



MINISTRY OF FINANCE  
of the Republic of Lithuania

2021

# BUDGET REVENUE REPORT



*This report provides an overview of the revenue of the State budget and municipal budgets (excluding European Union and other international financial support) which are administered and transferred to the aforementioned budgets by the State Tax Inspectorate and the Customs of the Republic of Lithuania, as well as the contributions paid directly by taxpayers to the State Treasury. The majority (88.5 %) of this revenue comes from four main taxes — value added tax, personal income tax, excise duties and corporate income tax — therefore, the report focuses on these taxes and the factors that contributed to their collection. The report also provides information on budget losses as a result of the main tax exemptions. All budget revenue collection information presented in the report is analysed on a cash basis.*

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## BUDGET REVENUE IN 2021

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**The State budget and municipal budgets** received **EUR 13, 260.3 million** of revenue in 2021. That is by EUR 2, 538.4 million (23.7 %) more than in 2020 and by EUR 1, 344.8 million, or 11.3 %, more than planned. Planned<sup>1</sup> total revenue of these budgets in 2021 — EUR 11, 915.5 million.

In 2021, **the State budget** received **EUR 10, 742.1 million** of revenue. This is by EUR 2, 077.8 million (24 %) more than in 2020 and by EUR 1, 081.8 million, or 11.2 % more than planned. Planned revenue from the State budget in 2021 — EUR 9, 660.3 million. Tax revenue constituted the largest part of the total revenue of the State budget (93.4 %). Almost by EUR 2, 014 million (25.1 %) of this revenue was collected more than in 2020 and by EUR 992.3 million, or 11 % more than planned. Other income (asset income, income from goods and services, income from fines and seized property, proceeds from sales of tangible and intangible assets, income from impairment of financial assets) accounted for the remaining 6.6 % of the State budget revenue. The amount received was by EUR 63.9 million (10 %) higher than in 2020 and by EUR 89.6 million, or 14.6 %, higher than planned.

Due to the COVID-19 pandemic and its containment measures, the State Tax Inspectorate (hereinafter – STI) and the Customs of the Republic of Lithuania (hereinafter – the Customs) had suspended recovery actions for tax arrears (hereinafter –COVID arrears) until 31 August 2021, did not calculate late payment interest and provided the possibility of applying for interest-free tax loan agreements.

The COVID arrears managed by the STI, accounting for about 99.9 % of the total COVID arrears, amounted to EUR 444.3 million on 1 January 2022. During 2021, part of the taxpayers, who deferred the payment of taxes administered by the STI in 2020, repaid EUR 376.5 million of COVID arrears for the year 2020, and on 1 January 2022 the arrears of taxpayers affected by the COVID-19 pandemic and its containment measures for the period of January-August 2021 amounted to EUR 105.3 million. Moreover, over 2021 the tax arrears administered by the STI, not related to the COVID-19 pandemic, e.g. arrears of taxpayers who were not on the STI list of affected by the COVID-19 pandemic or arrears of payers on this list who did not apply for a tax loan agreement, or arrears incurred after the expiry of the support period, increased by EUR 62.2 million.

**Municipal budgets** generated revenue of **EUR 2, 518.1 million** in 2021. That is by EUR 460.6 million (22.4 %) more than in 2020. It was planned that municipal budgets will generate EUR 2, 255.1 million in 2021, but actually their received amount was by EUR 263 million, or 11.7 %, more than planned. The following plans were exceeded at most: personal income tax — EUR 148.6 million, sales of tangible and intangible assets — EUR 22.4 million, sales of land — EUR 19.4 million, real estate tax — EUR 17.1 million, fees and charges — EUR 14.4 million, other revenue not elsewhere classified — EUR 13.6 million, dividends and profit payments by state owned enterprises — EUR 11.2 million, land tax — EUR 7.8 million.

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<sup>1</sup> On the basis of the Law Amending the Preamble, Articles 1, 2, 3, 9, 10, 11, 14, 20 and Annexes 1, 2, 3, 4, 5, 6, 7, 8 of the Republic of Lithuania Law No XIV-102 on the Approval of Financial Indicators of the State Budget and Municipal Budgets for 2021 adopted by the Seimas on 22 June 2021.

**Table 1. Implementation of the revenue plan of municipal budgets for 2021, EUR thousand and %**

	Fact 2020	Plan 2021	Fact 2021	Change in fact		Implementation of the plan	
				(+ / -)	%	(+ / -)	%
Personal income tax	1, 630	1, 851.6	2, 000.1	370.1	22.7	148.6	8
Other taxes and revenue	427.6	403.6	518	90.4	21.1	114.4	28.4
<b>Revenue, total</b>	<b>2, 057.6</b>	<b>2, 255.1</b>	<b>2, 518.1</b>	<b>460.6</b>	<b>22.4</b>	<b>263</b>	<b>11.7</b>

Source – Ministry of Finance.

## DETAILED INFORMATION ON REVENUE FROM MAIN TAXES

### VALUE ADDED TAX

**EUR 4, 708.6 million** of revenue of the value added tax (hereinafter – VAT) was generated in 2021. The State budget generated VAT revenue by EUR 1, 134.3 million, or 31.7 %, more as compared to 2020. The 2021 plan was implemented by 108.2 %; the budget received EUR 357.8 million of revenue more than planned.

When administering the VAT declarations submitted by VAT payers of the Republic of Lithuania and the fulfilment of the VAT liability declared therein, the STI transfers the majority (about 99 %) of VAT revenue to the State budget. The remaining part of VAT consisting of import VAT, when the imported goods are declared and VAT paid by a non-VAT payer of the Republic of Lithuania or a natural person other than the VAT payer at the time of release for free circulation, is transferred to the State budget by the Customs.

**Table 2. VAT revenue administered by the STI and the Customs, EUR million and %**

VAT revenue	Fact in 2020	Plan in 2021	Fact in 2021	Change in fact		Implementation of the plan	
				(+ / -)	%	(+ / -)	%
VAT on domestic consumption and imports administered by the STI	3, 538.5	4, 303.9	4, 659.7	1, 121.2	31.7	355.8	108.3
VAT on imports administered by the Customs	35.9	46.9	48.9	13	36.3	2	104.4
<b>Total</b>	<b>3, 574.4</b>	<b>4, 350.8</b>	<b>4, 708.6</b>	<b>1, 134.2</b>	<b>31.7</b>	<b>357.8</b>	<b>108.2</b>

Source – Ministry of Finance.

### Factors affecting the collection of VAT revenue

**Total VAT liability of the STI and the Customs has increased.** Total value of transactions declared to the STI and the Customs in 2021, as compared to 2020 (period equated to the VAT payment period<sup>2</sup>), increased by 21.1 %, or EUR 24.7 billion, where the value of taxable transactions increased by 18.3 %, or EUR 12.6 billion. Total declared VAT liability administered by the STI and the Customs increased by 10 %, or EUR 404 million, during the period concerned. Although the declared refundable VAT increased by almost EUR 650 million, or 27.3 % (mainly due to increased sales taxed at 0 % which reflect export volumes), the declared payable VAT, which

<sup>2</sup> Since VAT for a given month is declared and paid by the 25<sup>th</sup> day of the following month, data lagged by one-month is relevant for the purpose of analysing the collection of this tax for a given period. For example, when analysing the collection of VAT revenue for the year 2021, the VAT declaration data for December 2020-November 2021 is analysed.

illustrates taxable domestic sales, grew more significantly in nominal terms — slightly above EUR 1 billion (16.4 %).

**Table 3. VAT data declared to the STI and the Customs, EUR million and %**

	Data corresponding to VAT paid in 2020	Data corresponding to VAT paid in 2021	Change	
			(+ / -)	%
<b>Total value of transactions declared, o/w:</b>	<b>117, 098</b>	<b>141, 761.3</b>	<b>24, 663.3</b>	<b>21.1</b>
Taxable transactions declared in VAT returns and taxable value of VAT goods declared to the Customs	68, 883	81, 494.9	12, 611.9	18.3
<b>Declared VAT liability, o/w:</b>	<b>4, 060.6</b>	<b>4, 464.6</b>	<b>404</b>	<b>10</b>
Payable VAT declared	6, 439	7, 492.6	1, 053.6	16.4
Refundable VAT declared	2, 378.4	3, 028	649.6	27.3

Source – Ministry of Finance.

The analysis of the VAT liability by economic activity, as each year, shows that the largest share of the VAT liability falls on wholesale and retail trade; repair of motor vehicles – 59.8 %. The VAT liability declared by taxpayers in these economic activities, as compared to 2020, increased by EUR 391 million, or by 17.2 %, in 2021.

The increase in the VAT liability is observed in the declarations of manufacturing and financial and insurance entities: increased by EUR 50.6 million, or 13.7 %, and EUR 36 million, or 64.9 %, respectively. In the financial and insurance sector, such an increase in total VAT liability was due to a decrease in the refundable VAT.

In the transport and storage and construction sectors, due to the specificity of the activities (exports relevant for both sectors, as well as the application of the VAT reverse charge mechanism in the construction sector), the declaration of refundable VAT is normally dominant, 2021 was no exception. In comparison, the year 2020 was affected by the COVID-19 pandemic, and these taxpayers, due to reduced export volumes and restrictions on the internal market, declared VAT payable.

The taxpayers in accommodation and catering service activities declared a lower VAT liability as a result of a temporary possibility of applying a preferential 9 % VAT rate as of 1 July 2021 for catering services. Due to this exemption, in the second half of 2021, State budget lost about EUR 56.4 million of revenue from VAT. The entities involved in arts, entertainment and recreation are in a similar situation – they have also been granted a temporary preferential 9 % VAT rate as of 1 July 2021. As a result, the exemption which costed EUR 4.7 million for the State budget in the second half of the year affected the declared VAT liability which was lower by EUR 6.3 million (34 %).

**Table 4. Indicators of the declared VAT liability by economic activity<sup>3</sup>, change, EUR million, %**

Title of activity		VAT liability in 2020	VAT liability in 2021	Change	
				(+ / -)	%
A	Agriculture, forestry and fisheries (administered by the STI and the Customs)	90	94.2	4.2	4.7
B	Mining and quarrying	14.7	13.4	-1.3	-8.8
C	Manufacturing (administered by the STI and the Customs)	370.3	420.8	50.6	13.7

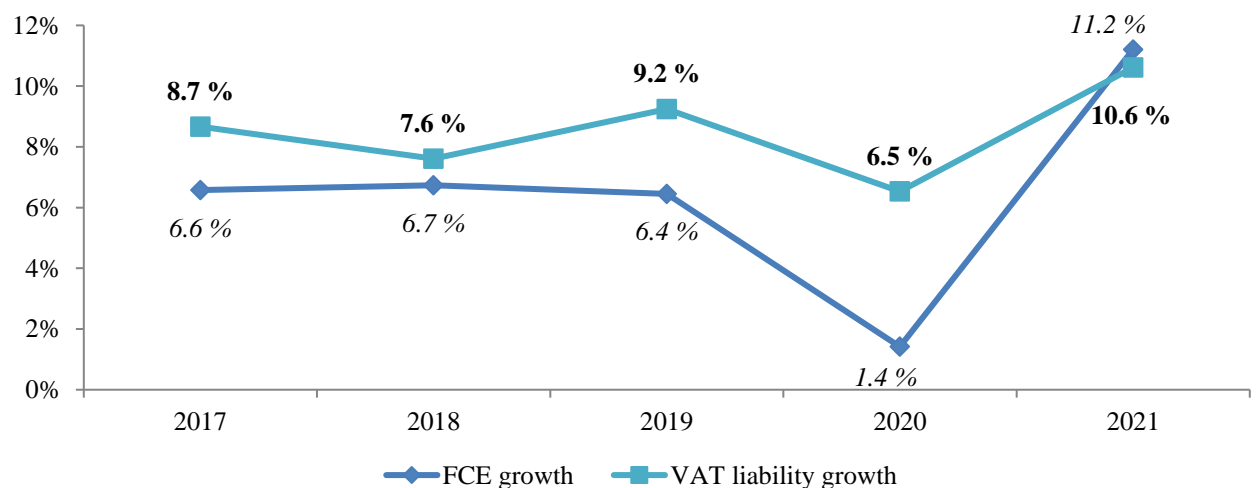
<sup>3</sup> The provided indicators of the declared VAT liability are recalculated in line with the classification of economic activities (hereinafter– NACE 2). The STI and the Customs apply different classification when administering VAT.

	Title of activity	VAT liability in 2020	VAT liability in 2021	Change	
				(+ / -)	%
D	Supply of electricity, gas, steam and air conditioning	189.5	212.2	22.7	12
E	Water supply, sewerage, waste management and remediation activities	38.7	41.1	2.4	6.3
F	Construction	33.8	-19.3	-53.1	
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	2, 278.7	2, 670.1	391.4	17.2
H	Transport and storage	16.9	-42.3	-59.2	
I	Accommodation and catering service activities	79.7	36.6	-43.1	-54.1
J	Information and communication	194.1	209.2	15.1	7.8
K	Financial and insurance activities	55.4	91.3	36	64.9
L	Real estate activities	212.2	215.9	3.7	1.7
M	Professional, scientific and technical activities	198.4	229.3	30.9	15.6
N	Administrative and service activities	151.5	151.7	0.2	0.1
O	Public administration and defence; compulsory social security	77.3	72	-5.3	-6.8
P	Education	16	21.5	5.5	34.2
Q	Human health care and social work	8.4	13.5	5.1	59.4
R	Arts, entertainment and recreation (administered by the STI and the Customs)	18.6	12.3	-6.3	-33.9
S	Other activities	16.6	21.3	4.7	28.3
	<b>Total</b>	<b>4, 060.6</b>	<b>4, 464.6</b>	<b>404</b>	<b>10</b>

Sources: the STI and the Customs.

**A significant increase in consumption.** The VAT liability and final consumption expenditure (hereinafter — FCE) grew at a similar pace in 2021, but it should be noted that changes in the VAT liability were influenced by both increased domestic consumption and increased export volumes, as well as positive economic developments. In addition, the low base (year 2020) had a significant impact on the rapid growth of the VAT liability. It should be noted that, in this part of the analysis, the period of both total VAT liability and VAT payable and VAT refundable is equated to the FCE period (i.e. VAT declarations of January-December of the year concerned are analysed), therefore the data on the growth rates does not coincide with the data in Table 3.

**Diagram1. Development of FCE and VAT liability (in the period in which the liabilities arise) in 2017–2021, %**



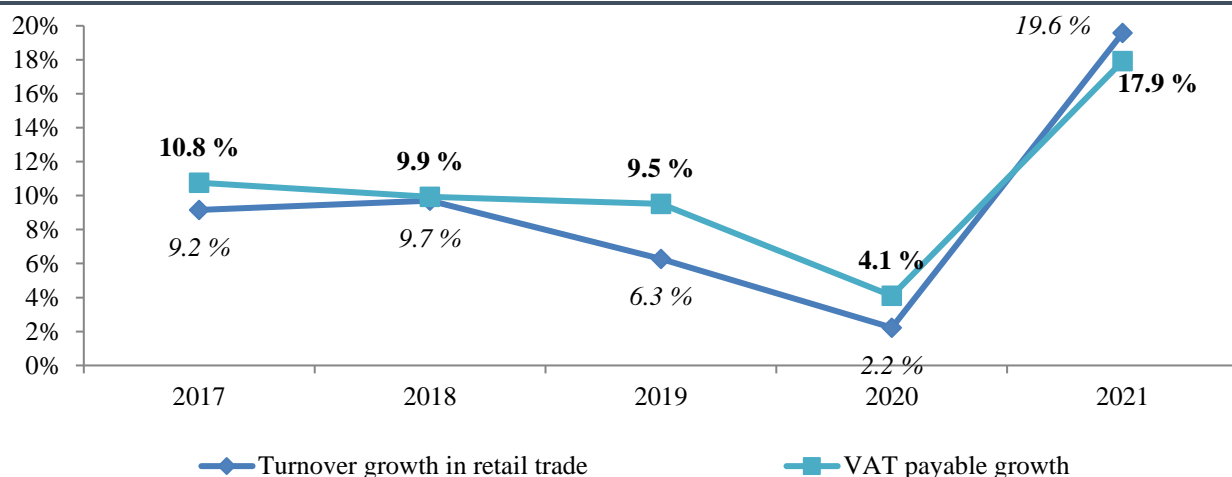
Sources: Ministry of Finance and Statistics Lithuania.



In June 2021, when the revised State budget for 2021 was adopted, the FCE was expected to grow by 7.8 % in 2021. According to the data by Statistics Lithuania in March 2022, the FCE increased by 11.2 % as compared to 2020. As a result of the faster-than-expected growth of the FCE in 2021, the amount of revenue generated from VAT was higher by EUR 143 million.

Household consumption, which increased by 12.2 % in 2021, was one of the main reasons for the increase (17.9 %) in VAT payable in 2021. The turnover of retailers declaring the largest part of the VAT liability, which increased by 19.6 % in 2021, had a significant impact on the higher declared VAT payable.

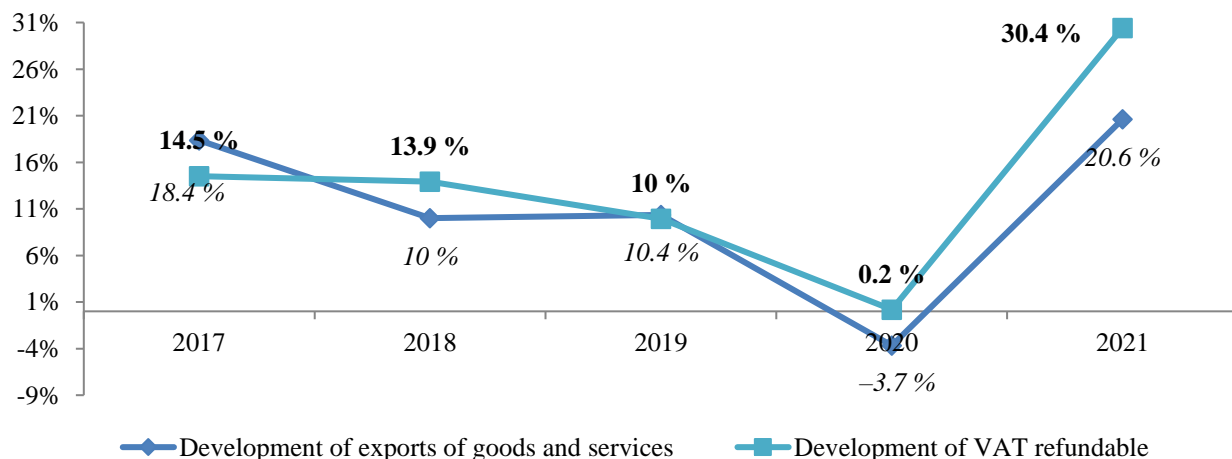
**Diagram 2. Development of retail trade and declared VAT payable (in the period in which the liabilities arise) in 2017–2021, %**



Sources: Ministry of Finance and Statistics Lithuania.

Despite constrains of the pandemic and disrupted supply chains, Lithuania’s exports grew at a record rate of 20.6 % in 2021. Exports of goods of the Lithuanian origin grew extremely significantly, almost 26 %. When selling the production of exporting companies outside Lithuania, a 0 % VAT rate with the right to deduct the input VAT is applied, therefore exporting companies usually declare the VAT refundable, which grew even 30.4 % in 2021.

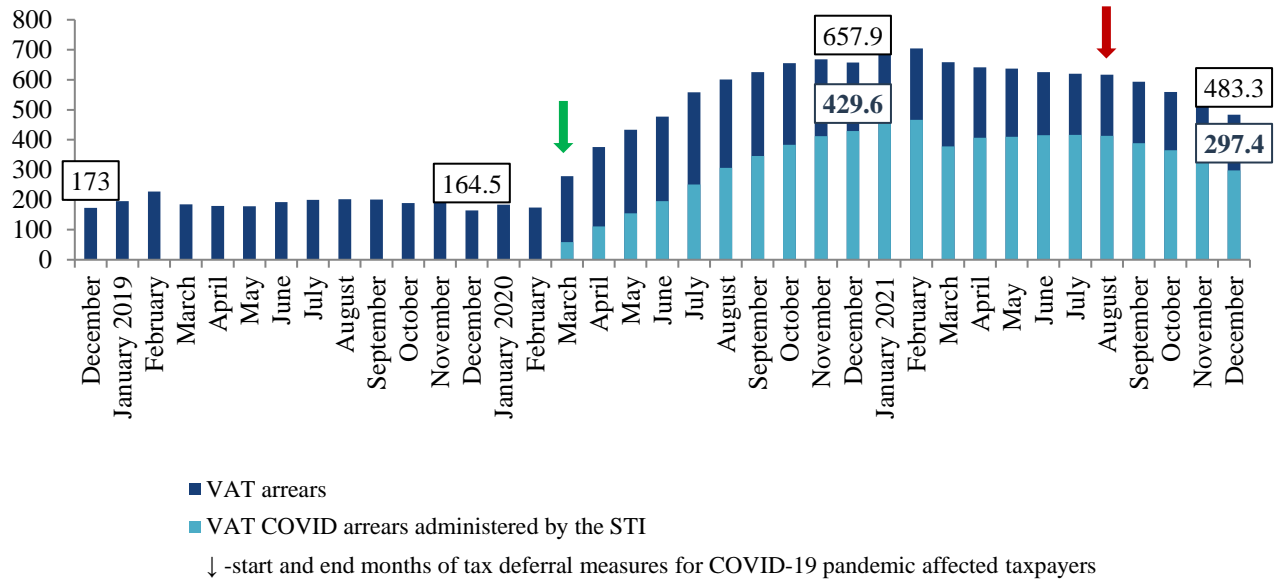
**Diagram 3. Development of exports of goods and services and declared VAT refundable (in the period in which the liabilities arise) in 2017–2021, %**



Sources: Ministry of Finance and Statistics Lithuania.

**Lower VAT arrears as a result of the taxpayers gradually repaying the COVID-related VAT deferrals.** VAT COVID arrears of taxpayers, benefiting from tax aid measures until 31 August 2021 due to the COVID-19 pandemic, i.e. the possibility to defer payments of the VAT liability without late payment interest and recovery actions, (administered by the STI) amounted to EUR 302.2 million at the end of 2021, i.e. over the year 2021 decreased by EUR 209.1 million. Total VAT arrears (administered by the STI and the Customs), considering also other than COVID arrears, decreased by EUR 174.6 million over 2021. In comparison, total VAT arrears in 2020 increased by EUR 493.4 million.

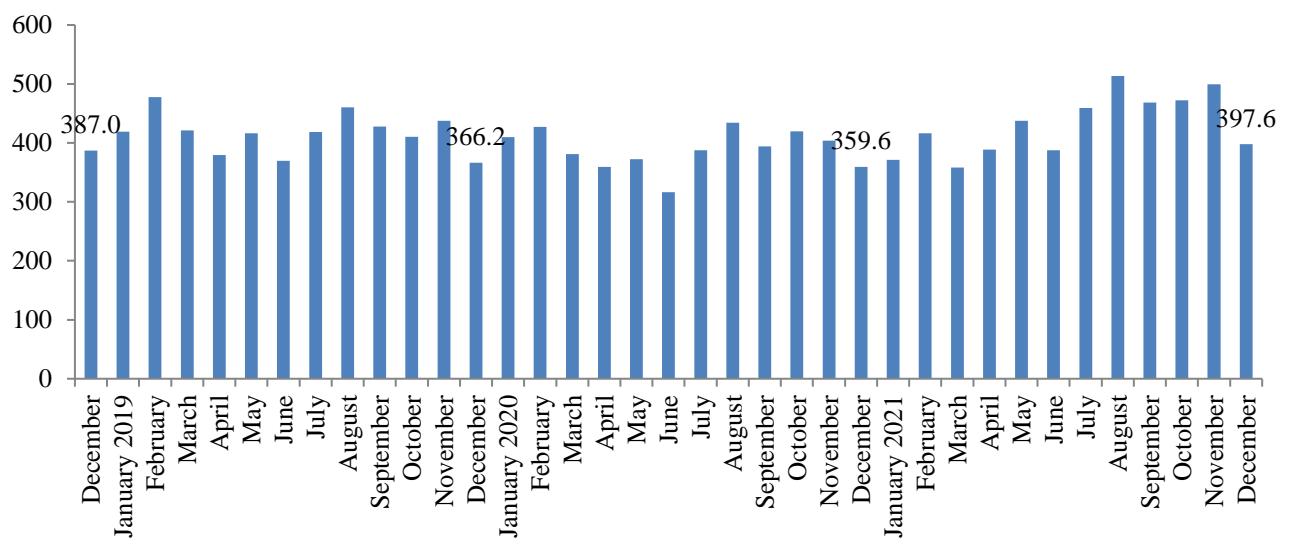
**Diagram 4. VAT arrears at the end of each month, EUR million**



Sources: STI and Customs.

VAT overpayment at the end of December 2021 amounted to EUR 397.6 million and was by EUR 38 million, or 10.6 %, higher than at the end of December 2020.

**Diagram 5. VAT overpayment at the end of each month, EUR million**



Source – the STI.

The increase in VAT revenue resulting from the elimination of the effect of VAT arrears and VAT overpayment was similar to the increase in the declared VAT liability. In 2021, taking into account the change in the VAT overpayment and the change VAT arrears, VAT revenue was by EUR 421.6 million, or 10.3 %, higher than at the same time last year. Compared with the VAT payment period, the corresponding VAT liability increased by 10 %.

**Table 5. Change in VAT revenue, EUR million and %**

Data		2020	2021	Change	
				(+ / -)	%
1	Revenue from VAT, total	3, 574.4	4, 708.6	1, 134.3	31.7
2	Change in VAT arrears (arrears of taxpayers)	493.4	-174.6	-668	
3	Change in VAT overpayment (debts to taxpayers)	-6.6	38	44.7	
<b>4 = 1 + 2 - 3</b>	<b>Revenue from VAT, excluding change in VAT arrears and VAT overpayment</b>	<b>4, 074.4</b>	<b>4, 496</b>	<b>421.6</b>	<b>10.3</b>

Source – Ministry of Finance.

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## PERSONAL INCOME TAX

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The personal income tax (hereinafter – PIT) generated in the **State budget and municipal budgets** over 2021 amounted to EUR **4, 188.6** million. It was by EUR 671.9 million, or 19.1 %, higher as compared to 2020. Also, it was higher by EUR 300.4 million, or 7.7 %, as compared to the plan.

In 2021, **the State budget** received **EUR 2 188.5 million** of PIT. It is higher by EUR 301.6 million, or 16 %, as compared to 2020. Also, it was higher by EUR 151.8 million, or 7.5 %, as compared to the plan.

### Factors affecting the collection of PIT revenue

**Improving situation on the labour market.** According to Statistics Lithuania, average monthly gross wage, including sole proprietorships, amounted to EUR 1, 568 in 2021 and increased by 9.8 % as compared to average wage in 2020.

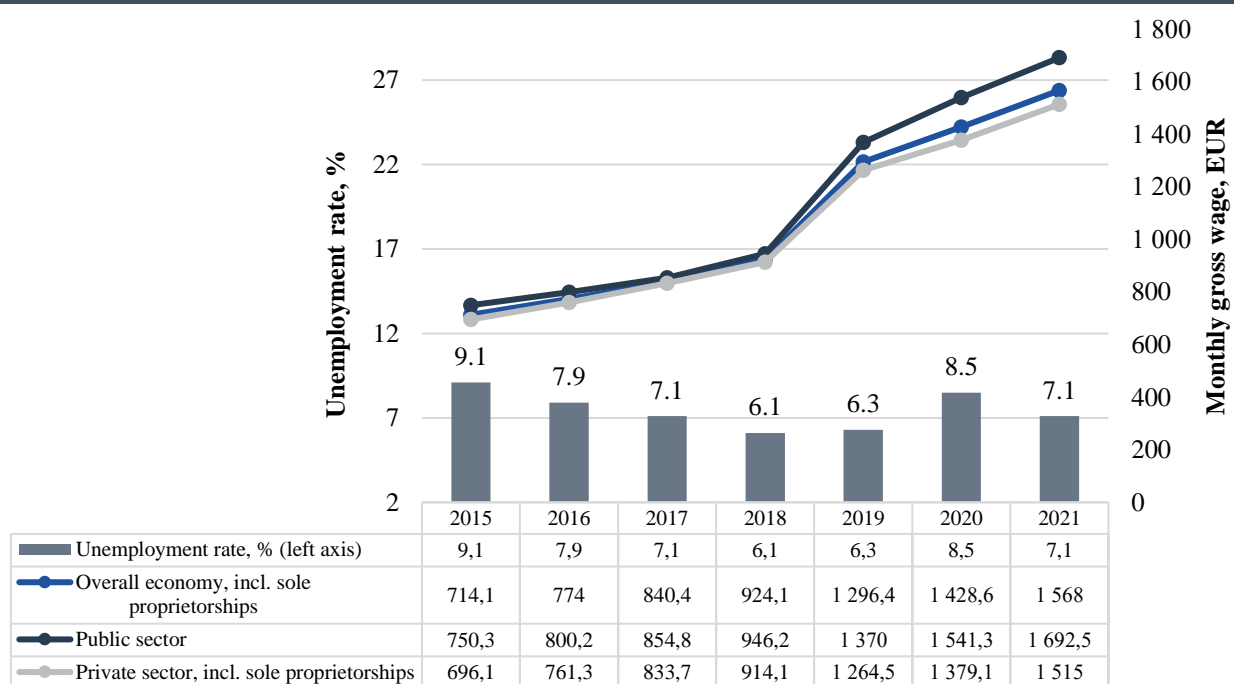
In summer of 2021, when adjusting the 2021 PIT revenue plan, an annual payroll<sup>4</sup> growth of 8.3 % was projected for 2021. The actual payroll growth in 2021 amounted to 12.5 %, therefore in 2021 PIT revenue from the employment income was about EUR 167 million higher due to slightly faster than projected payroll growth.

Average wage growth was driven by minimum monthly wages (hereinafter –MMW) which were increased by 5.8 % as of 1 January 2021 (from EUR 607 to EUR 642) and further rapid wage growth in both the private sector (9.9 %) and the public sector (9.8 %).

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<sup>4</sup> An indicator that measures both the level of wages and the number of persons employed.

**Diagram 6. Dynamics of labour market indicators, EUR and %**



Source – Statistics Lithuania.

**As a result of the COVID-19 pandemic and its containment measures, aid measures have been applied to the affected taxpayers.** Taxpayers affected by the COVID-19 pandemic continued to benefit from tax aid measures in 2021, allowing them to defer PIT payments without late payment interest and recovery actions until 31 August 2021. PIT COVID arrears at the end of 2021 amounted to EUR 96.7 million. At the end of 2020, these arrears amounted to EUR 122.3 million, thus over 2021 PIT COVID arrears decreased by EUR 25.5 million.

**PIT overpayment refunds for the year 2020 have increased significantly.** PIT overpayments refunded to the taxpayers in 2021 made up EUR 290.6 million, i.e. were by EUR 109 million (1.6 times) higher than in 2020. The majority of the refunds were due to unused share of the annual non-taxable amount (hereinafter – NTA). The maximum NTA applied as of 1 July 2020 has been increased from EUR 350 to EUR 400 per month retroactively for the whole year 2020 (the same amount was also applicable in 2021). Though when increasing the NTA in mid-2020 it was allowed to apply the unused share of NTA retroactively for the first half of 2020 throughout the second half of 2020, if agreed so among the employer and employee, the significant increase in PIT refunds in 2021 shows that such practice was not common. Thus, in 2021, the taxpayers declaring income for 2020 also recovered PIT overpaid (due to unused share of annual NTA) in the first half of 2020.

The amount of deductible expenses declared in the annual income tax returns, from which part of the paid PIT was refunded, increased marginally.

**Table 6. Data on the persons who declared incurred deductible expenses in annual income tax returns**

	Number of persons, thou.			Contributions, EUR million		Comparison of 2020 and 2019	
	2019	2020	%	2019	2020	(+ / -)	%
<b>Total</b>	<b>385.3*</b>	<b>373*</b>	<b>-3.2</b>	<b>296.1</b>	<b>308.6</b>	<b>12.5</b>	<b>4.2</b>
Life insurance contributions	280.2	279	-0.4	199.6	212.7	13.1	6.5
Interest on loans granted for the	54	49.8	-7.9	21.7	18.5	-3.2	-14.7

	Number of persons, thou.			Contributions, EUR million		Comparison of 2020 and 2019	
	2019	2020	%	2019	2020	(+ / -)	%
construction or purchase of residential housing							
Tuition fees	49.8	44.7	-10.2	53.7	55.7	2	3.7
Reimbursed loans (part of thereof) granted to cover the costs of studies	16.1	12.9	-19.7	3.3	3.6	0.3	9.3
Contributions to supplementary voluntary pension funds	36	30	-16.7	17.7	18.1	0.4	2.1
Deductible expenses temporary applied in 2019–2021							
<b>Total</b>	<b>20.8*</b>	<b>25.3*</b>	<b>21.3</b>	<b>16.2</b>	<b>17.5</b>	<b>1.4</b>	<b>8.5</b>
Costs of the works of repairs, finishing works (other than renovation) of buildings and constructions	7	7.3	4.4	10.8	10.7	-0.1	-0.7
Costs of passenger car repair services (excluding the cost of spare parts, consumables)	14.2	18.5	30.3	5	6.5	1.5	29.1
Costs of childcare services	0.3	0.3	-5.2	0.4	0.4	0	-1.3

\* Unique number of persons.

Source – STI.

### **PIT liability declared in the annual income tax returns increased significantly.**

Taxpayers, who declared the PIT payable in the annual income tax returns, paid EUR 271.8 million, i.e. by EUR 65.5 million (31.8 %) more than in 2020. Usually, these are the residents who have earned class B income during the year, e.g. income from individual activities, rent income or gains from sale of property. Also, the amount of PIT payable accrued for taxpayers with overused share of NTA (e.g. due to wage increase in 2020).

### **PIT structure by type of the tax**

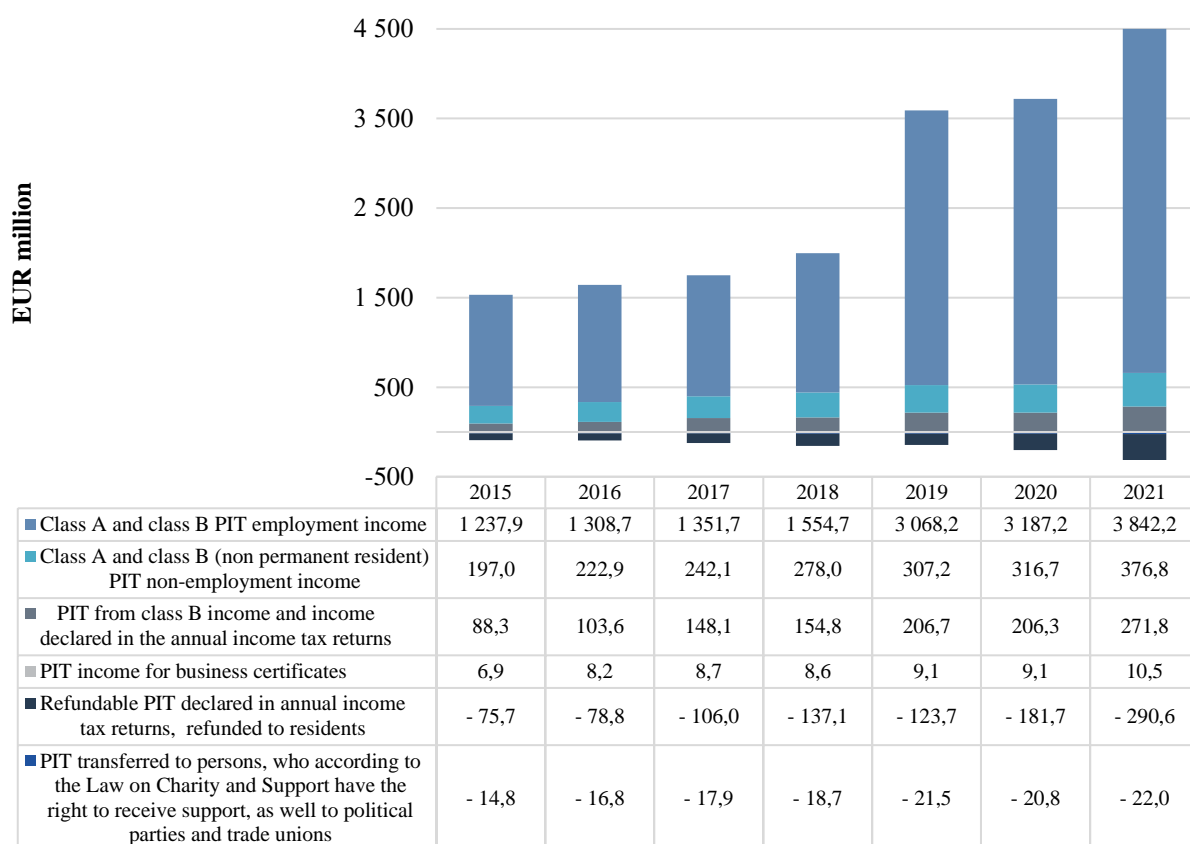
Personal income is classified as either class A or class B income. Income is classified as class A income when the PIT is calculated, withhold and transferred to the budget by the withholding person. Examples of such income include wages (employer calculates, withholds and transfers to the budget the PIT on behalf of the employee), sickness, paternity, maternity, child care benefits, dividends, royalties, etc. PIT on this type of income is usually paid at the time of their disbursement. Class B income is when the person who receives such income is obliged to calculate and pay PIT on the income himself. This includes income from individual activity, interest received, proceeds from the sale of financial instruments, proceeds from the sale of property, income from the rent of property when rented to a natural person not carrying out an individual activity, etc. PIT on this type of income is usually paid after the end of the tax period when such income was received by declaring it in the annual income tax returns (with the deadline of 1 May of the following year). Thus, depending on whether PIT is paid on class A or class B income, the income is generally received for the current or the preceding period, respectively.

PIT on employment income<sup>5</sup> accounts for the majority of annual revenue from PIT. In 2021, it accounted for 85.4 % of PIT paid to the State budget and municipal budgets. The received amount of the employment-related PIT was higher by 20.6 % as compared to 2020.

<sup>5</sup> Class A income of a permanent resident and class B income of a non-permanent resident.

In 2021, PIT on non-employment income<sup>6</sup> accounted for 8.4 % of PIT paid to the State budget and municipal budgets. The collected amount of PIT on this type of income was higher by 19 % as compared to 2020.

**Diagram 7. Structure of revenue from PIT**



**Note:** in 2019 the share of PIT from employment income increased significantly due to an increase in the PIT rate up to 20 % and the conversion of gross wages by applying the coefficient of 1.289.

Source – Ministry of Finance.

### PIT from employment income

According to the data of monthly income tax returns (form PIT313) submitted by withholding persons (i.e. employers paying salaries, companies paying other type of PIT taxable income to residents, etc.), EUR 22 billion of class A employment income (in principle, wages) were disbursed in 2021, from which the estimated PIT amounted to EUR 3.8 billion. The major share of PIT from class A employment income is declared in manufacturing (EUR 623 million) and wholesale and retail trade (EUR 539.6 million).

Although the employment income is subject to 20 % statutory PIT rate, due to the application of NTA, the effective PIT rate is lower. In 2021, lowest effective PIT rate – 13.3 % — was in the accommodation and catering service activities sector, which is characterised by low wages<sup>7</sup> even under normal economic conditions. In addition, the COVID-19 pandemic and its containment measures continued to have a significant negative impact on the sector in 2021. It should be noted that in the information and communication activities sector characterised by most competitive wages, the effective PIT rate was the closest to the statutory PIT rate and represented 19.4 %, i.e. the impact from NTA was negligible in this sector.

<sup>6</sup> Class A income of a permanent resident and class B income of a non-permanent and permanent resident.

<sup>7</sup> The lower gross wage, the higher NTA is applied and consequently the lower effective PIT rate is.

**Table 7. Class A employment-related payments in 2021, PIT deducted from such payments and the effective PIT rate by economic activity, EUR million and %**

Economic activity	Employment-related payments	Share of payments, %	PIT from employment-related payments	Effective PIT rate, %
A. Agriculture, forestry and fisheries	324.5	1.5	50	15.4
B. Mining and quarrying	47.1	0.2	8.1	17.2
C. Manufacturing	3, 731.6	17	623	16.7
D. Supply of electricity, gas, steam and air conditioning	217	1	39.4	18.1
E. Water supply, sewerage, waste management and remediation activities	230	1	37.5	16.3
F. Construction	1, 311.6	6	212.5	16.2
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	3, 301	15	539.6	16.3
H. Transport and storage	1, 963.9	8.9	331.2	16.9
I. Accommodation and catering service activities	424.3	1.9	56.6	13.3
J. Information and communication	1, 269.4	5.8	248.4	19.6
K. Financial and insurance activities	675.4	3.1	131.3	19.4
L. Real estate activities	213.6	1	36.5	17.1
M. Professional, scientific and technical activities	1, 167.9	5.3	217.8	18.6
N. Administrative and service activities	665.9	3	98.6	14.8
O. Public administration and defence; compulsory social security	1, 813.1	8.2	330.7	18.2
P. Education	2, 024.9	9.2	345.5	17.1
Q. Human health care and social work	2, 142.7	9.7	384.5	17.9
R. Arts, entertainment and recreation	325.1	1.5	51.4	15.8
Other activities	156.9	0.7	23.2	14.8
<b>Total</b>	<b>22, 005.9</b>	<b>100</b>	<b>3, 765.8</b>	<b>17.1</b>

Source – STI.

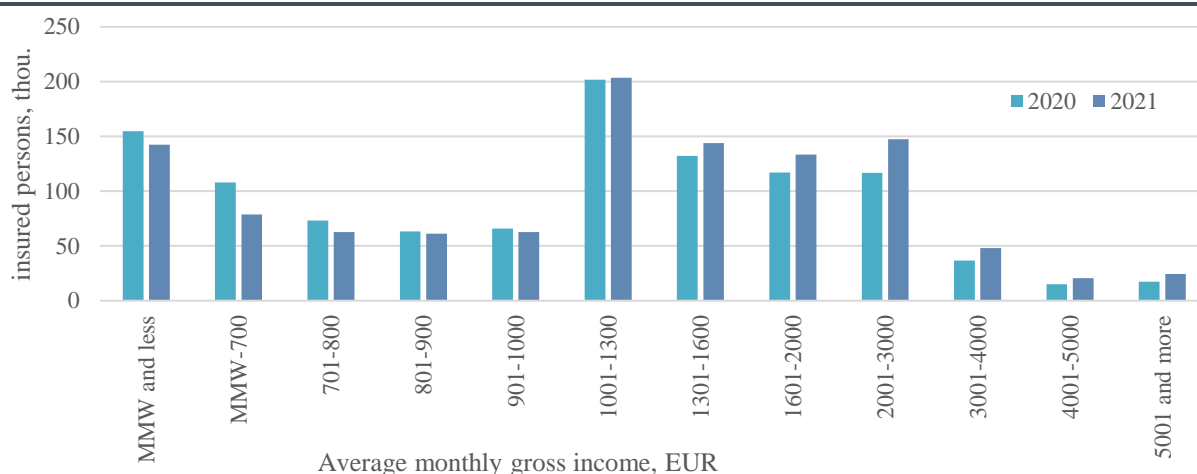
The data on the distribution of employed persons depending on the size of income allows for a better understanding of which groups of workers have contributed most significantly to changes in the collection of PIT from class A employment income.

In 2021 the insured persons<sup>8</sup> with an average monthly insured income<sup>9</sup> of less than or equal to MMW accounted for 12.6 % of all insured persons, i.e. by 1.4 percentage point lower than a year ago. Thus, the insured persons whose salaries largely depend on the level of the MMW still have a tangible impact on the collection of income from PIT. Income of another 54.3 % of the insured persons was higher than MMW, but did not exceed EUR 1, 600 (for comparison, the average gross salary in 2021 amounted to EUR 1, 568), a year ago such persons accounted for 58.5 % of all employed persons. In 2021 the share of insured persons earning more than EUR 2, 000 grew most significantly — from 16.9 % to 21.3 %.

<sup>8</sup> Insured persons are natural persons who pay social insurance contributions themselves or the social insurance contributions are paid on their behalf by other economic agents. The majority of the insured persons (over 90 %) are persons employed under employment contracts, but this figure also includes, for example, persons with children under 3 years old, authors, athletes, performers, heads of small partnerships, etc., who are not self-employed on the basis of a business certificate of individual activity.

<sup>9</sup> Gross wages and salaries of insured persons employed under employment contracts.

**Diagram 8. Number of insured persons by average gross monthly insured income, thou.**



Source – statistical database “Atvira Sodra” (<https://atvira.sodra.lt/en-eur/>).

### A fixed amount PIT when acquiring a business certificate

Unlike the majority of PIT, which is normally paid in proportion to the income received, persons who have chosen to carry out individual activities by acquiring a business certificate<sup>10</sup> (hereinafter – BC) pay a fixed amount of PIT set by the municipal council, 100 % of which is transferred to the budget of that municipality. Although the PIT revenue generated under BC amounts to only 0.2 % (about EUR 10 million) of the total amount of PIT collected per year, the number of people choosing this form of activity is not negligible — 86.4 thousand persons carried out activities under BC in 2021 (by 4.5 % less than a year ago). The effective PIT rate paid by persons engaged in individual activities under BC is extremely low (see Box 1).

#### Box 1. Business certificates

In 2021, the Ministry of Finance carried out an assessment of the effective PIT rates<sup>11</sup> of individual activities carried out by acquiring the BC. According to 2019 data, about 87 thousand persons with BCs declared income from such activities, and total received income amounted to EUR 823 million<sup>12</sup>, or about EUR 383 million presumed taxable income<sup>13</sup>. These persons paid only EUR 8.5 million PIT for BC, therefore their effective PIT rate was about 2.2 %. In comparison, the persons carrying out individual activities under individual activity certificate pay at least a 5 % effective PIT rate, while the average effective rate of class A employment income constituted 17.1 % in 2021.

The effective rates of PIT for BCs vary depending on the activities carried out. In the table below, the BCs are divided into 3 groups of activities: services, trade and production. The majority

<sup>10</sup> A fixed amount PIT may be levied on individual income not exceeding EUR 45 000 per tax period (when carrying out trading activities, selling to legal persons or other residents engaged in trading activities — EUR 4.5 thousand) (where several activities are carried out, the income is aggregated). Income from individual activities exceeding the amount of EUR 45 000 during the tax period is taxed at 15 % PIT rate minus the amount of the income tax credit (so for income exceeding EUR 45 thousand, the effective rate of PIT is between 5 % and 15 %).

<sup>11</sup> The effective PIT rate in this analysis was calculated from the presumed taxable income.

<sup>12</sup> Only the income taxed under the fixed amount PIT scheme of BC were taken into consideration in this estimate. Therefore, the revenue exceeding EUR 45, 000 (or EUR 4.5 thousand, see footnote 10) were not included in the calculations. Income for the purposes of this analysis is the person’s turnover, i.e. without eliminating the costs.

<sup>13</sup> Persons carrying out activities under BC declare only turnover, but do not declare costs. In order to assess their presumed taxable income, the following assumptions on the size of presumptive costs (including social security contributions) were used: 56 % in production, 45 % in services, 80 % in trade (according to the size of costs in similar groups of activities carried out under an individual activity certificate in 2017, i.e. in the last year when income from individual activity was still declared per each type of individual activity).



of individuals carry out activities under services BCs (68 thousand, or almost 77 % of all persons), while the rest carry out activities under trade (16 thousand, or 18 %) and production (5 thousand, or almost 6 %) BCs. Due to the different nature of activities, their effective PIT rates differ – the highest is among trade (3.8 %) and the lowest among production (1.5 %) activities.

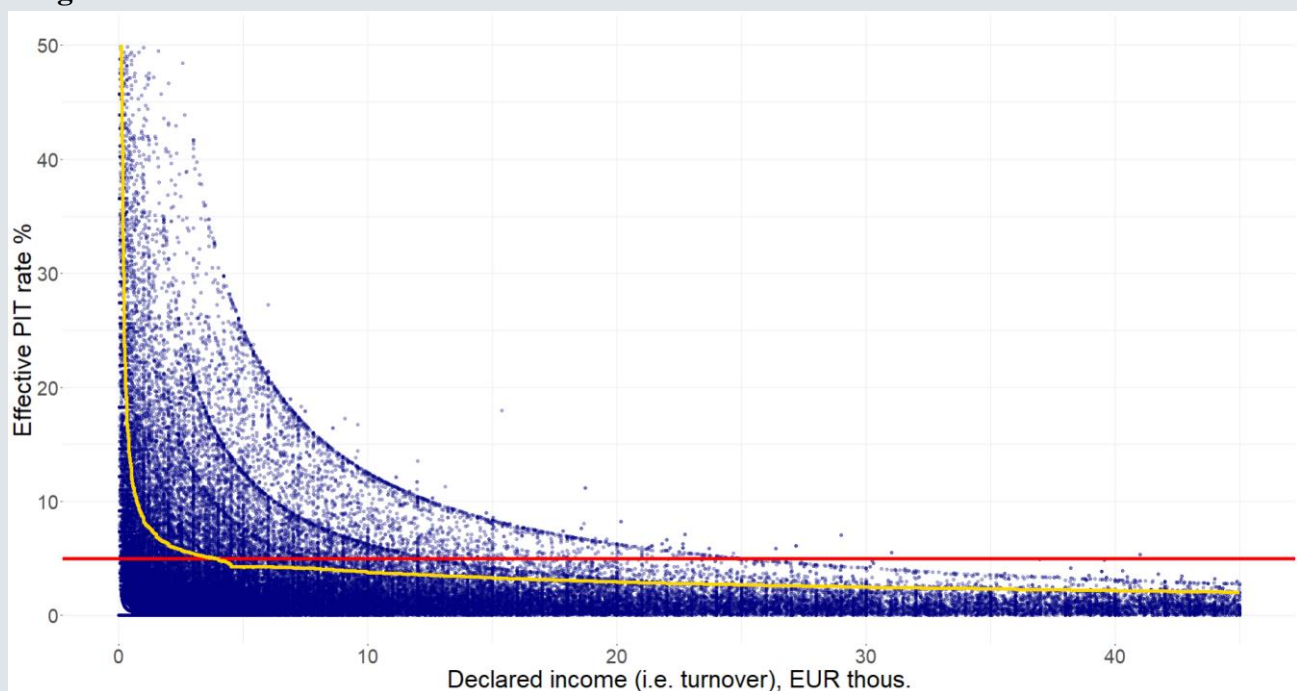
**Table 8. Effective PIT rate of the persons engaged in individual activities under BC by type of BC**

BC activity group	Number of persons (thou.)	Income (EUR million)	Presumed taxable income (EUR million)	PIT paid (EUR million)	Effective PIT rate (%)
Services	68.3	604.6	330.5	6.9	2.1
Trade	15.6	180.5	36.5	1.39	3.8
Production	5.1	38	16.8	0.25	1.5
<b>Total</b>	<b>87.3*</b>	<b>823</b>	<b>383.7</b>	<b>8.54</b>	<b>2.2</b>

\* Unique number of persons.

The effective PIT rate depends not only on the nature of the activity, but also on the level of income. Since the price of a BC is fixed for a given period and does not depend on the amount of income received, persons engaged in the same activity for the same time and earning a different amount of income pay a different effective PIT rate. For example, when income of EUR 3.8 thousand is reached in the largest group of BC activities – services – the average effective PIT rate of persons who have received such income becomes lower than 5 % (this is the lowest possible effective PIT rate applied to income under individual activity certificate), and the effective PIT rate for a significant share of persons is even lower. When the income of EUR 25.000 is reached, the effective PIT rate of almost all those who have received such income becomes lower than 5 %, and the average rate constitutes about 2.7 %. This link between the effective PIT rate and income is shown in the diagram below.

**Diagram 9.** The link between the effective PIT rate and declared income from services BCs



**Note.** The red line denotes a 5 % effective PIT rate. This threshold was chosen for comparison with the individual activities carried out under individual activity certificate with a minimum effective PIT rate of 5 %.

The yellow line denotes the effective PIT rate, if the fixed amount PIT could only be paid up to the corresponding

amount of income (turnover). For example, in order to achieve an average effective PIT rate of 5 % in services BCs, the turnover threshold up to which fixed amount PIT scheme could be applied should be EUR 3.8 thousand in income over the tax period.

Source– STI data and calculations made by the Ministry of Finance.

## EXCISE DUTIES

In 2021, **EUR 1, 657.9 million** of excise duties was collected into the State budget. As compared to 2020, the State budget received by EUR 99 million, or 6.4 %, more revenue from excise duties. The excise duty revenue plan for 2021 was implemented by 102.5 % and the budget received EUR 40.9 million revenue more than planned.

**Table 9. Revenue from excise duties administered by the STI and Customs, EUR million and %**

Administrator	Fact 2020	Plan 2021	Fact 2021	Change in fact		Implementation of the plan	
				(+ / -)	%	(+ / -)	%
STI	1, 537.7	1, 596.4	1, 633.7	95.9	6.2	37.3	102.3
Customs	21.2	20.6	24.3	3.1	14.6	3.6	117.6
<b>Total</b>	<b>1, 558.9</b>	<b>1, 617</b>	<b>1, 657.9</b>	<b>99</b>	<b>6.4</b>	<b>40.9</b>	<b>102.5</b>

Source –Ministry of Finance.

### Factors affecting the collection of revenue from excise duties

**Increased sales of excise goods.** In December 2020 – November 2021, sales of wine and other fermented beverages, ethyl alcohol, cigars and cigarillos, smoking tobacco, heating tobacco products, e-cigarette liquid, petrol and diesel fuels on the wholesale market increased as compared to December 2019 – November 2020<sup>14</sup>.

**Higher rates of excise duties.** The collection of excise revenue in 2021 was positively affected by higher excise duties on tobacco products and ethyl alcohol (increased as of 1 March 2020), as well as increased excise duty rates on manufactured tobacco products as of 1 March 2021.

**Reduced taxpayers' COVID arrears.** The COVID arrears of the taxpayers who were granted the possibility to defer the payment of excise duties without interest and recovery actions until 31 August 2021, amounted to EUR 8.7 million on 1 January 2022, i.e. decreased by EUR 14.7 million over 2021.

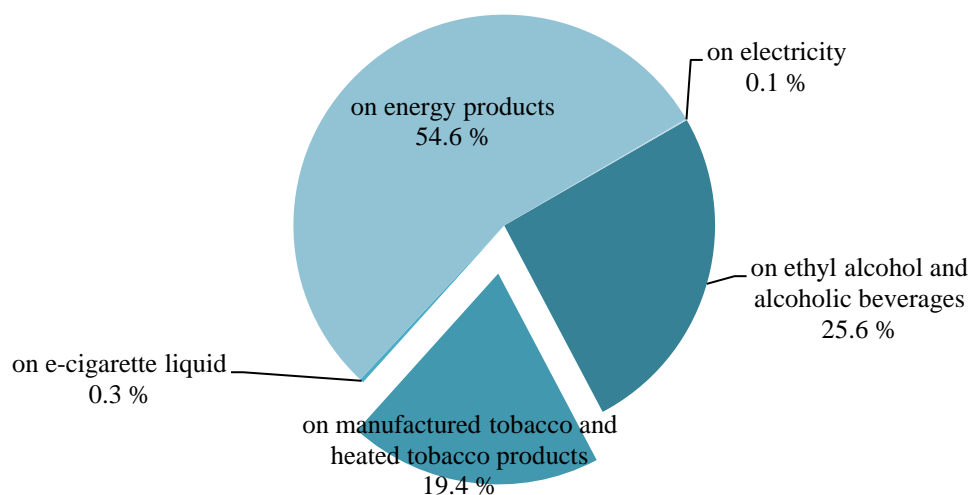
### Collection of the excise duty revenue by group of goods subject to excise duties

In 2021, as in previous years, the largest share of excise duties collected into the State budget – 54.6 %. (EUR 905.2 million) — consisted of excise duties on energy products. Revenue from excise duty on ethyl alcohol and alcoholic beverages amounted to 25.6 %. (EUR 425.1 million), on manufactured tobacco and heated tobacco products – 19.3 % (EUR 321.5 million), on e-cigarette liquid – 0.3 % (EUR 4.6 million) and on electricity – 0.1 % (EUR 1.6 million) of total

<sup>14</sup> Since excise duties for a given month are declared and paid by the 15<sup>th</sup> day of the following month, data on sales lagged by one-month is relevant for the purpose of analysing the collection of this tax for a given period. For example, when analysing the collection of excise revenue for the year 2021, the excise declaration data for December 2020-November 2021 is analysed.

excise revenue. As compared to 2020, the share of excise duties collected on ethyl alcohol and alcoholic beverages in 2021 increased by 1 percentage point, on e-cigarette liquid – 0.2 percentage point, respectively, excise duties on manufactured tobacco and heated tobacco products decreased by 0.3 percentage point, and by 0.9 percentage point on energy products. The share of excise duties on electricity from total excise revenue remained unchanged.

**Diagram 10. Structure of revenue from excise duties in 2021, %**



Source –Ministry of Finance.

**Table 10. Collection of revenue from excise duties by group of goods subject to excise duties, EUR million and %**

Groups of goods subject to excise duties	Actual revenue of 2020	Actual revenue of 2021	Change in actual revenue		Share from total excise duties, %
			(+ / -)	%	%
<b>TOTAL EXCISE DUTIES, o/w:</b>	<b>1, 558.9</b>	<b>1, 657.9</b>	<b>99</b>	<b>6.4</b>	<b>100</b>
<b>on ethyl alcohol and alcoholic beverages, o/w:</b>	<b>384</b>	<b>425.1</b>	<b>41.1</b>	<b>10.7</b>	<b>25.6</b>
on wine and other fermented beverages	43.2	49.1	5.9	13.6	3
on intermediate products	6.8	6.6	-0.2	-3.2	0.4
on ethyl alcohol	235.6	272	36.4	15.4	16.4
on beer	98.4	97.4	-1	-1	5.9
<b>on manufactured tobacco and heated tobacco products, o/w:</b>	<b>307</b>	<b>321.5</b>	<b>14.4</b>	<b>4.7</b>	<b>19.4</b>
on cigarettes	275.4	283	7.6	2.8	17.1
on cigars and cigarillos	4.9	7.3	2.4	49.7	0.4
on smoking tobacco	7.8	7.4	-0.3	-4.3	0.4
on heated tobacco products	19	23.8	4.7	24.9	1.4
<b>on e-cigarette liquid</b>	<b>1.3</b>	<b>4.6</b>	<b>3.3</b>	<b>263.2</b>	<b>0.3</b>
<b>on energy products, o/w:</b>	<b>865.1</b>	<b>905.2</b>	<b>40.1</b>	<b>4.6</b>	<b>54.6</b>
on motor petrol, its substitutes and additives	153.9	160.7	6.9	4.5	9.7
on gas oils, their substitutes and additives	666.2	697.1	30.9	4.6	42
on gas oils used in agricultural activities, including fisheries	17.7	18.2	0.4	2.4	1.1
on liquefied petroleum gas for motor vehicles	21.6	22.6	1	4.7	1.4
on gas oils for heating	1.4	1.6	0.3	19.1	0.1
on other energy products	4.4	5	0.7	15	0.3
<b>on electricity</b>	<b>1.5</b>	<b>1.6</b>	<b>0.1</b>	<b>4.3</b>	<b>0.1</b>

Source –Ministry of Finance (aggregate data of the STI and Customs).

## Revenue received from excise duties on energy products

In 2021, revenue from excise duties on **energy products** amounted to **EUR 905.2 million**, i.e. by EUR 40.1 million (4.6 %) more than in 2020.

Revenue growth is due to increased fuel sales on the wholesale market: in December 2020 – November 2021, as compared to December 2019 and November 2020, petrol sales increased by 3.9 % and diesel fuels by 2.3 %.

**Table 11. Sales of fuels subject to excise duties, litres, tons and %**

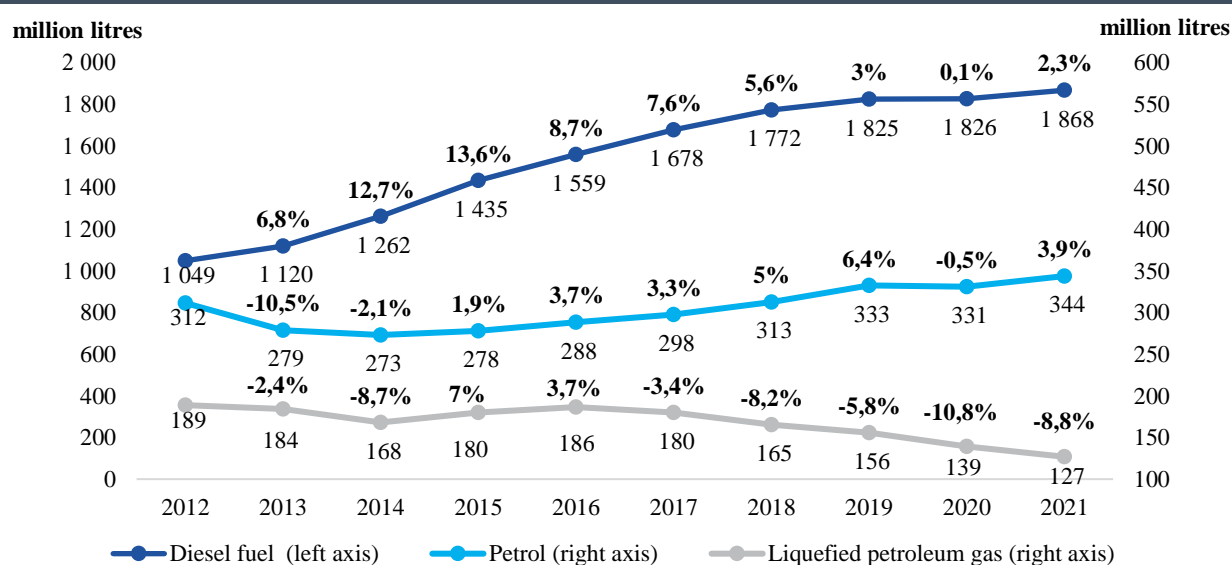
A group of goods subject to excise duties	Units of measurement	December 2019 – November 2020	December 2020 – November 2021	Change	
				(+ / -)	%
Petrol	Quantity, thou. litres	330, 875	343, 808	12, 933	<b>3.9</b>
Diesel fuels	Quantity, thou. litres	1, 826, 322	1, 867, 956	41, 634	<b>2.3</b>
Marked diesel fuels for agricultural use	Quantity, thou. litres	298, 142	280, 984	-17, 158	<b>-5.8</b>
Liquefied petroleum gas for motor vehicles	Quantity, tons	78, 591	71, 680	-6, 911	<b>-8.8</b>

Source – STI.

The increase in sales volumes of diesel fuels and petrol was affected not only by the release of restrictions on movement of persons during the post-quarantine period, but also by the growing vehicle fleet. According to the state enterprise *Regitra*, in 2021 the number of solely diesel-fuelled vehicles (including hybrids running also on electric power) increased by 3.4 %, and solely petrol-fuelled vehicles (including hybrids running also on electric power – 5.4 %) – 3.5 %.

The dynamics of fuel sales on the wholesale market in 2013 – 2021 shows that diesel fuel sales grew rapidly each year, and since 2016 the growth rate started to slow down. Petrol sales grew at an accelerated pace since 2015 and exceeded the growth rate of diesel fuel sales in 2019. In 2020, due to restrictions on the movement of persons introduced during quarantine, sales of these fuels remained at a similar level as in 2019, and increased again in 2021. Respectively, demand for liquefied petroleum gas has declined in recent years – sales were falling for 5 consecutive years.

**Diagram 11. Fuel sales dynamics in 2013–2021\*, million litres and %**



\* The annual data on sales corresponds to the period in which the income was generated. For example, data for 2021 reflects the sales for December 2020 – November 2021.

Source – STI.

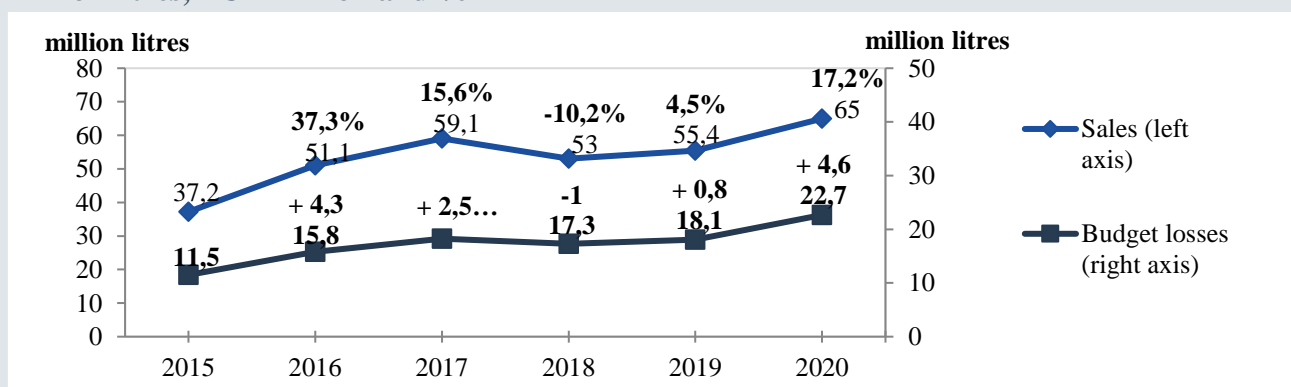
Diesel fuels used in agriculture as motor fuels and for heating (of buildings) or technological processes are coloured (marked) respectively in green and red for control purposes. This type of fuel is subject to reduced (lower than on conventional unmarked diesel fuel) rates of excise duties (EUR 60 and EUR 21.14 per 1,000 litres, respectively, instead of the standard excise duty rate of EUR 372 per 1,000 litres). In 2021 the share of diesel fuel for heating (in practice also called *red diesel fuel* due to its colour) in diesel fuel sales represented 3.5 %, while sales of agricultural diesel fuel (*green diesel*) accounted for 12.6 %. For more information on the excise duty exemption for diesel fuel for heating see Box 2.

### Box 2. Excise duty exemption applied to diesel fuel for heating

In 2020-2021 the Ministry of Finance carried out an analysis<sup>15</sup> of the beneficiaries of the excise duty exemption for diesel fuel for heating. This exemption was introduced in 2002, taking into account the minimum level of taxation for this fuel laid down in the European Union law (until then this fuel had been subject to the standard rate on diesel fuel). Since then, the reduced rate has remained unchanged (although the standard rate of excise duty has increased). Currently, the excise duty rate on fuel for heating is 5.7 % of the standard excise duty rate applicable (11 % at the time of introduction in 2002). Due to tax factors alone, one litre of diesel fuel for heating is on average about EUR 0.40, or about 2 times (depending on changes in crude oil and final fuel prices) cheaper than conventional diesel fuels, although essentially it is the same fuel which differs only in the purpose of use. 7 Member States of the European Union (Estonia, Bulgaria, Greece, Hungary, the Netherlands, Romania and Slovakia) apply the standard rate of excise duty to diesel fuel, used for heating. The remaining countries apply more or less reduced rates of excise duty (e.g. in Latvia the rate of excise duty on heating fuel is 13.7 % of the rate on conventional diesel fuels, in Poland – 15.7 %).

Since the introduction of the reduced rate, the popularity of diesel fuel for heating tended to grow (in 2004-2020 the sales increased 3.4 times, or on average by almost 10 % each year), and respectively budget losses of revenue from excise duties, which reached almost EUR 23 million in 2020, have increased.

**Diagram 12. Dynamics of sales of diesel fuel for heating and budget losses in 2016–2020, million litres, EUR million and %**



Sources: STI and Ministry of Finance.

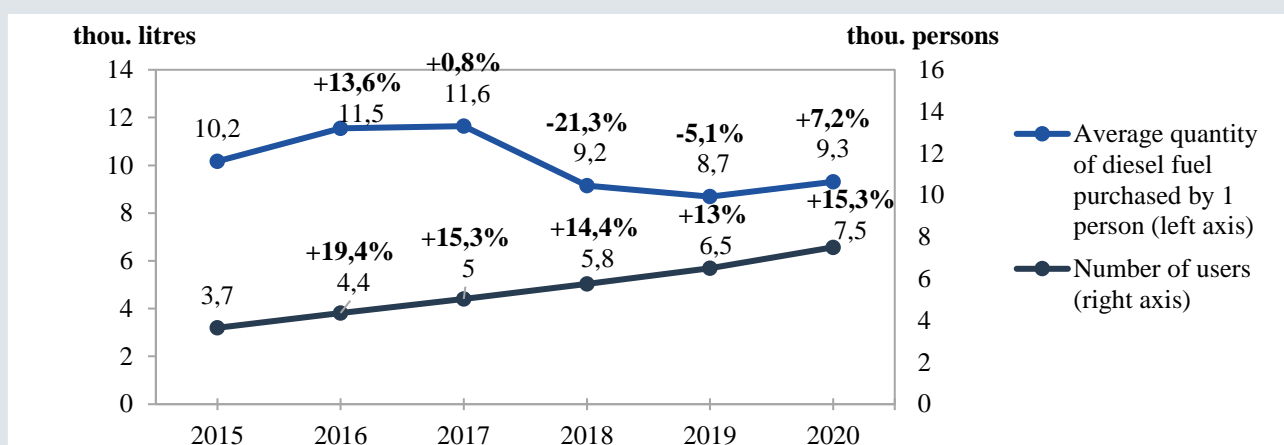
The growth in sales of diesel fuel for heating has been affected by a steady increase in the number of persons (residents and businesses)<sup>16</sup> using this fuel, however, as the number of fuel users

<sup>15</sup> The information provided in this special section reflects the situation in 2020, available at the time of the analysis, unless otherwise specified.

<sup>16</sup> The analysis covers the persons on whose behalf the diesel boilers are registered and who are authorised to purchase a certain amount of diesel fuel for heating purposes.

grew faster than sales of this fuel, the average amount of fuel purchased by one person had a tendency to decrease.

**Diagram 13. Dynamics of the number of diesel fuel users and the average quantity of fuel purchased by one person in 2016-2020, thou. litres, thou. persons and %**



Source – STI.

If the excise duty exemption were abolished in full, additional annual costs for businesses and residents would amount to about EUR 25 million<sup>17</sup> (in some cases, including VAT), assuming that these entities would not choose alternative heating methods. For an average household, the price of residential heating alone<sup>18</sup> would increase by about EUR 1.3 thou. per year. An average legal entity would incur additional costs of about EUR 8 thousand, while a natural person carrying out individual activities — about EUR 4 thousand.

The vast majority (almost 85 %) of beneficiaries are natural persons whose total consumption of diesel fuel for heating has increased in recent years and currently accounts for more than 60 % of total consumption. The share of the persons likely to use fuel only for residential heating is about 40 %, and their consumption is less than one fifth of all heating fuel consumed by natural and legal persons.

User profile of beneficiaries of this exemption<sup>19</sup>:

### Businesses

- A dozen economic agents (about 2 % of all legal entities benefiting from the exemption, including larger companies engaged in the construction of engineering structures, cement production, production of milk products, feed, agricultural activities, heating companies, care homes) consume larger quantities of fuel (their total amount of such fuel accounts for one quarter of the total amount consumed by legal entities). However, the vast majority (almost 80 %) of companies use no more than an average of one legal entity (20.8 thousand litres per year), and such companies consume on average 6.8 thousand litres per year – similarly to the average consumption per resident. This group of legal entities consumes one quarter of the total fuel consumed by legal entities.

<sup>17</sup> The amount of costs will depend on the price of oil and changes in behaviour of companies and residents in the consumption of diesel fuel for heating.

<sup>18</sup> The assumption of the amount of diesel fuel needed for residential heating is based on the average of such fuel purchased by the residents who did not carry out individual activities (about 3,000 litres per year).

<sup>19</sup> Based on 2019 data.

- The largest share of exempt fuel is consumed in the city of Vilnius (7 % of the quantity), but the exemption is particularly relevant also in the regions (all district municipalities use more than 80 % of the total fuel consumption by legal entities).
- 4.5 % (about EUR 0.3 million) of the exemption are granted to socially sensitive or public interest groups: public (educational, culture, health and nursing) institutions, religious communities, associations, budgetary institutions.
- Type of the companies — usually micro and small private limited companies, agricultural companies and cooperatives.
- Dominating several activities — vehicle repair, retail trade or wholesale, manufacturing, agriculture.
- Companies that took advantage of the exemption cover 6 % of the labour market; one fifth pays average and higher wages.
- Benefits granted by the exemption (lower fuel costs) account for 0.8 % of the total tax paid by companies benefiting from it.
- If the exemption were eliminated in full and additional costs would not be passed on to prices of goods and services, two-thirds of the companies would remain profitable, and the majority of the remaining companies would remain loss-making, independently of whether they would receive the exemption or not.
- One-fifth of the companies benefiting from the exemption had COVID arrears at the end of 2020.

### **Residents**

- Larger quantities are used (and benefited the most from the exemption) by individuals engaged in individual activities, mainly farmers (about 75 % of the total residents engaged in individual activities). Mixed agriculture, growing of cereals (except rice), leguminous crops and oil seeds dominate. As a result, diesel fuel for heating is more often used for economic activity than for residential heating.
- Almost half of natural persons are not engaged in individual activities and are likely to use fuel only for residential heating. These residents consume only about one quarter of the fuel consumed by natural persons.
- The exemption is most relevant in the regions (over 90 % of the exemption for residents go to district municipalities).
- Almost half of the beneficiaries are middle-aged, one quarter – of the retirement age.
- In terms of income<sup>20</sup>, half of the residents receive less than average wage, one-fifth – less than MMW.
- One-third of residents, who had any income, generated income from individual activities. This is about half of all individuals engaged in individual activities, which means that the other half of those individuals receive their income not from individual activities, but from other sources— employment, social benefits and/or other sources of income.
- Income before taxes of individuals, who have received any income from individual activities, is on average almost 8 times higher than that of those working only under an employment contract and/or receiving social benefits.

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<sup>20</sup> The most common types of income were assessed: employment income, income from individual activities and social benefits.

## Revenue from excise duties on ethyl alcohol and alcoholic beverages

In 2021, revenue from excise duties on ethyl alcohol and alcoholic beverages amounted to **EUR 425.1 million**, i.e. by EUR 41.1 million (10.7 %) more than in 2020.

Revenue from excise duties on these products was higher due to growing sales of wine and other fermented beverages and ethyl alcohol on the wholesale market: in December 2019 - November 2020, as compared to December 2020 - November 2021, sales of wine and other fermented beverages increased by 7.6 %, and of ethyl alcohol – by 6.2 %.

Revenue collection has also been positively affected by a higher excise duty rate applied to ethyl alcohol in 2021, which was increased as of 1 March 2020.

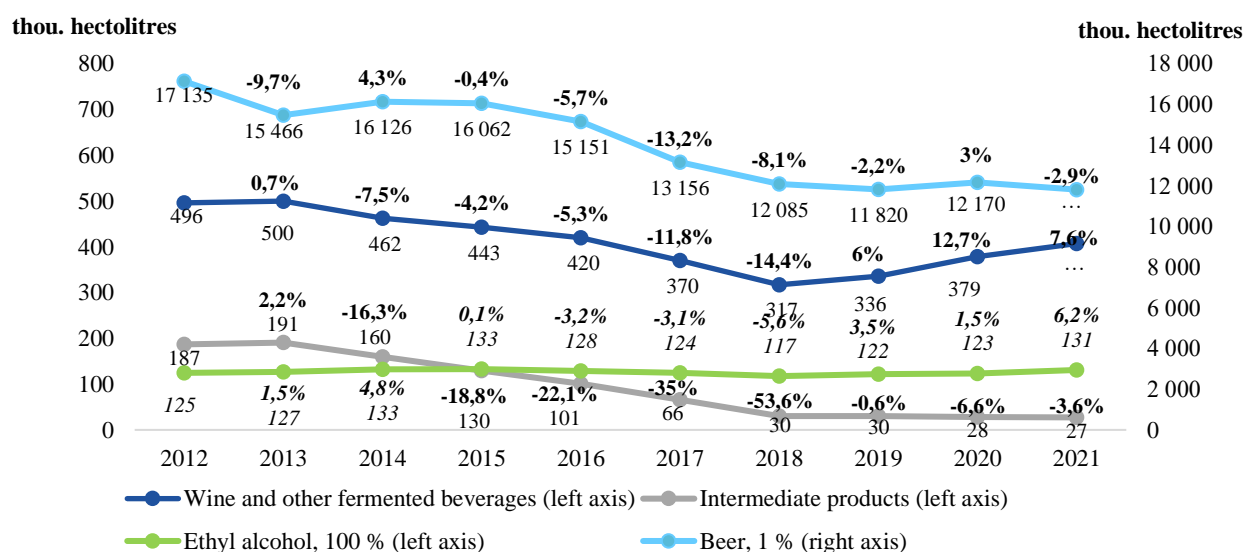
**Table 12. Sales of ethyl alcohol and alcoholic beverages, hectolitres and %**

A group of goods subject to excise duties	Units of measurement	December 2019 – November 2020	December 2020 – November 2021	Change	
				(+ / -)	%
Wine and other fermented beverages	Quantity, hectolitres	378, 534	407, 249	28, 715	<b>7.6</b>
Intermediate products	Quantity, hectolitres	28, 267	27, 250	-1, 016	<b>-3.6</b>
Ethyl alcohol	Quantity, hectolitres of pure alcohol	123, 363	130, 998	7, 634	<b>6.2</b>
1% beer	Quantity, hectolitres	12, 170, 260	11, 811, 577	-358, 683	<b>-2.9</b>

Source – STI.

Data on the sales dynamics of ethyl alcohol and alcoholic beverages on the wholesale market in 2013-2021 shows that the decreasing trend of sales of alcoholic beverages observed until 2018 has changed its direction in 2019: sales of wine and other fermented beverages, ethyl alcohol began to increase, while sales of beer and intermediate products fell more moderately. Sales of wine and fermented beverages and ethyl alcohol continued to grow in 2020-2021, and in 2021 their volumes returned to 2016 levels.

**Diagram 14. Dynamics of sales of ethyl alcohol and alcoholic beverages in 2013–2021\*, thou. hectolitres and %**



\* The annual sale figures correspond to the period in which the income was generated. For example, data for 2021 reflects sales in December 2020 –November 2021.

Source – STI.



## Revenue from excise duties on tobacco products and e-cigarette liquid

In 2021, generated excise duties on **manufactured tobacco and heated tobacco products** amounted to **EUR 321.5 million**, i.e. by EUR 14.4 million (4.7 %) more than in 2020, and excise duties on **e-cigarette liquid** – **EUR 4.6 million**, i.e. by EUR 3.3 million (3.6 times) more than in 2020.

The collection of revenue from excise duties on tobacco products has been positively affected by higher excise rates applied to all tobacco products in 2021, increased as of 1 March 2020, and the increase in excise duty rates on manufactured tobacco products as of 1 March 2021. As of 1 March 2021, the specific element of the excise duty rate on cigarettes has been increased by 5.6 % (from EUR 65.7 to EUR 69.4 per 1,000 cigarettes), the minimum excise duty rate on cigarettes – 6.5 % (from EUR 108.5 to EUR 115.5 per 1,000 cigarettes), the excise duty rate on cigars and cigarillos – 14.6 % (from EUR 48 to EUR 55 per kilogram of product), smoking tobacco — 14.6 % (from EUR 78.5 to EUR 90 per kilogram of product). As a result of higher excise duty rates on all tobacco products in 2021, the budget received an additional EUR 19.1 million of excise revenue.

The higher amount of revenue generated was also due to increased sales of products alternative to cigarettes – cigars and cigarillos, smoking tobacco, heated tobacco products, e-cigarette liquid in December 2020 – November 2021 as compared to December 2019 – November 2020.

**Table 13. Sales of tobacco products and e-cigarette liquid, thou. units, kg, litres and %**

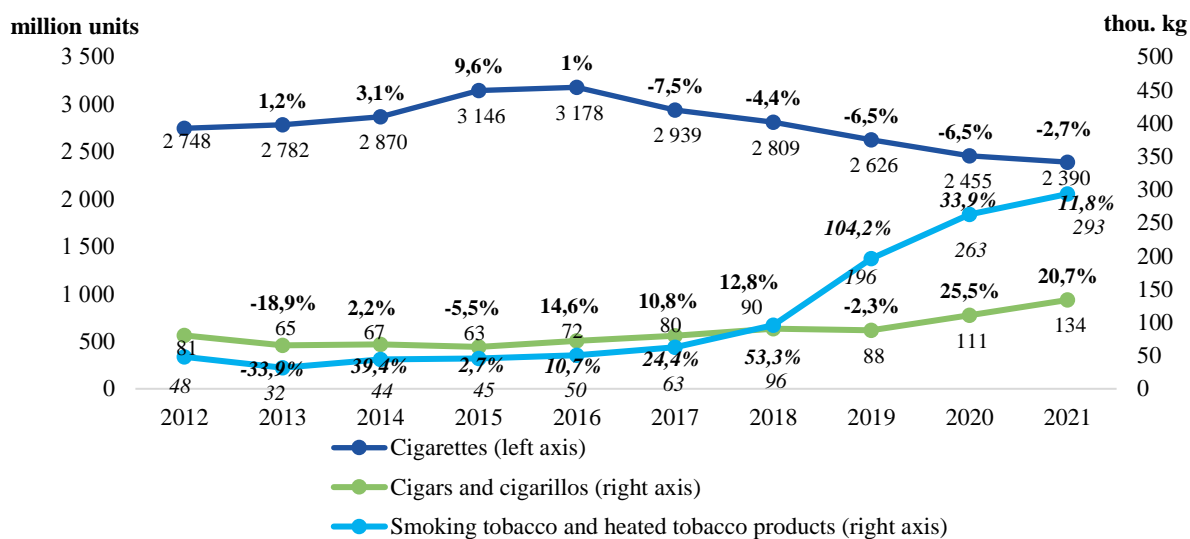
A group of goods subject to excise duties	Units of measurement	December 2019 – November 2020	December 2020 – November 2021	Change	
				(+ / -)	%
Cigarettes	Quantity, thou. units	2, 454, 909	2, 389, 830	-65, 079	-2.7
Cigars and cigarillos	Quantity, kg	110, 831	133, 773	22, 942	20.7
Smoking tobacco	Quantity, kg	76, 030	83, 234	7, 204	9.5
Heated tobacco products	Quantity, kg	186, 488	210, 137	23, 649	12.7
E-cigarette liquid	Quantity, litres	9, 859	8, 736	-1, 124	-11.4*

\* Considering the volumes of sales of e-cigarette liquid administered by the Customs, the increase in sales during the period analysed would be about 4 times.

Source –STI.

Sales dynamics of tobacco products in 2013-2021 shows that cigarette sales started to fall in 2017 and, at the same time, alternative products: cigars and cigarillos, smoking tobacco and heating tobacco products (the latter appeared on the market in 2017) began to be widely used.

**Diagram 15. Dynamics of sales of tobacco products in 2013–2021\*, million units, thou. kg and %**



\* The annual data on sales corresponds to the period in which the revenue was generated. For example, the data for 2021 reflects the sales in December 2020 – November 2021.

Source – STI.

## CORPORATE INCOME TAX

In 2021, the corporate income tax generated to the State budget amounted to **EUR 1, 183.2 million**. It was by EUR 403.5 million, or 51.8 %, more, as compared to 2020, and by EUR 394.4 million, or 50 %, more as compared to the plan.

### Factors affecting the collection of revenue from the corporate income tax

**Increase in advance corporate income tax payments.** In 2021, an advance corporate income tax of EUR 843.8 million was paid, which is by 41.3 %. (EUR 246.6 million) more than in 2020 and by 10.2 % (EUR 78.2 million) more than declared advance corporate income tax payable for 2021.

The amount of advance corporate income tax declared for 2021 (excluding the advance additional corporate income tax for credit institutions) amounted to EUR 748.2 million, which was by 14.9 % (EUR 97 million) higher than in 2020. The amounts of contributions of the advance corporate income tax payable kept growing despite a 1.5 % decrease in the number of companies declaring the amounts of contributions of the advance corporate income tax payable.

Usually, the contributions of the advance corporate income tax paid do not exceed the declared ones, however in 2021 some companies paid not only the advance corporate income tax for 2021, but also adjusted advance corporate income tax returns for 2020 and paid additionally this tax for 2020. This was the case for companies (including large industrial and commercial companies) that in 2020 opted to declare an advance corporate income tax on the basis of expected profitability and stated that they would not make profit. However, in cases where actual financial performance for 2020 exceed such companies' expectations, they adjusted their advance corporate income tax returns for 2020 and topped-up the advance corporate income tax.

**Record-high annual corporate income tax payments.** In 2021, an annual corporate income tax of EUR 279.2 million was paid, i.e. by 61.7 %. (EUR 106.6 million) more than in 2020. The size of the annual corporate income tax payments depends not only on the amount of the

declared annual corporate income tax liability, which increased by 14.3 % (EUR 115.2 million) in 2020, but also on the amounts already paid in advance. Therefore, relatively lower share of the corporate income tax paid in advance in 2020 contributed to the significant increase in the contributions of the annual corporate income tax. In 2020, about 65 % of the total corporate income tax liability was paid in advance, when this figure amounted to around 77 % in 2019. Particularly good financial performance for 2020 was declared by companies from varying sectors of economic activities, despite the COVID-19 pandemic and operating restrictions imposed to contain it. Increased number of profitable companies in 2020 (by 6.7 %) also illustrates that companies successfully coped with the pandemic period.

**A significant increase in the amount of the corporate income tax at source.** Taxpayers normally pay about EUR 10 million of corporate income tax at source per year, but in 2021, the amount received from this tax makes up EUR 56.3 million.

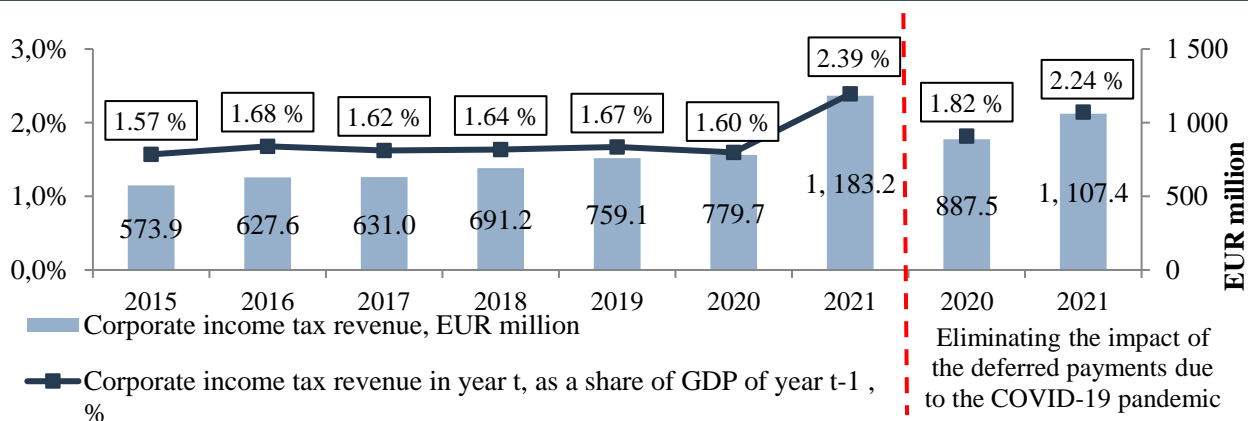
**Aid measures applied to taxpayers affected by the COVID-19 pandemic and its containment measures.** Taxpayers affected by the COVID-19 pandemic continued to benefit from tax aid measures in 2021, allowing them to defer payments of the corporate income tax without late payment interest and recovery actions until 31 August 2021. Corporate income tax COVID arrears amounted to EUR 29.2 million at the end of 2021, while at the end of 2020 it made up EUR 50 million, thus over 2021 corporate income tax COVID arrears decreased by EUR 20.8 million.

### The ratio of corporate income tax to gross domestic product

The ratio of income from the corporate income tax to gross domestic product (hereinafter – GDP) has increased significantly in 2021, although it has remained relatively stable over the last few years. This has been influenced not only by particularly good financial performance of the companies, but also by the aforementioned one-off factors (higher atypical corporate tax payments at source, topping-up of the advance corporate income tax payments for 2020 in 2021, decreasing amount of deferred payments by taxpayers).

Considering the fact that the standard rate of this tax has not changed since 2010, and that the corporate income tax base remained stable or even decreased (for example, due to the expansion of the exemption to the companies investing in technological renewal in 2018), the improving results of collecting revenue from the corporate income tax may also be explained by better administration of this tax.

**Diagram 16. Corporate income tax revenue (EUR million) and its share of GDP, %**



**Note.** Income from the corporate income tax in the t-year mostly depends on results of the companies in the t-1 year.  
*Source – Ministry of Finance.*

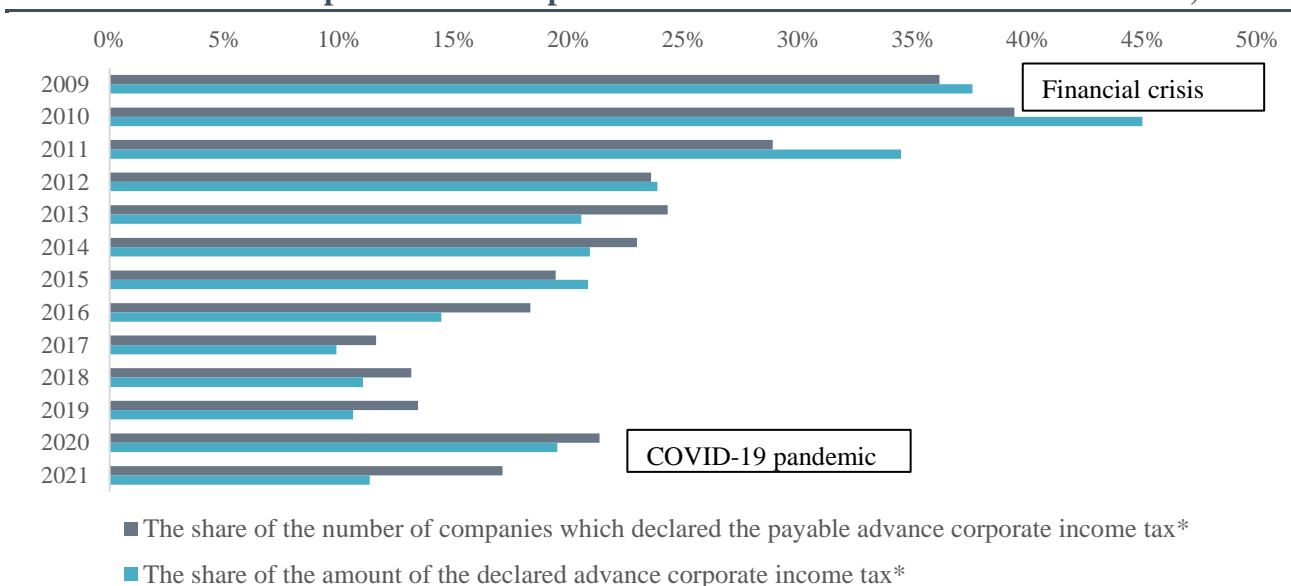
## Data on advance income tax returns

Although only about 15 % of all operating companies<sup>21</sup> pay advance income tax, their paid advance corporate income tax contributions in 2021 amounted to about 71 % of total annual revenue from the corporate income tax.

Advance corporate income tax is paid for the current year on the 15<sup>th</sup> day of the last month of each quarter. The amount of the advance corporate income tax is determined optionally in one of the two ways: (1) based on expected financial performance, i.e. by paying each quarter 1/4 of the expected annual amount of corporate income tax for the current year (which must overall represent at least 80 % of the actual amount of the corporate income tax for the current year, otherwise late payment interest is payable) or (2) based on performance of the previous years, i.e. for Q1 and Q2 of the current year paying 1/4 of the corporate income tax liability declared for the tax period, preceding the last tax period, and for Q3 and Q4 of the current year – paying 1/4 of the corporate income tax liability declared for the last tax period. During the period of economic growth, the majority (80-90 %) of the advance corporate income tax is paid on the basis of the performance of the previous years, while, in the face of economic downturn or economic uncertainty, the share of taxpayers declaring advance payments on the basis of expected financial performance increases. The advance corporate income tax is payable by the companies whose taxable income in the last tax period was not less than EUR 300 thousand.

In 2021 the share of taxpayers declaring the advance corporate income tax based on expected financial performance was 17.1 %<sup>22</sup> (while in the pre-pandemic year 2019 – 13.3 %, and during the peak of the pandemic in 2020 – 21.3 %). The share of the amount of the corporate income tax declared for payment by these taxpayers in 2021, as compared to 2020, decreased by 8.2 percentage points and constituted 11.3 % of the total amount of the advance corporate income tax declared.

**Diagram 17. The share of the number of companies which declared the advance corporate income tax based on expected financial performance and the share of declared amount, %**



\* Compared to the total number of companies which declared payable advance corporate income tax (more than EUR 0) / their declared amount. Considering the data submitted after the deadline for the annual returns for the year 2021 (deadline - 15 June 2022), the data for 2021 might change – part of the companies that declared the advance corporate

<sup>21</sup> Operating companies are taxpayers who submit annual corporate income tax returns for a given period.

<sup>22</sup> Calculated from the number of companies which declared payable advance corporate income tax (more than EUR 0).

income tax for 2021 based on the expected financial results and indicated that they did not expect to make profit will report the payable corporate income tax in their annual corporate income tax returns for 2021 and will therefore have to adjust the advance corporate income tax returns and pay late payment interest.

Source – Ministry of Finance.

The number of taxpayers submitting advance corporate income tax returns for 2021 was 29,100, or about 20 % of all operating companies (as compared to the number of taxpayers submitting annual corporate income tax returns for 2020). Of which, 19, 400 taxpayers declared the payable advance corporate income tax, i.e. by 1.5 % less than in 2020. The amount of the advance corporate income tax payable for 2021 increased by EUR 97 million, or 14.9 %.

The analysis of the declared advance corporate income tax by economic activity shows that in 2021 the largest share was declared in wholesale and retail trade, repair of motor vehicles and motorcycles (26.4 %) and manufacturing (23.8 %).

**Table 14. Data of advance corporate income tax returns (excluding the advance additional corporate income tax of credit institutions)**

Economic activity	Number of taxpayers who declared payments > 0 EUR		Declared amount, EUR million		Change in declared amount	
	2020	2021	2020	2021	(+ / -)	%
A. Agriculture, forestry and fisheries	484	460	6,4	12.1	5.7	89.5
B. Mining and quarrying	54	58	3.5	3.3	-0.2	-4.4
C. Manufacturing	2, 472	2, 406	136.3	178	41.7	30.6
D. Supply of electricity, gas, steam and air conditioning	118	117	15	24.4	9.4	62.3
E. Water supply, sewerage, waste management and remediation activities	133	119	3.3	4.1	0.7	22.2
F. Construction	2, 290	2, 344	40.7	43.7	3	7.4
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	6, 908	6, 890	171.5	197.4	25.9	15.1
H. Transport and storage	2, 153	2, 081	52.9	57	4.1	7.8
I. Accommodation and catering service activities	646	550	5.6	4.9	-0.7	-12.1
J. Information and communication	676	700	40.1	44	3.9	9.8
K. Financial and insurance activities	266	283	75.6	80.5	4.9	6.5
L. Real estate activities	940	908	33.4	35.8	2.4	7.2
M. Professional, scientific and technical activities	1, 106	1, 102	37.1	30.7	-6.4	-17.2
N. Administrative and service activities	757	696	16.3	18.1	1.8	11
O. Public administration and defence; compulsory social security	5	5	0.1	0.1	0	0
P. Education	102	89	1.6	2	0.4	22.6
Q. Human health care and social work	322	354	5.7	5.8	0.2	3.1
R. Arts, entertainment and recreation	118	94	4.7	4.9	0.1	2.9
S. Other service activities	98	106	0.9	1.2	0.3	32.8
Other activities	28	15	0.4	0.1	-0.3	-73.5
<b>Total</b>	<b>19, 676</b>	<b>19, 377</b>	<b>651.2</b>	<b>748.2</b>	<b>97</b>	<b>14.9</b>

Source – STI.

#### **Data on advance additional income tax returns of credit institutions**

Along with the advance corporate income tax, the credit institutions declare and pay the advance additional corporate income tax. Such advance is paid on the basis of the taxable profit of the previous years, whereas the taxable profit exceeds EUR 2 million, at a rate of 5 % (in Q1-Q2 of

2021 advance payments are calculated on the basis of the performance of 2019, and in Q3-Q4 – on the basis of the results of 2020). During 2021, the credit institutions operating in Lithuania declared a total of EUR 17.4 million (by 2.4 %, or EUR 0.4 million, less than in 2020) of the advance additional corporate income tax for the year 2021, at the same time recovering EUR 2.1 million of this tax overpaid in advance for the year 2020 (for the whole year 2020, a total of EUR 17.8 million of the advance additional corporate income tax of credit institutions was declared).

### Data on annual corporate income tax returns

Annual corporate income tax returns for the previous tax year are submitted and declared contributions are paid before 15 June of the following year, therefore the corporate income tax revenue in 2021 has been affected by the companies' financial performance in 2020.

The overall performance of the companies in 2020, despite the negative impact of the COVID-19 pandemic and its containment measures on the economy, was by 14.8 % better than in 2019. Although the loss of the companies declaring the operating losses increased by 30.2 %, the profit of companies that declared operating profit, increased by 18.1 % over the year, which led to a double-digit increase in taxable profits and, consequently, the increase in tax liability for 2020.

**Table 15. Annual corporate income tax return data, EUR million and %**

Indicator	2019	2020	Change	
			(+ / -)	%
Number of submitted declarations, thou. units	141.5	145.4	3.8	2.7
Performance (=profit – loss)	5, 418.8	6, 218.5	799.7	14.8
Operating profit	6, 940.4	8, 198.9	1, 258.5	18.1
Operating loss	1, 521.6	1, 980.4	458.8	30.2
Taxable profit	6, 597.1	7, 631.7	1, 034.6	15.7
<b>Corporate income tax liability</b>	<b>804.1</b>	<b>919.3</b>	<b>115.2</b>	<b>14.3</b>

Source – STI.

The total declared taxable profit for 2020 increased by EUR 1, 034.6 million, or 15.7 %. The increase in taxable profits occurred mainly in the sectors of wholesale and retail trade, repair of motor vehicles and motorcycles and manufacturing (EUR 424.7 million and EUR 411.5 million respectively). The most significant decrease in taxable profits was in the sectors of financial and insurance activities (EUR 46.1 million, or 7.8 %, less) and in the professional, scientific and technical activities (EUR 44.7 million, or 10.3 %, less). The COVID-19 pandemic and its containment measures had a significant negative impact on the accommodation and catering service activities sector, where taxable profit fell by 28.1 % (EUR 24.7 million less).

**Table 16. Taxable profit and payable corporate income tax, EUR million and %**

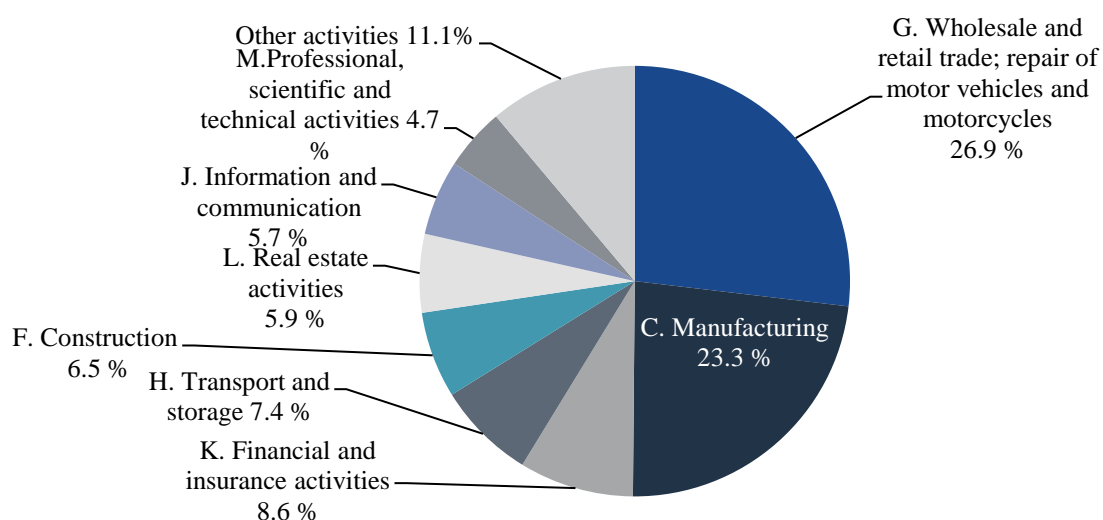
Economic activity	Taxable profit		Change		Payable corporate income tax		Change	
	2019	2020	(+ / -)	%	2019	2020	(+ / -)	%
A. Agriculture, forestry and fisheries	80.8	85.8	5	6.2	8.9	9.4	0.5	5.6
B. Mining and quarrying	29.6	38.4	8.7	29.5	3.1	4.4	1.2	39
C. Manufacturing	1, 461.8	1, 873.3	411.5	28.2	162.5	213.8	51.3	31.6
D. Supply of electricity, gas, steam and air conditioning	204.4	297.8	93.4	45.7	21	28.6	7.6	36.5
E. Water supply, sewerage, waste management and remediation activities	39.1	44.6	5.5	13.9	3.6	3.5	-0.2	-4.7

Economic activity	Taxable profit		Change		Payable corporate income tax		Change	
	2019	2020	(+ / -)	%	2019	2020	(+ / -)	%
F. Construction	422.3	487.6	65.3	15.5	53.6	59.6	6.1	11.3
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	1, 421.1	1, 845.8	424.7	29.9	189.3	247.1	57.8	30.5
H. Transport and storage	603.3	631.9	28.5	4.7	68.3	68.1	-0.1	-0.2
I. Accommodation and catering service activities	87.6	63	-24.7	-28.1	11	7.7	-3.2	-29.3
J. Information and communication	410.7	455.2	44.5	10.8	49.5	52	2.5	5
K. Financial and insurance activities	595.3	549.2	-46.1	-7.8	86.8	79.2	-7.6	-8.8
L. Real estate activities	404.5	415.8	11.3	2.8	53.3	54.2	0.9	1.6
M. Professional, scientific and technical activities	433.2	388.5	-44.7	-10.3	49.7	43	-6.7	-13.5
N. Administrative and service activities	203.3	221.8	18.5	9.1	25.8	28	2.2	8.7
O. Public administration and defence; compulsory social security	1.5	4.4	3	200.3	0.2	0.6	0.4	242.4
P. Education	43.8	52.5	8.7	19.9	2.1	2.5	0.5	22.8
Q. Human health care and social work	74.7	93.2	18.5	24.8	7.1	9.8	2.7	38.8
R. Arts, entertainment and recreation	59.6	48.1	-11.4	-19.2	7	5.5	-1.5	-21.8
S. Other service activities	16.3	21.6	5.3	32.6	1.5	1.8	0.2	15.6
Other activities	4.2	13.1	8.9	213.1	0.1	0.6	0.5	428.6
<b>Total</b>	<b>6, 597.1</b>	<b>7, 631.7</b>	<b>1, 034.6</b>	<b>15.7</b>	<b>804.1</b>	<b>919.3</b>	<b>115.2</b>	<b>14.3</b>

Source – STI.

The analysis of the declared corporate income tax liability by economic activity shows that the largest share of the corporate income tax payable falls on the sector of the wholesale and retail trade, repair of motor vehicles and motorcycles – 26.9 %. As compared to 2019, the corporate income tax payable in this sector increased by EUR 57.8 million, or 30.5 %.

**Diagram 18. Structure of the declared corporate income tax liability for 2020 acc. to NACE 2, %**



Source – Ministry of Finance.

The analysis of the dynamics of income and losses declared by profitable and loss-making companies shows that the number of profitable companies increased by 6.7 % in 2020, the profit declared in these companies increased by 18.1 %. The number of loss-making companies increased by 3.1 %, and their declared losses increased by 30.2 %. Loss-making companies accounted for 38 % of all profitable and loss-making companies in 2020, which is by 1.5 percentage point less than in 2019.

24.8 % of all companies which submitted annual corporate income tax returns for 2020 reported a profit or loss equal to zero. In 2019, the number of such companies was 26.7 %.

Corporate income tax revenue is significantly affected by the financial performance of the large taxpayers. 90 companies declared more than EUR 1 million of the annual corporate income tax for 2020 (in comparison, a total of 67.7 thousand companies ended the year 2020 profitably), however their declared amount of the annual corporate income tax made up more than a third of the total annual corporate income tax declared.

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### OTHER REVENUE

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The State budget and municipal budgets received EUR 1, 059.5 million of other revenue, revenue from sales of tangible and intangible assets and impairment of financial assets, i.e. by 15.2 % (EUR 139.7 million) more than in 2020 and by 20.2 % (EUR 178 million) more than planned. The following plans were mostly exceeded: other unlisted revenue — EUR 44.8 million, sales of other tangible and intangible assets — EUR 33.1 million, sales of land — EUR 28.7 million, fees and charges — EUR 20.5 million, fines, forfeits and other penalties — EUR 18.8 million, shares and other receivables — EUR 13.1 million, dividends and profit payments by state owned enterprises — EUR 9 million, other revenue — EUR 8.8 million.

In 2021 **European Union and other international financial assistance** in the State budget amounted to EUR 2, 332.8 million. This is by EUR 0.8 million more than in 2020 and by EUR 444.3 million less than planned. In 2021 the municipal budgets received EUR 29.4 million European Union and other international financial assistance, and this is by EUR 1.2 million (4.4 %) more than in 2020.

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### BUDGET LOSSES AS A RESULT OF APPLICABLE EXEMPTIONS

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As a result of 4 main tax exemptions and special conditions applicable in 2021, which are not mandatory under the European Union law and which can be estimated on the basis of available data, the budgets lost about EUR 2, 413.9 million, i.e. under comparable conditions by EUR 276.9 million, or 13.4 %, more than in 2020 and by EUR 53.3 million, or 2.6 %, more than forecasted.

**Table 17. Losses of revenue in the State budget (in the case of PIT – in the State budget and municipal budgets) in 2021 due to main tax exemptions and special conditions, EUR million**

<b>VALUE ADDED TAX, total:</b>	<b>333.5</b>
Due to preferential 5 % rate of VAT applicable to medicines and medical aids, where the costs of acquiring such goods are fully or partly reimbursed in accordance with the procedure laid down in the Republic of Lithuania Law on Health Insurance; to technical assistance measures for persons with disabilities and their repairs; to non-reimbursable medicines subject to medical prescription	151.4



Due to preferential 9 % VAT rate applicable to catering services supplied by restaurants, cafes and similar catering establishments and to take-away food, except for alcoholic beverages	56.4
Due to preferential 9 % VAT rate applicable to heat energy supplied for residential heating, hot water supplied to residential premises or cold water for the preparation of hot water and heat energy used to heat the water	40.7
Due to preferential 9 % VAT rate applicable to passenger services on specified scheduled routes and to passenger luggage services	22.2
Due to the application of special arrangements when a taxable person is not required to submit an application for registration as the VAT payer and to calculate and to pay VAT to the budget for supplies of goods and services, provided that: 1) the total amount of consideration for carrying out economic activities in the territory of the country during the last 12 months did not exceed EUR 45, 000 (as compared to the threshold of EUR 29, 000 set for Lithuania by Council Directive 2006/112/EC on the common system of value added tax or 2) acc. to Article 71 <sup>1</sup> of the Republic of Lithuania Law on Value Added Tax, the amount of goods purchased in the territory of the country which did not exceed the threshold of EUR 14, 000 (as compared to the threshold of EUR 10, 000 set out in the Council Directive 2006/112/EC on the common system of value added tax)	14.1*
Due to preferential 9 % VAT rate applicable to accommodation services	14
Due to preferential 9 % VAT rate applicable to books and non-periodic information publications	11.3
Due to 0 % VAT rate applicable to vaccines against COVID-19 disease, <i>in vitro</i> to diagnostic medical devices designated for diagnostics of COVID-19 disease	8.5
Due to preferential 5 % VAT rate applicable to newspapers, magazines and other periodicals, excluding publications of erotic and/or violent nature or which do not comply with professional ethics	5.8
Due to preferential 9 % VAT rate applicable to visits artistic and cultural institutions, artistic and cultural events, sporting events, sports clubs and other persons providing services similar to those provided by sports clubs, performing services provided by performers	4.7
Due to preferential 9 % VAT rate applicable to the supply of firewood and wood products to household energy consumers for heating/burning purposes	3
Due to the application of the flat VAT rate scheme for farmers (assuming that farmers would not choose to register as VAT payers without the scheme)	1.4
<b>EXCISE DUTY, total:</b>	<b>432.7</b>
Due to reduced excise duty on natural gas used as heating fuel for business use	154**
Due to reduced rate of excise duty on gas oils used in agricultural activities	94.4
Due to exemption from excise duty on natural gas supplied to households	67.1**
Due to exemption from excise duty on natural gas used for combined heat and power production	28.2***
Due to reduced excise duty on gas oils for heating purposes (see Box 2)	27.2
Due to reduced rate of excise duty on wine and other fermented beverages of an actual alcoholic strength by volume not exceeding 8.5 %	18.5

Due to exemption from excise duty of liquefied petroleum gas and gaseous hydrocarbons intended for domestic use	14.1
Due to exemption from excise duty of manufactured tobacco, if destroyed under the supervision of the competent authority	13.8
Due to exemption from excise duty of electricity produced using renewable energy sources	5
Due to exemption from excise duty of natural gas used as motor fuel	2.6*
Due to exemption from excise duty electricity supplied to households	2.2
Due to reduced excise duty on natural gas used as heating fuel	1.6**
Due to reduced rate of excise duty on electricity used for business purposes	1.4
Due to exemption from excise duty of goods subject to excise duty (alcoholic beverages, tobacco products) when supplied as supplies to ships and/or aircraft carrying passengers and/or cargos on an international route	1.1
Due to reduced rate of excise duty on intermediate products with an actual alcoholic strength by volume not exceeding 15 %	0.8
Due to reduced excise duty on coal, coke and lignite used for business purposes	0.6
Due to exemption for biofuels	0.1
<b>CORPORATE INCOME TAX, total:</b>	<b>338.5</b>
Due to reduction in taxable profits for investments	106
Due to the 0 % corporate income tax rate in the first tax period and 5 % corporate income tax rate in other tax periods for taxpayers whose average number of employees does not exceed 10 and the income does not exceed EUR 300, 000	55.9
Due to tax-exempt dividends received by the Lithuanian companies from foreign taxable entities	41.3***
Due to deductible granted aid and charity	21.8
Due to non-taxable dividends paid by the Lithuanian companies to foreign taxable units	20
Due to increase in the value of non-taxable assets following the sale of shares under Article 12 of the Republic of Lithuania Law on Corporate Income Tax (if more than 10 % of voting shares have been held for at least 2 years)	16.4
Due to exemption from the corporate income tax for the production of a film or part thereof	14
Due to three-times deductible costs of research and development	11.2
Due to income, including dividends and other distributed profits, of collective investment undertakings, risk undertakings and private equity undertakings exempt under Article 12 of the Law on Corporate Income Tax, as well as tax-exempt income, including capital gains, dividends and other distributed profits gained from collective investment undertakings	9.7
Due to exemption of income from services of health institutions financed by the Compulsory Health Insurance Fund under Article 12 of the Law on Corporate Income Tax	6.8
Due to reduction of taxable profits of non-profit entities by funds directly allocated to the financing of public interest activities	6.2
Due to exemptions granted to taxable profits of companies in free economic zones	5.3
Due to direct and other compensatory benefits aimed at maintaining the level of	5.3

income, exempt under Article 12 of the Law on Corporate Income Tax to companies engaged in agricultural activities	
Due to exemption of profits made by legal persons with unlimited civil liability (including risk entities and private equity entities) under Article 12 of the Law on Corporate Income Tax	4.1
Due to non-taxable life insurance benefits, which comply with the provisions of Article 12 of the Law on Corporate Income Tax	3.9
Due to the 10 % corporate income tax rate applicable to royalty income, interest income and compensation for infringement of copyright or related rights income sourced in the Republic of Lithuania and paid to foreign companies	3.6
Due to a 5 % corporate income tax rate on taxable profits derived from the use, sale or other disposal of a computer programme protected by copyright or of an invention meeting the patentability criteria	3.1
Due to reduction in the corporate income tax in the case of employing persons with limited capacity for work	1.7
Due to tax-exempt interest income sourced in the Republic of Lithuania, paid to foreign companies	0.8
Due to the rate of 5 % applicable to the taxable profits of cooperative societies (cooperatives) whose income from agricultural activities accounts for more than 50 % of their income	0.7
Due to non-taxable dividends paid by the Lithuanian companies to other Lithuanian companies	0.5
Due to the possibility granted by Article 56 <sup>1</sup> of the Law on Corporate Income Tax to take over the losses of the group companies (only the loss taken over from foreign entities)	0.2
<b>PERSONAL INCOME TAX, total:</b>	<b>1, 309.2</b>
Due to application of the annual NTA	801
Due to non-taxable daily allowances and non-taxable compensations for increased costs to employees	238.5
Due to refund of PIT on the basis of deductible expenses declared by residents in accordance with Article 21 of the Republic of Lithuania Law on Personal Income Tax	65.3
Due to tax-free gifts (from close relatives as well as an employer)	56.4
Due to PIT credit for income from self-employment activities (including taxable self-employment activity in agriculture)	52
Due to non-taxable life insurance benefits and rebates meeting certain conditions (payments under long-term insurance contracts, as well as contracts where the beneficiary is close to the retirement age or disabled), and non-taxable benefits from pension funds and amounts paid in the event of withdrawal from a pension fund that fulfil certain conditions; non-taxable pensions, pension annuities, rents	15.7
Due to non-taxable income from agricultural activities (compensations, direct payments, tax-exempt income from agricultural activities of non-VAT payers)	20.1
Due to non-taxable contributions paid by the employer on behalf of an employee for supplementary (voluntary) health insurance, for life insurance and pension contributions	13.1
Due to non-taxable earnings under Article 17 of the Law on Personal Income	8.1

Tax (including seafarers' income from work on board of a vessel registered in the EEA maritime register)	
Due to the 5 % rate for proceeds from the sale or other disposal of scrap of base metal (excluding such revenue earned under self-employment)	7.4
Due to non-taxable income from the sale of property and housing in the EEA	22.5
Due to business licence related exemptions	3.2
Due to tax-exempt interest accrued from securities, deposits and alternative financing credits granted	2.8
Due to tax-free winnings of lotteries from the EEA countries	1.1
Due to tax-exempt income from the supply of services on the basis of a receipt	1
Due to tax-exempt proceeds from the sale or other disposal of financial instruments or derivatives	0.4
Due to tax-exempt income from the collection of forestry goods by residents	0.2
Due to tax-exempt income from the profits of a cooperative society	0.2
Prizes awarded through sports, arts and other competitions paid from the State budget or municipal budgets, from the funds of art creators' organisations or initiated by non-profit organisations	0.2
Sports competition prizes when awarded by sports organisations	0.04
Due to non-taxable interest on late payment for agricultural production	0.001

\* Projected data.

\*\* The calculation of the exemptions is based on the assumption that the standard rate of excise duty (reference point) is the rate of excise duty of EUR 23.6 per MWh on natural gas set out in Article 59 of the Republic of Lithuania Law on Excise Duty.

\*\*\* The estimate also includes the exemptions required by the EU law.

Source – Ministry of Finance.

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