

EUROMOD

COUNTRY REPORT



LITHUANIA (LT)

2017-2020

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EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD covers the 28 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

This report documents the work done in one annual update for Lithuania. This work was carried out by the EUROMOD core developer team, based in ISER at the University of Essex, in collaboration with a national team.

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The results presented in this report are derived using EUROMOD version I3.0. EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD. For more information, see:

<https://www.euromod.ac.uk>

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1. BASIC INFORMATION

1.1. Basic information about the tax-benefit system

- The Lithuanian benefit system is organized mainly on the state level. Municipalities provide a few local benefits based on local rules. These include municipal support that is given to families in need (e.g. asocial or dysfunctional families). In other cases, municipal authorities set parameters that indicate local living standards, but are used by state defined benefits or tax programs¹.
- Tax-benefit system is a unified national system in Lithuania. The one exception is business certificate (see more details on this type of taxation in chapter 1.6), which acquisition price varies across municipalities.
- The “fiscal year” runs from 1st January to 31st December.
- Main benefit and tax changes often happen at different times of the fiscal year, i.e. such as 1st July. For example, basic pension amount and minimum monthly salary are usually changed as of 1st July.
- Retirement age: The statutory retirement age in Lithuania is increased gradually to reach 65 years for both men and women by 2026. The state pension age on 30th June, 2005 was 59.5 for women and 62.5 for men. As of 2006: 62.5 and 60 respectively. It did not change during the course of 2006-2011. Since 1st January 2012 the state pension age gradually increases by 4 months yearly from 60 to 65 years for women and by 2 months yearly from 62.5 to 65 years for men. Effectively, the state pension age on 30th June, 2012 was 60 years and 4 months for women and 62 years and 8 months for men. For all the changes in pension age for women and for men from 2012 until 2026 see Table 1.1.

Table 1.1. Pension age for women and men effective on June 30, 2012-2026

Year	Women	Men
2012	60 years 4 months.	62 years 8 months
2013	60 years 8 months	62 years 10 months
2014	61 years	63 years
2015	61 years 4 months	63 years 2 months
2016	61 years 8 months	63 years 4 months
2017	62 years	63 years 6 months
2018	62 years 4 months	63 years 8 months
2019	62 years 8 months	63 years 10 months
2020	63 years	64 years
2021	63 years 4 months	64 years 2 months
2022	63 years 8 months	64 years 4 months
2023	64 years	64 years 6 months
2024	64 years 4 months	64 years 8 months
2025	64 years 8 months	64 years 10 months
2026	65 years	65 years

- The minimum school leaving age is 16 years old. Compulsory education is from age 7 to 16. The age of majority is 18².
- *Dependent child* definition:

¹ For example, provision of cash social assistance is administered by municipalities with some discretion on defining eligibility and exceptions from the general rules. The general rules, nevertheless, are set at the country level.

² Majority is an age threshold, recognized by the law, as a moment when a child assumes control over his/her actions, thereby terminating the legal control and legal responsibilities of parents or guardians.

- a. By default, the “*dependent child*” status is lost (unless recognized by the court otherwise) if a person has a partner (married or legally cohabitating) or becomes a parent herself.
 - b. Generally, *for tax and benefit purposes*, dependent children are own or adopted children (except fostered children) under 18 years of age.
 - c. *For benefit purposes*, persons between ages 18 (hereinafter referred to as inclusive) up to 21 years (hereinafter referred to as exclusive) old are *often* considered to be dependent children, if they are (a) unmarried and not living together with another person, (b) not parents themselves, and (c) full-time pupils and students of general education schools or other institutions of formal education, as well as persons from the day of finishing general education schools which they attended as full-time pupils until 1st September of the same year. The precise “dependent child” definition is usually a benefit specific definition, and could cover different conditions, as in the two examples below:
 - For social assistance, persons up to the age of 24, (unless married, living together with another person or parents themselves) if unemployed or studying full-time, can only be treated as dependent children, therefore, restricting their rights to claim the benefit as a “single person”.
 - For child benefit purposes, enrolment in full-time secondary education is required for children at the age of 18 or older, who are raised in families with up to two children. Children up to the age of 24 are eligible, if raised in families with three or more children and enrolled in secondary, vocational, post-secondary or higher education.
 - d. *For tax purposes*, dependent children are defined as children under the age of 18 or older, if in full-time secondary education.
 - Lone parent is defined as a parent of a dependent child, not legally married or officially cohabiting (cohabitation is approved by the official contract) to anyone.
 - The income tax system is an individual system, with the spouses being assessed independently.
 - Taxpayers can fill a tax return form in order to make deductions from income tax or to return unused annual tax allowance at the end of the financial year, although it is not obligatory, unless in cases of gaining non-work related income.
 - Generally, no statutory indexing regimes are applied for Lithuanian benefits or taxes. Indexation of benefits is agreed on annually on an ad-hoc basis, conventionally on an annual base.
 - The means-tested benefit system assesses entitlement according to the average per capita monthly income of benefit unit according to the last three or twelve months’ income history. The benefit unit is the nuclear family - the married couple or single adult plus any dependent children.
 - Currency: Lithuanian currency was Litas (LTL) with a fixed exchange rate to Euro (EUR) of 1 EUR = 3.45280 LTL since 2002 to 1st January 2015. Lithuania joined the Eurozone in 2015. The national currency is EUR since 1st January 2015.
- ***Commonly used parameters and definitions***

Social benefits, pensions and compensations are often calculated in relation to reference amounts, as indicated below.

Basic Social Allowance (*bazinė socialinė išmoka*), hereinafter referred to as “**BSA**”, is the Government approved social indicator mainly used for defining and calculating of different social protection benefits and other statutory values. Table 1.2. shows BSA levels which were effective on 30th June 2011-2019.

The State Supported Income (*valstybės remiamos pajamos*) level (hereinafter referred to as “**SSI**”) is the Government approved personal income level after taxes and contributions, but before transfers of cash social assistance. Table 1.2. shows SSI levels which were effective on 30th June 2011-2020.

Table 1.2. Monthly BSA and SSI levels effective on 30th June 2011-2020, LTL and EUR

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Currency: LTL										
BSA	130	130	130	130						
SSI	350	350	350	350						
Currency: EUR										
BSA					38	38	38	38	38	39
SSI					102	102	102	122	122	125

Source: Based on the relevant version of Government of Lithuanian Republic Resolution „Dėl bazinės socialinės išmokos dydžio patvirtinimo“ and „Dėl valstybės remiamų pajamų dydžio patvirtinimo“

A number of other commonly used definitions for benefit calculations, such as income lists, are presented here:

Insured Income (*draudžiamosios pajamos*), hereinafter referred to as “**II**”, defines the *list* of the person’s *insured income* on the basis of which a number of contributory benefits, such as maternity leave and paternity leave benefits, sickness benefit or unemployment benefit, are paid. *Insured income* includes all income of a person on which state social insurance contributions were (or had to be) paid:

- earnings;
- income from sports, incomes paid under authorship agreements, income of self-employed persons and with some extent incomes received by some groups of people that were previously not covered by social insurance (solicitors, bailiffs, individual business owners, farmers and partners, etc.);
- sickness benefit (including the first two days of sickness for which the employer pays), vocational rehabilitation, maternity leave, paternity leave, childcare benefits set by *the Law on Sickness and Maternity Social Insurance*;
- sickness benefits due to occupational accidents or occupational disease allowances payable in accordance with *the Law on Social Insurance of Occupational Accidents and Occupational Diseases*;
- unemployment and partial employment social insurance benefits payable in accordance with *the Law on Unemployment Social Insurance*.³ Partial employment benefits are introduced since July 2017. Since 2018, the unemployment insurance benefit is excluded from insured income list and is not taxable.

There were no major changes made to the insured income list during the period of 2011-2020.

The **average monthly insured income (AMII)** is the sum of the insured incomes (**II**) averaged over the last several months before the right to the relevant benefit has been granted. For example, the right to maternity leave, paternity leave and childcare benefits rely on AMII which is based on the averaged income calculated over the last 12 months period (excluding the month the benefit

³ Insured income is defined by the “Lietuvos Respublikos Valstybinio socialinio draudimo įstatymas”.

is claimed).⁴ Other benefits, such as vocational rehabilitation allowance and occupational disease allowance are based on insured income averaged over 3 months' period. No major changes were made in 2011-2020.

Current year's insured income (*einamųjų metų draudžiamosios pajamos*), is the state approved income threshold mainly used for the purpose of state social insurance benefit calculations and defined by the *Law on State Social Insurance Pensions*. Table 1.3. shows *current year's insured income* (hereinafter referred to as “**CYI**”) levels which were effective on 30th June 2011-2017. As of 2018, the Current year's insured income was replaced with the indexation coefficient (*indeksavimo koeficientas*), which is to be used for indexation of social insurance pensions together with a reference point amount for pensions (*apskaitos vienetas*) (see below). For other benefits where CYI was used (e.g. for setting ceilings of the maternity/paternity benefits), other amounts are used instead of CYI.

Pension indexation coefficient (*indeksavimo koeficientas*) and reference points (*apskaitos vienetas*). As of 2018 the formulae for estimating social insurance pension amounts was modified. All pension entitlements were recalculated into reference points (RP), which are to be automatically indexed each year using an indexation coefficient (IC). The RP is equal to 12 average monthly salaries earned during before retirement and is capped at 5 RP (60 average monthly wages) per year. The IC is calculated based on the average change of the total wage fund during the three previous, current and three forthcoming years. The IC is also used for indexing the basic pension part. No major changes were made in 2020.

Table 1.3. CYI, RP and IC amounts (monthly), 30th June 2011-2020, LTL and EUR

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CYI										
Currency: LTL	1,170*	1,488	1,488	1,488						
Currency: EUR					431	445	476			
RP								3.27	3.52	3.81
Currency: EUR										
IC								1.0694	1.0763	1.0811
Currency: EUR										

Source: Based on the *Government of Lithuanian Republic Resolution “Dėl Valstybinės Socialinio Draudimo Bazinės Pensijos Padidinimo ir Einamųjų 2005 Metų Draudžiamųjų Pajamų Naujo Dydžio Patvirtinimo” [25.05.2005] and relevant changes*. Note: * In 2011 the CYI of LTL 1,170 was applied for calculation of all applicable benefits, except of the state social insurance pensions, in which case the 2009 level of CYI (1,488 LTL) should be taken into account⁵. RP and IC amounts based on SoDRA website: <http://www.sodra.lt/lt/situacijos/statistika/pagrindiniai-socialiniai-rodikliai>

State social insurance basic pension (*valstybinio socialinio draudimo bazinė pensija*) is the state approved amount, mainly used for the calculation of social insurance benefits, such as old-age pension or vocational rehabilitation allowance.

Assistance pension base (*šalpos pensijos bazė*) is the state approved amount, introduced on January 1st 2017. The pension base is a standard amount, used for the calculation of social assistance benefits such as: social assistance disability pensions, social assistance old-age pensions, social assistance orphans' pensions⁶.

⁴ Based on the following law “Lietuvos Respublikos Ligos ir motinystės socialinio draudimo įstatymo 3, 4, 5, 6, 8, 9, 16, 18, 19 straipsnių pakeitimo ir papildymo įstatymas”. 2008.12.18 Nr. XI-71. http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=334539 .

⁵ Based on the following Government resolution: 2011 m. vasario 23 d. Nr. 210 “Dėl einamųjų 2011 metų draudžiamųjų pajamų, ribinio motinystės (tėvystės) socialinio draudimo pašalpos ir ribinio valstybinės pensijos dydžių patvirtinimo”. Žin., 2011, Nr. 24-1160. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=393060&p_tr2=2

⁶ Based on the following law “Lietuvos Respublikos valstybinių šalpos išmokų įstatymo Nr. I-675 pakeitimo įstatymas“. 2016-06-29, Nr. XII-2506. <https://www.e-tar.lt/portal/lt/legalAct/f5ee93504a6e11e6b5d09300a16a686c>

Table 1.4. Basic monthly pension, social assistance pension base 30th June 2011-2020, LTL and EUR

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Basic monthly pension										
Currency: LTL	360	360	360	360						
Currency: EUR					105	112	120	152.92	164.59	180.95
Assistance pension base										
Currency: EUR							112	130	132	140

Source: Based on the Law “Dėl valstybinės socialinio draudimo bazinės pensijos dydžio, valstybinės socialinio draudimo našlių pensijos bazinio dydžio, maksimalios neperskaičiuotos pensijos dydžio ir valstybinių pensijų bazės dydžio patvirtinimo“, (2016-12-28 Nr. 1275, TAR, 2016-12-29, kodas 2016-29886) and its relevant amendments and changes.

Most of the state pensions in Lithuania are calculated in relation to the **state pension base (valstybinių pensijų bazė)**, the amounts of which during the period of 2011-2020 are indicated below:

 Table 1.5. State pension base minimum and average monthly salary, 30th June 2017-2020, EUR

	2017	2018	2019	2020
Currency: EUR				
State pension base	58	58	58	58
Minimum monthly salary (MMS)	380	400	555	607
Average monthly salary (AMS)	741.2	808.7	1136.2	1241.4
Average monthly salary of the previous quarter (AMSp)	812.8	876.43	961.70	1346.7

Source: Based on the Government of Lithuania Republic Resolution “Dėl valstybinių pensijų bazės dydžio patvirtinimo” [27.12.2007] and “Dėl minimaliojo darbo užmokesčio dydžio didinimo” [17.12.2008] and their relevant changes. * 325 EUR starting 17.06.2015, 300 EUR since 01.01.2015. AMS is indicated as used for estimating the base for personal income tax payments and estimating the base for social insurance payments, i.e. as set in the following Law: “Lietuvos Respublikos valstybinio socialinio draudimo fondo biudžeto rodiklių patvirtinimo įstatymas”. AMSp used for calculations of minimum and maximum amounts of maternity/paternity benefits and unemployment benefits since 2017. AMSp amounts are published in Sodra’s page: <https://www.sodra.lt/lt/situacijos/pagrindiniai-socialiniai-rodikliai>.

Minimum monthly salary (minimali mėnesinė alga), hereinafter referred to as “MMS” which is listed in Table 1.5. This reference amount is also used for defining (credited) social contributions (see more details in section 2.19.).

1.2. Social Benefits

- **Non-contributory benefits**

All non-contributory benefits are non-taxable.

Birth grant (vienkartinė išmoka gimus vaikui): a lump-sum cash benefit paid upon the birth (an adoption) of a child. Since 2011 the birth amounts to 11 BSA per child.⁷ No changes were made afterwards except of conversion to EUR in 2015.

⁷ Based on the following law “Lietuvos Respublikos Išmokų vaikams įstatymo 1, 2, 3, 5, 6, 7, 8, 9, 10, 12, 13, 14, 18, 20, 22 straipsnių ir antrojo, trečiojo skirsnų pavadinimų pakeitimo įstatymas”. 2008.07.01. Nr. X-1664: http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=324329

Child benefit (*išmoka vaikui*): since January 1st 2018, universal child benefit of 0.79 BSA (30.02 EUR) per child introduced to all families raising children aged less than 18 years old or until the age of 21 if in full-time education⁸. Since January 1st 2019, universal child benefit is 1.32 BSA (50.16 EUR), for disabled child 1.84 BSA (69.92 EUR). As of January 1st 2020, the benefit amount was increased by up to 1.54* BSA (60.06 EUR) for all children irrespective to the child's disability level.

Additional child benefit (*papildoma išmoka vaikui*): a monthly cash benefit paid to a family raising one or more dependent children. The benefit level is calculated in relation to BSA and varies based on household income, the number of children in the family and their age. Since the 1st March, 2009 entitlement to the benefit became means tested for families that raise one or two children aged 3-18 or 21 if in full-time education.⁹ Starting from January 1, 2010 both eligibility criteria and the income test were tightened according to *the Temporary Law on Recalculation and Payment of Social Benefits*. Since the 1st January, 2012 entitlement to the benefit became means tested also for families that raise one or two children aged less than 3 years as well. Since the 1st January, 2017 all families, raising three and more children are entitled to child benefit¹⁰. The amount of the child benefit for families raising more than three children depends on children's age. Since January 1st 2018, means-tested child benefit renamed as additional child benefit. Since January 1st 2019, the amount of additional child benefit is 0.53 BSA (20.14 EUR) and no longer depends on children's age. Since January 1st 2020, additional child benefit of 1.03*BSA (40.17 EUR) shall be paid for child only under one of described conditions: families raising children with household income below 2 times SSI for each family member; for families with three and more children; for families raising disabled children (benefits cannot duplicate).

Student's childcare benefit (*išmoka besimokančio ar studijuojančio asmens vaiko priežiūrai*): a monthly childcare benefit paid for one of the parents (lone parent, guardian, foster) during study period or 12 months after finishing school of graduation¹¹. The benefit is paid to one of the parent who studies (studied) in full time formal vocational training or higher education programme until reaches the age of 26, or studies (studied) in doctoral studies or medical residency until reaches the age of 30 and according to *the Law on Sickness and Maternity Social Insurance* and is not entitled to childcare benefit (a person before the first day of childcare leave had less than 12 months over the last 24 months of maternity (paternity) social insurance record). The fixed benefit amount is 4 BSA and is paid until the child reaches the age of 1 year. If two or more children are born (adopted) the amount of the student's childcare benefit does not increase. Since January 1st 2018, the benefit amount was increased to 6 BSA¹². No major changes were made in 2019. Since

⁸ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 pakeitimo įstatymas". 2017-12-05. Nr. XIII-822: <https://www.e-tar.lt/portal/legalAct.html?documentId=83931f10e3f11e7b3f0a470b0373cb2>.

⁹ Based on the following law "Lietuvos Respublikos Išmokų vaikams įstatymo 6, 8, 12, 13, 20 straipsnių pakeitimo ir papildymo ir 22 straipsnio pripažinimo netekusiu galios įstatymas". 2008.12.19 Nr. Xi-90: http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=334470

¹⁰ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 1, 2, 5, 6, 8, 12, 20 straipsnių ir priedo pakeitimo įstatymas". 2016-09-21. Nr. XII-2627: <https://www.e-tar.lt/portal/legalAct.html?documentId=05780a80858011e6b969d7ae07280e89>

¹¹ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 1, 3, 10, 12, 13 straipsnių, ketvirtojo skirsnio pavadinimo pakeitimo ir Įstatymo papildymo 10-1 ir 10-2 straipsniais įstatymo Nr. XII-2500 5 straipsnio pakeitimo įstatymas". 2016-06-28. Nr. XII-2500: <https://www.e-tar.lt/portal/legalAct.html?documentId=250ebe404a6e11e6b5d09300a16a686c>

¹² Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 pakeitimo įstatymas". 2017-12-05. Nr. XIII-822: <https://www.e-tar.lt/portal/legalAct.html?documentId=83931f10e3f11e7b3f0a470b0373cb2>.

January 1st 2020, the payment period of the benefit was extended - the amount of 6 BSA is now paid until child is 2 years old¹³.

Benefit for multiple-birth families (*išmoka gimus vienu metu daugiau kaip vienam vaikui*): a monthly benefit paid for one of the parent (lone parent) due to the birth of two or more children¹⁴. The benefit level is calculated in relation to BSA and varies based on the number of children born at the same time. The benefit is paid from the birth of the children until the children reach the age of 2 years. The benefit for parent paid in the amount of 4 BSA per month. If more than two children are born at the same time, the benefit amount increases respectively by 4 BSA. No changes in 2019-2020.

Benefit to a conscript's child (*išmoka privalomosios tarnybos kario vaikui*): a monthly benefit paid for each child in the amount of 1.5 BSA during the military service of the father. The level of the benefit did not change during the course of 2005-2020 except of conversion to EUR in 2015. According to *Law on the Benefits to Children*, the benefit is paid to the mother of the child of a conscript, unless she is not a permanent resident of the Republic of Lithuania. In that case, the benefit is paid to the child's father. The recipient of this benefit is also entitled to a child benefit as described above.

Guardianship benefit and targeted guardianship subsidy (*globos (rūpybos) išmoka ir globos (rūpybos) išmokos tikslinis priedas*): a monthly benefit to a child placed under guardianship in a family or non-governmental guardianship institution during the period of the guardianship (curatorship). Since the 1st January 2009 the amount of the guardianship benefit for a child who is under guardianship in a family-type guardianship institution (with more than 6 children) was set to 8 BSA, or the difference between 8 BSA and cumulative amount of an orphan's pension and (or) a child maintenance obligation.¹⁵ If the child under guardianship is on free boarding at a secondary or vocational school the amount of the guardianship benefit decreases to 2 BSA. Since 1st January 2016, the amount of the guardianship (curatorship) benefit for a child who is under guardianship in a family, a family-type guardianship institution or non-governmental guardianship institution, was set to 4 BSA¹⁶. The benefit shall be extended until the age of 24 for those studying in full-time studies. Since 1st January 2017, a targeted guardianship subsidy of 4 BSA is paid for a child's guardian (curatorship) per child whom guardianship is established for a family or a family-type institution.¹⁷ No changes were made afterwards.

Temporary childcare allowance (*vaiko laikinosios priežiūros išmoka*): since January 2020, a newly introduced benefit of 6 BSA per month for temporary child care¹⁸. Benefit is paid based in

¹³ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymas": <https://www.e-tar.lt/portal/lt/legalAct/TAR.1DEDD43B92AE/asr>

¹⁴ Based on the following law „Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 1, 3, 10, 12, 13 straipsnių, ketvirtojo skirsnio pavadinimo pakeitimo ir įstatymo papildymo 10-1 ir 10-2 straipsniais įstatymas“. 2016-06-28. Nr. XII-2500: <https://www.e-tar.lt/portal/legalAct.html?documentId=250ebe404a6e11e6b5d09300a16a686c>

¹⁵ Based on the following law "Lietuvos Respublikos Išmokų vaikams įstatymo 6, 8, 12, 13, 20 straipsnių pakeitimo ir papildymo ir 22 straipsnio pripažinimo netekusiu galios įstatymas". 2008.12.19 Nr. Xi-90. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=334470.

¹⁶ Based on the following law „Lietuvos Respublikos išmokų vaikams įstatymas“. Nr. 89-1706: <https://www.e-tar.lt/portal/lt/legalAct/TAR.1DEDD43B92AE/gGPofhfmoS>

¹⁷ Based on the following law „Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 8 straipsnio pakeitimo įstatymas“. 2015-12-15. Nr. XII-2191: <https://www.e-tar.lt/portal/legalAct.html?documentId=8e886460a8ad11e5be7fbe3f919a1ebe>

¹⁸ Based on the following law „Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 3, 16, 17, 19, 21 straipsnių, trečiojo skyriaus pavadinimo pakeitimo ir įstatymo papildymo 12-1 straipsniu įstatymas“. 2019-05-07, Nr. 7400.

accordance with *the Law on Fundamentals of Protection of the Rights of the Child*, when the need for child protection is determined by a person, who is in temporary care of a child. The temporary childcare allowance will not be granted if the request is made by child's parents or other legal representatives. The benefit is paid throughout the period of temporary care.

Grant for housing (settlement) (*vienkartinė išmoka įsikurti*): a lump sum of 75 BSA is given to a child upon the expiration of a guardianship due attaining the legal age of 18, emancipation, or contracting a marriage. The benefit is given to purchase a dwelling or to cover accommodation related expenses. The benefit cannot be paid in cash unless the unused part of the grant is less than 1 BSA. No changes were made in 2011-2018 except of conversion to EUR in 2015. Since January 1st, 2019 the benefit is also given to purchase a vehicle if the person holds a valid driving license confirming the person's right to drive a motor vehicle of category B or B1.

Pregnancy grant (*vienkartinė išmoka nėščiai moteriai*): a lump-sum benefit to a pregnant woman who is not eligible to receive a maternity leave benefit. The grant amounts to 2 BSA and is paid 70 days before the term of child birth. The benefit remained unchanged during the course of 2011-2019 except of conversion to EUR in 2015. As of January 1st, 2020, the amount of pregnancy grant was set to 6.43*BSA (250.77 EUR in 2020)¹⁹.

Social assistance benefit (*socialinė pašalpa*): granted to families or single persons if they pass established eligibility, assets and income tests. In 2011 monthly per capita benefit was equal to 90% of the difference between 1*SSI and per capita family income. Social assistance benefit was granted for three months. The application needed to be re-submitted upon benefit expiration, unless local authorities had granted the benefit for the period exceeding three months. Since 1st January 2012 several changes were introduced: equivalence scales for benefit amount, reduction of benefit amount for long term dependants on social assistance benefit and payment of social assistance benefit for former long-term unemployed during the first 6 months of employment, etc.²⁰

All municipalities pay social assistance benefits to residents from targeted subsidies allocated to them from the national budget. However, since 1st January 2012 in 5 municipalities (Municipality of Akmenė, Panevėžys, Radviliškis, Raseiniai, Šilalė) social assistance benefit providing function was transferred to municipalities' discretion and this benefit is paid from their budgets. Thus, after the assessment of specific local conditions and circumstances these municipalities had more power in granting social assistance benefit (for example, to pay additional social assistance benefit, to reduce the amount of social assistance benefit, etc.). Since 1st January 2014 not only those in those five, but in all municipalities social assistance benefit providing function was transferred to municipalities' discretion²¹. No major changes were made afterwards except of conversion to EUR in 2015. Since January 1st, 2018, income disregards are introduced into social assistance, i.e. part of income is not taken into account when testing income.²² Regular non-contributory child benefits are excluded from the SA income test. Since January 1st 2019 the partial payment of the social assistance benefit for those beneficiaries who get employed was

¹⁹ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 2, 6, 10, 15, 17, 18, 20 ir 21 straipsnių pakeitimo įstatymas". 2019-12-17. Nr. XIII-2693. <https://www.e-tar.lt/portal/lt/legalAct/41c36f802ad111eabe008ea93139d588>

²⁰ Based on the following law 2011-12-01, No. XI-1772 „Lietuvos Respublikos Piniginės socialinės paramos nepasiturintiems šeimoms ir vieniems gyvenantiems asmenims įstatymo pakeitimo įstatymas“. 2011-12-20, No. 155-7353.

²¹ Based on the following law, 2013-11-26, No. XII-621 „Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo 4, 23 straipsnių pakeitimo ir papildymo įstatymas“. 2013-12-10, No. 126-6414.

²² Based on the following law: 2017-12-05, No. XIII-821 "Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 1, 4, 8, 10, 17, 20, 23 ir 25 straipsnių pakeitimo įstatymas". 2017, No. 20024.

extended from 6 to 12 months. Since January 1st 2019, children (adoptees) older than 18 years old are also included in the household composition. As of January 1st 2020 there were changes in the income test design: 70% of income from self-employment (except self-employment income of persons under the age of 18) is included in the income test; temporary childcare allowance is not included in the income test.

Due to the novel coronavirus (Covid-19) the eligibility conditions for social assistance benefit were temporary eased, the level of income disregard was increased by 5 p.p and the assets' test is temporary not applied during the state of emergency and for 6 months more after the end of quarantine. Lastly, the amount of social assistance benefit is increased as well.

State social assistance benefits/pensions (*valstybinės šalpos išmokos*): there are five types of social assistance benefits/pensions: social assistance pensions; orphan's social assistance pension; targeted compensations for nursing expenses; nursing allowances; relief compensations. Social assistance benefits/pensions are calculated in relation to a *basic monthly pension* (see Table 1.4.).

Compensations for special working conditions (*kompensacijos už ypatingas darbo sąlygas*) are paid to people who have worked in hazardous jobs. The monthly compensation is equal to 150% of the basic monthly pension (see Table 1.4.). It was affected by the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania which came into effect on January 1, 2010 and was hold on until 31 12 2011. Since 1st January 2012 beneficiaries of compensation for special working conditions receive the same amount of benefit which they had been receiving until benefits were temporary reduced. No major changes were made in 2013-2017. Since January 1st 2018, the monthly compensation is equal to 136.4 % of the basic monthly pension²³. No major changes in 2019-2020.

State pensions:

State pensions of degree one or two of the Republic of Lithuania (*Lietuvos Respublikos pirmojo ir antrojo laipsnių valstybinės pensijos*) are awarded to citizens for distinguished achievements or for individual or respective status (i.e. top-level state officials, prizemen of Olympic Games, etc.), if these persons have attained an old-age retirement age or have partially or fully lost their capacity to work. The limit for assigning new state pensions is not more than 15 new degree one pensions and not more than 45 new degree two pensions per year. A state pension of the first degree is equal to 4 *state pension bases*. A state pension of the second degree amounts to 2 *state pension bases* (see Table 1.5.). It was affected by the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania which came into effect on January 1, 2010 and it is hold on until 31 12 2012. According to the decision made at the end of 2012, provisions of this law remain in force until 31 12 2013. Thus, during the period of 2010-2013 state pensions of degree one or two of the Republic of Lithuania were recalculated applying appropriate coefficient²⁴. Since 1st January 2014 this coefficient is not applied, and no major changes were made afterwards. Since January 1st, 2018, foster mothers, and foster fathers, who raised 5 or more children, are also entitled to state pensions of degree two²⁵. No major changes afterwards.

²³ Based on the following law: 2017-12-12, No. XIII-881 "Lietuvos Respublikos valstybinių socialinio draudimo pensijų įstatymo Nr. I-549 pakeitimo įstatymo Nr. XII-2512 1 ir 3 straipsnių pakeitimo įstatymas". 2017, No. 20433.

²⁴ Based on the following law: 2009-12-09, No. XI-537 „Lietuvos Respublikos socialinių išmokų perskaičiavimo ir mokėjimo laikinasis įstatymas“. 2009, No. 152-6820.

²⁵ Based on the following law: 2007-03-14, No. 255 „Dėl Lietuvos Respublikos pirmojo ir antrojo laipsnių valstybinių pensijų skyrimo ir mokėjimo nuostatų patvirtinimo“.2017, No. 33-1198.

State pensions for victims (*nukentėjusiųjų asmenų valstybinės pensijos*) are given to the persons recognised as incapable or partially capable of work due to a number of state recognized aggressions (i.e. 11-13 January 1991 events), political imprisonment, deportations, participation in the resistance to the occupation, for participants in elimination of the consequences of the accident at the Chernobyl Nuclear Power Plant, or persons who became disabled due to military service in the Soviet Army. These pensions are paid if persons have attained an old-age retirement age or have partially or fully lost their capacity to work. The pension amount is calculated in relation to the *state pension base* (see Table 1.5.) and varies for different victim groups.

State pensions for officers and soldiers (*pareigūnų ir karių valstybinės pensijos*) are awarded to officers and soldiers or their family members. There are three types of these pensions: for the service; for lost capacity for work; for widows and orphans. The assigned pension amount is calculated based on the service record and former wage. It was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and it is hold on until 31 12 2012. According to the decision made at the end of 2012, provisions of this law remain in force until 31 12 2013. Thus, during the period of 2010-2013 state pensions for officers and soldiers were recalculated applying appropriate coefficient. Since 1st of January 2014 this coefficient is not applied, and no major changes were made afterwards.

State pensions for scientists (*mokslininkų valstybinės pensijos*) are awarded to scientists on the basis of *the temporary Law on State Pensions for Scientists*. These pensions are given to individuals with an academic degree or title and at least a 10-year career of a doctor or habilitated doctor at the age of old-age pension or having lost 60–100% of their capacity for work. The size of the pension depends on the insurance record and is calculated in relation to the *state pension base* (see Table 1.5.). It was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and it is hold on until 31 12 2012. According to the decision made at the end of 2012, provisions of this law remain in force until 31 12 2013. Thus, during the period of 2010-2013 state pensions for officers and soldiers were recalculated applying appropriate coefficient. Since 1st of January 2014 this coefficient is not applied. Since 1st of January 2017, pension for scientists cannot be combined with insured income, including other non-pension social insurance benefits²⁶. No changes in 2018-2020.

State pensions for judges (*teisėjų valstybinės pensijos*) are awarded to the retiring persons, who worked as judges of the Constitutional Court, the Supreme Court of Lithuania, the Court of Appeal of Lithuania, the Supreme Administrative Court of Lithuania and other Lithuanian general jurisdiction and specialized courts as well as judges of any international court elected or delegated by Lithuania, if they have at least five years of judicial service. The pension amount depends on the service record and is calculated as a percentage of the average salary over the last five years of the judicial work. It was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and it is hold on until 31 12 2012. According to the decision made at the end of 2012, provisions of this law remain in force until 31 12 2013. Thus, during the period of 2010-2013 state pensions for officers and soldiers were recalculated applying appropriate coefficient. Since 1st of January 2014 this coefficient is not applied, and no major changes were made afterwards. Persons entitled to receive state pension also have a right to receive state social insurance pension, unless otherwise provided by the law.

²⁶ Based on the following law: 2016-06-29, No. XII-2517, „Lietuvos Respublikos mokslininkų valstybinių pensijų laikinojo įstatymo Nr. I-732 3 straipsnio pakeitimo įstatymas“. 2016, No. 20652

President of the Republic of Lithuania spouse state pension (*Lietuvos Respublikos sutuoktinio valstybinė pensija*) Since 27th September 2017 President's spouse state pension is given to the spouses entitled to the state pension or President's authorized representative or guardian²⁷. The spouses are entitled to the pension if they do not receive insured income and carries out the public and (or) the diplomatic protocol of matrimonial functions in the last 3 years. The amount of the pension is equal to 15% of the President's monthly salary. Since July 2020, pension amount is equal to 11.64% of the President's monthly salary²⁸. The pension is also paid if a spouse has 60% of working capacity or less.

President of the Republic of Lithuania spouses orphan state pension (*Lietuvos Respublikos sutuoktinio našlaičių valstybinė pensija*) is given to the President's spouses orphan children, who are: below the of 18; above the age of 18 years old are disabled; above the age of 18 years old and are full-time students, up to the age of 24. The amount of the pension is equal to 30% of the President's monthly salary per child.

- **Contributory benefits**

Taxable contributory benefits:

Maternity leave benefit (*motinystės išmoka*): a lump sum benefit paid to a pregnant woman who has a right to the *Sickness and Maternity Social Insurance*. The benefit is paid for a total of 126 calendar days, covering the period before and after the child birth. Maternity benefit is equal to 100% of the recipient's average monthly insured income (AMII) (see section 2.9. for more details) with minimum and maximum amounts specified. Since January 1st, 2017 the maximum compensatory wage amount (the ceiling) calculating maternity leave benefit is not applicable²⁹. Since January 1st, 2018 the minimum maternity leave benefit amount (floors) could not be lower than 6 BSA³⁰. Since January 1st 2019, due to tax reform, the maternity benefit is equal to 77.58 % of the recipient's compensatory income. Since January 1st 2020, maternity leave benefit is also paid for those mothers who had no less than 12 months over the last 24 months, but were not employed or insured during pregnancy period. No other major changes in 2020.

Paternity leave benefit (*tėvystės išmoka*): a lump sum benefit, which is effective since 1st July 2006 and is granted on the basis of *the Law on Sickness and Maternity Social Insurance*. This benefit could be claimed by a father for the first month of childcare (from the child birth until the child reaches the age of one month). The benefit is granted on the basis of *the Law on Sickness and Maternity Social Insurance* if a person before the first day of paternity leave had no less than 12 months over the last 24 months of sickness and maternity social insurance record. The amount of paternity benefit is 100% of the benefit recipient's AMII (see chapter 2.4.5 for more details) with minimum and maximum thresholds specified. Since 2011 amount of the benefit is reduced

²⁷ Based on the following law, 2016-09-21, No. 24035 „ Dėl Lietuvos Respublikos Prezidento sutuoktinio valstybinės pensijos skyrimo ir mokėjimo nuostatų patvirtinimo”.

²⁸ Based on the following law “Lietuvos Respublikos valstybinių pensijų įstatymo Nr. I-730 15-1 straipsnio pakeitimo įstatymas”

²⁹ Based on the following law: Dėl Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo 6 straipsnio 5 dalies (2011 m. gruodžio 15 d. redakcija), Lietuvos Respublikos Vyriausybės 2001 m. sausio 25 d. nutarimu Nr. 86 patvirtintų Ligos ir motinystės socialinio draudimo pašalpų nuostatų 7 punkto (2012 m. rugpjūčio 21 d. redakcija), 10 punkto (2011 m. gruodžio 28 d. redakcija) nuostatų atitikties Lietuvos Respublikos Konstitucijai. 2016-03-15. Nr. KT8-N5/2016. <https://www.e-tar.lt/portal/legalAct.html?documentId=16657740eaa511e58deaaf0783ebf65b>

³⁰ Based on the following law: 2017-12-05, Nr. XIII-831 “Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 16, 18, 19, 21, 23, 24, 25, 27 ir 33 straipsnių pakeitimo įstatymas“

if additional income (eligible for sickness and maternity social insurance contributions) is received. Since January 1st, 2018 the minimum paternity leave benefit amount (floors) could not be lower than 6 BSA³¹. Since January 1st 2019, due to tax reform, the paternity benefit is equal to 77.58% of the recipient's compensatory income. Since January 1st, 2020 fathers are able to take one-month paternity leave during the first year of parenting (not during first three months as previously). No other changes in 2020.

Childcare benefit (*vaiko priežiūros išmoka*): a monthly payment granted on the basis of *the Law on Sickness and Maternity Social Insurance* if a person before the first day of childcare leave had no less than 12 months over the last 24 months of sickness and maternity social insurance record. The benefit is paid to one of the parents (adoptive parents) or a guardian until the child reaches the age of 1 year (or 2 years). The benefit is calculated in relation to AMII (see more details in section 2.11.) with minimum and maximum levels specified. Since 1st January 2012 beneficiaries may choose the duration of leave (1 or 2 years) and this is tied to the different replacement rates of childcare benefit (100% if the option of 1 year leave is chosen or 70 % and 40% for first and second years).. Since 1st January 2017, in case of child adoption, childcare benefit is paid for to one parent for 3 months³². Since 1st January 2017, the benefit minimum and maximum levels were set according to national average monthly income³³. Since January 1st, 2018 the minimum childcare benefit amount (floors) could not be lower than 6 BSA³⁴. Since January 1st 2019, in case of adoption, child's grandparents are also eligible to receive childcare benefit. Since January 1st, 2019 due to the tax reform the compensation rate for 1 year benefit is equal to 77.58%, and for two years period compensation rate is 54.31% during the first year and 31.03% during the second year. Since January 1st 2020, if one of parents receiving childcare benefit qualifies for another childcare benefit for other child, she or he shall be paid both benefits, but the total amount the benefits cannot exceed 77.58% of the more favourable amount of the earnings on which these benefits are calculated.

Non-taxable contributory benefits:

Old-age pension (*senatvės pensija*): monthly pension paid for persons who attain the old-age retirement age as specified by *the Pensions' law* and have the minimum or obligatory insurance period specified for the old-age pension. A state social insurance pension consists of three parts: the basic part which is lump-sum, the supplementary part depending on person's previous insured income and the extra supplement for each additional working year exceeding obligatory 30 years insured period. The basic pension cannot be less than 110% of BSA. Since 2004 every person insured for full pension insurance (basic and supplementary parts of pension) may voluntarily choose either to stay only in the social insurance system or switch to the 2nd pension pillar by directing a part of social insurance contributions to a personal account in a chosen privately managed pension fund. This cumulative part of the pension adds to the supplementary part of the

³¹ Based on the following law: 2017-12-05, Nr. XIII-831 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 16, 18, 19, 21, 23, 24, 25, 27 ir 33 straipsnių pakeitimo įstatymas"

³² Based on the following law: 2016-12-20, No. XIII-138 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymo Nr. XII-2501 1 ir 2 straipsnių pakeitimo įstatymas". 2016, No. 29842.

³³ Based on the following law: 2016-12-20, No. XIII-138 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymo Nr. XII-2501 1 ir 2 straipsnių pakeitimo įstatymas". 2016, No. 29842.

³⁴ Based on the following law: 2016-12-20, No. XIII-138 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymo Nr. XII-2501 1 ir 2 straipsnių pakeitimo įstatymas". 2016, No. 29842.

old-age pension. At the same time because of lower contributions to the state's social insurance fund, the old-age pension will be respectively lower. Since January 1st, 2018, the calculation of old-age pension is changed: all pensions were recalculated based on the reference points and their annual indexation was introduced.³⁵ Since January 1st, 2019, bonuses on low pensions were introduced for the recipients of low old-age or disability pensions, calculated as a difference between 95% MVPD and a sum of pensions, also taking into account contribution record relative to full required³⁶. Since January 1st, 2020, the pension bonus is paid as difference between 100% MVPD and a sum of pensions.

Early retirement old-age pension (*išankstinė senatvės pensija*) can be claimed up to five years before the regular retirement age with 30 years of insurance. Until 1st of January 2012 the requirement of one year of unemployment was applied for persons wanting to receive early retirement old-age pension³⁷. The early retirement old-age pension was affected by the *Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and was hold on until 31 12 2011. Amendments to the Law on State Social Insurance Pensions, which envisage a gradual increase in the retirement age, became effective as of 1 January 2012. The retirement age is increased by 4 months per calendar year for women and 2 months per calendar year for men, until it reaches 65 years in 2026. Since January 1st 2018, the calculation of early retirement old-age pension is changed with indexation principle.

Work incapacity pension (*netekto darbingumo pensija*)³⁸: assigned to a person for whom a certain level of incapacity for work is established. The pension varies according to the assessed degree of disability, as well as a person's attained period of insurance. The *minimum* and *obligatory* insurance periods are defined based on a person's age. The work incapacity pension is calculated in analogy to the old age pension, its basic part is calculated in relation to the basic pension amount (see Table 1.4.). It was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and was hold on until 31 12 2011. No major changes were made in 2012-2017. Since January 1st, 2018, work incapacity pensions will start to be indexed and recalculated based the value of the previous pension, which will be established by pension reference points.

Survivor's or orphan's pension (*našlių ir našlaičių pensija*): pension paid monthly to the spouse and children of a deceased person if the deceased person had been entitled or received the state disability (work incapacity) pension or old-age pension (see above). Survivor pension is a lump-sum monthly amount, equal to 70 LTL (since January 1st 2010 until 31 12 2011 a coefficient of 0.95 was applied according to a *Temporary Law on Recalculation and Payment of Social Benefits*). This level is set to 21 EUR after currency conversion to EUR in 2015. Orphan's pension is linked to the deceased person's pension. No major changes were made in 2012-2017. Since January 1st 2018, survivor's and orphan's pensions will start to be indexed and recalculated based the value of pension reference points.

Unemployment social insurance benefit (*nedarbo draudimo išmoka*) is a monthly benefit paid to the unemployed people if they have a sufficient unemployment social insurance record. The required service record is at least 18 months during the last three years and a person must be actively looking for a job. The duration of benefit payment depends on the unemployment

³⁵ Based on the following law: 2016-07-15, No. XII-2512 „Lietuvos Respublikos valstybinių socialinio draudimo pensijų įstatymo Nr. I-549 pakeitimo įstatymas“. 2016. No. 20649.

³⁶ Based on the following law: 2019-04-19, „Lietuvos Respublikos šalpos pensijų įstatymas“. 2019. No. 96-1873

³⁷ Based on the following law: 2003-11-18, No. IX-1828 „Lietuvos Respublikos valstybinių socialinio draudimo senatvės pensijų išankstinio mokėjimo įstatymas“. 2003, No. 114-5116.

³⁸ Until 1st July 1, 2005 defined as invalidity (*invalidumo*) pension.

insurance history. The benefit amount is comprised of fixed and variable components, which relate to the SSI, CYI and the averaged *insured income* levels. With the adoption of *the Temporary Law on Recalculation and Payment of Social Benefits* starting from the 1st January 2010 the monthly benefit was capped at LTL 650 for the entire period of the benefit payment. No changes in 2011-2014. Since January 1st, 2015, the cap on benefit was removed and the maximum monthly benefit restored to 70% of current year's insured income (CYI). Since January 1st 2017, the unemployed people, receiving sickness, occupational rehabilitation, maternity, paternity or childcare benefits, which were allocated to them before registration with the local Labour Exchange Authority, are entitled to get the unemployment social insurance benefit after the end of payment period of previous benefits³⁹. Further changes to unemployment insurance benefits are implemented since July 1, 2017. These changes include changes in duration and amounts of unemployment social insurance benefit and introduction of a partial employment benefit. Since January 1st, 2018, the amount of unemployment social insurance benefit cannot exceed 75% of the average monthly gross earnings (including salaries of individuals enterprises), published by the Lithuanian Statistics Department⁴⁰. Since January 1st 2019, due to tax reform, the constant part of benefit is equal to 23.12%, while the variable parts for 3, 4-6 and 7-9 months are 38.79%, 31.03% and 23.27% accordingly. Since January 1st 2020, a person who receives unemployment social insurance benefit, is found as working illegally, must return the unemployment social insurance benefit throughout the period of illegal work.

Long-term work benefit (ilgalaikio darbo išmoka). Since July 1, 2017, the long-term work benefit fund has been introduced and administered by Sodra. Employees, who have been employed for more than 5 years or more, in case of redundancy, are eligible to receive the long-term work benefits. The benefits are paid to all employees who have worked under employment contracts, except for those fired from budgetary institutions and the Central Bank. Benefits will be paid to those employees who have been fired not earlier than July 1 in particular year. If an employee worked between 5 to 10 years, he/she gets benefit equal to 1 previous salary payment; 10-20 years – 2 previous salary payment; 20 years or more - 3 previous salary payment. The benefit is paid for those who were made redundant no earlier than July 1st, 2017. Since January 1st 2019, due to tax reform, the benefit equals to 77.58%. Since January 1st, 2020, the long-term work benefit amount shall be calculated on the basis of the administrative data and on person's average insured income.

Sickness benefit (ligos išmoka): granted on the basis of *the Law on Sickness and Maternity Social Insurance* and is given to people who have required social insurance coverage. The benefit is calculated on the basis of insured income (II) with maximum and minimum thresholds applied. The benefit is paid partly by the employer (for initial days) and partly by the State Social Insurance Fund. No changes in 2011-2014. Since January 1st, 2015 sickness benefit which is paid from the State Social Insurance Fund was increased (to 80% of beneficiary's reimbursed remuneration). Since January 1st, 2018, working grandparents, who have required social insurance coverage, are able to get sickness benefits to take care for their sick grandchildren⁴¹. Since January 1st, 2019, the maximum compensatory earnings for the calculation of sickness benefit cannot exceed 2 times the national average monthly wage⁴². Since January 1st 2019, sickness benefit, paid by the employer (for two days), cannot be lower than 62.06% and higher than 100% of receiver's

³⁹ Based on the following law: 2016-12-20, No. XIII-149 "Lietuvos Respublikos nedarbo socialinio draudimo įstatymo Nr. IX-1904 3, 4, 6, 14, 15 ir 18 straipsnių pakeitimo įstatymas". 2016, No. 29782

⁴⁰ Based on the following law: 2017-12-21, No. XIII-945 "Lietuvos Respublikos nedarbo socialinio draudimo įstatymo Nr. IX-1904 5, 6, 8, 10 ir 11 straipsnių pakeitimo įstatymas". 2017, No. 21633

⁴¹ Based on the following law: 2017-04-20, No. XIII-300 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 10 straipsnio pakeitimo įstatymas". 2017, No. 6977.

⁴² Based on the following law: 2018-12-20, No. XIII-1827 "Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 6 straipsnio pakeitimo įstatymas". 2018, Nr. 21847.

average wage. The amount of sickness benefit, paid by the State Social Insurance Fund is equal to 62.06% of compensatory income, for donors for transplantation purposes - 77.58%, for parents taking care of sick child – 65.94%⁴³. The amount of sickness benefit cannot be lower than 11.64% of the national average income. Farmers, family-type guardianship institution, owner of individual enterprises and members of small communities, eligible for sickness benefits, benefit is paid regardless of previous income. Since January 1st, 2020, the sickness benefit is paid for total period of 28 days once a year for those in addiction treatment healthcare institutions with addictions of pathological gambling and addiction for psychoactive substances. Since 2020 the sickness is also paid for parents (grandparents, stepparents, carers) taking care of a sick child below the age 14 and is paid for the maximum of 14 days. The sickness benefit is also paid for parents (grandparents, stepparents, carers) taking care of a sick child below the age 7 or 18 if a child is disabled due to sickness. The benefit is paid for the maximum of 120 days throughout the year. The sickness benefit is also paid for parents (grandparents, stepparents, carers) taking care of a child below the age of 18 if a child is in stationary medical institution and is suffering from serious or extremely serious illnesses. For the care of child with extremely serious illness, the sickness benefit is paid for the maximum of 364 days; for the care of a child with serious illness – for the maximum of 120 days throughout the year. Finally, since 2020, the sickness benefit is paid for parents (grandparents, stepparents, carers) taking care of a child in pre-school, pre-primary and primary education, who are not able attend classes due to the spread of infectious diseases. The benefit is paid for the maximum period of 14 days.

Vocational rehabilitation allowance (*profesinės reabilitacijos išmoka*): granted on the basis of *the Law on Sickness and Maternity Social Insurance*. The allowance is paid monthly for the entire period of the rehabilitation programme, but not for longer than 180 calendar days. The allowance is equal to 85% of AMII, and it cannot be lower than 2 times *basic monthly pensions* (see Table.1.4.), valid before the start of rehabilitation. The benefit has been introduced since 1st July 2005. The upper limit for this type of allowance was set since January 1, 2010 until December 2011 with the introduction of *the Temporary Law on Recalculation and Payment of Social Benefits*. During 2010-2011 the maximum reimbursed remuneration for calculation of vocational rehabilitation allowance could not exceed the sum of the 4 times the amount of the insured income approved by the Government for the current year⁴⁴. Since 1st of January 2012 the upper limit for this type of allowance is 3.2 times CYI⁴⁵. No changes were made in 2013-2016. Since 1st January 2017, the benefit maximum level set according to national average monthly earnings⁴⁶. Since 1st January 1st 2017, the minimum benefit amount set according to the state social insurance basic pension. Since January 1st 2019, due to tax reform, the benefit amount is equal to 65.94% of compensatory income⁴⁷. The amount of the benefit cannot be higher than 2 AMSp and lower than 15% of AMSp. No changes in 2020.

Occupational disease allowance (*profesinės ligos pašalpa*): monthly allowance paid to people, covered by social insurance, at the moment when the right to this benefit has occurred. The benefit

⁴³ Based on the following law: 2018-06-28, No. XIII-1338 “Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 6, 14, 18, 21, 22, 24 ir 27 straipsnių pakeitimo įstatymas”. 2018, No. Nr. 11433.

⁴⁴ Based on the following law: 2009-12-09, No. XI-537 „Lietuvos Respublikos socialinių išmokų perskaičiavimo ir mokėjimo laikinasis įstatymas“. 2009, No. 152-6820.

⁴⁵ Based on the following law: 2000-12-21, No. IX-110 „Lietuvos Respublikos Ligos ir motinystės socialinio draudimo įstatymas“. 2000, No. 111-3574.

⁴⁶ Based on the following law: 2016-06-28, No. XII-2501 “Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymas”. 2016, No. 20641.

⁴⁷ Based on the following law: 2018-06-28, No. XIII-1338 “Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 6, 14, 18, 21, 22, 24 ir 27 straipsnių pakeitimo įstatymas”. 2018, No. 11433.

is paid until the person's return to work or until the assignment of other benefit, i.e. work incapacity pension. The benefit is calculated on the basis of insured income (II) and is equal to 100% of the AMII. Since January 1st 2018, the minimum and maximum amounts were set according to national average monthly income⁴⁸. Since January 1st 2019, due to tax reform, the benefit is equal to 77.58% of AMII⁴⁹.

Work incapacity grant (*netekto darbingumo vienkartinė kompensacija*): a lump-sum amount paid in the amount of 10% of the sum of reimbursable income, averaged over the last 12 salary months, times 24 (months) if up to 20% of work capacity is (temporarily) lost; or 20% of the sum of II, averaged over the last 12 salary months, times 24 (months) if less than 30%, but more than 20% of work incapacity is (temporarily) lost. If the lost work incapacity is permanent, then the grant is 3 times higher than the relevant grant amount, indicated under different degrees of lost (temporary) work incapacity. Since January 1st 2018, the minimum and maximum amounts were set according to national average monthly income⁵⁰. Since January 1st 2019, if up to 20% of work capacity is (temporarily) lost, the work incapacity grant is equal to 7.76%; or less than 30%, but more than 20% of work incapacity is (temporarily) lost, the grant is equal to 15.52% of persons' 24 month compensatory earnings, used to calculate a lump-sum amount⁵¹. No changes in 2020.

Work incapacity periodical compensation (*netekto darbingumo periodinė kompensacija*) is a monthly compensation for insured persons who lost 30% or more of his/her work capacity because of an accident at work or professional disease. Since January 1st, 2018, the benefit calculation formula was changed and is now calculated based on the work capacity coefficient, compensation coefficient and the national average monthly income⁵². Although the benefit amount is calculated based on CYI, the minimum and maximum benefit amounts are based on current year's national average monthly income. Since January 1st 2019, if insured person lost 30-45% of work capacity, monthly compensation is paid; if insured person lost 45% or more work capacity, compensation is paid if: the beneficiary is not entitled to the same amount or higher lost incapacity social insurance pension; if the insured person receives lost incapacity social insurance pension, which is lower than work incapacity periodic compensation (compensation paid as difference)⁵³. No changes in 2020.

- **Abolished benefits**

State and state social insurance loss of breadwinner's pensions (*valstybinės maitintojo netekimo pensijos ar valstybinės socialinio draudimo maitintojo netekimo pensijos*) are awarded for the persons deceased before January 1, 1995. The persons who are entitled to receive or who

⁴⁸ Based on the following law: 2017-12-05, No. XIII-827 „Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 13, 15, 19, 20, 27 ir 28 straipsnių pakeitimo įstatymas“. 2017, No. 20025.

⁴⁹ Based on the following law: 2018-06-28, No. XIII-1339 “Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 15, 19, 26 ir 27 straipsnių pakeitimo įstatymas”. 2018, No. 11434.

⁵⁰ Based on the following law: 2017-12-05, No. XIII-827 „Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 13, 15, 19, 20, 27 ir 28 straipsnių pakeitimo įstatymas“. 2017, No. 20025.

⁵¹ Based on the following law: 2018-06-28, No. XIII-1339 “Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 15, 19, 26 ir 27 straipsnių pakeitimo įstatymas”. 2018, No. 11434.

⁵² Based on the following law: 2017-12-05, No. XIII-827 „Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 13, 15, 19, 20, 27 ir 28 straipsnių pakeitimo įstatymas“. 2017, No. 20025.

⁵³ Based on the following law: 2018-12-11, No. XIII-1722 “Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 20 straipsnio pakeitimo įstatymas”. 2018, No. 20976.

receive these pensions also have a right to simultaneously receive one of the following (if entitled) pensions: the state social insurance old-age, work incapacity, invalidity, retirement, survivor's or orphan's pension. The exception is the orphan's pension which should be paid together with the loss of breadwinner's pension if the other parent was deceased before 1st January 1995. For those still in receipt, it was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and was hold on until 31 12 2011.

Retirement pensions (*ištarnauto laiko pensijos*) are paid if the entitlement to these pensions has been granted before January 1, 1995. A person could choose to opt for old-age or work incapacity pensions instead of the retirement pension. For those still in receipt, it was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and was hold on until 31 12 2011.

Invalidity pensions (*invalidumo pensijos*) are pensions for the disability reasons and awarded before July 1, 2005. Invalidity pensions are paid until the expiration of their entitlement or until other pensions types, such as old-age or work-incapacity pensions have been assigned. Paid invalidity pensions are updates with major parameter changes (i.e. change in social pension base). If people at the same time are entitled to receive the old-age pension, they are entitled to choose a larger pension or one of these pensions at their own choice. For those still in receipt, it was affected by *the Provisional Law on Recalculation and Payment of Social Benefits of the Republic of Lithuania* which came into effect on January 1, 2010 and was hold on until 31 12 2011.

- *Not strictly benefits*

Promotional education stipends (*skatinamosios stipendijos*): educational stipends given to students from all type of higher public educational institutions. The stipends are paid from the institutional scholarship funds based on specific institutional educational performance criteria, while the government defines overarching maximum stipend levels. Maximum levels also depend on the educational institution type. The rate and criterions for receiving promotional education stipends are determined by the schools themselves according to the regulations on the provisions of stipends. No major changes applied in 2011-2020.

Social stipends (*socialinės stipendijos*): is a type of educational stipend given to students from low income families if they study at public educational institutions. Social stipends are assigned to educational establishment, as part of their institutional scholarship fund. Social stipends are paid only for the students in higher education, students have a right to get social stipends and promotional stipends at the same time; students from vocational training institutions can get lump sum payments from the school budget on decision of appropriate administrative body. Since the July 1st, 2011 the State Studies Foundation is responsible for Social stipends payment.⁵⁴ Since the 7th of April 2016 the amount of the Social stipend is 3.25 BSA⁵⁵. No changes were made afterwards.

⁵⁴ Based on the following resolution “Socialinių stipendijų aukštųjų mokyklų studentams skyrimo ir administravimo tvarkos aprašas”. Patvirtinta Lietuvos Respublikos Vyriausybės 2009 m. gruodžio 23 d. nutarimu Nr. 1801. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=390234.

⁵⁵Based on the following resolution “Dėl Lietuvos Respublikos Vyriausybės 2009 m. gruodžio 23 d. nutarimo Nr. 1801 „Dėl Socialinių stipendijų aukštųjų mokyklų studentams skyrimo ir administravimo tvarkos aprašo patvirtinimo“ pakeitimo”. 2016-03-30. Nr. 7910. <https://www.e-tar.lt/portal/legalAct.html?documentId=82c90ff0fbb711e5a52397090a2fa158>

Compensations for heating of a dwelling, cold and hot water expenses, and sewage (*kompensacijos už būsto komunalines paslaugas*) (hereinafter referred to as “compensations”): granted to families and single persons if the value of family’s or person’s assets does not exceed the established ratio of property value and if all family members (single persons) meet the same eligibility criteria as described for the receipt of the social assistance benefit. Compensations are only paid for the specified ratios of expenses, based on the notional defined sizes of useful space and ratios for certain types of utilities. Since 1st January 2012 Compensations are paid also for those, who rent apartments (only owners of apartments were eligible before). The notional defined size of useful space applied for compensations calculation was increased since 1st January 2012. No major changes were made afterwards.

Municipal support (*vienartinės pašalpos iš savivaldybių biudžetų*): municipalities have a right to grant a one-time social support benefit for the families or single persons if they do not pass the income test or the eligibility criteria imposed on the family members. The rules of granting a one-time municipal social support are set at the local authorities’ level.

Social assistance to pupils (*socialinė parama mokiniams*): means-tested non-cash benefit that consists of free meals to pupils and free school’s supplies prior to the beginning of a new school year.

Compensation for drugs and medical devices (*vaistų ir medicinos pagalbos priemonių įsigijimo išlaidų kompensavimas*): awarded to insured people based on *the Law of Health Insurance*. Children until age of 18 and 1st degree disabled people have a right to 100% compensation for approved drugs and medical devices. Pensioners, other disabled people, or people ill with certain disease have a right to partial compensation of approved drugs and medical devices. People get immediate discounts at pharmacies for particular approved drugs or medical devices.

Medical rehabilitation and compensation for sanatorium expenses (*medicininės reabilitacijos ir sanatorinio gydymo išlaidų kompensavimas*): awarded to insured people based on *the Law of Health Insurance*. 100% of medical rehabilitation expenses are compensated for children until the age of 18, 1st degree disabled people and people ill with certain diseases. 90% of basic sanatorium expenses are compensated for children until age 7 and disabled people until age 18. Basic sanatorium prices are defined by the Ministry of Health.

Funeral Benefit (*laidojimo pašalpa*): non-contributory lump-sum benefit (equal 8 BSA in 2011-2020) for the family member of the deceased or for another individual who arranges a burial.

Periodical compensation in case of death of insured (*Periodinė draudimo išmoka apdraustajam mirus*): is paid monthly to family members and the amount is equal to work incapacity periodical compensation divided by the number of persons qualifying for the compensation. This compensation is paid as an entitlement due to occupational accidents or occupational disease insurance social insurance. The benefit calculation rules did not change over the period of 2011-2018. Since July 6th 2018, for the spouse of the dead insured person, who has reached the retirement age, the periodical compensation is paid until the end of spouse’s life⁵⁶.

Grant in case of death of insured (*Vienartinė draudimo išmoka apdraustajam mirus*): a lump-sum amount paid for the family members of the deceased in the amount of 100* applicable CYI (see Table 1.3.). The grant is equally divided for each family member. This grant is paid as an

⁵⁶ Based on the following law: 2018-06-28, No. XIII-1339 “Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 15, 19, 26 ir 27 straipsnių pakeitimo įstatymas”. 2018, No. 11434.

entitlement due to occupational accidents or occupational disease insurance social insurance. The benefit calculation rules did not change over the period of 2011-2017. Since January 1st 2018, the amount was changed and the grant is equal to lump-sum amount of 60 times the national average monthly income⁵⁷. Since January 1st 2019, due to tax reform, the grant is equal to lump sum amount of 46.55 times the national average monthly wage⁵⁸.

Severance pay/compensation (*Išėitinė kompensacija*): paid if the labour contract is terminated at the employer's initiative and no fault of employee is identified. The severance pay/compensation is paid by the employer in relation to the employment duration at the company. This benefit is subject to personal income tax.

1.3. Social contributions

Social insurance contributions (*socialinio draudimo įmokos*) to the State Social Insurance Fund (*Socialinio draudimo fondas, SoDra*) are compulsorily paid by all employers and employees of private and public sectors as well as main categories of self-employed people. Contributions are flat-rate without ceilings, but they differ for employees and self-employed. Furthermore, contribution rates vary considerably among different categories of self-employed people. Social insurance contributions are paid for pension, health care, sickness and maternity, employment injuries, occupational diseases and unemployment insurances.

Employee's contributions: All employees of private and public sector pay 3% of gross wages and salaries as social insurance contributions to pension social insurance and 6% to health social insurance⁵⁹. Due to tax reform, insured person now pays contributions to pension, sickness, maternity and health social insurance rate of 19.5%⁶⁰. Since January 1st, 2019, employed and self-employed persons can voluntary choose whether to participate in 2nd pension pillar with either 1.8% or 3%, which is also supported by the state with 0.3% and 1.5% accordingly. Since 2020, the 1st contribution rate in 2nd pillar pension was increased by up to 2.1% along with the state subsidy of 0.6%. No other changes in 2020.

Employer's contributions: All employers of private and public sector pay on behalf of their employees 31% of gross wages and salaries to pension social insurance, sickness and maternity social insurance, unemployment social insurance, health insurance, employment injuries and occupational diseases social insurance. Since January 1st, 2018, social insurance contribution floors have been introduced, meaning that employers have to pay social insurance contributions not lower than from MMS for those employees whose monthly salaries are below the MMS⁶¹. Since January 1st 2019, in scope of the tax reform, employer's and employee's social contribution

⁵⁷ Based on the following law: 2017-12-05, No. XIII-827 "Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 13, 15, 19, 20, 27 ir 28 straipsnių pakeitimo įstatymas". 2017, No. 20025.

⁵⁸ Based on the following law: 2018-06-28, No. XIII-1339 "Lietuvos Respublikos nelaimingų atsitikimų darbe ir profesinių ligų socialinio draudimo įstatymo Nr. VIII-1509 3, 15, 19, 26 ir 27 straipsnių pakeitimo įstatymas". 2018, No. 11434.

⁵⁹ Based on the following laws "Lietuvos Respublikos Valstybinio socialinio draudimo fondo biudžeto 2009 metų rodiklių patvirtinimo įstatymas". Žin., 2008, Nr.149-5998. and „Lietuvos Respublikos sveikatos draudimo įstatymas“. Žin., 1996, Nr. 55-1287.

⁶⁰ Based on the following law: 2018-12-11, No. XIII-1719 "Lietuvos Respublikos valstybinio socialinio draudimo fondo biudžeto 2019 metų rodiklių patvirtinimo įstatymas". 2018, No. 20701.

⁶¹ Based on the following law: 2017-12-05, No. XIII-823 "Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymas". 2017, No. 20047.

rates were combined. Employer now pays unemployment social insurance (1.31%), payments to the long-term work benefit fund (0.16%) and the guarantee fund (0.16%) and a variable rate for employment injuries and occupational diseases social insurance (0.14-1.4%)⁶². No changes in 2020.

Contributions for self-employed: Since 2009 self-employed persons, with the exception of the persons engaged in individual activities under business certificates, pay social insurance contributions for the basic and additional pension part as well as sickness and maternity social insurance (insured only to receive maternity leave benefit, paternity leave benefit and childcare benefit).⁶³ Social insurance contributions had to be paid on income from sports, performing or authorship/copyright agreements (until 2009 were only taxed by PIT). In 2011 the owners of the individual enterprises and ‘real members’ of agricultural communities were not subject to sickness and maternity social insurance contributions. On behalf of certain individual groups government pays contributions (so called *credited contributions*) for all kinds of social insurance (see section 2.20.). Since 1st January, 2017 the owners of individual enterprises, ‘real members’ of agricultural communities, a family-type guardianship institution, persons engaged in individual agricultural activities, members of small communities pay social insurance contributions for the basic and additional pension part as well as sickness and maternity social insurance (insured only to receive maternity leave benefit, paternity leave benefit and childcare) benefit⁶⁴. Since 1st January 2017 the owners of individual enterprises, ‘real members’ of agricultural communities and members of small communities also pay social insurance contributions for unemployment benefits.

Self-employed persons engaged in individual activities under business certificates compulsory pay social insurance contributions for the basic pension part. The contribution is equal to 50% of the state basic pension. Since 1st January, self-employed persons engaged in individual activities under business certificates pay social insurance contributions based on MMS⁶⁵.

Since January 1st, 2018, social insurance contribution holidays were introduced for owners of individual enterprises, members of small communities, real members of the partnerships, farmers and their partners and individuals pursuing their individual activities. Those self-employed persons will be able to pay no social security contributions for one year from the start of their first activity⁶⁶. Since January 1st, 2019, due to tax reform, social contributions for employees were recalculated. No major changes except for the 1st contribution rate in 2nd pillar pension contributions (increased by up to 2.1% along with the state subsidy of 0.6%). No other changes in 2020.

Compulsory health insurance contributions (*privalomojo sveikatos draudimo įmokos*):

Compulsory health insurance contributions are set to 9% rate of the taxable income, gross wage or the MMS corresponding to the group the insured person belongs to. The annual compulsory contribution cannot be less than 9% of the 12 MMS valid on the last day of each month of the

⁶² Based on the following law: 2018-12-11, No. XIII-1719 “Lietuvos Respublikos valstybinio socialinio draudimo fondo biudžeto 2019 metų rodiklių patvirtinimo įstatymas”. 2018, No. 20701.

⁶³ Based on the following law “Lietuvos Respublikos Valstybinio socialinio draudimo įstatymo 2, 4, 6, 7, 8, 9 straipsnių pakeitimo ir papildymo įstatymas“. Žin., 2009, Nr. 25-972.

⁶⁴ Based on the following law: “Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 pakeitimo įstatymas. 2016-06-29. Nr. 20645 “. <https://www.e-tar.lt/portal/lt/legalAct/89ccbb604a6f11e6b5d09300a16a686c>.

⁶⁵ Based on Atvira SoDra. <http://www.sodra.lt/lt/situacijos/imoku-tarifai-savarankiskai-dirbantiems>

⁶⁶ Based on the following law: 2017-12-05, No. XIII-823 „Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymas“. 2017, No. 20047.

year. On behalf of certain individual groups government pays contributions (see Section 2.20. for details). Since January 1st, 2019, due to tax reform, health insurance contributions are now set to 6.98% and 2.3% for persons whose economic size of holding is equal 2 or less⁶⁷. No changes in 2020.

Payments to the Guarantee Fund (*įmokos į garantinį fondą*): Enterprises pay contributions to the Guarantee Fund. The rate was 0.1% of the employees' gross salary (which is the basis for calculating social insurance contributions) in 2011.⁶⁸ Since 1st January 2012 the rate of payments to the Guarantee Fund was increased up to 0.2%⁶⁹. Resources from the Guarantee Fund are allocated to current and past employees of bankrupted enterprises, which are indebted to employees. Since 1st March 2013 payments to the Guarantee Fund must pay not only employers – juridical persons, but also employers – natural persons, farmers and others natural persons engaged in individual activity⁷⁰. Since January 1st, 2017 the Guarantee Fund is administrated by the State Social Insurance Fund (Socialinio draudimo fondas, SoDra)⁷¹. No changes afterwards.

1.4. Taxes

Personal Income Tax (*asmens pajamų mokestis*) is a flat rate tax applied on an individual basis. This tax is paid according to the *Law on Income Tax*. Since 2011 all income, except income from distributed profit and income which is subject to a tax rate of 5%, were subject to a uniform tax rate of 15%. During the period of 2011-2013 income from distributed profit was taxed by 20% rate. Since the 1st January 2014 income from distributed profit is subject to a tax rate of 15%. Since 2011 a tax rate of 5% is applied to income from individual activities, except of income from “free occupations” and from securities. Also, a tax rate of 5% is applied to income from agriculture activity (for persons who are engaged in agriculture and who must register or are registered as payers of VAT). Since the beginning of 2014 the 5% rate is also applied to income from not individual activities when this income is received from the sale or other transfer of ownership of base metal scrap. The income tax of a fixed amount is paid to acquire a business certificate. According to the *Law on Income Tax*, the list of tax-exempt incomes includes more than 50 categories, most importantly, all state social assistance or social insurance benefits, paid from state and municipal budgets or *Social Insurance Fund* (except sickness, maternity leave, paternity leave and childcare benefits). Since 2018 additional tax allowance for parents with children was abolished and replaced by the universal child benefit (see above). No further major changes in 2015-2018. Since January 1st, 2019, the general rate of PIT is set to 20% if the annual income amount does not exceed 120 AMS, and 27% if the annual income amount exceeds 120 AMS. These rates are applied on all employment-related income and also on some forms of non-employment income⁷². Taxable benefits, dividends and income from individual activities (minus

⁶⁷ Based on Sodra: <https://www.sodra.lt/lt/situacijos/imoku-tarifai/imoku-tarifai-taikomi-uz-samdomus-darbuotojus>

⁶⁸ Based on the following law “*LR Garantinio fondo įstatymo 1, 2, 4, 5, 6, 8, 9, 10, 11, 12, 13 straipsnių pakeitimo ir papildymo įstatymas*“. Žin., 2008, Nr.79-3100

⁶⁹ Valstybinė mokesčių inspekcija:

http://mic.vmi.lt/documentpublicone.do?&id=1000122600&tree_id=1000007371

⁷⁰ Based on the following law „Lietuvos Respublikos Garantinio fondo įstatymas“. Žin., 2000, Nr. 82-2478. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=450163.

⁷¹ Based on the following law “Lietuvos Respublikos garantijų darbuotojams jų darbdaviui tapus nemokiam ir ilgalaikio darbo išmokų įstatymas“. 2016-09-14. Nr. 23708. <https://www.e-tar.lt/portal/lt/legalAct/613244607e7011e6b969d7ae07280e89/SNwLVvKYkr>

⁷² Gyventojų pajamų mokesčio (GPM) tarifai, taikomi 2019 m. ir vėlesniais metais: <https://www.vmi.lt/cms/documents/10174/8274962/KD8860+tarifai+nuo+2019+met%C5%B3/f4d12f92-cb8c-4c5a-bd59-f9317c9507d9>

tax credit) and some other types of income are taxed by 15%. Since January 1st, 2020, the general rate of PIT of 20% is set for the annual income amount, which does not exceed 84 AMS, and 32% if the annual income amount exceeds 84 AMS.

Corporate Income Tax (*pelno mokestis*) is paid by Lithuanian and foreign entities. For the purpose of calculating taxable profits of Lithuanian entity non-taxable income and allowable deductions can be deducted. In the 2011-2016 period the tax rate on the taxable profits of Lithuanian entities and permanent establishments was 15%. A tax rate of 15% is also applied to income from distributed profits. Received financial support, used not in accordance to *The Law on Charity and Financial Support*, and financial support exceeding a total amount of 250 BSA is taxed without any deductions by 15%. Moreover, 15% tax rate applies to fixed corporate income tax base of shipping entities (without any deduction). In 2011-2017 the tax rate of 10% without any deduction was applied to the income of a foreign entity, sourced in the Republic of Lithuania, received otherwise than through its permanent establishments situated in Lithuania. Under the *Law on Corporate Income Tax*⁷³, different rates (0%, 5%, 15%) may apply according to the size (number and status of employees) and type of the entity and the profit amount. Since January 1st, 2018, additional tax relief of 5% applied for researchers and experimental developers was added⁷⁴. Additionally, units, carrying our investment project as well as investing in technological renewal may reduce taxable income up to 100%. The tax relief of 0% was abolished for social enterprises and standard corporate income tax base is applied, etc. Since January 1st 2019, for entities with less than 10 employees and the annual revenue does not exceed 300 thous. EUR, the 0% tax rate on taxable profits is applied in the first year, in later years – 5% tax rate on taxable profits is applied with some exceptions⁷⁵. Since January 1st 2020, the share of taxable profits of credit institutions (e.g. banks) exceeding 2,000,000 EUR is subject to additional tax rate of 5%⁷⁶.

Inheritance tax (*paveldimo turto mokestis*) is charged using a progressive tax schedule. 5% rate applies if a value of inherited property is up to 0.5 mln. LTL (150 thous. EUR since 2015), if the value is higher, 10%. No tax is applied to property that is inherited by spouses, close kin and for property with value is up to 10,000 LTL (3,000 EUR since 2015). Some allowances or deductions may be made by municipalities.

Land taxes (*žemės mokestis*) are based on the assessed value of the land and paid by the landowner. The rate of land tax is 1.5% of the assessed value of land. The land tax calculation is based on land value, which is estimated according to land assessment methodology proven by the Government.⁷⁷ Generally, a land tax value is based on immovable property register data and it is calculated by the local State Tax Inspectorate. Some people are exempt from land tax liability, e.g. disabled, pensioners, and children. Some allowances or deductions may be made by municipalities. Since 1st January 2013 the rate of land tax ranges from 0.01% to 4% of the

⁷³ Based on the following law: 2001-12-20 No. IX-675 “Lietuvos Respublikos pelno mokesčio įstatymas“. 2001, No. 110-3992.

⁷⁴ Based on the following law: 2017-12-07, Nr. XIII-842 “Lietuvos Respublikos pelno mokesčio įstatymo Nr. IX-675 2, 4, 5, 12, 22, 30, 33, 46-1 ir 58 straipsnių pakeitimo įstatymas“. 2017, Nr. 2068.

⁷⁵ Based on the following law: „Lietuvos Respublikos pelno mokesčio įstatymo Nr. IX-675 5 straipsnio pakeitimo ir Įstatymo papildymo 46-3 straipsniu įstatymas“, 2018-06-30, No. 10976

⁷⁶ Based on the following law: „Lietuvos Respublikos pelno mokesčio įstatymo Nr. IX-675 2, 4, 12, 14, 30, 31, 55, 56-1 straipsnių, 3 priedėlio pakeitimo ir Įstatymo papildymo 38-3, 40-2, 56-2 straipsniais įstatymas“. 2019-12-30. Nr. 21550.

⁷⁷ Based on the following resolution “LR Vyriausybės 1993 m. rugpjūčio 3 d. nutarimas [Nr. 603](#) „Dėl žemės mokesčio“.

assessed value of land and is defined individually by each council of municipality⁷⁸. No changes were applied afterwards.

Value Added Tax (*pridėtinės vertės mokeskis*): In 2011-2016, the standard VAT rate is 21%. Reduced 9% VAT rate applied to heating energy used for heating of the living dwellings, hot water and cold water used for preparing hot water, including heating energy used for the heating of water, for the living dwellings. Before 1st January 2015 9% VAT rate also applied to printings (books and non-periodical publications). In 2013-2014 reduced 9% VAT rate is also applied to newspapers, magazines and other periodical publications with the exception of publications of erotic and/or violent content or publications which were recognized as violating professional ethics by a competent authority or printed materials in which payable advertisements take more than 4/5 of the whole space. 5% VAT rate applied to state-compensated medicine and medical assistance tools. 0% rate applied to export and transit of goods and related services. From the 1st January 2011 till the end of 2011 and since 1st January 2015 the 9% VAT rate was applied to hotel-type and other accommodation services foreseen by laws on tourism activities. Since 2013 reduced 9% VAT rate is applied to passenger transport by regular routes as determined by the Ministry of Transport and Communications or an institution authorized by it or by municipalities, as well as to transportation of passenger luggage in the aforementioned transport passenger transport was reintroduced again (it was effective until 2011). Since 2013 reduced 5% rate also applies to technical aids for disabled and its' maintenance. Since 1st January 2017, the standard VAT 21% rate for prescription unrecoverable drugs, which taxable value is more than 300 EUR, VAT rate of 5% applied⁷⁹. Duty-free shops can only operate in international airports and seaports. Since January 1st, 2018, a reduced VAT rate of 5% is applied on all prescription medicines that are not compensated⁸⁰.

Excise Duties (*akcizai*) are charged on alcohol and alcoholic beverages, beer, tobacco, fuel and electric power and electrical production.

Social Tax (*socialinis mokeskis*) was a temporary tax, effective from 1st January 2006 and applied only for the years 2006 and 2007. This social tax was paid by the legal entities which were obliged to pay corporate income tax. The tax base was the same as for corporate income tax. The social tax rate for 2006 was 4%, while for 2007 it was 3%.

Immovable Property Tax (*nekilnojamo turto mokeskis*): This tax is paid by natural and legal persons. 'Immovable property' means the premises, engineering and other structures registered in the Real Property Register. This tax is imposed on 1) the immovable property (or part) belonging to natural persons by the right of ownership and located in Lithuania, with the exception of the structures (premises) intended for dwelling purposes, gardens, garages, homesteads, greenhouses, farms, subsidiary farms, science, religion, and recreation, fish-farming structures as well as engineering structures, where they are not the immovable property used for economic or individual activities or have not been transferred, for an indefinite period or for a period exceeding one month, for use to legal persons; 2) the immovable property belonging to legal persons by the right of ownership and located in Lithuania. In 2011, the tax rate was 0.3-1% of average market

⁷⁸ Based on the following law "Lietuvos Respublikos Žemės mokesčio įstatymo pakeitimo įstatymas". Žin., 2011, Nr. 163-7743.

http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=415667&p_query=&p_tr2=2

⁷⁹Based on Valstybinė mokesčių inspekcija: https://www.vmi.lt/cms/en/web/kmdb/1.13.0/-/asset_publisher/40zcR9f71yoY/content/pridetines-vertes-mokescio-istatymo-pakeitimai-2017-metais/10174.jsessionid=96EF6228F4528FA55301B07E08BC7A13

⁸⁰ Based on the following law: 2017-12-05, No. XIII-817 „Lietuvos Respublikos pridėtinės vertės mokesčio įstatymo Nr. IX-751 19 ir 96 straipsnių pakeitimo įstatymas“. 2017, No. 20011.

value of the immovable property, depending on the municipality. Since 1st January 2013 the tax rate is 0.3-3% of the taxable value of immovable property⁸¹. The exact tax rate is determined by municipalities. New Immovable Property Tax on real estate was introduced since January 1, 2012. The tax base is market value of immovable property above 1 000 000 LTL (290 thous. EUR). The tax rate is 1%⁸². No major changes were made in 2014. Since 1st January 2015 the tax rate is 0.5% and the tax base is market value of immovable property above 220,000 EUR (non-taxable value of real estate is increased by 30% for families with 3 or more children (adopted children) under 18 years old, and for families with disabled children (adopted children) under 18 years old and older children which has established a special need for permanent care. No major changes were made in 2017.

Since January 1st 2018, the progressivity of immovable property tax was introduced, where the 0.5% tax rate is applied for immovable property value of 220,000-300,000 EUR, 1% to 300,000-500,000 EUR and 2% to property values of more than 0,5 mln. EUR⁸³. Additionally, since 1st January 2018 the tax rate is 0.5% and the tax base is market value of immovable property above 286,000 EUR (non-taxable value of real estate is increased by 30% for families with 3 or more children (adopted children) under 18 years old, and for families with disabled children (adopted children) under 18 years old and older children which has established a special need for permanent care. No major changes in 2019. Since January 1st, 2020, the tax break is applied for immovable property value below 200,000 EUR for latter families⁸⁴. Since January 1st, 2020, the tax break for total immovable property value below 150,000 EUR is applied for natural persons, owning residential, gardens, garages, farms and other types of buildings.

Other taxes

Other indirect taxes include Income Deductions according to Forest Law, Sugar Sector Taxes, Lottery and Gambling Tax, Vehicle Tax, Environment Pollution Taxes, Tolls and International Trade and Transaction Taxes.

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1. Scope of simulation

Not all the taxes and benefits mentioned in the previous section are simulated in EUROMOD. Some of the taxes or benefits are beyond the scope of EUROMOD (i.e. indirect or business taxation) and are therefore excluded from further simulations or imputations into the EUROMOD underlying database. Their descriptions serve primarily as a tool for a better understanding of the overall tax-benefit structure in Lithuania. Some of the direct taxes and benefits are also not possible to simulate based on the available data. If feasible, though, they are included (as observed in the original data source) in the EUROMOD database either as individual or/and aggregate income sources.

⁸¹ Based on the following law “Lietuvos Respublikos Nekilnojamojo turto mokesčio įstatymo 6 straipsnio pakeitimo įstatymas“. Žin., 2012, Nr. 82-4265. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=429549

⁸² Based on following law: “Lietuvos Respublikos Nekilnojamojo turto mokesčio įstatymo 2, 4, 6, 7, 11, 12, 14 straipsnių pakeitimo ir papildymo Įstatymas“, 2011 m. gruodžio 21 d. Nr.XI-1828. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=415666

⁸³ Based on the following law: 2017-12-05, No. XIII-815 “Lietuvos Respublikos nekilnojamojo turto mokesčio įstatymo Nr. X-233 6, 7, 11, 12 ir 14 straipsnių pakeitimo įstatymas“. 2017, No. 20009.

⁸⁴ Based on the following law “Lietuvos Respublikos nekilnojamojo turto mokesčio įstatymo Nr. X-233 6 ir 7 straipsnių pakeitimo įstatymas“. 2019-12-27. Nr. 21307

Table 2.1 and

Table 2.2 list the main Lithuanian tax-benefit instruments, as discussed in Section 1, and provide a brief explanation as to why the instrument is not (fully) simulated or in which format it is included in the EUROMOD database. Most of the benefits that are simulated in EUROMOD are family benefits that depend on the number of children and their age. Furthermore, simulations are possible for a number of contributory (social insurance based) benefits, such as maternity leave or benefits assigned to low income households. A number of benefits with entitlement rights dependent on contribution history (i.e. pensions, sickness benefit, disability benefits, etc.) are not simulated due to the lack of data on previous employment history and salaries received, some event occurrence (i.e. disability or accident at work), or lack of information on previous partner entitlements (i.e. survival pensions).

Most of the direct income taxes and social insurance contributions are simulated (except some minor ones), as they are calculated as percentages of gross labour earnings, which are available in the EU-SILC database. Nevertheless, application of some income tax allowances (or estimation of some income taxation is not possible) or not accurate enough due to the lack of more detailed information on a person's disability degree, economic activity type or other specific socio-economic information that is not collected in the EU-SILC database. In such cases, basic tax allowance levels or other general income taxation rules are applied.

Table 2.1. Simulation of benefits in EUROMOD

Benefit	Variable name(s)	Treatment in EUROMOD				Main limitations/other remarks
		2017	2018	2019	2020	
Birth grant	bchba_s	S	S	S	S	
Universal child benefit	bchnm_s	-	S	S	S	Introduced in 2018
Additional child benefit	bch00_s	S	S	S	S	
Benefit to a conscript's child	-	E	E	E	E	No recipients could be observed due to the very limited scope of the benefit.
Guardianship benefit	bchor	I	I	I	I	No data on guardianship (curatorship); also included in the variable bfa.
Grant for housing (settlement)	-	E	E	E	E	Not identified in the UDB
Benefit for multiple birth families	bchmp_s	S	S	S	S	Introduced in 2017
Student's childcare benefit	bmaed_s	S	S	S	S	Introduced in 2017
Pregnancy grant	bmaprnc_s	S	S	S	S	No data on contribution history
Maternity leave benefit	bmaprct_s	S	S	S	S	No data on contribution history

Paternity leave benefit	bplct_s	S	S	S	S	No data on contribution history
Childcare benefit	bmact_s	S	S	S	S	No data on contribution history
Social assistance benefit	bsa00_s	PS	PS	PS	PS	No data on assets
Compensations for heating of a dwelling, cold and hot water expenses, and sewage	bho	I	I	I	I	No data on expenditures available
Unemployment social insurance benefit	bunct_s	PS	PS	PS	PS	No data on contribution history
Long-term work benefit	bunct01_s	-	I	I	I	Modelled with assumptions
Old-age pension	boa	IA	IA	IA	IA	No data on contribution & wage history;
Early retirement old-age pension	byr	I	I	I	I	No data on contribution & wage history or application for early-retirement; also included within aggregate variable bun
Work incapacity pension	bdi/boa	IA	IA	IA	IA	No data on disability occurrence; information included in variables bdi or boa (hereinafter referred to as bdi/boa), splitting by retirement age.
Invalidity pension	bdi/boa	-	-	-	-	No data on disability occurrence;
Survivor's or orphan's pension	boa/bsu	IA	IA	IA	IA	No data on the loss of family members; included in variables boa or bsu, based on recipient's retirement age.
Sickness benefit	bhl	IA	IA	IA	IA	No data on sickness duration
Vocational rehabilitation allowance	bdi	IA	IA	IA	IA	No data on event occurrence
Occupational disease allowance	bdi	IA	IA	IA	IA	No data on event occurrence
Work incapacity grant	bdi/boa	IA	IA	IA	IA	No data on incapacity occurrence
Work incapacity periodical compensation	bdi/boa	IA	IA	IA	IA	No data on incapacity occurrence
State pensions of degree one or two	boa	IA	IA	IA	IA	No data on occupational achievements

State pensions for victims	bdi	IA	IA	IA	IA	No data on participation in recognized aggressions, political imprisonment, deportations, etc.
State pensions for officers and soldiers	boa	IA	IA	IA	IA	No data on occupation history
State pensions for scientists	boa	IA	IA	IA	IA	No data on academic career length
State pensions for judges	boa	IA	IA	IA	IA	No data on detailed occupational segregation and history
President of the Republic of Lithuania spouse state pension	-	E	E	E	E	No recipients could be observed due to the very limited scope of the benefit.
President of the Republic of Lithuania spouses orphan state pension	-	E	E	E	E	No recipients could be observed due to the very limited scope of the benefit.
Temporary childcare allowance	-	-	-	-	IA	No data on the need for child protection.
Compensations for special working conditions	boa	IA	IA	IA	IA	No data on hazardous jobs worked
State social assistance benefits/pensions	boa/bdi	IA	IA	IA	IA	No information on relevant conditions, as disability occurrence, nursing at home, etc.
Loss of breadwinner's pension	bsu	IA	IA	IA	IA	No data on previous rights to the benefit;
Retirement pension	boa	IA	IA	IA	IA	No data on previous rights to the benefit
Educational stipends and other financial support for unemployed	bed	IA	IA	IA	IA	No data on participation in non-formal education programmes;
Vocational training support	-	-	-	-	E	No data on those receiving vocational education scholarships.
Vocational scholarship for unemployed during Covid-19	-	-	-	-	E	No data on participation in vocational training during Covid-19.
Apprenticeship	-	-	-	-	E	No data on participation under an apprenticeship contracts.

Social stipends	bed	IA	IA	IA	IA	No data on affiliation to different type of educational establishments
Promotional education stipends	bed	IA	IA	IA	IA	No information on grades
Municipal support	bsals	I	I	I	I	No information on different benefit rules by municipalities; inclusive of NGO support.
Free meals to pupils	-	E	E	E	E	Value of the meal could only be based on the maximum subsidy amounts to food providers.
Free school's supplies prior to the beginning of a new school year	-	E	E	E	E	No rules for benefit distribution in 2005-2006. No information on families being at "social-risk or special conditions set by education institutions.
Compensation for drugs and medical devices	-	E	E	E	E	No information on consumption of drugs
Funeral benefit	bsu	IA	IA	IA	IA	No information on the loss of family members or benefit split among the relatives
Severance pay	yunsv	I	I	I	I	No information on circumstances upon termination of the job contract.
Sickness benefits to persons taking care of children during Covid-19 quarantine	sickcomp_s	-	-	-	S	No data of those who became infected during performance of their duties. Modelled based on a random allocation for parents and those with disabled children.
Temporary jobseeker's benefit	bunnc_s	-	-	-	S	Transitions to unemployment due to Covid-19 are not modelled.
Temporary benefit for the self-employed	ysecomp_s	-	-	-	S	Randomly allocated among those who satisfy eligibility rules to match the external statistics. Self-employment income adjusted accordingly. No actual information about losses of self-employment income during Covid-19.
Subsidies to remain in the labour market during Covid-19 quarantine	yemdowncomp_s	-	-	-	S	Randomly allocated among those who satisfy eligibility rules to match the external statistics.
Subsidies to remain in the labour market after Covid-19 quarantine	yemcomp_s	-	-	-	S	Randomly allocated among those who satisfy eligibility rules to match the distribution of affected people in line with the statistics on the most affected sectors during the Covid-19.

[a] Variable extension “_s” indicates variable that has been simulated. Other variables are taken/ imputed from the used micro-data.

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is (neither included in the micro-data nor simulated); “I”: *included* in the micro-data but not simulated; “IA”: included in the micro-data in an aggregated variable but not simulated; “PS”: *partially simulated* as some of its relevant rules are not simulated; “S”: *simulated* although some minor or very specific rules may not be simulated.

Table 2.2. Simulation of taxes and social contributions in EUROMOD

Taxes and social contributions	Variable name(s)	Treatment in Euromod				Main limitations
		2017	2018	2019	2020	
Personal Income Tax on wages	tin_s	S	S	S	S	Comment for 2009: main tax rate applied to more categories of income
Personal Income Tax (from authorship contracts, royalties)	tin_s	S	S	S	S	Comment for 2009: main tax rate apply on authorship, contracts, royalties
Personal Income Tax on rent	tin_s	S	S	S	S	Rent is a component of the other property related income. Comment for 2009: main tax rate apply on rent
Personal Income Tax on income from individual activity	tin_s	S	S	S	S	Comment: for 2009 main tax rate apply on income from individual activity
Personal Income Tax (acquisition of business certificate)	-	E	E	E	E	No information on income gained from activities with business certificate
Corporate Income Tax	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
Social Tax	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
Land Tax	-	E	E	E	E	Outside the scope of the model
Inheritance tax	-	E	E	E	E	No information available
Immovable property tax	-	E	E	E	E	Outside the scope of the model
VAT	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
Income Deductions according to Forest Law	-	E	E	E	E	Outside the scope of the model
Income Deductions according to Law on Road Maintenance and Development Programme Financing	-	-	-	-	-	Outside the scope of the model
Excise	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
Deferment and apportionment of tax payments due to Covid-19	-	-	-	-	E	Outside the scope of the model
Sugar Sector taxes	-	E	E	E	E	Outside the scope of the model
Lottery and Gambling tax	-	E	E	E	E	Outside the scope of the model

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Vehicle Tax	-	E	E	E	E	Outside the scope of the model
Environment Pollution Taxes	-	E	E	E	E	Outside the scope of the model
Tolls	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
International trade and transaction taxes	-	n.a.	n.a.	n.a.	n.a.	Outside the scope of the model
Credited social contributions	ils_sicct	PS	PS	PS	PS	Only some of the eligible groups identified.
Credited contributions for health insurance	-	S	S	S	S	Simulated since 2009. Before 2009 no information available on amounts to be credited
Employers social insurance contributions:	ils_sicer	S	S	S	S	
- pension social insurance	tscerpi_s	S	S	S	S	
- sickness and maternity social insurance	tscersi_s	S	S	S	S	
- unemployment social insurance	tscerui_s	S	S	S	S	
- health insurance	tscerhl_s	S	S	S	S	
- employment injuries and occupational diseases social insurance	tscerac_s	S	S	S	S	
-payments to the guarantee fund	tscersf_s	S	S	S	S	
-payment to the long-term unemployment fund	-	-	S	S	S	
Employees social insurance contribution:	ils_sicee	S	S	S	S	
- pension social insurance	tsceepi_s	S	S	S	S	
- sickness and maternity social insurance	tsceesi_s	-	-	-	-	
- health insurance	tsceehl_s	S	S	S	S	
- employee contributions to the second pillar pensions	tpceepi_s	-	-	S	S	Simulated since 2019 (after the reform). Random allocation used for different rates.
Self-employed social insurance contributions:	ils_sicse	S	S	S	S	
- for pensions	tscsepi_s	S	S	S	S	
- for compulsory health insurance	tscehl_s	S	S	S	S	No data on income received from authorship contracts. No data on land size.
- sickness and maternity social insurance	tscsesi_s	S	S	S	S	

Notes: “-” policy did not exist in that year; “E” policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by EUROMOD; “PS” policy is *partially simulated* as some of its

relevant rules are not simulated; “S” policy is *simulated* although some minor or very specific rules may not be simulated.

In addition to changes in the level of taxes and benefits, as well as their related calculation parameters or income lists, the following are the main structural changes in the LT system (simulated policies) since 2015:

- ***Structural changes between 2016 and 2017***

Introduction of new child benefits (Benefit for multiple-birth families, Student’s childcare benefit). In case of the standard child benefit no means-test applied for families with three or more children. More structural changes were introduced since July 1st, 2017, i.e. changes to unemployment benefits and introduction of the long-term unemployment fund and long-term work payments in case of redundancy. These are outside of the scope of the standard EUROMOD simulation as of 30th June 2017. However, unemployment benefits are included as an optional policy, which can be switched on by the users. Long-term work payments are modelled starting 2018.

- ***Structural changes between 2017 and 2018***

1. Introduction of new universal child benefit for all parents raising children.
2. Abolishment of the child tax allowance for the income tax.
3. Introduction of the income tax holidays for the self-employed.
4. Introduction of the income tax credit for the self-employed.
5. Introduction of income disregards in social assistance.
6. Introduction of contribution floors for social insurance contributions.
7. *New system of indexation of social insurance pensions based on the pension reference points and indexing coefficient.*
8. *Introduction of progressive rates of immovable property tax.*

- ***Structural changes between 2018 and 2019***

There was a tax reform, which included changes to the PIT, introduction of a second band of PIT for income exceeding 120 average wages per year, and importantly, recalculation of the social insurance contributions as well as the base on which social insurance contributions and PIT are paid, i.e. gross wage. The gross wage was recalculated using a coefficient of 1.289. Net wage effectively remained the same, except for a change in the tax allowances. The recalculation of gross wage resulted in recalculated of coefficients used for calculation of all social insurance benefits, which depend on the gross wage as a base. Secondly, there was a pension reform, where working person had to choose whether to stay in Pay-as-you-go (PAYG) systems only, or to join 2nd pension pillar, while also being supported by the state with monthly subsidies from the state budget. Moreover, there was a change to child benefit, which was increased and extended to cover children with disability. Lastly, the additional child benefit, which amount was extended and equalized irrespectively to children age.

- ***Structural changes between 2019 and 2020***

Change in the design of child benefits: increased amount of universal child benefit was given to all children irrespectively of child’s disability level; families with disabled children are now eligible to receive additional child benefit as well (universal and additional child benefits cannot duplicate). Payment period of the student’s childcare benefit was extended by one year (now paid

until a child reaches the age of 2). Pregnancy grant was increased. Newly introduced temporary childcare allowance is paid when the need for child protection is determined by a person, who is in temporary care of a child. There were some changes in the structure of maternity benefit, where maternity leave benefit is now paid for those mothers who had no less than 12 months over the last 24 months but were not employed or insured during pregnancy period. Since 2020, if one of parents receiving childcare benefit qualifies for another childcare benefit for other child, she/he shall be paid both benefits, but the total amount of the benefits cannot exceed 77.58% of the more favourable amount of the earnings on which these benefits are calculated. Increased amount of pension bonus (difference between 100% MVPD and a sum of pensions). Increased contribution rates for those people participating in 2nd pillar pension contributions with state subsidy. General PIT cap was decreased together with increased second rate: the general rate of PIT of 20% is set for the annual income amount, which does not exceed 84 AMS, and 32% if the annual income amount exceeds 84 AMS. Increase of PIT allowance since July 1st, 2020: PIT allowance was increased by 50 EUR/month together with the withdrawal rate of the tax allowance is increased from 0.17 to 0.19.

Due to the Covid-19 there were several packages of measures that came into force during the state quarantine and after it. The measures which are in scope of the Euromod simulations are: sickness benefit for parents for taking care of children and disabled children, temporary jobseeker's allowance, temporary benefit for self-employed, lump-sum benefit for children, lump-sum pension bonus for elderly and disabled, more generous social assistance benefit and subsidies to remain in the labour market during quarantine if downtime is declared and subsidies after the end of the quarantine. The eligibility conditions for social assistance benefit were temporary eased, the level of income disregard was increased by 5 p.p and the assets' test is temporary not applied during the state of emergency and for 6 months more after the end of quarantine as well as the amount of social assistance benefit is increased as well.

2.1.1. Part-simulated tax-benefit components

There is one part-simulated component in the Lithuanian policy spine: unemployment insurance benefit (bunct_lt). The policy is marked in the model as 'PART SIMULATED'. Elements that are part-simulated are also marked as taken 'FROM THE DATA'. In this case we take the benefit duration limits from the data. I.e. for the observed unemployed (bunct > 0) we limit the benefit duration by actual receipt in the data (lunmy<max>bunmy). This is done to reduce over-simulation of unemployment benefit duration, as not all recipients use the maximum possible duration. A considerable part of unemployment benefit recipients discontinues its receipt earlier than their eligibility would suggest due to finding a new job.

2.2. Order of simulation and interdependencies

• *Order of simulation in 2017-2020*

In 2017-2020 the order of simulation remains the same as before besides the following changes (see Table 2.3):

- Compensations in 2014-2016 due to the cuts in old age, early retirement, disability pensions made in 2010 and 2011 are simulated in EUROMOD (boa_lt policy) (see Annex II for details). In 2017 and 2018 no cuts and compensations applied. The policy boa_lt was modified accordingly to account for any cuts or compensations recorded in the input data.
- A switch for full-year adjustment of the unemployment social insurance benefit (bunct_FYA_lt) is introduced for 2017. The rules of the benefit changed as of July 1st,

2017 so not modelled for 2017 by default. The switch enables to account for the mid-year change in the policy rules. However, administrative statistics does not show any substantial increase between 2016 and 2017.

- Newly introduced long-term work payment (bunct01_lt) is modelled starting 2018 after the unemployment social insurance benefit.
- Newly introduced universal child benefits modelled: *bchnm_lt* is modelled after the benefit for multiple birth families (bchmp_lt). *Child benefit (bch00_s)* is renamed into *additional child benefit*. The new universal child benefit is included into all appropriate income lists.
- Recalculation of gross wage (wage_adj_lt) was included in the model since year 2019. Due to tax and social insurance contribution reform since January 1st, 2019, all the wages were increased by factor 1.289. The recalculation of gross wage is applied on all incomes by default.
- *A switch for old-age pension indexation (boa00_lt) is introduced for year 2016-2019, which is calculated according to the pension formula, conversion coefficient applied when recalculating former pension records into the point system. The switch allows to calculate disaggregated pension components. Even though pension indexation is included into the input data, the rules are turned OFF by default in the policy rules.*
- *A switch for tax compliance adjustments (TCA_lt) are introduced for data tax evasion corrections since 2017. Full tax compliance is assumed to be OFF by default and is not modelled in the model for 2019 by default.*

Table 2.3. EUROMOD Spine: order of simulation, 2017-2020

Policy	LT_2017	LT_2018	LT_2019	LT_2020	Description of the instrument and main output
SetDefault_lt	on	on	on	on	DEF: DEFAULT VALUES FOR VARIABLES
uprate_lt	on	on	on	on	DEF: UPRATING FACTORS
ConstDef_lt	on	on	on	on	DEF: CONSTANTS
IlsDef_lt	on	on	on	on	DEF: STANDARD INCOME CONCEPTS
ilsUDBdef_lt	on	on	on	on	DEF: UDB INCOME CONCEPTS
ilDef_lt	on	on	on	on	DEF: NON-STANDARD INCOME CONCEPTS
TCA_lt	on	on	on	on	SWITCH: Tax compliance adjustment (full tax compliance assumed by default; since 2017 data tax evasion corrections can be switched on)
random_lt	on	on	on	on	DEF: Random assignment for tscpcpi_sk & covid-19-related policies
wage_adj_lt	off	off	on	on	DEF: recalculation of gross wage (by a factor: 1.289)
TransLMA_sk	n/a	n/a	n/a	off	DEF: select individuals that do the transition to wage comp./ unemployment (LMA transitions)
Tundef_lt	on	on	on	on	DEF: ASSESSMENT UNITS
yem_lt	switch	switch	switch	switch	DEF: Minimum Wage
neg_lt	on	on	on	on	DEF: recode negative income to zero

boa00_lt	switch	switch	switch	switch	SWITCH: old-age pension indexation
boa_lt	on	on	on	on	BEN: recalculation of public pensions in 2010-2011, compensations in 2014-2016, since 2017 - rolling back any compensations or cuts in the data; since 2019 -bonuses on low pensions
sickcomp_lt	n/a	n/a	n/a	on	DEF: compensation for parents looking after children during Covid - sickness payment (around 40k)
sickadj_lt	n/a	n/a	n/a	on	DEF: compensation for parents looking after children during Covid - sickness payment (around 40k)
ysecomp_lt	n/a	n/a	n/a	on	DEF: compensation for self-employed during Covid (around 82k)
yseadj_lt	n/a	n/a	n/a	off	DEF: compensation for self-employed during Covid (around 82k) (DO NOT SWITCH ON; ONLY WORKS WITH THE LMA ADD-ON)
yemdowncomp_lt	n/a	n/a	n/a	on	DEF: wage compensation during Covid quarantine
yemdownadj_lt	n/a	n/a	n/a	on	DEF: wage compensation during Covid quarantine
yemcomp_lt	n/a	n/a	n/a	on	DEF: wage compensation after Covid quarantine
yemadj_lt	n/a	n/a	n/a	on	DEF: wage compensation after Covid quarantine
bmaprct_lt	on	on	on	on	BEN: maternity leave benefit (motinystės išmoka, iki 2017 m. motinystės pašalpa)
bmaprnc_lt	on	on	on	on	BEN: pregnancy grant (vienkartinė išmoka nesciai moteriai)
bmact_lt	on	on	on	on	BEN: childcare benefit (vaiko priežiūros išmoka), before 2017: maternity (paternity) leave benefit (motinystės (tevystės) pašalpa)
bplct_lt	on	on	on	on	BEN: paternity leave benefit (tevystės pašalpa) - since 2007
bmaed_lt	on	on	on	on	BEN: student's childcare benefit (išmoka besimokancio ar studijuojancio asmens vaiko priežiurai) since 2017.06
bunct_lt	on	on	on	on	BEN: unemployment insurance benefit (nedarbo draudimo išmoka): PART SIMULATED
bunct_FYA_lt	switch	switch	switch	switch	BEN: unemployment insurance benefit (nedarbo draudimo išmoka): FULL YEAR ADJUSTMENT FOR 2017
bunct01_lt	n/a	on	on	on	EN: long-term work payment (ilgalaikio darbo išmoka) since 2017.07
buncc_lt	n/a	n/a	n/a	on	BEN: temporary jobseeker's allowance - due to Covid
tscsepi_lt	n/a	n/a	n/a	n/a	SIC: self-employed social insurance contributions - pension (socialinio draudimo imokos)
tin_lt	on	on	on	on	TAX: personal income tax (asmens pajamu mokestis)
tscsehl_lt	n/a	n/a	n/a	n/a	SIC: self-employed social insurance contributions - health (privalomojo sveikatos draudimo imokos)

tscer_lt	on	on	on	on	SIC: employer social insurance contributions (socialinio draudimo imokos)
tscee_lt	on	on	on	on	SIC: employee social insurance contributions (socialinio draudimo imokos)
tpceepi_lt	n/a	n/a	on	on	SIC: 2nd pillar pension contributions (II pakopos pensiju imokos)
bchmp_lt	on	on	on	on	BEN: benefit for multiple birth families (išmoka gimus dviem ir daugiau vaikų)
bchnm_lt	n/a	on	on	on	BEN: child benefit (universali vaiko išmoka) since 2018
bch00_lt	on	on	on	on	BEN: additional child allowance (papildoma išmoka vaikui) "additional" since 2018
bchba_lt	on	on	on	on	BEN: birth grant (vienkartine išmoka gimus vaikui)
bsa00_lt	on	on	on	on	BEN: social benefit (socialine pasalpa)
bsa_FYI_lt	n/a	n/a	n/a	on	BEN: social benefit (socialine pasalpa) - increase in 2020 due to Covid - temporary and permanent measures
tscct_lt	on	on	on	on	SIC: credited social insurance contributions
tscse_lt	on	on	on	on	SIC: self-employed social insurance contributions (socialinio draudimo imokos) & Mandatory health contribution (PSD)
output_std_lt	on	on	on	on	DEF: STANDARD OUTPUT INDIVIDUAL LEVEL
output_minwage_lt	on	on	on	on	DEF: MINWAGE OUTPUT INDIVIDUAL LEVEL
output_std_hh_sk	switch	switch	switch	switch	DEF: STANDARD OUTPUT HOUSEHOLD LEVEL

2.3. Policy switches

There are several standard switches included into the spine (see above):

- **neg_lt**: switched ON by default
 - recodes negative income to zero; currently this policy only recodes negative self-employment income to zero, initial value stored in i_yse0
- **yem_lt**: switched OFF by default
 - if hourly wage is lower than hourly minimum wage recalculated in accordance to the minimum wage, leaving hours of work as recorded in the data; if ON overwrites yem.
- **FYA_lt**: switched OFF by default in 2017, ON by default in 2020
 - full year simulations that can be used instead of the default policy simulations as of 30th June. In 2017 the switch is used to simulate a mid-year change in social insurance unemployment benefit (modelled in bunct_FYA_lt). In 2020 this full year extension takes into account the increase in the social assistance benefit (in

the amount and the income disregard in addition to the relaxed means-tested conditions) due to the COVID-19 pandemic (modelled in bsa_FYA_lt).

- **boa00_lt**: switched OFF by default
 - old-age pension indexation of boa bdi and boact, where they can be calculated according to the pension formula. Since 2018 conversion coefficient (0.78) is applied when recalculating former pension records into the point system.
- **TCA_lt**: switched OFF by default
 - tax compliance adjustment can be turned on since year 2017, where data tax evasion corrections can be switched ON.

2.4. Social benefits

2.5. Birth grant (*bchba_s*)

- ***Brief description***

This benefit is a lump-sum cash benefit paid upon the birth of a child to one of the parents (adoptive parents) or a guardian.

- ***Definitions***

The primary unit of analysis is family, which consists of partners and their own dependent children. Dependent children are persons aged under 18 or under 24 if in full-time education; they cannot be married, cohabiting with a partner nor parents themselves.

- ***Eligibility conditions***

Based on the benefit rules, the benefit is paid to one of the parents or a guardian of a child born that year.

- ***Income test***

No income test applied. As it is a one-off lump-sum benefit, it is not used for income testing for social assistance and child benefits. The benefit amounted to 11 BSA per eligible dependent child during the entire 2017-2020 (applicable on 30th June) period.

2.6. Child benefit (*bchm_s*)

- ***Brief description***

Universal child benefit was introduced since 2018. It is a monthly cash benefit paid to a family raising one or more dependent (guarded) children up to the age of 18 or older if in full-time educational system. The benefit is also paid for all children under guardianship, irrespective of their care form (non-governmental guardianship institution, family-type guardianship institution or child care institution).

- ***Definitions***

The primary unit of analysis is children, aged under 18 or under 21 if in full-time education, who is raised in families or under guardianship irrespective of the care form.

- **Eligibility conditions**

The benefit is paid to all families and care institutions having one or more dependent (guarded) children up to the age of 18 or up to the age of 21 if in full-time education system.

- **Income test**

No income test applied.

- **Benefit amount**

The benefit level is calculated in relation to BSA and is equal to 0.79*BSA as of 2018. Since 2019, the benefit amount is equal to 1.32*BSA and for disabled children the benefit amount is equal to 1.84*BSA⁸⁵. As of January 1st, 2020, the benefit amount was increased by up to 1.54*BSA (60.06 EUR). Different benefit amount level for disabled children was eliminated.

Table 2.4. Child benefit entitlements on January 1st, 2018-2020

	2018	2019	2020
For each child	0.79*BSA	1.32*BSA	1.54* BSA
For disabled child	-	1.84*BSA	-

2.7. Additional child benefit (*bch00_s*)

- **Brief description**

It is a monthly cash benefit paid to a family raising one or more children up to the age of 18 or older if in full-time educational system, but not longer than up to the age of 21.

- **Definitions**

The unit of analysis is the family as defined in section 2.13.

- **Eligibility conditions**

Since 2016 child benefit is only paid for children up to the age of 18. Since January 1st, 2018, additional child benefit could be paid only until the age of 21 for those children, enrolled in secondary, post-secondary or vocational education⁸⁶. Since January 1st 2019, guardians (caregivers) are also eligible to apply for an additional child benefit. Since January 1st, 2020, additional child benefit shall be paid for families with disabled children as well.

- **Income test**

In order to receive the additional child benefit an income test is applied based on the same income definition as for the social assistance benefit. Since January 1st, 2017, the income test is not applied for families with three or more children. Since January 1st, 2020, the income test for families with one or two children was increased: monthly income per each family member can't exceed the threshold of 2 SSI⁸⁷. Also, the income of dependent children under the age of 24, who are in in full-time education is not included in the assessed household income. When applying the income

⁸⁵ Based on the following law: 2018-12-06, No. XIII-1699. "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 1, 6, 7, 9, 11, 13, 14, 15, 17, 18, 21 ir 24 straipsnių pakeitimo įstatymas", 2018, No. 20940

⁸⁶ Based on the following law: 2017-12-05, No. XIII-822 "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 pakeitimo įstatymas". 2017, No. 20326.

⁸⁷ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 2, 6, 10, 15, 17, 18, 20 ir 21 straipsnių pakeitimo įstatymas". 2019-12-30. No. 21548

testing for the additional child benefit, the income of adult children (adopted children) under the age of 24 who are living together is also not assessed.

- **Benefit amount**

The benefit level is calculated in relation to BSA and varies based on the number of children in the family, their age and other characteristics as presented in Table 2.5.

Table 2.5. Additional child benefit entitlements on January 1, 2017– 2020

Year/Family type	2017	2018	2019	2020
	Type I * Type II	Type I * Type II	Type I * Type II	Type I* Type II Disabled child
Child until age 2	0.75	0.75	0.53	1.03
Child aged 3 to 6	0.4	0.4		
Child aged 7 to 8	0.4	0.4		
Child aged 9 to 17	0.4	0.4		
Child aged 18 to 21		0.4		

Notes: (a) Type I refers to children, raised in families with one or two children, Type II refers to children raised in families with three or more children; (b) Age boundaries are inclusive. * income test applied.

Source: Based on *Law of Benefits to Children* and its relevant amendments & *Temporary Law on Recalculation and Payment of Social Benefits*.

Since January 1st, 2017 Type I families with child (children) aged 2 to 18 years, whose monthly income per family member cannot exceed threshold of 1.5 SSI, are also entitled to the additional child benefit. On the other hand, the additional child benefit is now only paid for children up to the age of 18. Since January 1st, 2018, the additional child benefit is paid for families raising one or two children aged 18 to 21 and in full-time secondary, post-secondary and vocational education. Since 2019, the additional benefit amount for Type I and Type II families was equalized irrespectively to children age and is now equal to 0.53 BSA per one child.⁸⁸ Since 2020, families with disabled children below 18 years old or until 21 years with 55% and lower disability level are also entitled to receive the additional child benefit equal to 1.03 BSA per child. It is important to note, that the additional benefits cannot be duplicated per child, e.g. if a child is disabled and is from a low-income family, child’s parents are eligible only for one supplement of 1.03 BSA per child per month.

EUROMOD note:

Due to data limitations, it is not possible to distinguish guardians (caregivers) from the data, thus cannot be simulated for the additional child benefit. There is no information on a disability level in the input database.

2.8. Pregnancy grant (*bmaprnc_s*)

- **Brief description**

This benefit is a lump-sum cash benefit paid to a pregnant woman upon the 28th week of the pregnancy.

⁸⁸ Based on the following law: 2018-12-06, No. XIII-1699. “Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 1, 6, 7, 9, 11, 13, 14, 15, 17, 18, 21 ir 24 straipsnių pakeitimo įstatymas”, 2018, No. 20940

- **Definitions**

In principle, the primary unit of analysis would be family as defined in section 2.13. However, for technical reasons we define a separate family unit, which consists of partners and their own dependent children who are less than 3 years old.

- **Eligibility conditions**

The benefit is paid to pregnant women who are not eligible to receive the maternity leave benefit. See more benefit details in Section 2.9.

- **Income test**

No income test applied.

- **Benefit amount**

The benefit is equal to 2 BSA. No changes to the rules between 2013-2019. Since January 1st 2020, the benefit increased up to 6.43 BSA⁸⁹.

EUROMOD note:

Instead of pregnant women, mothers with an own child aged 0 are considered.

2.9. Maternity leave benefit (bmaprct_s)

- **Brief description**

This benefit is a cash benefit paid to a pregnant woman on the basis of *the Law on Sickness and Maternity Social Insurance*. The maternity leave benefit is paid as a lump sum amount for the number of working days in the *applicable period* (see below). If the applicable period stretches into a different calendar year, the benefit could be paid in two lump-sum amounts.

Applicable period:

The benefit is paid to women for a total of 126 calendar days, which covers the period before the child birth (70 days) and after delivery (56 days). In the case of complicated confinement or if more than one child was born, an additional 14 days are added to the total period.

- **Definitions**

The unit of analysis is the family as defined in section 2.13.

- **Eligibility conditions**

The benefit is paid if women before the first day of maternity leave, had sickness and maternity social insurance record for no less than 12 months over the last 24 months, except of those who previously were in full-time secondary, professional, or higher education (up to the age of 26) or in civil or military service and the start of the gap between the change of the status and the beginning of the insurance record was not more than 3 months. Since January 1st, 2020, the

⁸⁹ Based on the following law “Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 2, 6, 10, 15, 17, 18, 20 ir 21 straipsnių pakeitimo įstatymas”. 2019-12-30. No. 21548

maternity leave benefit is also paid for those mothers who had a qualifying period of no less than 12 months over the last 24 months but were not employed or insured during pregnancy period.

- **Income test**

No income test applied.

- **Benefit amount**

The maternity benefit is equal to 100% of the recipient's average monthly insured income AMII (see chapter 1.4.1 for more details), and is calculated as:

$B = S * 100\% * D$, where:

B is maternity benefit; and $B \geq \text{min B}$ (minimum level)

S is a daily compensatory salary; $S \leq$ (levels are not specified)

D is the number of working days in the applicable period.

The daily compensatory salary ("S") is calculated by dividing the beneficiary's monthly income (using the month, when the beneficiary has been granted a right to this entitlement) by the number of working days in that month.

"S" has maximum compensatory amounts specified, which are calculated in relation to the CYI. Since 1st January 2017 the maximum compensatory amount is not applied, and the benefit amount is equal to 100% of the recipient's average monthly insured income.

The minimum benefit level was calculated based on corresponding CYI level (see Table 1.3.). Since 1st January 2017, the amount of maternity leave benefit cannot be lower than 20% of country's average monthly wage for the pre-previous quarter before the right for benefit receipt.⁹⁰ This amount for the first quarter of 2017 was 156.66 EUR per month. Since 1st January 2017 the upper limit is not applied. Since January 1st, 2018 the minimum maternity leave benefit amount (floors) could not be lower than 6 BSA, i.e., 228 EUR. Since January 1st, 2019, due to combination of social insurance contributions, the maternity benefit is equal to 77.58% of the recipient's compensatory income⁹¹.

EUROMOD note:

The payment for additional 14 days is currently not simulated (due to data constraints).

As social insurance contribution information is not available, all mothers with an own child aged 0 in EUROMOD are considered eligible if they have been in work for more than six months in the current year⁹² (as suggested by observed patterns in the underlying data).

The AMII is approximated in EUROMOD (thereby, also for other relevant family benefits) using either estimated hourly wage rate multiplied by work hours per month (i.e. 168 hours on average) or observed monthly earnings.

Due to data limitations, it is not possible to distinguish whether a woman, receiving maternity benefit previously was unemployed or not insured.

⁹⁰ Based on the following law: 2016-06-28, No. XII-2501 „Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymas“. 2016, No. 20641.

⁹¹ Based on the following law: 2018-06-28, No. XIII-1338 „Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 6, 14, 18, 21, 22, 24 ir 27 straipsnių pakeitimo įstatymas“, 2018, No. 11433

⁹² Note that being on maternity leave is considered as in work in the underlying data source, i.e. EU-SILC.

2.10. Paternity leave benefit (*bplct_s*)

- **Brief description**

The benefit was introduced from 1st July 2006 and is granted on the basis of *the Law on Sickness and Maternity Social Insurance*. It could be claimed by a father (adoptive father) who has a newborn child. The benefit is paid up to one month (from the child birth until the child reaches the age of one month). Since January 1st, 2020 fathers are free to choose the month of paternity leave during their first year of parenting.

- **Definitions**

The unit of analysis is the family as defined in section 2.13. Insured income definition is presented in section 1.1.

- **Eligibility conditions**

Before the first day of paternity leave, a father (adoptive father) must have no less than 12 months over the last 24 months, except of those who previously were in full-time secondary, professional, or higher education (up to the age of 26) or in civil or military service and the start of the gap between the change of the status and the beginning of the insurance record was not more than 3 months.

There is a statutory requirement to have a legal acknowledgement of the fatherhood of the child in case child was born outside marriage.⁹³

- **Income test**

No income test applied.

- **Benefit amount**

The amount of paternity benefit is 100% of the benefit recipient's AMII (see chapter 1.1 for more details). Since 1st January 2017, the amount of paternity leave benefit cannot be lower than 20% of country's average monthly wage for the pre-previous quarter before the right for benefit receipt.⁹⁴ This amount for the first quarter of 2017 was 156.66 EUR per month. It also cannot be higher than the amount of two country's average monthly wages, i.e. 2*AMS of the previous quarter.

Since January 1st 2018 the minimum paternity leave benefit amount (floors) could not be lower than 6 BSA, i.e. 228 EUR. Since January 1st, the maximum paternity benefit amount (ceilings) could not be higher than 2 times the national average monthly income, i.e. 1752.8 EUR. Since January 1st, 2019, due to changes in social insurance contributions, the paternity benefit is equal to 77.58% of the recipient's compensatory income⁹⁵.

⁹³ According to the following law: Lietuvos Respublikos Ligos ir motinystės socialinio draudimo įstatymo 3, 5, 6, 8, 10, 15, 16, 17, 18, 181, 183, 19, 20, 21 straipsnių pakeitimo ir papildymo įstatymas. 2007 m. Gruodžio 4 d. Nr. X-1338: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=310952

⁹⁴ Based on the following law 2016-06-28, No. XII-2501 „Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 pakeitimo įstatymas“. 2016, No. 20641.

⁹⁵ Based on the following law: 2018-06-28, No. XIII-1338 „Lietuvos Respublikos ligos ir motinystės socialinio draudimo įstatymo Nr. IX-110 6, 14, 18, 21, 22, 24 ir 27 straipsnių pakeitimo įstatymas“, 2018, No. 11433

EUROMOD note:

As information on social insurance record is not available in EUROMOD, all fathers with an own child aged 0 are considered eligible. The requirement of having a legal acknowledgement of fatherhood (since 2008), cannot be simulated in the model.

2.11. Childcare benefit (*bmact_s*)

- ***Brief description***

This benefit is a monthly benefit granted on the basis of *the Law on Sickness and Maternity Social Insurance* in order to support early child care at home. The benefit is paid to one of the parents (adoptive parents) or a guardian on the childcare leave after the end of maternity leave or paternity leave payment until the child reaches the age of 1 year (or 2 years). If the mother did not receive maternity leave benefit, this benefit would be calculated as of the child birth day.

- ***Definitions***

The unit of analysis is the family as defined in section 2.13. Insured income definition is presented in section 1.1.

- ***Eligibility conditions***

The benefit is granted if a person, before the first day of childcare leave, have no less than 12 months over the last 24 months, except of those in civil or military service and the gap between the change of the status and the beginning of the insurance record was not more than 3 months. Since January 1st 2019, in case of adoption, child's grandparents are also eligible to receive childcare benefit. No income test applied.

- ***Benefit amount***

Since 1st January 2012 maximum childcare benefit duration and its amount could be chosen between two available options. It may be paid 1 or 2 years by decision of beneficiaries. Mother or father could choose to take benefit only during the 1st year with compensation rate of 100%, or to take the benefit during the two years period: compensation rate was 70% during the first year and 40% during the second year. It was allowed to work (have insured income) and to receive full amount of eligible benefit during the second year. Since January 1st, 2019 the compensation rate for 1-year benefit is equal to 77.58%, and for two years period compensation rate is 54.31% during the first year and 31.03% during the second year.

The amount of the child care benefit is paid as a percentage of the recipient's AMII (see more details in chapter 1.1). Since 1st January 2017 the amount of childcare benefit could not be lower than 20% of country's average monthly wage for the pre-previous quarter before the right for benefit receipt. This amount for the first quarter of 2017 was 156.66 EUR per month. It also could not be higher than the amount of two country's average monthly wages, i.e. 2*AMS. ⁹⁶ Since January 1st, 2018, the minimum childcare benefit amount (floors) could not be lower than 6 BSA, i.e., 228 EUR in 2018, 228 EUR in 2019 and 234 EUR in 2020. Since January 1st, 2020, if one of parents receiving childcare benefit qualifies for another childcare benefit for other child, she or he shall be paid both benefits, but the total amount of the benefits cannot exceed 77.58% of the more favourable amount of the earnings on which these benefits are calculated. This is, however, not modelled (see Euromod note below).

⁹⁶ Based on: SoDra. <http://www.sodra.lt/lt/situacijos/noriu-priziureti-kudiki-motinystes-tevystes-ismoka>

Since the 1st of July 2011 benefit size multiplied with number of births but cannot exceed 100% of compensation rate.

If a person has any type of *insured income*, the originally calculated childcare benefit is reduced by the amount of this income during the first year of receipt. It is not reduced during the second year of receipt.

The level and duration of benefit entitlement has not changed during the period of 2013-2020 (see Table 2.6.).

Table 2.6. The rate of childcare benefit, 2017-2020 (as of 1st January)

	2017-2018	2019-2020
Duration	Optional, 1 or 2 years in total	Optional, 1 or 2 years in total
Compensation rate 1 st year, %	100/70	77.58/54.31
Max. benefit duration the 1 st year, months*	12	12
Compensation rate 2 nd year, %	0/40	0/31.03
Max. benefit duration the 2 nd year, months	0/12	0/12
Benefit size multiplied with # of births	Yes, but cannot exceed 100%	Yes, but cannot exceed 77.58%

Notes:* If a mother/father has received a maternity leave or paternity leave benefit, the payment duration is reduced by the time (56 days and 1 month respectively) for which the relevant benefit has been paid.

Source: Based on the *Law on Sickness and Maternity Social Insurance*

EUROMOD note:

- As social insurance contribution information is not available, all mothers with an own child aged 2 or below are considered eligible if they have been in work for more than six months in the current year⁹⁷ (as suggested by observed patterns in the underlying data).
- Two years of receipt for childcare benefit is modelled by default as the absolute majority of recipients choose this option (around 93% according to the latest available statistics). Alternatively, simulations of opting for different options of childcare benefit are integrated in EUROMOD through the constant \$MA_optDef.
- Benefit take-up decisions are not modelled. The recipient is always assumed to be the mother; father if there is no female partner in the household or mother not eligible.
- It is not possible to distinguish adoptive children from the data, thus childcare benefit for adoptive child's grandparents cannot be simulated.
- In case there are several children eligible for childcare in the family, we model one parent to look after both children.

2.12. **Benefit for multiple-birth families (bchmp_s)**

- ***Brief description***

The benefit was introduced from 1st January 2017 and is granted on the basis of *the Law of Child Benefits*. The benefit is a monthly benefit paid for one of the parent (lone parent) due to the birth

⁹⁷ Note that being on maternity leave is considered as in work in the underlying data source, i.e. EU-SILC.

of two or more children. The benefit is paid from the birth of the children until the children reach the age of 2 years.

- **Definitions**

The unit of analysis is the family as defined in section 2.13. Basic social allowance definition is presented in section 1.1.

- **Eligibility conditions**

The benefit is granted due to the birth of two or more children at the same time and is paid for one of the parents (lone parent). No income test is applied. As this is a regular payment for children it is used when testing income for social assistance and child benefits.

- **Benefit amount**

The benefit level is calculated in relation to BSA and varies based on the number of children born at the same time in the family. The benefit amount is 4 BSA if two children are born at the same time. If more than two children are born at the same time, the benefit amount increases respectively by 4 BSA. So, if three children are born at the same time, the benefit amount is 8 BSA. No changes between 2018-2020.

2.13. Student's childcare benefit (bmaed_s)

- **Brief description**

The benefit was introduced from 1st January 2017 and is granted on the basis of *the Law of Child Benefits*. The benefit is a monthly benefit granted in order to support student's early child care at home for those parents who are not entitled to childcare benefit. The benefit is paid to one of the parents (adoptive parents) or a guardian during study period and 12 months later after graduation until the child reaches the age of 1 year. Since January 1st, 2020, the payment period was extended and the benefit is paid until the child is 2 years old⁹⁸. Though no changes in the benefit amount.

- **Definitions**

The unit of analysis is the family as defined in section 2.13. Basic social allowance definition is presented in section 1.1.

- **Eligibility conditions**

The benefit is granted if a person studies (studied)) in full time formal vocational training or higher education programme until reaches the age of 26, or studies (studied) in doctoral studies or medical residency until reaches the age of 30 and according to *the Law on Sickness and Maternity Social Insurance* is not entitled to childcare benefit. The benefit is not payed, if one of the parents is entitled to the childcare benefit for the same child according to *the Law on Sickness and Maternity Social Insurance*.

⁹⁸ Based on the following law "Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 2, 6, 10, 15, 17, 18, 20 ir 21 straipsnių pakeitimo įstatymas". 2019-12-30, No. 21548

- ***Benefit amount***

The fixed benefit amount is 4 BSA and is paid until the child reaches the age 1. If two or more children are born (adopted) the benefits size to a student's childcare does not increase.

Since January 1st, 2018, the benefit amount was increased up to 6 BSA. The benefit amount in 2018 was 228 EUR in 2018, 228 EUR in 2019 and 234 EUR in 2020. No changes in 2019. Since 2020, a monthly benefit of 6 BSA is paid until the child reaches the age of 2.

2.14. Social assistance benefit (bsa00_s)

- ***Brief description***

This monthly benefit is granted to families or single persons in case of income maintenance need. Social assistance benefit is granted for three months. The application must be re-submitted upon benefit expiration, unless local authorities have granted the benefit for the period exceeding three months (i.e., if the composition and income of the family has not changed).

- ***Definitions***

The unit of analysis is family, which consists of partners and their own dependent children. Dependent children are persons aged under 18 or under 24 if in full-time education or unemployed; they cannot be married, cohabiting with a partner nor parents themselves.

Single persons are persons aged 18 and above:

- who are not married and reside alone;
- who are married childless persons, but residing alone by the court's judgement;
- who are married persons residing alone, as their children are staying with their spouse by the court's judgement.

Family definition for the purpose of granting social assistance includes the following persons:

- spouses or cohabitating couples;
- their children and adopted children under 18 years of age;
- single persons (children) between the ages of 18 and 24 who are unemployed, unmarried and not cohabitating: if they are full-time pupils and students of general education schools and other institutions of formal education.

- ***Eligibility conditions***

All family members or single persons during the income calculation period must comply with at least one of the following major conditions (unless specified otherwise).

During the income calculation period, persons over 18 years of age should (those in *italics* could not be simulated):

- be full-time pupils and students of general education schools and other institutions of formal education if under 24 years of age;
- be employed *for at least two thirds of the duration of working time or working part-time*
- be of the old-age retirement age;
- receive pensions (except the state social insurance disability pension granted to a person with the lowest disability level) or social assistance benefits;
- be the persons who have registered with the state territorial Employment office;

- *be a person nursing (assistance, care) another family member in the manner prescribed by legal acts;*
 - *be a person undergoing treatment in an in-patient health care institution for at least a month;*
 - *be a woman who is pregnant and less than 70 calendar days are left before a baby is due (28 or more weeks of pregnancy);*
 - *be a mother or a father (a guardian or a curator) who raises at home a child under certain age and care conditions as prescribed in the same law:*
 - *if a family raises a child under three years old, who does not attend a pre-school educational establishment;*
 - *if a family raises three or more children under age of 14 and at least one of the children is under age 8 and does not attend a pre-school educational establishment or a school;*
 - *if a child under 8 years old does not attend a pre-school educational establishment due to medical recommendations or due to overcrowded schools;*
2. Persons from 16 and up to 18 years of age should attend institutions of formal education; be disabled, registered with the state territorial labour exchange (i.e. unemployed) or *pregnant women*.
3. Persons under 16: included unconditionally.

The benefit is granted to families or single persons if they pass the following assets and income tests: 1) the value of *family's* or person's assets does not exceed the *ratio of state established property value* (RP) and if 2) the *average* family or person's *income* (IL) is lower than 1 SSI per each family member.

- **Means test**

Assets' and incomes' test are applied

Assets' test:

Family's or person's actual assets (AS) must be lower than the *ratio of state established property value* (RP), which is calculated in the following way: $AS \leq RP = RE+RM$, where

AS is the actual value of a family's or person's assets. AS is established by calculating the value of the following family's or person's assets:

- buildings, including those under construction;
- vehicles subject to registration;
- agricultural machinery subject to registration;
- land (including that occupied with 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, if their total value exceeds EUR 580;
- works of art, gems, jewellery; precious metals, when the value of a unit exceeds EUR580;
- cash resources if their total value exceeds EUR 580, except for child maintenance payments;
- received (unpaid) loans, if their total value exceeds EUR 580 except of state loans for the students studying at the higher education institutions, loans for modernization of housing and real estate mortgages.
- money lent to other individuals (and unpaid), if their total value exceeds EUR580;
- *state compensations for real property purchased by the State, restored savings and other restored resources.*

In order to evaluate AS, applicants for social assistance benefit must declare their assets. Then the declared number of properties is checked with the registry data.⁹⁹ If the value of the declared property is extraordinarily low, officials have a right to establish property value using *average market value*, as approved by the Commission for the Assessment of Property Subject to Registration.

RE is the “ratio of real estate value” and is calculated as:

RE =

Notional size of residence (60m² for the 1st person + 15m² for each additional family member) x *average market price of the residence* (which is approved by the Commission for the Assessment of Property Subject to Registration on 1st February 1st May, 1st August and 1st November of each year).

+

Notional size of land plot per family or person x *average market price of the land*.

The state requires application of the following notional sizes of land per family:

- residential purpose land: in cities – 6 Ares,¹⁰⁰ in towns and villages – 25 Ares;
- agricultural purpose land (if the plot does not exceed 1 hectare¹⁰¹): in cities – 6 Ares, in towns and villages – 25 Ares;
- agricultural purpose land (if the plot exceeds 1 hectare): in cities – 6 Ares, in towns and villages – 3.5 hectares;
- other non-industrial purpose land: in cities – 6 Ares, in towns and villages – 3.5 hectares.
- if a person does not have a land - the value of the notional size of the land plot is based on 1 hectare of agricultural purpose land.

RM is the “ratio of value of movables”, which is calculated per family member:

- 45 SSI for the first person aged 18 or above;
- 30 SSI for each additional person aged 18 or above;
- 15 SSI for each person (child) under 18 years old.

Income test:

For the purpose of means testing, the average family or person’s income (IL) is calculated as: the average income of all family members during the period of three months prior to the month when the family (single resident) acquired the right to the social assistance benefit. All income should be taken after the deduction of withholding income tax and employee social insurance contributions. Incomes defined by the same social assistance law, namely compensations for housing utilities and the social assistance benefit itself, are not taken into account for means testing.

The following incomes are included in the means-test¹⁰² unless otherwise specified (**those in italic could not be simulated**):

⁹⁹ Based on Methodology of Asset Evaluation (*Turto vertinimo metodika*),

¹⁰⁰ 1 Are = 100 square meters

¹⁰¹ 1 Hectare = 10000 sq. meters or 100 Ares

¹⁰² Changes effective on the 30th June, 2009 indicated according to the following law: “Lietuvos Respublikos Piniginės socialinės paramos nepasiturinčioms šeimoms ir vieniems gyvenantiems asmenims įstatymo 15 ir 22 straipsnių pakeitimo įstatymas“. 2008.06.17 Nr. X-1611: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=323463

- all types of pension benefits (*except of nursing allowances and compensations for pension cuts*); as of 2019 onwards, additional old-age or lost working capacity (invalidity) pension bonuses.
- dividends and interests;
- *income of an owner of an individual company, received from the taxable profit of such company*;
- alimony;
- all regular income of a social nature, i.e., state transfers, *with the exception of compensations of transport costs for the handicapped and compensations for donors. Since 2020 newly introduced temporary childcare allowance is not included into IL*, since 2012 regular social benefits for children (including child benefits and all kinds of stipends) are included into the income test. Non-regular social benefits for children (e.g. birth grant) are not included into the income test.
- both lump-sum and regular non-contributory child benefits are excluded from the income test as of 2018 onwards¹⁰³.
- unemployment social insurance benefit, severance pay or compensation paid upon the termination of an employment contract or upon the dismissal of public servants;
- sickness, maternity, and childcare benefit and occupational rehabilitation benefits.
- compensation for property and non-pecuniary damage (including one-time compensation for lost working capacity);
- *cash donations if their total amount exceeds the amount of 4*SSI.*
- *cash resources received as a gift*;
- *inherited cash resources*;
- *cash resources received abroad or from a foreign state*;
- income from property rent and income from property sale (unless it is included into assets).
- *lottery and other cash winnings, prizes*;
- income from individual activities, including the income received from engaging in the activities with a business certificate; from 2019 onwards excluding income from individual activity of individuals under 18 years old¹⁰⁴; from 2020 onwards 70% of income from individual activities (except income from individual activity of persons under the age of 18) is included into IL¹⁰⁵; income from agricultural activities (*except of income from gardens of members of gardeners' societies, the area of land plots of which does not exceed 1 hectare*);
 - a) *in the absence of accounting documents, average monthly income should be calculated by applying the ratios of income from agricultural activities evaluated according to the state approved notional costs*;
 - b) *if there is no possibility for determining income according to these ratios, average monthly agricultural income should be calculated by applying a state approved income rate per hectare of agricultural land (see **Error! Reference source not found.** for rates).*

¹⁰³ Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 1, 4, 8, 10, 17, 20, 23 ir 25 straipsnių pakeitimo įstatymas

¹⁰⁴ Based on the following law: 2018-12-11, No. XIII-1733, „Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 17 straipsnio pakeitimo įstatymas“. 2018, No. 20995

¹⁰⁵ Based on the following law: „Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 17 straipsnio pakeitimo įstatymas“. 2019-07-03, Nr. 10931

Income disregard

Since January 1st 2018, an income disregards has been set based on the household type. Part of family’s (person’s) average income from work included into income test is disregarded (see below). Since January 1st, 2019, children (adoptees) older than 18 years shall be included in the household composition if they receive income (self-employment income) lower than of 1 SSI¹⁰⁶. The income disregard was increased by 5 p.p. since June 2020 within the package of Covid-19 measures.

Table 2.7. Levels of income disregard based on household type, 2018-2020 (as of 1st January)

Household type	2018-2020
For persons living together without children (adoptees) or for single person	15%
For persons living together and raising one or two children (adoptees)	20%
For persons living together and raising three or more children (adoptees)	25%
For single parents, raising one or two children (adoptees)	30%
For single parents, raising three or more children (adoptees)	35%

• ***Benefit amount***

From 1st January 2012 equivalent scales for the social assistance benefit were introduced:

- for a single person or first person in a family the benefit is calculated as the difference between income and 100% x SSI;
- for the second person in a family - 80% x SSI;
- for the third and following person in a family- 70% x SSI.

Social assistance benefit for former long term unemployed paid during the first six months of employment is calculated as 50% of social assistance benefit paid before the employment (effective from 01 01 2012). Since January 1st 2019, the additional part as 50 % of social assistance benefit is paid for those unemployed for at least six months for the first six months of employment, but not longer than 12 months¹⁰⁷.

Since January 1st 2019, social assistance benefit is not paid for 3 months or stop being paid for 3 months if a person participates in the employment programs prepared by the Municipal administration.

From 1st January 2012 benefit amount must be reduced for single person able to work but not working or family of person able to work but not working and receiving benefit during the long period. Benefit amount is reduced for single able-bodied working-age unemployed recipient or their family excluding children:

- by 20% after 12 months of payment;
- by 30% after 24 months of payment;
- by 40% after 36 months of payment;
- by 50% after 48 months of payment;

¹⁰⁶ Based on the following law: 2018-12-11, No. XIII-1733,, Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 17 straipsnio pakeitimo įstatymas” 2018, No. 20995.

¹⁰⁷ Based on the following law: 2018-10-01, No. XIII-1403 „Lietuvos Respublikos piniginės socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 8, 10 ir 21 straipsnių pakeitimo įstatymo Nr. XIII-949 pakeitimo įstatymas“, 2018-07-05, No. 11464

- after 60 months benefit payment is cancelled for 24 months for single unemployed person or their family excluding children.

The calculated social assistance benefit should be equal to at least EUR 1.45 in order to be paid.

EUROMOD note:

The EU-SILC database does not contain information on assets' value. Therefore, most of the information on the assets listed above is not available in EUROMOD. Proxy for the assets' test is based on the notional size of dwelling and land compared to reported and/or imputed actual size of dwelling and land in the national SILC data. The following imputations have been made:

- Residential property: actual size based on the EU-SILC variables on housing characteristics (area in m²); notional size as described above (60m² for the 1st person + 15m² for each additional family member).
- Actual land property size: reported values of residential and agricultural land (for datasets before 2012) and imputed values thereafter. Imputations based on reports on owning land; 0 ha of residential land for those living in flats, values for others imputed based on information on the area of the house, etc. Agricultural land imputed based on a dummy of owning land and information on earning from own agricultural activities.
- Notional land property size: according to the notional size of residential and agricultural land per family reported above.
- Financial assets: based on the EU-SILC information on investment income and external information on the average yield of LT government bonds.

Other imputations and assumptions:

- Benefit reduction for those able to work but not working is not simulated due to data limitation and lag in time until this rule effectively will be implemented.
- Social assistance benefit for the former long-time unemployed during the first six months and since 2019 for up to 12 months of employment is not simulated due to data constraints.
- Due to data limitations, it is not possible to distinguish the persons who participate in employment programs, therefore social assistance benefit suspension for 3 months cannot be simulated in EUROMOD.

Due to the novel coronavirus (Covid-19) the eligibility conditions for social assistance benefit were temporary eased, the level of income disregard was increased by 5 p.p and the assets' test was temporary not applied during the state of emergency and for 6 months following the end of quarantine. Lastly, the amount of the social assistance benefit was increased by applying more generous social assistance equivalence scale. A detailed description of the social assistance benefit reforms describing all temporary reforms implemented during the novel coronavirus can be found in section 2.24.

2.15. Unemployment social insurance benefit (*bunct_s*)

- ***Brief description***

This monthly benefit is organized via compulsory insurance system and covers individuals receiving remuneration for work.

- ***Definitions***

The unit of analysis is the individual. *Unemployed person* – unemployed or partially employed *working age* person:

- who does not study full-time,
 - is registered with the local Labour Exchange Authority,
 - does not receive an early retirement old-age pension and
 - is ready to start working
 - if a person has not been offered a workplace or active labour market policies by the Employment Service and a person has had 1 year of unemployment insurance in the last 2.5 years¹⁰⁸.
 - If an unemployed person does not have the required unemployment insurance record, a person will be eligible for unemployment insurance if she/he has completed compulsory primary military service or alternative national defence service or has been released from the permanent compulsory initial military service during basic military training. In this case, the unemployed person must register with the Employment Service within 6 months of release from compulsory primary military service or alternative national defence service.
- ***Eligibility conditions***

Eligible people are the working age persons, who are defined as aged 16 up to the old age retirement limit. The required service record and a person must be actively looking for a job. The duration of benefit payment depends on the unemployment insurance history. The benefit is paid for:

- 6 months – if insurance record is less than 25 years;
- 7 months – if insurance record is 25-29 years;
- 8 months – if insurance record is 30-34 years;
- 9 months – if insurance record is 35 years or more.

The duration of the payment is extended:

- By two months - if on the last unemployment payment day, a person has no more than 5 years until the old-age retirement age, and if a person does not receive an early retirement old-age pension.
- By actual number of sickness days (max one month) – if a person gets sick during the time of unemployment benefit payment.
- By the maternity leave period (based on the rules of maternity benefit) – if a woman gets entitlement right to maternity benefit when the unemployment benefit is paid.
- For municipalities, where the average ratio of the registered unemployed people and announced last working age population of the last quarter is at or above 1.5 times the national average ratio, the duration of unemployment benefit payment can be extended by two months. The decision is of discrete nature and is taken by the Tripartite Council and the Ministry.

- ***Income test***

No income test applied.

- ***Benefit amount***

The benefit amount comprises fixed and variable components:

$U=F+V$, where

¹⁰⁸ Based on the following law „Lietuvos Respublikos nedarbo socialinio draudimo įstatymo Nr. IX-1904 5, 6, 8, 10 ir 11 straipsnių pakeitimo įstatymas“. 2017-12-29, Nr. 21633

U – monthly unemployment social insurance benefit. The ceiling for the full unemployment social insurance benefit is 70% CYI.

F – a fixed benefit component, which is equal to 1 SSI (see Table 1.2.).

V – a variable benefit component, which is equal to 40% of the former insured income. The insured income is calculated as the average CYI (see Table 1.3.) indexed wage of the previous 36 months before registering as unemployed. The indexation is done in the following way:

$$\frac{36 \times CYI_u}{\sum_{i=1}^{36} CYI_i}$$

where: i - indicates the applicable CYI of each month during the 36 months period before registering as unemployed; u - indicates the CYI amount applicable in a month, when the unemployment benefit is to be paid.

The calculated unemployment social insurance benefit is paid proportionally to benefit payment duration:

- During the first three months – U is paid (full benefit);
- The remaining unemployment duration period – F+0.5*V (fixed component plus 50% of the variable component) is paid.

The unemployment social insurance benefit cannot be paid together with the old-age pension (as well as an early retirement old-age pension). The unemployment social insurance benefit is reduced by the amount of other pensions, in case a person has a right to receive a few other social insurance benefits at the same time: state social insurance pensions, state social assistance benefits/pensions or state pensions (except survivor and orphan pensions), also work incapacity periodical compensations due to occupational injuries and occupational diseases, also vocational rehabilitation, maternity, paternity or childcare social insurance benefits.

Since January 1st, 2017, the unemployment social insurance benefit cannot be paid together with compensations for special working conditions and state social assistance pensions obtained for other persons. Since January 1st 2017, if unemployed person has a right to receive a social insurance benefits, such as: sickness benefit, vocational rehabilitation, maternity (paternity) or childcare social insurance benefits and was not registered with the local Labour Exchange Authority before, the unemployment social insurance benefit is started to be paid after the end of other social insurances payment time¹⁰⁹.

Since July 1st, 2017 a reform of the unemployment social insurance benefits was implemented according to the rules described in the Social Model reform agenda. As by default EUROMOD models polices as of 30th June, these changes are out of scope of the standard simulations. Nevertheless, the new rules are modelled in a separate function and can be used instead or in combination with the rules applicable in the first half of 2017.

The main changes are: the objective of the reform is to strengthen the income protection of the unemployed by increasing the level, the duration and the coverage of benefits (Table 2.8.). The reform aims also at strengthening the links with previous earnings to motivate participation in the formal economy and in the social insurance system in particular.

¹⁰⁹ Based on the following law: 2016-12-20, No. XIII-149 “Lietuvos Respublikos nedarbo socialinio draudimo įstatymo Nr. IX-1904 3, 4, 6, 14, 15 ir 18 straipsnių pakeitimo įstatymas”. 2016, No. 29782

Since January 1st, 2020, a person, who receives unemployment social insurance benefit and is identified as working illegally, must return the unemployment benefit amount for the period of illegal work¹¹⁰. If person notifies on the authorities responsible for the control of illegal work, then the unemployment benefit must not be returned.

Table 2.8. Characteristics of the unemployment social insurance benefit 2017-2018

	Before 1st July 2017	Since 1 July 2017 – till the end of 2018
Benefit amount	<i>Constant part:</i> state-supported income (set at 102 euros) <i>Variable part:</i> - 40% of former earnings during the first three months - 20% of the former earnings after three months.	<i>Constant part:</i> 30% of the minimum monthly wage <i>Variable part:</i> - 50% of former earnings during the first three months - 40% between the fourth and sixth month, - 30% between the seventh and ninth month
Benefit ceiling	70% of CYI (see Box 1)	75% of the gross average wage (see Table 1.5.)
Duration	- 6 months – if the insurance record is less than 25 years; - 7 months (insurance record 25-29 years); - 8 months (insurance record 30-34 years); - 9 months (insurance record 35+ years). + extra 2 months for special groups	9 months + extra 2 months for special groups
Required contribution history	24 months during the previous 36 months	12 months during the last 30 months

Table 2.9. Characteristics of unemployment social insurance benefit in 2019-2020 (as of January 1st)

		2019-2020
Benefit amount	Constant part: % of minimum monthly wage	23.27%
	Variable part:	
	% of former earnings during the first three months	38.79%
	% between the fourth and sixth month	31.03%
	% between the seventh and ninth month	23.27%
Benefit ceiling	% of the gross average wage	58.18%
Duration		9 months + extra 2 months for special groups
Required contribution history		12 months during the last 30 months

Table 2.10. Characteristics of the unemployment social insurance benefit, 2017-2020

		2017(I)	2017 (II) -2018	2019-2020
Eligibility	Contribution period	18 months within last 36 months	12 months within last 30 months	12 months during the last 30 months
	Other conditions	Age 16-retirement age; actively looking for a job		
	Eligibility of self-employed	Not eligible*		

¹¹⁰ Based on the following law “Lietuvos Respublikos nedarbo socialinio draudimo įstatymo Nr. IX-1904 7, 8, 12, 13, 15, 17 ir 18 straipsnių pakeitimo įstatymas”. 2019-12-21, Nr. 20993

Payment	Contribution base	Gross earnings, no contribution ceiling		
		Basic amount	State-supported income	30% minimum wage
	Additional amount	% of former earnings reducing with time		
	Floor	n/a		
	Ceiling	70% of CYI	75% of the gross average wage	58.18% of the gross average wage
Duration	Standard (in months)	6-9 depending on insurance record	9	9
	Special cases (in month)	+2 months for special groups		
Subject to	Taxes	n/a		
	SIC	n/a		

*Note: 2017(I) – before June 1st; 2017(II) – after June 1st. * Except owners of individual enterprises, small community members and members of genuine partnerships.*

EUROMOD note:

Effectively, this benefit is only partly simulated using the information about actual receipt. But rather than simply using the observed receipt as part of the eligibility criteria, all eligibility rules in full detail are covered. However, as not all required information (e.g., work history) is available several assumptions are made, among else considering some rules automatically fulfilled for those in receipt. This approach is chosen so that the benefit can be also modelled for those currently employed if needed (e.g. to simulate their entitlement if they become unemployed, for replacement rates calculations).

Unemployment duration (lunmy_s) is set equal to the maximum of observed unemployment duration (lunmy) and observed benefit receipt (bunmy). If modelling unemployment benefit for those currently employed, unemployment duration is set equal to the reported number of months in employment in the current year (liwmy), once contribution history (see the next step) is modelled. It is effectively also assumed that unemployment spells start in the reference year.

Among eligibility conditions, the requirement of actively looking for a job is not applied in EUROMOD as it is enforced very loosely in practice.

Modelled contribution history is based on the reported number of months in employment (liwmy), controlling for the total number of months in work (liwwh).

- For those currently employed (ils_earn != 0 & lunmy_s = 0 & bunct = 0), this is used.
- For those currently unemployed (lunmy_s > 0) and in receipt (bunct > 0), this is set at least equal to the minimum qualifying period.
- For those currently unemployed (lunmy_s > 0) and not in receipt (bunct = 0), this is set to zero.

At this point, working age people who are unemployed (lunmy_s > 0), have sufficient contribution history, are not in education and not in receipt of early retirement old-age pension are considered eligible. It is assumed that all of them are involuntary unemployed and capable and available for work (there is a variable in the SILC data identifying the latter but only filled in for those currently unemployed).

Benefit duration (bunmy_s) is calculated according to the rules above, using modelled contribution history, while also controlling for the unemployment duration (lunmy_s). Extended duration due to sickness or maternity leave is ignored. For currently employed, a further cap is

imposed corresponding roughly to the average duration observed in administrative sources (and national SILC data).

Benefit entitlement is calculated based on previous earnings and benefit duration, subject to the lower and upper thresholds. For those currently employed, current earnings are used. For those currently unemployed and in receipt, previous earnings are used which have been imputed by reversing unemployment social insurance benefit rules. For those currently unemployed and not in receipt, imputed wage is used. Finally, benefit amount is adjusted with the number of months in receipt (*bunmy_s*).

Extended payments for municipalities, where the average ratio of the registered unemployed people and announced last working age population of the last quarter is at or above 1.5 times the national average ratio, is not modelled due to discrete nature and data limitations.

Previous earnings by default are modelled based on the imputed wage *yivwg*, as the inverted wage *yempv* reflect the lower benefit amounts according to the old use. To switch from the calculations based on the imputed wage to those based on the inverted wage, the constant *\$ImputedWage* should be set to zero.

Due to data limitations, it is not possible to distinguish whether a person is partially employed as partial employment is mostly assigned by the local Municipalities. Furthermore, due to limited data it is impossible to distinguish if a person is working illegally in the shadow economy and receives unemployment benefit. Tax compliance adjustments may be switched on to adjust simulations.

2.16. Long-term work benefit (*bunct01_s*)

- *Eligibility*

Since July 1, 2017, the long-term work benefit fund has been introduced and administered by Sodra. Employees, who have been employed by the same employer for more than 5 years or more, in case of redundancy, are eligible to receive the long-term work benefits. The benefits are paid to all employees who have worked under employment contracts, except for those fired from budgetary institutions and the Central Bank. Benefits will be paid to those employees who had been fired not earlier than July 1st, 2017.

- *Amount*

If an employee worked between 5 to 10 years, he/she got the benefit equal to 1 previous salary payment; 10-20 years – 2 previous salary payment; 20 years or more - 3 previous salary payment. The benefit was paid for those who were made redundant after July 1st, 2017. Since January 1st 2019, due to combination of social insurance contributions, the benefit was equal to 77.58%. Since January 1st, 2020, the long-term work benefit amount is calculated on the basis of the administrative data and on person's average insured income¹¹¹.

EUROMOD note:

The policy is modelled starting policy year 2018. We cannot identify who became redundant after July 1 in the policy year 2017. The following assumptions are made: number of years worked is proxied by the total working history assuming 3 working positions on average of an equal working duration (i.e. *liwwh* / 3). We assume that those who were made redundant (but not quit the job)

¹¹¹ Based on the following law „Lietuvos Respublikos garantijų darbuotojams jų darbdaviui tapus nemokiam ir ilgalaikio darbo išmokų įstatymo Nr. XII-2604 2, 3, 5, 6, 7, 8, 10 ir 19 straipsnių pakeitimo įstatymas“. 2019-06-27, Nr. 10341

are not currently employed or self-employed in the data and eligible for unemployment benefit. Work in the budgetary institution is proxied in the following way: not working in defence /administration, education, health or social services, not a public servant.

2.17. Social contributions

Social insurance contributions (*socialinio draudimo įmokos*) to State Social Insurance Fund (*Socialinio draudimo fondas, SoDra*) are compulsorily paid by all employers and employees of private and public sectors as well as main categories of self-employed people.

Contributions are flat rates without ceilings, but they differ for employees and self-employed. Furthermore, contribution rates vary considerably among different categories of self-employed people (see below for more details). Social insurance contributions are paid for pension, health care, sickness and maternity, employment injuries, occupational diseases, and unemployment insurances. Conditions regarding contributions made in the past determine eligibility and amount of contributory benefits.

All social contributions are calculated on the individual tax unit basis.

2.18. Employee social insurance contributions (*ils_sicee*)

All *employees* of private and public sector paid a total of 9% of gross wages and salaries as social insurance contributions (these rates remained unchanged for 2011-2018):

- 3% to pension social insurance
- 6% to compulsory health insurance.¹¹²

Since January 1st, 2019, due to social insurance contribution reform, the majority of social insurance contributions were set to employees. Furthermore, a reduced health social insurance rate of 6.98% was implemented (Table 2.11).

Table 2.11. Employee’s social contribution rates (% of gross salary), effective on 2019-2020

Employee’s social insurance contributions	2019-2020
1. Pension social insurance	8.72*
2. Sickness social insurance	2.09
3. Maternity social insurance	1.71
4. Health insurance	6.98
Total	19.5

*Note: *if a person participates in pension accumulation, an additional contribution of 1.8% or 3% is applied.*

Since January 1st 2019, every employed or self-employed person has become able to stay only in the social insurance system or to be also involved in the 2nd pension pillar. Working persons may choose whether to contribute 1.8% or 3% of their gross monthly income to privately managed pension funds. Furthermore, based on the new law, those who receive childcare benefit until child reaches the age of 3, or are covered by the state, do not have to pay to the 2nd pillar pension contribution while getting contributory benefits. However, the state still subsidizes them with 1.5% rate each month. Table 2.12 below represents private and state subsidy rates effective since 2019:

¹¹² Employee 6% contributions to the compulsory health insurance is also mentioned in the section 2.22..

Table 2.12. 2nd pillar contribution rates (%) to privately managed pension funds and state subsidies (%), 2019-2023 and later years

Year	1st rate and state subsidy (in brackets)	2nd rate and state subsidy (in brackets)
2019	1.8 (0.3)	
2020	2.1 (0.6)	
2021	2.4 (0.9)	3 (1.5)
2022	2.7 (1.2)	
2023 and later years	3 (1.5)	

No changes in 2020 except 1st rate of 2nd pillar pension contributions to private pension funds.

EUROMOD note:

Based on the external statistics from state social insurance fund Sodra have shown, that participation rate among working age persons is relatively high, however varies differently between the age groups. Therefore, based on external statistics, we assumed the participation to 2nd pillar to be in 2019: 18-30 years old - 25% participating with 1.8% rate, 75% - with 3% rate; 31-50 years old – 50% participating with each rate; 51 years old – until the retirement age – 37.5% participating with each (1.8% and 3%) rate and 25% not participating at all. For 2020 these rates are estimated as following: 18-30 years old - 20% participating with 2.1% rate, 80% - with 3% rate; 31-50 years old – 50% participating with each rate; 51 years old – until the retirement age – 33% participating with 2.1% rate, 42% with 3% rate, and 25% not participating at all. Different participation rates were randomly distributed to each working age employed or self-employed person. It is important to note that those, receiving childcare benefits or covered by the state, are not simulated in the model.

2.19. Employer social insurance contributions (*ils_sicer*)

In 2011-2017 all *employers* of private and public sector pay on behalf of their employees 31% of gross wages and salaries. 31% is split into six components, as indicated in Table 2.12. As of 1st January 2018, some employers' social insurance contribution rates were changed, but the total rate remained the same (see below). Since January 1st, 2019, the employer and employee social insurance contributions rates were combined.

Additionally, 0.1% of gross salary was paid by employers to the Guarantee Fund (*įmokos į garantinį fondą*) until the end of 2011.¹¹³ Since 1st of January 2012 the rate of payments to the Guarantee Fund was increased up to 0.2%¹¹⁴. Since January 1st 2019, due to social insurance contribution tax reform, the rate was set to 0.16%.

Since January 1st, 2018, social insurance contribution floors have been introduced, meaning employers have to pay social insurance contributions not lower than from MMS for those employees whose monthly salaries are below the MMS. However, the floors are not applicable for certain groups: if an employee works in more than one work position; if an employee gets old-age or work incapacity pension; if an employee is under 24; if an employee is insured by the government.

Since January 1st, 2019, social insurance contribution reform was implemented, where the majority of social insurance contributions were set to employee, with fewer contributions left for the employer (see Table 2.13). Even though the contribution rates have been changed, employers

¹¹³ Resources from the Guarantee Fund are allocated to current and past employees of bankrupted enterprises, which are indebted to employees.

¹¹⁴ Valstybinė mokesčių inspekcija:

http://mic.vmi.lt/documentpublicone.do?&id=1000122600&tree_id=1000007371

are still responsible to pay all types of contributions of behalf of their employees. No changes in 2020.

Table 2.13. Employers' social insurance contributions (% of gross salary), effective on 2017-2020

	2017	2018	2019-2020
1. Pension social insurance	23.3	22.3	n/a
2. Sickness and maternity social insurance	3.4	3.6	n/a
3. Unemployment social insurance	1.1	1.4**	1.31***
4. Health insurance	3	3	n/a
5. Employment injuries and occupational diseases social insurance*	0.2	0.2	0.16
6. Long-term work benefit fund		0.5	0.16
7. Contributions to the guarantee fund	0.2	0.2	0.16

Notes: * *Main rate. Other rates may apply ranging from 0.18% to 1.8% before 2019 and from 0.14% to 1.4% since 2019 according to the group to which the insurer belongs.* ** *For fixed-term work contract – 2.8 %.* *** *2.03 % for fixed-term contracts.*

EUROMOD note:

Social insurance contribution floors are modelled, but are OFF by default (\$floors = 0) due to data limitations. These can be switched on by setting the constant \$floors = 1. It is recommended to switch the SIC floors on only in combination with the minimum wage adjustments (yem_lt). Otherwise, this will severely over-estimate SIC receipt. The following data limitations apply to the modelling of SIC floors: we could not check if a person works in more than one working position; condition if an employee is insured by the government is proxied by an industry sector: those employed in defence, public administration, health, social work, education.

2.20. Credited social contributions (*ils_sicct*)

Credited social contributions – social insurance contributions paid by the government on behalf of certain individual groups (for all or particular types of insurance). Credited social insurance contributions include unemployment, pension and/or health social insurance contributions.

The contribution base for credited unemployment and pension social insurance contributions is 1 MMS. The government pays contribution at the same rates as they are set for employers. Most importantly, such contributions are paid monthly for the following persons:

- If a mother or father (stepmother, stepfather) or guardian (curator) taking care of a child under age 3 has no taxable income, he/she is insured for basic and supplementary parts of pension and for unemployment social insurance. Only one of the parents can be insured.
- Priests of accepted confessions and monks working in monasteries are compulsorily insured for basic social insurance pension.
- One of the pre-pension age parents (stepparents) or guardian (curator) taking care after disabled has no taxable income, he/she is insured for basic and supplementary pension parts and for the unemployment social insurance.
- Conscripts are insured for all types of social insurance.
- Vocational, tertiary school students and individuals who are directed by territorial job centre for vocational training are insured for employment injuries and occupational diseases social insurance for training period.
- Individuals in social or psychological rehabilitation institutions who get a salary are insured for employment injuries and occupational diseases social insurance during labour hours.
- Prisoners who get salary are insured for employment injuries and occupational diseases social insurance during labour hours.

- Artists, who are of working-age and have no insured income or less than 12 MMA per calendar year are covered with pension, sickness, and maternity benefits.
- Unemployed spouses of public servants in an international service are insured for pension, maternity, and unemployment benefits.
- Since 1st January 2011 authors of arts not receiving income are insured for basic and supplementary pension parts and for the sickness and maternity benefits.
- Since January 1st 2019 cadets, carrying out military service while studying at a military training institution.
- Since January 1st 2019 cursors, who are enrolled in professional vocational training institution or internal affairs professional training institution and have signed internal an affairs recruitment contract.
- Since January 1st, 2019 interns are insured during their professional practice period at the institution of enterprise.

Contribution rates for credited unemployment and pension social insurance contributions in 2017-2020 are indicated in the Table 2.14.

Table 2.14. Contributions for pension social insurance (employer’s part) and unemployment insurance (% of gross salary), 2011-2020

	2017	2018	2019	2020
Contributions for pension social insurance (employer’s part)	23.3	22.3	8.72	8.72
Unemployment insurance	1.1	1.4	1.31	1.31

The contributions for credited health social insurance contributions are flat rate and approved annually. It is calculated as a percentage of the two-year previous average monthly wage for four quarters (39% in 2017, 41% in 2018, 44% in 2019, 47% in 2020)¹¹⁵. Annual amounts of health social insurance contributions per person were as follows: EUR 283,3 per annum (EUR 23,61 per month) in 2017, EUR 321,4 per annum (26,78 per month) in 2018 EUR 373,1 per annum (31,09 per month) in 2019, EUR 438 per annum (36.5 per month) in 2020 ¹¹⁶.

Groups of persons who are insured for compulsory health insurance by the state:

1. Persons who receive any kind of pensions or assistance benefits/ compensations;
2. Officially unemployed persons (those unemployed who are registered with the local Labour Exchange and are willing and able to work);
3. Unemployed persons of the working age who have compulsory contributions history for the state social old-age pension;
4. Women on maternity leave and unemployed pregnant women 70 days before childbirth and 56 days after childbirth;
5. One of (foster) parents looking for a child up to 8 years old and one of (foster) parents looking for two or more children;
6. Persons up to 18 years old;
7. Full-time students and pupils of Lithuanian secondary, vocational schools, colleges, universities and those who permanently live in Lithuania and study full-time in the EU high schools;
8. Persons who receive social assistance benefits;

¹¹⁵ Source: “ Lietuvos Respublikos sveikatos draudimo įstatymo Nr. I-1343 6, 16, 17 ir 18 straipsnių pakeitimo įstatymas”<https://www.e-tar.lt/portal/legalAct.html?documentId=0dff20b07c4d11e8ae2bfd1913d66d57>

¹¹⁶ Source: “Lietuvos respublikos 2012 metų valstybės biudžeto ir savivaldybių biudžetų finansinių rodiklių patvirtinimo įstatymas“ 2011 m. gruodžio 20 d. Nr. XI-1823 and relevant ammendments. “Lietuvos Respublikos 2014 metų valstybės biudžeto ir savivaldybių biudžetų finansinių rodiklių patvirtinimo įstatymas” 2013 m. gruodžio 12 d. Nr. XII-659 and relevant ammendments.

9. One of (foster) parents or guardians who nurse at home a person with disability up to 24 years old (with some exceptions up to 26 years old) or a person who requires permanent nursing;
10. Persons who have disability of any level;
11. Persons infected with communicable diseases that are dangerous for society and included into a special list;
12. Participants of the resistance struggles;
13. Persons who helped to liquidate the outcomes of the Chernobyl accident;
14. Ex-prisoners of the ghetto and fascist's prisons;
15. Priests and monks of the traditional religious communities and students of the priests' academy;
16. Persons who participated in the Afghanistan war;
17. Unaccompanied underage foreign citizens;
18. Foreign citizens who are provided with additional and temporary shelter in Lithuania;
19. Unemployed spouse of an acting President of Lithuania who has no insured income.
20. Since 1st January 2012 authors of arts not receiving income.

Since January 1st 2019, those who choose to participate in the 2nd pension pillar, additional contributions are also made with state subsidies from the state budget: 0.3 % of the average wages of the previous year for those participating with 1.8 %, and 1.5 % for those participating with 3 % (see Table 2.11. for more details).

EUROMOD note:

Pension and unemployment social insurance contributions are simulated in EUROMOD only for mothers or fathers (stepmothers, stepfathers) or guardians (curators) with no taxable income taking care of a child under age 3 with the following assumptions:

- The recipient of this contribution is the parent, who does not have taxable income. If neither parent has, then the recipient is the mother.
- A person should have no taxable income and should live in a family tax unit with a child under age 3.

Credited health social insurance contributions are simulated in EUROMOD for groups 1, 2, 4-8 and 10, which make up the majority of eligible persons. Compulsory health insurance contributions are not simulated for other groups due to lack of information on their status.

2.21. Self-employed social contributions (*ils_sicse*)

From 2009 *self-employed* persons, with the exception of the persons engaged in individual activities under business certificates, have to pay social insurance contributions for the basic and additional pension part (26.3%) as well as sickness and maternity social insurance (2.2% insured only to receive maternity leave benefit, paternity leave benefit and childcare benefit).¹¹⁷ Since 2010 the owners of individual enterprises and the real members of agricultural communities were not subject to sickness and maternity social insurance contributions, contribution for pension insurance remained unchanged (26.3%). The contribution base for these groups of self-employed is taxable income of the self-employed persons after deduction of income taxes.

Table 2.15. below show total social insurance contributions rates for self-employed, which were effective on 1st January 2012-2020.

¹¹⁷ Lietuvos Respublikos Valstybinio socialinio draudimo įstatymo 2, 4, 6, 7, 8, 9 straipsnių pakeitimo ir papildymo įstatymas. Žin., 2009, Nr. 25-972

Table 2.15. Social insurance contributions (%) for self-employed, 2017-2020

	2017	2018	2019-2020
Self-employed persons*	30.8	30.3	13.83
Self-employed persons engaged in individual activities**	29.7	28.9	12.52
Self-employed persons engaged in individual activities under business certificates	26.3	25.3	8.72
Self-employed persons engaged in individual agricultural activity when the economic size of holding is equal to 4 or more	29.7	28.9	12.52
Family-type guardianship institution	29.7	28.9	12.52

*Note: *owners of individuals enterprises, ‘real members’ of agricultural communities, persons engaged in individual agricultural activities, members of small communities; **lawyers, lawyers advisers and other person, except persons under business certificates.*

Since 2017 the owners of individuals enterprises, ‘real members’ of agricultural communities, persons engaged in individual agricultural activities, members of small communities and a family-type guardianship institution pay social insurance contributions for the basic and additional pension part as well as sickness and maternity social insurance (insured only to receive maternity leave benefit, paternity leave benefit and childcare benefit)¹¹⁸. Since 2017, the owners of individual enterprises, ‘real members’ of agricultural communities and members of small communities also have to pay unemployment social insurance contributions (1.1%). The total rate is 30.8%. Since January 1st, 2018, the rate for self-employed persons (the owners of individuals enterprises, ‘real members’ of agricultural communities, persons engaged in individual agricultural activities, members of small communities) is 30.3%¹¹⁹. Since January 1st, 2018, family-type guardianship institutions, persons engaged in individual activities and persons engaged in individual agricultural activity when the economic size of holding is equal to 4, pay total rate of 28.9%¹²⁰. Since January 1st 2019, self-employed persons pay total rate of 13.83%, self-employed persons engaged in individual activities under business certificates pay 8.72% and other types of self-employed persons pay total rate of 12.52% (see Table 2.15. above). No major changes except increased 1st rate a state subsidy level to 2nd pillar pension contributions.

Since January 1st, 2018, the social insurance contribution holidays were introduced for owners of individual enterprises, members of small communities, real members of the partnerships, farmers and their partners and individuals pursuing their individual activities. Those self-employed persons will be able to pay no social security contributions for one year from the start of their first activity¹²¹.

EUROMOD note:

SIC holidays are modelled for those with the total working history not exceeding 12 months in the data, i.e., only those with $liwwh > 12$ are eligible for paying social insurance contributions.

No minimum liability applies (as of June 30th, 2010 minimum liability for farmers and their partners applies – the minimum social contribution base being 12 MMS per year). The maximum annual base for contributions in 2017 and 2018 is set to 28 average monthly salaries per year. The

¹¹⁸ Based on the following law: “ Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 pakeitimo įstatymas. 2016-06-29. Nr. 20645 “. <https://www.e-tar.lt/portal/lt/legalAct/89ccbb604a6f11e6b5d09300a16a686c>.

¹¹⁹ Based on the following law: 2017-12-12, No. XIII-869 “Lietuvos Respublikos valstybinio socialinio draudimo fondo biudžeto 2018 metų rodiklių patvirtinimo įstatymas”. 2017, No. 20569.

¹²⁰ Based on SoDra: <http://www.sodra.lt/lt/situacijos/imoku-tarifai-savarankiskai-dirbantiems> .

¹²¹ Based on the following law: 2017-12-05, No. XIII-823 „Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymas“. 2017, No. 20047.

maximum annual base for contributions for farmers and their partners was set to 14 average monthly salary per year in 2018¹²². As of January 1st 2019, persons engaged in individual activities, farmers and their partners and family-type guardianship institutions, the maximum annual base for contributions is set to 43 average monthly salaries per year¹²³. No major changes in 2020.

Social insurance contributions also must be paid on income from sports, performing or authorship/copyright agreements. Social contribution base for self-employed persons engaged in individual activities and also for those who receive income from sports or authorship agreements was equal to 50% of the taxable income from individual activities (before personal income tax) in 2017. Since January 1st 2018, the social insurance contributions base comprises 50 per cent of the taxable income of individual activities (excluding compulsory health insurance, social insurance contributions). The basis for the social insurance contributions of farmers and their partners is the amount of taxable income of 50 per cent of the agricultural activity of each person (excluding compulsory health insurance, social insurance contributions)¹²⁴. If income received by farmers and their partners, according to the law, is not taxable, and they do not declare the income from individual agricultural activities, the social insurance contribution base is equal to the sum of 12 times MMS approved by the Government. As of January 1st 2019, for persons, engaged in individual activity and for farmers and their partners is the amount of taxable income of 90% of the agricultural activity of each person (not excluding compulsory health insurance, social insurance contributions)¹²⁵. No major changes in 2020.

Self-employed persons engaged in individual activities under business certificates compulsory pay social insurance contributions for the basic pension part. Since 1st January 2017 compulsory social insurance contributions for pensions have to be paid from the amount of MMS (380 EUR in 2017) with a rate of 26.3%, i.e. 99.94 EUR. Since January 1st, 2018, the rate was set to 25.3% for compulsory social insurance contributions for pensions, which have to be paid from the amount of MMS (400 EUR in 2018). Since January 1st 2019, the rate was set to 8.72 %. No major changes in 2020.

Table 2.16. shows MMS and BP levels and state defined annual amounts of contributions for social insurance applicable to self-employed people. State defined annual contribution amounts were often used in practice in order to reduce ambiguities due to accrued changes in applicable MMS or PB amounts.

¹²² Based on the following law: 2017-12-05, Nr. XIII-823 “Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymas”. 2017, Nr. 20047.

¹²³ Based on the following law: 2018-12-11, No. XIII-1721 “Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymo Nr. XIII-823 5 straipsnio pakeitimo įstatymas” 2018. No. 20975.

¹²⁴ Based on the following law: 2017-12-05, Nr. XIII-823 “Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 2, 3, 8, 10, 11, 12, 13, 19, 25, 35 ir 40 straipsnių pakeitimo įstatymas”. 2017, Nr. 20047.

¹²⁵ Based on the following law: 2018-12-11, Nr. XIII-1720 “Lietuvos Respublikos valstybinio socialinio draudimo įstatymo Nr. I-1336 10, 15, 16, 32 ir 34 straipsnių pakeitimo ir Įstatymo papildymo 34-1 straipsniu įstatymas”. 2018, No. 20974.

Table 2.16. Monthly MMS, MHW, PB levels and amounts of annual contributions effective on January 1, 2017-2020 (EUR)

	2017	2018	2019	2020
Minimum monthly salary (MMS)	380	400	555	607
Average MMS that year	380	400	555	607
Minimum hourly wage (MHW)	2.32	2.45	3.39	3.72
Basic monthly pension (PB)	120	152.92	164.59	180.95
Average monthly PB that year*	120	152.92	164.59	180.95

Sources: Based on „Lietuvos Respublikos Vyriausybės nutarimas „Dėl minimaliojo darbo užmokesčio didinimo”, its relevant amendments and changes. Information available at: <http://www.sodra.lt>.

Compulsory health insurance contributions for the self-employed:

Since 2009 the compulsory health insurance contributions were set to 9% rate of the taxable income, gross wage or the MMS corresponding to the group the insured person belongs to. The annual compulsory contribution cannot be less than 9% of 12 times of MMS. Since 2017 the maximum annual base for compulsory health contributions for those in agricultural sector cannot exceed 7 average monthly salaries (i.e., 5 188.40 EUR), for other self-employed it is set to 28 average monthly salaries per year (i.e., 20 753.60 EUR). Those working with business certificates have to contribute at the rate of 9% of the MMS per month. Since January 1st, 2019, the compulsory health contribution rate of 6.98% is applied for taxable income of 90 % for people engaged in individual activities. No changes were made in 2020.

Table 2.17. Minimum annual contributions for the compulsory health insurance paid by self-employed, effective on January 1st, 2017-2020

	2017-2018	2019-2020
Annual contributions	9 %*12*MMS	6.98 %*12*MMS

Source: “LR valstybės biudžeto ir savivaldybių biudžetų finansinių rodiklių patvirtinimo įstatymas” and Lietuvos Respublikos Sveikatos draudimo įstatymas” and their relevant versions.

EUROMOD note:

Self-employment in the model is determined by the person having self-employment income.

- Social insurance contributions paid on income from sports, performing or authorship/copyright agreements are too specific to be simulated in EUROMOD.

2.22. Compulsory health insurance contributions for those not otherwise insured (thl_s)

Since 2009 the compulsory health insurance contributions were set to 9% rate of the taxable income, gross wage or the MMS depending on the group the insured person belongs to. Persons who are not otherwise insured for health social insurance (see Section 2.19. for details on credited health insurance contributions), including those who do not receive any taxable income, pay a compulsory health insurance contribution of 9% of the MMS per month since 2009. Since January 1st, 2019 health insurance contributions were set to 6.98 % rate.

2.23. Minimum wage

- *Brief description*

Minimum wage is usually changed as of 1st of July. However, the latest change was introduced from the 1st of January, 2020¹²⁶.

- *Definitions and eligibility conditions*

The unit of analysis is individual. If the actual wage is less than minimum wage, then wage is replaced with minimum hourly wage times actual working hours.

- *Amount*

It is either defined in monthly or hourly terms.

EUROMOD note:

Monthly income from employment (taking into account the number of months in work) is set equal to minimum wage (proportional to hours worked) if the income from employment is less than minimum wage, but positive, and if working hours are less than or equal to 40 hours per week. We do not apply the minimum wage correction when a person earns more than a monthly minimum wage, but its hourly wage is still less than a minimum wage.

By default, the simulation of minimum wage is set off, i.e., not part of the baseline.

2.24. Personal income tax (*tin_s*)

The main tax simulated for Lithuanian tax-benefit system is personal income tax.

2.24.1. Tax unit

Personal Income Tax (*asmens pajamų mokestis*): Personal income tax (PIT) system in Lithuania is an individual system. Generally, tax unit is an individual who has received income. Tax allowances for parents (see section 2.24.3) are divided equally into two parts. In case of a single mother or father, the applicable tax allowance is applied fully for the parent receiving income and living with children.

Some additional tax allowances are based on a family tax unit. This tax unit consist of parents and own dependent children, who are under age 18 or if older, in secondary education. The dependent child definition also covers marital status and parenthood conditions, as discussed for social benefits too.

2.24.2. Exemptions

Following Verbist (2004), we define exemptions as “income components (that) are part of pre-tax income, but do not have to be declared to the tax authorities, and thus are not included in the concept of taxable income (e.g. child benefits in most countries)”.

The list of tax-exempt incomes includes more than 50 categories, most importantly, all state social assistance or social insurance benefits, paid from state and municipal budgets or *Social Insurance*

¹²⁶ Based on the following law: „Dėl minimaliojo darbo užmokesčio“, Nr. 11076. <https://www.e-tar.lt/portal/lt/legalAct/d544ca809e4811e9878fc525390407ce>

Fund, except sickness, maternity leave, paternity leave and childcare benefits, are not subject to personal income taxation.

A number of other non-taxable income types exist. These include charity, scholarships, interest from deposits, loans, compensations, lottery winnings, prizes of sports competitions, pension annuities received from life insurance companies, inherited income, alimonies, proceeds from the sale of agricultural produce, which is produced, as well as produced and processed on the land owned and some other types of incomes.

2.24.3. Tax allowances

We define tax allowances as any amount subtracted from pre-tax income (including social insurance contributions). Differently from Verbist (2004) there is no distinction between those that are fixed amounts (tax allowances) and those whose level is a function of pre-tax income (deductions).

Since the 1st January 2009 the basic and additional personal income tax allowances are applied only to the employment-related income or to income which conforms to the essence of employment relations (further referred as “employment-related income”, see below for explanations).¹²⁷

When estimating the amount of the monthly general personal income tax allowance (applied at the source), only employment-related income is taken into account, which includes:

- salary, bonuses and premiums (monthly, quarterly, annual),
- sickness allowance for the first two days of the illness (paid by the employer),
- compensation for unused vacation,
- payments for overtime work, working on holidays and weekends, at night, or for the idle time,
- holiday payments,
- per diem if exceeds the statutory rate,
- other additional earnings paid directly by an employer to an employee for work performed.

Sickness, maternity, paternity, childcare benefits and long-term work benefits are also included into the employment-related income.

The rules applied for calculation and declaration of the 2017

The monthly general allowance is 310 EUR per month if the resident’s monthly income does not exceed 380 EUR per month. If the resident’s income is higher, the basic general allowance is calculated using the following formula:

The monthly general allowance = 310 – 0.5x (monthly employment-related income – 380)

The annual basic general allowance is 3720 EUR if the resident’s annual income does not exceed 4560 EUR. If the resident’s income is higher, the basic general allowance is calculated using the following formula:

The annual general allowance = 3 720 – 0.5x (resident’s annual income – 4560)

¹²⁷ For not permanent residents tax allowance can be applied, but only on the annual basis after the annual income is declared.

If the estimated annual general allowance is negative it is not applicable.

Since the 1st January 2017 the additional monthly personal income tax allowance has been increased to 200 EUR for each child (adoptee).

For the residents with 0-25% of working ability level, those who have reached retirement age and have a high level of special needs, or for the residents who have a heavy level of disability, the basic allowance of 380 EUR is applied.

For the residents with 30-55% of working ability level, for those who have reached retirement age and have a medium or small level of special needs, or for the residents, who have a medium or light level of disability, the basic allowance of 320 EUR is applied.

The rules applied for calculation and declaration of the 2018

The monthly general allowance is 380 EUR per month if the resident's monthly income does not exceed 400 EUR per month. If the resident's income is higher, the basic general allowance is calculated using the following formula:

$$\text{The monthly general allowance} = 380 - 0.5x (\text{monthly employment-related income} - 400)$$

The annual basic general allowance is 4800 EUR if the resident's annual income does not exceed 4560 EUR. If the resident's income is higher, the basic general allowance is calculated using the following formula:

$$\text{The annual general allowance} = 4560 - 0.5x (\text{resident's annual income} - 4800)$$

If the estimated annual general allowance is negative it is not applicable.

Since January 1st, 2018, the additional monthly personal income tax allowance of 200 EUR for each child (adoptee) was abolished.

For the residents with 0-25% of working ability level, those who have reached retirement age and have a high level of special needs, or for the residents who have a heavy level of disability, the basic allowance of 450 EUR is applied.

For the residents with 30-55% of working ability level, for those who have reached retirement age and have a medium or small level of special needs, or for the residents, who have a medium or light level of disability, the basic allowance of 390 EUR is applied.

Child tax allowance is abolished.

The rules applied for calculation and declaration of the 2019

The monthly general allowance is 300 EUR per month if the resident's monthly income does not exceed 555 EUR per month. If the resident's income is higher, the basic general allowance is calculated using the following formula:

$$\text{The monthly general allowance} = 300 - 0.15x (\text{monthly employment-related income} - 555)$$

The annual basic general allowance is 6660 EUR if the resident's annual income does not exceed 3600 EUR. If the resident's income is higher, the basic general allowance is calculated using the following formula:

$$\text{The annual general allowance} = 3600 - 0.15x (\text{resident's annual income} - 6660)$$

If the estimated annual general allowance is negative it is not applicable.

For the residents with 0-25% of working ability level, those who have reached retirement age and have a high level of special needs, or for the residents who have a heavy level of disability, the basic allowance of 353 EUR is applied.

For the residents with 30-55% of working ability level, for those who have reached retirement age and have a medium or small level of special needs, or for the residents, who have a medium or light level of disability, the basic allowance of 308 EUR is applied.

The rules applied for calculation and declaration of the 2020

The monthly general allowance is 350 EUR per month if the resident's monthly income does not exceed 607 EUR per month. If the resident's income is higher, the basic general allowance is calculated using the following formula:

The monthly general allowance = 350 – 0.17x (monthly employment-related income – 607)

The annual basic general allowance is 7284 EUR if the resident's annual income does not exceed 4200 EUR. If the resident's income is higher, the basic general allowance is calculated using the following formula:

The annual general allowance = 4200 – 0.17x (resident's annual income – 7284)

If the estimated annual general allowance is negative it is not applicable.

For the residents with 0-25% of working ability level, those who have reached retirement age and have a high level of special needs, or for the residents who have a heavy level of disability, the basic allowance of 645 EUR is applied.

For the residents with 30-55% of working ability level, for those who have reached retirement age and have a medium or small level of special needs, or for the residents, who have a medium or light level of disability, the basic allowance of 600 EUR is applied.

Due to the novel coronavirus, the increase in tax allowances enforced from the second half of the year 2020. The increase of PIT allowance since July 1st, 2020: PIT allowance was increased by 50 EUR/month from 350 EUR/month to 400 EUR/month (i.e., from 4200 EUR/year to 4800 EUR/year for those with income below 7284 EUR/year). The withdrawal rate of the tax allowance is increased from 0.17 to 0.19. Maximum amount of income for the PIT allowance to apply increased from 2666 EUR/month to 2713 EUR/month, accordingly.

The rules applied for calculation and declaration for the second half of 2020

The monthly general allowance is 400 EUR per month if the resident's monthly income does not exceed 607 EUR per month. If the resident's income is higher, the basic general allowance is calculated using the following formula:

The monthly general allowance for the second half of 2020 = 400 – 0.19x (monthly employment-related income – 607)

The annual basic general allowance is 7284 EUR if the resident's annual income does not exceed 4800 EUR. If the resident's income is higher, the basic general allowance is calculated using the following formula:

The annual general allowance for the second half of 2020 = 4800 – 0.19x (resident's annual income – 7284)

EUROMOD note:

In EUROMOD, changes in the policies normally refer to 30th of June. However, we model the mid-year change in the general tax allowance by applying the averaged coefficients, i.e. the basic allowance of 4500#y with a withdrawal coefficient of 0.18. This means that the increase in the tax allowance is not modelled as a half-year switch in the model as it is included in an annual income, therefore total average annual amount is taken in the account directly across the year.

Table 2.18. Personal income tax allowances (EUR per month), as of June 30, 2011-2020

Allowances	2017	2018	2019	2020
Basic allowance (highest applicable)				
- General (maximum level)	310	380	300	350 (400**)
- For the disabled of group I (0-25% work capacity)	380	450	353	645
- For the disabled of group II (30-55% work capacity)	320	390	308	600
Additional allowance: for parents (adoptive parents) raising children under age 18 or older if in full-time secondary education (can be shared among parents)*	200 for each child (adoptee)	-	-	-

*Notes: *Additional allowance is applied by dividing the amount equally between parents (adoptive parents) if both of them have taxable income. All allowances are defined on the individual level. If a person meets more than one of the criteria as indicated in the table, the highest amount is applied. ** 400 EUR from July 2020.*

2.24.4. Tax base

Tax base is derived from *gross income* by deducting the following components:

- non-taxable income (all state social assistance and some social insurance benefits (e.g., pensions, disability benefits), etc.),
- income received from activities conducted under a business certificate,
- allowable deductions related to income from individual activities,
- the acquisition price of property and expenses related to it,
- basic and additional tax allowances (for families with children, disabled, farmers, etc.) particular expenses incurred by a resident (when calculating taxable income of fiscal year).

Since 2009 no deductions can be made to the income from distributed profit (dividends). The expenses incurred by residents can be deducted only from the income that is taxed by 15% rate of PIT.

With respect to the income derived from activities conducted under a business certificate, a fixed amount set by municipal councils is paid.

2.24.5. Tax schedule

As of 2017 the main tax rate of 15% applied on most income types, including on income from distributed profits. Reduced tax rate of 5% was applied to income from individual activities, except of income from “free occupations” and from securities. Also, a tax rate of 5% was applied to income from agriculture activity (for persons who are engaged in agriculture and who must register or are registered as payers of VAT); farming income if farm was bigger than 14 ESU¹²⁸; on income received from the sale or other transfer of ownership of base metal scrap. The income tax of a fixed amount is paid to acquire a business certificate. Since January 1st 2018, “free occupations” were abolished and all types of individual activities are taxed with the 15% personal income tax rate¹²⁹. Instead, an income tax credit was introduced for the self-employed since January 1st, 2018. For those, whose income from self-employment do not exceed 20 000 EUR 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:

$$\text{Income tax credit for income from individual activity} = \text{annual taxable income} \times (0,1 - 2/300\,000 \times (\text{annual taxable income} - 20\,000)).$$

Since January 1st, 2019, the general rate of PIT is set to 20% if the annual income amount does not exceed 120 AMS, and 27% if the annual income amount exceeds 120 AMS. These rates are applied on all employment-related income and also on some forms of non-employment income¹³⁰. Taxable benefits, dividends, and income from individual activities (minus tax credit) and some other types of income are taxed by 15%. Since January 1st 2020, the general PIT rate of 20% remained the same for income not exceeding 84 AMS, and 32% for those, whose income exceeds 84 AMS (see Table 2.19):

Table 2.19. Personal income tax rates, 2019-2020

	2019	2020
Rates for employment-related income	(20%) < 120 AMS per year (27%) >= 120 AMS per year	(20%) < 84 AMS per year (32%) >= 84 AMS per year
Rates for taxable benefits, dividends, income from individual activities	15%	15%

Source: based on “Lietuvos Respublikos gyventojų pajamų mokesčio įstatymas”

EUROMOD note:

The taxation of incomes from so called free / non-free occupations were not modelled due to lack of information.

¹²⁸ European size unit (ESU) is a standard gross margin 1200 that is used to express the economic size of an agricultural holding or farm (Eurostat glossary: [http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:European_size_unit_\(ESU\)](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:European_size_unit_(ESU))).

¹²⁹ Based on the following law: 2017-12-07, Nr. XIII-841 „Lietuvos Respublikos gyventojų pajamų mokesčio įstatymo Nr. IX-1007 2, 6, 16, 17, 18, 18-1, 19, 20, 22, 24, 27, 29, 33, 34 straipsnių pakeitimo ir Įstatymo papildymo 18-2 straipsniu įstatymas“. 2017, Nr. 20568.

¹³⁰ Gyventojų pajamų mokesčio (GPM) tarifai, taikomi 2019 m. ir vėlesniais metais <https://www.vmi.lt/cms/documents/10174/8274962/KD-8860+tarifai+nuo+2019+met%C5%B3/f4d12f92-cb8c-4c5a-bd59-f9317c9507d9>

2.24.6. Deductible expenses

The following expenses incurred by a resident of Lithuania during the tax period may be deducted from his/her income:

1. Life insurance contributions paid for his/her own benefit or for the benefit of his/her spouse or minor children (adopted children) or for disabled children (adopted children) under 18 and older who are rated as totally disabled under life insurance contracts which provide for an insurance benefit not only upon the occurrence of an insurance event, but also upon the expiry of the term of the insurance contract.
2. Voluntary pension contributions paid for own benefit or for the benefit of a spouse or disabled children (adopted children) under 18 and older who are rated as totally disabled to pension funds.
3. Payments for vocational training¹³¹ and all other studies (when higher education and/or qualification is obtained upon graduation, as well as doctoral studies and art post-graduate studies). If payments for studies are made with borrowed funds (a loan is taken out from a credit institution for that purpose), the repaid amount of the loan during the tax period may be deducted from income. If a student is not a payer of income tax or has no possibility to deduct payments for studies, those expenses may be deducted from the incomes of his/her parents (adoptive parents), guardians and (or) spouse.

Payments for childcare services, e.g., babysitters (kindergartens are not considered as childcare) service of children up to 18 years old. The total amount of deducted expenses cannot exceed 25% of the total tax base after deducting tax allowances.

The amount of the tax refund is equal to deductible expenses (s.t. the upper limit) multiplied with the relevant tax rate (main vs reduced rate). The proportion of expenses on which the main (reduced) tax rate is applied is equal to the ratio of incomes, s.t. the main (reduced) tax rate, to total tax base before deducting tax allowances.

Expenses are deducted from income when calculating final income tax liability for the tax period and filing an annual income tax return.

2.24.7. Withholding tax and final tax liability

Almost on all income sources (except self-employed, farmers' and income from property sale and so called "other" incomes) income tax is already withheld at the time of payment. Self-employment income and farmers' income are subject to final tax, which is calculated with the yearly tax declaration.

Generally, compared to withheld income tax, final income tax takes into account several additional aspects:

1. Income from self-employment;
2. Income received by farmers and their partners;
3. Income from property sale or other movable asset (worth more than 2500 EUR since 2015);
4. Other received incomes (from agricultural production worth more than 3000 EUR per year since 2015; work incomes from other countries; profit from individual enterprise, dividends received from other countries; more than 600 EUR since 2015 of interest received from EEA countries, incomes from gambling, etc.)

¹³¹ This part was added in 2008.

5. Annual (basic and additional) allowances if a person used not all annual amount (i.e. if a person worked not 12, but less months; if individual receives only incomes from authorship contracts; if a person have not used additional allowance). Since 2009 annual basic allowance is recalculated, taking into account received taxable income (see part 2.6.3 for details) and deductible expenditures.

EUROMOD note:

It is not possible to distinguish between different disability groups and hence all (self-reported) disabled people are assumed to belong to Group I (0-25% work capacity).

Among deductible expenses only voluntary pension contributions and mortgage interest payments could be simulated given the data availability.

The fee for business certificate is not simulated due to data constraints.

2.25. COVID-19-related measures in Lithuania

Due to the novel coronavirus (Covid-19), a number of non-permanent tax and benefit measures were implemented in Lithuania in order to cope with the negative socio-economic impact of job and income loss due to the pandemic. It includes newly introduced temporary benefits and existing benefit changes, wage compensations and other measures that are outside the scope of EUROMOD.

2.25.1. Benefits

Sickness benefit (*ligos išmoka*) (*sickcomp_s*): in the event of the emergency or quarantine, there has been quite a few changes in the sickness benefit rules set by the Law on Sickness and Maternity Social Insurance in order to cope with the negative impact on employment:

- **Increased sickness benefit for those who became infected during performance of their duties** - if a health care professional, official or other employee is infected with the illness for which the emergency is declared (in this case the Covid-19), they are entitled for the sickness benefit of 77.58% of gross salary.

EUROMOD note:

This aspect of the policy is not modelled due to data constraints.

- **Sickness benefit for those (grandparents, stepparents, carers) taking care of children** under 12, elderly people or people with disabilities (who are not allowed to attend day-care centres, nurseries, schools, etc.) – sickness benefit 65.94% of their gross salary; persons with severe chronic diseases who are affected by the virus-mitigation measures taken by the government – sickness benefit equal to 62.02% of their gross salary. The benefit is issued for up to 60 days, but no longer than the end of quarantine or emergency. The full period of the quarantine from 16th March to 17th June can be covered.

EUROMOD note:

Only modelled for parents and those with disabled children. This policy can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_lt policy, which is switched on automatically by the add-on. For more

information about the modelling of labour market transitions please consult the ‘*Simulating labour market transitions in EUROMOD*’ document.

Temporary Jobseeker’s Benefit (*laikina darbo paieškos išmoka*)(*bunnc_s*): a newly introduced benefit set by *the Law on Employment of the Republic of Lithuania*¹³² that aims to cope with the negative impact on job and income loss. The proposed temporary benefit has come into force in June 2020 and will be paid retrospectively from 15th of May 2020 but no more than for 6 months (until December 31st, 2020). The temporary jobseeker’s benefit amount is equal to 200 EUR per month for persons who were previously employed but not yet/no longer are entitled to receive the unemployment social insurance benefits and 42 EUR for those who do (e.g. have at least 12 months of the unemployment social insurance record in the last 30 months). Part of this benefit amount is disregarded when applying household’s income test for calculating the social assistance benefit (for more info see Table 2.20. below for deductible percent based on the household type).

Temporary benefit for the self-employed (*laikina išmoka savarankiškai dirbantiems*)(*ysecomp_s*): a monthly benefit set by *the Law on Employment of the Republic of Lithuania*¹³³ and paid from the Guarantee Fund for self-employed persons during the quarantine period (officially since 16th of March, 2020) and for 2 months after the end of quarantine. A monthly benefit of 1*MVPD (257 EUR) is paid to self-employed persons¹³⁴ irrespective of whether or not their activities were restricted due to quarantine but is not paid to self-employed persons who work under an employment contract. The benefit is not taxable.

The self-employed may receive the benefit if they meet all of the following criteria:

- The person has been registered as self-employed for at least 3 months over the last 12 months before the quarantine was announced (until 16th of March, 2020);
- During the emergency and quarantine period, the salary accrued to a person under an employment contract or a legal relationship equivalent to an employment relationship does not exceed 1*MMS (607 EUR);
- A legal entity does not have the status of a company in liquidation or bankruptcy.

¹³² Based on the following law: “Lietuvos Respublikos užimtumo įstatymo Nr. XII-2470 5-1, 20, 25, 35, 37, 38, 41, 42, 43, 44, 47, 55 straipsnių pakeitimo ir Įstatymo papildymo 48-1 straipsniu įstatymas“, No. XIII-2882. https://www.e-tar.lt/portal/lt/legalAct/f1954e7095d811ea9515f752ff221ec9?fbclid=IwAR3movTzSgOApM Uaxuotd6jCWdCkVYADLOhbFVw1g3_d8G1QL_C6k-4ty1g

¹³³ Based on the following law: “Lietuvos Respublikos užimtumo įstatymo Nr. XII-2470 5-1, 13, 24, 35, 37, 38, 39, 41, 42, 44, 49 ir 50 straipsnių pakeitimo įstatymas“, No. XIII-2846. <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/43d9edd3797d11ea38ed97835ec4df6>

¹³⁴ Self-employed persons are: self-employed persons, members of small communities, ‘real members’ of agricultural communities, self-employed persons engaged in individual activities (lawyers, lawyers’ advisers, notaries, bailiffs and other persons), self-employed persons engaged in individual activities under business certificates, Self-employed persons engaged in individual agricultural activity when the economic size of holding is equal to 4 or more, Family-type guardianship institution, persons under business certificates, persons engaged into rental of premises and persons who receive income from sports or authorship agreements.

EUROMOD note:

This policy can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_It policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘*Simulating labour market transitions in EUROMOD*’ document.

Lump-sum benefit for children (*vienkartinė išmokos vaikams*): 120 EUR will be paid to all children eligible for the universal child benefit and the additional 80 EUR for all children who qualify for the additional child benefit.

EUROMOD note:

The lump-sum benefits for children are modelled in two different sections: the universal child benefit (*bchm_s*) and the additional child benefit (*bch00_s*).

Additional child benefit (*papildoma išmoka vaikui*) (*bch00_s*): the income test period is shortened from 12 to 3 months., i.e. past 3 month’s (income received from 1st of April, 2020) household income is taken for the mean-test instead of the past 12 months. This 3-month income-test will be applied from July 2020. The shortened income-test period will remain in force for 6 months after the revocation of the emergency and quarantine.

EUROMOD note:

Shortened period for the income test for the additional child benefit is not modelled due to data constraints.

Lump-sum bonus for elderly and disabled (*Vienkartinė išmoka senyvo amžiaus ir neįgaliems asmenims*): is a one-off allowance of 200 EUR for the elderly, disabled, widows and orphans¹³⁵. The one-off bonus is paid to people who are or will receive at least one of the following benefits paid by *Sodra* (by 31st of December, 2020): old-age pension, lost working capacity (invalidity) pension, survivor's or orphan's pension, retirement pensions, compensations for special working conditions, assistance pension and compensation and pensions, designated under international agreements or European regulations. The lump-sum bonus will be paid without an individual application in August 2020 for persons who have declared Lithuania as a place of their residence or are included in the list of persons who have not declared a place of residence.

EUROMOD note:

One-off bonus for elderly and disabled is modelled as part of bonuses on low pensions (*boa_s*).

Social assistance benefit (*socialinė pašalpa*) (*bsa00_s*): the eligibility conditions for the social assistance benefit were temporary eased: the social assistance benefit will be paid if average monthly household’s income does not exceed 1.1*SSI (137.5 EUR) per person since 1st of June,

¹³⁵ Based on the following law: “Dėl Lietuvos Respublikos piniginių socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 3, 6, 7, 9, 10, 11,15, 17, 21 ir 23 straipsnių pakeitimo įstatymo, Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 17 ir 18 straipsnių pakeitimo įstatymo, Lietuvos Respublikos paramos būstui įsigyti ar išsinuomoti įstatymo Nr. XII-1215 2, 5, 10, 12, 14, 16, 18 ir 29 straipsnių pakeitimo įstatymo, Lietuvos Respublikos vienkartinės išmokos socialinio draudimo pensijų ir šalpos išmokų gavėjams įstatymo projektų pateikimo Lietuvos Respublikos Seimui”. No. 438. <https://www.e-tar.lt/portal/lt/legalAct/b33c3e608acd11eab005936df725feed>

2020 (previously was 125 EUR per person)¹³⁶. Furthermore, the level of income disregard has been increased by 5 pp. for each household type (see Table 2.20. below), where household's average income from work is temporarily disregarded together with the unemployment social insurance and the jobseeker's benefit by 20-40 %.

The assets' test is temporary not applied. After the end of the state emergency and the quarantine, the asset's test will not be applied for 6 months (only income-test will be applied for the eligibility conditions). After the end of the 6-month period, the permanent reform will come into force: the asset's test will not be applied for at least 3 months for persons either applying for the social assistance benefit for the first time, or 24 months after receiving the social assistance benefit. The amount of the social assistance benefit is increased:

- For a single person – 1.4*SSI (175 EUR) for the first 6 months, 1.2*SSI (150 EUR) for subsequent 6 months. After 12 months – 1.1*SSI (137.5 EUR).
- For households:
 - For the first person in a family the social assistance benefit is calculated as the difference between income and 1.1*SSI (137.5 EUR);
 - for the second person in a family – 0.9*1.1*SSI (123.75 EUR);
 - for the third and a following person in a family- 0.7*1.1*SSI (96.25 EUR).

Table 2.20. Levels of income disregard based on household type, 2018-2020 (as of 1st January) and current reform levels (as of 1st June 2020)

Household type	2018-2020	Current reform levels
For persons living together without children (adoptees) or for single person	15 %	20 %
For persons living together and raising one or two children (adoptees)	20 %	25 %
For persons living together and raising three or more children (adoptees)	25 %	30 %
For single parents, raising one or two children (adoptees)	30 %	35 %
For single parents, raising three or more children (adoptees)	35 %	40 %

Lastly, the in-work social assistance benefit for a former long term unemployed is increased: 100% social assistance benefit amount for the first 3 months, 80% - for the next three months, 50% - for the rest 6 months (in-work benefit is paid for 12 months).

EUROMOD note:

Changes in the social assistance benefit (*bsa00_s*) are modelled.

Compensations for heating of a dwelling, cold and hot water expenses, and sewage (*kompensacijos už būsto komunalines paslaugas*): larger compensation rate is applied for people receiving compensations. For households 1.1*SSI and for single persons – 1.5*SSI compensation is covered as difference between household income and SSI.

¹³⁶ Based on the following law: “Dėl Lietuvos Respublikos piniginių socialinės paramos nepasiturintiems gyventojams įstatymo Nr. IX-1675 3, 6, 7, 9, 10, 11,15, 17, 21 ir 23 straipsnių pakeitimo įstatymo, Lietuvos Respublikos išmokų vaikams įstatymo Nr. I-621 17 ir 18 straipsnių pakeitimo įstatymo, Lietuvos Respublikos paramos būstui įsigyti ar išsinuomoti įstatymo Nr. XII-1215 2, 5, 10, 12, 14, 16, 18 ir 29 straipsnių pakeitimo įstatymo, Lietuvos Respublikos vienkartinės išmokos socialinio draudimo pensijų ir šalpos išmokų gavėjams įstatymo projektų pateikimo Lietuvos Respublikos Seimui”. No. 438. <https://www.e-tar.lt/portal/lt/legalAct/b33c3e608acd11eab005936df725feed>

EUROMOD note:

Compensations are not modelled because of the data constraints.

2.25.2. Wage compensations

Subsidies to remain in the labour market (*subsidijos išlikti darbo rinkoje*) (*yemdowncomp_s*; *yemcomp_s*):

a) During quarantine if downtime is declared:

Due to state of the emergency and the quarantine, some employees are not be able to work remotely, therefore employers may declare downtime or partial downtime. For complex cases, the state contributes and subsidizes employees' income by providing state subsidies to remain in the labour market. The policy does not apply to public sector workers.

When the downtime is declared for employees and they receive at least MMS (607 EUR) the state subsidy is paid to cover employee's salaries. Expenses incurred by employers are reimbursed with state subsidies from the *Employment Service* to the employer during the quarantine period (officially since 16th of March 2020 until 17th June 2020). Current amounts of the subsidies: 90% of employee's salary, but no more than 1*MMS (607 EUR) or 70% of employee's salary, but no more than 1.5*MMS (910.5 EUR). For workers aged 60 or more the following compensation rates and amounts apply: 100% of employee's salary, but no more than 1*MMS (607 EUR) or 70% of employee's salary, but no more than 1.5*MMS (910.5 EUR). Employer's obligations:

- When announcing a downtime to an employee, the employer has to inform the State Labour Inspectorate;
- Employers who have received the state subsidies will also have to keep at least 50% jobs for at least 3 months after the end of subsidy's payment;
- During a downtime period, the employee may not be required to work;
- During a downtime, the employer has to pay a wage of no less than the minimum wage in proportion to the working time indicated in the employment contract.

b) Subsidies after the end of the quarantine:

Employers will be able to expect state subsidies while retaining employees for another 6 months after the end of the quarantine. The highest amounts of subsidies will be paid in the first 2 months after the quarantine, after which they will be gradually decreased (see Table 2.21.). The maximum subsidy payment after the quarantine period is 6 months.

Table 2.21. State subsidies for the employees after the quarantine*

Payment period	Part of the subsidy	Ceilings
1-2 months	100%	
3-4 months	50%	MMS (607 EUR)
5-6 months	30%	

*Note: * for the employment of supported unemployed persons and employees who have been declared a downtime*

The subsidies to cover employees' wages will be granted to the employers who:

- After the end of quarantine did not fire their employees during the quarantine, but declared them a downtime and asked for the subsidies. The subsidies after the quarantine will only be paid for employees who resume working after the downtime;
- Employ previously unemployed persons, referred by the *Employment Services* such as: people with disabilities, elderly, young people, long-term unemployed, etc. since 15th of May 2020.

- Are included in the list of companies affected by COVID-19 compiled by *the State Tax Inspectorate*. Subsidies for employers will be paid for a maximum of 10 employees if the company employs up to 20 people, or for a maximum of 50% employees if the company employs more than 21 people. Since 15th of May 2020.

Furthermore, if the company is included in the list of activities approved by the Minister of Social Security and Labour and the Minister of Economy and Innovation, focusing on the production of advanced technologies, knowledge-intensive business services, the pursuit of the green deal goals and social dialogue, then it will be able to benefit from larger subsidies: 100% subsidy with subsidy ceilings of 1*MMS or 70%/50%/30% subsidy with subsidy ceiling of 2*MMS.

In case of fixed-term or seasonal employment contracts, the subsidy will reach 100-50% and will be paid for only 4 months but no more than 0.5*MMS (see Table 2.22.). This aspect of the policy is not modelled in EUROMOD.

Table 2.22. State subsidies for the employers after the quarantine*

Payment period	Part of the subsidy	Ceilings
1-2 months	100%	0.5*MMS (303.5 EUR)
3-4 months	50%	

*Note: * for temporary employment of the unemployed*

EUROMOD note:

The wage compensations are modelled in EUROMOD, with the exception of the higher subsidy for fixed-term or seasonal employment contracts by firms included in the approved list by the Minister of Social Security and Labour and the Minister of Economy and Innovation. The full wage compensation is modelled in two parts: as part of the wage compensation which is paid by the state and a part paid by a firm. These policies can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_It policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘*Simulating labour market transitions in EUROMOD*’ document.

2.25.3. Other measures not modelled in EUROMOD

Deferment and apportionment of tax payments (*mokesčių atidėjimas ir išdėstymas*): provisions have been adopted to facilitate the payment of personal income taxes (PIT) and state social insurance contributions (SIC), targeted at the companies, included in the list of companies directly affected by COVID-19¹³⁷. If the listed companies will have taxable income since 16th of March 2020 until the end of quarantine and 2 months after the quarantine, they will be automatically released from late payment of interest and its tax recovery will not be initiated.

At the end of the emergency, the listed companies will have 2 months to pay taxes and social insurance contributions or sign an interest-free tax loan agreement (*mokestinės paskolos sutartis neskaičiuojant palūkanų*). The taxes then must be paid on an agreed schedule (unless the taxpayer

¹³⁷ Based on State’s Tax Inspectorate (*Valstybinė mokesčių inspekcija*) information to businesses regarding COVID-19: https://www.vmi.lt/cms/teises-aktai-ir-komentarai169/-/asset_publisher/eNm8/content/information-to-businesses-regarding-covid-1?redirect=https%3A%2F%2Fwww.vmi.lt%2Fcms%2Fteises-aktai-ir-komentarai169%3Fp_p_id%3D101_INSTANCE_eNm8%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D2

requests a more intensive payment schedule) for both SIC and PIT payments. If companies have tax debts that arose before the quarantine was announced but they are currently unable to pay them, they should apply to the tax authorities for a TLA. Those who have already entered into such agreements may apply to change the schedule and terms of the tax loan agreement.

Vocational training support (*profesinis mokymas*): the State support intended to more generously promote vocational training for employees and the unemployed, with the aim of acquiring qualifications and competencies that create high added value. The latter support is funded by the Employment Service when unemployed persons seek to get a job or self-employment as well as employed persons who want to change their profession or work. The vocational training support finances vocational education, ensures a scholarship as well as cover accommodation and transportation costs.

Vocational scholarship for unemployed (*profesinio mokymosi stipendija bedarbiams*): during official state of emergency or quarantine period, when vocational schools are closed and unemployed persons attend vocational training, they remain to be entitled to receive a monthly scholarship of 235 EUR¹³⁸.

Lump-sum support for the establishment of one's workplace (*parama savo darbo vietos steigimui*): is a one-off state support of 18.8 thousand EUR for the establishment of a workplace in small enterprise, provided by *the Employment Service*. The support is targeted at unemployed persons with moderate and severe disabilities as well as the young unemployed between 29-45 years old. Such support (of 7 thousand EUR) will also be provided to self-employed persons who became unemployed and have mild disability or 44-55% working capacity as well as those who want to change their type of economic activity.

Support for the establishment of workplaces (*parama darbo vietų steigimui*): aimed to encourage the establishment of workplaces in regions with higher unemployment (mainly disabled, young and elderly, long term-unemployed), support for the establishment of workplaces is provided to companies or other organizations – that is local employment initiatives. No more than 18.8 thousand EUR may be allocated for the establishment of one workplace, part of which shall be used for the acquisition or adaptation of work equipment, and part for the repair and adaptation of premises necessary for the establishment of a workplace. It has been agreed that companies will not be required to provide a letter of guarantee when one workplace is established or when more workplaces are established during emergency and quarantine and for another 3 months thereafter.

Apprenticeship (*pameistrystė*): When employing an employee under an apprenticeship contract, it will allow the employer to hire employees, train and give practical and theoretical professional knowledge by receiving the reimbursement equal 70% of wage from *the Employment Services*, but not more than 1.5*MMS.

¹³⁸ Based on the following law: “Lietuvos Respublikos užimtumo įstatymo Nr. XII-2470 5-1, 13, 24, 35, 37, 38, 39, 41, 42, 44, 49 ir 50 straipsnių pakeitimo įstatymas”. No. XIII-2846. <https://www.e-tar.lt/portal/legalAct.html?documentId=6d4840607a5211eab005936df725feed>

3. DATA

3.1. General description

An overview of the established combinations of EUROMOD LT datasets and policy years is given in Table 3.1. Our focus is on the EUROMOD LT- data 2018. The descriptions of the EUROMOD LT-data could be found in the preceding EUROMOD Lithuania country reports.

Table 3.1. EUROMOD LT 2017-2020: data and policy years

	2017	2018	2019	2020
LT-data 2010	n/a	n/a	n/a	n/a
LT-data 2012	n/a	n/a	n/a	n/a
LT-data 2014	x	x	x	x
LT-data 2015	x	x	x	x
LT-data 2016	x	x	x	x
LT-data 2017	x	x	x	x
LT-data 2018	best	best	best	best

EUROMOD LT- data 2018 is mainly derived from the EU-SILC UDB (thereafter also referred to as UDB or EU-SILC data). In addition, the Lithuanian (or National) SILC survey (i.e., *Pajamų ir gyvenimo sąlygų tyrimas*) is used to include a few other variables and inform imputations. We describe both datasets, as well as EUROMOD LT-data 2018, in more detail.

The EU-SILC UDB survey has a 4-year rotational panel survey design. The data is collected using a face-to-face interviewing of all respondents aged 16 and over. In the Lithuanian part of the EU-SILC survey, additional information on income and taxes paid is obtained from a few administrative sources, such as the State Tax Inspectorate and the State Social Insurance Fund Board. The National SILC survey is the underlying micro-dataset on Lithuania for the EU-SILC. It contains additional information, which is otherwise excluded in the UDB version (e.g., on national benefits). This information is highly useful for enlarging the scope of EUROMOD Lithuanian policy simulations¹³⁹. As a result, EUROMOD LT-data 2018 is constructed using both the EU-SILC UDB and the National Lithuanian SILC information. Table 3.2 provides a short description of the latter database.

¹³⁹ The list of variables which are merged into the EUROMOD LT-data from the National SILC is provided in Table 3.4.

Table 3.2. EUROMOD LT database 2018 short description

	Description
EUROMOD database	LT_2018_a1
Original name	<i>EU-SILC – Community Statistics on Income and Living Conditions (Anonymised User Database UDB) + merged variables from “Pajamų ir gyvenimo sąlygų tyrimas”</i>
Provider	EUROSTAT (EU-SILC); Statistics Lithuania (<i>Pajamų ir gyvenimo sąlygų tyrimas</i>)
Year of collection	2018
Period of collection	May-June
Income reference period	2017
Sampling	Households are selected from the Residents’ Register using a random sampling method. The entire Lithuanian territory was divided into 7 non-overlapping groups – strata. From every stratum, a one-stage simple random sample is selected. The 5 largest cities of Lithuania, towns and rural areas are divided into separate strata. Sample size of households in every stratum is proportional to the number of population aged 16 and over in them
Unit of assessment	Household and individual
Coverage	Private households. Persons living in the institutional households (e.g. in care or imprisonment institutions, etc.) are excluded
Sample size	11 145 individuals, 4 905 households
Response rate	Household response rate is 73.46% (4 905 out of selected 6 677)

Source: Statistics Lithuania (2019): <https://osp.stat.gov.lt/lietuvos-gyventoju-pajamos-ir-gyvenimo-salygos/lietuvos-gyventoju-pajamos-ir-gyvenimo-salygos-2019/izanga>

3.2. Sample quality and design

The target population of the SILC data is private households (Statistics Lithuania, 2019). Persons living in the institutional households are excluded. Households are selected from the *Residents’ Register* using a stratified sampling design with a simple random sample in strata. For this, the entire Lithuanian territory is divided into 7 non-overlapping groups – strata (the 5 biggest cities of Lithuania Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys; other towns; rural areas). The sample size of households in every stratum is proportional to the number of population aged 16 and over in them.

3.3. Non-response and item non-response

Based on Statistics Lithuania (2019) household response rate is 73.46 %. For the 2018 survey, 6677 households were selected, of which 4905 participated in the survey. No information is available on response rates by area. Highest item non-response rates were on interest, dividends, profit from capital investments in incorporated businesses and regular inter-household cash transfers received. Item non-response was lower for family/children related allowances, for social exclusion payments, cash or near-cash employee income, unemployment benefits, old age benefits, survivor benefits, disability benefits.

3.4. Weights

The EU-SILC UDB dataset uses a few types of cross-sectional survey weights, such as:

- the household cross-sectional weight (variable db090) – the weight calibrated with the target population of private households and corrected for household non-response.
- the personal cross-sectional weight for all household members of all ages (variable rb050) is used to draw inference on individual basic demographic variables for the population of all individuals living in private households. Because all the current members of any selected

household are surveyed, the personal weights rb050 are equal to the corresponding household cross-sectional weight db090.

- the personal cross-sectional weights for all household members aged 16 and over (target variable pb040) is used to draw inference on the variables included in the personal questionnaire. These weights are corrected for individual non-response.

Table 3.3. Descriptive statistics of the grossing-up weight rb050 (dwt)

	EU-SILC UDB Lithuanian data
Number	11145+
Mean	251.8457
Maximum	2444.12+
Minimum	4.8+
Max/Min	510

Lithuanian EU-SILC sample statistics has been projected to a reference population of **2.806.820** individuals in 1.286.979 households. The used weights are calibrated on the demographic data at the beginning of the survey year. In addition to the major age groups (around 17 sub-groups) and gender, the survey is calibrated by the residence area: the major 5 cities, other towns, and rural areas.

3.5. Data adjustment

Adjustments to variables are kept to a minimum. Some minor data cleaning is done to ensure that the relationships of individuals within households are coherent. As we focus on the income reference year (2017), children who are born in the year of the survey (until the survey time, which is May-June in Lithuania) are dropped from the final micro dataset - 6 observations.

3.6. Imputations and assumptions

3.7. Time period

The EU-SILC information on demographic variables mainly refers to the time of data collection (May-June, 2018). Some included demographic information (e.g. age variables) also reflects the status quo at the end of the income reference period (2017). Similar situation is observed for socio-economic and labour variables. For example, variable rb210 (i.e. basic activity status) refers to the data collection time, while variable pl073 indicates a number of months in full time work during the income reference period (the calendar year of 2017). For the construction of EUROMOD LT data, the demographic, labour, and socio-economic information is based – when possible - on the EU-SILC variables referring to the income reference period.

The EU-SILC UDB 2018 information on incomes refers to the calendar year of 2017. Some additional information on the number of income payments per year and monthly amounts has been obtained and imputed from the National SILC information. This has been done for selected income sources only. All monetary incomes in the EUROMOD database are converted into monthly terms, based on a 12-month receipt period. In the EUROMOD calculations, it is implicitly assumed that income is received at the same rate throughout the year.

The EU-SILC does not contain information on how many times per year a certain type of income is actually received. National SILC, on the other hand, collects this information for some income variables. This information is (partially) used to construct EUROMOD variables on how many

times a particular income type was paid over the year (e.g., bunmy – number of months per year receiving an unemployment benefit). In cases, where the National SILC does not carry the relevant information on the frequency of income receipts, other types of imputations/assumptions have been applied. For example, if the concerned income variable is reported as an aggregate income type (e.g. old-age pensions), a corresponding EUROMOD variable on the “months of benefit receipt” is constructed by summing the number of different pensions’ receipts – to the extent that this information is available in National SILC. The maximum number of months is set to 12. Also, if the information on a number of months of receiving one or another benefit is missing in National SILC, the relevant EUROMOD variable is constructed based on the indication on how many months a person has spent in a certain socio-economic activity type (i.e. the EU-SILC UDB variables pl*).

3.8. Gross incomes

The EU-SILC UDB survey contains information on both gross and net monetary incomes, if applicable. The survey also contains flag variables, which indicate if the observation has been collected either in gross or net form, imputation method and imputation factor (collected/recorded).

3.9. Merged and imputed variables

Table 3.4 provides information on the variables that have been merged from the National SILC into the EUROMOD LT-data 2018. No other major modifications have been done for these variables.

Table 3.4. EUROMOD LT database: variables merged from the National SILC

<i>LT-data 2018 variables</i>	Description
lbl	Business certificate activity
lseor	Owners of individual enterprise
lsepf	People engaged in individual activities (i.e. type of self-employment)
bchor	Guardianship benefit
bsa00	Social assistance benefit
bma	Maternity and maternity (paternity) benefits
kfbmy	Fringe benefits – a number of months received
amrar	Useful floor space (m2) of the main residence
aldar	Area of own or rented land (hectares)
aldagar	Area of own or rented agricultural use land (hectares)
ltr	Change of job since last year

A number of EUROMOD LT-2018 variables are constructed using (merged) information both from the National SILC and EU-SILC UDB surveys, plus – when needed – a number of other imputations. The main reason for such a construction of the variables is related to incomplete or missing information in both surveys. The concerned variables are:

- Severance pay (yunsv variable);
- Early retirement old-age pension (byr variable);
- Unemployment insurance benefit (bunct variable);
- Employment earnings – a number of months received (yemmy variable);
- Unemployment benefits – a number of months received (bunmy variable);
- Disability pensions – a number of months received (bdimy variable);
- Work history – a length of time in months (liwwh variable);

- Disability benefits - imputed for kids based on parents status (ddi variable).

Information from the National SILC is also used in some other EUROMOD LT-2018 variables construction cases. For example, *les* variable on the economic status is mainly derived from the EU-SILC UDB reported income variables. However, information from the National SILC is used to form one of the *les* variable categories – a farmer status. The latter information is not available in the EU-SILC UDB survey. The National SILC, on the other hand, reports on the “income received from the agricultural activity”. This information - in comparison to the relative importance of the other income sources - is used to make an assumption on being engaged in the farmer economic activities. EUROMOD *lfs* variable on the firm size also utilises information from the National SILC to make a better-informed assumptions. Here, we utilise the National SILC information on whether a self-employed person is working alone or has also some employees.

Information from the National SILC is also used in the disaggregation of the disability (*bdi*) and old age (*boa*) variables. The National SILC is used for the disaggregation of old-age (*boact*), state benefit (*boanc*), pensions for officials and soldiers (*boaml*), state pension for victims (*boawr*), social assistance (social) pension and compensation (*boamt*) and other pensions (*boaot*). The national SILC is also used for the disaggregation of disability pensions, such as: lost work capacity (*invalidity*) pension (*bdict*), compensation for disabled (*bdixp*) and other benefits for disabled (*bdior*).

Some EUROMOD LT-2018 are constructed based on the external macro statistics and selected EU-SILC information. For example, a variable *afc* on the financial capital assets is constructed in relation to the EU-SILC variable on investment income and in relation to the external information of the arithmetic average between the central bank base interest rate (EURIBOR rate) and a harmonised indice of consumer prices provided by Eurostat (HICP). A variable *amrmv* on the market value of the main residence is constructed in relation to the EU-SILC variable on the imputed rent value for owner-occupiers and the gross rental multiplier (GRM) value. The latter value is selected based on empirical data review and expert opinions. A number of other housing characteristics, as reported in the EU-SILC, are also taken into account to differentiate the final market value.

3.10. Updating

To account for time inconsistencies between the input dataset and the policy year, updating factors are used. Each monetary variable (i.e., each income component) is updated so as to account for changes in the non-simulated variables that have taken place between the year of the data and the year of the simulated tax-benefit system. Updating factors are generally based on changes in the average value of an income component between the year of the data and the policy year. For detailed information about the construction of each updating factor as well as the sources that have been used, see Annex 3.

As a rule, updating factors are provided both for simulated and non-simulated income components present in the input dataset. Note however that in the case of simulated variables, the actual simulated amounts are used in the baseline rather than the updated original variables in the dataset. Updating factors for simulated variables are provided so as to facilitate the use of the model in cases when the user wishes to turn off the simulation of a particular variable. The list of updating factors as well as the sources used to derive them can be found in Annex 1.

No other updating adjustments are employed; therefore, the distribution of receipts of non-simulated incomes remains constant throughout the period, while the level of amounts received changes in line with the updating factors. The variables included in EUROMOD on household

and personal characteristics, such as housing type, employment status or demographic attributes, are constant in relation to the basis year (in the baseline scenario).

Since 2017 – no cuts or compensations apply. We roll back any cuts/or compensations for pensions present in the data.

Since 2020, the list of uprating factors was supplemented with average gross earnings by 12 sectors of economic activity. It allows to improve the scope of simulations by uprating the income of each sector. For more information see Annex 1.

4. VALIDATION

4.1. Aggregate Validation

EUROMOD results are validated against external statistics. Detailed comparisons of the number of people receiving a given income component and total annual spending and revenues are shown in Annex I. Both market incomes and non-simulated taxes and benefits in the input dataset as well as simulated taxes and benefits are validated against external official data. The main discrepancies between EUROMOD results and external benchmarks are discussed in the following subsections. Factors that may explain the observed differences are also discussed.

4.2. Components of disposable income

Before commenting on how different income components in EUROMOD compare against their external aggregates, this subsection outlines the differences in the definition of disposable income in EUROMOD and EU-SILC 2018. The major components of disposable income are the same in both sources: original incomes (+); benefits (+), taxes (-), employee social insurance contributions (-); and self-employed social insurance contributions (-). However, at the level of individual components there are two differences as can be seen from Table 4.1:

- EU-SILC includes (imputed) annual value of (using) a company car, while EUROMOD definition of disposable income excludes this type of income;
- Pension from individual private plans is included in the disposable income concept in EUROMOD, while it is excluded in EU-SILC.

Apart from differences in the definition, the size of disposable income in EU-SILC and EUROMOD can differ for a given household as simulated income components in EUROMOD can differ for a number of reasons from their observed counterparts in EU-SILC dataset.

Table 4.1. Components of disposable income

	EUROMOD	EU-SILC	Notes
	ils_dispy	hy020	
Employee cash or near cash income	yem	py010g	yem is derived from py010g
Company car	-	py021g	
Cash benefits or losses from self-employment	Yse	py050g	yse is derived from py050g
Pension from individual private plans	ypp	-	ypp is derived from py080g
Investment income	Yiy	hy090g	yyi is derived from hy090g
Income from rental of a property or land	Yprrt	hy040g	yprrt is derived from hy040g
Income received by people aged under 16	Yot	hy110g	yot is derived from hy110g
Regular inter-household cash transfer received	ypt	hy080g	ypt is derived from hy080g
Regular inter-household cash transfer paid (-)	Xmp	hy130g	xmp is derived from hy130g
Old-age benefits	boa	py100g	boa is derived from py100g
Survivor' benefits	Bsu	py110g	bsu is derived from py110g

Disability benefits	bdi	py130g	bdi is derived from py130g 3 comp. in EUROMOD: byr (early retirement), yunsv (severance pay) & bunct_s (unempl. ben.); byr & yunsv are derived using EU-SILC (py090), Nat. SILC & external admin. info; bunct_s is EUROMOD simulated. Long-term work payment (bunct01_s) is not yet part of 2016 SILC data.
Unemployment benefits	yunsv, byr, bunct_s	py090g	
Housing allowances	Bho	hy070g	bho is derived from hy070g all “_s” variables are EUROMOD simulated benefits; bchor is merged from Nat. SILC Universal child benefit (bchm_s) not yet recorded in 2016 SILC.
Family/children related benefits	bchor , bch00_s, bchba_s, bplct_s bmaprnc_s, bmaprct_s, bmact_s bmaed_s bchmp_s	hy050g	
Education related allowances	bed	py140g	bed is derived from py140g
Sickness benefits	bhl	py120g	bhl is derived from py120g
Social exclusion not elsewhere classified	bsa00_s, bsals	hy060g	bsa00_s is EUROMOD simulated benefit; bsals is derived using EU-SILC (hy060g), Nat. SILC & external admin. Info
Tax on income and social contributions (-)	tin_s, ils_sicee, ils_sicse	hy140g	EUROMOD data includes 3 simulated components; tin_s refers to final tax liability (for 2007 incomes). hy140g also refers to final tax liability; among other components it includes any tax reimbursement received in 2007 (also for income received in previous years); tpr is derived from hy120g
Regular taxes on wealth (-)	tpr	hy120g	

4.3. Validation of incomes inputted into the simulation

Note: Please see Annex I for tables.

Table 4.2 shows that the number of employed in EUROMOD data for 2017-2018 is well aligned with external statistics (with a ratio respectively of 0.94 between 0.95 the values). It is slightly worse for 2019, i.e., 0.93. The number of unemployed is overestimated in 2017 (with a ratio of 1.35 compared to external statistics). The number of unemployed people decreased between 2017-2018 and slightly increased in 2019 in Lithuania. This causes overestimation of the number of the unemployed in EUROMOD, in both 2018 and 2019 (the ratios are 1.55 and 1.51) because the input dataset does not capture fully the positive impact of growing economy on the Lithuanian labour market over the past years. As no adjustments are made to the employment situation in the baseline EUROMOD data, the number of employed and unemployed people remain stable throughout 2017-2019.

We further discuss the results for non-simulated income sources (market income, non-simulated benefits and taxes). It should be noted that weights for the Lithuanian EU-SILC are calibrated only towards demographical variables¹⁴⁰. No calibration is done towards the external income aggregates. Hence, the discrepancies between the aggregate amounts and reciprocity of the major sources of income in the survey compared to those shown by external statistics might occur. The data on minor income sources, such as some small-scale benefits, collected in the survey might not be representative. The standard updating procedure applied in EUROMOD would not correct for this, but instead should move the estimates in the parallel way relative to the dynamics shown by external sources. We thus focus on validating the base year (i.e. 2017) and checking the dynamics of income in the following years.

There are numerous gaps in external statistics on the number of recipients of market income and aggregate amounts.

Table 4.3 shows that the number of people receiving employment income is overestimated by around 14-17 percent in 2017-2019 in EUROMOD compared to the LFS figures. This may be partially explained by the fact that EU-SILC based data would pick up income received for short periods of time and sum the recipients across the year, while in LFS the average annual number of those receiving employment or self-employment income is given. As in the period of 2017-2019 the situation in the labour market and the economy has improved, the ratio between EUROMOD and LFS has changed slightly over the years. Another important reason for overestimation of the receipt of this (and other) important income sources is the fact that the weights in EU-SILC are calibrated only towards demographic variables.

At the same time the number of recipients of self-employment income is highly overestimated in EUROMOD in 2017 (ratio is 1.68 – i.e. similar to both 2018 and 2019 data). Supposedly, people tend not to report the fact that they are engaged in self-employed activities to the authorities. Other factors for overestimation of the number of self-employed are similar to those for employment income recipients.

The total amounts of gross employment income in EUROMOD are underestimated compared to external statistics (see Table 4.4). We, however, are using information on aggregate wages and salaries from the national accounts that is not strictly comparable with the survey estimates available in EU-SILC. The total amount of employment income is underestimated in EUROMOD by around 15-16% in 2017-2019. The values of average employment income are similarly underestimated in EUROMOD by around 13% between 2017-2019. The respective statistics for other types of market income are not available.

The EUROMOD predicts a rapid increase in the amount of employment income in 2019, by around 39 % compared with 2018. This increase is expected with regard to the most recent tax reform that has increased all employment incomes by factor of 1.289. Additionally, an increase is also expected to be influenced by annual growth in earnings and lowered tax burden. It should be noted, that while EUROMOD captures the average and aggregate growth in employment income during the period relatively well, updating by average growth in employment income (although updated by sector) hides potentially progressive growth in income. The latter is due to ad-hoc increases of the minimum wage from around 350 EUR in 2016 to 555 EUR in 2019 and 607 EUR in 2020. The latter figure, however, also includes an effect of recalculation of gross wages by applying a factor of 1.289 as of 2019.

¹⁴⁰ See EU-SILC quality reports available at:

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/quality/national_quality_reports

External statistics for 2020 are not yet available. However, we see slight decrease of employment income in 2020 due to predicted negative impact of Covid-19 pandemic. EUROMOD uprating factors of employment income by economic sectors were uprated based on the U shape prognosis of Bank of Lithuania¹⁴¹ (-2.6%) for 2020. The latter decrease was applied to all employment-related income, resulting in reduction of income by 2.7% in the model results. It should be noted that these results are without additional recalculations of earnings due to the modelling of the wage subsidies during and after the Covid-19 related quarantine. The latter can be switched on and is validated in the section below.

Table 4.5 shows the number of recipients of pensions and other not simulated benefits. The number of recipients of old-age and disability benefits in EUROMOD is computed by summing up non-overlapping types of benefits before and after retirement age (and as such the numbers may not be completely comparable). Indeed, the data show that the number of recipients of old-age benefits is underestimated just by 2% in EUROMOD in 2017-2018. When it comes to the number of recipients of disability pensions there is a slight overestimation, with the ratio of 1.07-1.08 in 2017-2019. Survivor's pension incidence is overestimated by 6-9%. As for the number of early retirement old-age pension recipients, fewer cases are recorded in EUROMOD while the external statistics report the numbers that are around 26% higher in the baseline year of 2017 and converge with the EUROMOD number by 2019 with a ratio of 0.89. Discrepancies between the number of pension recipients in EUROMOD and in the external statistics may also be due to the benefit aggregation-related issues in the UDB-SILC and under-representation of the different groups of pensioners in the survey.

The number of recipients of non-simulated guardianship benefit and compensation for utilities are underestimated in EUROMOD, which is especially true for the latter. The ratios for guardianship benefits are at 0.95, but increased in 2018-2019, resulting in ratios of 1.02-1.10. The ratios are very low (around 35-39%) for the recipients of compensation for utilities. These discrepancies can be the result of the small sample size and data weighting issues in the survey. Sickness social insurance benefits are widespread, yet there are no suitable administrative data on the number of recipients, apart from the number of cases of illness. If we use this information, the number of recipients in EUROMOD appears to be underestimated by half. This is expected as one person may be ill for more than one time within a year.

Aggregate amounts of non-simulated taxes and benefits are provided in the Table 4.6 Old-age benefits are underestimated just by a 7% in 2017 and 6% in 2018. This is in part due to a slightly underestimated number of old-age benefit recipients.

The aggregate amount of disability benefits before the retirement age is under-estimated by 9% in EUROMOD in 2017-2018 which is in line with the lower number of the recipients we observe. The aggregate variable for survival benefits consists of a few major components: survivor and orphan pensions (before retirement age), funeral benefit and grant in case of death of an insured person. This benefit is under-reported in the EU-SILC based EUROMOD data by 29-31%. Finally, only around 61% of early retirement old-age pensions is reflected in the data for 2017, which is similar to the ratio of recipients of these pensions reported in Table 4.5. Both the ratio of the number of recipients and the total amounts improves for 2018 and 2019.

As far as other not simulated benefits are concerned, the ratio of aggregate amounts of the guardianship benefits with external statistics are overestimated by 74-102% in 2017-2019. Nevertheless, this benefit constitutes only a minor part of disposable income. Sickness benefits are relatively well reflected in the baseline with the ratio of 1.07 to external statistics, which gets slightly better in 2018 and again slightly worse in 2019 with the ratio of 1.08 as the incidence

¹⁴¹ See for more information:

https://www.lb.lt/uploads/documents/files/Bank%C5%B3%20veiklos%20ap%C5%BEvalga_EN.pdf

increases. For education allowances, which are allocated on a local level, there are no proper statistics on the number of recipients and total spending.

According to administrative statistics, expenditure on compensations for utilities has been on the decrease up to 2018 and increased in 2019. The expenditure on compensations is highly underestimated in EUROMOD data (ratios are about 0.30-0.40). However, this is in line with the underestimation of recipients of this benefit and similar to the previous datasets. Finally, the opposite is true for municipal and NGO support which appears to be over-estimated in EUROMOD, although precise administrative statistics are not available both what concerns aggregate amounts and the number of recipients.

As far as non-simulated taxes are concerned, the external number of property tax payers is not available and the validation can only be carried out for the total tax revenues. The total property tax revenue is strongly underestimated in EUROMOD data, which might both be due to the sampling and reporting errors in SILC.

4.4. Validation of outputted (simulated) incomes

Note: Please see Annex II for tables.

Table 4.7 shows EUROMOD and external data on the number of simulated benefit recipients and tax/contribution payers. The number of families with children eligible for additional child benefits is overestimated in EUROMOD (ratio of 1.07-1.21 in 2017-2019). This discrepancy might be due to several reasons. One of them can be attributed to the fact that there are more families with children in the survey. The second reason could be the assumption of 100% benefit take-up in EUROMOD. In addition, it can be because of our simulation of the means-test. As the economic situation improved over the years, less people were eligible for receipt of the mean-tested additional child benefit, which is also captured in EUROMOD, but to a limited extent. Moreover, it should be noted that eligibility for the child benefits in Lithuania is based on income threshold and the number of children in the family. Hence, we simulate an increase of those eligible for child benefits between 2017-2020. The same is true in the administrative records, but to a smaller extent. In 2018 there were changes to eligibility criteria making them more generous, which is reflected in an anticipated increase in the number of recipients. We capture the increase between 2017-2018, albeit to a larger extent. There is no external statistics to validate the change between 2019-2020. We predict the number of recipients to increase rapidly between 2019 and 2020. This is likely due to the fact that families with disabled children are now also eligible to receive the additional child benefit as well as the increase in the state supported income, resulting in a higher number of eligible families.

The EUROMOD overestimated number of families receiving the universal child benefit by 9% in 2018 and by 6% in 2019. This can be reasoned with the fact that EUROMOD estimated full benefit take up, while in reality not all families applied to get the universal child benefit. The sample of families with children may also be somewhat biased.

The number of recipients of a birth grant is underestimated, with ratio between 0.87-0.97 in 2017-2019. As the receipt of birth grant is only dependant on the fact of the childbirth, the accuracy of the results strongly depends on the representativeness of the survey sample and different reference periods for demographic and income variables. Same is true for the pregnancy grant, albeit there is higher discrepancy in the number of recipients of the pregnancy grant (non-contributory maternity benefit), which is quite uncommon in Lithuania and even more so in the data. Hence the discrepancy is due to a small sample size. More widely spread contributory benefits are slightly better captured, i.e. ratios of the childcare benefit are 1.10-1.24. The coverage of the maternity benefit is underestimated with the ratio between 0.75-0.83. The coverage of the paternity benefit, received by a father during one month after the birth of a child, is under-

estimated by 23-26 % between the period of 2017-2019. It shows that contributory benefits, such as the childcare benefit and maternity benefit are better captured.

The number of social assistance benefit recipients is underestimated in EUROMOD compared to administrative data, with a ratio of around 0.69 in 2017, and just around 0.97 in 2018 and 0.96 in 2019 as the number of benefit recipients in administrative data goes up. As it was already mentioned, there are no corrections made in our simulation for the improving labour market conditions during the analysed period. However, we capture a rapid increase in the number of social assistance recipients between 2017-2018 followed by an increase in recipiency due to the increase of the state supported income to 122 EUR in 2018 and the introduction of income disregard for different household types, where part of employment income is disregarded from the income test. It is assumed that those policies modelled in the EUROMOD increased the numbers of benefit recipients. In 2020, the number of the recipients increased by more than 60% as compared to 2019. The increase is related to the changes introduced as the response to the Covid-19 pandemic. The eligibility requirements for the social assistance benefit were temporary eased and the income disregard was created by 5 p.p., resulting in the substantially augmented number of eligible households.

The number of recipients of the unemployment social insurance benefit is similarly underestimated in the baseline (0.66 in 2017). For 2018 and 2019, we see a slight increase in the number of recipients of the unemployment benefit in EUROMOD. The latter can be expected as rules for unemployment benefit payments were changed in the middle of 2017, making their duration longer and eligibility less strict. Hence a predicted increase in unemployment social insurance benefit incidence is in line with the latest reform of unemployment social insurance benefits in later years as well. Albeit, as reform went into force since July 2017, we only capture an increase in the number of recipients since 2018 with a ratio of 0.62 and 0.64 in 2019 compared with external statistics. Half-year adjustment may be optionally switched on in the model.

We also have the estimated numbers of recipients for the students' childcare benefit and the multiple childcare benefit which were introduced in 2017. The number of the student's childcare benefit receivers is overestimated compared to external statistics with a ratio of around 1.95-2.32 between 2017-2019. As the number of the recipients of this benefit is very low the precision of the simulation is subject to a small sample size. The benefit for multiple birth families is highly underestimated in both years of 2017-2019 (with a ratio of 0.02 respectively). Such small number of eligible recipients in EUROMOD statistics can be reasoned with the limited EU-SILC database sample, which does not represent less common household types.

In the 2020 baseline, there is a number of new benefits which were introduced as the response to the Covid-19 pandemic. These benefits include the temporary jobseeker's benefit, the lump sum pension bonus and the lump-sum benefit for children. The validation of those benefits with the preliminary administrative statistics is provided in Table 4.12.

The number of taxpayers of the personal income tax is underestimated compared to external administrative statistics in the baseline of 2017 (ratio at 0.85) and slightly less between 2018-2019 respectively by 14 and 8%. The underestimation could be related to the number of employed and self-employed recorded in EUROMOD data. However, the number of payers of social insurance contributions is over-simulated by 5% for the same year and varied between to 4-9 % in 2018-2019. The latter is consistent with overestimation of the number of recipients of employment income in EUROMOD. The gap between the numbers of taxpayers recorded in external statistics and simulated in EUROMOD also points at the fact that the problem might be related to the high number of observations with short employment spells in EU-SILC (whose taxable income is lower than the tax allowance).

For years after the baseline year of 2017, increasing number of taxpayers simulated by the model and stable number of the employed in 2018 reflects increase in the number of employees liable to pay personal income tax was registered as additional child tax allowance was abandoned in 2018. As for 2019, a further increase is simulated due to increased number of employed.

There are no proper administrative data on the number of self-employed persons who do not have business certificates, thus the number will be validated against statistics on aggregated amounts only. Same is true for the credited contributions. Employer social insurance contributions can be assumed to be simulated with the same precision as employee contributions.

The validation of aggregate amounts of the simulated benefits is shown in Table 4.8. It should be noted that spending on the additional child benefits is over-simulated in EUROMOD for 2017-2018 with a ratio of 1.03-1.18. This may be due to the non-take-up, which is not accounted for in the model. As the benefit is means-tested, the non-take-up is likely. Both EUROMOD and external statistics show that aggregate amounts for that benefit have increased between 2017 and 2018, but the increase is higher in external statistics. However, EUROMOD show that the aggregate amount further increased in 2019 while a decrease is recorded in external statistics. This results in an overestimation of aggregate amounts by around 33 % in 2019. These tendencies could be explained by the limited statistical representation of families with dependent children receiving benefits and full benefit-take up rates in EUROMOD, while in reality the income of particular families increased due to better economic situation in 2019, therefore they didn't meet the eligibility criteria. In 2020 the aggregate amount for the additional child benefits more than triples. This can happen due to the following policy changes: the increased amount of the state support income (125 EUR), and the inclusion of families raising disabled children. On top, the substantial increase also stems from the additional lump-sum payment of EUR80 to eligible children due to the Covid-19 pandemic. Although this cannot be taken into account in the baseline, it is likely that even more families became eligible to receive the additional child benefit due to the negative impact of the Covid-19 pandemic on employment incomes.

The aggregate amounts of the universal child benefit show an overestimation of 28% in EUROMOD for 2018 compared to external statistics. Despite that, the overestimation decreased in 2019, resulting in ratio of 1.14. This could be reasoned with the fact that EUROMOD calculated the amounts for all families with dependent children. In real life, not all parents who raise dependent children, fill the applications in order to receive universal child benefits, therefore the overestimation is recorded in 2018. Furthermore, as the model captures families with children, the aggregate amounts may also differ due to the fact that larger families may not fill the documents and thus the overestimation in the amounts is three times as high as the overestimation in number of benefit recipients in 2018. The situation in 2019 shows a better match between EUROMOD and external statistics and a better match between the aggregate amounts and recipients, representing the higher application for the benefit in the external statistics. In 2020, the aggregate amounts for the universal benefits have further increased first, because of the increased benefit amount and second, due to the additional lump-sum payment of EUR 120 that was paid in relation to the Covid-19 pandemic.

Aggregate amounts for the birth grant are underestimated with the ratio of 0.87-0.97 in EUROMOD, as well as the number of recipients in the period of 2017-2019. Non-contributory maternity grants are over-simulated by 2-2.5 times. This is likely due to a very small number of mothers who can apply for the benefit. Additionally, the reliable external statistics regarding non-contributory maternity grants. However, the share of this benefit in total spending on non-contributory benefits is small.

The precision of the simulation of the contributory benefits varies from benefit to benefit. The closest match with external data is achieved for maternity benefit (83-87% in 2017-2019).

Meanwhile aggregate amounts of the childcare benefit for the period of the childcare leave are under-simulated by around 15-21 %, with a similar match in the number of recipients. Hence, we simulate the lower average amounts of the childcare leave benefit, which should be due to optimization of the benefits by a household as both the duration/replacement rate and the recipient (mother or father) are optional. Paternity benefits are highly over-estimated in EUROMOD. This discrepancy is due to the higher number of the new-born children in EUROMOD (see numbers of paternity benefit recipients in Table 4.7).

The total aggregate amount for the social assistance benefit in EUROMOD is over-estimated in 2017 (by around 16%). Albeit we simulate a rapid increase in receipt of the social assistance benefits for the period of 2018-2019, the trend is similar with the external statistics however less steep than in EUROMOD. Finally, we modelled a significant increase of the social assistance amount between 2017-2018. This was expected, as the amount of the state supported income was raised along with income disregards, introduced since 2018. As for 2019, both EUROMOD and external statistics show a decrease in annual amounts. Resulting in even higher over-estimation in the most recent validation years of 2019 (i.e. by 55% in 2019). The period was characterised by an improvement in socio-economic situation. We observe a stable decrease of the expenditure on the social assistance benefits in EUROMOD and external statistics, as these amounts decreased in 2019 due to improvement in the labour market situation and rapid growth in earnings, including the minimum wage. These effects cannot be captured in our simulations. As mentioned, in theory the rules for the eligibility conditions for this benefit remain the same (and they are simulated in EUROMOD), however municipalities have gained more discretionary power which they can use to initiate extra checks for the compliance with the programme rules and to suspend payments if they suspect a misuse of the social assistance benefits or an inflow of undeclared income in the family. These saved money remains at the disposal of the municipality. Also, it is quite difficult to simulate the assets' means test using UDB SILC which might also be the reason for the underestimation. Finally, we do not observe the improved labour market situation in EUROMOD as no adjustments are made. In 2020, the aggregate amount more than doubles compared to 2019. As mentioned before, there were important changes implemented due to the response to the Covid-19 crisis, such as loosened eligibility conditions, increased income disregard for the means-test and more generous equivalence scales used for the calculation of the social assistance benefit amount that altogether resulted in the increased aggregate amounts. We do not yet have external statistics to validate results for 2020. However, it is expected that the expenditure on social assistance benefits should increase not only due to the changes listed above, but also due to the decreased earnings because of the Covid-19 pandemic.

Aggregate amounts of contributory unemployment social insurance benefits are simulated well in EUROMOD with ratio of 1.01 in 2017, and under-estimated with a ratio of 0.84 in 2018. We simulate a rapid increase in 2018 and 2019. External statistics also show increasing amounts for 2018 and 2019 due to the increased generosity of benefits and changes in the numbers of the unemployed (see Table 4.2). A reform enacted since July 2017 made the benefit more generous, therefore a rapid increase in the amounts in EUROMOD is seen since 2018. Nevertheless we under-estimate the effect of the reform and the changes in the labour market situation with a ratio of 0.78 in 2019.

The validation of the aggregate amounts for the benefits introduced in 2020 due to the Covid-19 pandemic (temporary jobseeker's benefit the lump-sum pension bonus and the lump-sum benefit for children) are provided in Table 4.12.

Aggregate amounts of direct taxes and social contributions simulated by EUROMOD are close to external data. Income tax is matched at a ratio of 1.05 in 2017, 1.01 in 2018 and 0.98 in 2019. For 2019 we simulate substantive changes in tax receipt (82% increase) as well as a big reduction in employer contributions and an increase in employee contributions. This was due to a tax reform

described in the first and second sections of this report. In general, we see a decrease of the social insurance contributions paid together by the employee and employer (1.4 bln. EUR) and a similar increase in the PIT receipt (which is now applied at a higher rate of 20% and 27% instead of 15% and on a higher tax base, as all earnings were increased by a factor of 1.289, plus an annual growth in earnings by about 10%). Hence the total receipt of SIC and PIT remains more or less unchanged. As for 2020, we expect a slight decrease in the amounts of income tax and an increase in tax allowances. The latter tendencies are reasoned with a negative impact on employment income due to the Covid-19 pandemic, resulting in a reduction of income and accordingly in the tax revenues. Secondly, EUROMOD modelled the increase in the PIT allowance by 50 EUR as well as the increased withdraw rate since July 1st, 2020. The change was modelled by applying the averaged coefficients, resulting in the increased simulated amounts of tax allowances in 2020.

Finally, no data are available on the credited contributions and social contributions of the self-employed. Based on the previous years of simulations we can assume the latter to be highly overestimated. This may be expected as people might be reluctant to report to the tax authorities that they are self-employed. Given the high tax avoidance level in Lithuania and that the self-employed are concentrated in the bottom income decile, we can tentatively conclude that the problem is related to the high level of under-reporting of self-employment income to the tax authorities, while EUROMOD simulates the statutory tax incidence based on the assumption of full tax compliance. This issue, however, calls for further in-depth investigation.

4.5. Income distribution

All income distribution results presented here are computed for individuals according to their household disposable income (HDI) equalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence scale are: first adult=1; additional person aged 14 and over = 0.5; additional person under 14 = 0.3.

4.6. Income inequality

Note: Please see Annex I for tables.

This section estimates how well EUROMOD tracks the changes in income distribution and poverty for 2017-2020 compared to Eurostat where possible (at the time of writing Eurostat figures referring to 2017 and 2018 income were available). Table 4.9 shows that in 2017-2018 the income shares by decile predicted by EUROMOD are close to those reported by Eurostat. One exception is the bottom income decile, for which incomes are over-estimated by around 9-11% in EUROMOD. This may be due to several issues, including the assumptions of full benefit take-up and full tax compliance, limitations of simulated means-testing rules, etc. The assumption of full tax compliance may also play a role here.

All this leads to the quintile ratio being underestimated in EUROMOD for the baseline of 2017 and 2018 (ratios 0.94 and 0.95). For the Gini coefficients we find a very close match for (ratios of 0.97 and 0.99). Comparison of both mean and median incomes in the EUROMOD and external statistics also show a close fit for 2017 and 2018 (0.96-0.98). EUROMOD simulations imply further growth in mean and median incomes and declining inequality. The important decline in inequality modelled for 2020 (the Gini from 34.13 to 31.7 and the quintile share ratio goes down from 5.83 to 4.97) is likely due to the political effort and reforms such as increase of the universal and the additional child benefit amounts, further increase in the general tax allowance, the increase of the level of the state supported income, pension bonuses, etc. On top, specific Covid-19 related policy measures such as the lump-sum benefits to children, pensioners, temporary jobseeker's

benefit have also contributed to the observed drop in the inequality of equivalised disposable income. On the other hand, the reduction in inequality levels that we will probably observe from the administrative statistics will also come from the decreased employment income due to the Covid-19 pandemic, resulting in less unequal distribution of income.

4.7. Poverty rates

Note: Please see Annex I for tables.

Table 4.10 shows that the at-risk of poverty rates in the baseline years of 2017-2018 are well in line with those reported by EUROSTAT for year 2018 and 2019 (i.e., 2017 and 2018 incomes). The worst fit between EU-SILC and EUROMOD for the 40% median equivalized income poverty threshold (ratios of 0.95 and 0.93) is due to over-estimation of disposable income for the first income decile shown in Table 4.9. In general, the best match is achieved for the 50% and 60% median equivalized income (ratio of 0.96).

Decomposition of the at-risk of poverty level by age (using a 60% of median household disposable income poverty line) for 2017 shows a slightly higher degree of underestimation among either younger (16-24, 25-49 years old), or older groups of 65+ (ratio of 0.93 for all three age groups for 2017). These trends might be due to the fact that families with children and pensioners have full benefit take-up in the model. Another argument could be the demographic representation in the model. EUROMOD captures poverty risk levels relatively well for children (0-15 years old) and older working age groups (50-74 years old) with the ratio of 0.96 and 1.03 respectively.

The comparison with the external statistics for 2018 shows the increasing deviation of the at-risk-of poverty rates for all groups except 16-24 years. For children and working age population the EUROMOD underestimated the poverty rates by 11-14% (around 2.2-2.3 p.p.), while the opposite is true for ages 50 and above. The at-risk-of-poverty rate for 50-64 year olds deviates by more than 20% (3.9 p.p.), while for those 65 and above, the overestimation is of 11% (3.6 p.p.). This may be due to the sampling and other statistical or modelling error, as well as to the labour market dynamics which we do not capture in EUROMOD. Discrepancies are expected to become wider as we go further in time from the baseline if no labour market adjustments are performed.

EUROMOD estimates for years beyond those available in Eurostat imply substantial decrease in the poverty rates between 2019 and 2020. Although virtually all age and sex groups are affected irrespective of the poverty threshold used, the decrease is the highest among children and elderly. This is due to the changes in policies implemented in 2020 (which were discussed under the 4.6 section on income inequality) and because of the additional bonuses and lump-sum benefits to children and pensioners, which were introduced in relation to the global health crisis.

4.8. Validation of minimum wage

Note: Please see Annex I for tables.

In this section we give a brief overview of the impact of the minimum wage policy on income, taxes, social contributions, social assistance benefits, and inequality and poverty rates. It should be noted that the minimum wage policy is switched off in the baseline scenario. Imposing minimum wage simulation has only weak effect on disposable and employment income, direct taxes and income distribution measures. The highest effect is on the poverty rates, albeit limited to 2% for the years 2017-2019 and going up to a maximum of 5% for 2020 (see Table 4.11). Increasing the minimum wage results in lower poverty risk levels when the minimum wage adjustments are turned on for all year except 2020 where the at-risk-of-poverty level slightly increases.

4.9. Covid-19-related measures in Lithuania

This section estimates the Covid-19-related benefits and lump-sum payments (see Table 4.12). As the model presents the annual recipients and amounts, it is better to compare the results with the extrapolated or forecasted annual external statistics. Important to note that the transitions from employment to the short-term wage compensations schemes for employees and self-employed (during and after the quarantine) and to the sickness benefit for those taking care of children can be simulated only with the LMA add-on. Similarly, the simulations of the other Covid-19 related measures do not include any adjustments to the employment and unemployment rates in Lithuania and are performed in a static setting. Labour market adjustments can be additionally performed by the users using the LMA add-on or own procedures.

Table 4.12 shows that EUROMOD simulates lower number of recipients and amounts of temporary jobseeker's benefit compared to forecasts, i.e., estimated number of recipients and amounts from the Government reports. This might be due to several reasons, the major one being related to the data limitations and representation of unemployed persons, who are looking for a job, but are not entitled to receive the unemployment benefit. To remind, no change in the unemployment level is modelled by default in the model.

Lump-sum pension bonus for elderly and disabled is paid for each pension beneficiary without prior individual application. Thus, EUROMOD simulates similar number of recipients and amounts of the benefit. Slight underestimation is in line with the number of recipients and annual amounts of old-age pension (see Table 4.5 and Table 4.6 for more information). The same is true for the lump-sum benefit for children. EUROMOD simulation of lump-sum benefit for all children of 120 EUR and additional 80 EUR for families receiving the additional child benefit is in line with external statistics. However, the underestimation in the recipients and amounts is likely due to several reasons. First of all, due to the data constraints related to the accuracy of the representation of families with children. Another reason could be stemming from the external statistics. During the pandemic, more Lithuanian families came back from abroad and applied for the universal child benefit and, in turn, became entitled to also receive the lump-sum benefit for children. This resulted in higher predicted numbers than modelled in EUROMOD.

The other Covid-19 related benefits presented below, such as the temporary benefit for self-employed, sickness benefit for those taking care of children during Covid-19, wage subsidy for workers during downtime and wage subsidy after the quarantine can be run with the LMA add-on. If not, these policies are not activated in the baseline.

The number of recipients and annual amounts of the temporary benefit for self-employed are well in line in EUROMOD compared with the forecasted figures. Slight underestimation in EUROMOD is likely due to the limited representation of self-employed persons in the data. For the sickness benefit for those taking care of children during the Covid-19 pandemic we find a close match with the predicted external statistics. We simulate parents to receive the benefit who are employed and have children of primary school age (up to the 4th grade) or up to age 21 if disabled.

The number of recipients for wage compensations for workers on downtime during the Covid-19 is only slightly over-estimated compared with the external statistics. When it comes to the annual amounts of wage compensations by the state during the Covid-19, we see well captured results between the simulated results and external statistics, with a slight under-estimation in the model compared to the actual external statistics (provided in November). This is due to the availability of statistics on the subsidies during the quarantine, which allowed for calibrating the results of the model to match available statistics better.

However, forecasted numbers predict much larger number of recipients of subsidies after the quarantine, while the annual amounts are under-estimated to a smaller extent. Discrepancies between the numbers may be due to different predictions of economic situation and labour market conditions. It can also be due to the turnover of people on compensations predicted in the forecasted figures, while there is no turnover of recipients in the model.

The external numbers of wage compensations during and after pandemic by the firms are not available.

4.10. Summary of “health warnings”

In conclusion, the following major “health warnings” should be taken into account when using Lithuanian EUROMOD module and the underlying micro-data:

- The EU-SILC (Lithuanian part) is calibrated on a limited number of dimensions: residence area (7 groups), age (17 groups) and gender. No calibration is done towards external income aggregates. Therefore, reciprocity and aggregate amounts for the major income sources may not match between EU-SILC and external aggregates. Analysis on the benefits/taxes/contributions to/by smaller population groups should be done with care due to issues of representativeness.
- The default assumption in EUROMOD is full benefit take-up and full compliance with taxes and contributions. Baseline scenario does not include any employment adjustments.
- In the case of simulating a more recent policy year than the income reference period for the underlying input dataset, non-simulated monetary variables are updated using income-specific updating factors, whereas demographic and socio-economic status variables remain constant.
- Amounts of income taxes and social contributions of employees are well aligned with external statistics. Amounts of contributions paid by the self-employed are highly overestimated, which may be due to different reasons: changes in the number of the self-employed, the quality of reported self-employment income in EU-SILC, etc.
- Major aggregate benefit categories are difficult to validate as they consist of diverse individual components and are often constructed in line with the legal retirement age.
- Social assistance, a means-tested benefit, tends to be over-simulated in EUROMOD due to complexity of the means-test, difficulties in simulating the means-test using UDB SILC and changes in administration of this social assistance benefit (municipalities have gotten more discretion power).
- The simulation of monetary wage compensation schemes introduced due to Covid-19 (see Table 4.12) is triggered by the simulation of labour market transitions defined in policy TransLMA_lt. This policy becomes operational if the model is run in conjunction with the LMA add-on. The nature of these simulations is still experimental and only partially validated. Users are encouraged to refer to the “*Simulating labour market transitions in EUROMOD*” document prior to their use.
- Labour market transitions are switched OFF in EUROMOD baselines. As a consequence, the simulation of monetary compensation schemes does not produce any effect in baseline simulations. Since all policies not linked to labour market transitions are fully functional, it is possible for disposable income in 2020 to be higher than disposable income in previous years.

ANNEX I: RAW INDICES FOR DERIVING UPDATING FACTORS

Index	Reference	2017	2018	2019	2020	Comment
Earnings	Sf_yem	840.4	924.1	1005.6	979.45	Statistics Lithuania/Main country indicators/ Whole economy (including individual enterprises/ Average gross monthly earnings & predicted growth by the CB. Recalculation done in the model for 2019. U prognosis for 2020 (-2.6%).
Prev_wage	Sf_yempv	774	840.4	924.1	1005.6	Yem lagged by 1
Constant	Sf_one	1	1	1	1	Keep constant
Family	Sf_bfa	384.8	435.4	435.4	435.4	Ministry of Social Security and Labour/Statistics/Recipients and amounts of monetary social assistance/ Benefits for families with children (Išmokos šeimoms auginančioms vaikams) - also by Statistics Lithuania
Health	Sf_bho	300.7	319.7	340.6	336.4	Average sickness benefits per person - Atvira Sodra (Ligos pašalpoms priskaičiuota suma (mln. EUR)/ ligos pašalpa (atvejai, tūkst) * 1000); break in 2009.
Unempl	Sf_bunct	221.9	290.1	326.57	337.3	Ministry of Social Security and Labour/ Social Reports/ Average social insurance unemployment benefit - also by Statistics Lithuania.
Assistance	Sf_bsa00	785.8	970.9	970.9	970.9	Ministry of Social Security and Labour/Statistics/Recipients and amounts of monetary social assistance/ Social assistance benefits (Socialinė pašalpa) - also by Statistics Lithuania
Disability	Sf_bdi	204.28	226.08	251.6	271.97	Lietuvos statistikos departamentas, Vidutinė valstybinio socialinio draudimo pensija - svertinis netekto darbingumo ir invalidumo pensijų vidurkis EUR. 2015 & 2016 - updated in line with growth of social insurance pensions. Fixed in 2010-2011 - cuts in boa_it.

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Index	Reference	2017	2018	2019	2020	Comment
Old_age	\$f_boa	277.66	311.54	344.2	372.11	Lietuvos statistikos departamentas, Vidutinė valstybinio socialinio draudimo pensija EUR. 2015 & 2016 - updated in line with growth of social insurance pensions. Fixed in 2010-2011 - cuts in boa_lt implemented.
Survivor	\$f_bsu	33.2	35.66	38.4	40.04	"State Social Insurance Fund Board of the Republic of Lithuania/ Statistics/ Survivor and orphan pensions: http://www.sodra.lt/index.php?cid=13555 Fixed in 2010-2011 - cuts in boa_lt
Early_ret	\$f_byr	200.23	227.4	251	271.36	"Išanktinė senatvės pensij. State Social Insurance Fund Board of the Republic of Lithuania/ Statistics/ Early retirement pensions. http://www.sodra.lt/index.php?cid=13555 Fixed in 2010-2011 - cuts in boa_lt
Harmonised Index of Consumer Prices	\$HICP	104.42	107.07	109.34	109.78	EUROSTAT; AMECO forecasts for 2019 values
State benefit	\$f_boanc	135.17	136.92	137.2	137.2	Weighted average of first and second degrees, scientists and judges pensions. Ministry of Social Security and Labour
Pensions for officials and soldiers	\$f_boaml	292	297	303.24	303.24	Average pension for officials and soldiers Ministry of Social Security and Labour
State pension for victims	\$f_boawr	48	51	51	58	Average pension for victims. Ministry of Social Security and Labour
State social assistance (social) pension and compensation	\$f_boamt	112	130	132	140	Social assistance pension base. The indicator is in force since 2017
Other pensions	\$f_boaot	183.72	208.53	224.5	242.71	Average compensation amount for special working conditions. State Social Insurance Fund Board
Compensations for disabled	\$f_bdi xp	112	112	114	117	Targeted compensation base https://www.tagidas.lt/savadai/9031/
Other benefits for disabled	\$f_bdiot	840.4	921.4	1005.6	1005.6	The amount of the benefit is linked to the former salary, therefore average monthly earnings are used. Same as \$f_yem Statistics Lithuania / Average monthly earnings by sector, statistical indicator and year/Whole economy including individual enterprises/Average gross monthly earnings (M3060801)
Average gross earnings: Agriculture and Fishing	\$f_yem1	741.9	807.2	864	841.5	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)

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Index	Reference	2017	2018	2019	2020	Comment
Average gross earnings: Mining, Manufact. and Utilities	\$f_yem2	1043.4	1100.3	1151.2	1121.2	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Construction	\$f_yem3	781.2	854.3	893.4	870.2	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Wholesale and retail	\$f_yem4	789.4	869.1	925.4	901.4	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Hotels and restaurants	\$f_yem5	563.6	645.2	699.5	681.3	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Transport and communication	\$f_yem6	774.2	820.2	861.6	839.2	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Financial intermediation	\$f_yem7	1544.1	1648.8	1806	1759.1	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Real estate and business	\$f_yem8	762.8	829	898.3	875	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Public administ. and defence	\$f_yem9	1029.4	1100.8	1226.4	1194.5	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Education	\$f_yem10	724.7	817.9	927.5	903.4	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)
Average gross earnings: Health and social work	\$f_yem11	826.6	953.7	1083.3	1055.1	Statistics Lithuania. For 2005-2006 based on the change in average wages. For 2020: U prognosis by the Central bank (-2.6%)

* Growth in earnings does not include recalculation factor of 1.289, which is applied separately in the model in 2019.

ANNEX II: VALIDATION TABLES

Table 4.2. Number of employed & unemployed, thousands

	EUROMOD	External			Ratio		
	2017	2017	2018	2019	2017	2018	2019
Number of employed	1283	1346	1367	1372	0.95	0.94	0.93
Number of unemployed	139	103	90	92	1.35	1.55	1.51

Notes: Number of employed and unemployed is computed based on months in employment/unemployment. Numbers computed as averages of monthly data over the year. Sources: Statistics Lithuania (LFS)

Table 4.3. Market Income-Number of recipients, thousands

	EUROMOD	External			Ratio		
	2017	2017	2018	2019	2017	2018	2019
Employment income	1395	1194	1217	1220	1.17	1.15	1.14
Self-employment income	274	163	160	161	1.68	1.71	1.70
Investment income	262	N/A	N/A	N/A	N/A	N/A	N/A
Rent income	106	N/A	N/A	N/A	N/A	N/A	N/A
Private pensions	2	N/A	N/A	N/A	N/A	N/A	N/A
Private transfers	52	N/A	N/A	N/A	N/A	N/A	N/A
Other	1	N/A	N/A	N/A	N/A	N/A	N/A
Severance payments	42	N/A	N/A	N/A	N/A	N/A	N/A
Fringe benefits	67	N/A	N/A	N/A	N/A	N/A	N/A
Imputed housing	1723	N/A	N/A	N/A	N/A	N/A	N/A

Table 4.4. Market Income-Aggregate amounts, annual amounts in millions (if not stated otherwise)

	EUROMOD				External			Ratio		
	2017	2018	2019	2020	2017	2018	2019	2017	2018	2019
Employment income	12318	13409	18618	18134	14567	15898	21686	0.85	0.84	0.86
Self-employment income	2075	2282	2483	2419	N/A	N/A	N/A	N/A	N/A	N/A
Investment income	382	392	401	410	N/A	N/A	N/A	N/A	N/A	N/A
Rent income	111	114	117	119	N/A	N/A	N/A	N/A	N/A	N/A
Private pensions	6	6	6	7	N/A	N/A	N/A	N/A	N/A	N/A
Private transfers	88	90	92	94	N/A	N/A	N/A	N/A	N/A	N/A
Other	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A
Severance payments	70	77	83	81	200	210	N/A	0.35	0.37	N/A
Fringe benefits	87	95	104	101	N/A	N/A	N/A	N/A	N/A	N/A
Imputed housing	3044	3122	3192	3265	N/A	N/A	N/A	N/A	N/A	N/A
Average employment income	736	801	1112	1083	840	924	1296	0.88	0.87	0.86

Table 4.5. Non-simulated taxes and benefits-Number of recipients/payers, thousands

	EUROMOD	External			Ratio		
	2017	2017	2018	2019	2017	2018	2019
Benefits							
Old-age pension	656.0	670.8	671.9		0.98	0.98	N/A
Disability pension	175.8	164.1	162.2		1.07	1.08	N/A
Survivor's pension	265.5	250.1	246.1	243.3	1.06	1.08	1.09
Early retirement old-age pension	5.3	7.2	6.8	5.9	0.74	0.78	0.89
Guardianship benefit	9.6	10.0	9.4	8.7	0.95	1.02	1.10
Education allowances	25.0	N/A	N/A	N/A	N/A	N/A	N/A
Compensation for utilities	41.0	105.5	113.2	115.9	0.39	0.36	0.35
Sickness benefit	437.1	887.9	943.5	894.0	0.49	0.46	0.49
Municipal and NGO support	57.8	18.2	14.5	14.8	3.17	3.98	3.90
Taxes and Social Insurance contributions							
Property tax	210.7	N/A	N/A	N/A	N/A	N/A	N/A

Table 4.6. Non-simulated taxes and benefits-Aggregate amounts, annual amounts in millions

	EUROMOD				External			Ratio		
	2017	2018	2019	2020	2017	2018	2019	2017	2018	2019
Benefits										
Old-age pension	2420.9	2716.2	3048.8	3295.4	2595.4	2901.9	N.D	0.93	0.94	N/A
Disability pension	415.6	460.0	511.9	553.3	457.4	505.9	N.D	0.91	0.91	N/A
Survivor's pension	110.2	118.3	127.4	132.9	159.2	166.1	N.D	0.69	0.71	N/A
Early retirement old-age pension	10.5	11.9	13.1	14.2	17.2	18.4	17.9	0.61	0.65	0.73
Guardianship benefit	26.9	26.9	26.9	26.9	15.5	14.6	13.3	1.74	1.84	2.02
Education allowances	15.5	15.5	15.5	15.5	N/A	N/A	N/A	N/A	N/A	N/A
Compensation for utilities	6.2	6.6	7.1	7.0	15.8	22.1	18.5	0.40	0.30	0.38
Sickness benefit	274.6	301.9	328.6	320.0	256.4	291.3	304.5	1.07	1.04	1.08
Municipal and NGO support	11.1	11.4	11.6	11.9	2.1	2.2	2.3	5.38	5.09	4.99
Taxes and Social Insurance contributions										
Property tax	8.7	8.9	9.1	9.3	30.1	36.8	38.9	0.29	0.24	0.23

Table 4.7. Simulated taxes and benefits-Number of recipients/ payers, thousands

	EUROMOD				External			Ratio		
	2017	2018	2019	2020	2017	2018	2019	2017	2018	2019
Benefits										
Additional child benefit	70.18	85.46	79.92	122.96	65.76	73.64	65.95	1.07	1.16	1.21
*Lump-sum child benefit due to the Covid-19 - extra (80 EUR)	N/A	N/A	N/A	122.96	N/A	N/A	N/A	N/A	N/A	N/A
Universal child benefit	N/A	367.56	367.56	367.56	N/A	337.76	346.64	N/A	1.09	1.06
*Lump-sum child benefit due to the Covid-19 for all (120 EUR)	N/A	N/A	N/A	367.56	N/A	N/A	N/A	N/A	N/A	N/A
Birth grant	27.04	27.04	27.04	27.04	30.96	29.57	27.75	0.87	0.91	0.97
Childcare benefit	47.17	47.17	47.17	47.17	42.74	42.33	37.97	1.10	1.11	1.24
Maternity benefit	17.51	17.51	17.51	17.51	23.20	24.00	21.10	0.75	0.73	0.83
Pregnancy grant (non-contributory)	9.54	9.54	9.54	9.54	4.89	4.21	3.72	1.95	2.26	2.57
Paternity benefit	18.97	18.97	18.97	18.97	15.10	15.40	14.90	1.26	1.23	1.27
Social assistance benefit	51.73	69.15	61.95	102.76	74.55	71.21	64.60	0.69	0.97	0.96
Unemployment social insurance benefit	91.85	92.48	92.48	92.67	139.60	148.60	144.90	0.66	0.62	0.64
Long-term employment benefit	N/A	16.53	16.53	16.73	N/A	N/A	N/A	N/A	N/A	N/A
Students' childcare benefit	0.92	0.92	0.92	1.22	0.40	0.47	0.43	2.32	1.95	2.15
Benefit for multiple birth families	0.03	0.03	0.03	0.03	1.38	1.64	1.71	0.02	0.02	0.02
Temporary jobseeker's benefit	N/A	N/A	N/A	166.18	N/A	N/A	N/A	N/A	N/A	N/A
Lump-sum pension bonus (200 EUR)	N/A	N/A	N/A	848.90	N/A	N/A	N/A	N/A	N/A	N/A
Taxes and Social Insurance contributions										
Income tax	1283.17	1315.81	1424.43	1385.25	1518.08	1523.37	1554.16	0.85	0.86	0.92
Tax allowance	1240.06	1141.88	1331.14	1350.21	N/A	N/A	N/A	N/A	N/A	N/A
Income tax (withholding)	1166.51	1202.43	1320.94	1278.62	N/A	N/A	N/A	N/A	N/A	N/A
Health contributions	55.47	63.87	63.87	63.97	N/A	N/A	N/A	N/A	N/A	N/A
Employee contributions	1395.36	1395.36	1479.46	1479.46	1324.20	1335.50	1356.30	1.05	1.04	1.09

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Self-employed contributions	273.94	260.61	260.61	260.61	N/A	N/A	N/A	N/A	N/A	N/A
Employer contributions	1395.36	1395.36	1395.36	1395.36	N/A	N/A	N/A	N/A	N/A	N/A
Credited contributions	1227.53	1225.17	2515.30	2515.20	N/A	N/A	N/A	N/A	N/A	N/A

Note: * is modelled as the part of an existing benefit that is indicated above, therefore the number of the recipients is the same.

Table 4.8. Simulated taxes and benefits- Aggregate amounts, annual amounts in millions

	EUROMOD				External			Ratio		
	2017	2018	2019	2020	2017	2018	2019	2017	2018	2019
Benefits										
Additional child benefit	28.9	34.5	40.6	129.7	24.4	33.5	30.6	1.18	1.03	1.33
*Lump-sum child benefit due to the Covid-19 - extra (80 EUR)	N/A	N/A	N/A	18.5	N/A	N/A	N/A	N/A	N/A	N/A
Universal child benefit	N/A	206.0	347.9	480.7	N/A	161.0	304.4	N/A	1.28	1.14
*Lump-sum child benefit due to the Covid-19 for all (120 EUR)	N/A	N/A	N/A	68.6	N/A	N/A	N/A	N/A	N/A	N/A
Birth grant	11.3	11.3	11.3	11.6	13.0	12.4	11.6	0.87	0.92	0.97
Childcare benefit	162.5	182.4	192.0	193.1	192.3	230.8	227.2	0.85	0.79	0.84
Maternity benefit	54.8	60.5	65.7	64.1	65.9	70.4	75.8	0.83	0.86	0.87
Pregnancy grant (non-contributory)	0.7	0.7	0.7	2.4	0.4	0.3	0.3	1.95	2.27	2.56
Paternity benefit	20.8	22.7	24.5	25.1	12.9	14.4	15.4	1.61	1.57	1.59
Social assistance benefit	68.0	106.2	98.1	129.3	58.6	69.1	63.4	1.16	1.54	1.55
Unemployment social insurance benefit	89.9	138.4	150.3	165.7	88.6	164.5	193	1.01	0.84	0.78
Students' childcare benefit	1.7	2.5	2.5	3.4	0.6	1.1	1.0	3.04	2.32	2.49
Benefit for multiple birth families	0.1	0.1	0.1	0.1	1.1	1.4	1.4	0.05	0.04	0.04
Temporary jobseeker's benefit	N/A	N/A	N/A	99.5	N/A	N/A	N/A	N/A	N/A	N/A
Lump-sum pension bonus (200 EUR)	N/A	N/A	N/A	169.8	N/A	N/A	N/A	N/A	N/A	N/A

Taxes and Social Insurance contributions

Income tax	1701.0	1853.5	3367.7	3081.1	1626.8	1840.3	3446.2	1.05	1.01	0.98
Tax allowance	3205.6	2877.1	3293.2	4230.5	N/A	N/A	N/A	N/A	N/A	N/A
Income tax (withholding)	1529.2	1754.8	3259.0	2977.3	N/A	N/A	N/A	N/A	N/A	N/A
Health contributions	22.8	27.6	29.7	32.5	N/A	N/A	N/A	N/A	N/A	N/A
Employee contribution	1108.7	1206.8	4089.2	4010.8	1113.4	N/A	N/A	1.00	N/A	N/A
Self-employed contributions	332.4	362.6	341.4	340.5	166.1	N/A	N/A	2.00	N/A	N/A
Employer contributions	3831.1	4216.2	353.4	351.6	3990.8	4431.7	747.2	0.96	0.95	0.47
Credited contributions	374.2	420.4	604.7	808.7	N/A	N/A	N/A	N/A	N/A	N/A

Note: * is modelled as the part of an existing benefit that is indicated above, therefore the amount indicated next to a * is also included in the benefit above (e.g., the extra lump-sum child benefit due Covid-19 is already accounted in the total expenditures for the additional child benefit and without this extra payment, the child benefit the total amount for the additional child benefit would be 18.5 million euros smaller).

Table 4.9. Income distribution

	EUROMOD				External			Ratio	
	2017	2018	2019	2020	2017	2018	2019	2017/2018	2018/2019
D1	2.30	2.55	2.68	3.13	2.1	2.1	2.3	1.09	1.11
D2	4.10	4.31	4.40	4.86	4.0	4.0	4.2	1.03	1.03
D3	5.28	5.38	5.46	5.87	5.1	5.1	5.4	1.04	1.00
D4	6.38	6.47	6.55	6.81	6.2	6.2	6.4	1.03	1.01
D5	7.65	7.67	7.74	7.85	7.5	7.6	7.6	1.01	1.01
D6	8.94	8.94	9.00	9.01	8.8	8.9	8.9	1.01	1.00
D7	10.42	10.40	10.48	10.39	10.3	10.4	10.5	1.00	0.99
D8	12.49	12.41	12.43	12.34	12.3	12.4	12.6	1.01	0.99
D9	15.60	15.42	15.53	14.86	15.6	15.6	15.6	1.00	0.99
D10	26.83	26.46	25.74	24.86	28.3	27.6	26.5	0.97	1.00
Median	6628	7441	8232	8513	6,134.0	6,895.0	7,586.0	0.96	0.98
Mean	8049	8955	9802	10137	7,555.0	8,415.0	9,264.0	0.96	0.97
Gini	35.88	34.89	34.13	31.70	37.6	36.9	35.4	0.97	0.99
S80/S20	6.63	6.10	5.83	4.97	7.3	7.1	6.4	0.94	0.95

Table 4.10. At risk of poverty rates by sex and age, percent

	EUROMOD				External			Ratio	
	2017	2018	2019	2020	2017	2018	2019	2017/2018	2018/2019
40% median HDI									
Total	8.82	7.26	6.99	4.83	9.1	9.3	7.8	0.95	0.93
Males	9.18	7.37	7.08	5.41	10.2	9.4	8.2	0.98	0.90
Females	8.51	7.16	6.91	4.34	8.2	9.3	7.4	0.92	0.97
50% median HDI									
Total	15.15	13.73	13.45	9.52	16.1	15.8	13.7	0.96	1.00
Males	14.35	12.91	12.53	9.02	15.8	14.5	12.2	0.99	1.06
Females	15.83	14.43	14.24	9.95	16.4	16.8	15.0	0.94	0.96
60% median HDI									
Total	21.92	21.12	21.00	16.48	22.9	22.9	20.6	0.96	1.03
Males	19.92	19.08	19.12	15.17	21.4	20.7	18.0	0.96	1.06
Females	23.64	22.87	22.61	17.60	24.2	24.9	22.8	0.95	1.00
70% median HDI									
Total	29.15	28.84	28.86	25.03	30.8	30.7	28.4	0.95	1.02
Males	26.78	26.41	26.41	22.58	29.3	28.5	25.1	0.94	1.05
Females	31.19	30.93	30.97	27.13	32.1	32.6	31.3	0.96	0.99
60% median HDI									
0-15 years	22.99	20.64	19.89	11.48	25.3	23.9	23.2	0.96	0.89
16-24 years	19.36	17.13	17.64	15.03	26.5	20.8	16.8	0.93	1.02
25-49 years	14.62	14.01	14.31	11.34	16.7	15.7	16.3	0.93	0.86
50-64 years	21.35	21.13	20.77	18.89	19.3	20.7	17.2	1.03	1.23
65+ years	34.98	35.23	34.82	27.04	33.4	37.7	31.6	0.93	1.11

Table 4.11. Impact of minimum wage (annual monetary amounts in millions EUR)

	Baseline				Min Wage Incl.				Ratio			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Equivalised disposable income	15544	17285	18923	19572	15582	17320	18962	19548	1.00	1.00	1.00	1.00
Employment income	12318	13409	18618	18134	12361	13450	18676	17438	1.00	1.00	1.00	1.04
Social assistance	68	106	98	129	67	106	98	123	1.01	1.01	1.01	1.05
Personal income tax	1701	1854	3368	3080	1703	1856	3375	3022	1.00	1.00	1.00	1.02
Employee contribution	1109	1207	4089	4011	1113	1211	4102	3886	1.00	1.00	1.00	1.03
Gini coefficient	35.88	34.89	34.13	31.70	35.77	34.80	34.05	31	1.00	1.00	1.00	1.02
Poverty rate (60% median HDI)	21.92	21.12	21.00	16.48	21.74	21.02	20.78	17	1.01	1.01	1.01	0.98

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Table 4.22. COVID-19-related benefits and lump-sum payments, simulated in EUROMOD (number of recipients in thousands and annual monetary amounts in millions EUR), 2020

Covid-19-related benefits	EUROMOD		External statistics			
	Number of recipients (in thousands)	Amounts (mil.)	Forecasts:		The most recent available external statistics	
			Number of recipients (thous.)	Amounts (mil.)	Number of recipients (in thousands)	Amounts (mil.)
<i>Covid-19 related measures in the baseline</i>						
Temporary jobseeker's benefit	166.2	99.5	195	265	287.9 (total June-November)	78.9 (total June-October)
Lump-sum pension bonus (200 EUR)	848.9	169.8	910	182	862 (total August-October)	173 (total August-October)
Lump-sum child benefit during Covid-19 - extra (80 EUR)	123.0	18.5	133.6	28.8	n.a.	n.a.
Lump-sum child benefit during Covid-19 for all (120 EUR)	367.6	68.6	374.1	43.2	n.a.	n.a.
<i>Covid-19 related measures run with the LMA add-on</i>						
Temporary benefit for the self-employed	82	105	85	109	87.4 (average of March-August)	112.2 (total March-August)
Sickness benefit for those taking care of children during Covid-19	37	87	36	88	26 (ref. 18/06/2020)	88.0 (ref. 18/06/2020)
Wage subsidy for workers after the Covid-19 by the state	129	354	210	381	237.5 (ref. 13/11/2020)	398.0 (ref. 10/08/2020)
Wage subsidy for workers after the Covid-19 by the firm	129	631	n.a.	n.a.	n.a.	n.a.
Wage compensations for workers on downtime due to the Covid-19 by the state	119	164	112	250	112 (average of March-June)	167.2 (ref. 10/11/2020)
Wage compensations for workers on downtime due to the Covid-19 by the firm	107	42	n.a.	n.a.	n.a.	n.a.

ANNEX III: RECALCULATIONS AND COMPENSATIONS OF PENSIONS

While pensions are not directly simulated in EUROMOD, we include the following components into the model related to pension indexation, cuts, compensations, and bonuses.

First, due to fiscal consolidation during the period of economic crisis social insurance and state pensions were progressively cut in Lithuania in 2010. Cuts lasted until 2012 and since 2014 compensations for the losses have been initialised. All these recalculations of pensions were of progressive nature and had different effect on the different groups of pensioners. Therefore, we opted for simulating them directly in the model instead of applying the regular updating procedure for non-simulated benefits. More details on the structural cuts are provided by the State Social Insurance Fund Board of the Republic of Lithuania and can be found in English at: <http://www.sodra.lt/index.php?cid=1945>.

The structural cuts for the following categories of pensions were simulated in EUROMOD for 2010-2011 and included into the baseline (policy sheet *boa_lt*): old-age benefits (*boa*), early retirement old-age pensions (*byr*), disability benefits (*bdi*), orphan's benefits (*bsu*). Up to 2009 these benefits were updated using regular updating procedure. In 2010-2011 the pension cuts were implemented directly in the model; these simulations are linked to 2010 SILC (2009 income reference).

The main health warnings for the implementation of the structural cuts in EUROMOD are:

- Old age and state pensions are aggregated in *boa* (although these two types of pensions are recalculated according to different rules); invalidity pensions after the pension age are included into *boa*; the bonus for the length of the service can't be identified and is ignored this in our simulations.
- We disregard the reduction of *boa* pensions for those receiving insurable income.
- There is no information on a degree of work incapacity in the input database. Those were imputed by differentiating the marginal average sizes of the three types of work incapacity/disability pensions and by ratios of the three categories as indicated by external statistics.
- Survivor and orphan pensions are aggregated in the input database and were differentiated according to the age of recipients.
- All indicated categories of pensions in EUROMOD are aggregate categories. The structural cuts were equally applied on all types of benefits within the same category if not indicated otherwise.

Since 2012 the recalculation of state insurance pensions was cancelled, although recalculation rules still applied to state pensions. State pensions cannot be identified in EUROMOD and therefore are not recalculated. For the dataset with the income reference period of 2011 (i.e. 2012 SILC) reverse recalculation rules were implemented for 2012 and later policy years.

Since 2014 compensations for the loss due to those structural cuts made in 2010 and 2011 have been initialised. It affects old-age, early retirement old-age and disability pensions (but not survivor's pensions). The amount of compensation for the pensioner is equal to his/her losses due to the cuts in 2010-2011. The total amount of compensation (in nominal terms) is to be paid over the 2014-2016 period. 20 percent of this amount is to be paid in 2014, 40 percent is to be paid in 2015 and the rest 40 percent – in 2016 (payments of an equal amount will be made in March, June, September, and December). 500 thousand persons are entitled to these compensations.

Since 2016 compensations for those whose pensions were reduced due to receiving insurable income (i.e., earnings) were initiated. This involves those in receipt of social insurance old-age pensions and state pensions. It is foreseen that 33% of the losses would be paid in 2016, 33% in 2017 and 34% in 2018. In EUROMOD we did not model pension cuts for those in work, neither their compensations are modelled.

Since 2018 policy system, the conversion coefficient (0.78) is applied when recalculating former pension records into the point system.

Since 2019, the old-age pension indexation was introduced and implemented in the model since 2018 policy year. From January 1st, 2018 onwards, state pension bonuses also started to be paid to recipients of small old-age pensions. Pension bonuses are granted and paid according to the Law on Social Assistance Pensions of the Republic of Lithuania¹⁴². If a person is eligible for the pension, he is paid a full difference of 95% of minimum consumption needs (251 EUR in 2019) and the received pension. If a person has a minimum length of service but is not eligible to receive the pension, the proportion of the bonus is reduced proportionately. Furthermore, compensations for social insurance old-age and state pensions were included in the model (with SWITCH function). As of January 1st, 2020, an eligible person is now paid a full difference of 100% of minimum consumption needs (257 EUR)¹⁴³.

¹⁴² Based on the following law: Lietuvos Respublikos šalpos pensijų įstatymas, No. I-675. <https://www.e-tar.lt/portal/lt/legalAct/TAR.2CE6CFE9E2EE>

¹⁴³ Based on the following law „Lietuvos Respublikos šalpos pensijų įstatymo Nr. I-675 8, 20, 22-1, 22-2 ir 24 straipsnių pakeitimo įstatymas“. 2019-12-19, Nr. 20564.

ANNEX IV: POLICY EFFECTS IN 2019-2020

Preliminary: Indexation based on projected HICP for 2020¹⁴⁴

Table A3.1 shows the effect of policy changes implemented in 2020 on mean equalised household disposable income by income component and income decile group, as a percentage of mean equalised household disposable income in 2019. The effect is estimated as a difference between simulated household net income under the 2020 tax-benefit policies (deflating monetary parameters by Eurostat's Harmonized Index of Consumer Prices, HICP) and net incomes simulated under 2019 policies.

In general, we see progressive change to income due to policy reforms between 2019-2020. The positive effect is the highest for the lower income deciles, amounting to 21.5% for the bottom decile. The effect declines with the growth in income but is still positive for the top decile. On average the analysed policy reforms increased disposable income by 4.8% in real terms between 2019-2020.

The largest positive contributions to incomes of the lower income deciles are provided by increases in non means-tested benefits, public pensions, and means-tested benefits.

The main changes to non means-tested programmes included more generous universal child benefits, increase in the amount of the pregnancy grant (from 2 BSA in 2019 to 6.43 BSA in 2020) and increased payment period of student's childcare benefit. In addition, to counteract the impact of the Covid-19, the government has introduced the following allowances: temporary jobseeker's benefit of 200 EUR (or 42 EUR for those receiving unemployment social insurance benefit) paid for maximum 6 months and lump-sum benefits of 120 EUR for all children eligible to receive the universal child benefit.

The positive changes in pensions are related to the increased amount of pension bonus (difference between 100% MVPD and a sum of pensions). Increased amounts of assistance pensions base, basic monthly pension and pension indexation have also resulted in a positive change in public pensions for all income decile groups. Due to the Covid-19, the lump-sum pension bonus of 200 EUR was paid to all pension recipients, i.e., the elderly and disabled.

The positive effect of means-tested benefits is associated with more generous additional child benefits and social assistance benefit. The amount of state-supported income (SSI) used in the system of social assistance was increased between 2019-2020 up to 125 EUR since January 1, 2020. There was a further increase to social assistance benefit since June 2020. In addition, this effect is likely due to several new temporary policy measures, introduced as a response to the Covid-19: the additional lump-sum benefit for children of 80 EUR for all families receiving the additional child benefit and more generous social assistance benefit conditions (increased amount of state supported income, eased eligibility conditions, increased income disregards, etc.) due to the pandemic.

The changes in direct taxes have had relatively small but positive impact on mean disposable income. While the nominal PIT rate remained the same, tax allowances were increased. The positive effects are higher for the middle part of the income distribution (as those without earnings and the self-employed are not eligible for tax allowances).

Our results demonstrate a small reduction in disposable income due to social contributions paid by both employee's and self-employed persons. This is due to a gradual increase of contributions

¹⁴⁴ Results based on the final HICP will appear in the annual EUROMOD report Effects of tax-benefit policy changes across the income distributions of the EU-28 countries: 2019-20 (updated).

paid to the funded pension funds (II pillar pensions) in Lithuania. There were also more people paying the higher 3% rate in 2020 compared to 2019, which is also reflected in the simulations.

Overall the changes in the abovementioned policies between 2019 and 2020 have had a positive impact throughout the distribution, especially so for the bottom deciles, i.e. had a pro-poor orientation. However, it worth noting that our simulations have not accounted for the adverse impact of the Covid-19 containment measures on employment incomes in 2020 as well the effects of the wage compensations schemes introduced by the government to counteract these adverse effects, therefore should not be treated as final.

Table A3.1. Policy effects in 2019-2020, using the CPI-indexation, %

Results for Lithuania with alpha: CPI [1.00840412898511] on dataset LT_2018_a1

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Other SIC	Direct taxes	Disposable income
1	0.00	7.01	5.28	8.89	-0.05	-0.02	-0.06	0.47	21.53
2	0.00	6.18	4.07	4.09	-0.04	-0.01	-0.03	0.91	15.17
3	0.00	4.78	2.79	2.42	-0.10	-0.01	-0.03	1.23	11.07
4	0.00	3.60	1.32	2.30	-0.16	-0.02	-0.02	1.30	8.32
5	0.00	2.73	0.63	1.60	-0.16	-0.01	-0.02	1.45	6.23
6	0.00	1.93	0.26	1.30	-0.17	-0.01	-0.01	1.33	4.63
7	0.00	1.86	0.28	0.94	-0.17	-0.01	-0.02	1.24	4.12
8	0.00	1.37	0.12	0.69	-0.18	-0.02	-0.01	1.10	3.07
9	0.00	0.95	0.24	0.73	-0.18	-0.01	-0.01	0.71	2.44
10	0.00	0.60	0.11	0.39	-0.16	-0.08	-0.01	0.28	1.14
Total	0.00	2.01	0.74	1.34	-0.16	-0.03	-0.01	0.89	4.78

Notes: These are PET results accounting for the Covid-19 related social assistance benefits introduced in 2020, with the exception of wage compensations.

Figure A3.1. Policy effects in 2019-2020, using the CPI-indexation

