Lietuvos Respublikos
FINANSŲ MINISTERIJA

2025 Lithuanian Draft Budgetary Plan

25 October 2024

CONTENT

TABLES

ABBREVATIONS

AW	Average wage
2023 budget	Financial indicators of the State budget and municipal budgets for 2023 approved by the Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2023[1]
2024 budget	Financial indicators of the State budget and municipal budgets for 2024 approved by the Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2024[2]
Budget framework Reform	Reform of budgeting and strategic planning framework implemented in Lithuania
CHIF	Compulsory Health Insurance Fund
Council Recommendation to Lithuania for 2024	Council Recommendation on Lithuania's economic, social, employment, structural and budgetary policies[3]
COVID-19	COVID-19 disease (Coronavirus infection)
2025 draft budget	Draft Republic of Lithuania Law on the Approval of the Budget for 2025–2027[4]
Economic development scenario (EDS)	Economic development scenario[5] prepared by the Ministry of Finance, published on 11 September 2024 and approved by the fiscal institution[6]
ESA	European System of Accounts
EU	European Union
Fiscal institution	Independent fiscal institution in Lithuania the functions of which are performed by the Budget Policy Monitoring Department of the National Audit Office of the Republic of Lithuania[7]
GDP	Gross domestic product
Government	Government of the Republic of Lithuania

[1] **Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2023.** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/40977c216c2611ed8a47de53ff967b64?positionInSearchResults=0&searchModelUUID=fc1a8973-94d9-4847-ae4a-175f683d0db6.

[2] **Republic of Lithuania Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for 2024**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/2c0ab1d094f911eea70ce7cabd08f150?positionInSearchResults=0&searchModelUUID=84a7db00-6118-490b-bbcc-216bf4ffa274.

[3] **Council Recommendation to Lithuania**, https://eur-lex.europa.eu/legal-content/LT/TXT/PDF/?uri=CELEX%3A52024DC0615&qid=1719326118501.

[4] **Draft Republic of Lithuania Law on the Approval of the Budget for 2025–2027**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/8747ce708bbb11efaf94d67dd8b48a7c.

[5] **Economic development scenario**, https://finmin.lrv.lt/lt/aktualus-valstybes-finansu-duomenys/ekonomines-raidos-scenarijus.

[6] **Conclusion of the fiscal institution concerning the approval of the economic development scenario**, https://www.valstybeskontrole.lt/LT/Product/24274/isvada-del-ekonomines-raidos-scenarijaus-tvirtinimo.

[7] **Online account of the fiscal institution**: https://www.valstybeskontrole.lt/LT/BiudzetoStebesena.

HICP	Average annual inflation measured by the methodologically harmonised index of consumer prices across the EU Member States
IMF	International Monetary Fund
LDBP	Lithuanian draft budgetary plan for 2025
Ministry of Finance	Ministry of Finance of the Republic of Lithuania
MMW	Minimum monthly wage
MoND	Ministry of National Defence of the Republic of Lithuania
NTA	Non-taxable amount
PIT	Personal income tax
RRF	Recovery and Resilience Facility – the EU instrument of grants and loans to the EU Member States designated for structural reforms and related investment as well as for implementation of green and digital transformation established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility
RRP	A set of complex structural reforms and recovery-oriented investments financed by the Recovery and Resilience Facility in 2021 – 2026. The plan was approved by a decision of the Council of the European Union of 28 July 2021 and replaced by a decision of the Council of the European Union of 10 November 2023 and by a decision of the Council of the European Union of 8 October 2024[8]
Seimas	Seimas of the Republic of Lithuania
STI	State Tax Inspectorate
Structural balance	General government structural balance indicator
VAT	Value added tax

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

INTRODUCTION

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area and to the Specifications on the implementation of the Two Pack [9]), on 25 October 2024 Lithuania submitted to the Commission and the Eurogroup the LDBP which covers tax and expenditure policies planned for 2025.

The review of the EU economic governance framework was completed in spring 2024, the outcome of which was Council Regulation (EU) No 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (hereinafter - Regulation No 2024/1263), which was adopted on 29 April 2024 and entered into force on 30 April 2024. Regulation No 2024/1263 specifies that all EU Member States shall submit to the Commission a first medium-term fiscal-structural plan by 20 September 2024 and align the draft budgetary plan for 2025 drawn up in accordance with Regulation No 473/2013 with the fiscal-structural plan. Given that the fiscal-structural plan must be a strategic document of the Government covering a period of 4 subsequent years (the Government's term of office) and reflecting the Government's commitment to implement structural reforms, to implement investments and to manage general government expenditure in such a way that the 3% of GDP of the general government deficit limit is met with a margin, and the debt remains at a sustainable level, and that a new (nineteenth) Government will be formed after the Parliamentary elections in Lithuania in October 2024, Lithuania made use of the provision of Regulation No 2024/1263 concerning the possibility of extending the deadline for submitting the first fiscal-structural plan to the Commission. Therefore, Lithuania will prepare the first fiscal-structural plan and submit it to the Commission by 30 April 2025

The LDBP has been developed considering the economic development scenario published on 11 September 2024, updated revenue and expenditure projections of other general government budgets, following the draft budgetary plan for 2025, draft laws on the approval of indicators of the 2025 budgets of the State Social Funds[10], Compulsory Health Insurance Fund[11] drawn up and submitted to the Seimas on 17 October 2024 by the eighteenth Government. The Seimas, after consideration of the draft budgetary plan for 2025, refers it back to the Government for review, assessment of the submitted observations and proposals. If, after the elections to the Seimas held in October 2024, a new Government were formed before the second hearing of the draft budgetary plan for 2025 in the Seimas, the draft budgetary plan for 2025 would be reviewed and revised already by the nineteenth Government. The LDBP was drafted in accordance with the Council Recommendation to Lithuania, estimated costs and revenue related to the implementation of the measures of the RRP, also the LDBP is aligned with the toolbox for the implementation of the Council Recommendation to Lithuania for 2024-2025[12].

The LDBP presents Lithuania's general government debt projections for 2024 and 2025 and general government finance projections under policy and no-policy change scenarios. The LDBP reviews the macroeconomic situation in Lithuania and its perspectives.

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[9] **Code of Conduct**, https://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/2014-11-07_two_pack_coc_amended_en.pdf.
[10] **Draft Law on the Approval of Indicators of the 2025 Budgets of State Social Funds**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/c7a874218a2a11efaf94d67dd8b48a7c?positionInSearchResults=0&searchModelUUID=052dd0aa-ef00-4df0-9bde-3431d0bcbab8.
[11] **Draft Law on the Approval of Indicators of the 2025 Budget of the Compulsory Health Insurance Fund**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/61b3aa03861e11ef84ff9693ecd03ff5?positionInSearchResults=0&searchModelUUID=052dd0aa-ef00-4df0-9bde-3431d0bcbab8.
[12] **Toolbox for the implementation of the Council Recommendation to Lithuania for 2024-2025**, https://eimin.lrv.lt/lt/veiklos-sritys/europos-semestras/.

PART I
MACROECONOMIC SITUATION AND PROSPECTS

The LDBP presents the Lithuanian economic development scenario prepared by the Ministry of Finance and published on 11 September 2024. The economic development scenario is based on statistical data published by 30 August 2024, before the publication of the revised national accounts data by the State Data Agency. On 1 October 2024, the State Data Agency published the results of the major (revised data for 1995-2022) and annual (revised data for 2023) revisions of national accounts. The revised data shows that the rate of change in Lithuania’s GDP in 2023 was positive (0.3 %, whereas, according to the data published earlier – on 30 August 2024 – GDP contracted by 0.3 % last year), while GDP at current prices amounted to EUR 73.8 billion.

Lithuania’s economic activity kept increasing in January–June 2024. In the first half of this year, GDP was by 2.4 % higher (according to the data on 30 August 2024) than in the same period last year. The main driver of the economic development was strengthening household consumption (leading to a 1.7 percentage point contribution to GDP growth), as well as a positive contribution by net exports (an impact of 0.8 percentage point). Good results of the first half of this year show economic recovery, therefore, with the strengthening both domestic and external demand, Lithuania's GDP could be by 2.3 % higher in 2024, and the GDP growth rate could accelerate on average to 2.9 % per year in 2025–2027.

The situation in the labour market remained relatively good in the first half of 2024. It is projected that with recovering economic activity, due to continued strong demand for workers and increased labour supply, the number of employed persons will increase by 1.4 % in 2024. The unemployment rate, calculated in accordance with the Labour Force Survey methodology, due to rapidly growing labour supply, will increase by 7.3 % this year. The number of employed persons is expected to increase by 0.2 % in 2025, to remain unchanged in 2026 and to decrease by 0.3 % in 2027. The unemployment rate is predicted to gradually decrease: it will account for 7.1 % in 2025, 6.7 % in 2026, and 6.4 % at the end of the medium-term.

Wage growth in the country decelerated in the first half of 2024 but remained double-digit – average gross monthly wages (excluding individual enterprises) were growing by one tenth. Wage growth in the country this year is driven by a higher MMW, a persistent shortage of suitably qualified workers, and by decisions of public sector wage policymakers. The average gross monthly wage in Lithuania is projected to grow by 10.1 %, 7.6 %, 6.5 % and 5.5 % in 2024-2027, accordingly.

Fig. 1. The unemployment rate and the rate of change in the number of employed persons, %

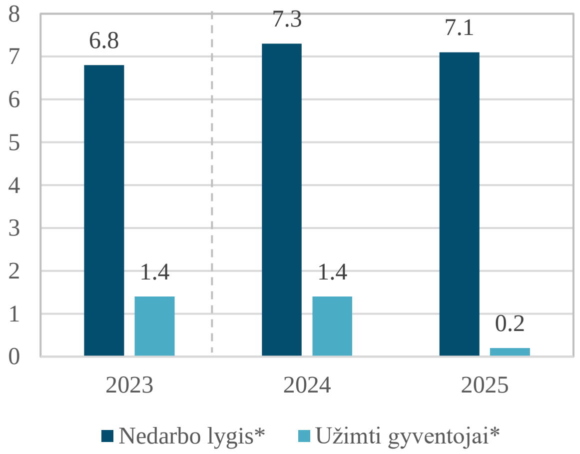
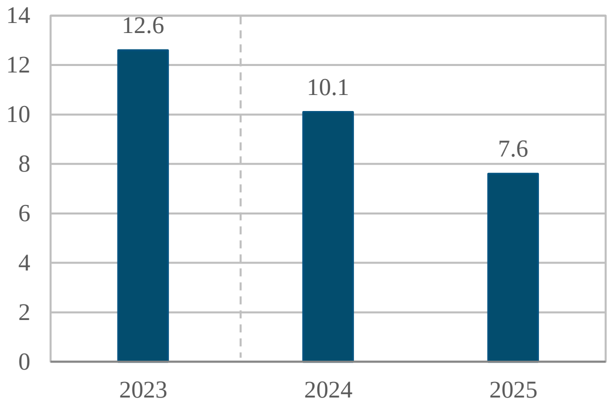


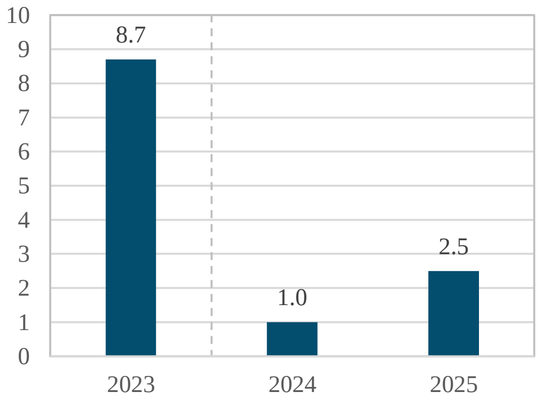
Fig. 2. The rate of change in the average monthly gross wage, %



Sources: Ministry of Finance, State Data Agency.
* Based on the Labour Force Survey methodology.

Over the first 7 months this year, inflation in Lithuania was low. Calculated on the basis of the HICP, in January–July it accounted for 0.9 %. According to preliminary data, in August annual inflation reached 0.7 %. The average annual inflation is expected to decrease from 8.7 % in 2023 to 1 % in 2024. Lower inflation will be driven by food price developments more favourable for consumers, decreased pressure on non-energy industrial commodity prices, faster deflation of energy commodities and more moderate inflation of services. In later medium-term years, the inflation rate is expected to be close or slightly above 2.5 percentage rate and in 2025 to be 2.5 %, in 2026 – 2.7 %, in 2027 – 2.6 %. The inflation rate will slightly increase due to the amendments to the Republic of Lithuania Law on Excise Duty adopted in June 2024, which refer to increased excise rates on tobacco and their alternative products, ethyl alcohol and alcoholic beverages in 2025–2027. Slightly increased excise rates on energy products, including fuels for transport equipment, in 2025–2026 will also have multiplying effects on the inflation rate.

Fig. 3. Average annual inflation, %



Sources: Ministry of Finance, State Data Agency

The EDS was drafted in times of still exceptionally high instability of external environment and economic uncertainty, still ongoing active military actions of the Russian Federation in Ukraine, other geopolitical tensions. Russia's war of aggression against Ukraine, geopolitical turbulence in the Middle East, excessive tightening of monetary policy, accelerated increase of prices of energy and other raw materials, boosting food prices, less favourable euro area and global economic development, fluctuations in global financial markets, ageing society and shortage of workers – make a part of negative risk factors which may lead to changes in key indicators referred to in this scenario. There are also positive risks such as stronger domestic and foreign demand, increased investments in security, accelerated implementation of the European Green Deal and other projects financed from the EU funds, more favourable demographic trends and immigration of skilled workers, faster transition to green energy.

Table 1. Macroeconomic indicators

		MEUR	**Change, %**		
1. GDP, chain-linked volume	B1*g	47, 145*	–0.3*	2.3	2.9
2. Potential GDP		48, 213	3.4	2.8	2.3
o/w:					
- labour			1.6	1.0	0.3
- capital			2.1	1.9	1.9
- total factor productivity			–0.3	–0.1	0.1
3. GDP, at current prices	B1*g	71, 986*	6.7*	5.5	5.4
GDP components (at constant prices)					
4. Household consumption expenditure + consumption expenditure of NPIs serving households	P.3	28, 285*	–1.0*	3.3	3.6
5. General government consumption expenditure	P.3	6, 435*	0.2*	0.5	0.1
6. Gross fixed capital formation	P.51	12, 150*	10.6*	1.1	5.6
7. Changes in stocks and acquisitions of valuables less disposals, % of GDP	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
8. Export of goods and services	P.6	45, 760*	–3.3*	1.2	3.9
9. Import of goods and services	P.7	41, 516*	–4.9*	0.3	4.7
Contributions to change in GDP, percentage points (excl. level in MEUR in 2023)					
10. Final domestic demand		46, 751*	1.9*	2.2	3.4
11. Changes in inventories and acquisitions of valuables less disposals	P.52 + P.53	N.A.	N.A.	N.A.	N.A.
12. Balance of goods and services	B.11	4, 244*	1.5*	0.7	–0.3

* Balance of goods and services 30 August 2024. On 1 October 2024 the State Data Agency published revised data of national accounts for 1995–2023.

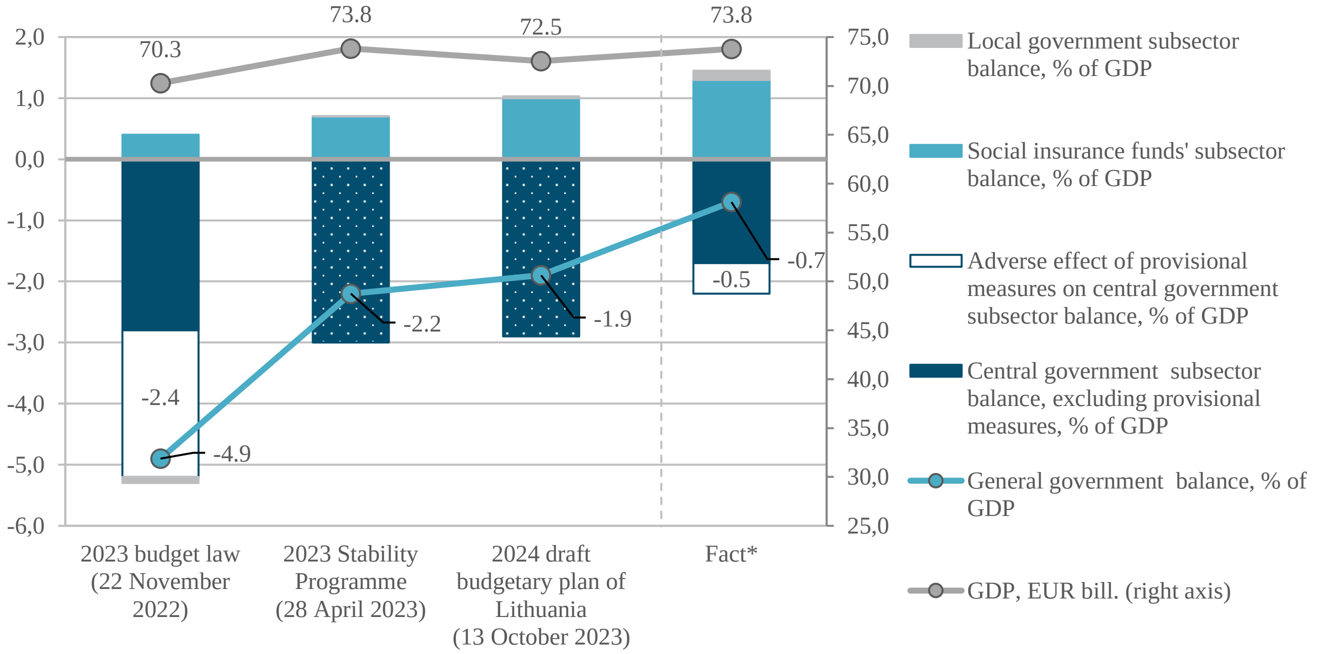
PART II
GENERAL GOVERNMENT FINANCE

SECTION 1
FISCAL POLICY ASSESSMENT

Years 2023 and 2024

The general government deficit planned in the **2023 budget** was 4.9 % of GDP. The value of the general government balance varied over the year 2023 from – 4.9 % of GDP value, set in the 2023 budget, to – 0.7 % of GDP actual value (Fig. 4).

Fig. 1. General government sector and subsectors balances for 2023 and GDP at current prices



** Considering the revision of national accounts carried out in September 2024.*
Sources: State Data Agency, Ministry of Finance.

During the preparation and approval of the 2023 budget, it was planned that almost half of the planned general government deficit, i.e. 2.4 % of GDP, could result from intended provisional revenue and expenditure measures, mainly related to high energy prices and support to the Ukrainian people who have been granted asylum in Lithuania.

Decrease in the general government deficit was driven by higher-than-planned State budget revenue: higher revenue generated due to faster growth of tax bases than projected at the time of the preparation of the 2023 budget; the unfulfilled assumption about the scope of the use of the tax aid measure introduced by the Government in the last quarter of 2022 for taxpayers affected by high energy prices; not included in the budget revenue was received as a result of the Republic of Lithuania Law on the Provisional Solidarity Contribution adopted in May 2023. For more details about causes that led to the collection of the State budget revenue see the 2023 State Budget Revenue Report[13].

Lower general government deficit in 2023 was due to the fact that, following the decrease in energy prices in 2023, a significant part of planned funds for provisional expenditure measures related to heating,

[13] **2023 State Budget Revenue Report**, https://finmin.lrv.lt/en/actual-financial-data/data-on-the-execution-of-the-state-budget-and-municipal-budgets/budget-revenue-reports/.

hot water and electricity prices (including a price subsidy) to support individuals were not needed; also, businesses did not use the aid measures related to the deferral of tax payments. Moreover, the State budget expenditure measures required less than planned funds regarding the assistance to the Ukrainian people who fled to Lithuania due to Russia's military actions in Ukraine. As a result, the deficit of the central government sub-sector decreased by 1.9 % of GDP. Total effect of the improvement in balances of Social Insurance Funds and local government sub-sectors, as compared to the planned general government balance, was 1.2 % of GDP. While the improvement in the central government sub-sector balance, excluding provisional revenue and expenditure measures, represented only 1.1 % of GDP.

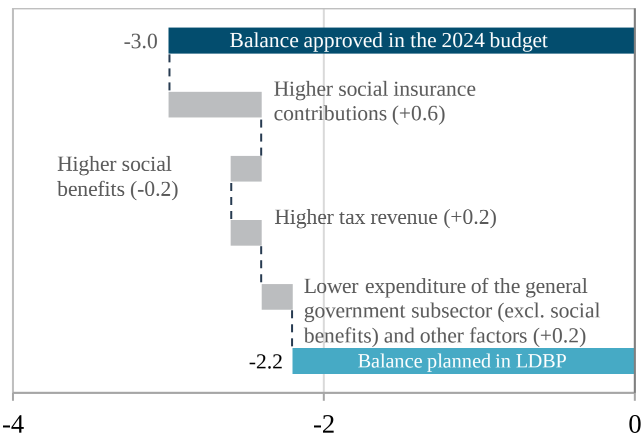
The 2024 budget indicates that the general government deficit in 2024 should not exceed 3 % of GDP. Taking into consideration the latest data on the execution of revenue and expenditure plans of general government budgets, available during the preparation of the LDBP, **the general government deficit is projected to be 2.2 % of GDP in 2024**.

The main reason for lower deficit than set in the budget law for 2024 is better balances of Social Insurance Funds and local government subsectors (Fig. 5). With faster wage fund growth than projected during the preparation of the budget law for 2024, subsector revenue from social insurance contributions and personal income tax are projected to be higher than planned.

A better balance of Social Security Funds subsector due to a 0.4 % of GDP higher budget surplus of the State Social Insurance Fund, whose positive impact on the general government balance was reduced by the CHIF budget deficit of 0.1 % of GDP. Although the growth of excess income from PIT is slowing down, a better local government subsector balance by 0.3 % of GDP is still mainly due to higher-than-planned income from PIT.

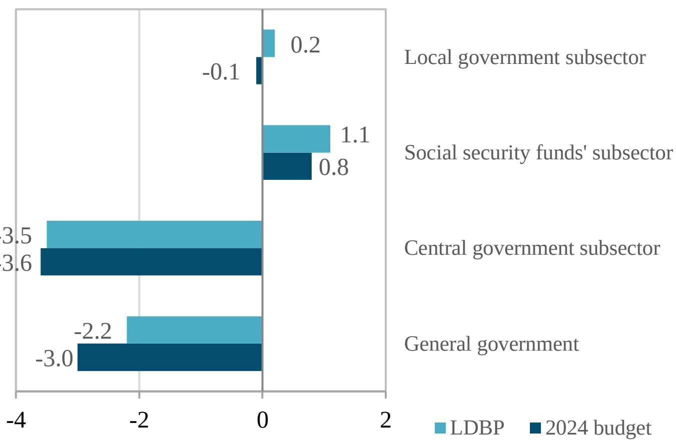
All deficit is incurred in the central government sub-sector and remains basically unchanged as compared to the deficit projected at the time of the adoption of the 2024 budget, – the central government sub-sector balance is projected to improve by 0.1 percentage point of GDP. Contrary to the 2023 budget, which included expenditure for the energy price subsidy, the 2024 budget did not cover the planned provisional measures.

Fig. 5. Comparison of the general government balance estimates in 2024, % of GDP



Source – Ministry of Finance.

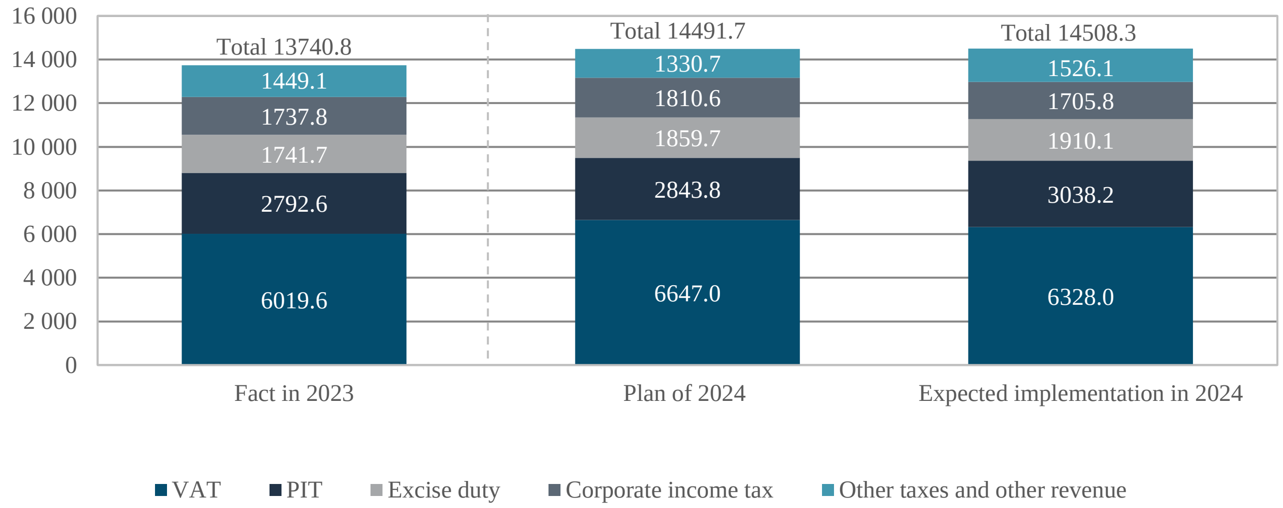
Fig. 6. General government and subsectors balances in 2024, % of GDP



Source – Ministry of Finance.

The projected revenue of the State budget for 2024 is broadly in line with the EUR 14,491.7 million planned (on cash basis) in the budget law for 2024, excluding the EU and other international financial assistance. Overperformance of the State budgetary plan is projected to be approximately EUR 16, 6 million, mainly, due to a better than planned collection of revenue from PIT, excise duty, other income and transactions on collection of income from the sale of tangible and intangible assets, which will offset lower than planned collection of revenue from VAT and corporate income tax.

Fig. 7. State budget revenue in 2023 and 2024, EUR million

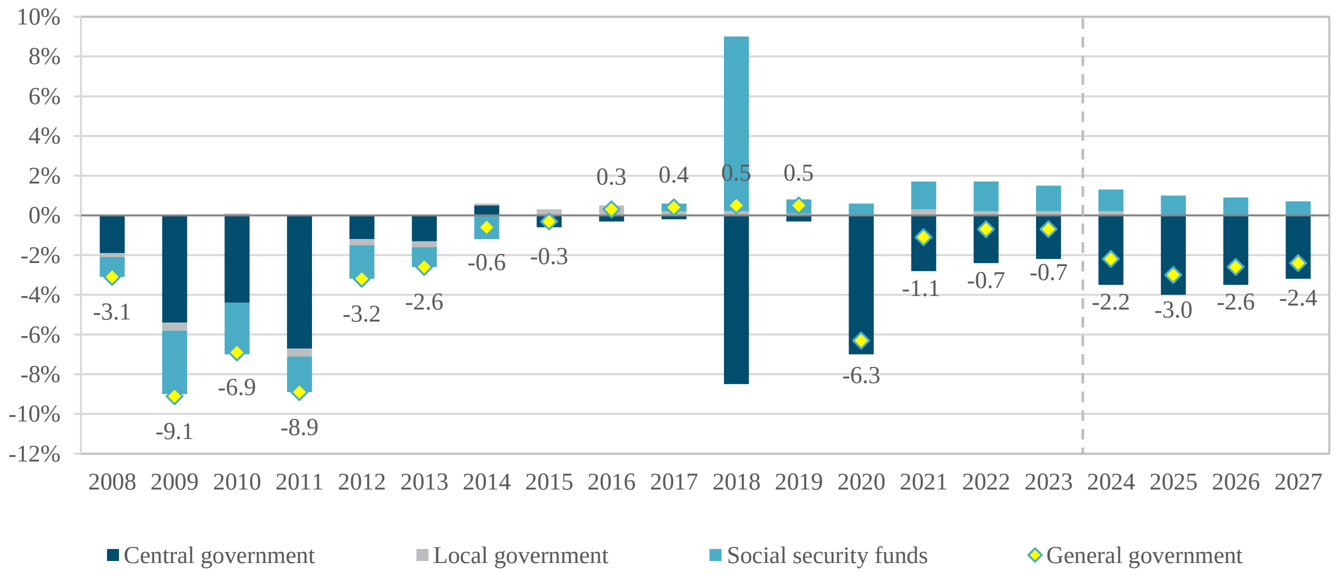


Source – Ministry of Finance.

Year 2025

In 2025 the general government deficit is projected to be 3 % of GDP consisting of aggregate balances of the State budget planned for 2025, budgets of the State Social Insurance Fund, CHIF and other budgets of general government (Fig. 8). As in 2024, in 2025 all deficit is incurred in the central government sub-sector as a result of decelerated growth of revenue in regard to increasing expenditure.

Fig. 2. General government and subsectors balances in 2008–2027, % of GDP



Sources: Ministry of Finance, State Data Agency.
Note. Actual data taking into consideration the revision of national accounts carried out in September 2024.

In 2025 the general government expenditure will account for 43.2 % of GDP, measured on accrual basis, but excluding the EU and other international financial assistance, it will increase by EUR 2,705.4 million, or 9 %, as compared to projected expenditure for 2024 (Table 2). The general government revenue will be 40.2 % of GDP, measured on accrual basis, but excluding the EU and other international financial assistance, as compared to revenue planned for 2024, it will increase by EUR 1, 992.2 million, or 7 %.

Table 2. General government expenditure and revenue indicators under fiscal policy scenario

General government (S13)	ESA code	2024		2025	
		MEUR	% of GDP	MEUR	% of GDP
1. Collective revenue	TR	29, 569.4	38.9	32, 216.9	40.2
1.1. Taxes on production and imports	D.2	8, 754.1	11.5	9, 536.2	11.9
1.2. Current taxes on income, wealth, etc.	D.5	8, 331.3	11.0	8, 942.5	11.2
1.3. Capital taxes	D.91	14.0	0.0	15.0	0.0
1.4. Social contributions	D.61	8, 594.3	11.3	9, 313.9	11.6
1.5. Property income	D.4	504.0	0.7	442.0	0.6
1.6. Other		3, 371.6	4.4	3, 967.3	5.0
Tax burden (D.2 + D.5 + D.61 + D.91 – D.995)		25, 683.8	33.8	27, 798.6	34.7
2. Collective expenditure	TE	31, 236.9	41.1	34, 597.6	43.2
2.1. Compensation of employees	D.1	8, 470.2	11.1	9, 186.5	11.5
2.2. Intermediate consumption	P.2	3, 613.9	4.8	4, 536.8	5.7
2.3. Social benefits	D6M	12, 202.3	16.1	13, 464.3	16.8
o/w: unemployment benefits		461.0	0.6	497.7	0.6
2.4. Interest	D.41	585.1	0.8	739.9	0.9
2.5. Subsidies	D.3	256.9	0.3	296.8	0.4
2.6. Gross fixed capital formation	P.51	3, 076.4	4.0	3, 631.5	4.5
2.7. Capital transfers	D.9	1, 034.0	1.4	570.0	0.7
2.8. Other		1, 998.2	2.6	2, 171.8	2.7

Source – Ministry of Finance.
Note. Due to rounding, line sums may not match the detailed data.

Forecasting the State budget revenue for 2025, the expected implementation of revenue collection in 2024 has been taken into consideration, as well as the EDS, developments of tax bases, loss of revenue due to existing tax exemptions and special conditions. The State budget revenue, estimated on accrual basis, excluding the EU and other international financial assistance, as compared to the expected revenue in 2024, is projected to increase by EUR 1, 062.5 million in 2025.

Changes in tax policy have also been taken into account in the revenue projection. Due to the decisions to increase excise duty rates on ethyl alcohol and alcoholic beverages, smoking products, gas oils, coal, coke and lignite and peat, as well as due to the introduction of the CO2 component for fossil fuel and the introduction of the safety component for marked gas oils used in agricultural activities, additional revenue of EUR 258.6 million (0.32 % of GDP) is expected to be generated from excise duty in 2025. The extension of the temporary solidarity contribution for 2025 will generate EUR 90 million (by EUR 157.3 million, or 0.2 % of GDP, less than expected in 2024). With the entry into force of a 1 percentage point higher corporate income tax rate as of 1 January 2025, additional income from advance payments of the corporate income tax is projected to be EUR 35.7 million (0.04 % of GDP).

When increasing the MMW in 2025, but without raising the basic NTA, a technical adjustment to the NTA formula is made in order to avoid a tipping point leading to the formation of high marginal rates. The formula is also adjusted to ensure the continued application of a more favourable NTA formula for workers earning up to approximately 1 AW. It is estimated that due to the changes in the NTA formula, the revenue from PIT generated to the State budget and municipal budgets in 2025 will be lower by approximately EUR 94.7 million, or 0.12 % of GDP.

In 2025, as compared to 2024, the general government expenditure will increase as a result of higher expenditure amounts financed from the EU and other international financial assistance [14], increasing costs for strengthening the national defence, expenditure growth is also affected by discretionary decisions related to increase of wages, social benefits, including pensions.

Table 3 presents the data on net primary general government expenditure [15] developments in line with general government indicators planned in the 2025 draft budget.

Table 3. Growth of net general government expenditure in 2025

Title of indicator	2023		2024	2025
	MEUR*	% of GDP	% of GDP	
1. General government expenditure	27, 582.7	38.3	41.1	43.2
2. Interest	436.3	0.6	0.8	0.9
3. Cyclical unemployment benefits	23.6	0.0	0.1	0.1
4. Expenditure financed from the EU and other international financial assistance	771.5	1.1	1.6	2.3
4a. o/w: investment (gross fixed capital formation)	516.4	0.7	0.8	1.4
5. Co-financing expenditure**	83.7	0.1	0.2	0.3
6. One-off expenditure measures (excl. EU assistance)	0.9	0.0	0.0	0.0
7. Net primary general government expenditure (before discretionary revenue measures) (= 1 – 2 – 3 – 4 – 5 – 6)	26, 266.6	36.5	38.5	39.6
8. Discretionary revenue measures (excl. one-off revenue measures)	–	–	0.2	0.1
9. Net primary general government expenditure (considering discretionary revenue measures) (= 7 – 8)	–	–	38.4	39.5
10. Change in nominal GDP, %	–	–	5.5	5.4
11. Change in net primary general government expenditure, **%**	–	–	11.0	8.2
GDP, MEUR***		71, 986.2	75, 973.4	80, 100.4

Sources: State Data Agency, Ministry of Finance.

* The column presents estimates of indicators based on the revised general government finance statistics published by the State Data Agency on 30 August 2024.

****** Under the 2021-2027 financial perspective, national co-financing includes the following 10 funds (measures) which together constitute co-financing expenditure: the European Regional Development Fund, European Social Fund Plus, Cohesion Fund, Just Transition Fund, European Maritime, Fisheries and Aquaculture Fund, Asylum, Migration and Integration Fund, Internal Security Fund, Instrument for Financial Support for Border Management and Visa Policy, European Agricultural Fund for Rural Development, Connecting Europe Facility.

*******The GDP estimate in this line corresponds to the EDS which was developed based on statistics published by 30 August 2024 (on 1 October 2024 the State Data Agency published revised data of national accounts for 1995-2023).

The detailed quantitative information on discretionary revenue and expenditure measures is provided in Tables 14 and 15, while the description of the measures – in Section "Revenue and expenditure policy" of the LDBP.

Structural balance

The structural general government deficit is projected to be 1.1 % of GDP in 2024 (Table 4). The primary structural balance of –0.3 % of GDP value indicates a broadly neutral fiscal position. In 2024 the primary structural deficit will increase by 1.3 percentage point of GDP, as compared to the primary structural deficit in 2023, and this increase will result from the change of 1.5 percentage point of GDP in nominal general government balance. The general government structural deficit is projected to be 2.1 % of

[14] General government expenditure financed from the EU and other international financial assistance does not affect general government balance, but changes the overall level of expenditure.

[15] Net primary expenditure is understood as defined in Council Regulation No 2024/1263: government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

GDP in 2025. The general government structural deficit of 1.2 % of GDP in 2025 shows expected expansionary fiscal position.

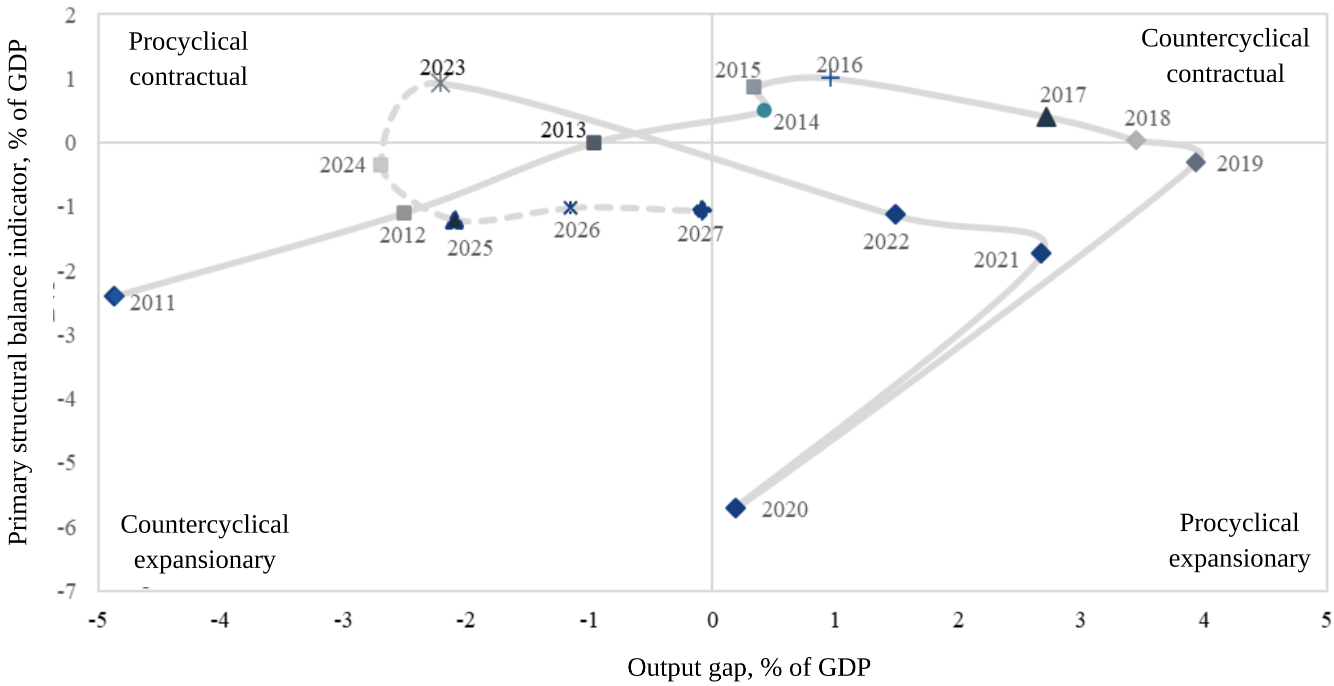
Table 4. Medium-term general government balances, % of GDP

Title of indicator	2023	2024	2025	2026	2027
General government balance (nominal)	–0.7	–2.2	–3.0	–2.6	–2.4
Structural balance	0.3	–1.1	–2.1	–2.2	–2.4
Primary structural balance	0.9	–0.3	–1.2	–1.0	–1.1

Source – Ministry of Finance.

According to the EDS, the output gap in 2023 accounts for –2.2 % of GDP, and in 2024 –2.7 of GDP, while in the remaining medium-term years it will shrink, but will remain negative.

Fig. 3. Fiscal policy stance



Sources: State Data Agency and Ministry of Finance.
Note. Actual data taking into consideration the revision of national accounts carried out by the State Data Agency in September 2024.

The indicators for 2025 presented in the LDBP may change if positive and/or negative risks, fiscal risks, or other risks described in the EDS, materialise in 2025. A list of risks is presented in Table 16.

Medium-term prospects for sustainability

In September 2023, the Ministry of Finance published the Public Sector and Financial Sustainability Assessment Report.[16] Among the scenarios modelled in the report, those where rising general government expenditure is not covered by sustainable revenue sources are the least sustainable. According to the fiscal discipline compliance scenario or other scenarios where higher volume of public goods and services are aligned with higher general government revenue-to-GDP ratio, long-term fiscal sustainability risks are assessed as low. However, without additional revenue measures, such as convergence of the primary expenditure-to-GDP ratio with the EU average or the inclusion of additional costs of ageing society, fiscal sustainability risks would be medium or high. Based on these findings of the report, it should be noted that long-term budgetary commitments in 2025 and beyond, but at the same time not increasing the share of

[16] Ministry of Finance of the Republic of Lithuania, September 2023, Public Sector and Financial Sustainability Assessment Report, https://finmin.lrv.lt/uploads/finmin/documents/files/Vald%C5%BEios%20sektroiaus%20skolos%20ir%20finanas%C5%B3%20tvarumo%20vertinimo%20atskaita(1).pdf.

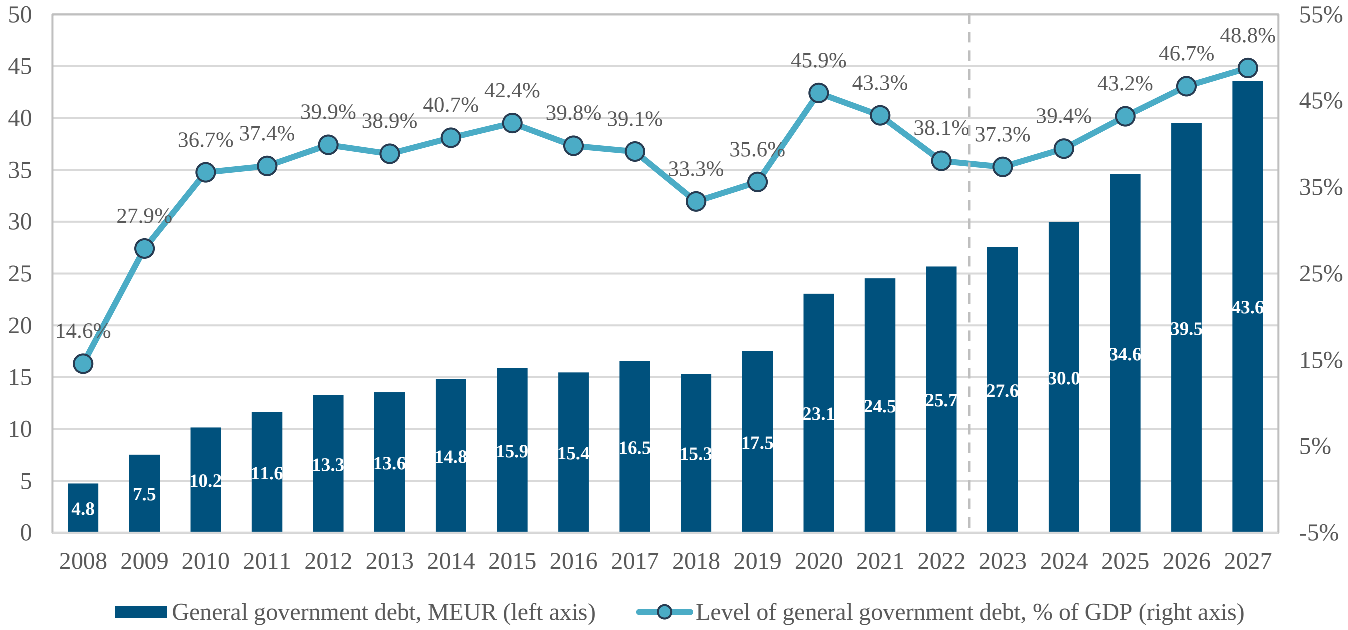
GDP redistributed through the budget, could lead to a deterioration in the estimates of general government financial sustainability indicators.

According to Lithuania's general government financial long-term sustainability assessment carried out by the Commission in spring 2024, Lithuania's medium and long-term risk assessment deteriorated – risks increased from low to medium[17].

General government debt

Based on currently available medium-term balance projection, the general government debt is projected to be 43.2 % of GDP at the end of 2025 and will be by 3.8 percentage point higher than at the end of 2024 (39.4 % of GDP, Fig. 10). The projected general government deficit of 3 % of GDP is the main driver of debt growth. The general government deficit in 2025, lower than projected in the LDBP, would positively affect the medium-term debt projection.

Fig. 4. General government debt



Source – Ministry of Finance.

Note. Actual data taking into consideration the revision of national accounts carried out in September 2024.

Based on currently available medium-term general government balance projection, the general government debt level is projected to increase in the medium-term and to reach approximately 48.8 % of GDP at the end of 2027. The general government debt projections are presented in Table 12.

SECTION 2
REVENUE AND EXPENDITURE POLICY

Tax (revenue) policy in 2025

In view of the negative impact of Russia's ongoing military aggression against Ukraine on Lithuania's national security, in order to ensure a sustainable source of revenue to meet the priority defence spending needs set out in the Republic of Lithuania Law on the State Defence Fund, on 1 January 2025 the following amendments will enter into force:

[17] **Debt Sustainability Report of 23 March 2024**, https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en.

The amendments to the Republic of Lithuania Law on Corporate Income Tax adopted on 20 June 2024[18], increasing the corporate income tax rates by 1 percentage point, i.e. instead of the currently applicable standard 15% and reduced 5% corporate income tax rates, accordingly, 16% and 6% corporate income tax rates are set, sectorial corporate income tax exemptions for health care institutions and insurance companies are waived by including taxation of their income in the general corporate income tax regime.

The amendments to the Republic of Lithuania Law on Excise Duty adopted on 20 June 2024[19], introducing a faster increase in the CO2 component from 2025, and from 2025 to 2030 a new variable component– the safety component is added to the excise duty rate on gas oils intended for use in agricultural activities. Also, as part of the State Defence Fund package, the amendments to the Law on Excise Duty were adopted on 20 June 2024[20], setting out a plan for increasing excise duty rates on ethyl alcohol and alcoholic beverages, tobacco products and their alternative products in 2025-2027.

In order to achieve the national and international energy and climate change management policy objectives, the amendments to the Law on Excise Duty[21] adopted on 9 May 2023 will enter into force in 2025, which:

- will increase excise duty rates on gas oil, coal, coke, lignite and peat for heating purposes;
- the excise duty rates applicable to certain energy products will include a CO2 component proportional to the CO2 emissions of the fuel, depending on its calorific value.

The Law Amending the Republic of Lithuania Law on Personal Income Tax[22] was adopted on 25 June 2024, amending the tax treatment of income from financial investments from 1 January 2025 by introducing a new tax regime, namely an investment account, which will enable permanent residents of Lithuania to make continuous investments in certain securities listed on stock exchanges or other specified investment instruments, paying personal income tax only on the investment return received, which is used not for reinvestment in financial products, but for other purposes.

In order to attract investment and increase competitiveness in the region, the Law Amending the Law on Corporate Income Tax[23] was adopted on 21 December 2023, extending the application of benefits for a large project to manufacturing investment projects from 1 January 2025, reducing the condition of the number of workers, but at the same time setting the requirements for the size of the AW for workers.

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[18] **Law Amending Articles 5, 12, 17, 30, 33, 34, 35, 38-2, 41 and 43 of Republic of Lithuania Law on Corporate Income Tax No IX-675 and Supplementing the Law with Article 30-2,** https://www.e-tar.lt/portal/lt/legalAct/fe45a8f0353d11efbdaea558de59136c#:~:text=Lietuvos%20Respublikos%20pelno%20mokes%C4%8Dio%20%C4%AFstatymo%20Nr.%20IX-675%205,%2012,%2017.

[19] **Law Amending Articles 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1, 59, Section 5 of Chapter II of the Republic of Lithuania Law on Excise Duty No IX-569, Supplementing the Law with New Annex 3 and Repealing Article 40, Amending Articles 7, 9, 12, 17 and 19 of Law No XIV-1933,** https://www.e-tar.lt/portal/lt/legalAct/b4759790353c11efbdaea558de59136c.

[20] **Law Amending Articles 23, 24, 25, 26, 30, 31, 65 and 74 of Republic of Lithuania Law on Excise Duty No IX-569,** https://www.e-tar.lt/portal/lt/legalAct/6465fc90353c11efbdaea558de59136c.

[21] **Law Amending Articles 1, 2, 3, 27, 35, 36, 37, 38, 39, 41, 43, 53, 58-1, 59, Section 5 of Chapter II of the Republic of Lithuania Law on Excise Duty No IX-569, Supplementing the Law with New Annex 3 and Repealing Article 40,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/81998ea9efef11edb649a2a873fdbdfd?jfwid=-9gcifapqr.

[22] **Law Amending Articles 2, 8, 16, 17, 21 and 37 of Republic of Lithuania Law on Personal Income Tax No IX-1007 and Supplementing the Law with Article 12-1,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/580e6813338911efb121d2fe3a0eff27?positionInSearchResults=1&searchModelUUID=b45c47e1-2fe1-40ea-a90b-ac06a1dc3b5d.

[23] **Law Amending Article 58 of Republic of Lithuania Law on Corporate Income Tax No IX-675,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/23034b80a0b411ee8172b53a675305ab#:~:text=IX-675%2058%20straipsnio%20pakeitimo%20%C4%AFstatymas.%20R%C5%AB%C5%A1is:%20%C4%AEstatymas.%20Pri%C4%97mimo%20data:%202023-12-21.

To address the challenges posed by the digitalisation of the economy in the field of taxation globally, following the agreement on Pillar II decisions reached on 8 October 2021 by the Committee of the Organisation for Economic Co-operation and Development on Fiscal Affairs operating in an extended format aimed to ensure the minimum level of taxation of profits (at least 15% effective tax rate) for large multinational enterprise groups with an annual consolidated income of EUR 750 million or more, Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union is implemented at EU level, the Law of the Republic of Lithuania on Ensuring a Minimum Level of Taxation for Groups of Entities [24], transposing into national law the mandatory provisions of this Directive relating to reporting obligations, was adopted on 6 June 2024.

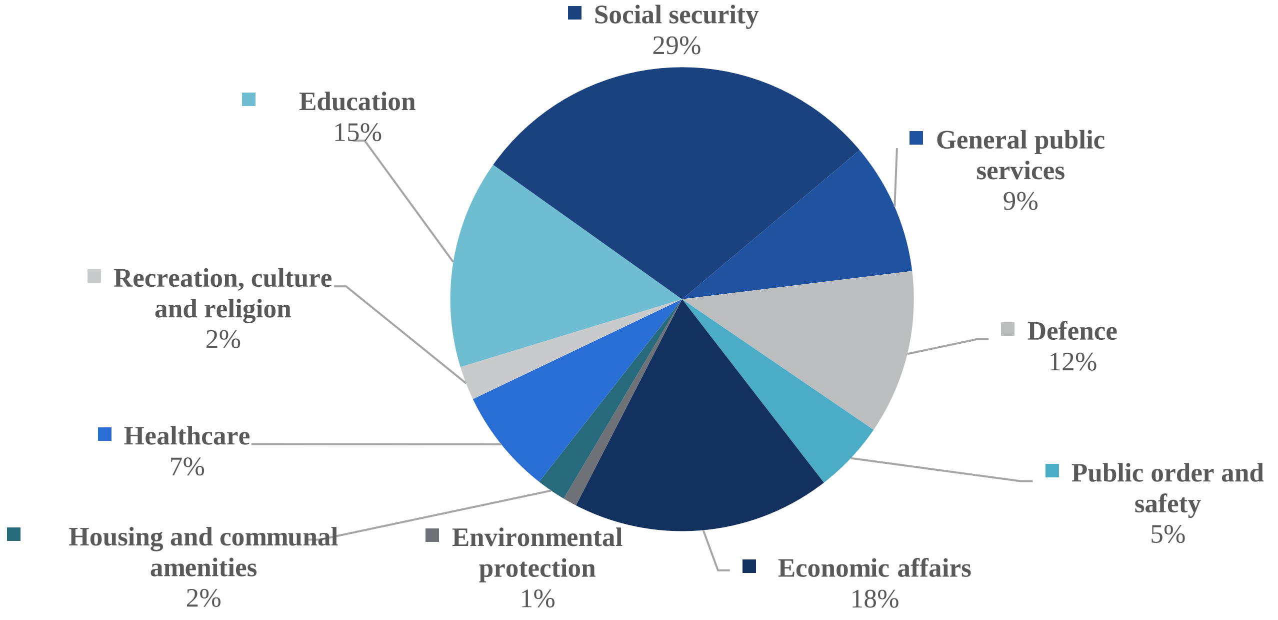
Expenditure policy – priority areas in 2025–2027:

– national and public security: 3 % of GDP is earmarked for defence funding, including funds to be transferred to the State Defence Fund, funds allocated for the implementation of military mobility projects, investments in capacity building in manufacturing industry, reserve of medical devices, strengthening of civil protection and other needs;

– increase of individual income: increase of the salaries of teachers, lecturers and other educators and non-academic staff, officials, workers of cultural institutions, arts workers and other public sector workers; social assistance, social assistance for disability and other pension amounts, increased MMW;

– investments in Lithuania's sustainable and prosperous future: green transition, improving rail and road connectivity, promoting the use of alternative fuels in transport sector, investment in areas of public administration, science, business and innovation, social protection, education, public security and defence, digital transformation, culture.

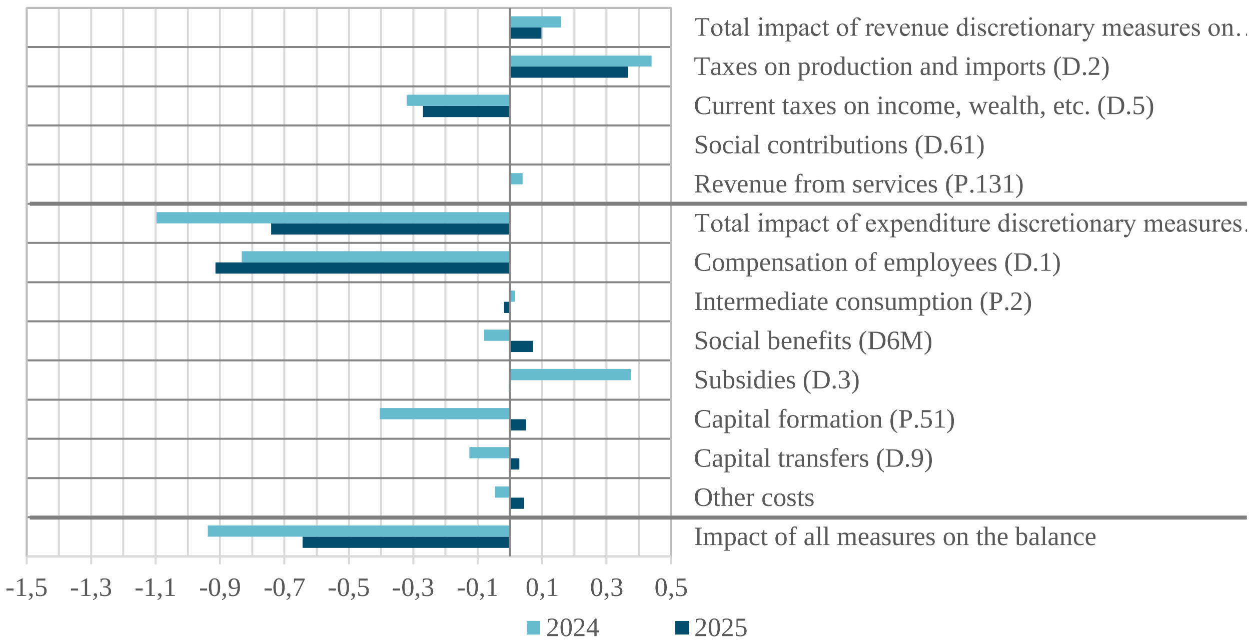
Fig. 5. Breakdown of the 2025 State budget expenditure by function of government



Source – Ministry of Finance.

[24] **Law of the Republic of Lithuania on Ensuring a Minimum Level of Taxation for Groups of Entities,** https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/94778e0028a611efb121d2fe3a0eff27.

Fig. 6. Impact of discretionary mesures on general government revenue and expenditure, % of GDP



Source – Ministry of Finance.

PART III
BUDGET FRAMEWORK REFORM

In Lithuania, the implementation of the budget framework reform is coming to an end. The reform aims at establishing a transparent and efficient medium-term budget framework closely linked to the strategic governance framework of the State. The Government Programme implementation plan provides for a mission (priority): responsible fiscal policy and its task "to draw up the draft State budget for 2025-2027 in accordance with the medium-term budgeting rules and using the results of the systematic review of public expenditure (continuous activity funds)", the implementation of which in 2024 resulted in the legalisation of the medium-term budgeting rules and performance of a systematic review of the State budget expenditure, moreover, the Methodological Guidelines for the Planning of the Need for the State Budget Appropriations for 3 budget years is expected to be approved by the end of 2024. These tasks are also indicated in the RRF plan. In the light of the tasks implemented, this year the first medium-term consolidated draft budgetary plan for 2025-2027 was submitted to the Seimas for its approval. The indicators of the consolidated budgets (State, municipalities, State Social Funds and CHIF) will be approved for 3 budget years, the approved indicators may be changed in accordance with the rules laid down in the Republic of Lithuania Law on the Budget Structure [25]. From 2025 onwards, managers of the State budget appropriations will be able to carry over part of unused State budget appropriations to the next budget year in accordance with the rules laid down in the Law on the Budget Structure. These changes will help manage the impact of decisions and commitments made on the budgets of subsequent years, increase the certainty of funding for appropriation managers and reduce the problem of the year-end spending.

A systematic review of public expenditure was carried out in 2023-2024, focusing on the review of the processes for planning funds for continuous activities and assessment of the efficiency of the use of these funds. When reviewing the expenditure, some recommendations were presented to the ministries, part of which have been already implemented during the preparation of the 2025 draft budget.

PART IV
METHODOLOGICAL ASPECTS

Table 5. Preparation of the economic development scenario

Estimation technique	Budgetary process stage of the technique applied	Relevant features of the models (techniques) used	Assumptions
Principles of national accounting, econometric and expert evaluation	Economic development scenario	Macroeconomic forecasts are prepared for the medium term by using the macroeconomic model developed according to national accounts. In analysis of individual or more than one potentially interrelated macroeconomic indicators, econometric equations are made, also expert evaluation is carried out. Estimates of potential GDP are based on methodology approved by the Economic and Financial Affairs Council (ECOFIN) in 2002.	Technical assumptions (oil price, currency exchange rate and interest rates)

Revenue forecasting

Tax revenue forecast is made on the basis of macroeconomic projections, statistical data, revenue dynamics and the information provided by public authorities. The forecast of revenue from individual taxes

[25] **Republic of Lithuania Law on the Budget Structure**, https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.428/asr?positionInSearchResults=1&searchModelUUID=c1696290-410a-4a4f-8295-7186f8d2976d.

may be expertly adjusted, i.e. considering other circumstances than those provided for in draft amending laws that may affect revenue collection.

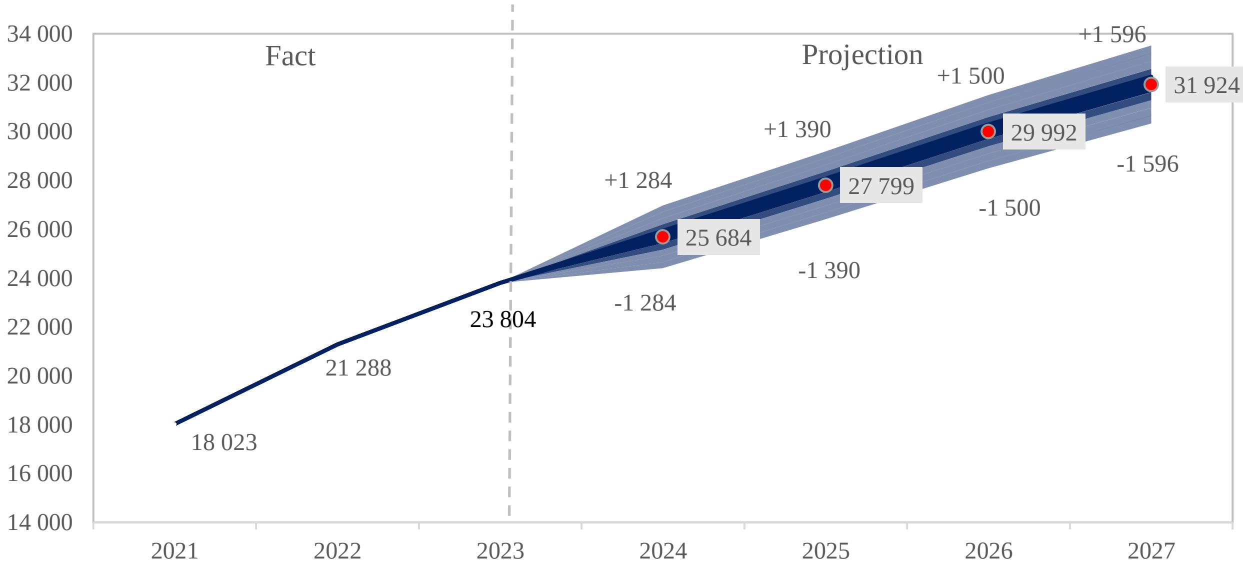
Depending on the tax, one or several forecasting methods are applied:

- detailed modelling method. The data is collected on the number of taxpayers in each category and the total amount and structure of revenue of that category. A simulation model is created from two blocs: typical taxpayer and aggregating bloc. This model is applied to estimate how much on average an individual taxpayer representing a certain group, the entire group and, ultimately, all taxpayers of the country will pay in taxes.
- effective average rate method. The tax rate established by law is adjusted considering the applied reliefs, tax base exemptions and etc. The effective average rate thus assessed is multiplied by the scope of the tax base to obtain a forecast of revenue from appropriate taxes.
- elasticity method. A dependency between revenue from a tax increase (decrease) and dynamics of an appropriate base is established. The forecast of revenue from the tax is made considering the elasticity coefficient specific to a particular tax and the forecasted tax base changes.

Revenue sensitivity analysis

Based on the relationship between the general government tax revenue and nominal GDP, a static sensitivity analysis showed that a change in nominal GDP by 1 % could change the revenue projection presented in the LDBP from EUR 278 million in 2025 to EUR 319 million in 2027 (Fig. 13).

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



Source – Ministry of Finance.

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

PART V
ECONOMIC DEVELOPMENT SCENARIO AND PUBLIC FINANCE DATA

Table 6. Key assumptions

	2023	2024	2025
Short-term interest rates (average annual)	3.9	3.7	2.4
Long-term interest rates (average annual)	4.0	3.5	3.4
USD/EUR exchange rate (average annual)	1.1	1.1	1.1
Nominal effective exchange rate	7.0	2.9	1.7
Global (excl. EU) GDP growth, %	3.8	3.5	3.6
EU GDP growth, %	0.6	1.2	1.8
Growth of main export markets, %	1.8	2.0	2.4
Global (excl. EU) import growth, %	0.9	3.3	3.5
Oil prices (*Brent*, USD per barrel)	82.5	81.6	76.2

Sources: European Central Bank, European Commission (May 2024), Ministry of Finance, Macrobond, IMF.

Table 7. Price indicators

	2023	2023	2024	2025
	Index (in 2015 = 100)	Change, %		
1. GDP deflator	152.7*	7.1	3.2	2.5
2. Private consumption deflator	149.6*	8.6	1.0	2.5
3. HICP	149.5	8.7	1.0	2.5
4. General government consumption expenditure deflator	198.1*	12.6	10.7	7.3
5. Gross fixed capital formation deflator	138.0*	5.1	2.7	2.5
6. Export (goods and services) price deflator	123.5*	–0.2	1.0	1.1
7. Import (goods and services) price deflator	129.4*	–5.6	–1.2	0.8

Sources: State Data Agency, Ministry of Finance, Eurostat.

* Economic development scenario has been drawn up based on statistical data published by 30 August 2024. The State Data Agency published revised data of national accounts for 1995–2023 on 1 October 2024.

Table 8. Labour market indicators

	ESA code	2023	2023	2024	2025
		Indicator value	Change, %		
1. Employment, persons, thou.		1,441.1	1.4	1.4	0.2
2. Employment, hours worked, thou.		2,739, 420	2.5	–	–
3. Unemployment rate, %		–	6,8	7.3	7.1
4. Labour productivity (gross value added per person employed), EUR thou.		–	–1.7	0.8	2.6
5. Labour productivity, hours worked		–	–	–	–
6. Compensation of employees, EUR million	D.1	35, 225*	12.3	12.8	7.9
7. Compensation per employee, EUR		27, 042.2*	10.2	11.2	7.6

Sources: State Data Agency, Ministry of Finance.

* Economic development scenario has been drawn up based on statistical data published by 30 August 2024.

Table 9. Sectoral balances

	ESA code	2023	2024 *	2025 *
		Change, %		
1. Net borrowing	B.9	3.9	5.1	3.7
o/w:				
- balance of goods and services *		3.8	5.9	5.5
- balance of primary incomes and transfers		–1.9	–2.9	–3.4
- capital account		2.0	1.8	2.1
2. Net lending of the private sector (borrowing)	B.9	4.7	7.3	6.7
3. General government net lending (borrowing)	B.9	–0.8	–2.2	–3.0
4. Statistical discrepancy		0.0	0.0	0.0

Sources: Bank of Lithuania, Ministry of Finance.

* Forecasts are based on assumptions concerning the international environment, which have been made in accordance with information published by 16 August 2024, and other data and information published by 30 August 2024.

**EDS has been developed based on statistical data published by 30 August 2024. The State Data Agency published revised data of national accounts for 1995–2023 on 1 October 2024.

Table 10. General government indicators under policy scenario

	ESA code	2024	2025
		% of GDP	
Net lending (+) / net borrowing (–) (B.9) by subsector			
1. General government	S.13	–2.2	–3.0
2. Central government	S.1311	–3.5	–4.0
3. State government	S.1312	N.A.	N.A.
4. Local government	S.1313	0.2	0.0
5. Social Security Funds	S.1314	1.1	1.0
6. Interest payment	D.41	0.8	0.9
7. Primary balance		–1.4	–2.0
8. One-off and other temporary measures		0.0	0.0
9. Real GDP growth (%)		2.3	2.9
10. Potential GDP growth (%)		2.8	2.3
O/w:			
- labour		1.0	0.3
- capital		1.9	1.9
- total factor productivity		–0.1	0.1
11. Output gap (% of potential GDP)		–2.7	–2.1
12. Cyclical component of the budget (% of potential GDP)		–1.1	–0.8
13. Cyclically adjusted balance (1 – 12) (% of potential GDP)		–1.1	–2.1
14. Cyclically adjusted primary balance (13 + 6) (% of potential GDP)		–0.3	–1.2
15. Structural balance (13 – 8) (% of potential GDP)		–1.1	–2.1

Source – Ministry of Finance.

Table 11. General government revenue and expenditure indicators under no-policy change scenario

General government (S13)	ESA code	2024		2025	
		MEUR	% of GDP	MEUR	% of GDP
1. Gross revenues under no-policy change scenario	TR	29, 393.4	38.7	31, 910.9	39.8
1.1. Taxes on production and imports	D.2	8, 614.2	11.3	9, 261.2	11.6
1.2. Current taxes on income, wealth and other taxes	D.5	8, 325.2	11.0	8, 911.5	11.1
1.3. Capital taxes	D.91	14.0	0.0	15.0	0.0
1.4. Social contributions	D.61	8, 594.3	11.3	9, 313.9	11.6
1.5. Property income	D.4	504.0	0.7	442.0	0.6
1.6. Other		3, 341.6	4.4	3, 967.3	5.0
Tax burden (D.2 + D.5 + D.61 + D.91 – D.995)		25, 537.8	33.6	27, 492.6	34.3
2. Gross expenditure under no-policy change scenario	TE	29, 614.1	39.0	33, 530.9	41.9
2.1. Compensation of employees	D.1	7, 837.7	10.3	8, 454.5	10.6
2.2. Intermediate consumption	P.2	3, 589.4	4.7	4, 521.8	5.6
2.3. Social benefits	D.6M	11, 972.3	15.8	13, 395.1	16.7
o/w: unemployment benefits		461.0	0.6	497.7	0.6
2.4. Interest	D.41	585.1	0.8	739.9	0.9
2.5. Subsidies	D.3	249.5	0.3	286.5	0.4
2.6. Fixed capital formation	P.51	2, 489.5	3.3	3, 391.3	4.2
2.7. Capital transfers	D.9	927.5	1.2	570.0	0.7
2.8. Other		1, 963.2	2.6	2, 171.8	2.7

Source – Ministry of Finance.
Note. Due to rounding, line sums may not match the detailed data.

Table 12. General government debt projections

	2024	2025
	% of GDP	
General government debt at the end of the year	39.4	43.2
Change in general government debt	2.1	3.8
General government debt determinants:		
Primary balance	–1.4	–2.0
Interest	0.8	0.9
Stock-flow adjustment	1.0	2.8
Implicit interest rate on debt	2.1	2.5

Source – Ministry of Finance.

Table 13. State guaranteed debt

	2024	2025
	% of GDP	
State guarantees	1.2	1.4
o/w: related to financial sector	0.0	0.0

Source – Ministry of Finance.

Table 14. Impact of discretionary revenue measures taken by general government on the budget

No.	Description of the measure	ESA code	2024		2025	
			MEUR	% of GDP	MEUR	% of GDP
1.*	Application of temporary 9 % VAT relief to catering services, other than those relating to alcoholic beverages, and for artistic and cultural services and for attending relevant events from 1 July 2023 to 31 December 2023	D.2	150.6	0.2		
2.*	Green package: changes in excise duty taxation	D.2	71.1	0.1	58.6	0.07
3*	Green package: introduction of CO2 component and safety component	D.2			135.4	0.17
4.*	Increase of excise duty rates on tobacco products and liquid of electronic cigarettes	D.2	42.5	0.1	34.5	0.04
5.*	Compensation from the State budget of the 9% VAT rate applied on heat as well as hot water (the difference from 9 to 0 %) for goods supplied to residents in January – April 2022, October 2022 – April 2023 and October 2023 – April 2024	D.2	16.2	0.02	19.4	0.02
6.*	Increase of excise duty rates on ethyl alcohol and alcoholic beverages	D.2	34.5	0.05	30.1	0.04
7.*	Application of temporary 9 % VAT relief to sporting services and events as well as to services of performing artists from 1 January 2023 to 30 June 2023	D.2	8.0	0.01		
8.**	The amendments to the pollution tax which entered into force on 1 January 2023	D.2	13.0	0.02		
9.*	The amendments to the tax on lotteries and gambling	D.2	4.2	0.01	4.4	0.01
10.**	The amendments to the tax for state natural resources which entered into force on 1 July 2023	D.2	–6.0	–0,01	12.0	0.01
11.**	Increase of NTA from EUR 625 to EUR 747 to persons earning up to 1 AW; increase of NTA for the disabled from EUR 935 to EUR 1, 057 and from EUR 1, 005 to EUR 1, 127, accordingly. Effective as of 1 June 2024	D.5	–241.2	–0.3		
12.**	Technical amendment of the NTA formula ensuring application of the maximum NTA for persons earning up to MMW and maintaining the more favourable formula for persons earning up to 1 AW will come into force as of 1 January 2025	D.5			–94.7	–0.12
13.*	Temporary solidarity contribution	D.5	–2.5	–0.003	–157.3	–0.20
14.*	The increase in the corporate income tax rate by 1 percentage point from the current 15% rate to 16% rate, as well as increase in the preferential corporate income tax rate for small businesses by 1 percentage point to 6%.	D.5			35.7	0.04
15.*	The amendments to the road user charges coming into force on 1 January 2024	P.131	30.0	0.04		
	Total:		**120.4**	**0.2**	**78.1**	**0.1**

Source – Ministry of Finance.
* Discretionary revenue measures of central government subsector (S.1311).
** Discretionary revenue measures of central government and local government subsectors (S.1311 and S.1313).

Notes:
1. Adoption stage of all the measures specified in the table is “approved” or “submitted by the Government to the Seimas”, and accounting basis – accrual.
2. The column of the table, indicating 2024, presents the impact of the measures launched in 2024 on general government revenue and/or amounts neutralising the impact of the measures taken in 2023, but no longer applied in 2024, on revenue.

3. The column of the table, indicating 2025, presents the impact of the measures to be launched in 2025 on general government revenue and/or the amounts neutralising the impact of the measures taken in 2024, but no longer applied in 2025, on revenue.

Table 15. Impact of discretionary expenditure measures taken by general government on the budget

No.	Description of the measure	ESA code	2024		2025	
			MEUR	% of GDP	MEUR	% of GDP
1.*	Increase of wages for educators from 1 January 2024 – by 10 % and from 1 September 2024 – by 10 %	D.1	–283.1	–0.4	–183.2	–0.2
2.*	Increase of wages for educators and research staff by 8 % from 1 September 2025	D.1			–73.1	–0.1
3.*	Increase of wages for statutory and other staff	D.1	–52.3	–0.1		
4.*	Increase of wages for lecturers, research staff and researchers	D.1	–84.4	–0.1	–68.7	–0.1
5.	Indexation of base prices for personal health care services creating opportunities to increase wages for healthcare workers (social security funds)	D.1			–230.0	–0.3
6.**	Other measures related to wage increases (increase of MMW, increase of wages for cultural workers, researchers etc.)	D.1	–212.6	–0.3	–177.0	–0.2
7.	Additional indexation of part of the individual pension (from 1 January 2024) (social security funds)	D.6M	–46.9	–0.1		
8.	Additional indexation of part of the individual pension (by 1.4 % from 1 January 2025) (social security funds)	D.6M			–37.3	0.0
9.	Introduction of the old-age pension multiplier after losing 70 % and more work capacity (social security funds)	D.6M	–21.4	0.0		
10.*	Assistance in 2023 to the Ukrainian people fleeing from military actions of the Russian Federation (food packages and cards, education for the Ukrainian children, cash benefits and reimbursements, health services, etc.)	D.6M	153.0	0.2		
11.*	Assistance in 2024 to the Ukrainian people fleeing from military actions of the Russian Federation (food packages and cards, education for Ukrainian children, cash benefits and reimbursements, health services, etc.)	D.6M	–127.2	–0.2	127.2	0.2
12.*	The subsidisation of the increase in electricity and gas prices (mitigating the consequences of sharp price increases (subsidisation of the increase in electricity and gas prices to households and support to businesses in the environment of high energy prices))	D.3	184.2	0.2		
13.*	Payment of costs related to projects implemented by public limited company LTG Infra, which are co-financed from the EU financial assistance, "Electrification of section Kaišiadorys-Klaipėda (Draugystė stop)" and "Electrification of Vilnius railway junction"	D.3	47.9	0.1		
14.*	Balancing income and costs of the activities of the public railway infrastructure manager related to the management of railway infrastructure, where the public railway infrastructure manager lacks financial resources due to the application of sanctions against the Republic of Belarus and the interruption of freight flows or business relations due to the military aggression of the Russian Federation against Ukraine	D.3	61.0	0.1		
15.*	Expenditure for increased financing of the MND	P.51	–264.6	–0.3		
16.*	Expenditure on infrastructure for military mobility in 2023	P.51	279.7	0.4		
17.*	Expenditure on military mobility projects in 2024–2025	P.51	–280.0	–0.4	280.0	0.4
18.*	Expenditure on infrastructure for military mobility in 2024	P.51	–42.3	–0.1		
19.*	Increase in defence funding (State Defence Fund's resources)	P.51			–240.2	–0.3
20.*	Expenditure for contributions to the EU Funds for Ukraine (EU Multiannual Financial Framework (MFF)), expenditure for the reconstruction of Ukraine (development cooperation) and expenditure for military measures for Ukraine	D.9	–95.5	–0.1	23.5	0.0
21.***	Other discretionary expenditure measures taken by general government (i.e. financing of research and experimental development, other measures related to social benefits, subsidies, expenditure for military measures for Ukraine)	Other	–48.6	–0.1	–14.8	0.0
	Total:		**-833.1**	**–1.1**	**–593.6**	**–0.7**

Source – Ministry of Finance.

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

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

*** Discretionary expenditure measures of central government and social security funds subsectors (S.1311 and S.1314).

Notes:
1. Adoption stage of all the measures specified in the table is "approved by the Government".
2. The column of the table, indicating 2024, presents the impact of the measures launched in 2024 on general government expenditure and/or amounts neutralizing the impact on costs of measures applied in 2023, but no longer applied in 2024.
3. The column of the table, indicating 2025, presents the impact of the measures launched in 2025 on general government expenditure and/or amounts neutralizing the impact on costs of measures applied in 2024, but no longer applied in 2025.

Table 16. A list of medium-term fiscal risks

Risk	Risk source	Degree of a risk	Probability of risk occurrence
Changes in the geopolitical situation	As geopolitical tensions persist or intensify: (i) security (including cyber) and defence-enhancing needs may increase, leading to higher general government expenditure; (ii) global energy prices may rise and measures to support individuals/businesses may be needed	high	high
Statistical corrections of data on national defence expenditure	Significant differences between forecast of acquisition costs of military equipment, weapons and supplies and actual data estimated in general government financial statistics on accrual basis (acc. to ESA 2010) may increase or decrease general government expenditure	high	high
Political cycle	Pressure on long-term liabilities, without new sustainable sources of revenue to meet these long-term liabilities, may increase the general government deficit	high	high
Implementation of the RRP	If during the implementation of the RRP, part of indicators presented in the plan are not achieved and part of the RRF grant is not received, the general government balance may deteriorate, as compared to the planned one	high	high
Support for the Ukrainians in Lithuania and for Ukraine	Additional funds than foreseen in the 2025 draft budget are needed to implement measures related to the assistance to the Ukrainian people who have found refuge in Lithuania. Joining the initiatives of financial collateral to the IMF for fulfilment of Ukraine's obligations to the IMF and providing assistance to Ukraine may require additional financial liabilities	medium	high
Unforeseen general government expenditure and non-use of planned expenditure	Implementing the budgets of the general government, higher expenditure made by discretionary decisions than planned in the budgets may lead to a deterioration of the general government balance. Conversely, part of unspent planned budget appropriations may improve the general government balance	high	high
Government and Seimas' decisions related to wages in 2026–2027	Decisions on the MMW and non-taxable amount of income were made only for 2025. Following the Government's decision on the further increase of the MMW and/or the Seimas' decisions on changes in the NTA also for 2026-2027, revenue from PIT of the State budget and municipal budgets, due to these factors, would be lower than forecast, accordingly, the general government balance may deteriorate as compared to the planned balance	medium	high
Activities of state-owned companies	An improvement or deterioration in performance may increase or decrease the amounts of dividends paid to the State budget. Lower revenue than expenditure of companies attributed to the general government while implementing the investment projects may lead to deficit budgets of the companies: the general government balance would deteriorate, and the general government debt would increase	medium	high

Source – Ministry of Finance.

Table 17. Impact of RRF grants on general government finance projections

Title of the indicator	% of GDP							
	ESA Code	2020	2021	2022	2023	2024	2025	2026
RRF grants (revenue)								
RRF grants included in the revenue projection		**–**	**0.0**	**0.1**	**0.3**	**0.8**	**1.1**	**0.7**
Revenue of RRF grants (cash flow basis) *		**–**	**0.5**	**0.0**	**0.8**	**0.2**	**0.9**	**0.6**
Expenditure for implementation of the RRP measures								
Compensation of employees	D.1	–	0.0	0.0	0.0	0.0	0.0	0.0
Intermediate consumption	P.2	–	0.0	0.0	0.1	0.2	0.2	0.1
Social benefits	D.62+ D.632	–	0.0	0.0	0.0	0.0	0.0	0.0
Interest	D.41	–	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	D.3	–	0.0	0.0	0.0	0.0	0.0	0.0
Current transfers	D.7	–	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT EXPENDITURE, TOTAL		**–**	**0.0**	**0.0**	**0.1**	**0.2**	**0.2**	**0.1**
Gross fixed capital formation	P.51g	–	0.0	0.1	0.2	0.6	0.9	0.5
Capital transfers	D.9	–	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURE, TOTAL		**–**	**0.0**	**0.1**	**0.2**	**0.6**	**0.9**	**0.5**
Other costs financed by RRF grants								
Diminution in tax revenue		–	–	–	–	–	–	–
Other costs affecting revenue		–	–	–	–	–	–	–
Financial transfers		–	–	–	–	–	–	–

Source – Ministry of Finance.

Notes:

1. In 2024, the share of the RRF grant to Lithuania totalled EUR 2, 297.5 million, which on 6 May 2024 by the Commission's decision was reduced by EUR 8.7 million whereas a financial correction for a partial achievement of indicator 142 has been received.
2. The advance payment of the share of the RRF grant was received in 2021. The payment on the first payment request and the advance payment of the *RePower* tranche were received in 2023. A share of the suspended funds of EUR 14.8 million of the first payment request was received in 2024. Also, the second share of grants is expected in 2024. The RRF grant flow of funds is projected in 2025-2026 in accordance with the schedule of financial contributions currently approved by the Council Implementing Decision on the assessment of the RRP.
3. RRP is currently initiated for modification, therefore the amounts indicated may be corrected.
4. Due to rounding, line sums may not match the detailed data.

Table 18. The use of the RRF loan

Title of the indicator	% of GDP							
	ESA code	2020	2021	2022	2023	2024	2025	2026
RRF loan tranche (cash flows)								
Amounts of RRF loan received from the EU		–	–	–	**0.1**	**0.9**	**0.5**	**0.5**
Repayments of RRF loan to the EU		–	–	–	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure for implementation of the RRP measures								
Compensation of employees	D.1	–	–	–	0.0	0.0	0.0	0.0
Intermediate consumption	P.2	–	–	–	0.0	0.0	0.0	0.0
Social benefits	D.62+ D.632	–	–	–	0.0	0.0	0.0	0.0
Interest	D.41	–	–	–	0.0	0.0	0.0	0.0
Subsidies	D.3	–	–	–	0.0	0.0	0.0	0.0
Current transfers	D.7	–	–	–	0.0	0.5	0.3	0.4
CURRENT EXPENDITURE, TOTAL		–	–	–	**0.0**	**0.5**	**0.3**	**0.4**
Gross fixed capital formation	P.51g	–	–	–	0.0	0.1	0.3	0.3
Capital transfers	D.9	–	–	–	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURE, TOTAL		–	–	–	**0.0**	**0.1**	**0.3**	**0.3**
Other costs financed by RRF loan								
Diminution in tax revenue		–	–	–	–	–	–	–

Title of the indicator	% of GDP							
	ESA code	2020	2021	2022	2023	2024	2025	2026
Other costs affecting revenue		–	–	–	–	–	–	–
Financial transfers		–	–	–	–	–	–	–

Source – Ministry of Finance.

Notes:

1. RRP adjustment was approved in 2023 by supplementing it with the RRF loan funds.
2. Advance payment of the RRF loan tranche was received in 2023. Funds of the first loan payment request were received in Q 1 of 2024, also the second loan tranche is expected in 2024. The RRF loan flow of funds is projected in 2025-2026 in accordance with the schedule of financial contributions currently approved by the Council Implementing Decision on the assessment of the RRP.
3. Only 0.01 % of GDP, 0.01 % of GDP and 0.02 % of GDP, accordingly, out of the RRF loan funds planned to be used in 2024–2026 are considered as affecting the general government balance. Other share of the amounts indicated will be used through on-lending, therefore, it will not affect the general government balance.
4. Due to rounding, line sums may not match the detailed data.

Table 19. State guarantees

Guarantee measure	Start date of application of the guarantee measure	Maximum possible amount of guarantees in 2025 (MEUR / % of GDP)		Guarantees provided, acc. to the data of 31 August 2024 (MEUR / % of GDP)	
State guarantee measures related to the COVID-19 measures					
Portfolio and individual guarantees administered by UAB ILTE	June 2020	13.5	0.02	24.8	0.03
State guarantees on loans and non-equity securities used to meet the objectives of stimulating economy affected by emergencies and to increase the financial liquidity of businesses	March 2020	25.0	0.03	100.0	0.13
State guarantees on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) relating to the COVID-19 outbreak	September 2020	84.0	0.10	84.0	0.11
State guarantees for the European Investment Bank, established Pan-European Guarantee Fund in response to COVID-19 pandemic	July 2020	44.0	0.05	44.0	0.06
Total State guarantees related to COVID-19 measures		**166.4**	**0.2**	**252.7**	**0.3**
State guarantee measures not related to COVID-19 measures					
State guarantees on UAB ILTE commitments under guarantees	–	436.4	0.54	339.5	0.45
State guarantees on loans to finance investment projects and/or to ensure national security of the Republic of Lithuania, to replenish the working capital of important enterprises specified in the Law on the Protection of Objects of Importance to Ensuring National Security	–	342.1	0.43	175.4	0.23
State guarantees on State-subsidized loans specified in the Republic of Lithuania Law on Science and Studies	–	149.0	0.19	101.5	0.13
State guarantees on loans granted by the European Investment Bank		2.5	0.00	2.5	0.00
State guarantees for a loan from the International Bank for Reconstruction and Development from own resources under the Loan Agreement for Emergency Assistance to ensure the continuity public services in Ukraine	–	10.0	0.01	10.0	0.01
State guarantee to the European Commission for exceptional macro-financial assistance to Ukraine under Decision (EU) 2022/1628*	–	13.0	0.02	13.0	0.02
Total State guarantees not related to COVID-19 measures		**953.0**	**1.2**	**641.7**	**0.8**
Total State guarantees		**1, 119.4**	**1.4**	**894.5**	**1.2**

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

Note. In the absence of information on the amount of loans granted by the European Investment Bank, established Pan- European Guarantee Fund in response to the COVID-19 pandemic, which are covered by the State guarantee of the Republic of Lithuania, the full amount under the signed guarantee agreement with the European Investment Bank is shown in the right column of the table.