

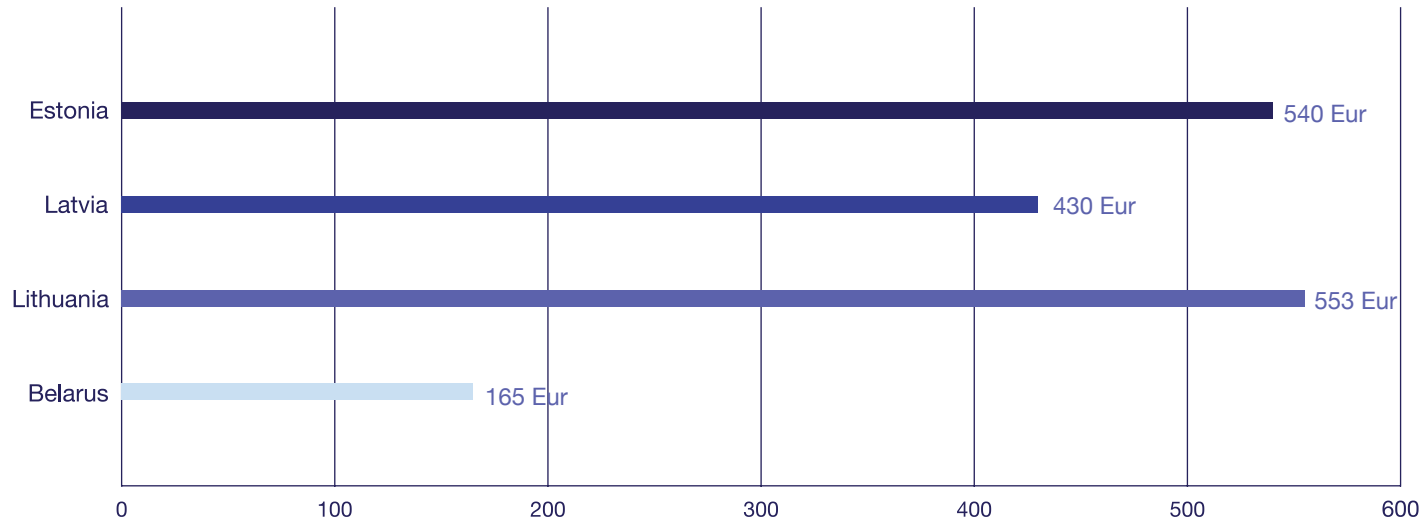
Employment card

Effective 1 July 2019

**SORAINEN**

Comparison of the main  
employment law rules in  
the Baltics and Belarus

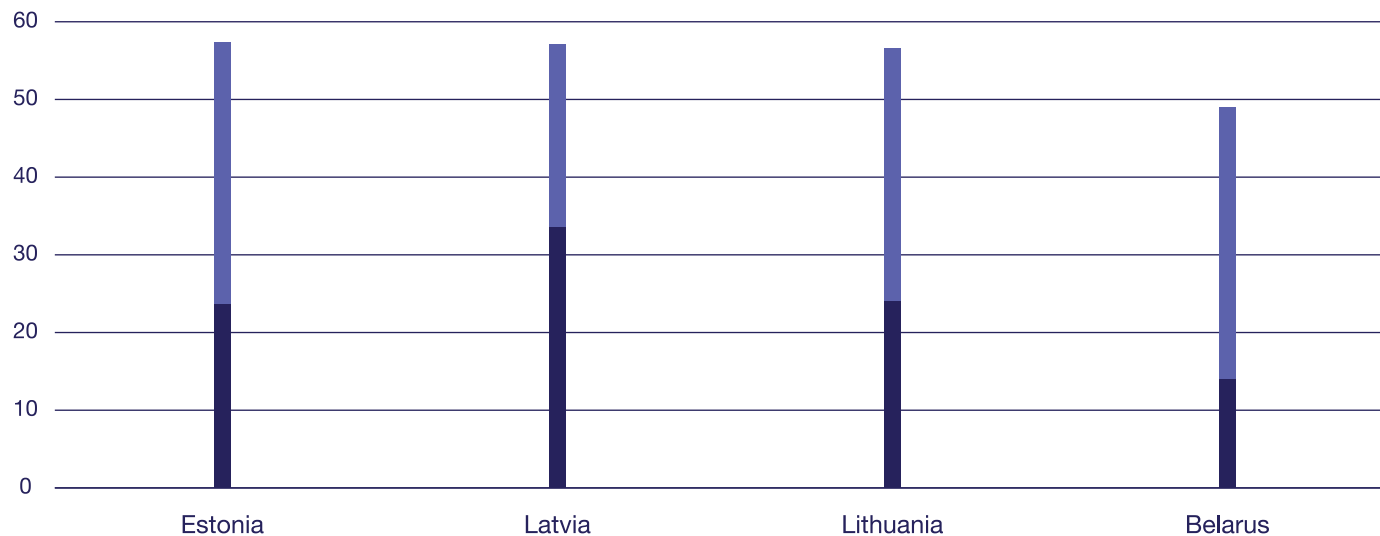
## Minimum gross monthly salary Remuneration



In Lithuania, the minimum monthly salary was recalculated and raised by EUR 155, i.e. from EUR 400 to EUR 555. This recalculation was made due to tax reform, where the tax burden was shifted from employer to employees.

In Belarus, the minimum hourly salary is set by the employer by dividing the monthly minimum salary by the ratio between the yearly working time set for the particular category of employee and the number of months in the year.

## Payroll taxes

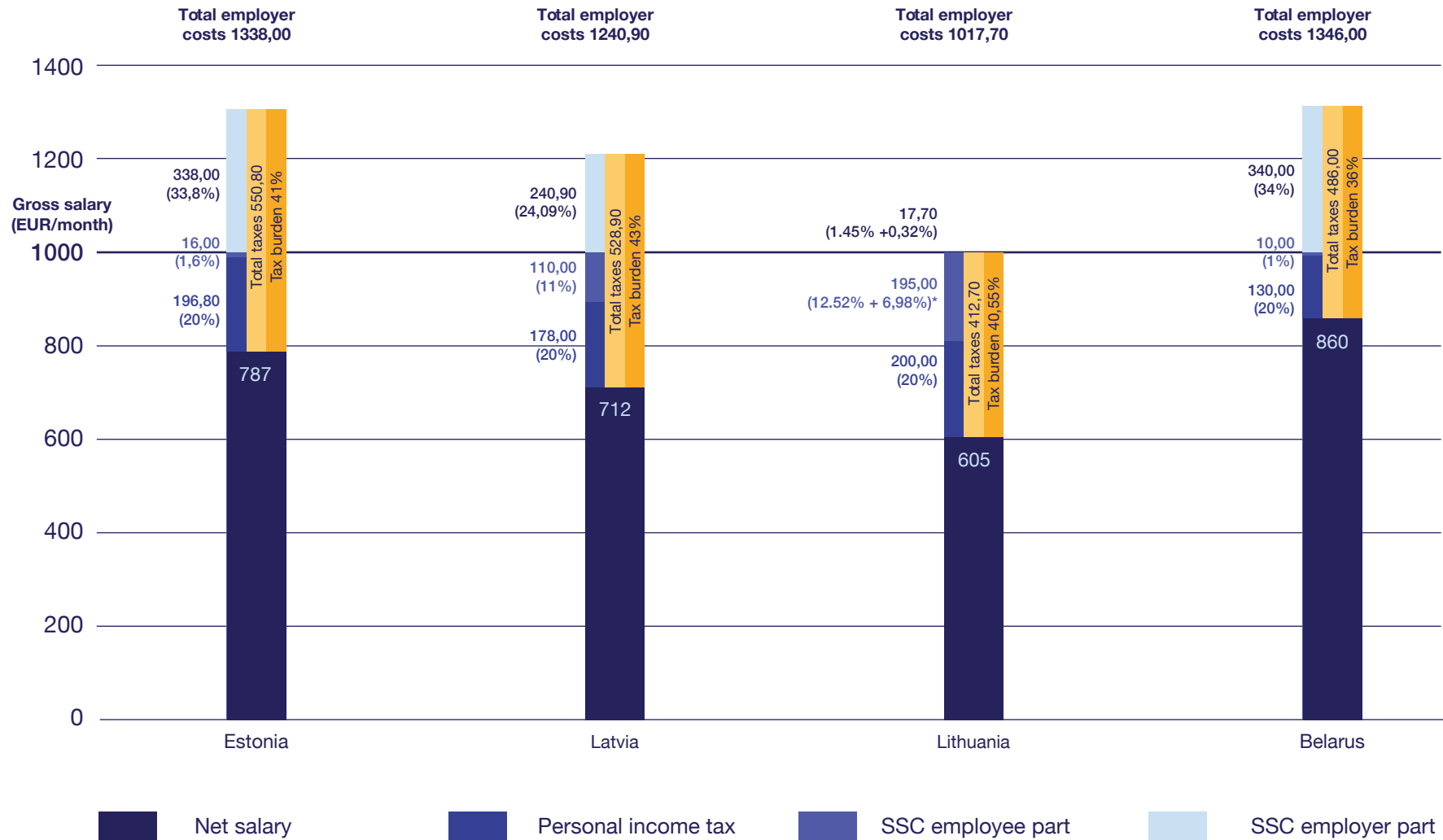


\* Progressive PIT rates, depending on gross annual income, plus State Social Contributions of 11%

\*\* May vary depending on which insurance group of accidents at work and occupational illnesses the employer is linked to; an additional 0.72% applies for temporary employment contracts

\*\*\*Progressive PIT rates, depending on gross annual income. State Social Contributions are subject to a ceiling.

# Payroll Taxes



\*After 1 January 2019 tax reform, when an employee's salary exceeds the ceiling (in 2019 the ceiling is 120 statistic average wages), social security contributions (12.52%) will no longer apply to the excess. However, the excess is taxed at a higher rate of Personal income tax (27%). Taking into consideration that the ceiling on mandatory health insurance contributions will not apply, the portion of salary exceeding the ceiling is taxed at and overall rate of 33.98%.

\*\*Additional 0.72% shall be levied by the employer on top of gross salary paid under fixed term employment contracts.

	Estonia	Latvia	Lithuania	Belarus
Form of contract	Employment longer than 2 weeks requires written contract.	Employment contracts must be in writing.		
Term of contract	<p>Mostly permanent.</p> <p>Fixed-term employment contracts are permitted only for special situations (in Lithuania, up to 20% of all employment contracts can be fixed-term for permanent positions). Maximum period: 5 years.</p>			Both permanent and fixed-term <sup>1</sup> .
Trial period	Maximum 4 months.	Maximum 3 months.		
	During trial period both parties can terminate employment on 15 days' notice.	During trial period both parties can terminate employment on 3 calendar days' notice.	During trial period both parties can terminate employment on 3 business days' notice.	During trial period the party benefiting from the contractual trial period may terminate employment on 3 calendar days' notice or on the last trial day without notice.
Hours of work	Normally full-time work is 8 hours daily and 40 hours weekly.			
	Overtime work only occurs by mutual agreement between the parties or in case of emergency.			
	<p>Overtime work cannot exceed on average 8 hours within a 7-day period, as calculated in an accounting period of up to 4 months.</p> <p>Overtime is compensated by time off or in money (x 1.5 normal salary).</p>	<p>Overtime work cannot exceed on average 8 hours within a 7-day period, as calculated in an accounting period of up to 4 months.</p> <p>Overtime is compensated by paid time off or in money (x 2 normal salary)</p>	<p>Overtime cannot exceed 8 hours in any week (with the employee's consent – 12 hours in a week) and 180 hours in a year (higher yearly limit may apply if a collective agreement so allows).</p> <p>Overtime is compensated by time off or in money (x 1.5 usual salary if overtime is performed after regular working hours, x 2 usual salary if overtime is performed on a weekly rest day or at night, x 2.5 usual salary if overtime is performed on a public holiday.)</p>	<p>Overtime work cannot exceed 10 hours weekly and 180 hours yearly.</p> <p>Overtime is compensated by time off or in money (in an amount equal to or more than the piece rate or hourly wage rate of the employee).</p> <p>An irregular work regime may be established for employees. This is a special regime which entitles the employer to involve employees in work in non-working hours from time to time during the day. These are not regarded as overtime work and so are not paid extra. As compensation for establishing this regime, additional paid leave must be provided (up to 7 days).</p>
Vacation	The statutory minimum annual vacation is 28 calendar days.		The statutory minimum annual vacation is 20 working days (24 working days for employees working 6 days a week)	The statutory minimum annual vacation is 24 calendar days for employment agreements and 25 days for employment contracts.
Business secrets	Employees must keep the employer's business secrets in the course of employment (in Lithuania – subject to a confidentiality agreement or employment contract; in Belarus – subject to a non-disclosure agreement).			

<sup>1</sup> Under Belarusian legislation two forms of employment relationship are available: one is based on an employment agreement (regulated by labour law) – where the agreement is concluded for an indefinite term or on special occasions for a fixed term; the other is based on an employment contract (regulated by labour law and specific employment contract regulations) – where a specific type of agreement is concluded for a fixed term of 1 to 5 years.

	Estonia	Latvia	Lithuania	Belarus
Business secrets	After termination of employment, the employee's confidentiality obligation remains valid in law as long as needed to protect the employer's legitimate interests.		After termination of employment, the employee's confidentiality obligation remains valid for the term set in a confidentiality agreement or employment contract.	After termination of employment, the employee's confidentiality obligation remains valid if this was agreed with the employee and for the term specified in the non-disclosure agreement.
Non-compete undertaking by former employees	Employer and employee can conclude a post-employment non-compete agreement.		Employer and employee can conclude an employment and/or post-employment non-compete agreement.	Restriction of competition in employment relations is unenforceable under local law, except for a non-compete agreement concluded with employees of High Tech Park residents (this exemption entered into force on 28.03.2018).
	Maximum period of post-employment non-compete restriction is 1 year.	Maximum period of post-employment non-compete restriction is 2 years.		Maximum period of non-compete restriction is 1 year after termination of an employment agreement with a High Tech Park resident.
	Employer must pay reasonable non-compete compensation, which cannot be part of regular salary.		Employer must pay compensation of at least 40% of the employee's average monthly salary, regardless of whether non-compete is valid during or after employment. Compensation cannot be part of regular salary.	Employer must pay non-compete compensation for each month of compliance with the non-compete obligation in an amount not less than one-third of the employee's average monthly salary for the last year of employment.
Payroll taxes	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> <li>income tax of 20%</li> <li>pension insurance of 2% if the employee joins a pension scheme</li> <li>unemployment insurance tax of 1.6%</li> </ul> <p>Employer payroll tax:</p> <ul style="list-style-type: none"> <li>social tax of 33%</li> <li>unemployment insurance tax of 0.8%</li> </ul>	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> <li>Progressive income tax of: <ul style="list-style-type: none"> <li>- 20% for annual income of less than EUR 20,004;</li> <li>- 23% for annual income between EUR 20,004 and EUR 62,800;</li> <li>- 31.4% for annual income exceeding EUR 62,800</li> </ul> </li> <li>social insurance contribution of 11% (capped when annual gross salary reaches EUR 62,800)</li> <li>part of solidarity tax of 11% for gross salary exceeding EUR 55,000</li> </ul> <p>Employer payroll tax:</p> <ul style="list-style-type: none"> <li>social insurance contribution of 24.09% (capped when annual gross salary reaches EUR 62,800)</li> <li>part of solidarity tax of 24.09% for gross salary exceeding EUR 62,800</li> </ul>	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> <li>Progressive income tax of: <ul style="list-style-type: none"> <li>- 20% for annual income not exceeding the threshold;</li> <li>- 27% for annual income exceeding the threshold.</li> </ul> </li> <li>Social security contributions of 12.52%, subject to a ceiling.</li> <li>Compulsory health insurance contributions of 6.98%; no ceiling applies.</li> <li>Threshold from which the higher income tax rate starts to apply and ceiling from which no social security contributions are levied are as follows: <ul style="list-style-type: none"> <li>- 120 country average salaries as of 2019;</li> <li>- 84 country average salaries as of 2020;</li> <li>- 60 country average salaries as of 2021.</li> </ul> </li> <li>Additional contributions of 1.8% - 3% apply where the employee chooses additional pension contributions.</li> </ul> <p>Employer payroll tax:</p> <ul style="list-style-type: none"> <li>Social security contributions of 1.77% (including payments to the Long-term employment fund and Guarantee fund). An additional 0.72% will be levied by the employer on top of gross salary paid under fixed-term employment contracts.</li> </ul>	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> <li>income tax of 13%</li> <li>social insurance contribution of 1%</li> </ul> <p>Employer payroll tax:</p> <ul style="list-style-type: none"> <li>social insurance contribution from 34% to 35%, depending on insurance rates for accidents at work</li> </ul>

	Estonia		Latvia	Lithuania	Belarus
Illness	<p>Days 1-3, of illness are unpaid.</p> <p>On days 2-3, employer can pay compensation to the employee up to 100% of the employee's average salary.</p> <p>On days 4-8, compensation is paid by the employer at 70% of the employee's average salary.</p> <p>Employer need not pay social tax on sickness benefits.</p> <p>Thereafter an absent employee is compensated by the Health Insurance Fund at 70% of their average salary.</p>		<p>Day 1, of illness is unpaid.</p> <p>On days 2-10, compensation is paid by the employer; on days 2-3 at 75% of the employee's average salary and on days 4-10 at 80% of the employee's average salary.</p> <p>Thereafter an absent employee is compensated by the State Social Insurance Agency at 80% of their average salary.</p>	<p>On days 1-2 compensation is paid by the employer at 62.06%-100% of the employee's average gross earnings.</p> <p>Thereafter an absent employee is compensated by the Social Insurance Fund. From the 3<sup>rd</sup> day of illness the employee is paid up to 62.06% of average gross salary (certain caps apply).</p>	<p>On days 1-12, compensation is paid at 80% of the employee's average salary.</p> <p>Thereafter an absent employee is compensated at 100% of their average salary.</p> <p>Compensation is paid by the employer from State Social Security Fund sources.</p>
Termination by employee	The employee can terminate the employment contract any time by notifying the employer:				
	30 days in advance.	1 month in advance.	20 calendar days in advance.	1 month in advance – only for an open-ended employment agreement.	
	<p>If the employer breaches an employment contract, the employee may terminate employment with immediate effect and claim compensation of at 3 average monthly salaries (the court can increase or decrease the amount if good reason is shown for it).</p>		<p>An employee who has good reason (i.e. condition based on considerations of morality and fairness that does not allow continuation of an employment relationship) may terminate employment with immediate effect and claim payment of statutory severance pay. Statutory severance pay depends on length of service with the employer and may vary from x 1 to 4 monthly average earnings.</p>	<p>If the employer breaches an employment contract or if other important reasons arise, an employee may terminate employment on 5 working days' notice. In that case the employee is entitled to severance pay of x 2 average monthly salaries (1 x average monthly salary when duration of employment is less than one year).</p>	<p>If a state authority or court confirms breach of an employment contract by the employer or other good reasons, an employee may terminate an employment agreement (both permanent and fixed term) with immediate effect. Severance pay is at least two weeks' average earnings in the case of an employment agreement and x 3 average monthly salaries in the case of an employment contract.</p>
Termination on lay-off	Length of employment	Notice period	The notice period is 1 month.	<p>The notice period is 1 month (2 weeks when duration of employment is less than one year). Notice periods are doubled for employees who have less than 5 years remaining until retirement age.</p> <p>Notice periods are tripled for employees with children under 14, with disabled children under 18, for employees having less than 2 years remaining until retirement age, disabled employees.</p>	The notice period is 2 months.
	Less than 1 year	15 days			
	From 1 to 5 years	30 days			
	From 5 to 10 years	60 days			
	10 years and over	90 days			

	Estonia		Latvia		Lithuania		Belarus
Termination on lay-off	Severance pay by an employer equals 1 x the employee's monthly average salary. The employee can claim additional severance pay from the Unemployment Fund as follows:		Severance pay is paid by the employer and depends on length of service with the employer as follows:		Severance pay is paid by the employer and by the state and depends on the length of service with the employer:		Severance pay is x 3 monthly average salaries and is paid by the employer.
	Length of employment	Severance pay (number of average monthly salaries)	Length of employment	Severance pay (number of average monthly salaries)	Paid by the employer	Length of employment Severance pay (number of average monthly salaries)	
	Less than 5 years	0	From 5 to 10 years	2	Paid by the state	Length of employment Severance pay (number of average monthly salaries)	
	From 5 to 10 years	1	From 10 to 20 years	3	From 5 to 10 years	77.58 % of 1 average monthly salary	
					From 10 to 20 years	77.58 % of 2 average monthly salaries	
10 years and over	2	Over 20 years	4	Over 20 years	77.58 % of 3 average monthly salaries		
Disciplinary sanctions	Estonian employment law does not recognise disciplinary sanctions.		<ul style="list-style-type: none"> <li>• Reproof</li> <li>• Reprimand</li> <li>• Termination of employment contract due to misconduct committed by the employee is possible but is not regarded as a disciplinary sanction.</li> </ul>		Lithuanian employment law does not recognise disciplinary sanctions as such. However, liability is applied for a breach of work duties as follows: <ul style="list-style-type: none"> <li>• warning of possible termination if the same misconduct is repeated within the next 12 months;</li> <li>• termination without notice in the case of gross or repeated misconduct.</li> </ul>		<ul style="list-style-type: none"> <li>• Reproof</li> <li>• Reprimand</li> <li>• Deprivation of additional incentive payments for up to 12 months (in whole or in part)</li> <li>• Termination without notice in the case of gross or repeated misconduct.</li> </ul>
	N/A		Prior to imposing sanctions, the employer must request the employee to provide explanations.				
	N/A		Sanction can be imposed within 1 month after the employer becomes aware of misconduct and within 12 months from commission of misconduct.	Sanction can be imposed within 1 month after the employer becomes aware of misconduct and within 6 months from commission of misconduct (in some specific cases – within 2 years).		Sanction can be imposed within 1 month after the employer becomes aware of misconduct and within 6 months from commission of misconduct (in some specific cases – within 2 years).	

	Estonia	Latvia	Lithuania	Belarus
	A collective agreement or a collective contract can be signed at company, industry or territorial level.			
Collective agreements	A collective agreement applies to those employers and employees who belong to organisations that have entered into a collective agreement, unless the collective agreement provides otherwise or it is an industry-level agreement.	By law, in some cases a collective agreement is binding on all employers in the relevant sector and applies to all employees of those employers.	A company-level collective agreement can be signed only if employees are represented by a trade union. Company-level collective agreements apply to employees who are members of a trade union, unless the trade union and the employer agree otherwise and the employees approve.	A collective agreement applies to those employers and employees who belong to organisations that have entered into a collective agreement, unless the collective agreement provides otherwise. A collective agreement applies to other employees (e.g. new-comers) provided that they have given their written consent.
	A collective agreement or a collective contract can be signed at company, industry or territorial level.			
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	Trade union membership is generally low.			Trade union membership is high in state-owned companies.
			Employers with 20 or more employees on average must initiate the election of a works council (except for employers with at least 1/3 of personnel belonging to a company-level trade union).	
	Special rights apply to employee representatives (e.g. trade union members, works council members), e.g.:			
Trade unions	<ul style="list-style-type: none"> <li>employee representatives of trade unions have the preferential right to keep their job in case of lay-offs</li> <li>employment contracts of employee representatives in trade unions cannot be terminated without notifying the trade union</li> <li>employer must consult with employee representatives of the trade union prior to taking a decision which could affect employees' interests (e.g. in the case of business transfer or collective redundancy).</li> </ul>	<ul style="list-style-type: none"> <li>an employment contract termination generally requires the consent of the trade union provided that an employee has been a trade union member for more than 6 months</li> <li>if employees have formed a trade union or elected their authorised representatives, the employer must consult with employee representatives prior to taking a decision which could affect employees' interests.</li> </ul>	<ul style="list-style-type: none"> <li>employment contracts with members of representative bodies of trade unions can be terminated only with the consent of the State Labour Inspectorate</li> <li>employment contracts with members of works councils can be terminated and their employment terms and conditions can be weakened only with prior consent of the State Labour Inspectorate</li> <li>if employees are not represented by a trade union, the employer must inform them directly about major organisational changes such as redundancy or business transfer or about other important events affecting the status of employees.</li> </ul>	<ul style="list-style-type: none"> <li>termination of an employment agreement (contract) in some cases requires consent from (or notifying) the trade union formally</li> <li>employees have the right to be involved in the management of the company, though it hardly happens in practice</li> </ul>



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