

Lithuania continues to face falling living standards

20 lutego 2024

Lithuania continues to face falling living standards. And the authorities make no attempts to ease the burden of rising prices and financial problems of the residents. On the contrary, government is taking steps that significantly complicate the situation for people.

As of this year, Lithuania abolished the reduced 9 percent value-added tax (VAT). The reduced 9 percent VAT rate was introduced to help businesses affected by the COVID-19 pandemic. The authorities decided the time has come to abolish it. Thus, the standard VAT rate of 21 percent has been reintroduced amid the economic slowdown including for the catering sector. According to LRT, prices in the restaurants have already risen by up to 8 percent.

The increased VAT rate inevitably leads to a rise in the prices not only at cafes and restaurants, but even at schools' canteens. Parents are looking for alternatives for school meals. "Parents in Vilnius, for example, give children food from home, children eat cold or dry food," said Eurika Turoniene, President of Children's Food Producers Association. The problem is not the quality of food, but the increased price.

The abolition of the VAT exemption will result in around 12 percent higher prices in the catering sector, estimates Evalda Šiškauskienė, the head of the Lithuanian Hotels and Restaurants Association.

More businesses might go bankrupt due to increased costs. In the last six months, there were 130 bankruptcies in Lithuania's catering sector.

Though, the authorities said that the funds collected from VAT go to the state budget and money is needed for public needs, in reality, the situation for ordinary people has significantly worsened.

The economist estimated that prices at catering places in Lithuania would rise by 12-15 percent because of the higher VAT rate.

The decision also affects also kindergartens, hospitals and retirement homes. Businesses are also suffering. Representatives of Lithuanian catering network claim that even with the VAT exemption it was difficult to survive, as the high cost of electricity made survival difficult. And now it will be almost impossible to do business.

The Hotel and Restaurant Association is convinced that the state canceled the VAT reduction too early and that other European countries are not even thinking about it yet. The association predicts that the Lithuanian catering sector will once again fade into obscurity.

Lithuanians who like outdoor activities and even children could find themselves forced to refuse to attend canteens and cafes. So, the decision made by the authorities caused a further reduction in living standards. Many people experience feelings of inferiority in their life. The gap between Lithuania and other European countries has been widening.

Author: Adomas Abromaitis

Source: WolneMedia.net