

# Lithuania

## 1. Government requirements

### Registration requirements

#### Registration with the State Social Insurance System (SSIS) and State Tax Inspectorate (STI)

After the legal entity is registered in the commercial register of Lithuania, the information is sent to SSIS and STI. Access to the SSIS portal and STI systems (My STI, an online services area where relevant personal information is provided to the taxpayer, and EDS, an online declaration system, with an area where tax forms should be submitted) is automatically given to the company manager, who can assign other representatives to access these tools. All companies, regardless of their chosen form of business, should communicate with SSIS via the portal and with STI via My STI and EDS. The respective tax returns and statements should be submitted in the SSIS portal and EDS system, pursuant to the tax statutory deadlines. These processes are described by the Law of the Republic of Lithuania on State Social Insurance and Government regulations and by the Law of the Republic of Lithuania on Personal Income Tax (PIT).

### Employment contracts

An employer and an employee shall establish a mutual legal employment relationship by concluding an employment contract. With an employment contract, the employee undertakes to perform specific work, subject to specified working procedures and orders of the employer, while the employer undertakes to pay the agreed work remuneration and to ensure fair and safe working conditions that are not harmful to health. The provisions of the Civil Law shall apply to contracts of employment.

General rules of employment are stipulated in the Labor Law of the Republic of Lithuania.

#### Registration in the state social insurance system ("SoDra" in Lithuanian language)

An employer (including a micro-enterprise taxpayer) should register each employee with the SSIS, and submit information regarding them within the following time periods:

- Regarding persons who start working — not later than one day before a person commences working (report on insurance beginning).
- Regarding employees who have changed or lost the status of the employee — not later than within one working day after change or loss of the status (report on insurance end).
- Regarding employees who have taken unpaid absences (study leave, paternity/ maternity leave, etc.) and sick leave: not later than three working days after the start of the unpaid absence or the end of the sick leave.

Regulations mentioned above regarding the state social insurance system are described by the Ministry of Social Security and Labor part IV in the document named DUOMENŲ APIE APDRAUSTUOSIUS IR DRAUDĖJUS PATEIKIMO IR TIKSLINIMO TAISYKLĖS in lithuanian language.

### Ongoing compliance requirements.

#### Personal Income Tax (PIT)

This must be paid by all natural persons who are domestic taxpayers (residents) and who have obtained income in the Republic of Lithuania or foreign states during the taxation period (calendar year). Foreign taxpayers' income obtained in the Republic of Lithuania during the taxation period is also subject to PIT. The standard PIT rate in Lithuania for 2020 is 20% and it is governed by the

Law of the Republic of Lithuania on Personal Income Tax. Usually, PIT from salaries is calculated, withheld and paid by the employer.

The income of employee that exceeds 84 statistical average salaries per year 2020 (60 statistical average salaries in 2021) shall be taxed at a higher 32% PIT rate. Individuals are responsible for additional PIT payments (all that exceeds 20% rate), there is no obligation to employers to follow annual employees' incomes and deduct higher rate of PIT from monthly payments. However, employees could submit request to tax their incomes with higher rate by employers. In case the standard PIT rate (20%) is applied to the employee's income on monthly basis and next year, after submission of the annual PIT declaration, the employee pays the difference between the employer's calculated PIT and the PIT calculated (recalculated) by the tax administrator (considering increased tax rate).

### **PIT reporting**

Reports on PIT are required from the State Tax Inspectorate and the regulations are described in Income Tax Act.

Every month, not later than the 15th calendar day, the employer shall submit the PIT report on monthly paid salaries. The PIT report should include the taxable amount, the PIT from salaries paid until the 15th calendar day of the previous month and the PIT from salaries paid from the 15th to the last calendar day of the previous month, and the total PIT amount (20%).

### **Annual PIT report**

An annual PIT report for the tax period (one year) shall be submitted by the next tax period (calendar year) — by 15 February.

The annual PIT report should include: the taxable amount, the PIT amount per year for each employee, the sum of particular payments that are not subject to PIT or are exempted (e.g., daily allowance for business trips, amounts paid by the employer for the employee's private health and accident insurance, prizes and gifts) and the employee's personal code.

### **Social security contributions (SSC)**

The standard rate is 21.27% and this is calculated from employees' monthly gross income. SSC is divided into two parts — the employee's part (from 19.50% to 22.50%) and the employer's part (1.77%).

The social security contribution ceiling is applied when employee incomes reach 84 average salaries in 2020 (60 statistical average salaries in 2021). When this limit is reached, the applicable social insurance tax rates decreases since only compulsory health insurance contributions (6.98%) are accounted.

The SSC is calculated and paid by an employer. The general rules of SSC calculation and application are described in the Law of the Republic of Lithuania on State Social Insurance and Government regulations.

### **SSC reporting**

The information regarding insurance for the accounting period is obtained from the state social insurance system and the regulations followed are described by the Ministry of Social Security and Labor.

Every month, not later than the 15th calendar day, the employer shall submit the statutory report on monthly calculated salaries. The social security taxes return should include: the number of employees, the taxable amount, the social security contribution amount (comprising an employee

contribution from 19.5% to 22.5% and an employer contribution of 1.45% as well as guarantee fund contribution of 0.32%) and employee information (personal code, social contribution code).

## **2. Pension requirements**

### **Registration requirements**

When an employee is registered in the state social security system (SoDra), he or she is automatically registered for state pension accounts. There are no additional requirements.

Ongoing compliance requirements

### **The pension system in Lithuania**

There is a three-tier pension system in Lithuania. The pensions for working people who pay social insurance contributions are guaranteed by the state social insurance system. Paid contributions are used for the payment of first tier old age pensions to the existing generation of pensioners. Every month, 21.27% of contributions from an employee's salary are paid for social insurance: 12.52% is paid by the employee and 1.77% by the employer, and 6.98% is also paid by the employee for health insurance.

The social insurance contributions of those who participate in the second pension tier, through their chosen fund managers, are invested into the financial market and saved for their future pensions. However, once you have participated in this system, you cannot choose not to. Since 2019 (tax reform), up to 3% of salary has been transferred to the pension fund from the social security contributions. Social security fund will also transfer an additional 1.5% of the average salary of employee to the employees's pension fund from the state budget of Lithuania as an incentive to participate in the second pension tier. `

The third pension tier provides the possibility for every individual to choose to create additional savings for his or her pension in private insurance funds.

The pension system in Lithuania is supervised by the social insurance system (SoDra).

## **3. Employment obligations**

### **Minimum wage**

The minimum monthly salary in Lithuania is determined by the Government. Since 2021, it has been EUR647 for normal working hours of 40 hours per week and it is being reviewed every year.

### **Annual paid leave**

Annual leave shall be calculated in working days and granted to an employee for rest and rehabilitation irrespective of the job designation. The minimum annual leave is 20 working days. Annual leave of 25 working days shall be granted to:

1. Employees under 18 years of age
2. Employees who are single parents, raising a child before he or she has reached the age of 14 or a disabled child before he or she has reached the age of 18
3. Disabled persons
4. Other persons provided for by law

By agreement of the employee and the employer, annual paid leave in the current year may be granted in parts, but one part of the leave in the current year shall not be less than 10 uninterrupted working days or two uninterrupted calendar weeks. In exceptional cases when the granting in the current year of the full annual paid leave to an employee may adversely affect the normal

course of activities, it is permitted for the employee to transfer part of the leave to the subsequent year, with their written consent. Extended annual leave of up to 41 working days shall be granted to certain categories of employees whose work involves greater mental and emotional strain and professional risk, as well as to those employees who work in specific working conditions. Additional annual leave days are granted to employees working in conditions which are not in conformity with normal work conditions, for long uninterrupted periods of employment, for special kind of work. The annual leave system is supervised by Lithuanian Labor Law (Articles 125-138). The annual leave period and unused vacation days are calculated in working days.

### **Categories of special-purpose leave**

Special-purpose leave shall be maternity leave, parental leave before the child is three years of age, educational leave, sabbatical leave, leave for performance of official or public duties, unpaid leave (see Lithuanian Labor Law Articles 137).

### **Additional privileges for persons raising children**

Employees who are raising a child with disabilities before he or she has reached the age of 18, or two children before they reach the age of 12, shall be granted an additional day of rest per month or their weekly working time shall be shortened by 2 hours. Employees who are raising three or more children under the age of 12 shall be entitled to 2 additional days of rest per month or their weekly working time shall be shortened by 4 hours and shall still be paid at the rate of the average wage (Lithuanian Labor Law Article 138, part 3.).

### **Breaks in work**

As well as annual vacation, breaks in work are regulated by Labor Law. Daily and weekly rest time differs according to the type of employment (e.g., normal working hours, parttime work or summary working time).

## **4. Payroll requirement**

There are three mandatory payroll taxes calculated and paid from salaries in Lithuania. Personal Income Tax and Social Security Contributions have been described in this guide. The third is an unemployment risk fee. The fee for one reporting month is 0.32% for each employee with whom the company has an employment relationship. The company, on a monthly basis, calculates and pays the risk fee into the State Budget. The amount and payment procedures are governed by the Law of Republic of Lithuania on Guarantee Fund.

An employer has a duty to pay work remuneration no less than twice a month, unless they and the employee have agreed on payment of work remuneration once a month. Working hours and wage accounting documents, and documents related to employees' personal information, must be stored for 50 years.

### **Payslips**

When paying work remuneration, an employer shall issue a written calculation of the work remuneration in which the remuneration disbursed, the taxes deducted and the mandatory state social insurance payments made, as well as the hours worked, including overtime hours, the hours worked at night and on public holidays, have been specified.

The employer has a duty to explain these calculations upon the request of an employee.

## **5. Banking requirements related to payroll**

Payment requirements are described in the Labor Law. Work remuneration in accordance with the Labor Law, Article number 139, shall be calculated and paid in cash or non-cash payments (bank transfer).

