3 February 2026

Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the fourth payment request submitted by Lithuania on 8 January 2026, transmitted to the Economic and Financial Committee by the European Commission

Executive summary

On 4 August 2025, Lithuania submitted a request for payment of the third instalment of the non-repayable support, accompanied by a management declaration and a summary of audits. Pursuant to Article 24(3) of Regulation (EU) 2021/241, the Commission assessed on a preliminary basis whether the relevant milestones and targets set out in the Council Implementing Decision had been satisfactorily fulfilled. For the purpose of that assessment, the operational arrangements concluded between the Commission and Lithuania[1] in accordance with Article 20(6) of Regulation (EU) 2021/241 were taken into account.

As a result of the assessment provided in accordance with Article 24(3) Regulation (EU) 2021/241, the Commission established that milestone 147, on the "Entry into force of amendments to legislation on personal income taxation and social insurance contributions" have not been satisfactorily fulfilled. In accordance with Article 24(6) of Regulation (EU) 2021/241, the Commission communicated to Lithuania its assessment on 13 November 2025 and informed Lithuania that it could present its observations on the Commission's assessment within one month from the date of that communication.

On 17 November 2025, Lithuania informed that it would not provide further observations on the Commission's assessment pursuant to Article 24(6), first subparagraph of Regulation (EU) 2021/241.

On 5 January 2026 the Commission adopted decision on the partial suspension of the disbursement of the third instalment of the non-repayable support for Lithuania as it still considered that milestone 147, on "Entry into force of amendments to legislation on personal income taxation and social insurance contributions" has not been satisfactorily fulfilled. Pursuant to Article 1 of that decision the payment of EUR 58 605 504 from the third instalment of the non-repayable support as laid down in Section 2(1)(1.3) of the Annex to Council Implementing Decision of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Lithuania was suspended.

On 8 January 2026, Lithuania submitted a request for payment for the third instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Lithuania provided due justification of the satisfactory fulfilment of milestone 147 of the third instalment of the non-repayable support, as set out in Section 2(2) (2.3) of the Council Implementing Decision of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Lithuania as amended by Council Implementing Decision of 8 November 2023, 7 November 2024 and 13 June 2025[2].

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(1) Recovery and Resilience Facility Operational arrangements between the European Commission and Lithuania of 5 May 2022, as amended on 17 January 2024 and 16 October 2025.

2 ST 10477 2021 INIT; ST 10477 2021 ADD 1; ST 14637 2023 INIT; ST 14637 2023 ADD 1; ST 13498 2024 INIT; ST 13498 2024 ADD; 1 ST 9588 2025 INIT; ST 9588 2025 ADD 1

In its payment request, Lithuania has confirmed that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed. The Commission does not have evidence of the contrary. Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestone. Based on the information provided by Lithuania, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of one milestone.

The milestone positively assessed as part of this payment request demonstrates significant steps in the implementation of Lithuania's Recovery and Resilience Plan. It notably highlights the continuation of the reform momentum in key policy areas. This includes entry into force of amendments to legislation on personal income taxation and social insurance contributions.

By the transmission of this positive preliminary assessment and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestone.

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Non-repayable support

Number and name of the Milestone: 147 Entry into force of amendments to legislation on personal income taxation and social insurance contributions

Related Measure: C6.F-1-2 A fairer and more growth-friendly tax system

Qualitative Indicator: Provisions in the laws indicating entry into force of changes to legislation on personal income taxation and social insurance contributions

Time: Q1 2023

1. Context:

The objective of measure F.1.2 is to create the conditions for rebalancing the tax system by ensuring a socially fairer, growth-friendly tax structure, encouraging consumers to change behaviour through taxation to adapt to the changing needs of society. This reform consists of three sub-measures: (1) the abolition or reduction of tax exemptions and special tax regimes that are inefficient, no longer reflect state priorities or do not comply with the Green Deal (sub-measure 1); (2) further broadening of the tax base to sources that do not hamper economic growth (sub-measure 2); (3) an assessment of the effectiveness of the tax and social insurance contributions in preventing poverty and reducing income inequality (sub-measure 3).

Milestone 147 is part of sub-measure 3 and relates to the entry into force of amendments to laws on personal income taxation and social insurance contributions, based on the conclusions of the study analysing the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality.

Milestone 147 is the second and last milestone under sub-measure 3, and it follows the completion of milestone 146, related to the publication of the study analysing the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality.

2. Evidence provided:

	Name of the evidence	Short description
1	Summary Document	Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
2	Law No. XIV-713 of 25 November 2021 amending Article 20 of the Republic of Lithuania Law No. IX-1007 on Personal Income Tax (hereinafter referred to as "Law No. XIV-713"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/47e3e8704ead11ec86bdcb0a6d573b32?jfwid=199cfef37h	The amendment increased the non-taxable income amount (hereinafter referred to as "NTA") from EUR 400 to EUR 460. This change decreased the tax burden on lower income earners. The amendment was adopted on 25 November 2021 and entered into force on 1 January 2022.

3	The Resolution of the Government of the Republic of Lithuania No. 829 of 13 October 2021 "On the submission to the Seimas of the Republic of Lithuania of the draft law on the approval of the financial indicators of the state budget and municipal budgets of the Republic of Lithuania for 2022 and related legal acts" (hereinafter referred to as "Resolution No. 829"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/cdc2d2002ce611ec99bbc1b08701c7f8?jfwid=2571ikule	The resolution drafted by the Ministry of Finance, approved by the Government of the Republic of Lithuania, and submitted to the Parliament of Lithuania for the approval of the financial indicators of the state budget and municipal budgets of the Republic of Lithuania for 2022 and related legal acts (including Law No. XIV-713).
4	Law No. XIV-1098 of 17 May 2022 amending Article 20 of the Republic of Lithuania Law No. IX-1007 on Personal Income Tax (hereinafter referred to as "Law No. XIV-1098"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/d9241343d74811ecb1b39d276e924a5d?jfwid=199cfef3rq	The amendment further increased the NTA from EUR 460 to EUR 540 and introduced changes to the formula of how personal income tax (hereinafter referred to as "PIT") is calculated in order to make the NTA more targeted at low- and middle-income earners. The amendment was adopted on 17 May 2022, entered into force on 1 June 2022 and applied retroactively from 1 January 2022.

5	The Resolution of the Government of the Republic of Lithuania No. 345 of 13 April 2022 "On the Submission to the Seimas of the Republic of Lithuania of the Draft Laws Amending the Preamble, Articles 1, 2, 6, 7, 9, 10, 11, 14 and 21, and Annexes 1, 2, 3, 4, 5 and 6 of the Law No. XIV-745 on the Approval of the Financial Indicators of the State Budget and Municipal Budgets of the Republic of Lithuania for 2022; Amending Articles 15 and 25 of the Law No. I-430 on the Structure of the Budget of the Republic of Lithuania; Amending Article 20 of the Law No. IX-1007 on Personal Income Tax of the Republic of Lithuania; Amending the Resolution of the Seimas of the Republic of Lithuania "On the Amendment of the Resolution No. XIV-746 of 14 December 2021 of the Seimas of the Republic of Lithuania 'On the Planned Indicators of the Consolidated State Budget and Municipal Budgets for 2022, 2023 and 2024'"; Amending the Law on the Indexation of Additional Social Insurance Pensions and State Pensions for 2022 of the Republic of Lithuania; and Amending Articles 1, 2, 5 and 7 and Annexes 1 and 2 of the Law No. XIV-749 on the Approval of the 2022 Budget Indicators of the State Social Insurance Fund of the Republic of Lithuania." (hereinafter referred to as "Resolution No. 345"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c31cde90bb1111ec9f0095b4d96fd400?jfwid=199cfef3rq	The resolution drafted by the Ministry of Finance, approved by the Government of the Republic of Lithuania, and submitted to the Parliament of Lithuania for the approval of various legal acts (including Law No. XIV-1098).
6	Law No. XIV-1550 amending Article 20 of the Republic of Lithuania Law No. IX-1007 on the Personal Income Tax (hereinafter referred to as "Law No. XIV-1550"). Link to the publication in the Register of Legal Acts: https://www.e-tar.lt/portal/legalAct.html?documentId=f30e96e0721611edbc04912defe897d1	The amendment further increased the NTA from EUR 540 to EUR 625. The amendment was adopted on 22 November 2022 and entered into force on 1 January 2023.

7	The Resolution of the Government of the Republic of Lithuania No. 1011 of 7 October 2022 "On the Submission to the Seimas of the Republic of Lithuania of the Draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets of the Republic of Lithuania for 2023 and Related Legal Acts" (hereinafter referred to as "Resolution No. 1011"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/3a4e53e1463b11edb7269d52b4d4fd38?jfwid=2571il6cx	The resolution drafted by the Ministry of Finance, approved by the Government of the Republic of Lithuania, and submitted to the Parliament of Lithuania for the approval of the financial indicators of the state budget and municipal budgets of the Republic of Lithuania for 2023 and related legal acts (including Law No. XIV-1550).
8	Law No. XIV-2383 of 19 December 2023 Amending Article 20 of the Republic of Lithuania Law No. IX-1007 on the Personal Income Tax (hereinafter referred to as "Law No. XIV-2383"). Link to the publication in the Register of Legal Acts: https://www.e-tar.lt/portal/legalAct.html?documentId=9675dea0a16511eea5a28c81c82193a8	The amendment further increased NTA from EUR 625 to EUR 747. The amendment was adopted on 19 December 2023 and entered into force on 1 January 2024.
9	The Resolution of the Government of the Republic of Lithuania No. 763 of 5 October 2023 "On the Submission to the Seimas of the Republic of Lithuania of the Draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets of the Republic of Lithuania for 2024 and Related Legal Acts" (hereinafter referred to as "Resolution No. 763"). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/23540ef1637c11eea182def3ac5c11d6?jfwid=2571il5mb	The resolution drafted by the Ministry of Finance, approved by the Government of the Republic of Lithuania, and submitted to the Parliament of Lithuania for the approval of the financial indicators of the state budget and municipal budgets of the Republic of Lithuania for 2024 and related legal acts (including Law No. XIV-2383).
10	Law No. XV-343 of 26 June 2025 amending Articles 6, 13^1, 16, 17, 18, 18^2, 19, 20, 21, 23, 27, 29, 34 and 35 of the Republic of Lithuania Law No. IX-1007 on the Personal Income Tax (hereinafter referred to as "Law No. XV-343"). Link to the publication in the Register of Legal Acts: https://www.e-tar.lt/portal/lt/legalAct/949aaee2535b11f0b070ee7f1ceefc75	The amendment aims at increasing the redistributive power of the PIT system in reducing inequality. The amendment reformed inter alia how PIT is calculated, making the PIT system more progressive. The amendment was adopted on 26 June 2025 and entered into force on 1 January 2026.

11	The Resolution of the Government of the Republic of Lithuania No. 289 of 14 May 2025 “On the Submission to the Seimas of the Republic of Lithuania of the Draft Laws Amending Articles 2 and 4 of the Law No. XIV-2775 on the State Defence Fund of the Republic of Lithuania; the Law on the Security Contribution of the Republic of Lithuania; Article 13 of the Law No. IX-2112 on Tax Administration of the Republic of Lithuania; Articles 5, 17, 18, 30, 33, 34, 35, 38^{2}, 41, 43 and 56^{1} of the Law No. IX-675 on Corporate Income Tax of the Republic of Lithuania and Supplementing the Law with Article 30^{3}; Articles 6, 13^{1}, 16, 17, 18, 18^{2}, 19, 20, 21, 23, 27, 34 and 35 of the Law No. IX-1007 on Personal Income Tax of the Republic of Lithuania; the Law Amending the Law No. X-233 on Real Estate Tax of the Republic of Lithuania; the Law Amending the Law No. X-233 on Real Estate Tax of the Republic of Lithuania (Articles 2, 6, 7, 8, 9, 10 and 11) No. XIV-2577; Articles 1, 2 and 3 of the Law No. IX-569 on Excise Duties of the Republic of Lithuania and Supplementing Chapter II with Section Nine; and Article 19 of the Law No. IX-751 on Value Added Tax of the Republic of Lithuania.” (hereinafter referred to as “Resolution No. 289”). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/9525f70130c111f09cbcab0ff4d74843?jfwid=2571il6rr	The resolution drafted by the Ministry of Finance, approved by the Government of the Republic of Lithuania, and submitted to the Parliament of Lithuania for the approval of various legal acts (including Law No. XIV-343).
12	Law No. XV-633 of 9 December 2025 amending Articles 5, 10, 11 and 12 of the Republic of Lithuania Law No. I-1336 on State Social Insurance (hereinafter referred to as “Law No. XV-633") Link to the publication in the Register of Legal Acts: https://www.e-tar.lt/portal/legalAct.html?documentId=2cf13750d9b111f08918e1adc7c5b1ec	The amendment unifies the state social contribution base for self-employed, small partnerships, sole proprietorships, and other special tax regimes (except for the business certificates). It also establishes a voluntary social insurance scheme for low-income farmers, covering pension, sickness, and maternity insurance. The amendment was adopted on 9 December 2025 and will enter into force from 1 July 2026.
13	The Resolution of the Government of the Republic of Lithuania No. 698 of 16 October 2025 on the approval of draft laws amending articles 5, 10, 11 and 12 of the annual budgets of the social funds of the Republic of Lithuania (hereinafter referred to as “Resolution No. XV-698") Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/8cb05de0aab011f09acade6e6b5e7456?jfwid=fbzki9ka2	The Resolution on the submission of the Draft Law on the amendments to the Articles 5, 10, 11 and 12 of the Law on State Social Insurance by the Minister of Social Security and Labour to the Parliament of the Republic of Lithuania for the adoption.

14	The Republic of Lithuania Law No. IX-1007 on Personal Income Tax (the consolidated version applicable from 1 January 2021 until 1 January 2022). Link to the publication in the Register of Legal Acts: https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.171369/HzEzFbGFrt	The consolidated version of the Republic of Lithuania Law No. IX-1007 on Personal Income Tax, which contains the provisions applicable from 1 January 2021 until 1 January 2022.
15	The review "OECD Tax Policy Reviews: Lithuania 2022" (hereinafter referred to as "Review") authored by the Organization for Economic Co-operation and Development and published on 15 December 2022 on the website of Organization for Economic Co-operation and Development. Link: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/12/oecd-tax-policy-reviews-lithuania-2022_a2e1741f/53952224-en.pdf	The Review was previously submitted as evidence under milestone 146, which was assessed as satisfactorily fulfilled. The review analyses the effectiveness of personal income taxation and social insurance contributions (as well as social benefits) in reducing poverty and income inequality as well as three other policy goals (efficiency, sustainability and fairness).

3. Analysis:

The justification and substantiating evidence provided by the Lithuanian authorities cover all constitutive elements of the milestone.

Entry into force of amendments to legislation on personal income taxation and social insurance contributions

Entry into force of amendments to laws on personal income taxation and social insurance contributions […].

Furthermore, in line with the measure description, **the Ministry of Finance shall […] draft the necessary amendments to the legislation to be adopted by the Parliament.**

Several amendments to the Law on Personal Income Tax have been enacted:

- Law No. XIV-713 was drafted by the Ministry of Finance (evidence 3), adopted on 25 November 2021 by Parliament and entered into force on 1 January 2022 (Article 2, evidence 2). Article 1 of Law No. XIV-713 amends Article 20 of Law No. IX-1007 on Personal Income Tax (evidence 14), increasing the non-taxable amount (NTA) from EUR 400 to EUR 460. The full NTA is applied to people earning up to the minimum wage. It is gradually reduced as income increases until it reaches zero at around two average wages. By increasing the NTA, the progressivity of labour income taxation also increases, with the tax burden mostly decreasing for lower income earners, moderately decreasing for middle income earners (earning less than two times the average wage), and remaining the same for high income earners, thereby contributing to reducing after-tax income inequality.
- Law No. XIV-1098 was drafted by the Ministry of Finance (evidence 5), adopted on 17 May 2022 by Parliament and entered into force on 1 June 2022 and applied retroactively from 1 January 2022 (Article 2, evidence 3).

    - Article 1 of Law No. XIV-1098 further amends Article 20 of Law No. IX-1007 on Personal Income Tax, increasing the NTA from EUR 460 to EUR 540, as of 1 June 2022.
    - In addition, Article 1 of Law No. XIV-1098 also modifies the NTA application formula by introducing two NTA calculation formulas depending on the amount of income earned. One formula, which incorporates a higher NTA exemption, is applied for people earning less than an average wage, and another formula with a reduced NTA exemption is applied for people earning more than that. This amendment ensures that the NTA exemption is narrowed in a more efficient way, while addressing poverty and income inequality in a more targeted way.
- Law No. XIV-1550 was drafted by the Ministry of Finance (evidence 7), adopted on 22 November 2022 by Parliament and entered into force on 1 January 2023 (Article 2, evidence 4). Article 1 of Law No. XIV-1550 further amends Article 20 of Law No. IX-1007 on Personal Income Tax, increasing the maximum applicable NTA from EUR 540 to EUR 625.
- Law No. XIV-2383 was drafted by the Ministry of Finance (evidence 9), adopted on 19 December 2023 by Parliament and entered into force on 1 January 2024 (Article 2, evidence 5). Article 1 of Law No. XIV-2383 further amends Article 20 of Law No. IX-1007 on Personal Income Tax, increasing the maximum applicable NTA from EUR 625 to EUR 747.
- Law No. XV-343 was drafted by the Ministry of Finance (evidence 11), adopted on 26 June 2025 by Parliament and entered into force on 1 January 2026 (Article 15, evidence 6). As per the explanatory note accompanying the draft law, the amendment reforms the personal income tax (PIT) system to make it more effective in reducing income inequality and poverty. Following the entry into force of Article 1 of Law No. XV-343, the previous flat PIT system (consisting of only one standard PIT rate of 15%) is transformed into a progressive PIT system, consisting of three standard rates (20%, 25% and 32%). By introducing higher tax rates to higher incomes than to lower incomes, this change further contributes to reducing after-tax income inequality. In addition, based on Articles 1 and 6 of Law No. XV-343, the effective PIT rate applied to individuals earning middle or high income from the individual activities regime will gradually increase from 15% to 20% for individuals earning from EUR 35 000 per year (approximately 1.4 average wages per month) to EUR 42 500 per year (approximately 1.7 average wages per month), while for individuals earning more than EUR 42 500 per year the standard PIT rates apply. These changes further increase the progressivity of personal income tax.

Amendments to the law on social security contributions have been adopted in line with the description of the milestone:

- Law No. XV-633 was drafted by the Ministry of Social Affairs and Labour (evidence 13), adopted on 9 December 2025 by Parliament and will enter into force on 1 July 2026 (Article 5, evidence 12). As per Article 2 of Law No. XV-633, all self-employed persons, members of small partnerships, sole proprietorships, and other forms of special tax regimes, except for those operating under business certificates, will be required to pay social insurance contributions on 90% of their taxable income. Prior to this amendment, the income base used to calculate social security contributions varied from 50% to 90% depending on the type of special tax regime. Additionally, based on Article 2 paragraph 2 and Article 5 paragraph 4 of Law No. XV-633, a voluntary social insurance scheme is established for low-income farmers, covering pension, sickness, and maternity insurance.

The Council Implementing Decision required entry into force of the amendments to the law on personal income taxation and social security contributions. Lithuania has adopted these amendments, with the latest amendments adopted and published in the Register of Legal Acts in December 2025. For changes to the law on social security contributions, the entry into force of the

amendments is set on 1 July 2026, as specified above. Whilst this constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, the delay between the adoption of this law and the actual application of the provisions is considered both limited and proportional, notably because the tax payers need additional time after the adoption of changes to the tax laws in order to be prepared for the increase in the tax burden as well as changes to the tax accounting rules. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The Council Implementing Decision also required that "The Ministry of Finance shall (…) draft the necessary amendments to the legislation to be adopted by the Parliament". Resolution No. XV-698 demonstrates that the Ministry of Social Security and Labour drafted the amendments to the Law No. XV-343 to the Parliament of the Republic of Lithuania on 16 October 2025. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, the amendment was drafted by the Ministry under whose competence the specific legislation falls. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. All other amendments to the law on personal income tax were drafted by the Ministry of Finance as required in the Council Implementing Decision. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

[…] based on the conclusions of the study analysing the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality.

Milestone 146 (which was assessed as satisfactorily fulfilled) required the publication of a study analysing the effectiveness of personal income taxation and social insurance contributions in reducing poverty and income inequality (hereinafter referred to as the "Review").

The provisions adopted in Law No. XIV-713, Law No. XIV-1098, Law No. XIV-1550 and Law No. XIV-2383 are in line with the recommendations provided in the Review (evidence 8, pages 15-17) to "in the near-term, continue to increase the basic allowance to support progressivity". Each of the amendments entails an increase in the NTA which corresponds to an increase in the basic allowance within the PIT system.

The provisions adopted in Law No. XV-343 are in line with the following recommendations provided in the Review:

- "Consider introducing a middle PIT bracket to raise PIT revenues and reduce income inequality" (evidence 8, page 15) – Article 1 of Law No. XV-343 introduces a middle PIT bracket for income earners with an annual income exceeding 36 average monthly wages per year (three average wages per month) but not exceeding 60 average monthly wages per year (five average wages per month).
- "Investigate the options for not only relying on the basic allowance as the main source of PIT progressivity in the system over the medium-term" (evidence 8, page 15) – Article 1 of the Law No. XV-343 introduces additional progressivity in the system by replacing the flat PIT system of only one standard PIT rate (15%), with a progressive PIT system with three PIT rates (20%, 25% and 32%), where higher rates apply to higher incomes.
- "Raise the PIT rate in the individual activity regime to better align with the PIT rate faced by employees and raise PIT revenue" (evidence 8, page 16) – based on Articles 1 and 6 of Law No. XV-343, the effective PIT rates applied to middle or higher incomes from the individual activities regime will gradually increase; for high income from individual activity, they will be aligned with labour income taxation.

The provisions adopted in Law No. XV-633 are in line with the recommendations provided in the Review, stating that: “There is scope to reform the tax rules for self-employed farmers”. Based on Article 2 paragraph 2 and Article 5 paragraph 4 of Law No. XV-633, a voluntary social insurance scheme is established for low-income farmers, covering pension, sickness, and maternity insurance. These changes provide minimum social insurance guarantees for low-income farmers.

The adopted legislative changes make the tax system socially fairer and better at reducing income inequality and preventing poverty and are therefore in line with the aim of sub-measure 3 and the objective of reform F.1.2. Based on the results of the economic impact assessment carried out by Lithuania (evidence 1), the adopted tax changes are expected to reduce the Gini coefficient (the main measure of income inequality) by up to 0.69 percentage points: 0.18 p.p. resulting from the NTA formula change and the NTA increase in 2022; 0.22 p.p. resulting from the subsequent further increases in NTA; and 0.29 p.p. from increased progressivity of the personal income tax system under Law No. XV-343.

4. Commission Preliminary Assessment: Satisfactorily fulfilled.