

Financing adult learning database

Name of the instrument - Local language	Mokestinės lengvatos besimokantiems darbuotojams
Name of the instrument - English translation	Tax allowance
Scheme ID	132
Country	 Lithuania
Reporting year	2020
Type of instrument	Tax incentive for individuals
Sub-type of instrument	Treatment of work/profession related training costs
Type of entry	Single instrument

Short description	Adults can deduct costs related to continuing vocational training for their current occupation or a future occupation from the base of their individual income tax. The state co-funding - in the form of foregone tax revenues - equals eligible costs multiplied by the marginal tax rate (between 5% and 32%). Co-funded training is expected to sustain or increase future income, implying higher tax revenues later on. For the deduction, a ceiling is introduced (25 % of the income). Eligible costs include tuition fees/fees for participation (external providers). Individuals with no taxable income (an annual gross salary below EUR 4 800) cannot profit from the tax deduction. The tax incentive can be used once in each calendar year.
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Level of operation	National
Name of a part of the country	Not applicable
Name of the region (for regional instruments)	Not applicable
Name of the sector (for sectoral instruments)	Not applicable
Relevance	Key instrument
Legal basis	Law on personal income tax; art 21, 2002 July 2, Nr. IX-1007 (Amendment of 2007)

Objective(s) and target(s)	To enhance the investment of the citizens in the formal education leading to the acquisition of the higher education degrees and VET qualifications.
Year of implementation	2003
Year of latest amendment	2007
Operation/management	State Tax Inspectorate under the Ministry of Finances of the Republic of Lithuania governs the application of allowance.
Eligible group(s)	The benefit can be used only by a permanent resident of Lithuania, i.e. a resident who: - Has a permanent residence in Lithuania during that tax period, or - Whose personal, social, or economic interests are located in that tax period in Lithuania rather than abroad, or - Who has been in Lithuania for 183 or more days in full or intermittently during that tax period.
Group(s) with preferential treatment	No preferential treatment
Education and training eligible	The first vocational qualification and (or) the first higher education degree, as well as first doctoral studies.
Source of financing and collection mechanism	State (loss of tax revenue) Individual
Financing formula and allocation mechanisms	All incurred costs and expenses related to VET and higher education, if the total amount of deduced costs and expenses does not exceed 25% of all taxable revenues (not including the costs that are eligible for excluding from taxation) can be deducted from the tax base. In cases when a resident of Lithuania who is not older than 26 years of age and is not a payer of income tax or does not have the possibility to exercise the right to deduct the expenses paid for studies, one of the parents (adoptive parents) or guardians and/or spouse may deduct these expenses from their income. The tax incentive can be used in each calendar year.
Eligible costs	Tuition fees/fees for participation (external providers)
Volumes of funding	Not available
Beneficiaries/take up	Not available
Organisation responsible for monitoring/evaluation	State Tax Inspectorate (STI) under Ministry of Finance, responsible for the administration of corporate income tax
Monitoring/evaluation reports available	Not available
Most relevant webpage - in English	Not available

Most relevant webpage - local language	http://www.vmi.lt/
Recent changes	2007 People participating in vocational training have become eligible applicants for tax incentives. Vocational training was not eligible cost to receive tax incentive addressed to studying employees. Recent changes in response to COVID-19 No changes
Sources	The State Tax Inspectorate at the Ministry of Finances, http://www.vmi.lt https://www.vmi.lt/cms/documents/10174/8274962/KD-4850.pdf/23aec6b5-a13... https://www.vmi.lt/evmi/gpm-lengvatos-ir-npd-taikymas https://www.e-tar.lt/portal/lt/legalAct/TAR.C677663D2202