the real estate value, movable assets value, and financial assets, which are established by the Law on Cash Social Assistance for Poor Residents.

The following real estate and movable assets are taken into account:

- buildings and land including buildings under construction (including the main residence);
- motor vehicles subject to compulsory registration (e.g. depending on the engine power, the age and model of the vehicle, etc.)
- agricultural equipment subject to compulsory registration;
- land, including land under forests and water bodies;
- livestock, poultry, animals, hives, if their total value exceeds EUR 1 160;
- stocks, bonds, bills of exchange and other securities, shares, with a total value exceeding EUR 580;
- works of art, jewellery, precious metals, with a unit value exceeding EUR 580;
- cash, whether in a bank or not, exceeding EUR 580, except for amounts paid for the maintenance of a child;

⁷ See more on the methodology for determining the property value of poor residents who applied for cash social support here: <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.345802/asr>

- received (unpaid) loans, with a total value exceeding EUR 580, except State loans to students in higher education and loans to poor people participating in the renovation of a multi-dwelling building;
- money lent to others (unpaid) exceeding EUR 580.

The value of the assets shall be established by the municipal administration in compliance with the methodology prepared by the Government or an institution authorised by it and provisional values of agricultural production approved by the Government or an institution authorised by it.

When determining the right to cash social assistance, the average market price value of a person's property is compared with the standard of assets value established by the Law on Cash Social Assistance for Poor Residents. When the value of a person's property does not exceed the established standard of assets value, a person has the right to cash social assistance.

The claimant is not obliged to sell the assets but is obliged to exploit opportunities to generate income from the property.

Due to Covid-19 pandemic and seeking to reduce the financial burden on the population due to rising prices, the owned property temporary is not evaluated granting cash social assistance (i.e. social benefit and compensations for heating costs, drinking water costs and hot water costs) for poor residents. This provision came into force on 21 May 2020 and is valid temporary till 30 April 2024. Only income-test is applied.⁸

The asset test is not simulated in the model.

Income test

The average income of a family (single person) during the period of three months preceding the month when the family (single person) acquired the right to social benefit should be lower than the 1.1* SSI per family (single person).

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. Reimbursement of part of housing rental (see Section 3.2.) is also not included in the income test.

Since 1 January 2018, the child benefit is not included in the means test.

In addition, a part of the net employment income of a working person as well as a part of unemployment social insurance benefit of an unemployed person should not be included in a family income establishing person's (family's) right to assistance:

- 20 % – for persons who do not have children (adopted child) or for single person;
- 25 % – for persons raising one or two children (adopted child);
- 30 % – for persons raising three or more children (adoptive child);
- 35 % – for individuals raising one or two children (adopted child);
- 40 % – for individuals raising three or more children (adopted child).

⁸ At the end of this rule, a permanent provision will enter into force according to which the property will not be valued for 3 months for those people who apply for the social benefit for the first time or 2 years after receiving the last support.

3.1.5. *Tax treatment*

The benefit is not taxable.

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

3.1.7. *Social benefit is included in the means test for additional child benefit for low-income families raising one or two children (except additional social benefit after employment, see Section 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 an additional social benefit after employment (called “in-work 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 (Since 1 June 2020, the condition that the remuneration cannot exceed two minimum monthly wages or two minimum hourly pays was abolished)
- 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 the in-work social benefit when employed is submitted no later than during 12 months since the employment.

From 1 June 2020, the amount of the in-work social benefit after employment has been increased and differentiated depending on the duration of payment:

- for 1–3 months of payment – the amount of the in-work social benefit is equal 100% of the average amount of the social benefit paid during the last 6 months prior to employment;
- for 4–6 months of payment – 80% of the average amount of the social benefit paid during the last 6 months prior to employment;
- for 7–12 months of payment – 50% of the average amount of the social benefit paid during the last 6 months prior to employment.

In-work social benefit is paid for each month in employment but no longer than for 12 months.

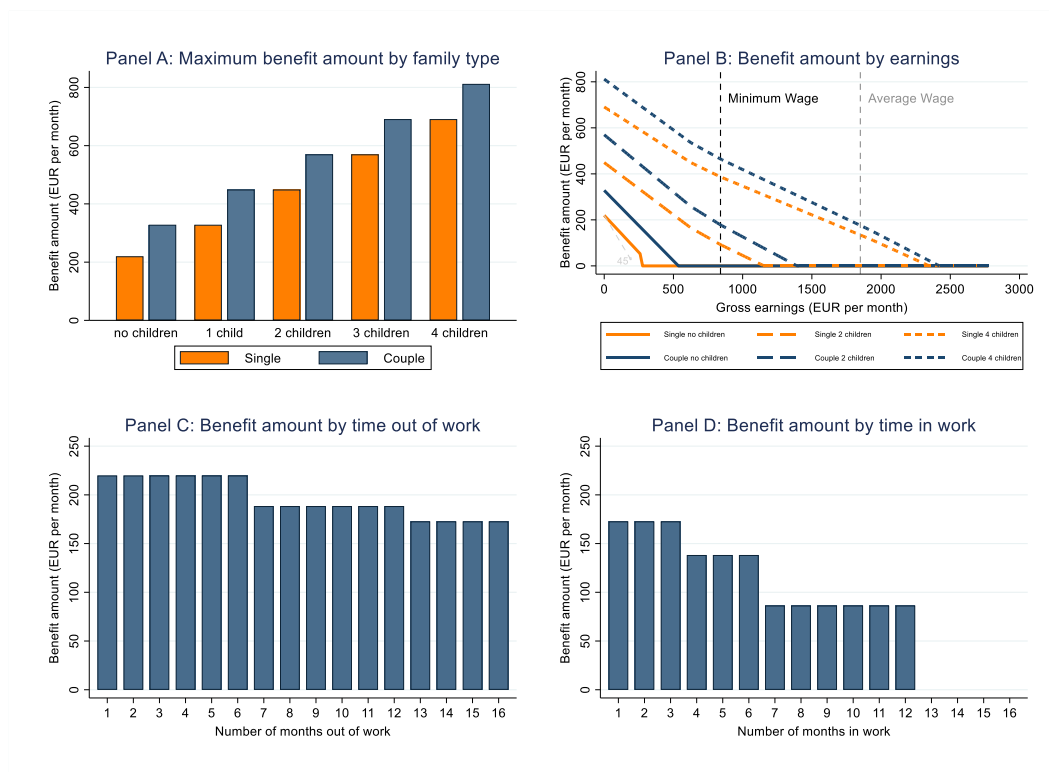
If after finding employment persons living together (or a single resident) are still eligible for social benefit, they can receive social benefit and the in-work social benefit at the same time.

3.1.8. *Indexation*

The amount of the social benefit and income eligibility thresholds are based on state supported income (SSI), see Section 1. for more details on indexation. SSI is linked to the AMCN indicator that is calculated on an annual basis, depending on the annual inflation and prices of food and non-food products and services.

Figure 2. Social benefit

40-year-old single or couple with or without children



Note: Results assume no receipt of children's maintenance benefit, unemployment benefits or other benefits, which are usually included in the means test for social benefit. The figure shows regular amount of social benefit and does not include social assistance for pupils (Section 0). Panel A shows the maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount if the first adult has earnings from work. 45° line shows how the benefit for a single person without children would decrease if the benefit would have been reduced by one euro for every gross euro earned. The slope of the lines is flatter than 45° because of earnings disregards and because the means test is based on net income (not gross). The change in the slope of the lines for families with 2 or more children is at the earnings level when families start paying income tax. Panel C shows how the benefit amount decreases over time for a single recipient out of work (the benefit for other family types remains constant over time). Panel D shows the amount of in-work social benefit that a single person can keep once he or she started a job at the minimum wage. The calculations of in-work social benefit assume that a person was out of work for 16 month receiving social benefit and then moved into work.

Source: OECD Tax-Benefit Model.

3.2. Reimbursement of part of housing rental (*Būsto nuomos mokesčio dalies kompensacija*)

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

The benefit for reimbursement of part of housing rental was introduced under the Law on Support for the Acquisition or Rental of Housing on 1 January 2015. This is a non-contributory benefit, means-tested and not taxable.

This benefit provides support with rent expenses, but it does not cover expenses on energy, heating or other related utilities (e.g. hot water). Such expenses are supported via Compensations for heating costs, drinking water costs and hot water costs (*Būsto šildymo, geriamojo ir karšto vandens išlaidų kompensacijos*), see description in the Annex. *The benefits that cover expenses on utilities are outside the scope of the TaxBEN model.*

3.2.1. Eligibility conditions

Individuals and families have the right to reimbursement of part of housing rental if:

- their assets and income do not exceed determined limits (see Section 3.2.4.);
- they do not own a dwelling or if they do, it is more than 60% worn-out or the floor space per person is too small;
- the housing lease agreement is concluded for at least one year and registered in the State Enterprise Centre of Registers.

3.2.2. Benefit amount

Reimbursement of part of housing rental is calculated in accordance with the Law of the Republic of Lithuania on Support for the Acquisition or Rental of Housing and methodology approved by the Government.

The amount of reimbursement may vary according to the composition of the family and the location of the rented dwelling (due to the value of real estate in that area).

From 1 July 2020, the coefficient, which is used for calculation of the amount of compensation, is determined on the basis of average housing rental market prices and is differentiated according to the number of family members. Moreover, under the Law on Support for the Acquisition or Rental of Housing amendments compensation is paid for the housing rent of a larger floor area (from 10 sq. m to 14 sq. m per person / family member instead of previous 8 sq. m).

On 1 January 2022, the amount of compensation paid for 14 sq. m of floor area per month in Vilnius city is:

- EUR 210.56 to a person without a family;
- EUR 294.78 to a family of two persons;
- EUR 379.01 to a family of three persons;
- EUR 463.23 to a family of four persons;
- EUR 579.04 to a family of five persons;
- EUR 694.85 to a family of six persons.

The amount of the benefit may not exceed actual rental payments.

3.2.3. *Benefit duration*

Reimbursement of part of housing rental is paid as long as individuals and families meet the statutory requirements.

3.2.4. *Means test*

Assets and income limits vary depending on family composition and location where the dwelling is rented. Since 1 September 2019, the income and assets should not exceed these limits:

- 1) net annual income⁹ of a person **without a family** living in Vilnius city or district, Kaunas city or district, Klaipėda city or district, Palanga city or Neringa municipality – 62 SSI amounts and property – 93 SSI amounts; net annual income of a person without a family living in another municipality – 51 SSI amounts and property – 56 SSI amounts;
- 2) net annual income of a **family of two or three persons** living in Vilnius city or district, Kaunas city or district, Klaipėda city or district, Palanga city or Neringa municipality – 122 SSI amounts and property – 168 SSI amounts; net annual income of a family of two or three persons living in another municipality – 106 SSI amounts and property – 112 SSI amounts;
- 3) net annual income per person of a **family of four or more persons** living in Vilnius city or district, Kaunas city or district, Klaipėda city or district, Palanga city or Neringa municipality – 35 SSI amounts and property – 75 SSI amounts; net annual income per person of a family of four or more persons living in another municipality – 31 SSI amounts and property – 56 SSI amounts.

If the limits are exceeded, the benefit is not granted. However, income below the limits does not affect the amount of the benefit, i.e. the benefit amount is not reduced for the amount of income.

In the model, Vilnius city is assumed as location.

3.2.5. *Tax treatment*

Not taxable.

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

None.

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

Possible, as long as income does not exceed determined limits.

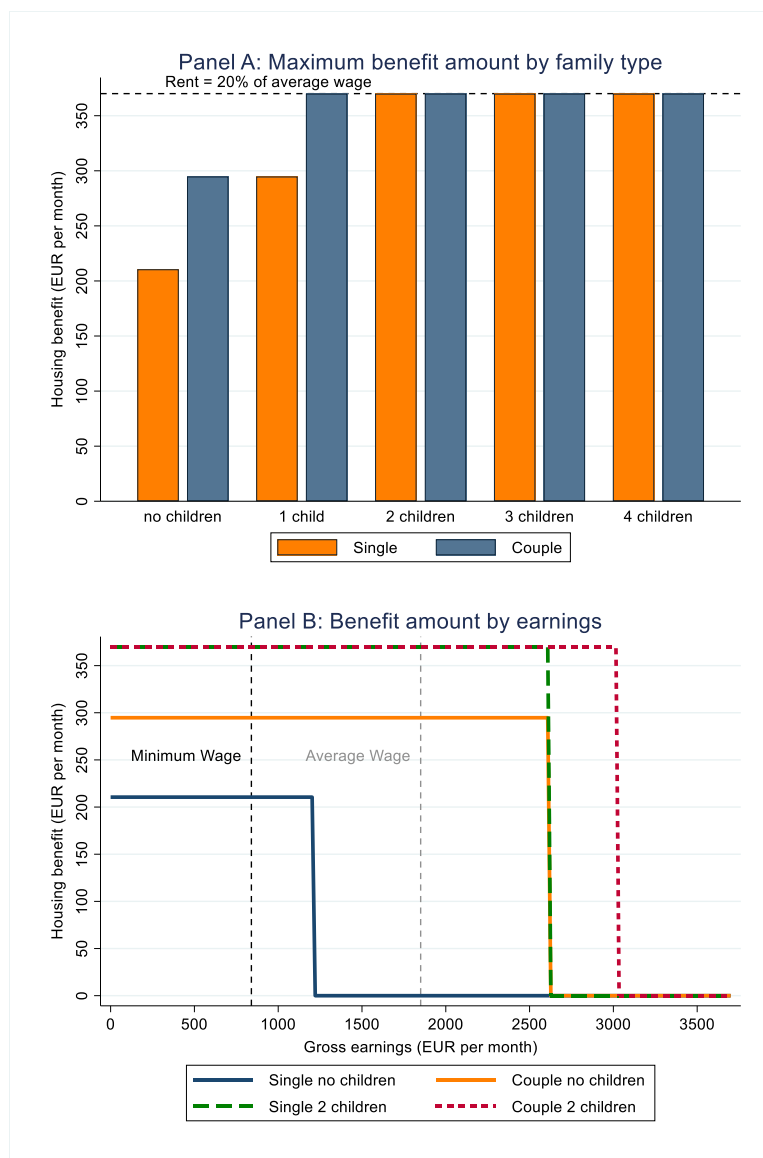
⁹ In the model, net annual income includes earnings, unemployment benefits, children's maintenance benefit less income taxes, and state social security contribution paid by employees, including compulsory health insurance contributions (see Section 7.1.). In years 2015 and 2016, the housing benefit itself was also included in the means test. In 2015-2017, the child benefit was also included in the means test. The income test refers to the income in the previous year. However, the model assumes that current income is tested.

3.2.8. *Indexation*

The income and asset eligibility thresholds are based on state supported income (SSI), see Section 1. for more details on indexation. The amount of compensation, is determined, inter alia, on the basis of average housing rental market prices. Therefore, according to the coefficient for the location of residential property which is determined by the Center of Registers each year, the amount of compensation is recalculated upwards or downwards every year. If the situation in rental market is stable, the amount of compensation doesn't change.

Figure 3. Reimbursement of part of housing rental

40-year-old single or couple with or without children



Note: Results assume no receipt of family benefits, unemployment benefits or other benefits, which are usually included in the means test for the housing benefit. The family lives in Vilnius. Rent for all family types is assumed to be equal to 20% of the average wage. Benefit amount cannot exceed the rent. Panel A shows the maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount if the first adult has earnings from work.

Source: OECD Tax-Benefit Model.

3.3. *Social assistance for pupils (Socialinė parama mokiniams)*

Code in the OECD tax-benefit model: support for school supplies [SA_sup] is included in social assistance category [SA] .

Free lunches are not modelled as in-kind provisions are simulated only in model runs with childcare use (see Section 5.1). The childcare module covers only children up to 5 years old (including).

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

3.3.1. *Eligibility conditions*

According to the Lithuania Law on Social Assistance for Pupils, pupils who study according to general education curriculum (*in the model assumed to be children from 7 to 18 years old*) or pre-primary (*6 years old*) curriculum are entitled to provision of school supplies and free lunches if the average monthly income per family member is lower than the amount of 1.5 * SSI.

Since 1 January 2019, 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 under 18 (or older if in general education);
- at least one member in a family is disabled (*not considered in the model*).

Since 1 September 2020, all pupils studying according to the pre-primary curriculum (*6 years old*) and to the primary curriculum in the 1st grade (*7 years old*) have the right to free lunch at school without regard to a family's income. Since 1 September 2021, the same applies to all pupils studying according to the primary curriculum in the 2nd grade (*8 years old*).

3.3.2. *Benefit amount*

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

The amount of up to 5% of BSB is allocated for the purchase of food products per pupil per day for providing lunches. *Free lunches are not modelled.*

3.3.3. *Benefit duration*

Free meals are provided as long as eligibility conditions hold.

Assistance for purchase of school supplies is provided once per year before the beginning of a new school year.

3.3.4. *Means test*

Provision of school supplies is means-tested.

Free lunches for pupils studying according to pre-primary curricula and according to primary curricula 1-2 grades are not means-tested.

Free lunches for pupils studying according to primary curricula 3-4 grades and according to general curricular 5-12 grades are means tested.

3.3.5. *Tax treatment*

Non-taxable.

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

None.

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

No restrictions.

3.3.8. *Indexation*

The amount of social assistance for pupils and income eligibility thresholds are based on basis social benefit (BSB) and state supported income (SSI), see Section 1. for more details on indexation. BSB and SSI are linked to the AMCN indicator that is calculated on an annual basis, because of that the amount of social assistance for pupils will increase depending on the growing annual inflation and prices of food and non-food products and services.

4. Family benefits

4.1. Child benefit (*Išmoka vaikui*)

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

This is a non-contributory benefit and not taxable. Universal child benefit is not means-tested, whereas additional child benefit for low-income families raising one or two children is means-tested. For families raising three or more children or disabled children, the income-test for additional child benefit is not applied.

The rules apply in the same way to families raising or fostering children. *The model does not cover foster families.*

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 / she reaches the age of 23. The same rules apply for additional child benefit.

4.1.2. Benefit amount

The **universal child benefit** amounting to 1.75 BSB shall be paid to all children without regard to family income from birth to 18 years of age (23 years if a person studies according to general education curricula).

For low-income families raising one or two children, families raising three or more children and families raising disabled children there is an **additional child benefit** amounting to 1.03 * BSB. Additional child benefit should be paid to children from birth to 18 years of age (to 23 years if a person studies according to general education curricula). If the family is raising one or two children, then the average family's income per person per month in the previous calendar year should not exceed 2 * SSI; if the family is raising three or more children or disabled children – regardless family income.

It is important to mention, that benefits cannot duplicate, i.e. if family raises a disabled child who is also from a low-income family, family is eligible to receive only one additional child benefit per child per month.

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 additional benefit for low-income families raising one or two children is paid as described in Section 4.1.2. Family's income is gross earnings after deductions of taxes and social contributions, benefits (e.g. unemployment benefit in Section 2.1.), alimony (e.g. children's maintenance benefit in Section 4.2.), etc. The income of dependent children under the age of 24, who are in full-time education is not included in family's income. Since 2018 establishing right to additional child benefit for low-income families raising one or two children, social benefit (Section 3.1) is included, but additional social benefit after employment (Section 3.1. and Reimbursement of part of housing rental (Section 3.2. are not included.

Since 2018, in addition, a part of the net employment income of a working person as well as a part of unemployment social insurance benefit of an unemployed person should not be included in a family income establishing family's right to additional child benefit:

- 25 % – for persons raising one or two children (adopted child);
- 35 % – for individuals raising one or two children (adopted child).

Note that for families with three or more children the child benefit is not means tested.

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.

4.1.8. *Indexation*

The child benefit amounts are linked to the basic social benefit (BSB), whereas the income eligibility thresholds to the state supported income (SSI). See Section 1. for more details on indexation. BSB and SSI are linked with the AMCN that is calculated on an annual basis, depending on the annual inflation and prices of food and non-food products and services.

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 / mother. 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, social benefit, and housing benefit (reimbursement of part of housing rental).

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

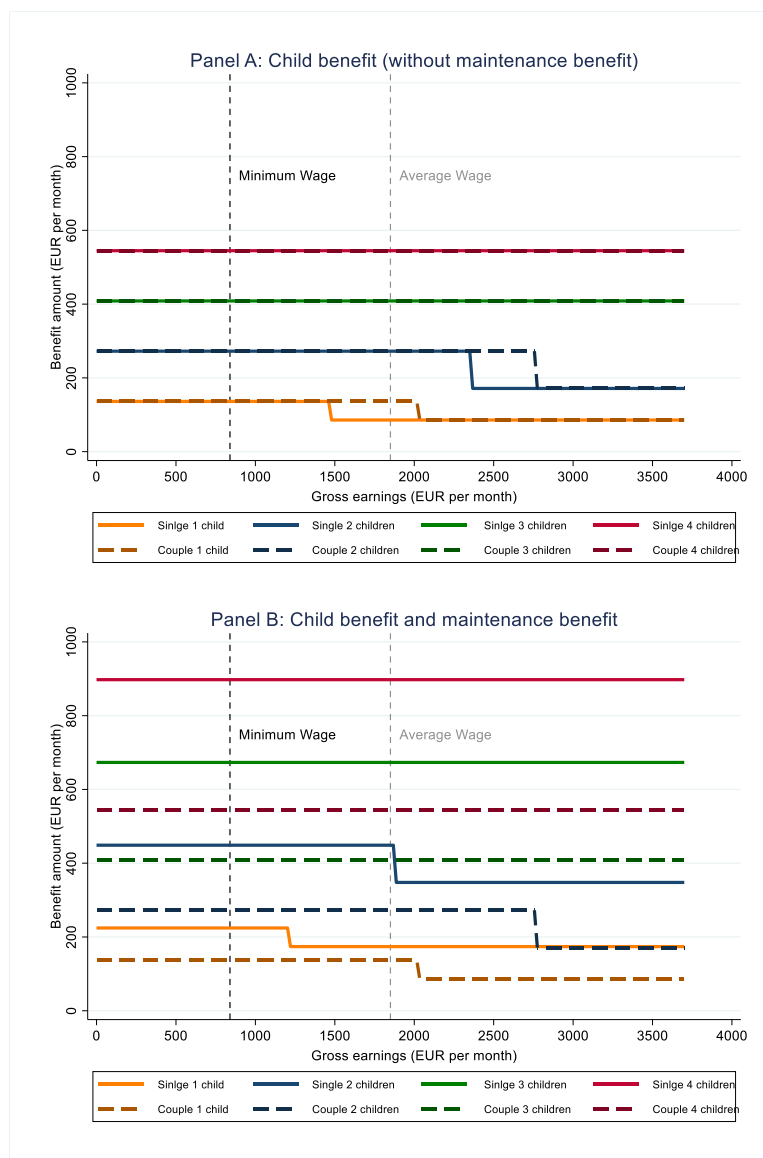
No restrictions.

4.2.8. *Indexation*

The children's maintenance benefit is linked to the basic social benefit (BSB), see Section 1. for more details on indexation.

Figure 4. Family benefits

40-year-old single or couple with children



Note: Children are below 18 and in good health. Figures show reduction in benefit amount if one adult starts working. For families with 3 or more children, there is no means test, so the benefit amount does not depend on earnings. The second adult in a couple is assumed to be out of work. Adults do not receive unemployment and social assistance benefits. In Panel A, single parents receive child benefit but do not receive children's maintenance benefit. In Panel B, they receive both and the total is shown. Maintenance benefit is included in the means test for child benefit, thus the reduction of child benefit in Panel B starts slightly earlier than in Panel A. Couples in both panels receive only child benefit; the amounts are identical in both panels.

Source: OECD Tax-Benefit Model.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2023**.

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 the age of 6 (or 5 if parents choose to get earlier pre-primary education). The pre-school and pre-primary 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. On 1 June 2020, new Amendments to the Law on Education entered into force, legalizing the possibilities of pre-primary education in families (home education) from 1 September 2020.

Children must start attending **primary** schools when they turn 7 years of age during the calendar year.

The model covers childcare costs for children from age of 1 to 5 (including), i.e. compulsory pre-primary education at age 6 is not covered.

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*) or the Ministry of Education, Science and Sport.

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.

From 1 July 2022, the meal fees (EUR per child per day) are:¹⁰

Group type	10.5 -12 hours	24 hours	maximum of 4 hours
Nursery groups (<i>from 1 up to 3 years old</i>)	2.60	2.90	2.10
Kindergarten groups (<i>from 3 up to 5/6 years old</i>)	2.90	3.20	2.30
Pre-primary education groups (<i>from 5/6 up to 7 years old</i>)*	4.42	5.26	3.26

* As free lunch is provided for children who attend pre-primary education programme (see Section 0, the meals for these children costs as follows: 10.5-12 hours – EUR 2.32 per day; 24 hours – EUR 3.16 per day; maximum of 4 hours – EUR 1.16 per day. Lunch for this age group costs EUR 2.1 per day. *Childcare for pre-primary education groups is outside the scope of the model.*

¹⁰ See the decision of the municipality of the City of Vilnius [here](#), valid from 1 July 2022. These rates are used in the model for policy year 2023.

In 10.5-12 hours groups, the meal fee includes breakfast, lunch and evening meal (*in the model, this option is assumed for full-time childcare attendance*). In 24 hours groups, there is one additional meal (dinner). In short-stay groups (up to 4 hours), two meals (breakfast and lunch) 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 1.00 per child per day for all families and EUR 0.50 per child per day for socially disadvantaged families (i.e. families that receive social benefit). Since 10 July 2020, the education fee applies only if a child attends education more than 4 hours per day (*simulated in the model from policy year 2021*).

Any other parental support for kindergartens is voluntary.

Private institutions fees are more expensive: EUR 240-1 417 per month. Many private institutions also charge an extra registration fee (up to EUR 300), which parents pay once. Monthly payments include meals and teaching aids, sometimes also non-formal education of pre-school children.

The model assumes public institutions.

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**

Discounts at the municipal level (Vilnius city)

Municipalities determine discounts and free provision of childcare services in public pre-schools (including compulsory pre-primary education).

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*);
- 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 social benefit (described in Section 3.1.);

- the institution is closed for repairs, emergency work, in the event of an epidemic and other cases of force majeure¹¹;
- child did not attend institution because of certain reasons (*not considered in the model*).

Discounts at the national level (*not modelled*)

In addition, according to the Lithuania Law on Social Assistance for Pupils, pupils have the right to free lunch and provision with pupil's supplies provided at the beginning of a school year if eligibility conditions hold (see Section 0).

Other municipal discounts (*not modelled*)

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 7.5-67% of monthly payment in private institutions).

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.

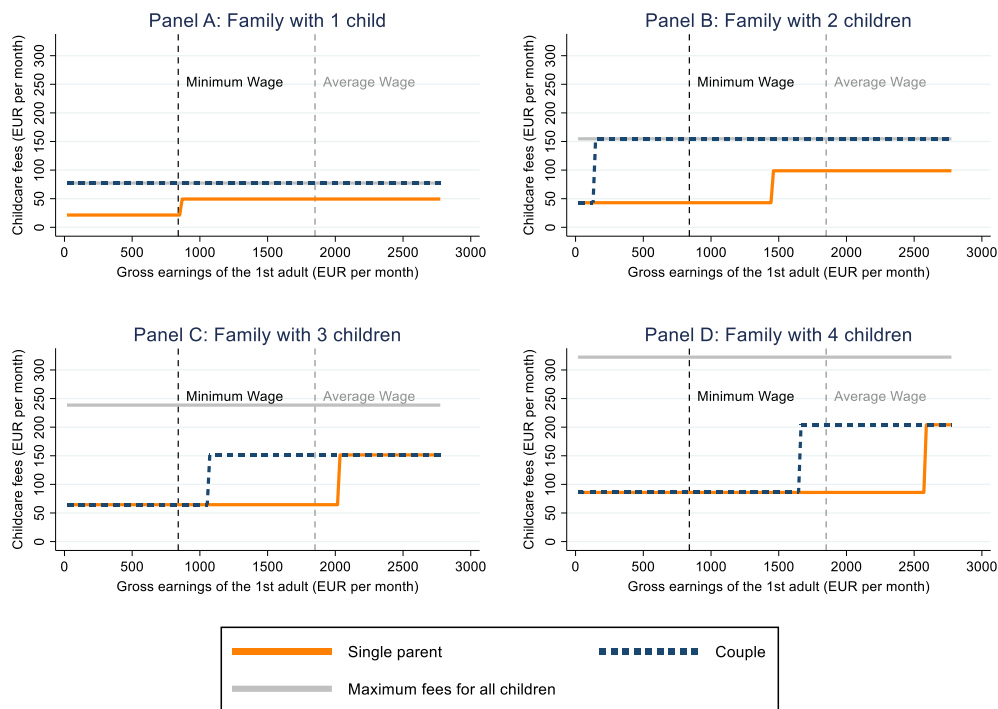
5.5. Tax concessions for childcare expenditures

In 2019-2021, an individual was 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 was not available for fees or any other expenses paid to pre-schools or school educational institutions. However, parents could deduct wages of babysitters or nannies. This temporary incentive (*not simulated in the model*) is discontinued since 2022.

¹¹ See the decision of the municipality of the City of Vilnius [here](#), valid from 14 December 2022.

Figure 5. Childcare fees paid by parents (no receipt of other benefits)

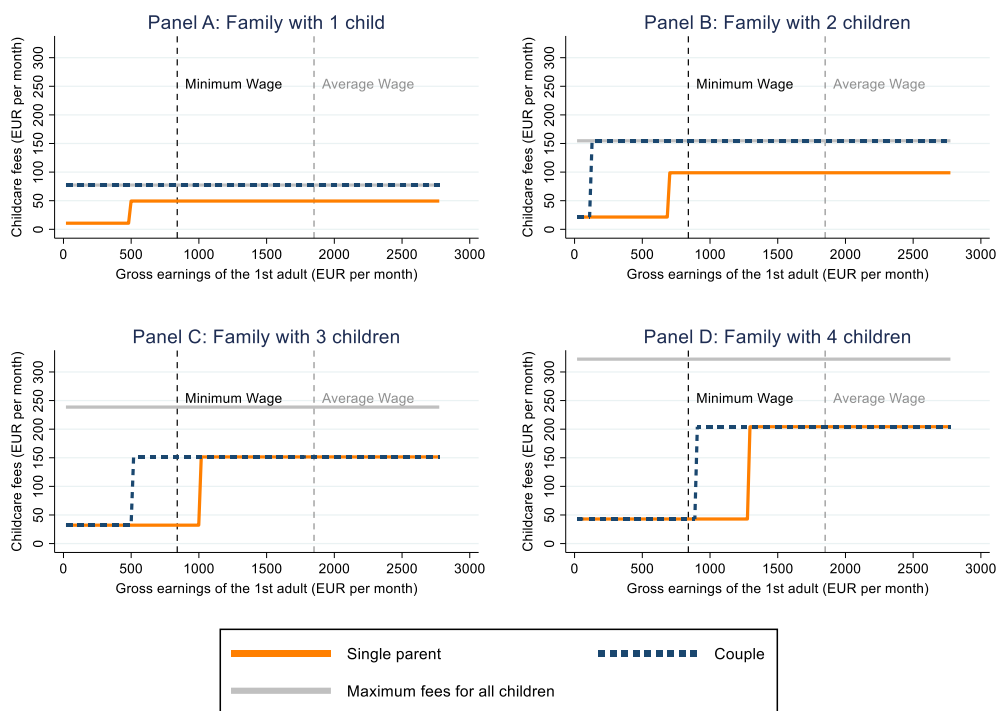
40-year-old single person or couple with children



Note: Results assume no receipt of social assistance (which provides access to additional childcare fee discounts). Both parents are working full time and use childcare for all children for the full day. In a couple, the second adult earns 67% of the average wage. Horizontal axis shows gross earnings of the first adult only. Children are 1, 2, 3, and 4 years old. Gross fees for 3-4 year olds (Panels C and D) are slightly higher than for 1-2 year olds (all panels). Family lives in the Vilnius city municipality.
Source: OECD Tax-Benefit Model.

Figure 6. Childcare fees paid by parents (with receipt of other benefits)

40-year-old single person or couple with children



Note: Results assume receipt of social assistance (which provides access to additional childcare fee discounts). Both parents are working full time and use childcare for all children for the full day. In a couple, the second adult earns 67% of the average wage. Horizontal axis shows gross earnings of the first adult only. Children are 1, 2, 3, and 4 years old. Gross fees for 3-4 year olds (Panels C and D) are slightly higher than for 1-2 year olds (all panels). Family lives in the Vilnius city municipality.

Source: OECD Tax-Benefit Model.

6. In-work benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. These type of benefits are referred to as *transitional “into-work” benefits* in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Lithuania does not have an “in-work” benefit programme. However, a social benefit recipient can be granted additional social benefit in case he or she starts new employment (under certain conditions). This is a transitional “into-work” benefit. In the model it is included in the variable for 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.

Lithuania has social contribution „**floors**” requiring employers to pay social security contributions not lower than from the minimum monthly wage for those employees whose monthly salaries are below the minimum monthly salary. Thus, employers are required to pay on behalf of their employees (both employer’s and employee’s contributions) from the difference between the calculated wage and the set minimum wage. Exceptions apply for below-24 year-olds, pensioners, disabled, persons working for two employers and persons insured by the state, e.g. during the second and third year of childcare leave.

There are also “**ceilings**” on state social insurance contributions. 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). On 1 January 2023, the ceiling is 60 monthly average wages (AW)¹² per year, i.e. $60 * \text{EUR } 1\,684.9 = \text{EUR } 101\,094$ per year. From 2021 the ceiling of social security contribution is applied only for the employee's overall employment income (combined from all employers), except for health insurance contributions. As of 2021 the ceiling is no longer applied for the social security contribution paid by the employer.

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

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

In 2023, 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 – 1.99%;
- for maternity – 1.81%;
- for health – 6.98%.

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

Variable names: **[SSCR]**

In 2023, the overall rate that the employer is liable to pay on employee wages is 1.79% (including compulsory payments to the long-term work and guarantee fund).

The total 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*);

¹² 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.

- 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:

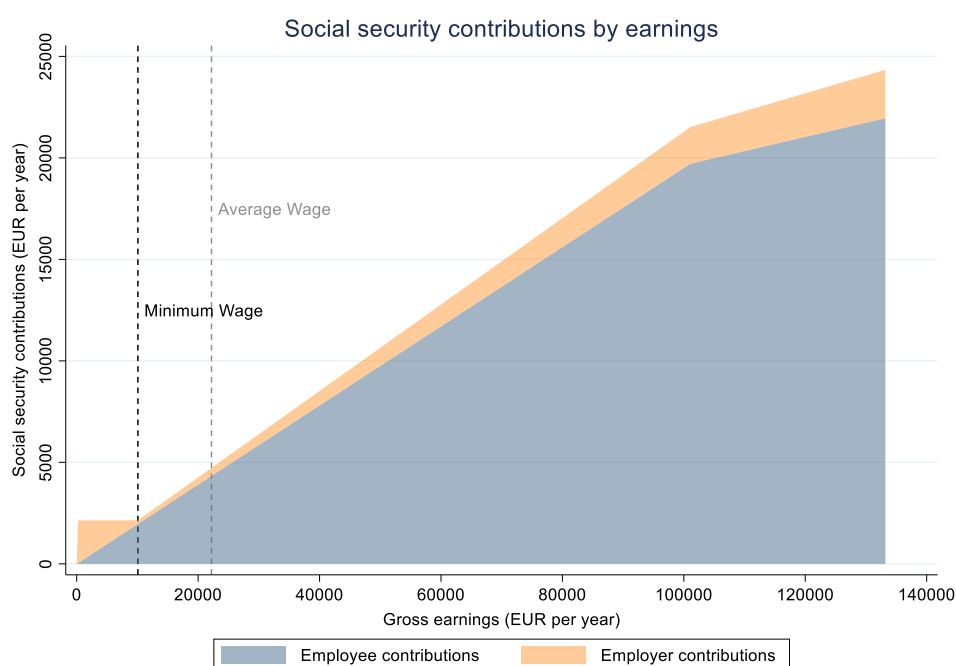
- Category I – 0.14%;
- Category II – 0.47%;
- Category III – 0.7%;
- Category IV – 1.4%.

In addition, the employer¹³ pays:

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

Figure 7. Social security contributions

40-year-old single person without children



Note: Social security contributions do not depend on family structure. Employer contributions include compulsory payments to long-term work benefit fund and the guarantee fund.

Source: OECD Tax-Benefit Model.

¹³ Some employers are exempt from these payroll taxes, namely the Lithuanian Central bank and budget institutions, political parties, trade unions, religious communities and societies. Given that the model covers the private sector only and that the Guarantee fund and Long-term employment benefit fund contributions are paid by the majority of employers within those sectors, these contributions are included in the model.

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):

On 1 January 2023, the full BTEA consisted of EUR 625 per month. The actual BTEA depends on the amount of person's income and is calculated as follows:

- the full BTEA (EUR 625) is applied on income from employment to persons whose income related to labour relations was EUR 840 or less per month (minimum monthly wage effective on 1 January of a respective calendar year);
- for a person whose income was between EUR 840 and EUR 1926 per month, BTEA is calculated according to the formula: $BTEA = 625 - 0.42 * (\text{income} - 840)$;
- for a person whose income exceeded EUR 1926 per month, BTEA is calculated according to the formula: $BTEA = 400 - 0.18 * (\text{income} - 642)$;
- If the BTEA calculated according to this formula is negative, it is assumed to be equal to 0.

At the end of tax period, BTEA can be recalculated taking into account all person's taxable income received during a year. The full BTEA for a year is EUR 7 500 if total annual taxable income does not exceed EUR 23 112. (*In the model only income from employment is considered, other taxable income is not covered*).

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.

8.1.2. *Tax base*

As concerns 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;
 - 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 2023, the individual income tax on income from the employment is levied at 20%. When an individual's annual income from wages exceeds 60 average wages (AW)¹⁴, i.e. 60 * EUR 1 684.9= EUR 101 094 per year, the tax rate for the part exceeding the limit is 32%.

8.1.4. *Tax credits*

There are no tax credits for employees.

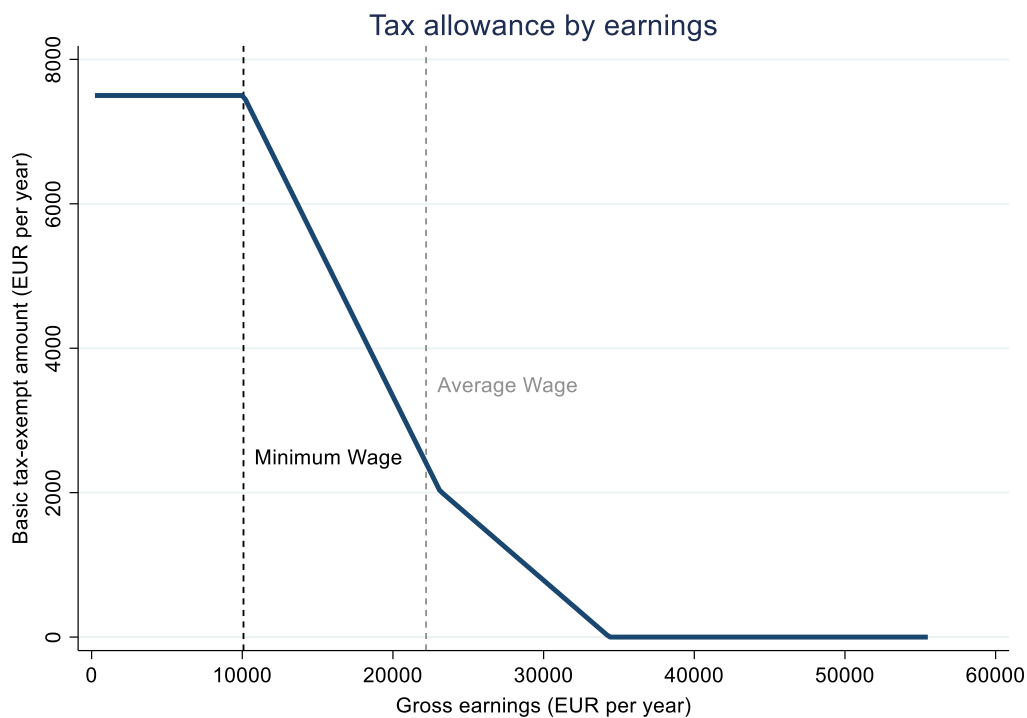
However, since 1 January 2018, there is an income tax credit for the self-employed (*not covered by the model*). For those, whose income from self-employment does not exceed EUR 20 000 per year, the tax credit is equal to 10% of the tax base. For others, the tax credit is estimated based on the following formula:

Income tax credit for income from individual activity = annual taxable income x (0.1 – 2/300 000 x (annual taxable income – 20 000)).

¹⁴ 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.

Figure 8. Basic tax-exempt amount

40-year-old single person without children

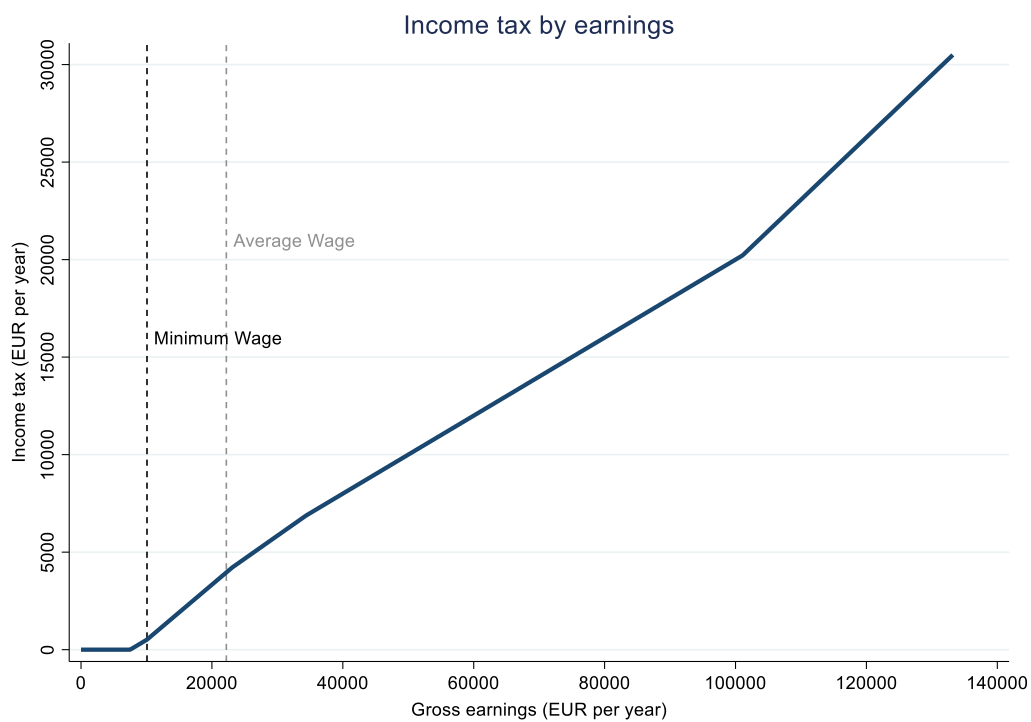


Note: Basic tax-exempt amount does not depend on family structure. However, it decreases with earnings. The figure shows the maximum tax allowance by gross earnings. The actual amount that a person can use depends on the amount of tax liability (not shown in the figure).

Source: OECD Tax-Benefit Model.

Figure 9. Income tax

40-year-old single person without children



Note: A person has no other sources of income but earnings from work. Income tax is calculated at the individual level and does not depend on family structure.

Source: OECD Tax-Benefit Model.

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

This section shows selected output of the TaxBEN model for Lithuania 2023. 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](#). The figure shows outputs for four scenarios:

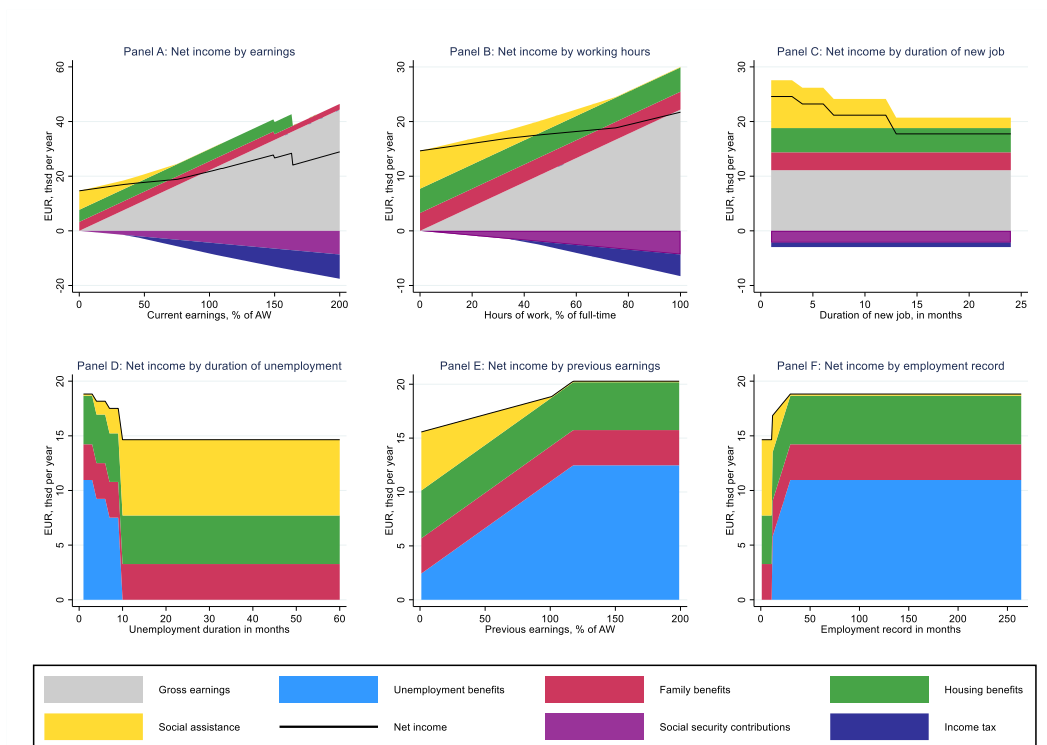
- By percentage of the average wage (**Panel A**);
- By working hours (**Panel B**);
- By duration of a new job (in months) for a person claiming social assistance who started a new employment (**Panel C**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel D**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel E**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel F**).

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.

The results 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 six 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 10. Selected output from the OECD tax-benefit model

40-year-old one-earner couple with two children



Note: In Panel A, B, and C the first adult is employed, whereas 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 Panel A, the first adult works full time at different wage levels. In Panel B, the first adult earns average (hourly) wage at variable working hours. In Panel C, the first adult has just started a new full-time employment at 50% of the average wage after claiming social assistance.

In Panels D, E, and F 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. In Panel D and F, previous earnings of the first adult equal to the average wage. In Panels D and E, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. Panels E and F refer to the 2nd month of unemployment benefit receipt

Source: 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.¹⁵ 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 on 1 January 2023:

- during the heating season:
 - families – part of the expenses for heating (below the limit) exceeding 10% of the difference between the income of a family and 2*SSI provided to each member of family;
 - single residents - part of the expenses for heating (below the limit) exceeding 10% of the difference between the income of a person and the amount of 3*SSI.
- part of the costs of cold water and sewage (below the limit) exceeding 2% of the income of a family or single person;
- part of the costs for hot water (below the limit) exceeding 5% of the income of the family or single person.

Compensations are not subject to taxation.

Due to Covid-19 pandemic and seeking to reduce the financial burden on the population due to rising prices, the owned property temporary is not evaluated granting cash social assistance (i.e. social benefit and compensations for heating costs, drinking water costs and hot water costs) for poor residents. This provision came into force on 21 May 2020 and has been extended temporary till 30 April 2024.¹⁶

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

¹⁵ See more details here: <https://www.e-tar.lt/portal/lt/legalAct/TAR.3EEE59417F13/asr>

¹⁶At the end of this rule, a permanent provision will enter into force according to which the property will not be valued for 3 months for those people who apply for the social benefit for the first time or 2 years after receiving the last support.

respectively. This benefit is paid from the moment of birth of children until they reach the age of two years.

Since May 2018, in Vilnius, an additional one-time benefit in the amount of 40*BSB is granted for the birth of triplets or more children.¹⁷

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 a woman, 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. Woman who has 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. Woman who has 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.

Since 1 January 2021, the maternity benefit amount is not reduced if a person receives income from self-employment during maternity benefit payment period. Since 1 January 2021, self-employed persons are eligible to receive maternity benefit if they have paid social insurance contributions from at least one minimum monthly salary on a monthly basis and have required insurance period for maternity benefit.

Child care benefit (Vaiko priežiūros išmoka)

Until 1 January 2023:

One of the parents (adoptive parents) or a foster parent, or one of the child grandparents is entitled to the child care benefit if:

¹⁷ The description of the procedure for granting and paying one-time targeted conditional and periodic benefits approved by the decision of Vilnius City Municipal Council No. 1-1555 on 23 May 2018.

- she / he is covered by maternity social insurance;
- she / 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 she / 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 person 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 person 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 of 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.

Since 1 January 2021, the childcare benefit amount is not reduced if a person receives income from self-employment during childcare benefit payment period. Since 1 January 2021, self-employed persons are eligible to receive childcare benefit if they have paid social insurance contributions from at least one minimum monthly salary on a monthly basis and have required insurance period for childcare benefit.

From 1 January 2023:

One of the parents (adoptive parents) or a foster parent, or one of the child grandparents is entitled to the childcare benefit if:

- she / he is covered by maternity social insurance;

- she / he was granted the childcare leave until the child is one-year old or two-years old;
- before the first day of the childcare leave she / 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 78 % 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 18 or 24 months 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 person 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 person entitled to it from the day of the mother's death.

Duration of childcare benefit payment

Parents can choose how long they want to take look after the child and receive child care benefit – until the child turns 18 months or until the child turns 24 months. Out of all length there are non-transferable months – 2 months for father (adoptive or a foster father) and 2 months for mother (adoptive or a foster mother) or guardian (total 4 months). For grandparents, childcare benefit for non-transferable months is not paid.

If the parent raises the child alone, he or she will not be able to receive the non-transferable months of the other parent but will be able to receive additional months (2 months) which will be paid in the same way as the non-transferable months.

There is a list of cases when a child will be considered to be raised by one parent:

- when the other parent (adoptive) or guardian is dead or recognized as dead;
- another parent (adoptive) or guardian is recognized as being of unknown whereabouts;
- another parent (adoptive) or guardian has parental authority limited for a limited or indefinite period of time;
- paternity has not been established for a child whose care has been granted;
- a child for whom childcare leave has been granted is separated from one of his parents (adoptive parents);
- another of the child's parents (adoptive parents) or guardians is recognized as incapable in this field;
- the child's place of residence is established with one of his parents (adoptive parents), and the other parent (adoptive parents) is restricted from communicating with the child;
- another of the child's guardians is dismissed or removed from their duties;

- the other of the child's parents (adoptive parents) or guardians is serving a prison sentence in a prison and cannot take care of the child as a result.

The amount of a childcare benefit

The amount of childcare benefit depends on chosen receipt duration of the benefit: if the insured person chooses to receive the benefit until the child turns 18 months old, the amount of the benefit is 60% of the beneficiary's compensatory wage; if the person chooses to receive the benefit until the child turns 24 months old – the benefit until the child turns 1 year old is 45% and 30% of the beneficiary's compensatory wage until the child turns 24 months old.

In both the first and the second option, the amount of the childcare benefit of non-transferable months of childcare leave is 78% of the beneficiary's compensatory wage. The childcare benefit of the same amount will be paid for the additional 2 months of childcare leave, which is granted in cases where the child is raised by only one parent.

The same conditions apply to parents who adopted children, only the benefit is paid to for eighteen or twenty-four months (not until the child turns 18 or 24 months).

Monthly childcare benefits cannot be less than the size of 6 Basic Social Benefits.

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 78 per cent of the beneficiary's compensatory wage.

If parents work during non-transferable leave, the benefit will be reduced by the amount of income received. It will be possible to work during transferable childcare leave, but the amount of the benefit and the salary received will not be able exceed the salary from which the benefit was calculated. During the additional two months (paid for lone parents) it is possible to work and receive the full amount (78%) of childcare benefit.

Since 1 January 2021, the childcare benefit amount is not reduced if a person receives income from self-employment during childcare benefit payment period. Since 1 January 2021, self-employed persons are eligible to receive childcare benefit if they have paid social insurance contributions from at least one minimum monthly salary on a monthly basis and have required insurance period for childcare benefit.

The maximum compensatory wage for calculation of childcare benefits cannot exceed the size of two national average monthly wages for the quarter two quarters preceding the day on which the right to receive childcare benefits arose.

Paternity benefit (Tēvystės išmoka)

A father or adoptive father is entitled to the paternity benefit if:

- he is covered with the maternity social insurance;
- he was granted the paternity leave at any time from the day the child is born until the child reaches one year of age;
- in the last 24 months before the first day of parental leave he has the social insurance period for maternity of at least 12 months (from 1 January 2023 in the last 24 months before the first day of parental leave he has the social insurance period for maternity of at least 6 months)

A paternity benefit shall be paid for the period of a paternity leave. 30 days paternity leave can be taken at any time from the day the child is born until the child reaches one year of age (from 1 January 2023 days can be divided into 2 parts). 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 6 BSB.

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 6.43 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.

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 general curriculum (since 2022), formal vocational training programme or is a full-time student at a higher education institution 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 2 years 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.

Long-term work benefit (ilgalaikio darbo išmoka)

Since 1 July 2017, the long-term employment benefit has been introduced for employees who have worked for one employer for more than 5 years and who is dismissed at the initiative of the employer without the employee's own fault. The long-term employment benefit depends on the length of time the employee has worked continuously for the employer. The benefit is paid to all employees who have worked under employment contracts who have been fired not earlier than 1 July 2017. Employees from budgetary institutions and the Central Bank are not entitled to receive the benefit.

An employee is not eligible for the benefit if he or she started working for the same employer during 3 months after being made redundant. The application for the benefit has to be submitted not later than 6 months from becoming redundant.

The benefit amount depends on the employment history with the same employer and the average remuneration in the last 12 months before the employee has lost his job:

- 5-10 years of working history - benefit equal to 77.58% of one average remuneration;
- 10-20 years – 77.58% of two average remunerations;
- 20 years or more – 77.58% of three average remunerations.

Since 1 January 2020, the long-term employment benefit is calculated based on the administrative data and employee's average insured income.

The Long-term benefit fund has been operating since 1 July 2017. This Fund is formed from the contributions paid by the employers / insurers. The employers / insurers pay 0.16% contribution from the employment-related income calculated for the employees, from

whom the contributions to the National Social Insurance Fund are paid (e.g. the budgetary institutions and the Bank of Lithuania are not paying these contributions).