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ABBREVIATIONS

2025 budget	Republic of Lithuania Law on the Approval of the Budget for 2025-2027[1]
2026 draft budget	Draft Republic of Lithuania Law on the Approval of the Budget for 2026-2028[2]
AW	Average wage
Budget framework reform	Reform of budgeting and strategic planning framework implemented in Lithuania
CHIF	Compulsory Health Insurance Fund
COFOG.02	Defence expenditure With the national escape clause, defence expenditure shall be assessed on the basis of the classification of general government expenditure as a public defence function set out in Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts (ESA2010).
Council Recommendation to Lithuania for 2025	Council Recommendation on the economic, social, employment, structural and budgetary policies of Lithuania [3]
COVID-19	COVID-19 disease (coronavirus infection)
DBP	Lithuanian draft budgetary plan for 2026
ECB	European Central Bank
Economic Development Scenario (EDS)	Economic development scenario[4] prepared by the Ministry of Finance of the Republic of Lithuania and published on 11 September 2025 and approved by the fiscal institution[5]
ESA	European System of Accounts 2010 (ESA2010) established by Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts
EU	European Union
EU funds	The funds of the EU and other international financial assistance
Fiscal institution	Independent fiscal institution in Lithuania the functions of which are performed by the Budget Policy Monitoring Department of the National Audit Office of the Republic of Lithuania [6]
FSP	Lithuania's medium-term fiscal-structural plan (2025-2029) drawn up in accordance with Council Regulation (EU) No 2024/1263 of 30 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[7] (hereinafter - Regulation (EU) 2024/1263) and approved by Resolution No 255 of the

[1] **Republic of Lithuania Law on the Approval of the Budget for 2025-2027,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c46cb880c13d11ef940bca4d136e126f?positionInSearchResults=0&searchModelUUID=7fb97694-b35d-4515-8b9b-b462162430b6.
[2] **Draft Republic of Lithuania Law on the Approval of the Budget for 2026-2028,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/84d2cdc0aa8711f09acade6e6b5e7456?jfwid=-cq0mfng14.
[3] **Council Recommendation to Lithuania, https://eur-lex.europa.eu/legal-content/LT/TXT/PDF/?uri=OJ:C_202503989** .
[4] **Conclusion of the Fiscal Institution on the Approval of the Economic Development Scenario,** https://www.Stateeskontrole.lt/LT/Product/24357/isvada-del-economic-letter-scenario-approval.
[5] **Economic Development Scenario,** https://finmin.lrv.lt/en/relevant-states-financial-data/economic-models-scenario/.
[6] **Online account of the fiscal institution**: https://www.Stateskontrole.lt/LT/BiudzetoStebesena.
[7] **Regulation (EU) 2024/1263,** https://eur-lex.europa.eu/legal-content/LT/TXT/PDF/?uri=OJ:L_202401263.

	Government of the Republic of Lithuania of 30 April 2025 on Lithuania's medium-term fiscal-structural plan and annual progress report (2025)[8]
GDP	Gross domestic product. The value of EUR 78 409.8 million used for the 2024 GDP at current prices in the draft 2026 Lithuanian budgetary plan corresponds to the value used for the economic development scenario.
Government	Government of the Republic of Lithuania
HICP	Annual average inflation calculated on the basis of the consumer price index methodically agreed with other EU Member States
IMF	International Monetary Fund
Ministry of Finance	Ministry of Finance of the Republic of Lithuania
MMW	Minimum monthly wage
MoND	Ministry of National Defence of the Republic of Lithuania
NTA	Non-taxable amount of income
PIT	Personal income tax
RRF	The Recovery and Resilience Facility is the European Union's instrument for grants and loans to Member States of the European Union for structural reforms and related investments and for the green and digital transformation established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
RRP	Lithuania's package of cross-cutting structural reforms and recovery-oriented investments financed by the Recovery and Resilience Facility in 2021-2026. The plan was approved by a decision of the Council of the European Union of 28 July 2021 and amended by a decision of the Council of the European Union of 10 November 2023 and a decision of the Council of the European Union of 8 October 2024.[9]
Seimas	Seimas of the Republic of Lithuania
SGP	The EU's Stability and Growth Pact[10]
STI	State Tax Inspectorate
Structural balance	The indicator of the structural balance of the general government (the positive value of the indicator refers to structural surplus; the negative value refers to structural deficit)
VAT	Value added tax

[8] **Government Resolution approving the FSP,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c4f65c7125ba11f09cbcab0ff4d74843?positionInSearchResults=2&searchModelUUID=a92df00d-af24-4c2f-a502-1764aff6e8dc.

[9] **Recovery and Resilience Plan**, https://data.consilium.europa.eu/doc/document/ST-13498-2024-ADD-1/en/pdf.

[10] **The SGP** is an EU legislative package, one of the main ones being Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/legal-basis-stability-and-growth-pact_en.

INTRODUCTION

In accordance with Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (hereinafter - Regulation No 473/2013) and the Specifications on the implementation of the Two Pack[11], on 23 October 2025, Lithuania submitted to the European Commission and the Eurogroup the DBP, which includes the planned tax and expenditure policies for 2026 and their guidelines for 2026-2028.

In line with Regulation (EU) 2024/1263 adopted in the context of the revision of the EU economic governance framework that ended in spring 2024, on 30 April 2025, Lithuania submitted to the European Commission the first FSP with net general government expenditure[12] (hereinafter - net expenditure) growth ceilings for the years 2025 to 2029.

On 8 July 2025, the Council of Europe endorsed the FSP and the net expenditure ceilings set by the FSP, issuing a recommendation to Lithuania[13], as being in line with the provisions of Regulation (EU) 2024/1263 and ensuring the long-term sustainability of Lithuania's public finances. According to the FSP and the Council Recommendation, net expenditure may grow by around 5.2% per year on average in 2025 - 2028.

Lithuania, along with a number of other EU Member States, appealed to the Council of Europe in April 2025 for the activation of the national escape clause, responding to the need to strengthen its own security and defence capabilities and those of the EU as a whole. On 8 July 2025, the Council approved a recommendation allowing Lithuania to deviate from the net expenditure growth ceilings approved by the Council, which are the maximum growth rates of net expenditure,[14] for the years 2025 to 2028. The clause allows for deviations from the FSP's net expenditure growth ceilings by up to 1.5 percentage points of GDP, provided that this deviation is explained by an increase in defence expenditure compared to the level of this expenditure in 2021 (hereinafter - defence expenditure clause). Defence expenditure is assessed according to the International Classification of the Functions of Government (COFOG) in the framework of European System of Accounts as the general government expenditure on defence (COFOG.02).

The DBP corresponds to the draft budget for 2026, draft laws approving the indicators for the 2026 budgets of the State Social Funds[15] and the Compulsory Health Insurance Fund[16] submitted to the Seimas by the Twentieth Government on 17 October 2025. The DBP was prepared also taking into account the Economic Development Scenario published on 11 September 2025. The 2026 budget was drawn up by applying the net expenditure growth ceilings set by the FSP and approved by the Council of Europe, with the use of the defence expenditure clause to full extent.

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[11] **Code of Conduct**, https://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/2014-11-07_two_pack_coc_amended_en.pdf.

[12] **Net expenditure shall be understood as** defined in Regulation (EU) 2024/1263.

[13] **Council Recommendation approving the national medium-term fiscal-structural plan of Lithuania** https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=OJ:C_202503959.

[14] **Council Recommendation of 8 July 2025 allowing Lithuania to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263** https://eur-lex.europa.eu/legal-content/lt/TXT/HTML/?uri=OJ:C_202503969

[15] **Draft Law on the Approval of State Social Fund Budget Indicators for 2026,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/28925cc0ab1c11f09acade6e6b5e7456?positionInSearchResults=0&searchModelUUID=64df6333-9383-4391-9f75-f66126db5828.

[16] **Draft Law on the Approval of Budgetary Indicators of the Compulsory Health Insurance Fund for 2026,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/451a0d40ab1a11f09acade6e6b5e7456?positionInSearchResults=0&searchModelUUID=64df6333-9383-4391-9f75-f66126db5828.

The DBP was drafted also in accordance with the Council Recommendation to Lithuania, the estimated expenditure and revenue related to the implementation of the measures of the RRP, and the DBP is aligned with the toolbox for the implementation of the Council Recommendation to Lithuania for 2025-2026.[17]

The DBP presents Lithuania's general government debt projections and general government finance projections for 2025-2028 under both policy and no-policy-change scenarios, including information on tax and expenditure policy measures and their expected numerical impact on general government finances. The DBP reviews Lithuania's macroeconomic situation and its prospects.

[17] **Toolbox for implementing the 2025 Council Recommendation to Lithuania for 2025-2026,** https://eimin.lrv.lt/public/canonical/1760944957/6060/2025-2026%20CSR%20%C4%AFimplementation%20measure%C5%B3%20set_submission%20(003).pdf.

PART I. MACROECONOMIC SITUATION AND PROSPECTS

The DBP contains the EDS prepared by the Ministry of Finance and published on 11 September 2025.

Lithuania's GDP grew by 3.2 % in the first half of 2025. Economic development was supported by a recovery in both private and public investment, a further strengthening of the purchasing power of the population and an increase in household consumption expenditure. GDP growth was dampened by negative net exports, driven by relatively moderate overall exports of goods and services and strong import growth, although it was supported by export growth to the United States driven by expectations of a change in trade conditions in the near future. According to the EDS, Lithuania's GDP is expected to grow by 2.6 % in 2025. Developments in the outer medium-term years will also be affected by revised assumptions about the external environment, fiscal policy measures, such as changes in tax policy, or a structural change - the reform of the second-pillar pension system. After stronger growth in 2026 (3.3%), Lithuania's economy will grow at a slower pace in 2027 (2.3%), while at the end of the medium term the growth rate is projected at 2.7%.

Data for the first half of 2025 shows that the hiring process has slowed down, but tensions stemming from labour mismatches between the supply of skilled labour and market demand have persisted. The EDS projects a shortage of suitably skilled workers to be a key factor in keeping unemployment rate at a relatively high level as the economy grows. The unemployment rate is projected to reach 7.1% in 2025 and to decrease to 6.8% at the end of the medium term. Employment is expected to increase moderately: it will grow by 0.1% in 2025 and accelerate to 0.2% in 2026, assuming an increase in economic activity. In the outer years of the medium term, as the positive contribution of net migration fades and the working-age population shrinks, this rate will remain close to 0.

In the first half of 2025, the average monthly gross wage (excluding individual enterprises) in the country grew by 8.4 %, by 0.6 percentage points slower than in the same period in 2024 and slowest pace in the last 5 years. Trends of decelerating wage growth were observed in both the public and private sectors. Considering the trends formed in the first half of 2025 and the persisting tensions in the labour market stemming from the lack of adequately skilled workers, it is projected that the average gross monthly wage in the country will grow by 8.5 % in 2025 and by 7.3 % in 2026. In the subsequent years of the medium term, without assessing new decisions (decisions related to the budget were not known at the time of the EDS preparation) and the evolution of existing salaries in the country, wage growth may slow down to 5.7% at the end of the medium term.

The EDS projects an average annual inflation rate of 3.5% in 2025. Inflation will be supported by domestic factors such as stable inflation in the services sector, price increases for food and non-alcoholic beverages and increases in administered prices due to higher excise duty rates. Inflation will be 3.2% in 2026. The forthcoming changes in the pension accumulation system, which are assumed to temporarily boost domestic demand and thus price pressures, will have an upward effect. This impact will amount to around 0.3 percentage points due to a pick-up in domestic demand. From the beginning of 2026, some reduced VAT rates will change, including VAT on district heating, which will increase the inflation rate by 0.5 percentage points. Higher excise duty rates on fuels, tobacco products and alcoholic beverages will also have an upward impact on inflation. After the effects of the changes in the application of reduced VAT rates fade in 2027-2028 and the assumption that changes in the pension accumulation system will have no impact materialises, inflation is expected to slow down to 2.4%.

Table 1. Macroeconomic developments

			2024	2024	2025	2026	2027	2028
	GDP	ESA code	EUR billion	rate of change	rate of change	rate of change	rate of change	rate of change
1	Real GDP	B.1*g		2.8	2.6	3.3	2.3	2.7
2	GDP deflator			3.4	3.7	3.3	2.7	2.6
3	Nominal GDP	B.1*g	78,4	6.3	6.4	6.7	5.0	5.4
	Components of real GDP	ESA code	EUR billion	rate of change	rate of change	rate of change	rate of change	rate of change
4	Private consumption expenditure	P3		3.5	2.6	4.6	2.1	3.2
5	General government consumption expenditure	P.3		1.4	0.7	0.1	0.1	0.1
6	Gross fixed capital formation	P.51		–1.3	7.3	5.2	4.5	4.4
7	Changes in inventories and net acquisition of valuables (%) GDP)	P.52+ P.53						
8	Exports of goods and services	P.6		2.1	3.2	2.9	3.3	3.3
9	Imports of goods and services	P.7		2.4	6.0	3.7	3.3	3.6
	Contribution to real GDP growth							
10	Final domestic demand			2,9	4,4	3,7	2,2	2,8
11	Changes in inventories and net acquisition of valuables	P.52+ P.53		1.0	1.2	–0.1	–0.1	–0.1
12	External balance of goods and services	B.11		–0.2	–1.7	–0.4	0,2	0,0
	Deflators and Harmonised Index of Consumer Prices (HICP)			rate of change	rate of change	rate of change	rate of change	rate of change
13	Private consumption deflator			0.8	3.5	3.2	2.4	2.4
14	HICP			0.9	3.5	3.2	2.4	2.4
15	General government consumption deflator			12.5	10.0	5.1	4.7	4.4
16	Investment deflator			2.2	1.9	2.1	2.3	2.3
17	Export price deflator (goods and services)			0.9	0.5	1.5	1.6	1.6
18	Import price deflator (goods and services)			–1.4	–0.7	0.9	1.6	1.6
	Labour market	ESA code	level	rate of change	rate of change	rate of change	rate of change	rate of change
19	Employment (1000 persons, national accounts)		1, 501.4	1.7	0.1	0.2	0.0	0.0
20	Average annual hours worked per person employed		1, 878.6	1.2	0.5	–0.1	–0.1	–0.1
21	Real GDP per person employed			1.0	2.5	3.0	2.3	2.7
22	Real GDP per hour worked			–0.2	2.0	3.2	2.4	2.8
23	Compensation of employees (EUR billion)		39.8	11.2	8.8	7.5	5.7	5.8
24	Compensation per employee (= 23 / 19)		26.5	9.3	8.7	7.3	5.7	5.7
				%	%	%	%	%
25	Unemployment rate			7.1	7.1	6.8	6.9	6.8
	Potential GDP and its components			rate of change	rate of change	rate of change	rate of change	rate of change
26	Potential GDP			2.5	2.4	2.4	2.4	2.4
	Contribution to potential growth							
27	Labour			1.2	0.7	0.5	0.2	0.0
28	Capital			1.7	1.8	1.8	1.8	1.8
29	Total factor productivity			–0.4	–0.2	0.2	0.4	0.7
				% of pot. GDP	% of pot. GDP	% of pot. GDP	% of pot. GDP	% of pot. GDP
30	Output gap			–1.5	–1.2	–0.4	–0.5	–0.2

Source: Ministry of Finance.

Note: The Economic Development Scenario was published on 11 September 2025. The date for including statistics and other information in the scenarios is 1 September 2025.

The EDS assumptions for the external environment and exchange rate are consistent with the economic projections and assumptions published by the IMF[18] in July 2025 and by the ECB in June 2025, while the assumptions for energy prices (oil and natural gas) are based on information on futures prices.

Table 2. External assumptions used in the preparation of the EDS

			2024	2025	2026	2027	2028
1	Short-term interest rates	%, annual average	3.9	2.5	2.3	2.4	2.6
2	Long-term interest rates	%, annual average	3.5	3.6	3.7	3.8	3.9
3	USD/EUR exchange rate	annual average	1.08	1.11	1.13	1.13	1.13
4	Exchange rate NV/EUR (for non-euro area Member States only)	annual average	–	–	–	–	–
5	Global real GDP (excluding EU)	%, change	3.7	3.3	3.4	3.4	3.4
6	EU real GDP	%, change	1.1	1.3	1.4	1.4	1.4
7	Global import volumes (excluding EU)	%, change	–	–	–	–	–
8	Oil prices	Brent, USD/barrel	80.5	69.0	65.9	65.9	65.9

Sources: Ministry of Finance, IMF, ECB.

PART II. GENERAL GOVERNMENT FINANCE

SECTION 1
COMPLIANCE WITH FISCAL COMMITMENTS

Net expenditure in the new economic governance framework is a key indicator for measuring compliance by an EU Member State with the commitments set out in the FSP and endorsed by the Council, with a view to achieving a sustainable government finance situation in the medium and long term.

Net expenditure as defined in Regulation (EU) 2024/1263 means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

The 2025 budget, and the 2026 draft budget are subject to the net expenditure growth ceilings set by the FSP for 2025-2029 (Table 4). Assessing the budget's compliance with EU fiscal discipline rules, in line with Regulation (EU) 2024/1263, the cumulative[19] deviation of the planned net expenditure growth from the net expenditure growth ceilings approved in the FSP is assessed taking into account the defence expenditure clause.

In 2025, the EU fiscal discipline rules are respected, considering the defence expenditure clause. The net expenditure growth ceiling set in the FSP for 2025 is 6.1%. Net expenditure growth of 9% is projected for 2025, taking into account the budget data for 2025 and the latest information available on the implementation of budgets attributed to general government by 15 October 2025 (Table 6). The main impact on the growth rate of net expenditure in 2025 is the increase in expenditure on social benefits, wages, acquisition of goods and services, which together account for 85% of total net expenditure growth.

[18] **IMF projections of July 2025,** https://www.imf.org/en/Publications/WEO/Issues/2025/07/29/world-economic-outlook-update-july-2025.

[19] Cumulating the annual deviations of the year-on-year net expenditure growth of the FSP from the net expenditure determined by the FSP for the year in question.

In 2025, net expenditure growth is expected to be about 1 % of GDP higher than the net expenditure growth ceiling set by the FSP. Defence expenditure (according to COFOG.02) increases by 1.2 percentage points of GDP in 2025 compared to the base year 2021. With the deviation in net expenditure growth lower than the increase in defence expenditure, the deviation is assessed to be justified and in line with the net expenditure growth ceiling set by the FSP and the provisions of Regulation (EU) 2024/1263, respectively.

The net expenditure growth planned in the 2026 draft budget, taking into account the defence expenditure clause, **is in line with EU fiscal discipline rules and the Council Recommendation to Lithuania for 2026-2028:** *Increase overall defence and security spending and strengthen preparedness, while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025. Comply with the maximum growth rate of net expenditure recommended by the Council on 8 July 2025, while seizing the opportunity to increase defence spending under the national escape clause.*

According to the 2026 draft budget, net expenditure growth in 2026 exceeds the net expenditure growth ceiling of 5.2 % set by the FSP and amounts to 7.4 %. Based on the projected net expenditure for 2025 and the 2026 draft budget, the cumulative net expenditure growth for 2025-2026 (17.1 %) is higher than the cumulative net expenditure growth ceiling of 11.6 % set by the FSP. The equivalent of this cumulative deviation as a percentage of growth, expressed as a percentage of GDP, would amount to about 1.7 % of GDP.

Lithuania plans to fully apply the defence expenditure clause in 2026, as it plans to increase defence expenditure by more than 1.5 percentage points of GDP in 2026 compared to the level of defence expenditure in 2021 (Table 3).

Table 3. General government expenditure on defence

		2021		2024	2025	2026	2027	2028
		% of GDP		% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1	General government expenditure on defence function, cash flow	–	...	3.3	4.1	5.6	5.4	5.1
2	Statistical adjustment of expenditure on acquisition of military equipment, weapons and supplies	–		–0.5	–1.0	–2.0	–1.5	–1.0
3	General government expenditure on defence under COFOG.02, accrual basis	1.8		2.8	3.1	3.6	3.9	4.1

Sources: State Data Agency, Ministry of Finance.

Ex-ante, the projected growth rate of net general government expenditure in the 2026 draft budget and other budgets comprising the general government sector is broadly in line with the net expenditure growth ceilings set in the FSP, considering that the defence expenditure clause is fully applied (Table 3), while the planned net expenditure growth deviates only slightly (0.2 percentage points of GDP) from the net expenditure growth ceiling (Table 4).[20]

[20] In accordance with Regulation (EU) 2024/1263, the European Commission monitors deviations in the control account. According to Regulation 2024/1264, if in fact (on the basis of budget execution data) the growth of net expenditure deviates from the net expenditure growth ceilings adopted by the FSP by more than 0.3% of GDP per year or by more than 0.6% of GDP over the completed years of the FSP period, the European Commission is preparing a conclusion under Article 126(3) TFEU.

Table 4. Compliance of draft budget expenditure with net expenditure growth ceilings

			2025	2026	2027	2028
	Net expenditure growth ceilings foreseen in the FSP and approved by the Council					
1	Net expenditure growth ceilings[1]	%	6.1	5.2	4.8	4.5
2	Net expenditure growth ceilings	cumulative[2] growth rate, %	6.1	11.6	17.0	22.3
	Projection of the Draft Budget 2026					
3	Net expenditure growth	%	9.0	7.4	5.5	5.0
4	Net expenditure growth	cumulative[2] growth rate, %	9.0	17.1	23.5	29.7
	Deviations					
5	Annual deviation of net expenditure growth from net expenditure growth ceilings	% of GDP	1.0	0.8	0.3	0.2
6	Accumulated deviation in net expenditure growth (i.e. sum of annual deviations in net expenditure growth) [5]	% of GDP	1.0	1.7	1.9	2.0
7	Scope of the defence expenditure clause that applies	% of GDP	1.2	1.5	1.5	1.5
8	Accumulated deviation in net expenditure growth[3] after taking into account the defence expenditure clause	% of GDP	–0.2	0.2	0.4	0.5

Source: Ministry of Finance.

Notes:

1. In line with the Council recommendation endorsing the FSP and the net expenditure growth ceilings presented in the FSP.
2. The cumulative growth rate is the change in net expenditures since 2024 (the base year of the FSP).
3. Negative value means lower net expenditure than it would be possible; a positive value implies higher net expenditure than would be possible. *Ex-post* assessment of the compliance of net expenditure growth with the established ceilings for net expenditure growth would allow for the compliance error of up to 0.3% of GDP (within one year) and up to 0.6% of GDP (with the accumulated deviation from 2025).
4. For the calculation of the net expenditure growth in 2025 - 2028, the impact of discretionary revenue measures is estimated in Table 6.
5. The figures in this row are obtained by summing up the estimated annual deviations (in EUR million) up to a given year and expressing the resulting amount as a percentage of GDP.

According to the 2026 draft budget and other planned budgets of the general government, the Maastricht criterion would be met in 2026-2028 with a deficit not exceeding 3% of GDP, but the planned general government deficit each year in 2026-2028 would lead to a moderate but steadily increasing debt-to-GDP ratio (Table 5).

Table 5. General government balance and debt

		2024	2025	2026	2027	2028
		% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
1	Net lending (+)/borrowing (-)	–1.3	–2.2	–2.7	–2.8	–2.8
2	Net lending (+)/borrowing (-) if defence expenditure for the acquisition of military equipment and inventories would be assessed on cash basis	–1.8	–3.2	–4.7	–4.4	–3.8
3	Structural balance	–0.7	–1.7	–2.5	–2.7	–2.7
4	Structural primary balance	0.1	–0.7	–1.3	–1.3	–1.2
5	General government debt	38.3	39.9	45.1	48.5	50.1
6	Change in general government debt	0.9	1.7	5.1	3.5	1.6

Sources: State Data Agency, Ministry of Finance.

Notes:

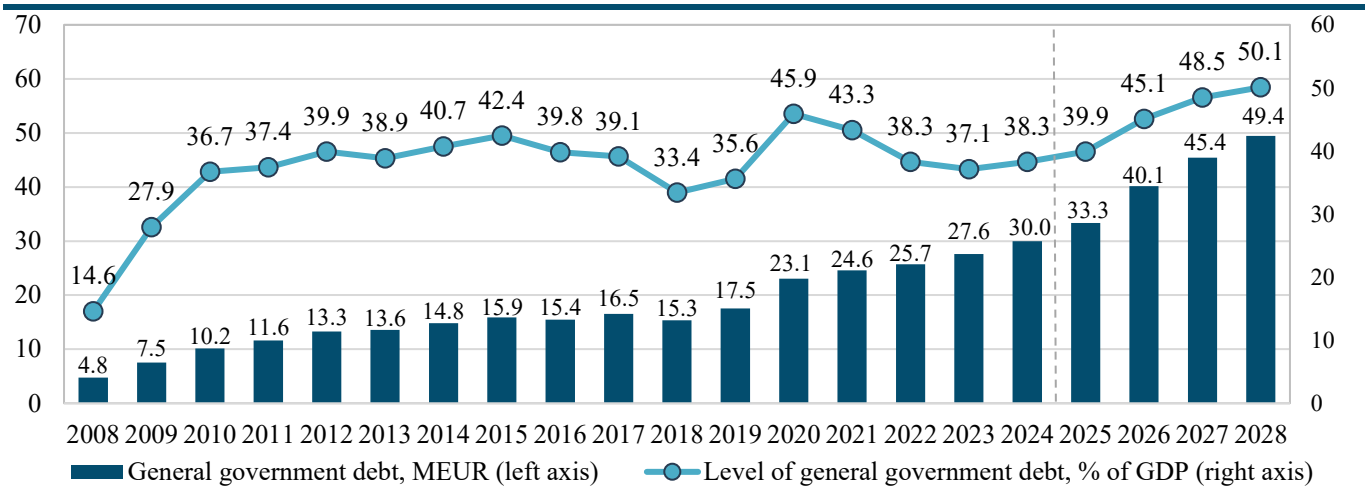
1. Due to rounding, the sum of rows may not match the detailed data.
2. The projection is in line with the net expenditure growth rates projected for 2025 and planned in the 2026 draft budget for 2026-2028 and the latest general government revenue projection available at the time of the preparation of the 2026 draft budget.

According to the medium-term general government balance projection available at the time of the preparation of the DBP, the general government debt at the end of 2026 is expected to amount to 45.1 % of GDP, 5.1 percentage points higher than at the end of 2025 (39.9% of GDP, Figure 1). General government

debt is projected to increase in the medium term to around 50.1 % of GDP by the end of 2028. The main reason for the increase in debt is the financing of the general government deficit (cash-based), which is higher than the deficit of the central government sub-sector calculated according to the ESA methodology (accrual-based).

In addition, the surplus of social funds is redirected to the reserve of the State Social Insurance Fund, so these funds are not used to reduce the State debt.

Figure 1. General government debt

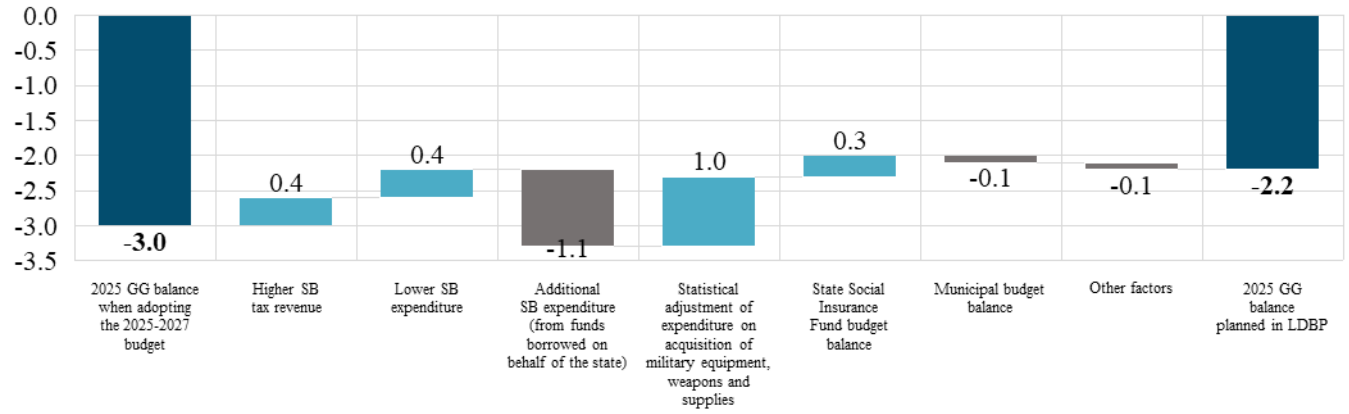


Source – Ministry of Finance.

SECTION 2
PROJECTION OF GENERAL GOVERNMENT FINANCE

In the 2025 budget, the general government deficit was set to be not higher than 3% of GDP in 2025. Taking into account the latest data available at the time of the preparation of the DBP on the implementation of the revenue and expenditure plans of the budgets attributed to the general **government, the general government deficit is expected to reach 2.2% of GDP in 2025.** The lower deficit than set in the 2025 budget is mainly due to better balances of the social security funds and central government sub-sectors. The wage fund growing at a faster pace than projected during the preparation of the 2025 budget, higher-than-planned revenue from social security contributions and PIT are projected for these subsectors. In addition, lower-than-planned expenditure of the State budget is projected, which is partly offset by additional spending covered by the borrowed funds. The change in the accrual-based expenditure of the Ministry of National Defence was also assessed (Figure 2).

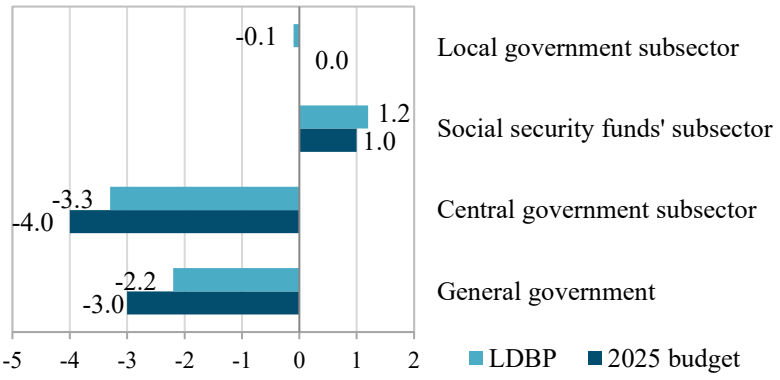
Figure 2. Factors affecting the general government balance in 2025, % of GDP



Source: Ministry of Finance.
Note: GG = general government; SB = State budget.

Almost total general government deficit occurs in the central government sub-sector (Figure 3), with revenue growth slower than expenditure growth. However, due to higher projected general government revenue and possible lower expenditure than planned in the 2025 budget, the projected general government balance of 2.2 % of GDP is by 0.8 percentage points of GDP better than planned at the time of the 2025 budget preparation.

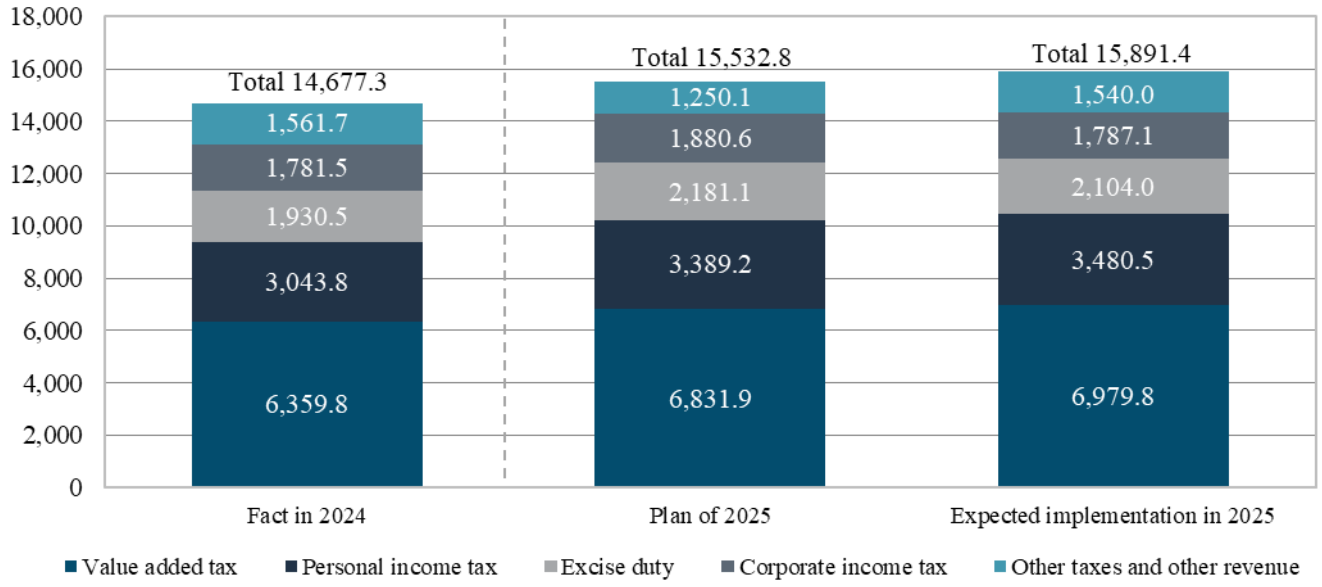
Figure 3. Balances of general government and subsectors in 2025, % GDP



Source: Ministry of Finance.

It is expected that the approved revenue plan of the State Budget for 2025 (on cash basis), excluding EU funds, will be exceeded by about EUR 358.6 million, mainly due to the better-than-planned collection of revenue from PIT, VAT, profit payments by the Bank of Lithuania, dividends, income from budgetary institutions from goods and services and transactions for the realisation of tangible and intangible assets. This revenue will offset the lower than planned collection of excise duties and corporate income tax revenue (Figure 4).

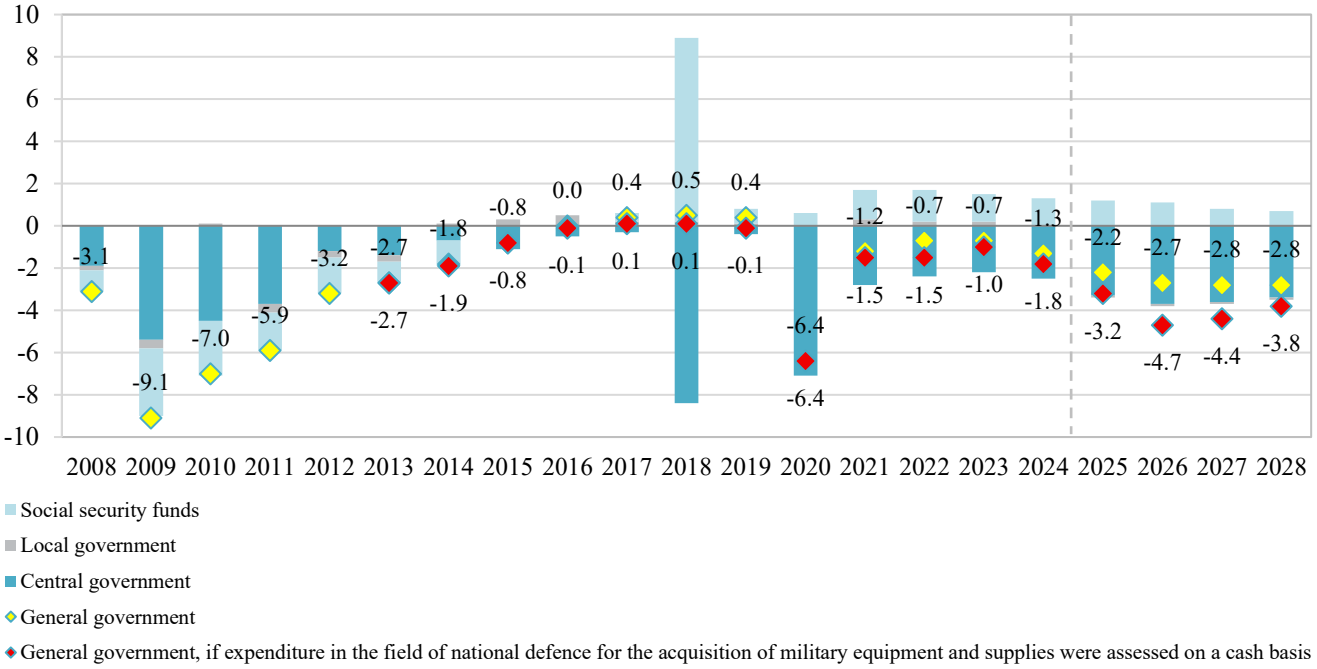
Figure 4. State budget revenue in 2024 and 2025, EUR million



Source: Ministry of Finance.

For 2026, the general government deficit is planned at 2.7% of GDP (Figure 5). As in 2025, the general government deficit is concentrated in the central government sub-sector (3.7 % of GDP), which is slightly increased by the local government sub-sector deficit (0.1 % of GDP). The deficit part of the general government balance is partly offset by the surplus of the social security funds sub-sector (1.1 % of GDP).

Figure 5. General government and sub-sector balances in 2008-2028, % of GDP



Sources: State Data Agency, Ministry of Finance.
Note: Expenditure in the field of national defence for the acquisition of military equipment and supplies is assessed on an accrual basis as from 2013.

In the years 2027 - 2028, taking into account the tax and expenditure policies pursued in 2025 and projected to be implemented by general government budgets in 2026 and their expected impact in the

medium-term years, **the general government deficit would not decrease** and would amount to 2.8 % of GDP, respectively. Information on the measures and their estimated impact on general government revenue and expenditure is provided in Part VI of the DBP.

Table 6. Medium-term general government finance projections

			2024	2024	2025	2026	2026	2027	2028
	Revenue	ESA code	EUR million	% of GDP	% of GDP	EUR million	% of GDP	% of GDP	% of GDP
1	Taxes on production and imports	D.2	9, 154.2	11.7	11.8	10, 708.4	12.0	12.2	12.0
2	Current taxes on income, wealth, etc.	D.5	8, 391.6	10.7	10.8	10, 226.8	11.5	12.0	12.2
3	Social contributions	D.61	8, 690.4	11.1	11.4	10, 230.5	11.5	11.6	11.7
4	Other current revenue	(P.11 + P.12 + P.131) + D.39 + D.4 + D.7	3, 335.7	4.3	4.5	3, 834.3	4.3	3.6	3.0
5	Capital taxes	D.91	4.3	0.0	0.0	39.9	0.0	0.1	0.1
6	Other capital revenue	D.92 + D.99	548.6	0.7	0.8	718.6	0.8	0.6	0.5
7	Total revenue (= 1 + 2 + 3 + 4 + 5 + 6)	TR	30, 124.8	38.4	39.3	35, 758.5	40.1	40.0	39.5
8	Of which transfers from the EU (accrued income, non-cash)	D.7EU + D.9EU	992.4	1.3	1.8	1, 906.5	2.1	1.3	0.9
9	Total revenue excluding transfers from the EU (= 7 – 8)		29, 132.4	37.2	37.5	33, 852.0	38.0	38.7	38.6
10	Discretionary revenue measures (increments, excluding EU-funded measures)		106.9	0.1	0.2	368.1	0.4	0.6	-0.1
10b	Of which revenue reductions funded by transfers from the EU		0	0	0	0	0	0	0
11	One-off revenue included in the projections (levels excluding EU-funded measures)		-0.2	0.0	0.0	–1.1	0.0	0.0	0.0
	Expenditure	ESA code	EUR million	% of GDP	% of GDP	EUR million	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	9, 148.6	11.7	11.8	10, 469.1	11.8	11.6	11.3
13	Intermediate consumption	P.2	3, 469.0	4.4	4.8	4, 586.8	5.1	5.0	4.9
14	Interest expenditure	D.41	629.9	0.8	1.0	1, 085.9	1.2	1.4	1.5
15	Social benefits other than social transfers in kind	D.62	10, 213.2	13.0	14.1	12 826.4	14.4	14.9	15.1
16	Social transfers in kind via market producers	D.632	1, 881.2	2.4	2.3	2, 006.4	2.3	2.3	2.3
17	Subsidies	D.3	203.1	0.3	0.3	285.0	0.3	0.3	0.3
18	Other current expenditure	D.29+ (D.4 – D.41) + D.5 + D.7 + D.8	1, 672.0	2.1	1.8	1, 608.3	1.8	2.1	1.9
19	Gross fixed capital formation	P.51	3, 326.5	4.2	4.8	5, 010.1	5.6	5.0	4.7
20	Of which nationally financed public investment		2, 783.0	3.5	3.6	3, 670.5	4.1	4.2	4.3
21	Capital transfers	D.9	471.0	0.6	0.5	149.2	0.2	0.2	0.2
22	Other capital expenditure	P.52 + P.53 + NP	122.5	0.2	0.1	93.0	0.1	0.1	0.1
23	Total expenditure (= 12 + 13 + 14 + 15 + 16 + 17 + 18 + 19 + 21 + 22)	TE	31, 137.0	39.7	41.6	38, 120.1	42.8	42.9	42.3
24	Of which expenditure financed by transfers from the EU (= 8)	D.7EU + D.9EU	992.4	1.3	1.8	1, 906.5	2.1	1.3	0.9
25	Nationally financed expenditure (= 23 – 24)		30, 144.6	38.4	39.7	36, 213.6	40.7	41.5	41.4
26	National co-financing expenditure*		144.1	0.2	0.2	264.4	0.3	0.3	0.2
27	Cyclical unemployment benefits		42.7	0.1	0.1	15.7	0.0	0.0	0.0

			2024	2024	2025	2026	2026	2027	2028
28	One-off expenditure included in the projections (levels excluding EU-funded measures)		–0.1	0.0	0.0	0.1	0.0	0.0	0.0
29	Net expenditure (before revenue measures) (= 25 – 26 – 27 – 28 – 14)		29, 328.1	37.4	38.5	34, 847.5	39.1	39.9	39.7
	Net nationally financed primary expenditure				change		change	change	change
30	Net expenditure growth				9.0		7.4	5.5	5.0
	Balances	ESA code	EUR million	% GDP	% GDP	EUR million	% GDP	% GDP	% GDP
31	Net lending (+)/borrowing (-) (= 7 – 23)	B.9	–1, 012.2	–1.3	–2.2	–2, 361.6	–2.7	–2.8	–2.8
	Net lending / borrowing by sub-sector	ESA code	EUR million	% GDP	% GDP	EUR million	% GDP	% GDP	% GDP
31a	Central government	B.9 (S.1311)	–1, 997.9	–2.5	–3.3	–3, 266.2	–3.7	–3.6	–3.4
31b	State Government	B.9 (S.1312)	–	–	–	–	–	–	–
31c	Local government	B.9 (S.1313)	–16.2	0.0	–0.1	–50.0	–0.1	–0.1	–0.1
31d	Social security funds	B.9 (S.1314)	1, 002.0	1.3	1.2	954.6	1.1	0.8	0.7
32	Primary balance (= 31 + 14)	B.9-D.41p	–382.3	–0.5	–1.2	–1, 275.7	–1.4	–1.5	–1.3
	Cyclical adjustment			% GDP	% GDP		% GDP	% GDP	% GDP
33	Structural balance			–0.7	–1.7		–2.5	–2.7	–2.7
34	Structural primary balance			0.1	–0.7		–1.3	–1.3	–1.2
	Debt		EUR million	% GDP	% GDP		% GDP	% GDP	% GDP
35	General government debt		29, 992.2	38.3	39.9	40, 142.2	45.1	48.5	50.1
36	Change in general government debt		2, 411.7	0.9	1.7	6, 809.1	5.1	3.5	1.6
37	Contributions to changes in general government debt								
38	Primary balance (= -32)			0.5	1.2		1.4	1.5	1.3
39	The Snow Ball Effect			–1.4	–1.3		–1.3	-0.8	–1.0
40	Interest expenditure (= 14)			0.8	1.0		1.2	1.4	1.5
41	Growth			–1.0	–1.0		–1.2	–1.0	–1.3
42	Inflation			–1.2	–1.4		–1.3	–1.2	–1.2
43	Stock-flow adjustment (= 36 – 38 – 39)			1.8	1.8		5.0	2.8	1.3
44	Implicit interest rate on debt (= 14 / DEBT (t-1)			2.3	2.7		3.3	3.2	3.3
	Defence expenditure		EUR million	% of GDP	% of GDP		% of GDP	% of GDP	% of GDP
45	Defence expenditure	COFOG.02	2, 214.1	2.8	3.1		3.6	3.9	4.1
46	Of which defence investments	COFOG.02, P.51g	797.1	1.0	0.7		1.1	1.2	1.2

Sources: State Data Agency, Ministry of Finance.

Notes:

1. Under the 2021-2027 financial perspective, national co-financing covers 10 funds/instruments, which together constitute co-financing costs: European Regional Development Fund, European Social Fund Plus, Cohesion Fund, Just Transition Fund, European Maritime, Fisheries and Aquaculture Fund, Asylum, Migration and Integration Fund, Internal Security Fund, Instrument for Financial Support for Border Management and Visa Policy, European Agricultural Fund for Rural Development, Connecting Europe Facility.
2. Due to rounding, the totals may not match the detailed data.

When planning the revenue of the State budget for 2026, the expected implementation of revenue collection in 2025, the EDS, the development of the tax bases, the loss of revenue due to the existing tax exemptions and special conditions have been taken into account. The revenue of the State budget, estimated on accrual basis, excluding EU funds, is planned to increase by EUR 1,517.1 million in 2026 compared to the expected revenue collection in 2025.

During the preparation of the revenue plan, changes in tax policy were taken into account, both adopted in 2025 (effective from 1 January 2026) and those affecting 2026 revenue due to previously adopted decisions. The fiscal impact of these measures is presented in Table 11.

General government revenue in 2026 will amount to 40.1 % of GDP, which, measured on an accrual basis but excluding EU funds, will increase by EUR 2,542.2 million, or 8.1 %, compared to the revenue projected in 2025.

In 2026, general government expenditure will amount to 42.8 % of GDP, which, measured on an accrual basis but excluding EU funds, will increase by EUR 3,056.8 million, or 9.2 % compared to the projected expenditure in 2025 (Table 6). If defence expenditure for the acquisition of military equipment and inventories were to be assessed on a cash-flow basis, general government expenditure would increase by EUR 4,019.2 million in 2026, or 11.8 % compared to the estimated expenditure in 2025, without taking into account EU funds.

In 2026, compared to 2025, general government expenditure increases due to higher amounts of expenditure financed by the EU funds,[21] increasing expenditure on strengthening national defence, as well as expenditure growth is also driven by discretionary decisions related to increases in wages, social benefits, including pensions.

Structural balance

The **structural deficit** is projected to be 1.7 % of GDP in 2025 (Table 7). The primary structural balance of -0.7% of GDP indicates an expansionary fiscal position. The structural surplus of 0.1% of GDP in 2024 is projected to turn into a primary structural deficit in 2025. The deterioration in the primary structural balance will be driven by a change in the headline general government balance of 0.9 percentage points of GDP. The structural balance is estimated at -2.5% of GDP in 2026. The structural primary deficit of 1.3 % of GDP in 2026 indicates a planned expansionary fiscal position.

The structural deficit would remain unchanged at around -2.7 percentage points of GDP on average in 2027 - 2028, mainly due to the persistence of the headline general government deficit.

Table 7. Medium-term general government balances, % of GDP

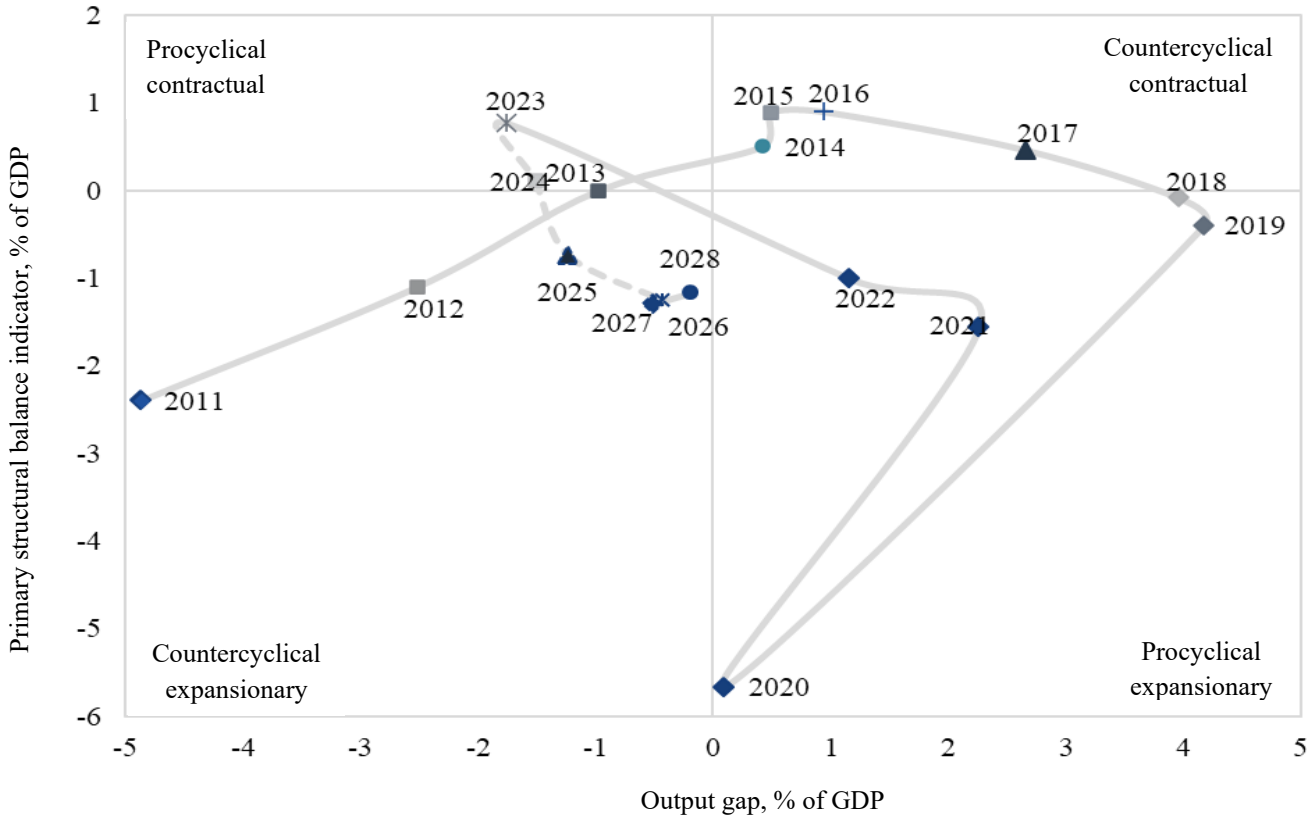
Indicator name	2024	2025	2026	2027	2028
General government balance (headline)	–1.3	–2.2	–2.7	–2.8	–2.8
Structural balance	–0.7	–1.7	–2.5	–2.7	–2.7
Primary structural balance	0.1	–0.7	–1.3	–1.3	–1.2

Source: Ministry of Finance.

According to the EDS, the output gap is projected to remain negative but to converge to the one close to 0 over the whole 2025-2028 period.

[21] General government expenditure financed by the EU and other international support does not affect the general government balance but changes the total level of expenditure.

Figure 6. Fiscal position



Sources: State Data Agency and Ministry of Finance.

The general government finance indicators presented in the DBP for the years 2026-2028 may change if positive and/or negative risks, fiscal or other risks in the EDS materialise. The list of risks is presented in Table 14.

SECTION 3
TAX AND EXPENDITURE POLICY

Tax policy

In the course of the comprehensive implementation of the provisions of the Programme of the Nineteenth Government of the Republic of Lithuania, as approved by Seimas of the Republic of Lithuania Resolution No XV-54 of 12 December 2024 on the Programme of the Nineteenth Government of the Republic of Lithuania relating to the strengthening of the financial capacity of the State, as well as to the creation of a more efficient, transparent and socially fair tax system, the facilitation of tax obligations, the strengthening of the economic and financial autonomy of municipalities, and in order to contribute to the financing of the State defence, **the following amendments to the tax laws were prepared and adopted by the Seimas in 2025, with effect from 1 January 2026:**

Amendments to the Republic of Lithuania Law on Corporate Income Tax[22]:

- increase of the corporate income tax rates by 1 percentage point, i.e. instead of the current standard 16 % and preferential 6 %, the corporate income tax rates are set at 17 % and 7 %, respectively;

[22] Law No XV-285 amending the Law on Corporate Income Tax, adopted by the Seimas on 17 June 2025, reference: XV-285 Law No IX-675 of the Republic of Lithuania on Corporate Income Tax 5, 17, 18, 30, 33, 34, 35, 38-2, 41, 43, ...

- the possibility of an instantaneous depreciation of the purchase price of certain fixed assets[23] is introduced;
- the right to deduct scholarships paid on the basis of tripartite agreements for students studying under the study programmes of a group of study fields of Mathematics, Life Sciences, Engineering or Technology (up to EUR 2, 500 per tax period), as well as scholarships for researchers carrying out a research and experimental development project (without limitation of the amount) is established;
- the period during which a 0 % corporate income tax rate is applied to the taxable profits of a newly established business is extended from 1 to 2 years;
- the requirement of a criterion of 10 employees in the application of a reduced corporate income tax rate is waived;
- unification of the limitations on the deductible amount of tax losses – the threshold of 70 % of taxable income for the transfer of tax losses between group companies is determined, as currently applied in case of a company‘s own losses.

Amendments to the Republic of Lithuania on Personal Income Tax[24]:

- the same progressive PIT rates are set for all income (excluding dividends and other income for which a 15% rate is proposed, as well as income related to agricultural activities):
  - income up to 36 AW is subject to a 20 % rate, summing up different types of income, but maintaining the benefits for low-income recipients;
  - income from 36 to 60 AW is subject to a 25 % rate, summing up different types of income;
  - income from 60 AW is subject to a rate of 32 %, summing up different types of income.
- separate progressive rates are set for income related to agricultural activities:
  - income up to 60 AW is subject to a 15 % rate, summing up different types of income;
  - income from 60 AW is subject to a 20 % rate, summing up different types of income.
- Maintaining reliefs for recipients of lower income:
  - decreasing NTA on labour income of up to EUR 2, 562.49;
  - a 5 % rate on income from the sale of scrap metal not exceeding 12 AW;
  - a 15 % rate for other income not exceeding 12 AW;
  - tax credit on taxable income (profit) from individual activities: the credit is extended from EUR 35 000 to EUR 42 500, which will not change the PIT burden for residents earning up to EUR 35, 000;
- a rate of 15 % (applicable regardless of the size of the income, while not including such income in the annual income, the size of which determines the size of the progressive rate) on the income from distributed profits (dividends), income from the sale of shares (interests, shares) retained for 5 years, certain types of benefits (e.g. sickness, maternity, etc.), income received through an investment account, income from shares acquired under options from the employer or from other shares, provided that the employee sold or otherwise disposed of these shares not earlier than after 3 years;

[23] Included in the following categories of fixed assets: ‘machines and equipment’, ‘installations (structures, boreholes, etc.)’, ‘computer hardware and communication tools (computers, their networks and equipment)’, ‘software’, ‘acquired rights’ and the fixed asset groups ‘freight vehicles, trailers and semi-trailers, buses — not more than 5 years old’ for the assets ‘trucks, trailers and semi-trailers’.

[24] Law No XV-343 amending the Law on Personal Income Tax, adopted by the Seimas on 26 June 2025, reference: XV-343 Law No IX-1007 of the Republic of Lithuania on Personal Income Tax 6, 13-1, 16, 17, 18, 18-2, 19...

- Review of PIT reliefs:

o labour income exceeding EUR 2, 562.49 is not covered by the NTA;

o non-taxable income includes scholarships paid by an enterprise to researchers carrying out a research and experimental development project, where a tripartite agreement has been signed between the enterprise, higher education institution or research institute and the researcher;

o the relief for supplementary (voluntary) health insurance contributions paid by the employer for the benefit of the employee is limited to the amount of contributions not exceeding EUR 350 per year;

o non-taxable income includes income from the sale of immovable property that has been held for 5 years (instead of 10 years);

o an additional tax-free amount for persons receiving income from employment or an additional income tax credit for persons receiving income from individual activities, which applies to parents raising children (from 2027, applying an additional NTA of EUR 1, 044 or an additional income tax credit of EUR 208,8 for each child (adopted, fostered) raised for a year) is introduced;

o flat-rate income tax on individual income not exceeding EUR 50, 000 (instead of EUR 45, 000 in force) per tax period;

o non-taxable income includes income not exceeding 1/4 of the annual NTA (EUR 2, 241 instead of the current EUR 1, 750) for the tax period received as remuneration for the provision of services on the basis of a service receipt.

Amendments to the Republic of Lithuania Law on Immovable Property Tax[25]:

- the model of non-commercial immovable property taxation for residents is changed:

o the tax-free amount of at least EUR 450, 000 for the main dwelling (residential dwelling or other dwelling with declared residence) and the rates between 0.1% and 1% are set by the municipal councils, taking into account the criteria laid down by law. The tax is credited to the municipal budgets.

o the total value of a resident's non-commercial immovable property other than the main residence, which does not exceed EUR 50, 000, is not taxed, and the total value of such immovable property, which exceeds EUR 50, 000, is subject to progressive rates of 0.2 % to 1%.

The tax for tax periods up to 2030 is credited to the State budget (State Defence Fund).

- broadening the tax base:

o unfinished construction is subject to immovable property tax not only when it is actually in use, but also in cases where the requirements for registration of the completion of construction are not met;

o municipal councils are entitled to set a higher rate of 1-5 % for abandoned or unsupervised immovable property (except for residents' non-commercial immovable property).

- agricultural relief: immovable property of legal persons and residents which was used to earn income from agricultural activities until the date of cessation of agricultural activities is exempt from taxation for a period of 5 years from the date of cessation of agricultural activities;

- Immovable property tax returns for residents are introduced by the tax administration, thus simplifying tax compliance procedures and reducing the administrative burden for residents;

[25] Law No XV-344 amending the Law on Immovable Property Tax, adopted by the Seimas on 26 June 2025, reference: XV-344 Law amending Law No X-233 of the Republic of Lithuania on property tax.

- the valuation of immovable property is carried out at least every 3 years in order to bring the tax base (tax value of real estate) closer to the market price and to avoid significant changes in the tax value of immovable property following a mass valuation of immovable property;
- For the tax value of commercial immovable property of legal persons and residents, a target additional rate of 0.2 % of immovable property tax is established, the funds of which are credited to the State Defence Fund.

Amendments to the Republic of Lithuania Law on Value Added Tax[26]:

- waiving VAT exemptions for heating, hot water and firewood (these goods are subject to VAT under the general regime);
- the reduced VAT rate of 9 % is increased to 12 % (goods and services currently subject to a reduced VAT rate of 9 % are taxed at a reduced VAT rate of 12 %);
- Books and publications are taxed at a reduced VAT rate of 5% instead of the current reduced VAT rate of 9%.

Amendments to the Republic of Lithuania Law on Excise Duties, which, in addition to the above objectives, also aim to contribute more to the objectives of improving public health:

- Expand the excise base to include non-alcoholic sweetened beverages with added sugars exceeding 2.5 g per 100 ml of beverage or containing sweeteners, as well as beverage concentrates. From 1 January 2026, the following excise duty rates will apply:
  - EUR 7,4/hl for beverages containing less than 8 g of added sugars per 100 ml or sweetened;
  - EUR 21/hl for beverages containing 8 g or more of added sugars per 100 ml;
  - EUR 105/hl or EUR 4.3/kg for beverage concentrates[27];
- and, from 1 January 2026, the following increases are planned in:
  - excise duty rates on ethyl alcohol and alcoholic beverages, tobacco products and their alternatives[28];
  - excise duty rates on gas oils, coal, coke and lignite, natural gas (supplied to household customers, as well as used as heating fuel for both business and non-business purposes);[29]
  - CO2 component for energy products[30]. In order to avoid a significant increase in gas oil prices from 2026 onwards and to contribute to not widening the gas oil price gap between Lithuania and

[26] Law No XV-287 amending Article 19 of Law No IX-751 of the Republic of Lithuania on Value Added Tax, adopted by the Seimas on 17 June 2025, reference: XV-287, Law amending Article 19 of Law No IX-751 of the Republic of Lithuania on value added tax.

[27] Law No XV-286 amending Articles 1, 2 and 3 of Law No IX-569 of the Republic of Lithuania on Excise Duties and adding a ninth section to Chapter II, adopted by the Seimas on 17 June 2025, reference: XV-286 Amendment of Articles 1, 2 and 3 of Law No IX-569 of the Republic of Lithuania on excise duties and additions to Chapter II ...

[28] Amendments to the Republic of Lithuania Law on Excise Duties adopted by the Seimas on 20 June 2024 as part of the package of the Law on the State Defence Fund of the Republic of Lithuania, reference: XIV-2769 Amendments to Articles 23, 24, 25, 26, 30, 31, 65 and 74 of Law No IX-569 of the Republic of Lithuania on excise duties ...

[29] Law No XIV-1933 amending Articles 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1 and 59 and Section 5 of Chapter II of Law No IX-569 on excise duties, adding a new Annex 3 to the Law and repealing Article 40 thereof, adopted by the Seimas on 9 May 2023, provides as follows: XIV-1933 Law No IX-569 of the Republic of Lithuania on excise duties 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1...

[30] Law No XIV-2770 amending Articles 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1, 59 and the fifth section of Chapter II of Law No IX-569 on excise duties, adding a new Annex 3 to the Law and repealing Articles 7, 9, 12, 17 and 19 of Law No XIV-1933, adopted by the Seimas on 20 June 2024, reference: XIV-2770 Law No IX-569 of the Republic of Lithuania on excise duties 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1...

neighbouring countries, the draft budget for 2026-2028 is accompanied by a proposal to temporarily suspend the increase in the CO2 component for gas oils subject to the standard excise duty rate provided for under the current legislation in 2026.

Measures to improve tax administration that entered into force in 2025 and are planned to be applied from 2026

In the area of improving tax administration, in order to contribute to a consistent reduction of the shadow economy and the VAT gap, a whole set of measures is applied in the following main directions:

- promoting voluntary tax payments by simplifying tax procedures, expanding electronic services, reducing administrative burdens, increasing the availability of advice, so that taxpayers have both the necessary knowledge to accurately calculate the correct amount of tax due and can meet their tax obligations quickly, simply and conveniently;
- prevention of tax infringements based on smart data analytics, including data resulting from cooperation between authorities at national and international level.

In 2025, amendments to the Republic of Lithuania Law on Tax Administration were adopted, which from 2026 introduced an obligation for crypto-asset service providers to provide the STI with information on crypto-asset users and their transactions. The resulting data will be used for tax risk analysis, ensuring the declaration of income of crypto-asset users.

In 2025, amendments to the Code of Administrative Offences of the Republic of Lithuania were adopted, which, as of 2026, introduced liability for crypto-asset service providers for failure to provide information to the tax administration, avoidance of providing information to the tax administration, artificially creating the circumstances that information supposedly should not be provided, stricter liability for infringements of the provision of information on opened and closed accounts to the tax administration.

In 2025, the last group of taxpayers must provide data recorded by cash registers to the Smart Electronic Cash Register Subsystem (i.EKA). i.EKA enables the development of electronic services provided by the STI to taxpayers and the prevention of tax infringements. i.EKA will ensure the irreplaceability of data recorded by cash registers, increase the efficiency of the STI's activities, and improve tax administration.

In 2026, the STI will install an electronic services platform that ensures technological conditions to transfer all the electronic services provided by the STI to this platform, which would be available to taxpayers in real time and without interruption.

The data acquisition, analysis and decision-making processes carried out by the STI and the Lithuanian Customs will be further modernised, using advanced analytical methods and technologies based on the application of artificial intelligence methods, and the competencies of employees will be improved.

Expenditure policy

The priority axes of the 2026 draft budget, while maintaining fiscal sustainability, are the following:

- **Defence.** National and public security is ensured by increasing defence funding by at least 5 % of GDP (in cash terms).
- **Personal income and social security**. The draft law proposes to increase the income of employed persons, social assistance and pension levels.
- **Road infrastructure**.

The priority investment directions of the European Union Funds Investment Programme for the period 2026-2028 and the RRF Plan are in line with the objectives of the National Progress Plan for the period 2021-2030: Investments in a sustainable and smart future for Lithuania – the biggest investments are proposed for environmental protection and climate change, social welfare and health, transport, energy and digital connections, as well as special attention to science, innovation, economy, education, reducing regional exclusion, investments in public administration, culture, national security.

With the RRF, including the REPowerEU, 88% of reforms have already been implemented and investments are rapidly increasing. The results of implementation are also reflected in the payment requests submitted by Lithuania to the European Commission. After the successful completion of the tax reform, a payment request (for an amount of EUR 598 million) was submitted in August 2025, which included delayed instalments of subsidy payments. In total, Lithuania has submitted 4 payment requests and, if the last request is positively assessed, Lithuania will have received more than 60 % of the allocated funds (EUR 2.3 billion) by the end of this year. Another payment request for EUR 388 million (EUR 360 million after pre-financing) is planned for the end of 2025. An amendment to the RRF plan is under preparation to ensure further progress in the implementation of the plan and to simplify reporting to the European Commission. This amendment will accelerate the implementation of investments and reforms.

Following an assessment of the need, already in 2024, the EC was presented with a proposal to modify the 2021-2027 investment framework of EU funds, which included a new priority 10 "Strategic Technologies for Europe Platform (STEP)". The EC accepted this amendment by Decision No C(2025) 1502 of 4 March 2025. In 2026, it is planned to continue implementing STEP priority activities that contribute to increasing the competitiveness and productivity of the country's industry, stimulating investment in research, experimental development and innovation, accelerating technological progress, creating new jobs and strengthening Lithuania's economic security.

SECTION 4
LONG-TERM SUSTAINABILITY PROSPECTS

In its debt sustainability report published in March 2025[31], the European Commission assessed Lithuania's long-term sustainability risks as medium, thus maintaining the increase in sustainability risks from low to medium for the second year in a row. The indicator measuring the long-term sustainability of general government finances, which indicates a necessary improvement in the structural primary balance (in percentage points of GDP) to stabilise the debt-to-GDP ratio, has grown from 3.3 to 3.5 over the year, further moving away from the low sustainability risk threshold of 2. Another long-term sustainability indicator, which points to an improvement in the structural primary balance required to keep the debt-to-GDP ratio below 60% in 2070, has increased from 4.4 to 4.6 per year and also points to a deterioration in long-term sustainability.

One of the main drivers of long-term sustainability risks is the cost of ageing, which includes spending on 4 areas: pensions, health care, long-term care and education. The Ageing Report[32] projects a difficult situation of the public finances of Lithuania. Ageing costs will reach 4.6 percentage points of GDP in 2070 and 5 percentage points of GDP at peak times in 2063. Compared to 2070, the projected EU average is 1.2

[31] **Debt Sustainability Report**, March 2025, https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2024_en#files.
[32] **Ageing Report** 2024, https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en.

percentage points of GDP. For Lithuania, more than half of the total long-term end-of-life ageing costs (2.4 percentage points of GDP) are expected to be achieved already after 9 years, in 2034. With the rapid ageing of the population, the gap between the need for public services and their financing possibilities is widening, the possibility of generating additional general government revenue is being undermined, both due to the reduced number of taxpayers and the slower growth of the country's economic potential.

PART III. REVIEW OF THE LITHUANIAN FISCAL GOVERNANCE

In 2025, Lithuania's numerical and procedural rules of fiscal discipline are under review. Amendments to the numerical rules are provided for in Draft Constitutional Law No 25-12746(3) amending Constitutional Law No XII-1289 on the implementation of the Fiscal Treaty of the Republic of Lithuania (hereinafter - draft CL). The draft CL was approved by Government Resolution No 691 of 8 October 2025, and on 14 October the Seimas proceeded to consider it after submission.

The draft CL and the related draft amendments to the Republic of Lithuania Law on Fiscal Discipline, the Republic of Lithuania Law on the Structure of the Budget and the Republic of Lithuania Law on State Control have been prepared in order to align the national fiscal governance rules with the changed EU rules. These draft laws transpose the provisions of Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, establish procedural rules to ensure proper application of Regulation (EU) 2024/1263 and eliminate gold-plating and overlapping regulation by the deadline of 31 December 2025.

As in the new EU economic governance framework, the draft CL enshrines one clear rule of fiscal discipline for the general government: net expenditure growth must remain within the ceilings of net expenditure growth each year. Net expenditure growth ceilings are set for the current and the 4 following years under one of the 3 modes:

1) where the general government debt of Lithuania does not exceed 60 % of GDP and the deficit does not exceed 3 % of GDP, the net expenditure growth ceilings are set by the Seimas in such a way that they correspond to a general government structural deficit of no more than 1 % of GDP;

2) when Lithuania’s general government debt exceeds 60 % of GDP or its deficit exceeds 3 % of GDP, the growth of net expenditure must be in line with the indicative trajectory provided by the EC;

3) when EU Council recommendations (e.g. on the excessive deficit procedure or the current national escape clause for defence spending) are in force, Lithuania’s net expenditure growth must be in line with these recommendations.

In the first case, flexibility is also possible whereby the net expenditure growth ceilings may correspond to a general government structural deficit of less than 1% of GDP at the level of the increase in central government gross fixed capital formation expenditure (percentage of GDP) compared to the previous 5-year period, but only to a level that meets the sustainability criteria for technical information provided to the EC (i.e. in any case ensuring compliance with EU fiscal discipline rules).

In addition, political transparency and accountability are enhanced by introducing automatic compensation for the exceedance of net expenditure growth ceilings in subsequent budgets and by obliging the Prime Minister or the mayor of the municipality to explain the reasons for non-compliance with fiscal discipline by an oral report to the Seimas. The *comply-or-explain* principle is also introduced: central and local authorities must either take into account the opinion of the independent fiscal institution, the functions

of which are performed by the National Audit Office, or publicly explain (publish) why they do not take it into account.

PART IV. REFORM OF THE BUDGET FRAMEWORK

Lithuania completed the reform of the budgetary framework aimed at establishing a transparent and efficient medium-term budgetary framework, closely linked to the state strategic management framework. During the implementation of the reform, medium-term budgeting rules were legitimised in 2024, a comprehensive spending review of the State budget expenditure was carried out, and methodological guidelines for planning the need for the State budget appropriations for 3 budget years were approved. Taking into account these works, in 2024 the Seimas approved the first medium-term consolidated budget for 2025-2027. The indicators of the consolidated budgets (State, municipal, state social funds and the CHIF) have been approved for 3 budgetary years and may be amended in accordance with the rules laid down in the Law on the Budget Structure. From 2026 onwards, the managers of the State budget appropriations will be able to carry over part of the unused State budget appropriations to the next budget year in accordance with the rules laid down in the Law on the Budget Structure. These changes will help to manage the impact of decisions and commitments taken on subsequent years' budgets, increase the predictability of funding for appropriations managers and reduce the problem of year-end spending.

A comprehensive spending review was carried out in 2023-2024, focusing on the review of the processes for planning and assessing the effectiveness of the use of continuous operational funds. The recommendations resulting from the spending review were addressed to the ministries: short-term recommendations have been implemented in the preparation of the 2025 draft budget, long-term recommendations will be implemented in the preparation of the 2026 and subsequent draft budgets. Also in 2025-2026, the Ministry of Finance, together with IMF experts, will implement the *Technical Support Instrument* (TSI) project "Lithuanian Public Expenditure Reviews: methodological improvements and institutional competences", which will include a review of public sector wage expenditure. This spending review will aim at a more efficient planning and use of the State budget's continuing activity funds allocated to wages.

PART V. METHODOLOGICAL ASPECTS

Table 8. Preparation of the Economic Development Scenario.

Calculating Techniques	Technique at the stage of the budgetary process	Important features of the models/techniques used	Assumptions
Principles of macroeconomic modelling, econometric and expert assessment	Economic development scenario	Macroeconomic forecasts are prepared for the medium term using macroeconomic modelling. **Econometric equations are constructed for the analysis of individual or multiple potentially interrelated macroeconomic indicators, and expert judgement is applied.** Estimates of potential GDP are based on the methodology approved by the Economic and Financial Affairs Council (ECOFIN) in 2002	Technical assumptions (changes in external demand, energy prices, exchange rates and interest rates)

Revenue forecasting

Tax revenue forecast is made on the basis of macroeconomic projections, statistical data, revenue dynamics and the information provided by public authorities. The forecast of revenue from individual taxes may be expertly adjusted, i.e. considering other circumstances than those provided for in draft amending laws that may affect the collection of revenue.

Depending on the tax, one or several forecasting methods are applied:

Detailed modelling method. The data is collected on the number of taxpayers in each category and on the total amount and structure of revenue of that category. A simulation model is created from two blocks – typical taxpayer and an aggregating block. This model is applied to estimate how much on average an individual taxpayer representing a certain group, the entire group and, ultimately, all taxpayers of the country will pay in taxes.

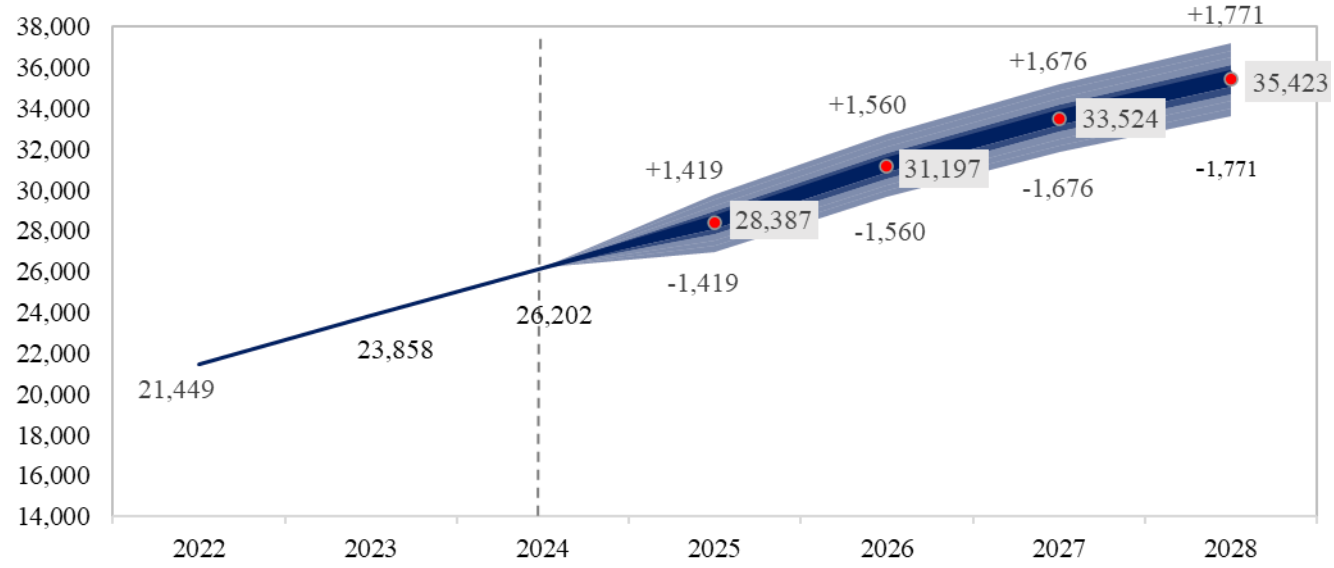
Effective average rate method. The tax rate established by law is adjusted considering the applied reliefs, tax base exemptions, etc. The effective average rate thus assessed is multiplied by the scope of the tax base to obtain a forecast of revenue from appropriate taxes.

Elasticity method. A dependency between revenue from a tax increase (decrease) and dynamics of the relevant tax base is established. After considering the elasticity coefficient specific to a particular tax and the forecasted changes in the tax base, the revenue from that tax is forecasted.

Revenue sensitivity analysis

Based on the relationship between the general government tax revenue and nominal GDP, a static sensitivity analysis showed that a change in nominal GDP by 1% could change the revenue projection presented in the DBP from EUR 284 million in 2025 to EUR 354 million in 2028 (Figure 13).

Figure 7. Sensitivity analysis of the general government tax revenue (D.2 + D.5 + D.61 + D.91 – D.995)



Source: Ministry of Finance.

Note: The sensitivity analysis of projected tax revenue is carried out on the assumption that nominal GDP increases or decreases by 1 % (dark blue stretch), 2 % (blue stretch) and 5 % (light blue stretch) compared to the indicator projected in the economic development scenario. The central axis of the graph (blue line for fact, red dots for projection) represents general government revenue in total.

PART VI. ECONOMIC DEVELOPMENT SCENARIO AND PUBLIC FINANCE DATA

Table 9. General government revenue, expenditure and balance indicators under a no-policy-change scenario

	Revenue	ESA code	2025 % of GDP	2026 % of GDP	2027 % of GDP	2028 % of GDP
1	Taxes on production and imports	D.2	11.4	11.6	12.0	11.9
2	Current taxes on income, wealth, etc.	D.5	10.8	11.3	11.8	12.3
3	Social contributions	D.61	11.4	11.5	11.6	11.7
4	Other current income	(P.11 + P.12 + P.131) + D.39 + D.4 + D.7	4.5	4.4	3.4	3.0
5	Capital taxes	D.91	0.0	0.0	0.1	0.1
6	Other capital income	D.92 + D.99	0.8	0.8	0.6	0.5
7	Total revenue (= 1 + 2 + 3 + 4 + 5 + 6)	TR	38.9	39.7	39.5	39.6
	Costs	ESA code	% GDP	% GDP	% GDP	% GDP
8	Compensation of employees	D.1	10.9	11.1	11.6	11.3
9	Intermediate consumption	P.2	4.8	5.1	5.0	4.9
10	Interest expenditure	D.41	1.0	1.2	1.4	1.5
11	Social benefits other than social transfers in kind	D.62	13.9	14.4	14.9	15.1
12	Social transfers in kind through market producers	D.632	2.3	2.3	2.3	2.3
13	Subsidies	D.3	0.3	0.3	0.3	0.3
14	Other current expenditure	D.29+ (D.4 – D.41) + D.5 + D.7 + D.8	1.8	1.8	2.1	1.9
15	Gross fixed capital formation	P.51	4.5	3.0	5.0	4.7
16	Of which: nationally financed public investment		3.3	1.5	4.2	4.3
17	Capital transfers	D.9	0.5	0.2	0.2	0.2
18	Other capital expenditure	P.52 + P.53 + NP	0.1	0.1	0.1	0.1
19	Total expenditure (= 8 + 9 + 10 + 11 + 12 + 13 + 14 + 15 + 17 + 18)	TE	40.2	39.5	42.9	42.3

			2025	2026	2027	2028
	Balances	ESA code	% GDP	% GDP	% GDP	% GDP
20	Net lending (+)/borrowing (-) (= 7 – 19)	B.9	–1.2	0.2	–3.4	–2.7
21	Primary balance (= 20 + 10)	B.9+D.41p	–0.2	1.4	–2.1	–1.2

Source: Ministry of Finance.

Note: Due to rounding, the sum of rows may not match the detailed data.

Table 10. State-guaranteed debt

	2025	2026
	% of GDP	
State guarantees	1.2	1.4
of which related to the financial sector	0.0	0.0

Source: Ministry of Finance.

Table 11. Budgetary impact of discretionary general government revenue measures

	Description of the measure	Temporary (Yes/No)	ESA code	2025 EUR million	2025 % of GDP	2026 EUR million	2026 % of GDP
1.*	Increasing excise duty rates on tobacco products and e-cigarette liquid	No	D.2	57.1	0.1	27.0	0.03
2.*	Increasing excise duty rates on ethyl alcohol and alcoholic beverages	No	D.2	39.0	0.05	38.9	0.04
3.*	Compensation from State budget of the 9 percentage points VAT rate applied on heat energy and hot water (the difference between 9 and 0 percent) for goods actually supplied to residents in January-April 2022, October 2022-April 2023 and October 2023-April 2024.	Yes	D.2	19.4	0.02		
4.*	The European Green Deal package and the decisions taken to finance the State Defence Fund: increase of the fixed part of the excise duty rate, introduction of the CO2 component and the security component in 2025, increase of the fixed part of the excise duty rate (2026), increase of the CO2 component and the security component (the CO2 component does not increase temporarily for diesel fuel in 2026)	No	D.2	208.6	0.25	76.9	0.09
5.*	Excise duty on non-alcoholic sweetened beverages from 1 January 2026	No	D.2			25.0	0.03
6.*	The amendments to the Lottery and Gambling Tax as of 1 January 2025	No	D.2	4.4	0.01		
7.**	The amendments to State natural resources tax, which entered into force on 1 July 2023	No	D.2	12.0	0.01		
8.*	The amendments to the pollution tax which entered into force from 1 January 2025	No	D.2			34.0	0.04
9.*	Increase of the reduced VAT rate from 9 % to 12 % for accommodation services, passenger and luggage transportation services on regular routes, services for visiting arts and cultural institutions, arts and cultural events from 1 January 2026.	No	D.2			20.1	0.02
10.*	Increasing the reduced 9 % VAT rate to 21 % for hot water and heat energy supplied for heating residential premises, firewood for heating from 1 January 2026.	No	D.2			65.1	0.07
11.*	Reduction of the reduced VAT rate from 9 % to 5 % for printed and electronic books and printed and electronic non-periodical information publications from 1 January 2026.	No	D.2			–4.7	–0.01
12.*	Introduction of a security contribution	No	D.2			107.7	0.12
13**.	Changes in the NTA formula ensuring the maximum application of the NTA for persons earning up to MMW and maintaining the more	No	D.5	–91.7	–0.11		

	Description of the measure	Temporary (Yes/No)	ESA code	2025 EUR million	2025 % of GDP	2026 EUR million	2026 % of GDP
	favourable formula for persons earning up to 1 AW came into effect on 1 January 2025.						
14.**	The narrowing of the scope of the benefit of the additional sickness insurance paid by the employer for the benefit of the employee, with the amount of insurance not exceeding EUR 350 being allocated to the non-taxable income	No	D.5			5.7	0.01
15.*	Temporary solidarity contribution	Yes	D.5	–153.2	–0.18	–66.7	–0.07
16.*	The increase in the corporate income tax rate by 1 percentage point from the current 15 % to 16 % rate as well as increase in the preferential corporate income tax rate for small businesses by 1 percentage point to 6 % from 1 January 2025.	No	D.5	35.7	0.04	76.1	0.09
17.*	The increase in the corporate income tax rate by 1 percentage point from the current 16 % to 17 % rate as well as increase in the preferential corporate income tax rate for small businesses by 1 percentage point to 7 % from 1 January 2026.	No	D.5			48.7	0.05
18.*	The abolition of sectoral corporate income tax incentives for health care institutions and life insurance companies and limitation of the deduction of car purchase price and rental costs in relation to the CO2 emissions of the car	No	D.5			18.7	0.02
19.**	Changes in immovable property tax on non-commercial immovable property (including the postponement of the payment deadline to the following calendar year)	No	D.5			–67.8	–0.08
20.*	Immovable property tax on commercial immovable property is subject to an additional rate of 0.2 %	No	D.5			39.9	0.04
21.*	The amendments to the road user charge (extended list of toll roads) with effect from 1 July 2025	No	P.131	3.5	0.004		
22*.	The amendments to the road user charge (the revenue from the road user charge will no longer be State budget revenue) with effect from 1 January 2026.	No	P.131			–73.5	–0.08
23.*	The amendments to the traffic restriction fee (the revenue from the traffic restriction fee will no longer be State budget revenue) with effect from 1 January 2026.	No	P.131			–0.4	–0.0004
24.*	The amendments to the charge for the use of roads by oversized and/or heavy vehicles or combinations thereof (the revenue from the charge for the use of roads by oversized and/or heavy vehicles or combinations thereof will no longer be State budget revenue) with effect from 1 January 2026.	No	P.131			–6.6	–0.01
25.*	One-off income from profit contributions of the Bank of Lithuania due to exceptionally high profit in 2024	Yes (single-use; *one-off*)	D.4	94.2	0.11	–94.2	–0.11
26.	One-off income from bankruptcy proceedings	Yes (single-use; *one-off*)	Other	0.2	0.0002	–1.1	–0.001
27.***	Additional one-off insurance premium for accidents at work in case of breach of occupational safety and health requirements, depending on the size of the company	No	D.61	1.4	0.002		
28.***	The right of farmers for 90% of their individual agricultural taxable income and certain non-taxable income to be considered as the basis for their social security contributions, up to a maximum of the	No	D.61			6.0	0.01

	Description of the measure	Temporary (Yes/No)	ESA code	2025 EUR million	2025 % of GDP	2026 EUR million	2026 % of GDP
	amount of the 12 MMW approved by the Government, with retroactive effect for the years 2023 to 2025						
29.***	60 AW ceiling for employer's social security contributions	No	D.61			–2.8	–0.003
30.***	Alignment of social security contribution bases for the self-employed (90% instead of 50%)	No	D.61			0.8	0.001
	Total			**230.6**	**0.3**	**272.6**	**0.3**

Source: Ministry of Finance.

* Discretionary revenue measures of the central government subsector (S.1311).

** Discretionary revenue measures of the central government and local government subsectors (S.1311 and S.1313).

*** Discretionary revenue measures of the social security funds sub-sector (S.1314).

Notes:

1. The stage of adoption of all measures presented in the table is 'approved' or 'submitted by the Government to the Seimas' and the accounting principle is accrual.
2. The column of the table marked in 2025 shows the impact on general government revenue of the measures taken in 2025 and/or the amounts neutralising the impact on revenue of the measures taken in 2024 but no longer applied in 2025.
3. The column of the table marked in 2026 shows the impact on general government revenue of the measures taken in 2026 and/or the amounts neutralising the impact on revenue of the measures taken in 2025 but no longer applied in 2026.

Table 12. Budgetary impact of the central and local government expenditure discretionary measures

	Title/Description of the measure	Temporary (Yes/No)	Sub-sector	ESS code	2025 EUR million	2025 % of GDP	2026 EUR million	2026 % of GDP
1	Increase of the MMW to EUR 1, 038 in 2025 and EUR 1, 153 in 2026	No	S.1311	D.1	–14.7	–0.02	–14.2	–0.02
2	Increase of the MMW to EUR 1, 038 in 2025 and EUR 1, 153 in 2026	No	S.1313	D.1	–23.8	–0.03	–23.1	–0.03
3	Increase of the MMW to EUR 924 in 2024, to EUR 1, 038 in 2025 for ambulance service staff and residents (calculated from last year's MMW)	No	S.1311	D.1	–8.7	–0.01	–17.7	–0.02
4	Increase of minimum coefficients	No	S.1311	D.1	–13.2	–0.02	–4.8	–0.01
5	Increase of minimum coefficients	No	S.1313	D.1	–11	–0.01	–14.2	–0.02
6	Increase of the basic salary from EUR 1, 785.4 to EUR 1, 798	No	S.1311	D.1			–20.2	–0.02
7	Increase of the basic salary from EUR 1, 785.4 to EUR 1, 798	No	S.1313	D.1			–9.0	–0.01
8	Increase in the remuneration of statutory officials	No	S.1311	D.1	–31.5	–0.04	–24.1	–0.03
9	Increasing the salaries of employees of institutions in the field of social security and labour	No	S.1311	D.1	–6.5	–0.01		
10	Increasing the salaries of pedagogical staff	No	S.1311	D.1	–110.6	–0.13		
11	Increase in salaries of pedagogical and research staff by 5.5% from 1 September 2024	No	S.1311	D.1	–72.5	–0.09		
12	Increase in salaries of pedagogical and research staff by 8 % from 1 September 2025	No	S.1311	D.1	–73.1	–0.09	–146.3	–0.16
13	Increase in salaries of teachers, researchers and sports coaches by 5% from 1 January 2026	No	S.1311	D.1			–148.8	–0.17
14	Additional funding for educational hours in forms 1-4 (the number of primary contact hours per post would decrease from 799 to 756 hours)	No	S.1311	D.1	–14.1	–0.02	–28.3	–0.03
15	Increasing the number of non-contact hours of teachers working under pre-school and pre-primary education programmes	No	S.1311	D.1	–7.8	–0.01		
16	Strengthening education assistance (for the creation of additional positions of education support specialists, integration of children with special needs)	No	S.1311	D.1	–4.6	–0.01		

	Title/Description of the measure	Temporary (Yes/No)	Sub-sector	ESS code	2025		2026	
					EUR million	% of GDP	EUR million	% of GDP
17	Funding of additional educational lessons (life skills, informatics)	No	S.1311	D.1	–12.8	–0.02		
18	Implementation of civil service reform	No	S.1311	D.1	–3.7			
19	Implementation of phase II of civil service reform (statutory officers, prosecutors, diplomats)	No	S.1311	D.1	–16.2	–0.02		
20	Increase in salaries of employees of cultural institutions (central government)	No	S.1311	D.1	–11.2	–0.01	–8.9	–0.01
21	Increase in salaries of employees of cultural institutions (local government)	No	S.1313	D.1	–4.3	–0.01	–3.1	
22	Increasing the salaries of lecturers, researchers and researchers	No	S.1311	D.1	–68.7	–0.08		
23	Funding for research and experimental development	No	S.1311	P.2	–10.6	–0.01	–2.2	0.00
24	Targeted media compensation for the planned ban on gambling advertising	Yes	S.1311	P.2	–4.4	–0.01		
25	Funding for the provision of formal and non-formal education, training and other educational needs for the family members of the German Armed Forces Brigade in 2025	No	S.1311	P.2	–0.3	0.00	-0.7	
26	Funding for the provision of formal and non-formal education (including infrastructure), education, training and other educational needs for the family members of the German Armed Forces Brigade in 2025	No	S.1311	P.2	–1.7	0.00	–2.2	
27	Reimbursement of the costs of social care for persons with severe disabilities under the Republic of Lithuania Law on Social Services	No	S.1311	D.6M	–30	–0.04		
28	Helping Ukrainian people withdrawing from Russian military aggression in 2025 (food packages and cards, education of Ukrainian children, cash payments and compensations, healthcare services, other)	Yes	S.1311	D.6M	–63.3	–0.08		
29	Increased transport benefits for victims; the extension of the group of victims benefiting from the preferences; equalising the level of transport allowances for children	No	S.1311	D.3	–6.3	–0.01		
30	Payments to operators for transferable fishing quota rights	Yes	S.1311	D.3	–2	0.00	–1	
31	Payment of compensation for the cessation of fur farming activities (for the implementation of the Republic of Lithuania Law on the Welfare and Protection of Animals)	Yes	S.1311	D.3	–2	0.00	-1.4	
32	Increase in defence funding (State Defence Fund)	No	S.1311	P.51	–240.2	–0.29	0	
33	Increasing the production capacity of cartridges	Yes	S.1311	P.51	0	0.00	–25.2	–0.03
34	Increase of funding of the Ministry of National Defence (see note 4)	No	S.1311		0	0	–2 301.2	-2.58
	Total				**–869.7**	**1.04**	**–2 796.6**	**–3.14**

Source: Ministry of Finance.

Notes:

1. All measures presented in the table are in the 'accepted by the Government' stage of adoption.
2. The column of the table, marked in 2025, shows the impact on general government expenditure of the measures introduced in 2025. This column does not include amounts neutralising the impact on expenditure of measures taken in 2024 but no longer applied in 2025.
3. The column of the table, marked in 2026, shows the impact on general government expenditure of the measures introduced in 2025. This column does not include amounts neutralising the impact on expenditure of measures taken in 2025 but no longer applied in 2026.
4. The increase in funding of the Ministry of National Defence is indicated in cash flows compared to the appropriations approved in 2025.
5. Due to rounding, the totals may not match the detailed data.

Table 13. Discretionary expenditure measures of the social security funds sub-sector

	Title/Description of the measure	Temporary (Yes/No)	Sub-sector	ESA code	2025		2026	
					EUR million	% of GDP	EUR million	% of GDP
1	Indexation of basic prices of personal health care services, allowing to increase salaries of employees of medical institutions	No	S.1311	D.1	–118.0	–0.1	–76.0	–0.1
2	Indexation of basic prices of personal health care services, allowing to increase salaries of employees of medical institutions	No	S.1313	D.1	–85.0	–0.1	–55.0	–0.1
3	Indexation of basic prices of personal health care services, allowing to increase salaries of employees of medical institutions	No	S.1314	D.1	–27.0	–0.03	–17.0	–0.02
4	Additional indexation of the individual pension share (1.4% from 1 January 2025)	No	S.1314	D.6M	–37.3	–0.04		
5	Other discretionary expenditure measures related to social benefits	No	S.1314	D.6M	–32.0		11.2	
	Total				**–299.3**	**-0.4**	**–136.8**	**-0.2**

Source: State Social Insurance Fund (Sodra).

Notes:

1. All measures presented in the table are in the 'accepted by the Government' stage of adoption.
2. The column of the table marked in 2025 shows the impact on general government expenditure of the measures taken in 2025 and/or the amounts neutralising the impact on expenditure of the measures taken in 2024 but no longer applied in 2025.
3. The column of the table marked in 2026 shows the impact on general government expenditure of the measures taken in 2026 and/or the amounts neutralising the impact on expenditure of the measures taken in 2025 but no longer applied in 2026.

Table 14. List of medium-term fiscal risks

Risk	Source of risk	Degree of risk	Likelihood of occurrence of risk
Changes in the geopolitical situation	In case of persistence or increase of geopolitical tension, the following may occur: 1) increasing security (including cyber) and defence-strengthening needs, leading to higher general government spending; 2) rising global energy prices and the need for measures to help people and/or businesses.	high	high
Statistical corrections to data on national defence expenditure	Significant differences between the forecasts of expenditure on military equipment, weapons and supplies and the actual data assessed on an accrual basis in general government finance statistics (according to the European System of Accounts 2010, ESA2010) may increase or decrease general government expenditure	high	high
Political cycle	The pressure to make long-term commitments may lead to an increase in general government expenditure unless new sustainable sources of revenue are earmarked to meet these long-term commitments.	high	high
Implementation of the RRF plan	If part of the milestones in the plan are not achieved during the implementation of the RRF plan and part of the RRF grant is not received, general government expenditure may increase compared to planned expenditure	moderate	moderate
Supporting Ukrainians in Lithuania and Ukraine	There is an additional need for funds for measures related to helping Ukrainian people who have found refuge in Lithuania than foreseen in the draft budget for 2026. Joining the financial security provided by the IMF for the implementation of Ukraine's commitments to the IMF and assistance to Ukraine may lead to additional financial liabilities	moderate	high
Unplanned general government expenditure and unspent planned funds	The implementation of budgets allocated to the general government sector may lead to a deterioration of the general government balance through expenditure made in discretionary decisions that is higher than planned in the budgets. Conversely, part of the unspent planned budget appropriations can improve the general government balance	high	high

Risk	Source of risk	Degree of risk	Likelihood of occurrence of risk
Decisions of the Government and the Seimas related to wages for the years 2027-2028	Decisions on the MMW and the NTA were taken only for 2026. Following the Government's decision on a further increase in the MMW and/or the Seimas' decisions on changes in the NTA for the years 2027-2028, the revenue from the PIT for the State and municipal budgets would be lower than projected due to these factors, respectively, the general government balance may deteriorate compared to the planned balance	moderate	high
Activities of state-owned enterprises	Improvements or deteriorations in performance may increase or decrease the amounts of dividends paid to the State budget. Lower revenue for companies classified in the general government sector than spending on investment projects can lead to deficits in corporate budgets: Deterioration of the general government balance and increase in general government debt	moderate	high
Natural disasters	Measures to reduce the impact of rainfall, fires, droughts, epidemics on the public and/or private sector may lead to higher general government expenditure and/or lower revenue	moderate	moderate

Source: Ministry of Finance.

Table 15. RRF grants

		% of GDP						
		2020	2021	2022	I 2023	2024	2025	2026
	RRF grant revenue							
1	RRF grants included in revenue projections	–	0.0	0.1	0.3	0.5	1.1	1.0
2	Cash disbursements of EU RRF grants	–	0.5	0.0	0.8	0.2	0.6	0.8
	Expenditure financed by RRF grants							
3	Total current expenditure	–	0.0	0.0	0.1	0.1	0.3	0.1
4	Gross fixed capital formation	–	0.0	0.1	0.2	0.4	0.8	0.7
5	Capital transfers	–	0.0	0.0	0.0	0.0	0.0	0.2
6	Total capital expenditure (4 + 5)	–	0.0	0.1	0.2	0.4	0.8	0.9
	Other expenditure financed by RRF grants							
7	Decrease in tax revenue	–	0	0	0	0	0	0
8	Other expenditure having an impact on revenue	–	0	0	0	0	0	0
9	Financial transfers	–	0	0	0	0	0	0

Sources: State Data Agency, Ministry of Finance.

Notes:

1. In 2025, the RRF grant share for Lithuania totalled EUR 2, 297.5 million, which was reduced by EUR 8.7 million by the EC decision of 6 May 2024 due to the financial correction applied for the partial achievement of milestone 142.
2. In 2021, an advance on the grant part of the RRF was received. In 2023, a payment was received for the first grant payment request and an advance on the RePowerEU part of the RRF component. In 2024, a share of EUR 14.8 million of the funds suspended under the first grant payment request was received. A second tranche of subsidies was also received in 2024. In 2025, payments of the third, fourth and fifth tranches of the subsidy are planned to be received by the end of the year. In 2026, the flow of funds for the RRF subsidy is projected in accordance with the schedule of financial contributions currently approved by the Council Implementing Decision on the assessment of the RRF plan.
3. The coordination with the European Commission on the modification of the RRF plan is currently taking place informally and may lead to adjustments of the amounts indicated.
4. Due to rounding, the sum of rows may not match the detailed data.

Table 16. RRF loans

		% of GDP						
		2020	2021	2022	2023	2024	2025	2026
	RRF loan revenue							
1	RRF loan amounts received from the EU	–	–	–	0,1	0,8	0	0,9
2	Repayment of EU RRF loan amounts	–	–	–	0	0	0	0
	Expenditure financed by RRF loans							
3	Total current expenditure	–	–	–	0	0	0.3	0.4
4	Gross fixed capital formation	–	–	–	0	0	0.3	0.3
5	Capital transfers	–	–	–	0	0	0.0	0.1
6	Total capital expenditure (4 + 5)	–	–	–	0	0	0.3	0.5
	Other expenditure financed by RRF loans							
7	Decrease in tax revenue	–	–	–	0	0	0	0
8	Other expenditure having an impact on revenue	–	–	–	0	0	0	0
9	Financial transfers	–	–	–	0	0	0	0

Sources: State Data Agency, Ministry of Finance.

Notes:

1. In 2023, an amendment to the RRF plan was approved, complementing it with RRF loan funds.
2. In 2023, an advance on the loan tranche of the RRF was received. In the first quarter of 2024, the funds received under the first loan payment request, in 2024, the second instalment of the loan funds was received. No funds are planned to be received under the loan tranche in 2025. In 2026, the RRF loan is projected to flow in accordance with the schedule of financial contributions currently approved by the Council Implementing Decision on the assessment of the RRF plan.

Table 17. State guarantees

Guarantee measure	Start date of application of the guarantee measure	Maximum amount of guarantees available in 2026 (EUR million/% of GDP)		Guarantees provided, acc. to the data of 31 August 2025 (EUR million/% of GDP)	
State guarantee measures related to COVID-19 measures					
Portfolio and individual guarantees administered by ILTE UAB	June 2020	5.6	0.01	13.9	0.02
State guarantees on loans and non-equity securities used to meet the objectives of stimulating the economy affected by emergencies and to provide financial liquidity to businesses	March 2020	25.0	0.03	75.0	0.09
State guarantee on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak	September 2020	84.0	0.09	84.0	0.10
State guarantees on the European Investment Bank set up by the European Guarantee Fund in response to the COVID-19 pandemic	2020 July	44.0	0.05	44.0	0.05
Total State guarantees related to COVID-19 measures		**158.4**	**0.2**	**216.8**	**0.3**
State guarantee measures not related to COVID-19 measures					
State guarantees on ILTE UAB commitments under guarantees	–	295.7	0.33	331.1	0.40
State guarantees on loans used to finance investment projects and/or to replenish the working capital of undertakings important for national security referred to in the Law on the Protection of Objects Important for Ensuring National Security of the Republic of Lithuania	–	457.0	0.51	331.3	0.37
State guarantees on State-supported loans referred to in the Law of the Republic of Lithuania on Higher Education and Research	–	164.0	0.18	108.3	0.13
State guarantees on loans or non-equity securities, the funds of which are allocated for investments in the defence and security industry developed in the Republic of Lithuania	–	143.1	0.16	0.0	0.00
State guarantees on loans from the European Investment Bank		2.6	0.00	2.6	0.00
State guarantees on a loan from the International Bank for Reconstruction and Development provided from own resources under an emergency support loan agreement to ensure the continuity of public services in Ukraine	–	10.0	0.01	10.0	0.01

Guarantee measure	Start date of application of the guarantee measure	Maximum amount of guarantees available in 2026 (EUR million/% of GDP)		Guarantees provided, acc. to the data of 31 August 2025 (EUR million/% of GDP)	
State guarantee to the European Commission to provide exceptional macro-financial assistance to Ukraine under Decision (EU) 2022/1628*	–	13.0	0.01	13.0	0.02
Total State guarantees not related to COVID-19 measures		**1 085.2**	**1.2**	**776.3**	**0.9**
Total State guarantees		**1 243.8**	**1.4**	**993.1**	**1.2**

Source: Ministry of Finance.

*****Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201

Note: In the absence of information on the amount of loans granted by the European Investment Bank established by the European Guarantee Fund in response to the COVID-19 pandemic and covered by the State guarantee of the Republic of Lithuania, the total amount under the signed guarantee agreement with the European Investment Bank is presented in the right-hand column of the table.