



In 2019, there were some important changes in the tax system in Lithuania. From 1 January, 2019, the main taxes applied to employees are following:

- State social insurance (Sodra taxes): **19.5%**;
- Personal income tax: **20%** (if the wage doesn't exceed 84 average wages which is Eur 104 277,6 per year), 32% (if the salary does exceed 84 average wages per year);
- Tier II pension: **2%** (optional).

Personal income tax

For contract employees, the personal income tax (*gyventojų pajamų mokestis* or *GPM* in Lithuanian) is deducted from the salary (this is done by the employer). It also has to be paid for other work non-related income (such as from selling property etc.) Lithuania imposes a flat rate of 20% on wages. 15% tax is applied for persons performing individual activities. Non-residents are taxed at the same rate as residents (for income obtained in Lithuania). [Read more](#) (in Lithuanian).

Corporate income tax

In Lithuania, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. The main tariff for the CIT is 15%, smaller tariffs are applied to small enterprises. [Read more](#) (in Lithuanian).

Value added tax (VAT)

VAT is a general, broadly based consumption **tax** assessed on the **value added** to goods and services. It applies more or less to all goods and services that are bought and sold for use or consumption. It is a tax paid by consumers. The standard VAT rate in Lithuania is 21 %. The reduced VAT rates are as follows: 0%, 5 % and 9%. [Read more](#) (in Lithuanian).

Social security tax

The main goal of the state social security system is to guarantee income for the insured when they are not able to work due to sickness, maternity, age, disability or other reasons. These taxes are paid both by the

employer and the employee. In sum, the social security contributions take 40% of the gross salary. The social security tax has to be paid also by self-employed persons, athletes, artists, and others. [Read more](#) (in Lithuanian).

Mandatory health insurance

Mandatory health insurance (*Privalomasis sveikatos draudimas* or *PSD* in Lithuanian) gives access to free health insurance services (to the majority of them). If the person is not insured with PSD s/he has to pay for medical services.

The following persons are eligible for the compulsory health insurance:

1. citizens of the Republic of Lithuania and foreign nationals permanently residing in the Republic of Lithuania;
2. foreign nationals temporarily residing in the Republic of Lithuania, if they are legally employed in the Republic of Lithuania, and minor members of their families;
3. unaccompanied foreign minors;
4. foreign nationals who have been granted subsidiary protection in the Republic of Lithuania;
5. persons to whom the Law on Health Insurance must apply under EU regulations on the coordination of social security systems.

Among others, following groups of people are insured with MHI by the state:

- Contract employees;
- Minors;
- Retired persons;
- Disabled;
- The unemployed registered with the [Employment Services \(Užimtumo tarnyba\)](#);
- Mothers and fathers on maternity/paternity/child care leave;
- Schoolchildren and students;
- Other.

The full list of those insured by the state can be found in the website of the [National health insurance fund](#).

Contract employees do not need to pay any extra fees as the tax is automatically deducted from their salary.

Main tariffs of contributions of economically active population can be found in the website of the [National health insurance fund](#).

Excise

It is a fee for specific groups of goods, mainly for those that harm the consumer (i.e. tobacco, alcohol) or the environment (for example, fuels). [Read more](#) (in Lithuanian).

Permanent residents of Lithuania have the duty to declare their income and taxes paid each year until May 1 for the previous year.

Source: *State Tax Inspectorate (VMI), Ministry of Finance of the Republic of Lithuania, Lithuanian Free Market Institute (LLRI), "Sodra"*

