

# GMS Flash Alert



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## Lithuania - Changes in Taxation of Employment-Related Income for 2022

Lithuania's government approved the country's 2022 average monthly salary used for the social security contribution (SSC) base and the progressive personal income tax (PIT) calculation.<sup>1</sup>

### WHY THIS MATTERS

Following the 2019 tax reform, caps for the SSC (the "SSC ceiling") and progressive income tax rates were introduced. The value of the SSC ceiling and threshold for progressive PIT amounts to 60 times the average monthly salary and that changes every year as the country's average salary tends to increase.

In cases of assignments to Lithuania where assignees are subject to Lithuanian taxation, and for assignees working outside Lithuania but still subject to Lithuanian taxation, international assignment cost projections and budgeting should reflect the changes described. Where appropriate, adjustments to gross-up packages and withholding taxes may need to be considered.

### Summary of Taxation of Employment-Related Income As of 2022

The approved average monthly salary amount (applicable for tax purposes) is EUR 1,504.10.

- The ceiling for SSC (except for mandatory health insurance contributions and employer's contributions) is set at EUR 90,246 (EUR 81,162 in 2021)
- The standard SSC rates for income up to the SSC ceiling:
  - Employer's part – 1.77 percent (1.61 percent for foreign employers)

- Employee's part – 19.5 percent (additional 2.7 percent or 3 percent is withheld if the employee is participating in a certain second pillar pension accumulation fund).
- The standard SSC rate for income exceeding the SSC ceiling:
  - Employee's part – 6.98 percent
  - Employer's part – 1.77 percent (1.61 percent for foreign employers).
- PIT rates for total annual employment-related income together with remuneration paid for activities of the supervisory or management board and certain income of managers of small partnerships:
  - 20 percent for income up to EUR 90,246 (EUR 81,162 in 2021)
  - 32 percent for income exceeding EUR 90,246 (EUR 81,162 in 2021).

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## KPMG NOTE

The laws introducing the changes were approved by the parliament of Lithuania on 14 December 2021 and signed by the president on 22 December 2021. The changes became effective as of 1 January 2022.

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## FOOTNOTE:

1 [Legislative changes](#) (*Valstybinio socialinio draudimo fondo biudžeto 2022 metų rodiklių patvirtinimo įstatymas*) accepted by the Parliament of Lithuania (in Lithuanian).

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## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in Lithuania.**

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