

Lithuania

Payroll Guide

2026



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1. Applicable Law on Payroll Fees

Lithuanian Labor Code; Government Resolutions of the Republic of Lithuania; Personal Income Tax Act of the Republic of Lithuania; State Social Insurance Act; Compulsory Health Insurance Act; Collective and Labor Agreements.



2. Social Insurance Foundation

Social insurance contributions are paid on a monthly basis based on the calculated salary. Both the employee and the employer pay social insurance contributions. The employer's contribution percentage to SODRA depends on the type of the employee's employment contract (fixed term or permanent employment contract).

	Permanent employment contract	Fixed term employment contract
Employer	1,77 %	2,49 %

From the salary, the employee pays contributions for general social insurance and compulsory health insurance, the total rate of which is 19.5%. This amount consists of social insurance contributions (12.52%) and compulsory health insurance contributions (6.98%). The percentage of these contributions may increase if the employee chooses to participate in additional pension accumulation (from 2.7% to 3%).

	Contribution percentage
Social insurance	12,52%
Compulsory health insurance	6,98%
Total:	19,50%
Additional pension accumulation	From 2,7% to 3%

The employer is obligated to pay social insurance contributions each month by transferring the relevant amount to the bank account of the Board of the State Social Insurance Fund under the Ministry of Social Security and Labor. When the payments are completed, the employer must submit a report to SODRA regarding the accrued social insurance and the paid social contributions.



3. Tax Deductions

Employee income is taxed at 20% when annual earnings do not exceed €82,962 (36 VDU – average national wage size). For employees with annual earnings between €82,962 (36 VDU – average national wage size) and €138,270 (60 VDU – average national wage size), a 25% personal income tax rate applies. For those whose annual earnings exceed €138,270 (60 VDU – average national wage size), a 32% personal income tax rate is applied. Each employee can take advantage of the non-taxable allowance (NPD). In 2026, the NPD is equal to 747 euros. This non-taxable income amount (NPD) applies to employees whose income from employment or equivalent relationships does not exceed the minimum monthly wage (MMA) in effect on January 1 of the current calendar year (as of January 1, 2026, MMA = €1,153). For employees whose monthly income from employment or equivalent relationships exceeds the minimum monthly wage (MMA) in effect on January 1 of the current calendar year, the applicable monthly non-taxable income amount (NPD) is calculated using the following formula:

$$\text{NPD} = 747 - 0,49 \times (\text{DU}^* - \text{MMA}^{**})$$

DU* - the employees monthly income related to employment or equivalent relationships.

MMA** - The minimum monthly wage established by the laws of the Republic of Lithuania. The gross MMA in 2026 is 1153 euros. The gross minimum hourly rate (MVJ) in 2025 is 7.05 euros.

For employees with a determined level of non-participation, the amount of the NPD allowance is different and the previously provided formulas do not apply. NPD amounts for persons with limited capacity to work:

For individuals who have been determined:	NPD amount
0–25% working capacity level	1 127 euros
30–55% working capacity level	1 057 euros

The employer deducts the income tax from the employee's salary and pays these contributions into the State Tax Inspectorate's settlement account. Every month by the 15th, the employer submits monthly income tax declarations to the State Tax Inspectorate (VMI). At the end of the year, the employer is obliged to submit the annual employee income declaration to the VMI by March 31st, and until February 15th of the following year.



4. Employment Procedure

The employer must notify "Sodra" about the employment of a worker no later than one business day before the scheduled start of work. The employment contract must include: the employee's personal details, job functions, the amount of salary and payment procedures, place of work, type and term of the contract, working time norms, and the duration of vacation. In Lithuania, the standard working time norm is 40 hours per week, usually divided into 8 hours per day over a five-day week, unless a different work schedule is applied in the company. The Labor Code also provides the possibility to work according to a flexible working schedule or part-time, based on the agreement between the employer and the employee. Additionally, the organization of working time must comply with work and rest time requirements, including breaks, weekends, and holidays.

When hiring an employee from third countries, procedures can be longer and more complex due to the legal framework and document requirements. The prospective employee must have a visa, EU Blue Card, work permit, residence permit in Lithuania, and etc.





5. Protection of Employment

Holidays: According to the Lithuanian Labor Code, every employee is entitled to at least 20 working days of paid annual leave. If there is an additional agreement between the employer and the employee, this period can be extended, but it cannot be shortened. Annual leave must be granted at least once per work year, and at least one portion of it cannot be shorter than ten working days.

The Labor Code also provides additional rest days for parents raising children:

- Those raising one child under the age of 12 are entitled to an additional rest day (a "mother's day" or "father's day") once every three months.
- Those raising two or more children under the age of 12 can take one additional rest day per month.
- Each parent raising three or more children under the age of 12 is entitled to two additional rest days.
Parents raising two children under the age of 12, where one or both have a disability, can take two days off per month (previously one day), with compensation.

In addition to the 20 days of paid leave and additional rest days, every employee is entitled to 14 official public holidays.

Illness: Employee sickness benefit is paid based on the laws of the Republic of Lithuania. For the first 2 calendar days of illness that coincide with the employee's work or service schedule, each employer pays. The amount of sickness benefit cannot



6. Payroll Calculation Procedure

The monthly payroll calculation starts with filling out the time tracking sheet, which provides all the information about the employee's arrivals/absences, work and vacation days, as well as the established and actually worked hours. The information is verified with the Social Security Institution regarding employees' illnesses and sick leaves, and the changes in employees' social security contribution rates are monitored. The gross salary is calculated, bonuses and other benefits, as well as expenses, are added. After the calculations are completed, bank payment orders are forwarded to the responsible persons to carry out the payment of wages to the employees. Once the payroll calculation is completed, the monthly declarations to the Social Security Institution (SAM) and the State Tax Inspectorate (GPM313) are submitted by the 15th of the current month.





7. Termination of Employment

Employment relations can be terminated at the initiative of either the employee or the employer. In each case, the Lithuanian Labour Code (LR DK) specifies different notice periods for termination of employment, and in certain cases, severance payments may also be allocated, the amount of which is determined by the LR DK. According to the LR DK there are seven grounds for termination of an employment contract. Here are the reasons for the termination of the employment contract, the notice periods, how much in advance the employee must inform the employer, and whether the employee is entitled to severance pay:

Reason for termination of employment contract	How many days in advance employee must notify the employer	The employer must pay severance pay
Termination of Employment Contract by Agreement of the Parties (DK 54 str.)	5 working days	
Termination of Employment Contract initiated by the employee without significant reasons (DK 55 str.)	Not later than 20 calendar days in advance	
Termination of Employment Contract initiated by the employee for significant reasons (DK 56 str.)	Not later than 5 working days in advance	Severance pay amounting to two times his average earnings, and if the employment lasted less than a year, then severance pay amounting to one of his average earnings.
Termination of Employment Contract initiated by the employer without the employee's fault (DK 57 str.)	Employment contract is terminated by notifying the employee one month in advance, and if the employment relationship lasts less than one year, then two weeks in advance	Severance pay amounting to two times his average earnings, and if the employment lasted less than a year, then severance pay amounting to one of his average earnings.
Termination of Employment Contract initiated by the employer due to the fault of the employee (DK 58 str.)	The employer has the right to terminate the employment contract without notice and without paying severance pay if the employee, due to his guilty actions or inaction, violates the duties established by labor laws or the employment contract	



Termination of Employment Contract at the employer's discretion (DK 59 str.)	3 working days in advance	Severance pay amounting to no less than six months of the employee's average earnings
Termination of Employment Contract without the will of the parties to the employment contract (DK 60 str.)	Not later than within five working days	Severance pay amounting to one month of his average earnings, and if the employment lasted less than a year, then half of his average monthly earnings as severance pay

In every termination case, the employee must be paid their salary and compensation for unused vacation days.





9. Additional health insurance

Starting from January 1, 2026, a new regulation will apply regarding employer-paid contributions for additional (voluntary) health insurance for the benefit of employees. Only the amount paid by the employer that does not exceed EUR 350 per year per employee will be exempt from personal income tax (PIT). If the employer pays more than EUR 350, the excess amount will be treated as income in kind and taxed according to employment income rates (20%, 25%, or 32%, depending on the total annual income). This exemption applies only to contributions intended for healthcare services (e.g., treatment, medicines, preventive care). In addition, an extra condition applies: the total amount of employer-paid contributions (health insurance + life insurance + pension funds) per year must not exceed 25% of the employee's annual employment-related income for the exemption to apply. Social security contributions ("Sodra") are not calculated on these amounts if the 25% limit is observed.





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