2. Lithuania

Marija Burinskiene

The Lithuanian planning system is closely connected with local municipalities.

The Law on Territorial Planning divides territorial planning into three levels.

(1) The state level. (2) Municipal level. (3) Locality level. The public administration in Lithuania is divided into two levels: Government and municipal level. Municipal territories are administered by municipal councils.

General plans, covering the entire territory of a municipality indicate: functional zoning, system of municipal centres (many municipalities are not urban but rural territories), requirements for the use of protected areas and landscapes, a natural framework system, supplementing it with a natural framework of local significance and individual greenery, requirements for the protection of immovable cultural heritage at the local level of significance, principles of engineering and social infrastructure development, engineering communication corridors, territories allocated to objects, the location of which impacts on the environment and public health, already urbanized and non-urbanized areas, requirements for the location of retail objects (in the urban areas), towns, parts thereof, and other areas for which local level plans are required, territories to be reserved for objects important to the municipality, subsoil resources, territories of planning objects of state importance.
When preparing general plans for city municipalities, the mandatory requirements for building intensity and building height are also established.
Detailed plans are prepared in the urbanized territories determined in the general plans of the municipal level or local level.
The special solutions of the Special plans must be integrated into the complex plans (general and detailed), only according to them the land can be taken for the needs of the society, i.e. infrastructure development. (Aleknavičius P., Burinskiene M., 2021)
Although there is no law defining public value capture (PVC) in Lithuania, the law on municipal infrastructure development government has appeared since 01.01.2021, which has the greatest impact on the determination of PVC, although its implementation differs significantly in major Lithuanian cities and peripheral municipalities.

2.1 Recurring forms of public value capture

The Lithuanian tax system consists of: value added tax, taxes on corporate and personal income; excise duties, taxes on real estate property, other taxes (including stamp duties, pollution tax, gambling tax, inheritance tax).

Several major reforms of the real estate law have been made in recent years.

2.1.1 Real estate tax

The first major reform took place in 2006, which introduced the average market value as a basis to impose the tax; subjecting to tax real estate property for commercial purposes owned by individuals; the right for municipal councils to set concrete tax rates within a range provided in the law (0,3 - 1% since 2007 and 0,3-3% since 2013).

Meanwhile, the 2012 reform expanded the tax base for individuals:

- subjecting to tax the property for personal purposes (including housing)
- the value of such property not exceeding 290 000 EUR (since 2015 – 220 000 EUR) exempt from tax.
- tax rate for property used for personal purposes - 1 % (since 2015 – 0,5 %; since 2018- progressive rates from 0,3 to 3 %).

Next reform proposed in 2018 to expand taxation on non-commercial real estate of natural persons: the first residential property (the value of up to EUR 220 thousand) to continue to be exempt. The second and subsequent residential property to tax despite the value. i.e., not to include such property in applying the EUR 220 thousand relief.

An exception applies to the immovable property of individuals used for non-commercial purposes (including dwellings, garages, farms, and real estate used for leisure). Its total average market value not exceeding EUR 220,000 per person is exempt (for taxpayers with 3 or more children or a disabled child, the value of exempt property has increased by 30 %).

Excess is subject to progressive tax rates (0.5 - 2 percent).

As far as planning systems are compatible with the real estate tax system, it is necessary to understand the powers of the municipality: in particular, complex planning documents (general and detailed plans) prepared at the initiative of the municipality, which have legal force. It is very important that all General Plans are coordinated with each other depending on the level, and the lower-level plan details the solutions of the higher-level general plan. In Lithuania, the main drawing of the general plan establishes land use regulations, i.e., what possible land uses can be applied in a particular area, what are the operating restrictions, and so on. (Connolly K. and Bell M., 2009). The municipal administration issues construction permits in accordance with the prepared documentation of territorial planning and construction projects.

Currently, the application of real estate tax has expanded not only to legal entities, but also to natural persons, depending on the value of the property managed, the calculation of which is discussed by social groups of individual property owners. (Burinskienė M., 2022). in Lithuania.

The real estate tax according to the certificates prepared by the Center of Registers is paid once a year, based on the principles of mass valuation, when the real estate is valued by the mass valuation method or the replacement value(cost) method.(Tumelionis A.,2015)

The mass evaluation method is applied to (Šulija V.,2005):

- real estate for commercial use (administrative, catering, service, commercial, hotel, leisure, medical, cultural, scientific, sports facilities and premises);
- residential, gardens, garages;
- auxiliary farm real estate.

  A new mass evaluation was perfomed on January 1st, 2021. The newly established tax values of real estate objects are used to calculate the real estate tax for 5 years, starting from 2021 ax period. (Aleksiene A., Bogdonavičius, 2008; Connolly K. and Bell M., 2009).

The replacement value (cost) method is applied to:

- engineering structures (road, electricity, railway, air, water port communications, oil, gas, heat, water supply, sewage disposal and other engineering networks, hydrotechnical, sports and other structures);
- other real estate not mentioned (production, industry, transport, storage and other buildings and premises).

The value determined by this method is valid for a maximum of 5 tax periods from the date of valuation.

Currently, there is a land and real estate tax in Lithuania, which paid separately once a year. It is paid by both legal and natural persons, according to the value of the assets under management (Burinskienė M., 2022).

The future plans for Real Property Tax Policy in Lithuania (Sabaliauskas K., Aleksiene A, 2002., Šulija V.2008).

- To gradually introduce a universal real estate tax for all natural persons;
- The right, not the obligation for municipalities councils to set tax rates every year (valid from 2021);
- Real estate property tax declarations - formed and provided by the tax administrator (as land tax declarations);

- Introduce a land value capture in all Lithuanian municipalities according to the Law on Municipal Infrastructure Development (came into force from 01 01 2021);
- Implement land consolidation in urban areas.

Fig. 1. Legal Regulation and Guidance for a Sound System



2.1.2 Real estate transfer tax

The real estate transfer tax is a legal transaction tax. The tax must be paid if a real estate property changes the owner. The basis of this transaction is a contract, a disposal of a leasehold, or a legal property transfer by heritage or donation. Reallocation instruments, like urban reallocation measure, are excluded from tax liability. The Lithuanian municipalities determine the tax rate, which varies from 3.5 to 6.0 % of the purchasing price.

2.1.3 Capital gain tax

Regarding capital gain tax, a distinction must be made between private and commercial trade.

In the case of private sales, the possible profit from the sale of a house or an apartment is not taxable if there are at least 10 years between the acquisition or manufacture of the property and its sale, or if the property has been used for own purposes. Therefore, taxation is not applicable in most cases of private sales. The amount of tax depends on the amount of increase in value. The capital gain tax is applied if private real properties have been sold in the market. The standard tax rate is 15% in Lithuania of the capital gain, the difference between the acquisition and the selling price with a deduction of demonstrable improvement cost.

2.2 Non-recurring forms of public value capture

One of the most important steps in introducing the increase in the value of land was the Law on Municipal Infrastructure Development, which was approved in 2020 and entered into force on January 1st, 2021.

This law is needed not only by all municipalities in the country, but also by every inhabitant. After all, the quality of human life is very much dependent on engineering and social infrastructure. The low closes the former legal loopholes, which have often led to chaotic development of municipal infrastructure and provides a clear framework for its legal regulation.

The new law stipulates how municipal infrastructure must be planned, implemented and financed and establishes the rights, duties, and responsibilities of natural and legal persons, state and municipal institutions in its development processes. It will create a level.

The new law stipulates how municipal infrastructure must be planned, implemented, and financed, and how stablishes the rights, duties, and responsibilities of natural and legal persons, state, and municipalities. It will create a level playing field for business, and ensure acceptable access to engineering networks, communications, and social infrastructure (Malme J., Youngman J. 2004, Eckert J. K., 2008).

Many years of practice have shown that it is difficult for municipalities to meet the need for infrastructure on their own, without additional measures. Therefore, based on the experience of European countries, it has been established that real estate developers must either contribute to the development of the planned infrastructure required for the development of territories or pay a one-time monetary contribution to the municipality responsible for infrastructure development. After the entry into force of the law, the procedure for calculating infrastructure charges will be uniform throughout Lithuania, and municipalities will have the right to set charge rates, differentiating them according to the main use of buildings or land, the level of infrastructure development, and development needs.

These contributions will be paid into a program administered by the municipality itself, the funds of which will be an additional measure for the development and compensation of infrastructure, will ensure an equal sharing of the costs of this development among all its users. In addition, there is a strict control mechanism for the use of program funds.

The regulation introduced by the new law provides an opportunity to avoid the costs of maintaining excess infrastructure, but to develop only the planned one, and creates an additional tool for managing the development of territories. To this end, municipalities are committed to January 1st of 2023, to identify the priority

infrastructure, its development stages, and to estimate the costs of this development in the spatial planning documents.

It should be noted that the risk of the development of the non-priority infrastructure planned by the municipality is borne by the real estate developers, but there is a possibility to receive compensation for the incurred costs - to share the costs when other users connect to the infrastructure built by them. All built or installed municipal infrastructure must be handed over to municipal infrastructure managers before construction is complete. The position of the chief engineer of the municipality must be established to coordinate the development of the engineering infrastructure.

Currently, the tax system includes separately the land tax and the buildings tax, while the real estate tax includes both elements and calculates whether the sum of both components does not exceed the statutory limit. Improvements in the implementation of this law are expected, with reservations being assessed improvements of land, public spaces, development of technical and social infrastructure, and at the same time greater justice for representatives of individual social groups. In Lithuania, land consolidation is carried out only in non-urban areas, and in urban areas, no legal mechanism has been created for such a process; therefore, the municipality must negotiate with the owners of individual land plots. According to the Law on Lithuanian Territorial Planning, the use of land is regulated by the main solution drawing of the General Plans.

On the other hand, planning gains remain to the landowner if the area is developed by mandatory measures. Only if the area is developed by cooperative (voluntary) procedures, the municipality is generally able to capture the part caused by the planning.

Land tax exists throughout Lithuania, except for individual municipalities, which make exceptions for certain social groups: pensioners, the disabled, etc. Its administration is carried out by the State Tax Inspectorate using the databases of the Center of Registers, which are compiled on the basis of mass assessment data, taking into account the situation of the owners' plots in the municipality.

The Law on Municipal Infrastructure Development stipulates how municipal infrastructure must be planned, implemented and financed, and establish the rights, duties, and responsibilities of natural and legal persons, state and municipal institutions in its development processes. It will create a level playing field for business, and ensure acceptable access to engineering networks, communications and social infrastructure. The regulation introduced by the new law provides an opportunity to avoid the costs of maintaining excess infrastructure, but to develop only the planned one, and creates an additional tool for managing the development of territories.

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Extensive information and training activities are recommended to increase the general acceptance of public value capture and to improve the application of the individual tools.

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