2020 BUDGET AT A GLANCE
The draft State budget annually drawn up by the Ministry of Finance, approved by the Government and adopted by the Parliament (Seimas) is a key financial document of the country. Therefore, it is always drawn up with a great responsibility. When we take the Lithuanian budget into account, we must understand that this is our finances – we need to manage them in a professional and forward-looking manner, to invest in a smart way, to share jointly and severally with those most in need and to accumulate reserves for more difficult times. This is why the 2020 budget is realistic, balanced, encouraging more efficient use of funds, reducing poverty.

Presenting the draft next-year budget, the focus is given specifically on the problem we had to solve already yesterday – poverty reduction. The benefits should be tangible for a majority – the increased amount of the child money and growing pensions, a higher minimum monthly salary and non-taxable income amount.

The national economy continues to grow, however the situation not solely in Lithuania, but also worldwide is constantly changing, uncertainty is growing. The State budget should also be flexible and to adapt to changes dictated by global factors, and, at the same time, to support those who need it most, to induce sustainable growth and to ensure stability and fiscal discipline. We should seek a balance. In my opinion, in this budget the balance is duly achieved. Only sustainable and prudent financial policy will enable Lithuania to be better prepared for potential future challenges.

Vilius Šapoka
Minister of Finance
BUDGET STRUCTURE

One of the most vital State welfare conditions – responsible financial management. The reflection of this management is a budget whose resources are effectively allocated to meet the basic needs of society and to ensure uninterrupted operation of the public service.

The State budget is one of the key documents of the country containing the State revenue and expenditure plan for a year concerned. The State budget revenue consists of taxes paid by taxpayers, property income, European Union (EU) and other international financial assistance as well as other budget revenue reallocated through the State budget and designated for financing the State budget programmes.

60 municipalities located in Lithuania have autonomous budgets approved by municipal councils. Municipal budget revenue consists of a part of the personal income tax (PIT), income from local charges, grants allocated from the State budget and other revenue designated for the implementation of functions delegated by the State as well as for supply of public service in municipalities.

The budget revenue of the State Social Insurance Fund (SODRA) consists of social contributions made by insurers, insured and self-employed persons and payments from the State budget designated for the payment of pensions, sickness, maternity, unemployment insurance benefits and for covering other expenditure concerned.

The budget revenue of the Compulsory Health Insurance Fund (CHIF) consists of paid compulsory health insurance contributions, payments from the State budget and other revenue designated for supply of personal health care services, medicine and for acquisition as well as compensation of medical aids and for covering other expenditure financed from CHIF.

The aggregate of the State, municipal, SODRA, CHIF budgets and other smaller funds (e.g. Deposit and Investment Insurance Fund, Long-Term Work Benefit Fund) constitutes general government revenue and expenditure. The difference between the two is called the general government balance indicator. It is important to know that in good times under growing economy the general government balance indicator should be positive – a surplus is targeted and the reserve is accumulated. The reserves would be used during downturn (if any) to pay pensions and other social benefits, to supply public services, to maintain the investment level.
STATE BUDGET PREPARATION CYCLE

**DECEMBER**

- The Parliament (Seimas) adopts the budget law

**NOVEMBER**

- The Parliament (Seimas) discusses the draft budget

**OCTOBER**

- The Government considers the draft budget and upon its approval submits it to the Parliament (Seimas)

**SEPTEMBER–OCTOBER**

- The Ministry of Finance draws up and submits the draft budget to the Government and European Commission

**SEPTEMBER**

- The Ministry of Finance updates the Economic Development Scenario and general government financial projections

**JULY**

- The Ministry of Finance informs the institutions about prospective maximum expenditure ceilings for 3 upcoming years

**JULY–AUGUST**

- Institutions draw up 3-year strategic action plans and elaborate expenditure plans

**MARCH–APRIL**

- The Ministry of Finance draws up the Economic Development Scenario and general government financial projections

- On-going negotiations between the Prime Minister, Minister of Finance and a line minister concerning the planned next-year budget expenditure and consultations on the expected results

**MAY–JUNE**

- The Ministry of Finance informs the institutions about prospective maximum expenditure ceilings for 3 upcoming years

**JAN–MARCH**

- Institutions prepare budget execution and performance reports

MACROECONOMIC PROJECTIONS

Lithuania’s economic slowdown is projected in 2019–2022, the consumption will be supported by a strong purchasing power of residents, wages in the public sector will grow at a more accelerated pace than in the private sector, while the inflation will remain moderate. It is projected that in 2019 the economy will grow at fast rate of 3.7%. Whereas a lower growth rate is anticipated in 2020–2022: gross domestic product (GDP) development in 2020 might account for 2.4%, while in 2021–2022 will stabilise at 2.3%. The domestic demand in medium term should remain a substantial driver of Lithuania’s economy. It will be fostered by the Government decisions related to increase in personal income, strengthening the incentives to invest, implementation of direct foreign investment and EU financial assistance-financed investment projects.

**GDP developments, %**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.0</td>
<td>2.4</td>
<td>3.1</td>
<td>3.5</td>
<td>3.7</td>
<td>2.6</td>
<td>2.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

P – projection of the economic development scenario drawn up by the Ministry of Finance in September 2019.
It is projected that the output gap will remain positive and keep decelerating during the entire medium term. The output gap is a difference between real and potential economic output levels. The potential output level (also called ‘potential GDP’) is a theoretical level under which the production factors – labour and capital – are used to maximum efficiency. A positive output gap shows that goods and services are produced above potential of the production factors, i.e. production factors are overexploited. A negative output gap shows that goods and services are produced below potential of the production factors, i.e. production factors are not adequately exploited.

General government debt at the end of 2018 represented 34.1 % of GDP. It is projected that in medium term general government debt level will maintain a downward trend and at the end of 2022 will account for about 31.8 % of GDP. The dynamics of the debt to GDP ratio are in line with general macroeconomic trends, long-term commitments to international institutions and proposals of the Organisation for Economic Cooperation and Development.

In 2016, for the first time after the restoration of independence, a positive general government nominal balance indicator of the country – general government surplus – was recorded. It is planned that during the next 3-year period it will further remain positive and account for 0.2 % of GDP in 2020 and for 0.1 % of GDP in 2021 and 2022, accordingly. Preparations are underway to exploit these opportunities of still rapid economic growth and to prepare for a possible downturn by gradually accumulating financial reserves and to implement the structural reforms.
BUDGET REVENUE AND EXPENDITURE

Note. Aggregate budget revenue and expenditure, including transfers from the State budget to SODRA, CHIF and municipal budgets, are presented below.

## REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State budget revenue</td>
<td>7,796.3</td>
<td>8,768.7</td>
<td>10,589.6</td>
<td>11,530.3</td>
<td>12,054.9</td>
<td>12,279.6</td>
</tr>
<tr>
<td>o/w: EU and other international financial assistance</td>
<td>1,423.4</td>
<td>1,962.6</td>
<td>1,921.6</td>
<td>1,982.4</td>
<td>1,967.0</td>
<td>1,669.6</td>
</tr>
<tr>
<td>SODRA revenue</td>
<td>3,792.6</td>
<td>4,252.6</td>
<td>4,455.5</td>
<td>4,894.0</td>
<td>5,197.4</td>
<td>5,485.3</td>
</tr>
<tr>
<td>CHIF revenue</td>
<td>1,640.3</td>
<td>1,820.4</td>
<td>2,059.8</td>
<td>2,304.7</td>
<td>2,417.9</td>
<td>2,496.0</td>
</tr>
<tr>
<td>Municipal revenue</td>
<td>2,772.9</td>
<td>3,086.4</td>
<td>2,949.4</td>
<td>3,272.1</td>
<td>3,427.6</td>
<td>3,596.8</td>
</tr>
</tbody>
</table>

## EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State budget expenditure</td>
<td>8,119.8</td>
<td>8,872.6</td>
<td>11,705.9</td>
<td>12,778.5</td>
<td>12,765.6</td>
<td>12,749.8</td>
</tr>
<tr>
<td>o/w: EU and other international financial assistance</td>
<td>1,297.7</td>
<td>1,560.9</td>
<td>2,242.7</td>
<td>2,235.6</td>
<td>2,175.3</td>
<td>1,640.9</td>
</tr>
<tr>
<td>SODRA expenditure</td>
<td>3,685.9</td>
<td>4,082.2</td>
<td>4,043.4</td>
<td>4,549.8</td>
<td>4,909.5</td>
<td>5,211.1</td>
</tr>
<tr>
<td>CHIF expenditure</td>
<td>1,563.0</td>
<td>1,687.7</td>
<td>1,954.8</td>
<td>2,103.9</td>
<td>2,387.7</td>
<td>2,479.2</td>
</tr>
<tr>
<td>Municipal expenditure</td>
<td>2,713.4</td>
<td>3,022.1</td>
<td>2,929.7</td>
<td>3,240.4</td>
<td>3,409.3</td>
<td>3,586.7</td>
</tr>
</tbody>
</table>

## STRUCTURE OF BUDGET REVENUE

The structure of the 2020 State, municipal, SODRA and CHIF budget revenue by sources of revenue and detailed types of revenue (excluding EU and other international financial assistance):

### Structure of general government revenue, EUR million

- VAT: 414.8 million
- Corporate income tax: 161.0 million
- PIT (municipal budgets): 1,582.0 million
- PIT (State budget): 217.8 million
- Revenue from goods or services: 1,610.8 million
- Dividends and state corporate contributions: 108.6 million
- Social insurance contributions: 141.6 million
- Excise duties: 141.6 million
- Health insurance contributions: 237.7 million
- Revenue from transactions in tangible and intangible assets and incurrence of financial liabilities: 861.3 million
A share of the EU and other international financial assistance accounts for about 10% of the 2020 general government budget revenue.

The 2020 State budget revenue (including EU and other international financial assistance) will make up EUR 11,530.3 million. The major share of revenue will consist of revenue from taxes – EUR 8,835.8 million, or about 76.6% of total planned revenue. Other revenue in 2020 will make up EUR 2,694.5 million, or 4.9% of total State budget revenue, revenue from transactions in tangible and intangible assets and incurrence of financial liabilities – EUR 141.6 million (1.2%), EU and other international financial assistance – EUR 1,982.3 million (17.2%).

Revenue from taxes

The major share of revenue from taxes will consist of VAT revenue – EUR 4,148.8 million, or 47.0% of total State budget revenue from taxes. Excise duties will make up EUR 1,610.8 million, or 18.2% of total revenue from taxes. The corporate income tax will account for EUR 861.3 million of revenue or approx. 9.7% of revenue from taxes, while PIT revenue will amount to EUR 1,997.9 million, or 22.6% of the State budget revenue from taxes.

The 2020 State budget, SODRA and CHIF consolidated expenditure makes up EUR 16,823.5 million.

<table>
<thead>
<tr>
<th>Performance Area</th>
<th>Expenditure (EUR million)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIAL SECURITY AND EMPLOYMENT</td>
<td>6,227.8</td>
<td>37.0%</td>
</tr>
<tr>
<td>HEALTH</td>
<td>2,280.1</td>
<td>13.6%</td>
</tr>
<tr>
<td>EDUCATION, SCIENCE AND SPORTS</td>
<td>1,622.4</td>
<td>9.6%</td>
</tr>
<tr>
<td>PUBLIC FINANCES</td>
<td>1,292.5</td>
<td>7.7%</td>
</tr>
<tr>
<td>STATE SAFETY</td>
<td>1,053.3</td>
<td>6.3%</td>
</tr>
<tr>
<td>FOOD AND AGRICULTURE, RURAL DEVELOPMENT AND FISHERIES</td>
<td>988.3</td>
<td>5.9%</td>
</tr>
<tr>
<td>TRANSPORT AND COMMUNICATIONS</td>
<td>882.2</td>
<td>5.2%</td>
</tr>
<tr>
<td>PUBLIC ORDER</td>
<td>599.8</td>
<td>3.6%</td>
</tr>
<tr>
<td>ENVIRONMENT AND CLIMATE CHANGE</td>
<td>365.9</td>
<td>2.2%</td>
</tr>
<tr>
<td>CULTURE</td>
<td>334.7</td>
<td>2.0%</td>
</tr>
<tr>
<td>BUSINESS COMPETITIVENESS</td>
<td>280.4</td>
<td>1.7%</td>
</tr>
<tr>
<td>JUSTICE</td>
<td>266.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>ENERGY</td>
<td>229.4</td>
<td>1.4%</td>
</tr>
<tr>
<td>REGIONAL DEVELOPMENT</td>
<td>195.2</td>
<td>1.2%</td>
</tr>
<tr>
<td>STATE MANAGEMENT AND PUBLIC ADMINISTRATION</td>
<td>119.8</td>
<td>0.7%</td>
</tr>
<tr>
<td>FOREIGN POLICY</td>
<td>85.7</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
In 2020 additional (as compared to 2019) EUR 763.1 million are allocated for social security and employment:

- State social insurance pensions – EUR 358.7 million;
- Increase of the child benefit – EUR 149 million;
- Unemployment insurance and part-time work benefits – EUR 72.9 million;
- Sickness, maternity, maternity (paternity) and paternity allowances – EUR 56.9 million;
- Promotional contributions to pension funds – EUR 36 million;
- Increase of social pension base and increase of small pension premiums – EUR 10.9 million;
- Indexation of basic amounts of social assistance benefits – EUR 20 million;
- Financing of active labour market policy measures – EUR 13 million;
- Social care to people with severe disabilities – EUR 10 million;
- One-time partial reimbursement of state pensions and other social allowances cut during the economic crisis – EUR 9.9 million;
- Free meals to pre-schoolers and from 1 September 2020 for first grade schoolchildren – EUR 4 million;
- Insurance of carers of people with disabilities who need a special permanent care – EUR 4 million.
HEALTH

EUR 2,280.1 million

CHIF BUDGET
EUR 1,413.7 million

STATE BUDGET
176.2 million

EUR 2,280.1 million

690.2* million

*Note.

The State budget expenditure for health totals EUR 866.4 million, o/w EUR 690.2 million are designated for CHIF budget for state insured persons. CHIF budget expenditure, including allocations from the State budget (EUR 690.2 million), totals EUR 2,103.9 million.

In 2020 additional (as compared to 2019) EUR 87.9 million are allocated for health care to increase the contribution to CHIF budget for state insured persons.
2020 BUDGET AT A GLANCE

PUBLIC FINANCES

EUR 1,292.5 million

EUROPEAN UNION

- Support for religious communities
- Implementation of projects financed by the EU Structural Funds
- Other needs
- Reserve (Stabilisation) Fund formation
- Tax administration and market protection
- Debt management
- Financing of the EU budget and international organisations

- National defence

STATE SAFETY

EUR 1,053.3 million

In 2020 additional EUR 69.1 million (as compared to 2019) are allocated for commitments of the Republic of Lithuania related to NATO membership.

EDUCATION, SCIENCE AND SPORTS

EUR 1,622.4 million

In 2020 additional (as compared to 2019) EUR 98.4 million are allocated for increase of wages for employees of education institutions (school principals, teachers of general education, pre-school and pre-primary education and other teaching staff), for the implementation of stage II of tenure pay for teachers and for increase of wages of teachers and researchers from 1 September 2020.

- General education
- Higher education and scientific research
- Vocational training
- Sports development
- Other needs

- Support for religious communities

- National defence

- Tax administration and market protection
- Debt management
- Financing of the EU budget and international organisations

- Reserve (Stabilisation) Fund formation
FOOD AND AGRICULTURE, RURAL DEVELOPMENT AND FISHERIES

**EUR 988.3 million**

- Promotion of food, agriculture and rural development: 397.2 million
- Direct payments: 508.5 million
- State food and veterinary control: 30.2 million
- Land management: 26.4 million
- Development of fisheries: 19.2 million
- Phytosanitary, plant protection: 6.8 million

TRANSPORT AND COMMUNICATIONS

**EUR 882.2 million**

- Road maintenance and development: 524.5 million
- Improvement of maritime transport infrastructure: 15.3 million
- Development of the railway link “Rail Baltica”: 59.2 million
- Development of smart public and administrative e-services communications management, control and air safety: 73.7 million
- Other needs: 17.1 million

PUBLIC ORDER

**EUR 599.8 million**

- Fire protection: 128.8 million
- Protection of critical objects: 25.9 million
- Migration control of the citizens of the Republic of Lithuania and foreigners: 22.9 million
- Internal security and external border protection: 384.0 million
- Disclosure and prevention of criminal offences with regard to financial system: 9.6 million
- Health care of officials: 6.1 million
- Development of information technology in public safety, public administration and electronic identification policy: 9.4 million
- Disclosure and prevention of corruption offences: 13.0 million
**ENVIRONMENT AND CLIMATE CHANGE**

**EUR 365.9 million**

- Implementation of measures to combat climate change: EUR 80.0 million
- Implementation of water management, wastewater treatment and flood risk, environmental protection and water resources management projects: EUR 82.7 million
- Multiapartment buildings renovation: EUR 65.6 million
- Implementation of resources-saving measures: EUR 12.0 million
- Other needs: EUR 125.6 million

**CULTURE**

**EUR 334.7 million**

- Fostering arts (theatre, movies): EUR 109.7 million
- Historical memory (libraries, museums) preservation: EUR 113.6 million
- Cultural heritage preservation: EUR 41.4 million
- Financing of the public broadcaster (LRT): EUR 46.3 million
- Other needs: EUR 23.7 million

**BUSINESS COMPETITIVENESS**

**EUR 280.4 million**

- Innovation promotion: EUR 65.3 million
- Investment promotion: EUR 59.5 million
- Strengthening the financial business [SMEs] support system: EUR 89.1 million
- Strengthening the economic competitiveness determinants: EUR 20.1 million
- Other needs: EUR 46.4 million

**JUSTICE**

**EUR 266.1 million**

- Execution of sentences: EUR 97.5 million
- Guaranteed legal aid and litigation: EUR 13.4 million
- Financing of legal protection for consumers, activities of registry and public information systems: EUR 9.0 million
- Administration of justice: EUR 134.4 million
- Other needs: EUR 11.9 million
**2020 BUDGET AT A GLANCE**

**ENERGY**

**EUR 229.4 million**

- Implementation of National Energy Independence Strategy: **149.8 EUR million**
- Decommissioning of Ignalina NPP and radioactive waste management: **70.5 EUR million**
- Other needs: **9.1 EUR million**

**REGIONAL DEVELOPMENT**

**EUR 195.2 million**

- Reduction of social and economic disparities of the Lithuanian regions: **195.2 EUR million**

**STATE MANAGEMENT AND PUBLIC ADMINISTRATION**

**EUR 119.8 million**

- Financing the activities of the highest State bodies: **70.3 EUR million**
- Protection of protected persons: **17.6 EUR million**
- Organization of elections and referendum: **13.8 EUR million**
- Financing of political parties: **6.0 EUR million**
- Other needs: **12.1 EUR million**

**FOREIGN POLICY**

**EUR 85.7 million**

- Activities and development of diplomatic missions: **56.9 EUR million**
- Participation in activities of international organisations and development cooperation: **10.8 EUR million**
- Other needs: **18.0 EUR million**
## MAIN CHANGES

### FOR THE EMPLOYED

**Tax-free threshold (TFT)** will increase by **EUR 50**
(from EUR 300 to EUR 350)

**TFT for people with disabilities** will increase by **292**
(from EUR 308 to EUR 600 for people with moderate or light disability, and from EUR 353 to EUR 645 – for severely disabled persons)

### FOR FAMILIES

Child money will increase by **EUR 10**
(from EUR 50 to EUR 60)

Child money for children with disabilities, children from large and poor families (incl. supplements) will increase by **EUR 30**
(from EUR 70 to EUR 100)

### FOR THE EMPLOYED

**Minimum monthly salary before taxes**
will increase by **EUR 52**
(from EUR 555 to EUR 607)

**Minimum monthly salary after taxes**
will increase by **EUR 41**
(from EUR 396 to EUR 437)

### FOR PENSIONERS

Average retirement pension
will increase by **EUR 30**
(from EUR 345 to EUR 375)

Average pension with necessary work experience
will increase by **EUR 32.5**
(from EUR 364.5 to EUR 397)

### CHANGES IN EXCISE DUTIES

<table>
<thead>
<tr>
<th>Item</th>
<th>Additional budget revenue</th>
<th>Effect on prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in excise duties on unleaded petrol and gas oils</td>
<td><strong>+ EUR 31 million</strong></td>
<td>( + \text{EUR 0.04/l petrol, EUR 0.03/l gas oils} )</td>
</tr>
<tr>
<td>Increase in excise duties on gas oils used in agriculture</td>
<td><strong>+ EUR 1 million</strong></td>
<td>( + \text{EUR 0.04/l petrol, EUR 0.03/l gas oils} )</td>
</tr>
<tr>
<td>Reduction in the rate of excise duty on gas oil for agricultural use by 15%</td>
<td><strong>+ EUR 6.5 million</strong></td>
<td>( + \text{EUR 0.04/l petrol, EUR 0.03/l gas oils} )</td>
</tr>
<tr>
<td>Increase in excise duties on ethyl alcohol</td>
<td><strong>+ EUR 10 million</strong></td>
<td><strong>+ EUR 0.45/0.5l</strong></td>
</tr>
<tr>
<td>Accelerated increase in excise duties on heated tobacco products</td>
<td><strong>+ EUR 6 million</strong></td>
<td><strong>+ EUR 0.33/package</strong></td>
</tr>
</tbody>
</table>

### OTHER CHANGES

<table>
<thead>
<tr>
<th>Item</th>
<th>Additional budget revenue</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in the real estate tax –free value for personal non-commercial real estate from EUR 220 thousand to EUR 150 thousand</td>
<td><strong>+ EUR 2.4 million</strong> to the State budget</td>
<td>The tax would be paid by approx. 12 thousand natural persons, o/w: approx. 9 thousand in Vilnius (currently paid by approx. 3.7 thousand)</td>
</tr>
<tr>
<td>Increase in daily allowances from 1.3 to 1.65 ( \times \text{MMS} ) remuneration rate</td>
<td><strong>Upto + EUR 34.6 million</strong> to the State budget and municipal budgets</td>
<td>Stronger social guarantees for employees</td>
</tr>
<tr>
<td>Introduction of the motor vehicle registration tax</td>
<td><strong>+ EUR 10 million</strong></td>
<td></td>
</tr>
<tr>
<td>Introduction of additional corporate tax on credit institutions</td>
<td><strong>+ EUR 17.7 million</strong></td>
<td></td>
</tr>
<tr>
<td>Increase in lottery and gambling tax rates</td>
<td><strong>+ EUR 4.5 million</strong></td>
<td></td>
</tr>
</tbody>
</table>