

DOING BUSINESS IN LITHUANIA:

Legal and tax climate

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WHY LITHUANIA?

- **Geographical location & stability**

- Easy access to Western and Eastern markets
- Membership of EU, NATO, WTO, Schengen area

- **Infrastructure**

- World leading ICT infrastructure :1st in the EU for Internet download and upload speed and 1st in the World Competitiveness Rankings for communication technology
- Well developed transport infrastructure
- Free economic zones, industrial parks, science, study and business centres (valleys)

- **People**

- Around 47% of Lithuanians hold a higher education qualification
- App. 90% of people speak at least one foreign language

- **Recognition**

- Invested into by Barclays, Siemens, Phillip Morris, IBM, Microsoft, Kraft Foods International
- World Bank: 27th in ease of doing business in the World

- **Tax system**

- Low corporate taxes (4th in EU), attractive double taxation treaty with Latvia
- Special tax regime in FEZs

STARTING BUSINESS (I)

Establishment of an enterprise
(UAB or AB)

Acquisition of shares in
companies

Establishment of branches or
representative offices

Activity without establishment
of legal entity



STARTING BUSINESS (II)

	Private limited liability company (UAB)	Public limited liability company (AB)
Minimum share capital	LTL 10,000 (EUR 2,900)	LTL 150,000 (EUR 43,400)
Number of shareholders / members	1 – 249	1 – unlimited
Liability of shareholders	Shareholders are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions	Shareholders are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions
Transfer of shares	Fully paid shares Pre-emption right	Fully paid shares No pre-emption right
Timing:		Costs:
~6 days for pre-registration and registration (not including collection of required documents); ~14-16 days for post registration. In total ~20-22 days.		Preliminary name registration ~ EUR 15; Notary and Register fees ~ 200 EUR Other fees (seal, bank charges) ~ 20 EUR In total ~ 235 EUR

LICENCING

The most common types of activities requiring activity license:

- Energy-related (electricity, gas, heat) activities
- Road transport services
- Sea transport services
- Railways (passenger and goods transport services)
- Taxi, public transport
- Pharmaceuticals production and wholesale, operation of pharmacy
- Financial services, including activities related to credit institutions, fund management, investment activities, securities market
- Activities related to weapons, ammunition and explosives
- Gambling
- Television broadcasting activities
- Insurance activities
- Customs agency
- Mining, geological investigation
- Activities related to alcohol and tobacco products
- Health services

CORPORATE GOVERNANCE

General meeting
of shareholders

Supervisory
Council (optional)

Board (optional)

CEO

%	Shareholder rights / actions
5%	Supplement agenda, propose draft decision
10%	Convene GM, initiate inspection
25% + 1	Block GM resolution on dilution and de-listing
33.3% + 1	Block major decisions at GM
50% + 1	GM quorum threshold; adopt some resolutions (approval of annual financial statements and report); right to receive all information
66.6%	Adopt all major resolutions unilaterally (amend AoA, distribute profit, increase / decrease share capital, reorganise)
75%	Can adopt all resolutions at GM (including dilution and de-listing)

Public Companies:

- More than 1/3 (33.3% + 1) of all votes – mandatory tender offer obligation
- Upon acquisition of 95% of all votes – squeeze out right
- Duty to notify of block-building - 5, 10, 15, 20, 25, 30, 50, 75, and 95 per cent of all votes at the general meeting of shareholders

TAXATION (I)

49 bilateral treaties on avoidance of double taxation

- Beneficial treaty between Latvia and Lithuania
- EU & EEA countries (except Cyprus)
- USA & Canada
- Belarus, Russia, Kazakhstan & Ukraine
- China, Korea & Singapore
- Balkan countries (Armenia, Macedonia, Moldova & Serbia)

TAXATION (II)

	Corporate Income Tax	Land Tax	Real Estate Tax	Social Security	Personal Income Tax	VAT
Rate	15% (LV: 15%)	0.1-4% (LV: n/a)	0.3-3% (LV: 1.5%)	39.98% (LV: 35.09%)	15% (LV: 24%)	21% (LV: 21%)
Object	Income sourced in Lithuania	Land	Real Estate other than land	Salary and fringe benefits	Income sourced in Lithuania	Supply goods and services
Tax payer	Lithuanian entities	Land owner	Real Estate owner	Employer & Employee	Residents and non-residents	Entities and individuals

TAXATION (III)

Free economic zones

**No real
estate tax**

**No tax on
dividends**

**6 years –
no CIT,
next 10
years –
50% off**



EMPLOYMENT (I)

- Employment contract must be concluded **with every employee** in Lithuania, unless the employee is temporarily seconded
- **Fixed term** employment contract may be concluded for work of temporary nature **up to 5 years**
- Normal working hours: **40 hours weekly, 8 hours daily**
- **Overtime possible** upon written consent of employee
- Trade unions and work councils not very active
- Minimum paid annual leave – **28 days**
- Trial period – **3 months**



EMPLOYMENT (II)

Minimum monthly salary gross
– **EUR 290 (LTL 1000)**

Average gross monthly wage of last
quarter – **EUR 653 (LTL 2,253)**

- For overtime and work at night – regular wage multiplied by 1.5
- For work on weekends and public holidays – regular wage multiplied by 2
- CEO may be dismissed by corporate decision at any time with severance of 2 monthly salaries
- Other employees may be dismissed due to redundancy with 2 or 4 months' notice period or upon mutual agreement of parties
- Statutory severance usually depends on length of service

A regular employment contract may be **terminated**:

- by agreement between the parties;
- upon expiry of employment contract;
- upon request of the employee;
- on the initiative of the employer with prior notice of 2 or 4 months
- without prior notice of employer (e.g. due to liquidation of company).

EMPLOYMENT (III)

- Employment of aliens
 - Work permit is required for non-EU citizens
 - Obtaining a residence permit / national visa D
- Employment of EU citizens
 - Citizens of EU and the European Free Trade Association member states are not required to hold work permits
 - A worker is obliged to obtain a certificate of residency if arrives to work for more than 3 months in a period of 6 months

INVESTMENT PROTECTION

- Regulated by Law on Investments and International Treaties
- Governed by international principles of:
 - Prohibition of expropriation
 - Fair and equitable treatment
 - Most favourable nation clause
 - Prohibition of arbitrary and discriminatory treatment

Thank you!



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