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Changes in Lithuanian Social Security Contributions

New Taxes on Management Bonuses and
Introduction of Cap for Social Security Contributions

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Deloitte Lithuania is pleased to introduce you with Tax News, in particular with the latest changes in legislation regarding social security contributions, effective as from 1 January 2017.

Background

On 29 June 2016 the Lithuanian Parliament adopted the amendments on the Law on State Social Security also known as the SODRA tax reform package. The amendments will come into force on 1 January 2017.

The key amendments include:

- 1) Introduction of social security contributions (SODRA taxes) on Bonuses to Management/Supervisory Boards. Until 2017, these are exempt from those taxes.
- 2) Establishment of SODRA tax cap on employment and related income.

New Taxes on Bonuses

As from 2017, Bonuses paid to members of Management Board, Supervisory Board and certain related payments will be imposed with SODRA tax, in particular, with pension social insurance contributions.

The precise rates of those contributions (tax) are approved annually. If applied now, the aggregate rate of such tax will be equal to 26.3% from the amount of Bonus (23.3% - employer's part, 3% - recipient part).

Introduction of SODRA Tax Cap

Starting from 2017, the threshold (cap) on SODRA taxes is introduced.

The basis of the tax will be limited to 120 monthly statistical average wages for the year 2017 (EUR 89,760, if applied now). Starting with 2018 until 2022 it is planned to reduce the limit by 12 average wages each calendar year. In 2022 the tax basis shall be limited to 60 average wages (amounting to annual gross income of EUR 44,880, if applied now). Please note that when calculating the threshold, different types of income shall be included – employment related income (salary, bonuses), state allowances, Bonuses etc.

SODRA taxes paid during the year from the income above and exceeding the mentioned threshold will be refunded until 31 May of the following year.

Any questions?

We would be glad to discuss the new amendments with you. Do not hesitate to contact our professionals using the provided contact details.

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