

# Country Guide

## Lithuania

Prepared by

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DOING BUSINESS IN LITHUANIA.

# Guide to Doing Business

## Lithuania

### Prepared by Lex Mundi member firm, Ellex Valiunas

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\*The publication contains general information and does not constitute and should not be relied upon as a legal opinion or advice.

## 1. INTRODUCTION

Located in Northern Europe, the **Baltic States** are three countries on the eastern shore of the Baltic Sea: **Estonia, Latvia** and **Lithuania**.

Often referred to as a “bridge between the West and the East”, the Baltic States have always been of interest to potential investors and international businesses due to their location, available infrastructure and comparatively easy access to their neighbouring territories. In addition, globalisation and international trade development have spurred local businesses to consider expansion of operations on a regional scale. However, regardless of their common borders and similar histories, the Baltic States still present a number of differences in their legal, social and economic environments.

### ABOUT LITHUANIA

Located in Northern Europe, Lithuania is a country on the eastern shore of the Baltic Sea.

Often referred to as a “bridge between West and East”, Lithuania has always been of interest to potential investors and international businesses due to its location, available infrastructure and comparatively easy access to its neighbouring territories. In addition, globalisation and international trade development have spurred local businesses to consider expansion of operations on a regional scale.

This guide aims to provide insights into the legal environment of Lithuania in order to assist both foreign investors and local businesses in understanding the major aspects with respect to doing business in Lithuania..



## 1.1 LITHUANIA AT A GLANCE

The table below presents key information on Lithuania

<b>Capital</b>	Vilnius
<b>Population</b>	2.79 million
<b>Area</b>	65,300 km <sup>2</sup>
<b>Official language</b>	Lithuanian
<b>Currency</b>	Euro (EUR)
<b>Exchange rate</b>	USD 1 = app. EUR 0.8065 Not fixed exchange rate

There are no cultural or religious influences or prohibitions on the way business is conducted in Lithuania. Prohibitions of discrimination on any grounds including, but not limited to, religion and culture, are set out at the highest legal level.

The table below presents key indicators in Lithuania in 2016-2017:

<b>Key Indicators in 2016-2017</b>		
<b>GDP (current prices, billion EUR)</b>	2016	38.56
	2017	41.80
<b>Real growth (%)</b>	2016	2.3
	2017	3.9
<b>Average gross wages (billion EUR)</b>	2016 IV Q	774
	2017 IV Q	840
<b>Unemployment rate (%)</b>	2016	7.9
	2017	7.1
<b>Consumer price index change (%)</b>	2016	0.91
	2017	3.72
<b>Producer price index change (%)</b>	2016	-4.5
	2017	6.4
<b>Construction price index change (%)</b>	2016	2
	2017	2.7
<b>Exports (billion EUR)</b>	2016	22.6
	2017	26.4
<b>Imports (billion EUR)</b>	2016	24.7
	2017	28.5
<b>Average annual inflation rate (%)</b>	2016	0.7
	2017	3.7



<p><b>Geography and Climate</b></p>	<p>Lithuania is a country in the Baltic region of Europe. The most populous of the Baltic states, Lithuania has 262 km of coastline consisting of the continental coast and the "Curonian Spit" coast. Lithuania's major warm-water port of Klaipeda lies at the narrow mouth of Curonian Lagoon, a shallow lagoon extending south to Kaliningrad and separated from the Baltic sea by Curonian Spit, where Curonian Spit National Park was established for its remarkable sand dunes.</p> <p>Lithuania is glacially flat, except for morainic hills in the western uplands and eastern highlands no higher than 300 meters. The terrain is marked by numerous small lakes and swamps, and a mixed forest zone covers over 33% of the country. The growing season lasts 169 days in the east and 202 days in the west, with most farmland consisting of sandy or clay-loam soils. Limestone, clay, sand, and gravel are Lithuania's primary natural resources, but the coastal shelf offers perhaps 1,600,000 m<sup>3</sup> of oil deposits, and the southeast could provide high yields of iron ore and granite.</p> <p>According to some geographers, the geographical midpoint of Europe is just north of Lithuania's capital, Vilnius. Lithuania has a humid continental climate. Average temperatures on the coast are -2.5 °C in January and 23 °C in July.</p>
<p><b>Infrastructure</b></p>	<p>Transportation is the 3rd largest sector in Lithuanian economy. Lithuanian transport companies drew attention in 2016 and 2017 with huge and record-breaking orders of trucks. Almost 90% of commercial truck traffic in Lithuania is international transports, the highest of any EU country. Lithuania has an extensive network of motorways. WEF grades Lithuanian roads at 4,7 / 7,0 and Lithuanian road authority at 6,5 / 10,0.</p> <p>The Port of Klaipeda is the only commercial cargo port in Lithuania. In 2011 45.5 million tons of cargos were handled (including Butingė oil terminal figures). Port of Klaipeda is outside of EU's 20 largest ports, but it is the 8th largest port in the Baltic Sea region with ongoing expansion plans.</p> <p>Vilnius International Airport is the largest airport in Lithuania, but not among EU's 100 largest airports. It served 3.8 million passengers in 2016. Other international airports include Kaunas International Airport, Palanga International Airport and Siauliai International Airport. Kaunas International Airport is also a small commercial cargo airport which started regular commercial cargo traffic in 2011.</p> <p>Lithuanian Railways' main network consists of 1,762 km of 1,520 mm Russian gauge railway of which 122 km are electrified. This railway network is incompatible with European standard gauge and requires train switching. However, Lithuanian railway network also has 115 km of standard gauge lines. More than half of all inland freight transported in Lithuania is carried by rail. The Trans-European standard gauge Rail Baltica railway, linking Helsinki–Tallinn–Riga–Kaunas–Warsaw and continuing on to Berlin is under construction. Rail Baltica is one of the EU's priority projects in rail transport.</p>
<p><b>Communication</b></p>	<p>Lithuania has a well-developed communications infrastructure. The country has 2.79 million citizens and 5 million SIM cards. The largest LTE (4G) mobile network covers 97% of Lithuania's territory. Usage of fixed phone lines has been rapidly decreasing due to rapid expansion of mobile-cellular services.</p> <p>In 2017, Lithuania was top 30 in the world by average mobile broadband speeds and top 20 by average fixed broadband speeds. Lithuania was also top 7 in 2017 in the List of countries by 4G LTE penetration. In 2016, Lithuania was ranked 17th in United Nations' e-participation index.</p> <p>There are four TIER III datacentres in Lithuania. Lithuania is 44th globally ranked country on data centre density according to Cloud scene.</p> <p>Long-term project (2005–2013) – Development of Rural Areas Broadband Network (RAIN) was started with the objective to provide residents,</p>



	<p>state and municipal authorities and businesses with fibre-optic broadband access in rural areas. RAIN infrastructure allows 51 communications operators to provide network services to their clients. The project was funded by the European Union and the Lithuanian government.</p>
<p><b>Public Services</b></p>	<p>Lithuania has one of the largest fresh water supplies, compared with other countries in Europe. Lithuania and Denmark are the only countries in Europe, which are fully equipped with fresh groundwater. Water quality in the country is very high and is determined by the fact that drinking water comes from deep layers that are protected from pollution on the surface of the earth.</p> <p>Systematic diversification of energy imports and resources is Lithuania's key energy strategy. Long term aims were defined in National Energy Independence strategy in 2012 by the Parliament. It was estimated that strategic energy independence initiatives will cost 6.3–7.8 billion Eur in total and provide annual savings of 0.9–1.1 billion EUR. After the decommissioning of the Ignalina Nuclear Power Plant, Lithuania turned from electricity exporter to electricity importer. The country's main primary source of electrical power is Elektrenai Power Plant. Other primary sources of Lithuania's electrical power are Kruonis Pumped Storage Plant and Kaunas Hydroelectric Power Plant. Kruonis Pumped Storage Plant is the only in the Baltic states power plant to be used for regulation of the power system's operation with generating capacity of 900 MW for at least 12 hours. As of 2015, 66% of electrical power was imported. First geothermal heating plant (Klaipėda Geothermal Demonstration Plant) in the Baltic Sea region was built in 2004.</p> <p>Lithuania–Sweden submarine electricity interconnection NordBalt and Lithuania–Poland electricity interconnection LitPol Link were launched at the end of 2015.</p> <p>In order to break down Gazprom's monopoly in natural gas market of Lithuania, first large scale LNG import terminal (Klaipėda LNG FSRU) in the Baltic region was built in port of Klaipėda in 2014. The Klaipėda LNG terminal was called Independence, thus emphasising the aim to diversify energy market of Lithuania. Norwegian company Equinor supplies 540 million cubic metres of natural gas annually from 2015 until 2020. The terminal is able to meet the Lithuania's demand 100 percent, and Latvia's and Estonia's national demand 90 percent in the future.</p> <p>Gas Interconnection Poland–Lithuania (GIPL), also known as Lithuania–Poland pipeline, is a proposed natural gas pipeline interconnection between Lithuania and Poland that is expected to be finished by 2019. In 2018 synchronising the Baltic States' electricity grid with the Synchronous grid of Continental Europe has started.</p> <p>In 2016, 20.8% of electricity consumed in Lithuania came from renewable sources.</p>
<p><b>Diplomatic Relations</b></p>	<p>Lithuania became a member of the United Nations on 18 September 1991, and is a signatory to a number of its organizations and other international agreements. It is also a member of the European Union, the Council of Europe, Organization for Security and Cooperation in Europe, as well as NATO and its adjunct North Atlantic Coordinating Council. Lithuania gained membership in the World Trade Organization on 31 May 2001, and joined the OECD on 5 July 2018, while also seeking membership in other Western organizations. Lithuania has established diplomatic relations with 149 countries.</p> <p>Lithuania is also active in developing cooperation among northern European countries. It has been a member of the Baltic Council since its establishment in 1993. The Baltic Council, located in Tallinn, is a permanent organisation of international cooperation that operates through the Baltic Assembly and the Baltic Council of Ministers.</p> <p>Lithuania also cooperates with Nordic and two other Baltic countries through the NB8 format. A similar format, NB6, unites Nordic and Baltic members of EU. NB6's focus is to discuss and agree on positions before presenting them to the Council of the European Union and at the meetings of EU foreign affairs ministers. Lithuania, together with the five Nordic countries and two other Baltic countries, is a member of the Nordic Investment Bank (NIB) and cooperates in its NORDPLUS program, which is committed to education.</p>

<b>Government</b>	<p>Since Lithuania declared the restoration of its independence on 11 March 1990, it has maintained strong democratic traditions.</p> <p>The Lithuanian head of state is the president, directly elected for a five-year term and serving a maximum of two terms. The president oversees foreign affairs and national security, and is the commander-in-chief of the military. The president also appoints the prime minister and, on the latter's nomination, the rest of the cabinet, as well as a number of other top civil servants and the judges for all courts. The current Lithuanian head of state, Dalia Grybauskaitė was elected on 17 May 2009, becoming the first female president in the country's history, and the second female head of state in the Baltic States after Latvia elected their first female political leader in 1999. Dalia Grybauskaitė was re-elected for a second term in 2014.</p> <p>Lithuania exhibits a fragmented multi-party system, with a number of small parties in which coalition governments are common. Ordinary elections to the Parliament take place every four years. To be eligible for election, candidates must be at least 25 years old on the election day, not under allegiance to a foreign state and permanently reside in Lithuania. Persons serving or due to serve a sentence imposed by the court 65 days before the election are not eligible. Also, judges, citizens performing military service, and servicemen of professional military service and officials of statutory institutions and establishments may not stand for election. Lithuanian Peasant and Greens Union won the Lithuanian parliamentary election in 2016 and gained 54 of 141 seats in the parliament.</p> <p>Each municipality in Lithuania is governed by a municipal council and a mayor, who is a member of the municipal council. The number of members, elected on a four-year term. Members of the council, with the exception of the mayor, are elected using proportional representation. Starting with 2015, the mayor is elected directly by the majority of residents of the municipality.</p> <p>As of 2014, the number of seats in the European Parliament allocated to Lithuania was 11.</p>	
<b>Legislative System</b>	<p>The judges of the Constitutional Court serve nine-year terms. They are appointed by the President, the Chairman of the Parliament, and the Chairman of the Supreme Court, each of whom appoint three judges. The unicameral Lithuanian parliament, the Parliament, has 141 members who are elected to four-year terms. 71 of the members of its members are elected in single member constituencies and the others in a nationwide vote by proportional representation. A party must receive at least 5% of the national vote to be eligible for any of the 70 national seats in the Parliament.</p>	
<b>Environmental Considerations</b>	<p>After the restoration of Lithuania's independence in 1990, the Environmental Protection Act was adopted already in 1992. The law provided the foundations for regulating social relations in the field of environmental protection, established the basic rights and obligations of legal and natural persons in preserving the biodiversity inherent in Lithuania, ecological systems and the landscape. Lithuania agreed to cut carbon emissions by at least 20% of 1990 levels by the year 2020 and by at least 40% by the year 2030, together with all European Union members. Also, by 2020 at least 20% (27% by 2030) of country's total energy consumption should be from the renewable energy sources. In 2016, Lithuania introduced especially effective container deposit legislation, which resulted in collecting 92% of all packagings in 2017.</p> <p>Forest has long been one of the most important natural resources in Lithuania. Forests occupy one third of the country's territory and timber-related industrial production accounts for almost 11% industrial production in the country. Lithuania has five national parks, 30 regional parks, 402 nature reserves, 668 state-protected natural heritage objects.</p> <p>Lithuania is ranked 5th, second to Sweden (first 3 places are not granted) in Climate Change Performance Index (CCPI).</p>	
<b>Judicial System</b>	<b>District court</b>	<p>A district court is first instance for criminal, civil cases and cases of administrative offences (assigned to its jurisdiction by law), cases assigned to the jurisdiction of mortgage judges, as well as cases relating to the enforcement of decisions and sentences. Judges of a district court also perform the functions of a pre-trial judge, an enforcement judge, as well as other functions assigned to a district court by law.</p>

	<b>Regional court</b>	A regional court is first instance for criminal and civil cases assigned to its jurisdiction by law, and appeal instance for judgements, decisions, rulings and orders of district courts. The Chairman of a regional court organises and controls the administrative activities of district courts and their judges within the territory of his activities in accordance with the procedure prescribed by law.
	<b>The Court of Appeal</b>	The Court of Appeal is appeal instance for cases heard by regional courts as courts of first instance. It also hears requests for the recognition of decisions of foreign or international courts and foreign or international arbitration awards and their enforcement in the Republic of Lithuania, as well as performs other functions assigned to the jurisdiction of this court by law. The Chairman of the Court of Appeal organises and controls the administrative activities of the regional courts and their judges in accordance with the procedure prescribed by law.
	<b>The Supreme Court of Lithuania</b>	The Supreme Court of Lithuania is the only court of cassation instance for reviewing effective judgements, decisions, rulings and orders of the courts of general jurisdiction. It develops a uniform court practice in the interpretation and application of laws and other legal acts.
	<b>Regional administrative court</b>	A regional administrative court is the court of special jurisdiction established for hearing complaints (petitions) in respect of administrative acts and acts of commission or omission (failure to perform duties) by entities of public and internal administration. Regional administrative courts hear disputes in the field of public administration, deal with issues relating to the lawfulness of regulatory administrative acts, tax disputes, etc. Before applying to an administrative court, individual legal acts or actions taken by entities of public administration provided by law may be disputed in the pre-trial procedure. In this case disputes are investigated by municipal public administrative dispute commissions, district administrative dispute commissions and the Chief Administrative Dispute Commission.
	<b>The Supreme Administrative Court</b>	The Supreme Administrative Court is first and final instance for administrative cases assigned to its jurisdiction by law. It is appeal instance for cases concerning decisions, rulings and orders of regional administrative courts, as well as for cases involving administrative offences from decisions of district courts. The Supreme Administrative Court is also instance for hearing, in cases specified by law, of petitions on the reopening of completed administrative cases, including cases of administrative offences. The Supreme Administrative Court develops a uniform practice of administrative courts in the interpretation and application of laws and other legal acts.

More detailed information is available:

**Invest Lithuania** (<https://investlithuania.com/lt/>)

**Doing Business in Lithuania** (<http://www.doingbusiness.org/content/dam/doingBusiness/country/l/lithuania/LTU.pdf>)

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## 2. INVESTMENT REGIME

### 2.1 INVESTMENT POLICY

Investment in Republic of Lithuania is regulated by the Law on Investments of 7 July 1999 and sub-statutory legislation, as well as bilateral and multilateral international treaties on the promotion and reciprocal protection of investments.

The state investment policy provides favorable conditions for private investments and ensures efficient use of state funds granted for investments to achieve economic and social development of the state. Lithuania supports and promotes foreign investment by means established by law.

Several types of incentives in the Republic of Lithuania are available for foreign investors:

- National subsidies (administered by Invest Lithuania, financed from national budget);
- EU subsidies (administered by the Ministry of Economy of the Republic of Lithuania, financed from EU investment funds);
- Loans from the government or governmental agencies and government-supported loans;
- Tax incentives.

Investments in the Republic of Lithuania are permitted in all lawful commercial and economic activities, subject to the restrictions established by laws. Foreign investments are prohibited in the activities guaranteeing state security and defense. When investing is related to licensed activity, the entity is required to acquire a license for performance of such activity.

Lithuania has entered into international treaties on investment with more than 60 countries all over the world. Bilateral treaties mostly cover provisions on mutual promotion, protection and non-discrimination of investments, and the avoidance of double taxation.

According to the Ministry of Economy of the Republic of Lithuania (please see <https://ukmin.lrv.lt/en/>), Lithuania has been working intensively to attract foreign investments to the country. A more business - friendly legal base is being prepared, free economic zones, as well as industrial parks, that are particularly favorable to foreign investments have been created, and the state is involved in implementing an investment promotion policy. In recent years, Lithuania has managed to attract global giants such as Barclays, Western Union and Harbor Touch. The Government of Lithuania has also established a non-profit agency to help and assist foreign investors with setting up businesses in the country – Invest Lithuania. For more information, please see <https://investlithuania.com/>.

The key investment welcoming business sectors in Lithuania are:

- Global Business Services: especially for finance and insurance companies, IT companies and manufacturing companies;
- Manufacturing: especially in wood and wood product manufacturing, metal and plastic processing, automotive components, aircraft MRO textiles and clothing, furniture, paper, chemicals and plastics;
- Life Sciences: especially in chemistry, biochemistry, molecular biology;
- Technologies: especially in Fintech, cybersecurity, game development and data centres.

### 2.2 INVESTMENT REGULATION

Liberalization of investment conditions has been one of the main goals in the economic programs of Latvia and Lithuania. In order to encourage foreign direct investment, the Latvian and Lithuania governments have minimized restrictions on foreign investment, making them practically non-existent. As a result, Latvian and Lithuanian markets have become very accessible and non-discriminatory environments for foreign direct investment.

Please also see:

[www.investlithuania.com](http://www.investlithuania.com)

## 2.3 RESTRICTIONS ON FOREIGN INVESTMENTS

Type of restriction	Lithuania
<b>Acquisition of land</b>	<p>Land may be acquired only by foreign investors meeting the criteria of European and trans-Atlantic integration. To meet the said criteria, a legal person is required to be established in, or a natural person is required to hold the citizenship or a permanent residency of, one of the below listed states:</p> <ul style="list-style-type: none"> <li>• a Member State of the European Union;</li> <li>• a Member State of the Organisation for Economic Cooperation and Development (OECD), a Member State of the North Atlantic Treaty Organisation (NATO) or a Member State of the Agreement on the European Economic Area.</li> </ul> <p>Foreign investors may use and hold (without owning) land on some other legal basis (e.g., leasing) without restrictions.</p> <p>A list of land which acquisitions is restricted to foreign investors is defined by law (e.g. nature reserves, state parks, land of special economic zones and etc.).</p> <p>Both local and foreign legal/natural person together with their related persons cannot acquire more than 500 ha (300 ha from the State) of agricultural land. Some exceptions from this rule apply for persons involved in livestock farming.</p>
<b>Ownership of companies in general</b>	Consent of National Land Service is required for both national and foreign persons willing to acquire at least 25% of shares in a company owning at least 10 ha of agricultural land. Shares of companies historically owning more than 500 ha of agricultural land cannot be acquired.
<b>Sector-specific restrictions: Financial institutions</b>	<p>If investment is directed to company aiming to provide licensed services (e.g. electronic money institution, payment institution and etc.), the license obtaining and continuity requirements should be considered in advance. In this case procedures established by supervisory institution Bank of Lithuania are applicable.</p> <p>Anti-money laundering regulations applicable to funds used for investment should be considered very carefully.</p>
<b>Sector-specific restrictions: Energy Market</b>	None
<b>Sector-specific restrictions: Defence industry/Security services</b>	State security and defence: Foreign investments are prohibited in activities that guarantee state security and defence, except for investments by economic entities that meet the criteria of European and trans-Atlantic integration subject to approval granted by the State Defence Council.
<b>Sector-specific restrictions: Roads and communications/ Infrastructure</b>	None
<b>Restrictions on the forms of exit strategies</b>	None

## 2.4 GRANTS AND INCENTIVES AVAILABLE TO INVESTORS

Features	Lithuania
<b>Providers and administrators of various types of investment start-up, innovation, export, tourism grants and guarantees</b>	<ul style="list-style-type: none"> <li>• Lietuvos Verslo Paramos Agentūra (LVPA, see <a href="http://lvpa.lt/en">http://lvpa.lt/en</a>);</li> <li>• INVEGA (see <a href="http://invega.lt/en/">http://invega.lt/en/</a>);</li> <li>• INVEST LITHUANIA (see <a href="https://investlithuania.com/">https://investlithuania.com/</a>);</li> <li>• European Social Fund Agency (ESFA, see <a href="https://www.esf.lt/en">https://www.esf.lt/en</a>).</li> </ul>
<b>Process for obtaining approval for grants or subsidies</b>	The process for obtaining approval for grants or subsidies in Lithuania depends on the program under which the grants or subsidies are offered. In general, the applicant should fill in the respective application form and present it with additional documents (if any) to the competent institution in order to receive grants and / or subsidies.
<b>Timeline for approval</b>	The period to receive approval depends on the particular grant or subsidy that was applied for.
<b>National subsidies</b>	<p>National subsidies are administered by Invest Lithuania and financed from the national budget. In accordance with national subsidies' regulations, up to 25% of investment projects' eligible expenditure may be covered by Lithuanian government.</p> <p>For more information please see:  <a href="https://investlithuania.com/">https://investlithuania.com/</a></p>
<b>EU subsidies</b>	<p>EU subsidies are administered by the Ministry of Economy of the Republic of Lithuania and financed from EU investment funds. Funding may be provided for training of foreign investors' employees, for Research and Development projects, etc. Aid intensity in such projects may reach up to 80% of eligible expenditure with maximum amount of EUR 10 million.</p> <p>For more information please see:  <a href="http://www.esinvesticijos.lt/en/">http://www.esinvesticijos.lt/en/</a></p>
<b>Loans from the government or governmental agencies and government-supported loans</b>	<p>In Lithuania, the investor can receive loans from the government or governmental agencies. In principle, micro-credits and small loans are the most popular form of financing in this regard.</p> <p>In Lithuania, government-supported loans are provided for small and middle-sized enterprises.  For more information please see:  <a href="https://ukmin.lrv.lt/en/sector-activities/business-environment/small-and-medium-sized-business/business-support">https://ukmin.lrv.lt/en/sector-activities/business-environment/small-and-medium-sized-business/business-support</a></p>
<b>Requirement for national's participation</b>	None

<b>Declaration regarding the nature of investment</b>	There are some special requirements for investors who seek to invest in commercial banks, other credit institutions, and insurance companies, other entities that operate financial activities or other strategic sectors that may have an impact on national security of the Republic of Lithuania.
<b>Taxation</b>	<p>Subsidies or grants that are directly linked to the final price of the goods or services are included in the VAT taxable amount.</p> <p>Investments into substantial technological improvements (acquisition of machinery, equipment, software, rights, etc.), which are required for provision of services or for implementation of new technologies, may be deducted from taxable profit down to 100% (in addition to the depreciation / amortisation). This CIT incentive will be applicable to the expenses incurred during the period starting from 2009 and ending in 2023.</p> <p>Costs of scientific research and experimental development activities (with exception of acquisition of long term assets) may be deducted three times from income for the tax period during which they were incurred.</p> <p>Funds granted for producing a film or a part of a film can be deducted from taxable income and directly from the CIT payable during the period starting from 2014 and ending in 2018 (certain conditions apply).</p>

## 2.5. EXPORT INCENTIVES OR GUARANTEES

<b>Features</b>	<b>Lithuania</b>
<b>Tax incentives for exports</b>	In Lithuania there are no special tax incentives for exports. However, a 0% rate of value added tax (VAT) is charged on supplies of goods provided that such goods are exported outside the territory of the European Union.
<b>Governmental insurance for exports</b>	<p>There is no governmental insurance for exports in from Lithuania. However, there is a possibility to receive short-, mid-, and long- term export guarantees.</p> <p>In Lithuania, INVEGA provides export credit guarantees (please <a href="http://invega.lt/en/home/guarantees/individual-guarantees-loans-2/export-credit-guarantees/terms-and-conditions/">see <u>http://invega.lt/en/home/guarantees/individual-guarantees-loans-2/export-credit-guarantees/terms-and-conditions/</u></a>).</p>
<b>Requirement for a national's participation</b>	Exported goods must be of Lithuanian origin (otherwise guarantees by INVEGA will not be provided).



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## 2.6. INVESTMENT FUNDS

Respective legal acts that implement, among others, the directive on Undertakings for Collective Investment in Transferable Securities (the “UCITS Directive”) and Alternative Investment Funds Managers Directive (the ‘AIFMD”), set out the legal requirements for the operation and management of investment funds, as well as the principles for their supervision in all three Baltic States.

Investment funds and investment companies with variable capital established for the sole purpose of accumulating funds and investing such funds collectively into various assets are referred to as collective investment undertakings in Lithuania. Collective investment undertakings may be either managed externally by licensed management companies, or internally – by management bodies of collective investment undertakings.

The Law on Collective Investment Undertakings provides for two types of collective investment undertakings which can be publicly offered to retail investors in Lithuania: harmonized collective investment undertakings, which may invest only in a restricted range of assets, principally transferable securities, and must satisfy strict diversification requirements, but they may be publicly offered in any EU state (known as UCITS in the EU); and collective investment undertakings with more flexible diversification requirements which, however, are of limited distribution as they may not be publicly offered in other EU states (known in Lithuania as special collective investment undertakings). Categories of these collective investment undertakings are: real estate collective investment undertakings, private capital collective investment undertakings, collective investment undertakings investing in securities, collective investment undertakings investing in other collective investment undertakings.

As far as UCITS are concerned, there are two primary types, i.e. collective investment undertakings registered in Lithuania (“Domestic collective investment undertakings”), and collective investment undertakings registered in foreign jurisdictions, with permission to sell investment units in Lithuania (“Foreign collective investment undertakings”).

The Law on Collective Investment Undertakings Intended for Informed Investors determines a legal framework for alternative collective investment undertakings intended for informed investors (investors that meet certain criteria). The law expands the choice of legal forms for investment undertakings managing funds for informed investors – they are not only able to function as public or private limited liability companies but as partnerships as well. Funds for informed investors are also provided with a wider choice of possibilities as to what assets to invest in and how to manage investment risk. In addition, a Law on Managers of Collective Investment Undertakings Intended for Professional Investors sets out requirements for the managers of alternative collective investment undertakings intended for professional investors. This law implements AIFMD in Lithuania. Currently, the law provides that alternative collective investment undertakings managed under the Law on Managers of Collective Investment Undertakings Intended for Professional Investors may be offered to professional investors only. However, a review of this law is undergoing. It is targeted at making the legal regulation on collective investment undertakings more flexible and efficient, introducing new possibilities to national and EU alternative collective investment undertakings and reducing the administrative burden for collective investment undertakings. It is expected that as a result, a Law on Managers of Collective Investment Undertakings Intended for Professional Investors will be amended so that collective investment undertakings that are available to market to professional investors, will be also available to market to retail investors. It is expected that review will be completed by the end of 2018.

The Bank of Lithuania is the supervising and regulatory authority for all collective investment undertakings and their management companies in Lithuania.

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## 2.7. FREE/ SPECIAL ECONOMIC ZONES

Features	Lithuania
<b>Purpose</b>	<p>A free economic zone (FEZ) is a territory designated for the purpose of economic-commercial and financial activities where companies enjoy preferential economic and legal conditions for their operation. Each FEZ is established by a separate law.</p> <p>Currently there are six FEZs operating in the following cities of Lithuania: Kaunas, Klaipėda, Kėdainiai, Marijampolė, Panevėžys and Šiauliai.</p>
<b>Regulation</b>	<p>In order to conduct operations in a Free Economic Zone, a company must comply with the Lithuanian Law on Free Economic Zones.</p> <p>i) determine the optimum FEZ in Lithuania for the business; ii) evaluate the eligibility of the project; iii) draft a detailed business plan fulfilling the Lithuanian registration requirements; and register the company with the relevant government body.</p>
<b>Taxation</b>	<p>Businesses choosing to locate at these zones enjoy 0% corporate profit tax during their initial 10 years of operation and only 7.5% tax over the next 6 years. Also no tax on dividends and real estate tax.</p> <p>*Conditions apply</p>

### 3. TAX REGIME

#### 3.1. GENERAL INFORMATION

Features	Lithuania
<b>Tax Authority</b>	State Tax Inspectorate and Lithuanian Customs
<b>Most common state taxes</b>	<ul style="list-style-type: none"><li>• Personal income tax (PIT);</li><li>• Corporate income tax (CIT);</li><li>• Social security contributions;</li><li>• Compulsory health insurance contributions;</li><li>• Value added tax (VAT);</li><li>• Land and real estate taxes;</li><li>• Customs duties;</li><li>• Excise duties;</li><li>• Lottery and gaming tax.</li></ul> <p>There are further natural resource taxes, environmental charges, state duties and other taxes and tax-like measures, which are not considered here.</p>
<b>Tax regime specific features</b>	<p>The Lithuanian tax system has a relatively low corporate income tax rate – a flat rate of 15%, and dividends paid by a Lithuanian company to a foreign company are exempt from taxation (certain restrictions apply).</p> <p>Also, there are attractive tax incentives to Lithuanian companies such as:</p> <ul style="list-style-type: none"><li>• Investment project incentive;</li><li>• Tax relief for research and development;</li><li>• Tax relief for funds granted to film production;</li><li>• Free economic zones incentive.</li></ul>
<b>Binding rulings</b>	<p>Binding rulings or / and advance pricing agreements may be issued by the tax authority in respect of the future transactions (except the amount of taxes due).</p> <p>Binding rulings and advance pricing agreements with certain exceptions are mandatory for the Lithuanian tax authorities, but not mandatory for the tax-payers.</p>
<b>General anti-tax avoidance system</b>	<p>General anti-avoidance rules, i.e. the principle of ‘substance over form’, are established in the Law on Tax Administration.</p> <p>Special anti-avoidance rules concerning transfer pricing are fixed in certain tax laws (concerning CIT, PIT, and VAT). Controlled foreign company (CFC) rules and thin capitalization rules are effective in Lithuania as well.</p>

## 3.2. BUSINESS TAXATION

### 3.2.1. Corporate Income Tax (CIT)

Features	Lithuania
<b>Tax rates on earned profits</b>	<ul style="list-style-type: none"><li>• The standard CIT rate is 15%.</li><li>• The reduced CIT rate of 5% applies to:<ul style="list-style-type: none"><li>i. small entities which meet certain conditions (average number of employees does not exceed 10 and income during the tax period does not exceed EUR 300,000). During the first tax period after establishment such entities may be eligible for a reduced CIT rate of 0% if:<ul style="list-style-type: none"><li>a) all the participants of an entity are natural persons; and</li><li>b) an entity shall execute its activities not shorter than 3 subsequent tax periods in a row;</li></ul></li><li>ii. cooperative entities involved into agricultural activities (certain conditions apply).</li></ul></li></ul> <p><b>Innovation Box regime:</b> as of 1st January 2018, Lithuania introduced reduced 5% CIT rate for profits from the use or sale of the products/property created by an entity in its research and development activities (including royalties and compensation for violation of intellectual property rights). For the purposes of these provisions, property is understood as a copyrighted program or an invention meeting the patentability criteria (novelty, level of invention and industrial applicability), protected by patents or supplementary protection certificates issued by the European Patent Office in the country of the European Economic Area. These provisions shall also apply in cases where the products / property created by the entity are used under an exclusive license.</p> <p>The reduced CIT rate of <b>0%</b> also applies to entities that:</p> <ul style="list-style-type: none"><li>i. employ certain groups of people eligible for social support;</li><li>ii. are established in a free economic zone and meet certain conditions (in terms of invested amounts and activities): such companies pay CIT at a rate of 0% for the first ten taxable years and are subject to a 50% reduced CIT rate for the next six subsequent years.</li></ul>
<b>Tax rates on dividends</b>	15% on gross amount upon distribution.
<b>Taxable persons</b>	<ul style="list-style-type: none"><li>• Lithuanian entities (companies and other legal bodies);</li><li>• Permanent establishments of non-resident entities;</li><li>• Non-residents with Lithuanian source income;</li><li>• European company (SE), if registered in Lithuania.</li></ul>

<b>Taxable persons</b>	<ul style="list-style-type: none"> <li>• Latvian entities (companies and other legal bodies);</li> <li>• Permanent establishments of non-resident entities;</li> <li>• Non-residents with Latvian source income; European company (SE), if registered in Latvia.</li> </ul>
<b>Exemptions</b>	<p>Dividends paid to a legal entity are tax exempt if a legal entity holds continuously at least for 12 months, including the moment of distribution of dividends, not less than 10% of voting shares in a Lithuanian legal entity.</p> <p>Dividends received from a foreign entity, registered in an EEA member state and which profit is subject to profit tax or equivalent tax, are tax exempt.</p> <p>Dividends received from a foreign entity which is not registered in an EEA member state are exempt if a Lithuanian legal entity controls for an uninterrupted period of at least 12 months (including the moment of distribution of dividends), at least 10% of voting shares and its profit is subject to profit tax or equivalent tax.</p> <p>Exemptions are not applied if the payer of dividends or the entity that receives dividends is registered or otherwise organised in a tax haven jurisdiction.</p> <p>Law on CIT sets limitations on tax exemption applicable to intra-group dividend distributions (i.e. participation exemption). Lithuanian participation exemption on dividends distributed to foreign (EU and EEA) holding companies and dividends received from foreign subsidiaries would not apply if it would be established that changes in structure of group companies have been put in place only for obtaining this tax exemption advantage, i.e. they are not genuine having regard to all relevant facts and circumstances, not put into place for valid commercial reasons which reflect economic reality. Such dividends shall be taxed at 15% CIT rate at source.</p>
<b>Tax losses</b>	<p>Losses may be carried forward for an indefinite period of time. However, such carry forward is discontinued if the legal entity ceases to carry out the activity which caused the losses, except for cases when the losses were incurred for reasons beyond control of the legal entity.</p> <p>Taxable profit in the carryover years may only be reduced, however, by 70% of the pre-carryover profit (except for small entities that are subject to a special reduced CIT rate of 5%). Accumulated tax losses in excess of the 70% limit can be further carried forward indefinitely.</p> <p>Current-year operating losses can be transferred to another legal entity of the same group under certain conditions.</p> <p>As opposed to general business losses, excess losses incurred from trading in securities and / or financial derivatives may be carried forward over the five subsequent years by most businesses, although they can be carried over indefinitely by financial institutions.</p>
<b>Allowances</b>	<p>Allowable deductions include all the usual costs that are actually incurred for the purpose of earning income or deriving economic benefit.</p> <p>However, some allowable deductions are limited to a certain extent, e.g., depreciation or amortisation costs of fixed assets, costs of business trips, natural losses, bad debts, etc.</p> <p>The costs of scientific research and experimental development, except for depreciation or amortisation of fixed assets, can be deducted three times from the income in the tax period during which they were incurred (exceptions apply).</p>

<b>Tax base</b>	<p>A Lithuanian entity is subject to tax on its worldwide income. However, income from activities carried out through the permanent establishment of a Lithuanian entity in an EEA member state or a state with which Lithuania has an effective double taxation treaty is not attributed to the base if such income is subject to CIT or equivalent tax in that country.</p> <p>A foreign entity operating in Lithuania through a permanent establishment is subject to tax on income attributed by its permanent establishment in Lithuania.</p> <p>Also, particular income of a foreign entity that is not operating in Lithuania through the permanent establishment is taxed at the source (withholding tax), e.g., dividends, interest, etc.</p>
<b>Capital gains</b>	<p>Capital gains are taxed at the rate of 15%.</p> <p>A Lithuanian entity or a foreign entity operating through a permanent establishment in Lithuania is exempt from taxation of capital gains resulting from a transfer of shares if the following requirements are met:</p> <ul style="list-style-type: none"> <li>• the entity held more than 10% of voting shares in the entity that is registered or otherwise organised in an EEA member state or in a country with which Lithuania has concluded an effective treaty for the avoidance of double taxation and that is subject to CIT or equivalent tax; and</li> <li>• shares were held for an uninterrupted period of at least two years or, if the shares were transferred during a reorganization, for an uninterrupted period of at least three years.</li> </ul> <p>This relief will not be applied if the entity transferring the shares transfers them to the issuer.</p>
<b>Filing and payment requirements</b>	<p>The tax period is a tax year. Generally, a tax year is a calendar year. However, at the request of the company, the tax administrator may set other tax period equal to 12 months. Tax period may be changed only for objective reasons with the consent of the tax administrator.</p> <p>The annual return after the end of the tax period must be submitted and tax must be paid by 15th of June of the following tax period.</p> <p>Advance CIT must be paid if an entity's taxable income for the previous tax period exceeded EUR 300,000). Advance payments must be paid by the last day of each quarter of the tax period, while the advance payment for the last quarter of the tax period must be paid by the 15th day of the last month of that quarter.</p>
<b>Thin capitalization</b>	<p>The debt to equity ratio under Lithuanian thin capitalisation rule is 4:1 (where 4 is ratio for the controlled debt and 1 – for the equity). Interest on the debt, exceeding the specified ratio, would be non-deductible for CIT purposes.</p> <p>These provisions would not apply if Lithuanian company can prove that the same loan under the same conditions would have been granted by a non-related party.</p>

<b>Transfer pricing</b>	<p>There are special provisions based on the arm's length principle which should be followed. Transactions conducted between associated persons should be carried out at market rates. Transfer pricing regulation is based on the OECD guidelines on transfer pricing rules.</p> <p>Companies must prepare full Transfer pricing documentation for related party transaction if:</p> <ul style="list-style-type: none"> <li>• Sales income of the Lithuanian company or foreign company's PE in Lithuania in the previous tax year exceeded EUR 2,896,200; or</li> <li>• It is a financial company, credit institution or insurance company.</li> </ul>
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### 3.2.2. Value Added Tax (VAT)

The VAT system in Lithuania is based on the Council Directive 2006/112/EC (recast of the Sixth Directive of the Council of the European Communities (77/388/ECC)). Taxable transactions are the supply of goods and provision of services, VAT applies also to imported goods or the acquisition of goods from another EU member state. For some cases tax base also includes certain actions carried out for no consideration e.g. giving business gifts and private use of business assets.

<b>Taxable persons</b>	<p>Any resident person conducting business in Lithuania with annual taxable supplies exceeding the relevant threshold is required to register as a VAT payer.</p> <p>The VAT registration thresholds are:</p> <p>Annual taxable supplies over EUR 45,000. Residents with annual supply below the VAT registration threshold may choose to register voluntarily for VAT.</p> <p>Foreign entities effecting VAT taxable supplies in Lithuania have the obligation to register for VAT purposes (no threshold is established).</p> <p>In case of the acquisition of goods in Lithuania from another EU member state, the obligation for a VAT taxable person or legal person that is not a VAT taxable person to register as a VAT payer in Lithuania occurs if the annual amount of VAT taxable goods acquired from the other EU member state exceeds EUR 14,000) or it is foreseeable that the value of such goods will exceed that amount in the current year.</p>
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<b>Tax rates</b>	<p>The standard VAT rate is <b>21%</b> in Lithuania.</p> <p>The reduced VAT rate is <b>9%</b> for:</p> <ul style="list-style-type: none"> <li>• Heating energy supplied for the heating of living premises (including heating energy transmitted via hot water supply systems);</li> <li>• Books and non-periodical publications;</li> <li>• Newspapers, magazines, other periodical publication;</li> <li>• Passenger transportation over regular routes services, etc.</li> </ul> <p>The reduced VAT rate is <b>5%</b> for:</p> <ul style="list-style-type: none"> <li>• disabled persons' technical assistance items and repair of such items;</li> <li>• medicines and medical aid measures where the costs of acquiring these goods are fully or partially reimbursed in accordance with the procedure established by the Law on Health Insurance, as well as to non-compensated prescription medicines.</li> </ul> <p>The reduced VAT rate is 0% for a number of exceptional supplies, including exports, intra-community supply and supply of aircraft operating on international routes, etc.</p>
<b>Exemptions</b>	<p>The standard VAT rate is 21% in Lithuania.</p> <p>Some types of goods and services are not subject to VAT, e.g., certain health and social services, insurance services and sale of real estate (exceptions apply) are exempted in Lithuania. Further exemptions include:</p> <ul style="list-style-type: none"> <li>• postal services;</li> <li>• services for the protection of children;</li> <li>• transportation of sick, injured or disabled persons;</li> <li>• leasing and letting of real estate (exceptions apply);</li> <li>• education and training services;</li> <li>• cultural and sports services;</li> <li>• radio and television;</li> <li>• financial services;</li> <li>• betting, gambling and lotteries;</li> <li>• sale of real estate.</li> </ul> <p>The VAT exemption is not applicable to:</p> <ol style="list-style-type: none"> <li>I. new buildings;</li> <li>II. land plots together with a new building; and</li> <li>III. land plots developed for construction of a new building.</li> </ol>

<b>Filing and payment requirements</b>	<p>The VAT tax period for a VAT liable person is a calendar month. Returns (Form FR0600) must be completed and the VAT paid monthly by the 25th of the following month.</p> <p>If a tax period is a calendar half-year, the VAT return shall be submitted not later than by the 25th day of the first month of the following half-year.</p>
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### 3.2.3. Other Taxes

<b>Features</b>	<b>Lithuania</b>
<b>Real estate tax</b>	<p>Tax is imposed on real estate (except for land) located in Lithuania and owned or obtainable by:</p> <ul style="list-style-type: none"> <li>• Lithuanian or foreign entities; or</li> <li>• Lithuanian or foreign individuals.</li> </ul> <p>The annual rate is set every year by the local municipality in the range of 0.3% to 3% of the taxable value of the real estate.</p> <p>The taxable value is established by a competent authority under the mass valuation method (exceptions apply).</p> <p>If an individual transfers the real estate to a legal entity for its use for a period longer than one month, the real estate tax should be paid by the legal entity.</p> <p>An exemption is applicable for real estate owned by an individual if the value of the individual's property does not exceed EUR 220,000. Real estate tax is calculated on the exceeding value applying the following rates:</p> <ul style="list-style-type: none"> <li>• 0.5% for the value exceeding EUR 220,000, but not exceeding EUR 300,000;</li> <li>• 1% for the value exceeding EUR 300,000, but not exceeding EUR 500,000;</li> <li>• 2% for the value exceeding EUR 500,000.</li> </ul> <p>Higher amounts apply for the individuals having 3 or more under-age or disable children.</p>
<b>Land tax</b>	<p>Land tax is imposed on the land owned by legal entities and individuals.</p> <p>The annual land tax rate is set every year by the local municipality in a range from 0.01% to 4% of the taxable value of the land.</p>

<b>Excise taxes</b>	<p>Lithuania has transposed the Energy Taxation Directive into its legislation.</p> <p>Goods subject to excise duty are:</p> <ul style="list-style-type: none"> <li>• ethyl alcohol and alcoholic beverages;</li> <li>• tobacco;</li> <li>• energy products;</li> <li>• electrical energy.</li> </ul> <p>Other products become subject to excise duty if they are sold or used as motor fuel or additives.</p> <p>Excise duty rates vary depending on the classification of the product.</p>
<b>Capital taxes</b>	None
<b>Gambling tax</b>	<p>Gambling tax is imposed on amounts received from lottery, promotional lottery, toto (totalizator + betting), remote gambling and tournaments of game of chance. Tax is charged also on gambling tables and machines used for games of chance and games of skill located on licensed premises. Tax is paid by authorised operators. Tax rates vary.</p>
<b>State-owned land lease tax</b>	<p>Tax is imposed on land held by the State and leased to legal entities and individuals. The annual rate of the said tax varies from 0.1% to 4% of the taxable value of the land, which is calculated according to the methodology approved by the Lithuanian Government.</p>

### 3.3. TAXATION OF RESIDENTS

#### 3.3.1. Personal Income Tax (PIT)

Features	Lithuania
<b>Tax residence rules</b>	<p>An individual is considered to be a tax resident in Lithuania if at least one of the following conditions is met:</p> <ul style="list-style-type: none"><li>• The person has a permanent place of residence in Lithuania during the calendar year;</li><li>• The person's place of personal, social or economic interests are in Lithuania rather than in a foreign country during the calendar year;</li><li>• The person has stayed in Lithuania for 183 or more days during the calendar year;</li><li>• The person has stayed in Lithuania for 280 or more days during two consecutive calendar years, and in one of the years the individual stayed 90 or more days; or</li><li>• The person is a citizen of Lithuania who, although not physically resident in Lithuania, receives remuneration under an employment contract (or a contract in its essence corresponding to an employment contract) with Lithuania, or whose costs of living in another country are covered from the state budget or municipal budgets of Lithuania.</li></ul>
<b>Tax base</b>	<p>Residents are subject to tax on their worldwide income such as: employment income, interest, royalties, benefits in kind, gifts, rental income, etc.</p> <p>For individuals who execute individual business activities PIT shall be paid from the total amount of taxable profit earned. A self-employed person may choose to recognize 30% of income received from individual business activity as allowed deductions.</p>
<b>Allowances</b>	<p>Taxable income is calculated by deducting certain sums from the income.</p> <p>Non-taxable income:</p> <ul style="list-style-type: none"><li>• Income from the sale or other transfer into ownership of movable property that is legally registered in Lithuania or within an EEA member state if such property is acquired more than three years prior to its sale;</li><li>• Income from the sale or other transfer into ownership of immovable property that is located in Lithuania or within an EEA member state if such property was acquired more than 10 years prior to its sale;</li><li>• Capital gains derived from the sale of securities during the calendar year not exceeding EUR 500 (additional requirements apply);</li><li>• Certain benefits under life insurance contracts (additional requirements apply);</li><li>• Allowances paid from the State budget, Municipal and State Social Insurance Fund budgets, except for sickness, maternity and maternity / paternity allowances, etc.</li></ul> <p>Tax exempt amount:</p> <ul style="list-style-type: none"><li>• Monthly and annual tax exempt amounts are set. Tax exempt amount of EUR 380 (EUR 4,560 per year) or less could be applied to Lithuanian tax residents' employment related income that does not exceed minimum monthly salary (EUR 400 on 2018) per month or 12 minimum monthly salaries per year, i.e. EUR 4,800 on 2018. If the individual receives larger amounts of income, the tax exempt amount is reduced proportionally.</li><li>• The additional amounts will be applied to Lithuanian tax residents having children.</li></ul>

	<p>Lithuanian tax residents also are allowed to make the following deductions (certain restrictions apply):</p> <ul style="list-style-type: none"> <li>• Life insurance premiums paid under life insurance contracts;</li> <li>• Pension contributions paid to pension funds;</li> <li>• Payments for training or studies, etc.</li> </ul> <p>Additionally, since 1 January 2019 Lithuanian tax residents will be allowed to deduct:</p> <ul style="list-style-type: none"> <li>• amounts paid for the decoration and any repairs of buildings and other structures;</li> <li>• amounts paid for provided car repair services;</li> <li>• amounts paid for provided care services for under-age children, when these services are provided by the tax payer registered in Lithuania.</li> </ul>
<b>Tax rate</b>	<p>Income derived by individuals is generally subject to PIT at a standard flat rate of 15%. Further tax credits for individual business activities and exemptions apply.</p> <p><b>Since 1 January 2019</b>, progressive rates of PIT on employment related income will be introduced. They will depend on the amount of employee's income received and will be 20% and 27% (instead of 15%). The rate of 27% will be applicable only for the amount of employment related income exceeding 120 average salaries (on 2019 it should be approx. EUR 140,000 per year).</p> <p>Other income, excluding employment related, income from dividends and income derived from individual business activities (for these income 15% rate applies always), will be taxed at a PIT rate of 15% on the amount not exceeding 120 average monthly salaries (approx. EUR 140,000). For the exceeding amount 20% PIT rate will be applicable.</p>
<b>Filing and payment requirements</b>	<p>A person's income for PIT purposes is divided into two classes: class A and class B. Regarding the class of income, the requirements for filing tax returns and payment of PIT vary.</p> <p>If class A income is paid, the subject paying out that income is obliged to compute, withhold and pay PIT. PIT calculated on class B income is paid by the individual.</p> <p>If an individual is carrying on individual business activity, all the reporting and tax payment obligations arise to that person personally.</p>
<b>Taxable period</b>	<p>Calendar year.</p>

### 3.3.2. Social Security Contributions

Features	Lithuania
<b>Contributions</b>	<p>Employment related income contributions' rates <b>until 1 January 2019</b>:</p> <p>30.48% employer's contribution, paid on the top of the gross salary amount; 9% employee's contribution, withheld from the gross salary by the employer; 0.2% employer's contributions to Guarantee Fund, paid on the top of the gross salary amount; 0.5% employer's contributions to Long-Term Employment Fund, paid on the top of the gross salary amount.</p> <p>Employment related income contributions' rates <b>since 1 January 2019</b>:</p> <p>1.47% employer's contribution, paid on the top of the gross salary amount; 19.5% employee's contribution, withheld from the gross salary by the employer; 0.16% employer's contributions to Guarantee Fund, paid on the top of the gross salary amount; 0.16% employer's contributions to Long-Term Employment Fund, paid on the top of the gross salary amount.</p> <p>Self-employed individuals engaged in individual business activities are obliged to pay 28.9% social insurance contributions. In regard to income derived from individual business activities, a 9% rate of health insurance contributions is set.</p> <p>The taxable base is equal to 50% of taxable income generated from individual activity. However, the taxable base cannot exceed amounts specified in Lithuanian laws (EUR 22,643.60 per year for 2018).</p> <p>Contributions rates applicable to other groups of insured individuals vary.</p>
<b>Other</b>	None

### 3.4. TAXATION OF NON-RESIDENTS

Features	Lithuania
<b>General</b>	Non-residents (individuals and legal entities) have limited tax liability in Lithuania – only source income is taxed. The current section does not apply if business is conducted through a permanent establishment of a foreign entity or through a fixed base of the individual.
<b>Capital gain</b>	<p>Income tax is charged on capital gains arising from:</p> <ul style="list-style-type: none"> <li>• the transfer of real estate located in the territory of Lithuania;</li> <li>• the transfer of movable property which is subject to legal registration under the legal acts of Lithuania and where it is (or must be) registered in Lithuania.</li> </ul>
<b>Withholding taxes</b>	<p><b>Dividends</b> are subject to withholding tax unless the participation exemption applies. The tax rate is 15% in Lithuania.</p> <p><b>Interest</b> paid to a non-resident legal entity is subject to 10% withholding tax, except for certain types of interest. Interest paid to a foreign legal entity is not subject to withholding tax provided this entity is registered in an EEA member state or in the country which has an effective agreement to avoid double taxation with Lithuania.</p> <p>Interest paid to a non-resident individual is subject to a 15% withholding tax until 1 January 2019. Since 1 January 2019, interest not exceeding 120 average monthly salaries (approx. EUR 140,000) will be taxed at a PIT rate of 15% and the exceeding amount will be taxed at a PIT rate of 20%.</p>
<b>Royalties</b>	<p>Royalties and compensations for violation of copyright or related rights paid to non-resident legal entities are subject to 10% withholding tax under Lithuanian domestic law. However, royalties and compensations for violation of copyright or related rights paid by a Lithuanian entity to foreign entities, registered in an EU member state, are not subject to the withholding tax, provided that a Lithuanian entity and a foreign entity have been associated companies for no less than two years.</p> <p>Royalties and compensation for violation of copyright or related rights paid to non-resident individuals are subject to 15% withholding tax in Lithuania.</p> <p>The following income of non-resident individuals is also subject to 15% withholding tax in Lithuania: annual bonuses to board and supervisory board members, income from the rent of immovable property located in Lithuania, employment related income, income from sports activities and income from performing activities.</p> <p>The following income of legal entities is also subject to 15% withholding tax in Lithuania: income from performing activities and sport activities carried out in Lithuania, and annual bonuses to members of a supervisory board.</p>
<b>Tax treaties</b>	Lithuania has double taxation avoidance treaties with more than 50 countries. Generally, the double taxation treaties are based on the OECD Model Convention on Income and Capital.



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## 4. FINANCIAL FACILITIES

### Financial system / Banking system

According to the Law on Financial Institutions, a financial institution is a financial undertaking or a credit institution. A financial undertaking is a Lithuanian undertaking or an establishment of a foreign state's undertaking operating in Lithuania in accordance with the laws regulating the provision of financial services and activities of financial institutions, and mainly engaged in the activities of provision of one or more financial services, provided that it is not a credit institution.

All financial institutions operate in at least one of the following markets:

- credit and payments market;
- insurance market;
- market in financial instruments.

Features	Bank Account
<b>Requirements for opening a bank account</b>	<p>There is no requirement for an investor to open and maintain a bank account in Lithuania.</p> <p>Documents to be submitted for opening of an account:</p> <ul style="list-style-type: none"><li>• card of signature and stamp samples (to be completed at a bank office);</li><li>• certificate of registration or an extract from the national register;</li><li>• constitutional documents of the person (e.g., articles of association);</li><li>• documents evidencing representation rights (empowered persons are supposed to have valid passports and, where possible, company stamps).</li></ul> <p>All the above mentioned documents, in case they are foreign documents drawn in a language other than Lithuanian, must be:</p> <ul style="list-style-type: none"><li>• legalized (validated) or certified by Apostille;</li><li>• translated into the Lithuanian language (the translator's signature is to be approved by a translation bureau or a notary public);</li><li>• copies of documents must be certified by a notary public.</li></ul> <p>By implementation of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, the customer (legal person) will commonly have to complete a legal person's application form and a form regarding the actual owner (beneficiary) of the account funds.</p> <p>A natural person opening a bank account as a general rule will have to provide the bank with a document evidencing his/her identity (e.g., passport or ID card), and a completed application form established by the bank.</p>

<b>Restrictions on investor's use of the account</b>	The laws do not impose any specific restrictions on the use of an investor's bank accounts. Certain restrictions may be imposed by the bank with which a bank account is opened.
<b>Bank loans</b>	<p>There are no restrictions in general prohibiting the provision of loans to foreign investors. However, certain requirements imposed by banks themselves or on banks by the regulator may in fact prevent the issuance of a loan.</p> <p>This may include a case where a bank is not able to establish the identity of the client or beneficiary of a transaction (the actual investor), as is required by the Law on the Prevention of Money Laundering and Terrorist Financing, to establish creditworthiness of the investor or duly evaluate the financial standing of the investor, etc. It is likely that an investor will not be able to receive a bank loan if it does not have a bank account, does not operate financial activities in Lithuania or does not own real estate or any other property in compliance with the requirements of the bank.</p>

## Financial system

The Lithuanian financial system is dominated by the bank sector and is supervised by the Bank of Lithuania, which is the central bank of the Republic of Lithuania.

Participants of the financial system include: i) commercial banks, ii) credit unions, iii) the Central Credit Union, iv) electronic money institutions and agents of electronic money institutions, v) payment institutions and agents of payment institutions, vi) operators of crowdfunding platform, vii) consumer credit providers and intermediaries, viii) operators of peer-to-peer lending platform, ix) currency exchange operators, x) lenders, operators of peer-to-peer lending platform, credit intermediaries operating in accordance with the Law on Real Estate related Credit, xi) insurance companies (i.e., life assurance companies, non-life insurance companies), xii) reinsurance companies, xiii) (re)insurance intermediaries, xiv) capital market participants (i.e., financial brokerage firms and dependent agents of financial brokerage firms, financial advisors companies, management companies, collective investment undertakings, foreign collective investment undertakings, investment holding companies, operators of regulated market, information about transactions service providers, benchmark administrators, supervised providers of data, depositaries, operators of payment systems and securities settlement systems), xv) pension funds (i.e., second pillar pension funds, third pillar pension funds).

## Banking system

The Lithuanian banking system is decentralised and consists of a number of commercial banks. As of 1 November 2018, there were six commercial banks licensed in the Republic of Lithuania, eight foreign bank branches, 339 EU banks providing cross-border services in Lithuania without a Lithuanian branch, the Lithuanian Central Credit Union and 66 credit unions operating in Lithuania.

## 5. EXCHANGE CONTROLS

### 5.1. BUSINESS TRANSACTIONS WITH NATIONALS, RESIDENTS OR NON-RESIDENTS

Features	Lithuania
<b>Definitions of nationals, residents and non-residents</b>	<p>Lithuanian nationals are natural persons who hold Lithuanian citizenship.</p> <p>In Lithuania, a resident is defined as a foreign individual that has a permanent or a long term residence permit to live in the Republic of Lithuania. A non-resident is a person who does not belong to either of the above groups, i.e. in most cases it is a person from a non-EU member state who does not have a residence permit and has not applied for asylum.</p>
<b>Restrictions on conducting business with nationals, residents, non-residents</b>	<p>In general, there are no restrictions on conducting business with nationals, residents or non-residents, however, the parties must ensure that the business transaction complies with the applicable requirements of legal acts.</p> <p>Prior to conducting business with foreign countries, it should be checked whether there are any international sanctions imposed (e.g., by the UN, EU, OSCE and other international organizations) and any prohibitions or restrictions originating from them.</p>
<b>Reporting requirements</b>	<p>Specific reporting requirements may be established depending on a sector in which a legal entity operates or the type of legal entity, e.g., specific reporting requirements are established for credit institutions, air operators, etc.</p>
<b>Loans from Nationals, Residents or Non-Residents</b>	<p>There are no restrictions prohibiting an investor from receiving loans from nationals, residents or non-residents in Lithuania.</p> <p>Lithuanian legal entities have an obligation to report and register with the Bank of Lithuania any loans received from foreign countries, if such loans are not guaranteed by the state, and any loans granted to foreign persons.</p>

### 5.2. MONEY TRANSFER

Features	Lithuania
<b>Determination of exchange rates</b>	<p>The Euro is the valid currency in Lithuania as from 1 January 2015.</p>
<b>Restrictions on the transfer of money into or out of the country (hard currency)</b>	<p>There are no specific restrictions on transferring currency into or out of any of the Baltic States.</p> <p>Each natural person entering or leaving the EU and carrying money in cash (including checks, promissory notes and money orders) amounting to EUR 10,000 or more shall declare that sum to the competent authorities of the member state through which he/she is entering or leaving.</p>
<b>Restrictions on the remittance of profits abroad</b>	<p>There are no restrictions prohibiting the transfer of profits to foreign countries. After paying all taxes as required under the laws, an investor may transfer its profit to another country without any restrictions.</p>

<b>Reporting requirements</b>	Legal entities whose profits from commercial activities are taxable in accordance with the Law on Income Tax may need to present income tax declarations and reports.
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## 6. ESTABLISHING A BUSINESS

Foreign investors interested in starting commercial operations in Lithuania have three main possibilities to conduct cross border business:

- establishing a local subsidiary;
- establishing a representative office or a branch of a foreign company;
- providing cross-border services.

The freedom to provide cross border services, set out in article 56 of the Treaty on the Functioning of the EU, enables an economic operator providing services in one EU member state to offer services on a temporary basis in another EU Member State, without the requirement of having to be established. Nevertheless, some exceptional requirements apply for providing a specific type of services, for example, financial services.

If a foreign company wishes to permanently offer goods or services in its own name in the Baltic States, it may open a representative office, a branch or establish a subsidiary in any or all of the countries. A representative office and a branch are not legal corporate entities separate from the foreign company, whereas a subsidiary is a separate legal entity.

The company laws of all Baltic States are based on the continental European civil law model and have been influenced by the German legal system. The basic principles of entrepreneurial activity are set out in relevant laws and are in accordance with the best European traditions and standards.

### 6.1. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

#### 6.1.1. Alien Business Law

Foreign law may be applied to civil relationships where it is so provided for by international treaties or agreements between the parties or the laws of Estonia, Latvia and Lithuania.

Local and EU law is applicable for business activities performed in Lithuania.

#### 6.1.2. Government Approvals, Licenses and Permits

Features	Lithuania
<b>Requirements to obtain government approvals, licences and permits</b>	In Lithuania, government approvals may be required, depending on the type of activities (e.g., credit institutions, electricity undertakings, etc.).
<b>Registration or reporting requirements</b>	Timeline to receive approvals, licences and permits.
<b>Fees involved</b>	Certain application fees are applicable. Legal advice fees should also be taken into account (if any).

<b>Application</b>	Typical forms of applications are used. The investor should present these completed applications with other necessary documents to the competent institutions.
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### 6.1.3. Environmental Regulations

In Lithuania, certain activities specified in legal acts are subject to Environmental Impact Assessment (EIA), Strategic Environmental Assessment (SEA), Integrated Pollution Prevention and Control (IPPC) or Pollution permit regulation. If a particular activity falls within a list specified in legal acts, the enterprise aimed to perform such activity should exercise EIA and (or) SEA procedures (the price of which is agreed in a separate private agreement with service providers) and (or) to gain an IPPC or Pollution permit for the issue of which a state fee should be paid.

### 6.1.4. Insurance

<b>Features</b>	<b>Lithuania</b>
<b>Regulation</b>	In general, there are no requirements for enterprises to carry insurance, except for enterprises which are involved in certain types of activities which require the mandatory coverage to be acquired.
<b>Mandatory insurance</b>	<p>Mandatory insurances are as from time to time determined by relevant laws in Lithuania.</p> <p>A non-exhaustive list of mandatory insurances for the followings persons is provided below:</p> <ul style="list-style-type: none"> <li>• vehicle owners (Motor 3rd Party Liability);</li> <li>• insurance brokers and dependent agents;</li> <li>• audit companies;</li> <li>• attorneys;</li> <li>• bailiffs;</li> <li>• notary public;</li> <li>• building designers;</li> <li>• contractors;</li> <li>• key researchers and clients of biomedical research;</li> <li>• health care entities for damages made to patients;</li> <li>• civil liability insurance and property insurance of warehouses;</li> <li>• asset evaluators;</li> <li>• aircraft possessors and carriers, etc.</li> </ul>
<b>State monopoly on insurance</b>	None

### 6.1.5. Governmental Participation

Features	Lithuania
<b>Governmental participation</b>	In Lithuania, the government does not seek to participate in the ownership of newly established private companies, irrespective of their area of activities.
<b>Governmental participation</b>	<p>The Government participates in certain existing companies specified by law, which are of significant importance for national security. These companies are divided into three categories under the law:</p> <ul style="list-style-type: none"> <li>• First category companies of strategic importance to national security are State companies, such as operators of roads, airports, sea port, water roads, state forests, public registers and several others – are fully under state control;</li> <li>• Second category companies of strategic importance to national security – energy transmission and distribution companies, sea port oil terminal, sea port liquefied natural gas terminal, railroads, state TV, and several others – must have more than 2/3 of their shares owned by the state, while minority shareholders must comply with mandatory requirements;</li> <li>• Third category companies of strategic importance to national security are several companies that have less than 2/3 of their shares owned by the state.</li> </ul>
<b>Investors' liability to partners, investors or others</b>	Requirements, rights and obligations of private investors participating in companies of such or similar status are subject to specific regulation.
<b>Restriction of thin capitalization</b>	None
<b>Tax consequences</b>	<p>The following subjects are exempt from CIT:</p> <ul style="list-style-type: none"> <li>• budgetary institutions;</li> <li>• the Bank of Lithuania;</li> <li>• the State and municipalities;</li> <li>• state and municipal institutions, agencies, services or organisations;</li> <li>• the state company “Deposit and Investment Insurance”;</li> <li>• European Economic Interest Groupings.</li> </ul>

## 6.2. FORMS OF BUSINESS ENTITIES

Type	Lithuania
<b>General information</b>	The most popular form of company in Lithuania is a private limited company (UAB in Lithuania). Public limited companies are less popular in Lithuania.
<b>Private limited company</b>	<i>Uždaroji akcinė bendrovė, UAB</i>
<b>Public limited company</b>	<i>Akcinė bendrovė, AB</i>
<b>Personal enterprise</b>	<i>Individuali įmonė</i>
<b>General partnership</b>	<i>Tikroji ūkinė bendrija or TŪB</i>
<b>Limited partnership</b>	<i>Komanditinė ūkinė bendrija or KŪB</i>
<b>Societas Europae</b>	<i>Europos bendrovė</i>
<b>European Economic Interest Grouping</b>	<i>Europos ekonominių interesų grupė</i>
<b>Commercial association / Co-operative company</b>	<i>Kooperatinė bendrovė</i>
<b>Other</b>	<ul style="list-style-type: none"> <li>• agricultural company (Žemės ūkio bendrovė or ŽŪB);</li> <li>• state enterprise (Valstybės įmonė);</li> <li>• municipal enterprise (Savivaldybės įmonė);</li> <li>• small partnership (Mažoji bendrija);</li> <li>• other structures for doing business in Lithuania are also possible, e.g., joint venture (jungtinė veikla).</li> </ul>

### 6.2.1. Private Limited Company

Features	Lithuania
<b>Type of entity</b>	Private limited company (Uždaroji akcinė bendrovė, UAB)
<b>Minimum authorized share capital</b>	EUR 2,500
<b>Maximum number of shareholders</b>	Unlimited
<b>Minimum number of shareholders (incorporators)</b>	One
<b>Liability of shareholders</b>	Shareholders are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions or other limited cases prescribed by the law.
<b>Formation of authorized capital</b>	Contributions may be monetary or in kind. The minimum authorized share capital shall be formed only by monetary contributions in Lithuania.
<b>System of corporate bodies</b>	<p>The obligatory corporate bodies are:</p> <ul style="list-style-type: none"> <li>• the general meeting of shareholders and</li> <li>• the head of the company (CEO).</li> </ul> <p>The optional corporate bodies are:</p> <ul style="list-style-type: none"> <li>• the supervisory board and / or</li> <li>• the board of directors.</li> </ul>
<b>Registration of shares</b>	The CEO is required to record information about shareholders in securities accounts and submit an updated information about the shareholders of the company to the Register of participants of legal entities (JADIS).
<b>Transfer of shares</b>	<p>In Lithuania, only fully paid-up shares may be transferred.</p> <p>Other shareholders have the right of pre-emption.</p> <p>In Lithuania, different methods of transfer of shares can be used depending on the type and form of the shares:</p> <ul style="list-style-type: none"> <li>• material shares and shares certificates are transferred by formal written endorsement on the share or certificate;</li> <li>• non-material shares are transferred by crediting the securities account of the purchaser and debiting the securities account of the seller.</li> </ul>



<b>Squeeze-out</b>	N/A
<b>Public trading in securities</b>	Prohibited
<b>Restrictions on thin capitalisation</b>	None
<b>Requirements for a Estonian, Latvian, Lithuanian or related state national to be a participant, manager or director</b>	None
<b>Audit</b>	<p>An audit of annual accounts by a sworn auditor is required if at least two of the below criteria are met:</p> <ul style="list-style-type: none"> <li>• Total balance is EUR 800,000</li> <li>• Net turnover is EUR 1 600,000</li> <li>• Annual average number of employees is 50.</li> </ul> <p>Annual financial statements of a private limited company must be audited if at least two of the following conditions are satisfied:</p> <ul style="list-style-type: none"> <li>• Net turnover is EUR 1.8 million;</li> <li>• The value of the assets in the balance sheet is EUR 3.5 million;</li> </ul> <p>Average number of employees in the year is 50 persons.</p>

### 6.2.2. Public Limited Company

<b>Features</b>	<b>Lithuania</b>
<b>Type of entity</b>	Public company (Akcinė bendrovė, AB)
<b>Minimum authorized sharecapital</b>	EUR 25,000
<b>Maximum number of shareholders</b>	Unlimited
<b>Minimum number of shareholders (incorporators)</b>	One
<b>Liability of shareholders</b>	Shareholders are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions or other cases prescribed by the law.

<b>Formation of authorized capital</b>	Contributions may be monetary or in kind. The minimum authorized share capital shall be formed only by monetary contributions in Lithuania.
<b>System of corporate bodies</b>	Obligatory corporate bodies are: <ul style="list-style-type: none"> <li>• The general meeting of the shareholders;</li> <li>• The head of the company (CEO) and</li> <li>• The supervisory board or the management board (at least one of these bodies).</li> </ul>
<b>Registration of shares</b>	It is mandatory in Lithuania to register shares in Central Securities Depository of Lithuania.
<b>Transfer of shares</b>	A shareholder who has a large majority of shares (95%) may apply to take over the shares belonging to the minority shareholders in return for fair monetary compensation.
<b>Public trading in securities</b>	Allowed
<b>Restrictions on thin capitalisation</b>	None
<b>Requirements for a Estonian, Latvian, Lithuanian or related state national to be a participant, manager or director</b>	None
<b>Audit</b>	An auditor is always obligatory for public limited companies in Lithuania.

### 6.2.3. Joint Ventures

<b>The Features of Joint Ventures</b>	
<b>Features</b>	<b>Lithuania</b>
<b>Concept</b>	The Lithuanian concept of joint venture means the cooperation of two or more persons (that may be either natural or legal persons) with their property, work or knowledge for a certain goal or certain activities which do not contravene the law.
<b>Registration or incorporation procedure</b>	A joint venture is established by entering into an agreement in writing. In particular cases established by laws, it may be necessary to sign the joint venture agreement in front of a notary public. There are no requirements to register such agreements in any of the registers; therefore, the negotiations on the terms and conditions of the joint venture agreement between the partners may be the most time-consuming part of the establishment procedure.
<b>Fees involved</b>	Only the costs of legal advisers and registration fees (if any) should be taken into account.

<b>Requirements for a national's participation</b>	None
<b>Investor's potential liability</b>	<p>The Law provides two different types of partners' joint contractual liabilities depending on the economic-commercial activities performed by each of the partner:</p> <p>i) if the agreement on a joint venture is not related to the economic-commercial activities of the partners, each partner will be liable under joint contractual obligations to the extent of all its property in proportion to its part of such obligations;</p> <p>ii) If the agreement on the joint venture is related to the economic-commercial activities of the partners, all the partners will be solidarily liable under the joint obligations, notwithstanding the grounds for appearance of such obligations.</p> <p>Under any joint non-contractual obligations, the partners will be solidarily liable.</p>
<b>Restrictions on thin capitalisation</b>	None
<b>Tax consequences</b>	<p>Particular taxation consequences should be determined on a case-by-case basis. In general, each member is taxed separately; however, operating costs involved in the calculation of taxable income are distributed proportionally to each member.</p> <p>European Economic Interest Groupings are not subject to CIT in Lithuania, but members of such group are so taxed.</p>

#### 6.2.4. Branches/Representative Offices

<b>The Features of Branches and Representative Offices</b>	
<b>Features</b>	<b>Lithuania</b>
<b>Timeline for establishment</b>	<p>Incorporation procedures may take about two weeks.</p> <p>The time necessary for preparation, signing and translation of the registration documents should also be taken into consideration.</p>
<b>Fees involved</b>	<p>Legal advisers' fees should be taken into account also (if any).</p> <p>Fees for a notary public and for registration must be taken into account.</p> <p>Considering that documents in foreign languages must be attached with their translations in the Lithuanian language, translation costs may be incurred as well.</p>

<b>Investor's potential liability</b>	A branch / representative office is not a legal person. The investor (founder of the branch / representative office) will be liable for the obligations arising from the activities of the branch / representative office.
<b>Restrictions on capitalisation</b>	None
<b>Requirements for a national's participation</b>	None
<b>Tax consequences</b>	Branches and representative offices established in the territory of Lithuania are treated as separate legal entities for the purpose of Lithuanian CIT.

### 6.3. ESTABLISHMENT PROCEDURES

As a general rule, the registration process takes a couple of weeks, but can be completed sooner. Incorporation of a public limited company in Lithuania may take more time.

Following enterprises and legal entities may be established electronically, if the typical incorporation documents are used and the name of the enterprise and / or legal entity is registered separately before the establishment:

- Private limited liability company (uždaroji akcinė bendrovė, UAB);
- Personal enterprise (individuali įmonė);
- Association (asociacija);
- Small partnership (mažoji bendrija);
- Public institution (viešoji įstaiga);
- Charity and support foundation (labdaros ir paramos fondas).

If the enterprise and / or legal entity is established electronically, it is not necessary to have the incorporation documents approved by a notary public and there is no need to visit the Register of Legal Entities, while these steps remain obligatory in case the enterprise and a legal entity is established in the usual way (through the notary).

A public limited liability company may not be established electronically.

<b>Necessary steps</b>	<b>General</b>	<b>Formalities</b>	<b>Costs</b>
<b>Choosing a business name</b>	The name is not registered separately and is protected from the moment of the company's registration. Temporary registration and protection of a name (for a period of six months) is possible. The business name must	Application to the Register of Legal Entities in case of temporary registration and protection of the name.	Stamp tax for preliminary registration of a company's name (if any) is EUR 16.22.

	<p>not violate public order or mislead the public (e.g. due to similarity to the names of other legal persons or the trademark thereof). A private limited company name must include the words uždaroji akcinė bendrovė or the abbreviation, UAB. A public limited company must include words akcinė bendrovė or the abbreviation, AB.</p> <p>Name of the company should correspond to rules of Lithuanian language, unless Lithuanian company is related to foreign company and such foreign company gives its consent to Lithuanian company to register a Lithuanian company's name which will be similar to a name of foreign company.</p>	<p>If the name of the company includes the word "Lietuva" (Eng., Lithuania) additional requirements stipulated in legal acts must be satisfied.</p>	
<b>Execution of the formation documents</b>	<p>The incorporators have to execute an incorporation agreement (in case of a sole incorporator – the act of incorporation) and sign the articles of association of the company. The company must be registered with the Register of Legal Entities within six months following the signing day of the articles of association and its approval by a notary public, otherwise the company will be deemed not to have been incorporated or within six months following the signing day of the articles of association if the legal entity is established by electronic means.</p>	<p>The document must be signed by all incorporators.</p> <p>Most of the legal entities can be established via electronic system. When a legal entity is established by electronic means, the incorporator shall have e-signature and sign the incorporation documents using e-signature.</p>	<p>The costs of notary public, translation costs, and legal advisers should be taken into account (if any).</p> <p>The notary fee depends on the amount of the share capital of the future company. The notary's fee for establishing a private limited company shall be not less than EUR 72.41 and not more than EUR 289.62</p>
<b>Opening a start-up account</b>	<p>An accumulative account has to be opened in a bank after signing of the incorporation agreement (act of incorporation).</p> <p>An accumulative account is opened solely for the purpose of collecting initial monetary funds of the authorised (share) capital of a company. After the company is registered, the account is transformed into an ordinary settlement bank account and funds in the account may be used.</p>	<p>An accumulative account can be opened by the incorporator or an authorized representative under a power of attorney. When a private limited company is established by electronic means, a visit to the bank is still necessary.</p> <p>While transforming accumulative bank account into ordinary settlement account it is necessary to reveal ultimate beneficial owners of Lithuanian company. Also other questions during KYC (know your customer) procedure, implemented by the banks, has to be answered by Lithuanian company.</p>	<p>Opening accumulative account in most of the banks in Lithuania is free of charge.</p> <p>However, some of the banks may execute a KYC (know your customer) procedure before opening accumulative account, and therefore additional fee up to EUR 200 may be applicable for examination of the incorporator's documents.</p>

<p><b>Payment of share capital</b></p>	<p>Minimum authorised capital has to be paid in cash.</p> <p>When establishing a company with the authorised capital above minimal share capital, the incorporators may choose not to form the entire capital before the company's registration, i.e., to contribute at least 25 % of the issue price of all the company's shares (but not less than the minimum capital amounting to EUR 2,500 for private limited companies and EUR 25,000 for public limited companies) in cash before registration, and then to pay the remaining part of the issue price for the subscribed shares within 12 months from signing the incorporation agreement (act of incorporation).</p> <p>Initial contributions made by each incorporator before the registration of the company must be not less than 25 % of the issue price of the subscribed shares.</p>	<p>Non-pecuniary contributions have to be evaluated by experts certified under Lithuanian law.</p> <p>The minimum capital of the company shall be formed by monetary contributions only. When the private limited company is established electronically, all the share capital must be paid in cash.</p>	<p>Evaluation fees in case of non-pecuniary contributions, depending on a case-by-case basis.</p>
<p><b>Registration in the Commercial Register</b></p>	<p>The incorporators must file the application for registration with a number of supporting documents.</p> <p>After a notary public examines the documents and certifies them, the documents must be submitted to the Register of Legal Entities.</p> <p>A decision on registration must be issued by the Register of Legal Entities not later than within three business days from the date the documents were submitted. If the legal entity is established by electronic means, a decision on registration must be issued not later than within one business day from the date the documents were submitted and register fees were paid.</p>	<p>All documents in a foreign language must be translated by an authorised translator into the Lithuanian language.</p>	<p>Notary fees for examination of incorporation documents of a private or public limited company vary from EUR 72.41 – EUR 289.62 depending on the amount of share capital.</p> <p>Stamp tax to register the private or public limited liability company itself is EUR 57.34.</p>

## 7. LICENSING AND REPORTING

Usually companies are required to file registration applications with competent state or municipal institutions to acquire a certificate, license or permit granting the right to pursue a specific economic activity. The state fee for the review of such application ranges from a couple of Euros to several thousand Euros, depending on the field of activity. In Lithuania, there is no unified register for all economic activities, but separate registers for each type of specific economic activity are in place, provided special registration for the respective economic activity is required by laws and regulations.

The procedure for obtaining licenses and registrations differs depending on the particular area of activity. All companies are registered with the Company Register of the Republic of Lithuania. This general registration is required prior to commencement of any business activity. However, this registration alone does not grant the right to pursue any economic activity which by law is subject to special, additional registration, certification, licensing or other permitting procedure.

### List of Economic Areas Requiring Registration or Licensing in Latvia

#### The most common types of activities requiring activity licence

- Financial services;
- Tourism Services;
- Utility services;
- Postal services;
- Energy-related (electricity, gas / LNG, heat, oil products) activities;
- Transport, including commercial cargo; passenger carriage; freight forwarding; professional competence of passenger carrier; air carriage; special aviation works; railroad carriage;
- Environmental impact activities, including polluting activities, usage of water, fisheries, ionizing radiation sources;
- Mining, extraction and exploration of natural resources, geodesic works;
- Gambling;
- Food management;
- Alcohol and tobacco related activities (wholesale, retail, manufacturing);
- Electronic communication, including broadcasting; cable TV; cable radio (radio translation); retranslation;
- Excise goods related activities;
- Strategic goods (dual use and military);
- Pharmaceuticals production and distribution (also veterinary pharmaceuticals; pharmacies; veterinary pharmacies);
- Medical and social care services;
- Cremation and embalming services;
- Security activities;

## 8. REPORTING REQUIREMENTS

The mandatory reporting requirements applicable to all limited liability companies include the preparation and submission of an annual report. Please see below the necessary steps and the instances responsible for them.

<b>Annual Reports of Limited Liability Companies</b>	
<b>Steps in relation to Annual Reports</b>	<b>Lithuania</b>
<b>Preparation</b>	Within 4 months as of the end of the financial year, public and private limited companies must prepare an annual report in addition to annual financial statements. The responsible body/person in Lithuania is the CEO.
<b>Auditing</b>	<p>In Lithuania, audit for annual financial statements of public limited companies is mandatory, while of private limited companies it is mandatory only where two of the following indicators are exceeded on the last day of financial year: i) the value of assets in the balance – EUR 1.8 million, ii) the net income of sales within accounting financial year – EUR 3.5 million, iii) the average annual amount of employees under the list within accounting financial year – 50 employees.</p> <p>Audit for annual financial statements of financial institutions is mandatory in any case.</p> <p>The general meeting of shareholders is responsible for selection of audit firm.</p>
<b>Approval</b>	In Lithuania, the annual report must be approved by the board of the company (if not formed – by head of the company (CEO)), and then submitted for the approval to the annual general meeting.
<b>Filing</b>	<p>The annual financial statements together with annual report should be filed with the Register of Legal Entities of the Republic of Lithuania within 30 days after the adoption of decision to approve annual financial statements by the general meeting of shareholders.</p> <p>In addition, the annual financial statements of financial institutions should be filed with Bank of Lithuania (together with the auditor's report and the decision on profit distribution) within 3 days after the adoption of decision to approve annual financial statements by the general meeting of shareholders.</p>



## 9. PUBLIC TRADING IN SECURITIES

Each of the Baltic States has adopted the relevant acts for the regulation of the public trade of securities, the activities of investment firms, the provision of investment services and the range of responsibilities of participants of financial markets. The relevant laws aim to ensure the transparent and efficient operation of the securities markets of the Baltic States. The relevant laws of each country comply with EU requirements and enable EU securities brokerage firms to deal on the market without establishing a local subsidiary.

Special requirements for securities trading	
<b>Procedure</b>	<b>Lithuania</b>
<b>Listing/IPO</b>	<ul style="list-style-type: none"> <li>• obligation to issue a prospectus;</li> <li>• registration of the prospectus with the Financial Supervisory Authority of each state;</li> <li>• list of exceptions when publishing a prospectus is not required.</li> </ul>
<b>Takeover bids</b>	<p>In Lithuania, the same applies, however, the rules are more detailed setting out that the obligation to make a tender offer arises when a shareholder acting independently or in concert with other persons, acquires shares that entitle it to more than 1/3 of votes at the general meeting of shareholders of an issuer, with certain exceptions. Please also note that the requirements for takeover bids in Lithuania are only applicable for securities issued by the issuer of equity securities.</p> <p>The purchase price of a share upon a mandatory takeover bid must be fair in all Baltic States.</p>
Requirements for Publicly Traded Companies	
<b>Steps</b>	<b>Lithuania</b>
<b>On-going reporting requirements</b>	<p>In Lithuania, with some exceptions, the issuer must disclose periodical information: annual and semi-annual (semi-annual information must be disclosed only by the issuers whose securities are attributed to trading on a regulated market).</p> <p>The preparation and disclosure of interim information are optional. However, if an issuer decides to draw up the interim information, then it must be disclosed.</p> <p>In all Baltic States, the issuer is required to immediately disclose inside information directly or indirectly pertaining to the issuer. This includes all information which, if disclosed, would probably have a significant effect on the price of the issuer's shares.</p>
<b>Notification on acquisition of blocks of shares</b>	In all Baltic States, a notification obligation applies in case the threshold reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. There is a further similar notification obligation in case of a 95% threshold in Lithuania.
<b>Tender offer</b>	In Lithuania, the threshold for a takeover bid is more than 1/3 of votes (with certain exceptions).
	A takeover bid for all shares of the target issuer must be commenced on the fourth business day as of the approval by the Bank of Lithuania of a Takeover Bid circular.

**Mandatory sale and purchase of shares**

Under the Lithuanian Law on Securities, the right of squeeze-out (mandatory sale) is triggered when a shareholder of an issuer, acting independently or in concert with other persons, acquires shares constituting not less than 95% of the voting capital of the issuer and not less than 95% of the total votes at the general meeting of shareholders of the issuer. The procedure of the squeeze-out must be initiated within three months of the implementation of the mandatory or voluntary takeover bid.

In Lithuania, the sell-out rule (mandatory purchase) allows any minority shareholders that did not sell their shares during the mandatory or voluntary takeover bid, to require the controlling shareholder to buy their shares within three months of the completion of the takeover bid. The minority shareholders are entitled to implement the sell-out if, after the takeover bid, the controlling shareholder, acting independently or in concert with other persons, controls shares constituting not less than 95% of the voting capital of the issuer and not less than 95% of the total votes of the issuer. The price which minority shareholders may request to be paid must be fair.

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## **10. BALTIC SECURITIES MARKETS**

The Baltic market operations comprise the Nasdaq Tallinn stock exchange (Estonia), Nasdaq Riga stock exchange (Latvia) and Nasdaq Vilnius stock exchange (Lithuania), which are the main regulated markets in the Baltics. Additionally, the alternative market First North was launched in the Baltics in 2007.

Nasdaq Baltic market represents a joint offering of Nasdaq's exchanges in Tallinn, Riga, and Vilnius as well as Nasdaq CSD. Nasdaq Baltic market includes a common Baltic equities market with harmonized trading rules and market practices, same trading system, joint trading lists, harmonized indexes, a single membership, trading and settlement currency allowing investors easy access to all Baltic listed financial instruments through any of the pan-Baltic members. Nasdaq Baltic maintains a regulated, open and efficient market infrastructure. It strives to be an efficient channel for companies to raise capital and to facilitate the participation of institutional and private investors in primary offerings and secondary trading.

## 11. OPERATION OF THE BUSINESS

### 11.1. ADVERTISING AND SALES PROMOTION

Features	Lithuania
<b>General advertising requirements</b>	<p>Information is considered to be advertising, if it:</p> <ul style="list-style-type: none"> <li>• is disseminated in any form and by any means;</li> <li>• relates to a person’s commercial and economic, financial or professional activities; and</li> <li>• promotes the purchase of goods or use of services of that person.</li> </ul> <p>The strict prohibition of surreptitious, misleading and misleading comparative advertising is provided within the law. The advertising shall also meet the criteria established in the Law on the State Language of the Republic of Lithuania, shall not violate the principles of morality, shall not promote aggression or degrade human honour and dignity, shall not incite national, racial, religious, gender-related or social hatred and discrimination and shall meet all other general requirements for advertising.</p>
<b>Restrictions on advertising of certain products</b>	<p>In Lithuania, advertisement of some goods and services is prohibited altogether, and in respect of others it is restricted partially.</p> <p>In Lithuania, it is prohibited to advertise:</p> <ul style="list-style-type: none"> <li>• alcohol;</li> <li>• tobacco, tobacco products and tobacco related products;</li> <li>• narcotic drugs and psychotropic substances;</li> <li>• works which contain pornography or promote violence or cruelty; and</li> <li>• services offered for satisfaction of sexual desire.</li> <li>• products and services that are prohibited in the respective country.</li> </ul> <p><u>Pharmaceuticals:</u> Only registered medicinal products may be advertised in Lithuania. For general public only non-prescription pharmaceuticals may be advertised. Pharmaceuticals subject to medical prescription may be advertised only in publications and on specialized websites intended for health care professionals and pharmaceutical specialists.</p> <p><u>Gambling &amp; Lotteries:</u> As of 2018, Lithuania adopted tighter restrictions on gambling advertising. Lotteries are legal but have charity obligations.</p> <p><u>Financial services:</u> Advertising is restricted in Lithuania.</p> <p><u>Gambling:</u> Advertising is restricted in Lithuania.</p> <p><u>Health services:</u> Advertising is restricted in Lithuania. It is forbidden to use patient's name, surname, image, and to rely on the recommendations of health care institutions, health care professionals or their professional organizations while advertising health care services.</p>
<b>Restrictions on advertising of certain products</b>	<p>In Lithuania, additional restrictions apply to advertising of (i) certain food products (incl. health claims and other information, which is incorrect and (or) might confuse the consumer, etc.); (ii) weapons and ammunition; (iii) cosmetic products; and (iv) biocidal products.</p>

## 11.2. E-COMMERCE

E-Commerce is widely used by companies and consumers in the Lithuania. Selling products and providing services using contracts concluded via the internet is specifically regulated in Lithuania.

Features	Lithuania
<b>Sales promotion to consumers via e-mail</b>	<p>In Lithuania, the transmission of digital commercial communications to individuals through a public data communications network is allowed only with the prior consent of the addressee. The “customer exemption” allows business to send promotional messages without consent of the addressee if all of the following conditions are met:</p> <p>E-mail was acquired while providing goods or services; The e-mail is used only by the company itself to promote its similar goods or services; Customers are given a clear, free, and easy-to-use option to disagree or refuse with such use of his/hers personal data at the time of the collection of contact details;</p> <p>The customer is given an opportunity to unsubscribe from such emails with every message.</p>
<b>Digital signatures</b>	Generally, in Lithuania a digital signature that meets specific requirements has the same legal force as a hand-written signature.
<b>Personal data processing</b>	<p>Generally, the processing of personal data is permitted if:</p> <ul style="list-style-type: none"><li>• the processing is carried out with the person’s consent;</li><li>• it is necessary for the conclusion or performance of a contract with that person;</li><li>• it is necessary for compliance with a legal obligation;</li><li>• it is necessary in order to protect the vital interests of the person;</li><li>• it is necessary to ensure the public interest or in the exercise of official authority;</li><li>• it is necessary for the data controller’s or third party’s legitimate interests, except where overridden by the interests of the person.</li></ul> <p>Processing of sensitive personal data and personal identification codes is subject to additional (more restrictive) conditions.</p>

## 11.3. COMMERCIAL AGREEMENTS

Generally, the regulatory environment for conducting business in Lithuania is liberal. The basis for regulation of contractual relationships in Lithuania is the principle of “freedom to contract”, which includes the freedom to decide whether, with whom, on what terms and in which form to conclude a contract. However, in addition to the free will of the parties and the principle of party autonomy, it is important to protect the interests of the weaker party. Thus, in Lithuania’s legal system, there are mechanisms to protect weaker parties from the principle of freedom to contract in order to ensure justice in contractual relationships.

Features	Lithuania
<b>Form</b>	Generally, there are no requirements in respect of the form of commercial agreements in Lithuania. There are, however, a number of exceptions, in which case agreements may need to be notarised or be produced in written form, for example, real estate agreements, share purchase agreements regarding a private limited company, franchise agreements and author’s contracts.

<b>Language of the contract</b>	Contracts may be drafted in any language mutually agreed on by the parties. Where the contract drafted in a foreign language is subject to registration or submission with any competent authorities, normally a translation into the respective State's language must be available.
<b>Pan-Baltic agreements</b>	In general, it is possible to draft a common pan-Baltic commercial agreement (for example, distribution, and agency, sale and franchise agreements).
<b>Governing law of the agreement</b>	In Lithuania, the parties can choose the governing law of an agreement. In certain cases, mandatory legal norms of the relevant country apply notwithstanding the parties' choice of law.
<b>Electronic agreements</b>	There are special rules for the entry into electronic and other distance agreements with consumers. These are harmonised with EU laws (2000/31/EC, 2002/65/EC, 2011/83 EU).

#### 11.4. CONSUMER AGREEMENTS

In the context of consumer agreements, there are a number of restrictions on the commercial freedom of businesses to contract. The laws in Lithuania set out certain mandatory requirements which cannot be derogated from.

<b>Indication of the price of goods</b>	<p>In Lithuania, the selling price and the unit price of goods sold to consumers must be indicated:</p> <ul style="list-style-type: none"> <li>• in writing;</li> <li>• clearly and legibly;</li> <li>• unambiguously;</li> <li>• easily identifiably;</li> <li>• on the goods or their sales packaging or displayed in close proximity to the goods.</li> </ul>
<b>Labelling</b>	<p>The labelling of goods in Lithuania must be:</p> <ul style="list-style-type: none"> <li>• legible;</li> <li>• understandable;</li> <li>• unambiguous;</li> <li>• in writing;</li> <li>• in Lithuanian.</li> </ul> <p>Exceptionally, instructive or warning drawings, pictograms, signs and symbols may also be used, provided that the information they communicate is understandable to consumers.</p>
<b>Labelling</b>	<p>In Lithuania, there are specific requirements applicable to labelling of the following categories of goods (this is a non-exhaustive list):</p> <ul style="list-style-type: none"> <li>• food products;</li> <li>• electrical and electronic equipment;</li> <li>• pharmaceuticals;</li> <li>• chemicals;</li> <li>• safety devices;</li> <li>• motor vehicles;</li> <li>• batteries and storage cells;</li> </ul>

	<ul style="list-style-type: none"> <li>• footwear and clothing;</li> <li>• cosmetic products;</li> <li>• toys.</li> </ul>
<b>Instruction manual</b>	<p>In Lithuania, a producer's instruction manual needs to be provided for goods which are technically complex (for example, electrical engineering products), contain hazardous substances or require special skills to use.</p> <p>The instruction manual must be written in Lithuanian language.</p>
<b>Safety of goods</b>	In Lithuania, the producer is responsible for the safety of goods put into circulation.
<b>Producer's liability</b>	<p>In Lithuania, the law specifically states that a producer is liable for causing a person's death or damage to the person's health by a defective product (including non-pecuniary damage).</p> <p>Whereas, a producer is liable for damage to property only if:</p> <ul style="list-style-type: none"> <li>• the defective product is normally used for personal use;</li> <li>• the victim mainly used the product for personal use; and</li> <li>• the extent of the damage exceeds EUR 500 (not including the value of the defective product itself).</li> </ul>
<b>Legal warranty period</b>	In Lithuania, a seller is liable for defects to goods which become apparent within two years as of the date of delivery of the goods to the consumer.
<b>Sales warranty</b>	In Lithuania, a sales warranty is a warranty provided voluntarily by the seller to replace or repair the product with or without charge. The terms of the warranty must be more beneficial to the consumer than any legally applicable warranty.
<b>Standard terms</b>	Standard terms of the contract provided by the legal entity usually are considered not to be individually negotiated, so are always interpreted in the favour of the consumer. A standard contract term is regarded as void if its nature, content and the manner of entry into the contract, as well as other material circumstances, cause unfair harm to the consumer or falls into the list of terms which may be regarded as unfair.

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## 11.5. IMPORT AND EXPORT REGULATIONS

Lithuania is a party to major multilateral trade agreements, such as the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS) and others. Lithuania is also members of the European Union (EU), and thus take part in its customs union and are bound by its common commercial policy. Therefore, external trade of Lithuania is largely being regulated by EU laws and regulations.

<b>Customs regulations</b>	Lithuania applies EU laws and regulations governing customs procedures, customs valuation, customs tariffs, etc. As in the case of other EU member states, they apply the Union Customs Code (UCC) with its implementing provisions, the so-called Common Customs Tariff, and other applicable EU as well as national laws and regulations.
<b>Exports</b>	Supplies of goods between EU member states are not treated as import or export, but as free circulation. Goods are subject to internal transit procedures (preparation of respective customs declaration) if they are transported from one member state to another, crossing the territory of a third country. Export of goods from the Baltic States (i.e., from the EU) will entail the application of all exit formalities, including the payment of export refunds and the presentation of export licences (where applicable). Generally, no export duties are applicable. Companies exporting goods from Latvia to any EU Member State or importing goods from the EU must declare the amounts of the corresponding goods in the statistical-information tracking system INTRASTAT.
<b>Imports</b>	Supplies of goods between EU member states are not treated as import or export, but as free circulation. Goods are subject to internal transit procedures (preparation of respective customs declaration) if they are transported from one member state to another, crossing the territory of a third country. Import of goods into the Baltic States (i.e., into the EU) normally will entail the collection of import duties (if any) and the application of commercial policy measures (e.g., presentation of an import authorisation for goods subject to quotas) and any other formalities (e.g., the presentation of a health certificate for certain animals).
<b>Manufacturing requirements</b>	Generally, manufacturing processes are not regulated in the Lithuania. Any applicable manufacturing requirements must be compliant with the internationally recognized principle of national treatment and the obligation regarding the general elimination of quantitative restrictions.



## 11.6. ATTORNEYS

Features	Lithuania
Requirement to have local counsel	None
Sources of local counsels	Local attorneys can be found through various legal catalogues, such as Legal500, IFLR, Who's Who Legal and <a href="http://www.advoco.lt">www.advoco.lt</a>
Attorneys' fees	Attorneys' fees are not regulated in Lithuania. The fees of local counsels depend on various aspects, such as experience, academic degrees and many others.  Typically, hourly rates in Lithuania may be in the range of EUR 100 - EUR 300.

## 11.7. REDUCTIONS OR RETURN ON CAPITAL

	Lithuania
Possibility to repatriate capital while a corporation is on-going	While it is possible, reduction of authorized share capital must not decrease a company's capital below the minimum requirements set by law. The minimum authorized capital of a private limited liability company is $\geq$ EUR 2,500 and $\geq$ EUR 40,000 for public liability companies.

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## **12. COMPETITION**

Competition law sets out certain rules and restrictions on undertakings' market behaviour, as well as the actions of public institutions and other public bodies. Lithuanias' competition rules have been modelled on the basis of EU competition law, and the local competition authority often interprets domestic competition rules in the light of EU rules. Furthermore, it has become rather common for Lithuanian competition authority to apply domestic competition rules together with EU competition law.

In general, domestic competition rules cover three major directions of behaviour of undertakings:

They prohibit the conclusion of agreements, the adoption of decisions by associations of companies or any other practices by undertakings which may be anti-competitive by their intent or effect;

They prohibit the abuse of a dominant position held by a company;

They control mergers which meet certain turnover thresholds.

The Lithuanian Law on Competition also applies to public institutions and other public bodies, prohibiting them from granting privileges to certain undertakings to the competitive disadvantage of other undertakings, whereas the control of state aid to undertakings is a matter of EU competition law.

### **ANTICOMPETITIVE AGREEMENTS**

Competition rules in Lithuania prohibit agreements and any other types of co-operation between undertakings which may restrict competition. In particular, it is prohibited for competitors to agree on prices or production volumes, allocate markets or clients, collude in tendering, or exchange information about prices, production volumes or other similar matters.

In addition to agreements between competitors, competition laws set out rules for undertakings cooperating on a vertical basis. For instance, a supplier must not dictate resale prices for distributors or prohibit distributors from exporting. Certain vertical restrictions, such price recommendation, setting of maximum prices, arrangements limiting territories where a distributor may operate or prohibiting a distributor from selling competing suppliers' goods, are supposed to be assessed on individual basis and their legality depends on their effect. As a general rule such restraints might cause competition concerns only if applied among the undertakings having market power.

In terms of vertical cooperation, an undertaking may rely on the general rule that the lower the parties' market shares are, the more exceptions apply and the less they are affected by competition rules.

### **DOMINANT POSITION**

Competition rules in Lithuania set out significant restrictions on the behaviour of dominant undertakings, whereas undertakings with lesser market power do not have such restrictions.

**Dominant companies**

	<b>Lithuania</b>
<b>Existence of dominant position</b>	<p>Dominant position is the position of one or more undertakings in the relevant market facing no direct competition or able to exercise a unilateral decisive influence in such relevant market by effectively restricting competition.</p> <p>An undertaking is presumed to have a dominant position if its market share is 40%. Moreover, unless proven otherwise, undertakings within a group of three or a smaller number of undertakings with the largest share of the Relevant market, jointly holding 70% or more of the relevant market, are presumed to enjoy a collective dominant position.</p> <p>An undertaking engaged in retail trade is presumed to have a dominant position if its market share is 30%. Unless proven otherwise, undertakings within a group of three or a smaller number of undertakings engaged in retail trade with the largest shares of the relevant market, jointly holding 55% or more of the relevant market, are considered to enjoy a dominant position.</p> <p>All the above presumptions are rebuttable.</p>
<b>Prohibited actions for dominant undertakings</b>	<p>There is no finite list of instances of the abusive conduct. Any behaviour which distorts competition or exploits customers of the dominant undertaking can fall within the scope of the prohibition. However, as a general rule, the dominant undertakings are prohibited from:</p> <ul style="list-style-type: none"> <li>• charging unfair (i.e., far exceeding the economic value of the product) prices;</li> <li>• below cost (predatory) pricing and margin squeezing, that drives competitors out of business;</li> <li>• exclusivity arrangements, including loyalty inducing discount schemes;</li> <li>• discriminating among equal trading partners, if such discrimination distorts competition;</li> <li>• making the sale of a product conditional on purchase of another product (tying and bundling);</li> <li>• unjustifiably refusing to supply.</li> </ul> <p>Analysis of the market behaviour of a dominant undertaking is supposed to be effect-based, i.e., the competition authority must produce a theory of harm in order to justify its finding on abusive conduct. Furthermore, it is also accepted that certain actions of a dominant undertaking, that formally have elements of abusive conduct, could also be justified on objective grounds.</p>

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## **12.1. MERGER CONTROL**

In Lithuania, the following transactions could be subject to merger control by competition authorities if turnover thresholds are met:

- merger of previously independent undertakings or parts of undertakings;
- acquisition of sole or joint control over another undertaking or entity, including transition from sole control to joint control or vice versa and changes within the group of controlling shareholders;
- creation of joint ventures (only applicable to fully-functioning in Lithuania).

Transactions that are controlled by the European Commission are not controlled in Lithuania, even if Lithuanian turnover thresholds are met. If the thresholds are reached then, as a general principle, the acquirer is obliged to submit a merger filing to the relevant competition authority.

## **12.2. STATE AID**

Rules on state aid are unified across the EU and are enforced primarily by the European Commission. Hence, these rules apply alike in Lithuania and the rest of the EU.

### 13. PUBLIC PROCUREMENT & PPP

There is a special regulatory framework for public procurement in order to ensure transparent and economical use of financial resources available to the public sector and certain utility companies (contracting authorities), as well as equal treatment of the participants. The Baltic States have transposed the majority of EU procurement directives (including Directives 2014/24/EU, 2014/25/EU and 2007/66/EC) into their national laws.

Public procurement in the Baltics	
	Lithuania
<b>Definition of public procurement</b>	<p>In Lithuania, the following purchases by the contracting authorities / contracting entities are considered as public procurements:</p> <ul style="list-style-type: none"> <li>• purchase of goods;</li> <li>• purchase of services;</li> <li>• purchase of design and (or) construction works</li> </ul>
<b>National thresholds</b>	<p>National laws provide direct reference to thresholds set out in Directives 2014/24/EU and 2014/25/EU. Current value thresholds for international procurement are as follows:</p> <p><b>Classical sector (Article 4 Directive 2014/24/EU):</b></p> <ul style="list-style-type: none"> <li>• EUR 5 548 000 for works contracts;</li> <li>• EUR 144 000 for supply, service or design contracts, awarded by central government authorities;</li> <li>• EUR 221 000 for supply, service or design contracts, awarded by sub-central contracting authorities;</li> <li>• EUR 750 000 for contracts, when social and other specific services are being purchased.</li> </ul> <p><b>Utilities sector (Article 15 Directive 2014/25/EU):</b></p> <ul style="list-style-type: none"> <li>• EUR 443 000 for supply, service or design contracts;</li> <li>• EUR 5 548 000 for works contracts;</li> </ul> <p>EUR 1 000 000 for contracts, when social and other specific services are being purchased.</p>
<b>Electronic sources of information on public procurement procedures</b>	<p>Published in the Central Public Procurement Information System (CPP IS): <a href="https://pirkimai.eviesiejiirkimai.lt">https://pirkimai.eviesiejiirkimai.lt</a> or <a href="http://www.cvpp.lt">www.cvpp.lt</a></p> <p>All public procurement procedures in Lithuania shall also be carried via above indicated e-procurement system. Use of non-electronic means is permissible only in exceptional cases where electronic procurement is not an option for objective technical reasons.</p>
<b>Obligations below the threshold</b>	<p>In Lithuania, procurements falling below the threshold are subject to the same rigorous regulation as the international procurements (except shorter periods for submission of applications and tenders). The one exception is so-called “low-value procurements” (procurements below EUR 58 000 for supply, service or design contracts and procurements below EUR 145 000 for works contracts). These “low-value procurements” are subject to a more flexible legal regime, albeit still regulated by administrative legal acts of supervising authorities.</p>

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## Public-private partnership

### Lithuania

#### Regulation

In Lithuania, PPPs are regulated by several laws and regulations. The Law on Investments establishes the legal background for the implementation of the PPP projects and provides definitions of PPP and the general government and private entities' partnership. The Law on Use, Ownership and Disposal of State and Municipalities' Property sets a legal framework for institutional PPPs.

Meanwhile award procedures of the general government and private entities' partnership are subject to requirements of the Law on Public Procurement / Law on Procurement of Entities Operating in Utilities Sector. Concession award procedures fall under the Law on Concessions.

The legal framework provides comprehensive and clear regulation and guidance about what is PPP, who can prepare, approve and implement PPP projects, under what procedures and how a private partner may be selected, what must be included in partnership agreements and how the risks between public and private sectors should be allocated.

## 14. INTELLECTUAL PROPERTY

Lithuanian regulation of intellectual property (IP) rights is based on the universally recognized principles of intellectual property law. IP laws in Lithuania distinguish industrial property rights, which must be duly registered in order to receive legal protection, from copyright and the related rights, which receive immediate legal protection upon their creation. Therefore, those industrial properties such as patents, utility models, trademarks, industrial designs and geographical indications require registration in order to receive legal protection.

### 14.1. LITHUANIA

Features	Trademark	Patent	Copyright
<b>Definition</b>	Any sign capable of distinguishing the goods or services of one person from those of other persons and being represented on the national trademark register in a manner which enables the public to determine the clear and precise subject matter of the protection afforded to its proprietor.	Form of legal protection for inventions, which is available for any inventions in all fields of technology, if they meet the conditions of novelty, involve inventive step and are susceptible of industrial application.	Form of legal protection for original literary, scientific and artistic works which are the result of creative activities of an author, whatever may be the objective form of their expression.
<b>Who is entitled to obtain the right?</b>	Natural and legal persons.	Natural and legal persons (authorship of the invention is, however, intangible and can belong only to natural persons).	Personal rights are intangible and belong only to the natural person – the author of the work.  Exclusive economic rights are transferable and can belong to both natural and legal persons.
<b>Acquisition of legal protection</b>	Upon registration in the Register of Trademarks of the Republic of Lithuania.  The temporary protection is granted upon the filing date of the application for registration of national trademark with the State Patent Bureau of the Republic of Lithuania.	Upon the date of grant of the patent by the State Patent Bureau of the Republic of Lithuania.  The temporary protection is granted upon the publication of the application for registration of a patent with the State Patent Bureau of the Republic of Lithuania.	Immediately upon the creation of the work.

	<p>Upon registration with the International Register of the International Bureau of the World Intellectual Property Organization, if Lithuania is designated country in the application for registration under the Madrid Protocol relating to the Madrid Agreement concerning the International Registration of Marks.</p> <p>The temporary protection is granted upon the filing date of the application for registration of an international trademark with the International Bureau of the World Intellectual Property Organization, if Lithuania is a designated country.</p>	<p>Upon the date of grant of the patent by the State patent Bureau of the Republic of Lithuania, in event of international registration with the International Register of the International Bureau of the World Intellectual Property Organization under the Patent Cooperation Treaty, if Lithuania is a designated country in the patent application.</p> <p>The temporary protection is granted upon the publication of the application for registration of a patent with the International Bureau of the World Intellectual Property Office, if Lithuania is a designated country.</p>	
<b>Competent authority in Lithuania</b>	State Patent Bureau of the Republic of Lithuania.	State Patent Bureau of the Republic of Lithuania.	N/A
<b>Term of validity</b>	10 years	20 years	Lifetime of the author + 70 years after his/her death.
<b>Licences</b>	<p>Types of licences:</p> <ol style="list-style-type: none"> <li>1. exclusive;</li> <li>2. non-exclusive.</li> </ol> <p>A trademark license agreement has effect with respect to third parties after registration in the Register of Trade Marks of the Republic of Lithuania. The licensing agreement data must be recorded in the Register of Trade Marks of the Republic of Lithuania upon the request of the parties to the agreement.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the trademark licensing agreement.</p> <p>Local antitrust and competition laws apply to trademark licence agreements.</p>	<p>Types of licences:</p> <ol style="list-style-type: none"> <li>1. exclusive;</li> <li>2. non-exclusive;</li> <li>3. compulsory;</li> <li>4. public.</li> </ol> <p>A patent license agreement has effect with respect to third parties after registration in the Register of Trade Marks of the Republic of Lithuania. The licensing agreement data must be recorded in the Register of Trade Marks of the Republic of Lithuania upon the request of the parties to the agreement.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the copyright licensing agreement.</p> <p>Local antitrust and competition laws apply to patent licence agreements.</p>	<p>Types of licences:</p> <ol style="list-style-type: none"> <li>1. exclusive;</li> <li>2. non-exclusive.</li> </ol> <p>The copyright license agreement must be concluded in written form. However, the non-compliance with this requirement does not make the license agreement invalid. There are no notarization requirements for the copyright license agreement.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the copyright licensing agreement.</p> <p>Local antitrust and competition laws apply to copyright licence agreements.</p>



## 14.2. KNOW-HOW (TRADE SECRETS)

Features	Lithuania
<b>Concept</b>	<p>Information is regarded to be know-how (trade secret), if it has a real or potential commercial (economic) value for the reason that it is unknown to any third party and it is not in the public domain due to the reasonable efforts of the owner or other authorised person to keep it in secret.</p> <p>Know-how comprises technological, business, organisational and financial information, formulas and procedures. Know-how (trade secret) is not subject to registration; however, know-how (trade secret) may be registered as a patent if it meets requirements of patentability.</p> <p>Either natural and/or legal persons, who (which) lawfully obtained know-how (trade secrets), may be considered to be legal holders of such information. Know-how (trade secret) is considered to be obtained legally in these cases: (i) if it is invented or created independently; (ii) by analysing, testing, etc. the product which is publicly available when the person acting in the described way has no obligation to protect a trade secret; (iii) using employee's and their representative's right to information and consultation; (iv) by acting in any other way which do not constitute unfair business practice.</p>
<b>Regulation</b>	<p>As of June, 2018 the new Law on the Legal Protection of Trade Secrets of the Republic of Lithuania has taken effect. The law establishes protection for know-how (trade secrets), legality of the use and disclosure of know-how (trade secrets) and potential legal remedies, which may be taken in order to protect rights of the proprietor of know-how (trade secrets). They are also protected under the certain provisions of the Civil Code of the Republic of Lithuania.</p> <p>In practice, the confidentiality agreements (clauses) are concluded in order to prevent illegal use and disclosure of know-how (trade secret).</p>

## 15. CESSATION OR TERMINATION OF BUSINESS

### 15.1. TERMINATION

Features	Lithuania
<b>Tax consequences</b>	<p>Tax consequences of termination of a business depend on the chosen way to terminate it. In case of liquidation, all tax obligations are terminated, therefore, any losses that had been carried forward are lost. However, the tax obligations of a reorganized entity are discharged by the successor to its rights and obligations.</p> <p>If a business terminates by way of liquidation, and the entity distributes its assets to its members, such distribution is treated as the sale of the assets for their market price and the obligation to pay taxes on capital gains could arise. Also, tax liability could arise from the annual and final tax return statements which should be filed in the course of the liquidation period.</p>
<b>Costs involved in termination</b>	<p>In Lithuania, after it is decided to liquidate a legal entity, a liquidator must be appointed; therefore, its fees are involved in the termination procedure. The investor might need additional legal advice on the termination matter, therefore, legal counsel fees may be incurred as well.</p>
<b>Timeline on terminating the business</b>	<p>In Lithuania, the time consumption depends on various aspects – the size of the legal entity being liquidated, the number of creditors, etc.</p> <p>A person, which passes a resolution to liquidate a legal person, must make a public announcement thereof three times, with at least 30 days interval between the announcements, or make a public announcement once and give all creditors written notices thereof. The creditors may challenge the resolution on liquidation and, as long as there are legal disputes in court on this matter, the legal entity cannot be terminated.</p> <p>The time range may vary from a few months to a few years.</p>
<b>Differences of different business form in termination procedure</b>	<p>In all Baltic States, various types of companies are treated quite similarly in liquidation procedures – after the competent body passes a resolution to liquidate a legal person, a liquidator must be appointed and the creditors and respective registers must be duly informed about such resolution passed. Further, the claims of creditors (the employees are understood as creditors as well) must be satisfied and the remaining assets (if any) are divided between the shareholders. After that, the legal entity may be terminated. Joint ventures and partnerships are terminated under the agreement of the partners. They must divide the assets of the joint venture (if any) and then the joint venture may be terminated.</p> <p>Non-resident branches can be closed with a formal decision of the company, and an application to the respective register.</p>
<b>Government's role in termination procedures</b>	<p>A business can be terminated in Lithuania without governmental approval or intervention as long as the legal entity is not terminated due to insolvency reasons.</p>

## 15.2. INSOLVENCY / BANKRUPTCY

Features	Lithuania
<b>Investor's liability</b>	<p>The extent of an investor's liability in the event of insolvency or bankruptcy in Lithuania depends on the legal form of the respective business.</p> <p>In case of insolvency or bankruptcy of limited liability legal entities (such as private limited companies, public limited companies, small partnership and etc.), the investor enjoys limited liability against the obligations of the company. The concept of this limited civil liability provides for investors' protection from the liabilities of the legal entity, i.e., the investors are not liable beyond their investment into such legal entity. In cases where the legal entity is unable to fulfil its obligations due to unfair actions of its member (shareholder or partner), such member is liable for the obligations of the limited liability legal entity within the amount, which is not covered by the legal entity.</p> <p>In case of insolvency or bankruptcy of unlimited liability legal entities (such as sole proprietorships or partnerships), the investor is fully liable for the obligations of the legal entity.</p>
<b>Restructuring of business</b>	<p>Lithuania allows the restructuring of legal entities which face temporary financial difficulties or are at material risk of facing them, in order to avoid bankruptcy. The purpose of restructuring is to allow such legal entities that have not ceased commercial activity to preserve and maintain their activity, as well as to settle their debts and restore their solvency.</p> <p>In Lithuania, a legal entity can be restructured once in five years.</p> <p>The following preconditions are necessary for restructuring of a legal entity:</p> <ul style="list-style-type: none"><li>• the legal entity is facing temporary financial difficulties or is at material risk of facing them within 3 upcoming months;</li><li>• the legal entity has not terminated its activities;</li><li>• the legal entity is not under bankruptcy proceedings or has not gone bankrupt;</li><li>• the legal entity was established three years prior to the application to the court for restructuring the company.</li></ul> <p>The maximum period for completion of restructuring proceedings is four years, with a possibility to prolong it for one more year.</p>

## 16. EMPLOYMENT

The employment laws of Lithuania vary considerably. In Lithuania a new Labour Code entered into force on 1 July 2017 which has significantly liberalised and modernised work regulation, including simplification of work organisation by introducing new types of employment agreements, employment agreement termination grounds, as well as introducing a possibility in certain cases to deviate from mandatory statutory rules and similar.

Lithuania has joined the major ILO employment conventions and transposed major EC employment directives into their legal acts.

### 16.1. GENERAL FEATURES OF EMPLOYMENT LAW

Features	Lithuania
Form	<p>In Lithuania, Employment agreements must be in written form. Further information is provided below.</p>
	<p>Standard form of employment agreement is approved by Lithuanian Government but it can be supplemented by contractual provisions not contrary to laws (e.g. confidentiality, non-competition, refund of training expenses, etc.).</p> <p>The following essential terms must be agreed in every employment agreement:</p> <ul style="list-style-type: none"><li>• place of work;</li><li>• job functions;</li><li>• terms of remuneration.</li></ul> <p>It is allowed to agree in the employment agreement on deviation from mandatory statutory rules (except for the statutory rules on maximum working time and minimum rest periods, on the conclusion and termination of an employment contract, minimum salary, health and safety at work, gender equality and non-discrimination) if employees are paid at least 2 gross average salaries in Lithuania (currently approx. EUR 1,860) provided that a balance of interests' of the parties is reached.</p> <p>The employer shall allow the employee to start working only when he/she is acquainted against the signature with the work conditions, labour law norms establishing the work order in the workplace, occupational health and safety requirements. The employer must notify the State Social Insurance Fund Board about the commencement of employment not later than one day before the start of work.</p>
Term	<p>An indefinite employment term is a rule in both Latvia and Lithuania (probation period is applicable). Entry into fixed term agreements and prolongation of fixed term agreements is normally limited. However, in Lithuania it is possible to conclude fixed-term employment agreements even for permanent positions but the number of such fixed-term employment agreements must not exceed 20% of all employment agreements concluded at the company.</p> <p>The agreement will be considered to have an indefinite term if the employment relationship continues after the expiry of an agreement providing for a limited term.</p>

<b>Limitations on application of employment laws</b>	Employment laws generally do not apply to members of management and supervisory boards in both Latvia and Lithuania.
<b>Limitations on conclusion of employment contract</b>	Employment contracts with children from 14 to 16 years of age may be concluded only for easy works, with consent from one of the parents, the school (for the period of school year) and health care institution which should confirm that the child is suitable to perform specific work. Persons until 18 years of age must be protected from any specific risk to their safety, health or development which may result from the lack of experience, knowledge or maturity.
<b>Standard working hours</b>	8 hours per day and 40 hours per week on the average
<b>Maximum working hours</b>	<ul style="list-style-type: none"> <li>• Average working time, including overtime but excluding agreement on additional work, cannot exceed 48 hours within each period of 7 consecutive days</li> <li>• Maximum working time, including overtime and additional work, may not exceed 12 hours per day and 60 hours within each period of 7 consecutive days</li> <li>• Where employee works under the summary working time regime, maximum working time within each period of 7 consecutive days may not exceed 52 hours</li> <li>• Maximum 6 days of work is permitted within 7 consecutive days</li> <li>• The working time of an employee who works at night cannot, on average, exceed eight hours per working day (shift) over a three-months accounting period unless otherwise agreed upon in the collective agreements of higher than employer-level.</li> <li>• The maximum allowed overtime hours - 8 hours per seven consecutive calendar days and with employee`s written agreement – 12 hours per week. The established limit of permitted overtime - 180 hours per year with a possibility to agree on higher time limits in collective agreement.</li> </ul>
<b>Minimum rest time</b>	11 uninterrupted hours per day; 35 uninterrupted hours per week.
<b>Annual leave duration</b>	A minimum annual leave is 20 business days (if working 5 days per week) or 24 business days (if working 6 days per week). In case the number of working days per week is smaller or different, the employees should be granted with annual leave of at least 4 weeks. Certain categories of employees (e.g. under 18 years of age, who are alone raising a child under 14 years of age, etc.) are entitled to longer minimum annual leave duration.
<b>Minimum salary</b>	<p>The Government establishes the minimum hourly and monthly wages. Currently, the minimum gross hourly wage is equal to EUR 2.45 and the minimum gross monthly wage is equal to EUR 400.</p> <p>The minimum wage may be paid only for unqualified work while the qualified work must be remunerated at higher rates. However, the laws remain silent as to what extent rates should be higher.</p>
<b>Additional remuneration</b>	<p>Additional remuneration must be paid for:</p> <ul style="list-style-type: none"> <li>• work on rest day (which is not established according to the work (shift) schedule): at least a double of the employee's salary</li> <li>• work on public holidays: at least a double of the employee's salary</li> <li>• work at night: at least 1.5 times the employee's salary</li> <li>• overtime: at least 1.5 times the employee's salary; overtime on rest day (which is not established according to the work (shift) schedule) or overtime at night: at least a double of the employee's salary; overtime on a public holiday: at least 2.5 times the employee's salary</li> <li>• At the employee's request, the overtime or time of work on a rest day or public holiday may be compensated by adding the working time (multiplied by the compensation rate) to the employee's annual leave.</li> </ul>

<b>Penalties on the employer</b>	Performance of work functions in the absence of a written employment agreement may be qualified as illegal work, which could result in a fine in the amount of up to EUR 6,000 imposed on the employer per each illegally working employee.
<b>Information and consultation</b>	In Lithuania, the employer has an information and consultation obligation in the event of collective redundancy, reorganisation, and transfer of undertaking or in other important circumstances.  The employer must regularly, at least once a year, inform the employees' representatives and hold consultations with them about the current and future activities of the company, its economic situation and the status of employment relationship.
<b>Non-discrimination</b>	In Lithuania, employers are prohibited from discriminating employees based on gender or from treating employees unequally based on an employee's other characteristics.

## 16.2. TERMINATION OF EMPLOYMENT CONTRACT

<b>Termination and Redundancy</b>	
	<b>Lithuania</b>
<b>Termination of the employment contract</b>	<p>An employer may terminate an employment agreement at its own initiative without employee's fault in the following cases:</p> <p>when the function of the employee has become excessive to the employer due to organizational changes or other changes related to the activities of the employer;</p> <ul style="list-style-type: none"> <li>• the employee has not achieved work results agreed in the work improvement plan;</li> <li>• the employee refuses to work upon changed obligatory or additional work conditions, or change work regime or work location;</li> <li>• the employee does not agree with the work continuity in case of transfer of business (or part of business);</li> <li>• expiration of the employer upon the decision of a competent institution).</li> </ul> <p>The employer is entitled to terminate employment agreement "at will", i.e. due to other reasons than indicated above having notified employee 3 business days in advance and having paid a severance of at least 6 average salaries.</p> <p>Employee may terminate an unlimited duration employment agreement as well as a fixed-term employment agreement (executed for longer term than 1 month) prior to its expiry by giving the employer written notice thereof at least 20 calendar days in advance. In case important reasons exist (e.g. when the idle time without employee's fault lasts for more than thirty days in a row or it constitutes more than forty five days within the last twelve months, the employee was not paid his/her full salary for two or more months, etc.), an employee may terminate employment contract by giving the employer notice thereof at least 5 business days in advance.</p> <p>During the probationary period, both parties may terminate the agreement, the notice period being 3 days in Lithuania.</p> <p>Either of the parties may initiate the termination of employment by mutual agreement without prior notice.</p>
<b>Notification periods for the employer</b>	<p>Employment contracts with the employees may be terminated subject to 1 month prior notice (2 weeks' notice if employment lasted up to one year), except for the following employees:</p> <ul style="list-style-type: none"> <li>• employees who will be entitled to receive the full old-age pension within a five-year period are subject to 2 months' notice (1 months' notice if employment lasts up to one year);</li> <li>• employees who are raising children under 14 years of age or disabled children under 18 years of age, disabled employees, and employees who will be entitled to receive the full old-age pension within a two-year period are subject to 3 months' notice (6 weeks' notice if employment lasts up to one year).</li> </ul>

<b>Severance pay</b>	<p>Upon the termination of the employment agreement at the initiative of an employer without employee's fault, the employer is obliged to pay to an employee a severance pay in the amount of 2 average monthly salaries (or 0.5 of the average monthly salary, if employment lasted up to one year).</p> <p>In addition, an employee is entitled to the following compensation paid from the Long-Term Employee Benefit Fund depending on the continuous length of service of the employee:</p> <ul style="list-style-type: none"> <li>• 1 monthly average salary if employment lasted from 5 to 10 years;</li> <li>• 2 monthly average salaries if employment lasted from 10 to 20 years;</li> <li>• 3 monthly average salaries if employment lasted 20 years and more.</li> </ul>
<b>Other employers' specific obligations</b>	<p>In Lithuania, an employer is obliged to offer vacant positions before terminating employment agreement with an employee at the employer's initiative without employee's fault. In Lithuania, the employer must also provide employee with the time free from work to look for another employment.</p>
<b>Protected categories of employees in case of redundancy</b>	<p>Termination due to redundancy is prohibited in relation to pregnant women in Lithuania. Further redundancy prohibitions apply to the following persons:</p> <ul style="list-style-type: none"> <li>• an employee undergoing a period of temporary disability (sickness);</li> <li>• an employee taking a leave;</li> <li>• an employee raising a child or children under three years of age;</li> <li>• a pregnant woman from the day on which her employer receives a medical certificate confirming her pregnancy until her child is four months old; or</li> <li>• an employee called up to fulfil active national defence service or other duties of a citizen of the Republic of Lithuania, except for the cases specified by the law.</li> </ul> <p>The following persons of the same specialty and in the same work location have a preferential right to remain in their posts:</p> <ul style="list-style-type: none"> <li>• who sustained an injury or contracted an occupational disease at that workplace;</li> <li>• who are raising more than three children (including adopted children) under 14 years of age, or who are single parents raising children (including adopted children) under 14 years of age, or who are caring for other family members whose level of working capacity is lower than 55 percent, or who are caring for family members entitled to the old age pension, who are recognized in accordance with the laws as having special needs;</li> <li>• whose continuous length of service at that workplace is at least 10 years, with the exception of employees, who have become entitled to the full old age pension or are in receipt thereof while working in the company;</li> <li>• who will be entitled to the old age pension in not more than three years;</li> <li>• to whom such a right is granted in the collective bargaining agreement; and</li> <li>• who are elected to the management bodies of employees' representatives acting in the company's level.</li> </ul>

### 16.3. SAFETY STANDARDS

<b>Features</b>	<b>Lithuania</b>
<b>Regulation</b>	The Labour Code and the Law on Safety and Health of Employees.

<b>Supervision</b>	The State Labour Inspectorate is responsible for the prevention of accidents at work and occupational diseases, safety and health at work, the prevention of violations of legal acts regulating labour, as well as the control of compliance with the Labour Code of the Republic of Lithuania, and with the laws and standard legal acts regulating occupational safety and health.
<b>Obligation of employers</b>	Laws establish an obligation of the employer to make the employees acquainted with the main provisions of laws, other legal acts and internal company documents regulating safety and health at work.

### 16.3.1. Trade Unions

<b>Features</b>	<b>Lithuania</b>
<b>Recognition</b>	<p>The Constitution establishes the right of trade unions to set up freely and function independently to defend the professional, economic and social rights and interests of employees. However, the level of unionisation in Lithuania is quite low; therefore, most employers are not under too much pressure from the trade unions.</p> <p>On the other hand, currently the role of works councils has significantly expanded because it became mandatory employee representative body in companies with an average number of 20 or more employees and the laws granted a number of instruments to protect interests of employees.</p>
<b>Employer's obligation to organize trade unions</b>	<p>Trade unions may be established on the basis of professional, office, production, territorial, or other principles determined by the trade unions. A trade union may be established only if it has:</p> <ul style="list-style-type: none"> <li>• not less than 20 founders, or the founders would constitute at least 1/10 of all the employees of the enterprise, institution or organization (and 1/10 of all employees must constitute not less than three employees);</li> <li>• regulations (statute) approved at the meeting;</li> <li>• an elected governing body; and</li> <li>• a decision was adopted regarding the registered office.</li> </ul> <p>An employer must pay the employee for a certain number of hours dedicated to participation in the trade union or works council activities.</p>
<b>Collective bargaining</b>	Trade unions have exclusive rights to initiate collective bargaining regarding the execution or amendment of collective agreements and to execute collective agreements.



## 17. EXPATRIATE EMPLOYEES

### 17.1. WORK PERMITS

Features	Lithuania
<b>Necessity of work permits</b>	Non-EU citizens who intend to work in Lithuania must obtain work permits, unless statutory exemptions apply.
<b>Application</b>	Work permits are issued by the Labour Exchange Office on the basis of application and supporting documents submitted by the employer.
<b>Related requirements</b>	The salary of the expatriate employee cannot be smaller than that of a resident of the Republic of Lithuania who performs the same work for the same employer, and in the absence of such employee, the salary of the expatriate employee cannot be smaller than the average monthly gross salary as last published by the Lithuanian Statistics Department in the economic sector concerned.
<b>Fees</b>	<ul style="list-style-type: none"><li>• Issuance of a work permit for up to one year - EUR 121;</li><li>• Issuance of a work permit for up to two years – EUR 150;</li><li>• Extension of a work permit – EUR 52.</li></ul> <p>Notably, work permits do not give a right to stay in Lithuania; therefore expatriate employees will have to additionally apply for national visas / temporary residence permits.</p>
<b>Time limits</b>	A foreigner's application for issuance of a work permit in the Republic of Lithuania must be examined within 7 business days from the date of receipt of the application at the Labour Exchange Office.
<b>Validity term</b>	A work permit is valid for up to two years (normally it is issued only for one year). After this period, a work permit can be extended: <ul style="list-style-type: none"><li>• in case of necessity;</li><li>• if the work permit was issued for a period shorter than 2 years;</li><li>• when extending the work permit its validity cannot exceed 2 years;</li><li>• application for extension should be submitted not later than 2 months and not earlier than 4 months before the expiry of the work permit.</li></ul>

## 17.2. COST OF LIVING AND HOUSING

Features	Lithuania
<b>Cost of living</b>	<p>According to the Legatum Prosperity Index for 2017, Lithuania holds the 41st place in the world based on criteria which consist of nine categories: economic quality, business environment, governance, education, health, safety &amp; security, personal freedom, social capital and natural environment.</p> <p>According to the costs' criteria – Lithuania and Latvia are among top 10 least expensive European countries.</p>
<b>housing</b>	<p>In Lithuania, real estate for rent is usually advertised in local and national newspapers and internet websites. Housing costs vary per city. The highest prices in Lithuania are in Vilnius, Kaunas and Klaipėda.</p>
<b>Inflation rate</b>	<p>According to the Lithuanian Department of Statistics, inflation was estimated to be 2.6% in 2018.</p>

## 17.3. MEDICAL CARE

Features	Lithuania
<b>System of medical care</b>	<p>Lithuania provides state-funded healthcare to all Lithuanian citizens and residents of Lithuania. Private healthcare is available.</p> <p>The state system is funded by contributions from employers and employees, and from revenue created through state and social insurance activity.</p>

## 17.4. DRIVERS' LICENSES

Features	Lithuania
<b>Need for drivers' licences</b>	<p>Driving licenses issued by the EU member states as well as by Iceland, Norway and Liechtenstein are valid in both Latvia and Lithuania without any limitations. Drivers licenses from the countries that are participants of the 1968 Vienna Convention on Road Traffic are also valid in Lithuania.</p>
<b>Obtaining a drivers' license</b>	<p>A theoretical test and a practical exam are obligatory in order to obtain a driving license in Lithuania. Examination services are available only for persons permanently residing in the respective Baltic State. A person will be considered permanently residing in the Republic of Estonia, Latvia or Lithuania if he/she normally lives in the respective country at least 185 days within the calendar year.</p>
<b>Fees</b>	<p>Theory test – EUR 10.14; Practical exam (category B) – EUR 31; Issuance of driving license – EUR 14.19.</p>

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## 17.5. IMPORTING PERSONAL POSSESSIONS

Features	Lithuania
<b>Means of transportation</b>	<p>Import of personal belongings is easy since Latvia and Lithuania are provided with a great variety of transport means:</p> <ul style="list-style-type: none"><li>• Flights from international airports;</li><li>• Transportation by railway transport;</li><li>• Transportation by bus transport;</li><li>• Transportation by ferries.</li></ul> <p>In addition, anyone is free to choose courier services provided by a number of private companies.</p>
<b>Import duties</b>	<p>Personal property of natural persons when changing the place of residence into Lithuania is exempted from import taxes (certain requirements for the exemption apply).</p>

## 18. REAL ESTATE

### 18.1. GENERAL FEATURES

	Lithuania
<b>System of real property law</b>	<p>The real property law in Lithuania is based on a strong, public real estate register, as it is known in the German legal system.</p> <p>In Lithuania, the validity property rights (ownership or limited property rights) rights in a majority of cases is not subject to an act of registration (i.e., title to real property passes to a new owner as of the transfer of the real property or some other moment as agreed by the parties), but the owner may enjoy a full range of rights to real property only upon having registered these rights with the Lithuanian Real Estate Register. In all the Baltic States, the authenticity of the respective real estate register is presumed, and any third party may rely on the data as registered with the register, unless such party is aware that the data is incorrect. The real estate register in each country is accessible online.</p>
<b>Real estate definition</b>	<p>In Lithuania, a registered land plot together with all essential parts thereof, including any buildings erected on the land, is defined as real estate.</p> <p>Real estate definition includes parcel of land and things related thereto, which cannot be moved from one place to another without altering their essence and without significantly reducing their value.</p> <p>Certain other property is also considered as real estate (e.g., ships, aviation vehicles, etc.) in Lithuania.</p>
	<p>In Lithuania, although title to a land plot may be held separately from title to the buildings on the land plot, acquisition of the buildings always results in acquisition of certain rights in respect of the land under them. An agreement on the sale of buildings must specify the buyer's rights in respect to the land plot on which such buildings are located.</p>
<b>Types of real property encumbrances</b>	<ul style="list-style-type: none"><li>• Mortgage;</li><li>• Pre-emption right;</li><li>• Possession as an independent right in rem;</li><li>• Servitude;</li><li>• Usufruct;</li><li>• The right of trust;</li><li>• Building right;</li><li>• Long-term lease.</li></ul>

## 18.2. REAL ESTATE AND ENCUMBRANCES

Features	Lithuania
<b>Restrictions on foreign ownership of real estate</b>	<p>Restrictions related to acquisition of land in Lithuania are described in Clause 2.3.</p> <p>Agricultural land owner is obliged to use its agricultural land for farming activities (penalties are applicable in case of obligation infringement).</p> <p>Foreign investor may acquire buildings and structures into ownership, except certain buildings of national / strategic importance.</p> <p>There are certain restrictions set to develop real estate which is acknowledged as a cultural heritage.</p>
<b>Formalities for the transfer and encumbering of a real estate</b>	<p>In Lithuania, agreements on transfer of real estate and the encumbrance of real estate must be concluded in a notarised form. The real estate transfer agreement is not subject to compulsory registration with the real estate register. However, if the agreement has not been registered, then it may not be invoked (enforced) against third persons.</p> <p>An agreement on the transfer of structures (including buildings) should explicitly include the rights of the buyer in respect of the land under the structures. Failure to comply with this requirement makes the agreement null and void.</p> <p>The title to real estate passes to the purchaser at the moment of its transfer, which must be documented by a transfer-acceptance deed to be executed by the parties in addition to the main agreement. Upon agreement of the parties, the agreement itself may serve as a transfer-acceptance deed in which case a separate transfer-acceptance deed does not have to be executed.</p>
<b>Costs of the transfer of real estate and setting a mortgage</b>	<p>Notary's fees depend on the value of the real estate subject to transfer or mortgage.</p> <p>Notary's fee for transfer of real estate amounts to 0.45% of the value of the transaction, however, not less than approx. EUR 29 and not more than approx. EUR 5,792.</p> <p>Notary's fee for setting a mortgage amounts to 0.2 – 0.3% of the value of the real estate object, but not less than approx. EUR 14 and a maximum of approx. EUR 145.</p> <p>Registration fees depend on whether the land plot or building is an object of transfer and if the owner is a legal or natural person. The registration fee for a building (for legal persons) varies from approx. EUR 37.65 to EUR 1,448.10 (the ultimate cap fee for registration).</p>
<b>Costs of the transfer of real estate and setting a mortgage</b>	<p>The registration fee for a land plot varies from approx. EUR 23.17 to EUR 1,448.10 (the ultimate cap fee for registration).</p> <p>The mortgage registration fee is equal to approx. EUR 31.</p>

### 18.3. COMMERCIAL LEASE AGREEMENTS

	Lithuania
<b>Registration of the lease agreement</b>	A tenant may demand (negotiate) the landlord to make an entry regarding the lease in the real estate register, which entry would secure the tenant's rights in case of transfer of the real property to a new owner – in such case the new landlord is prohibited from terminating the lease agreement due to the change of ownership of the real property.
<b>Term of the lease agreement</b>	In general, the maximum term of any lease agreement may not exceed 100 years. Special rules are applied to the lease term of State-owned land: it cannot exceed 25 years for State-owned agricultural land and 99 years for any other State-owned land.
<b>Termination of lease agreement</b>	<p>In Lithuania, the grounds and procedure for termination of a lease agreement vary, depending on whether the term of lease agreement is fixed or indefinite.</p> <p>Unless other grounds of early termination are set out in the agreement, a fixed-term lease can be terminated before term only for material reasons, foremost due to a significant breach of the agreement by the other party.</p> <p>A lease agreement with an indefinite term can be terminated at any time by either party without cause with three months prior notification.</p> <p>Unless the parties explicitly agree otherwise, termination of a lease agreement on the basis of certain specific grounds stipulated in the Civil Code, may only be effected through a judicial procedure (i.e., by the filing of a lawsuit regarding termination of the lease agreement).</p>
<b>Renewal</b>	<p>A tenant who has duly performed its obligations during the term of a lease, upon its expiry has a priority right against third parties to renew the lease for a new term (if the landlord intends to lease the property further). The landlord is obliged to inform the tenant of its right to renew the lease prior to its expiry.</p> <p>If, however, after expiry of the term the lessee continues to use the leased property for more than 10 days and the lessor makes no objection to such use, the lease agreement is considered to become of indefinite term.</p>
<b>Change of ownership</b>	In Lithuania, upon a change of ownership the lease remains effective only if it has been registered with the real estate register. Nevertheless, regardless of the registration, a tenant has a statutory right to unilaterally terminate any lease in case of change of the owner. In practice, the parties to a real estate acquisition transaction attempt to mitigate the risk of such termination by obtaining from tenants comfort letters (waivers from the above right of termination) in advance of the closing of the transaction.
<b>Taxation of rent</b>	Income of Lithuanian entities or permanent establishments of foreign entities from the lease of real estate is considered ordinary business income which is subject to 15% corporate income tax in Lithuania.
	<p>Income of a foreign entity from the lease of real estate located in Lithuania received otherwise than through its Lithuanian permanent establishment is subject to 15% withholding tax.</p> <p>Lease of real estate, is a general rule, is VAT exempt. However the following activities are VAT taxable:</p> <ul style="list-style-type: none"> <li>• provision of accommodation in hotels, motels, camping sites and similar accommodation services;</li> </ul>

	<ul style="list-style-type: none"> <li>• leasing of residential premises for a term not exceeding two months;</li> <li>• leasing of premises, sites, garages for parking or keeping of any means of transport (including aircraft, ships, rolling stock) or other property with a similar function, immovable by its nature;</li> <li>• leasing of any equipment (including safes) in keeping with the concept of property immovable by its nature.</li> </ul> <p>The investor may choose to pay VAT despite mentioned exemptions in case a lessee is a VAT payer. A notification procedure to State authorities and minimal terms for VAT payment should be considered.</p>
<b>Lessor's securities</b>	In Lithuania, no specific lessor's security exists by virtue of law. However, the parties are free to agree on any type of security for the protection of the lessor's interests under the lease agreement. A deposit in the amount of one to three months of rent is probably the most popular form of security. Bank guarantees, surety letters of insurance companies, parent companies' guarantees and other similar forms of security are also used, however, not very commonly.

#### 18.4. CONSTRUCTION MATTERS

<b>Features</b>	<b>Lithuania</b>
<b>Costs of construction</b>	<p>All municipality services – including any request to obtain a set of design conditions for construction works, request and obtain approval of the design documentation, and completion procedures provided by the State Territorial Planning and Construction Inspectorate – are free of charge.</p> <p>However, fees exist for issuance of a construction permit. Issuance of construction permits for buildings of exceptional significance costs approx. EUR 150, and for building of non-exceptional significance – approx. EUR 88.</p> <p>All other construction costs consist of fees under separate agreements on services (e.g., development (territory planning), design and contract, cadastral measurements, etc.).</p>
<b>Construction permits</b>	<p>A permit is required for construction of new building, reconstruction of buildings, modernization of buildings, demolition of buildings; also a permit is required to reopen suspended building procedures, also to change the purpose of the building.</p> <p>Approved design is a precondition to construction work permit.</p> <p>In specific cases (e.g., for capital repair works, construction / reconstruction of simple buildings on state land, destruction of buildings, etc.) the written approval of the respective institution is required.</p> <p>Also, in cases prescribed by legal acts, written consents of the owners (users) of neighbouring land plots, or the co-owners or owners (users) of the land plot may be required.</p>

**Authorization to construct**

Any legal person, established in Lithuania or foreign state (authorized to perform construction and recognized as authorized to construct) or its branch or construction engineer, can execute construction works without an attestation procedure, except in regard to buildings of exceptional significance.

A legal person can be a contractor of an exceptional significance building if it has a certification (in case the contractor is established in Lithuania or a third country) or the recognition of a right, enjoyed in its home state, to engage in construction of analogous construction works (in case the contractor is established in a member state of the European Union, the Swiss Confederation or a state which signed the EEA Agreement). Certification and recognition of right procedures are executed by the authorised enterprise – the Certification Centre of Building Products (CCBP).

A person willing to get a certificate or recognition of a right must apply to the CCBP with relevant documents and pay the certification fee. The request is considered by a special commission which adopts the decision on certification or recognition of the right.

Issuance of the certificate, as well as recognition of a right, may take about one to two months.  
Certification (or recognition of a right) costs are approx. EUR 200.

For more information, please see:

[www.spsc.lt](http://www.spsc.lt)



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## 19. DISPUTE RESOLUTION

In general, the courts of Lithuania recognize the parties' agreements to solve their disputes in the jurisdictions outside Lithuania. Such agreements are subject to the rules which apply in specific situations.

The contractual parties from the EU Member States may agree to settle their disputes in the courts of other states (choice-of-court agreements) in accordance with the Regulation (EU) No 1215/2012 (Brussels I recast). If the contractual parties are from non-EU Member States, the parties may agree to dispute resolution subject to the Hague Convention on Choice of Court Agreements of 30 June 2005 or bilateral treaties of legal assistance entered into by Lithuania and another state, e.g. Lithuania-Russia.

If the dispute involves domestic parties, the parties may enter into a choice-of-court agreement subject to the rules laid down in Lithuanian Code of Civil Procedure. The Code of Civil Procedure provides certain instances when the parties cannot agree on settlement of their disputes in the courts of other states, e.g. claim in relation to property rights to the real estate located in Lithuania must be submitted to the courts of Lithuania. If the contract contains no choice-of-court agreement, the general rule provides that the claim has to be submitted to the courts of the defendant's place of residence.

### 19.2. ALTERNATIVE METHODS OF DISPUTE RESOLUTION

	Lithuania
<b>Arbitration</b>	<p>The most prominent and reputable arbitration institution in Lithuania is the Vilnius Court of Commercial Arbitration. Local commercial disputes as well as international commercial disputes may be solved by arbitration in the Vilnius Court of Commercial Arbitration. The proceedings may be conducted in English, Lithuanian and Russian languages.</p> <p>In cases of large commercial transactions of international nature, the Parties often chose other international arbitration institutions, such as the International Chamber of Commerce (ICC) or the Arbitration Institute of the Stockholm Chamber of Commerce (SCC).</p>
<b>Mediation</b>	<p>Out-of-court mediation services in Lithuania are provided by the Vilnius Court of Commercial Arbitration and under the Law on Mediation. The Law of Mediation provides for mediation conducted by the qualified mediators who are either judges of Lithuania or other private persons (attorneys or specialists in other fields of industry).</p>

By way of arbitration parties can resolve any dispute except for disputes which concern family law; patents; trade mark and design registration; disputes that must be settled in accordance to administrative litigation procedures or by the Constitutional Court; arise from employment or consumer contracts (except for the cases where an arbitration agreement is concluded after the dispute has arisen); as well as disputes where one of the parties is a state or municipal company, institution or organisation (except for the Bank of Lithuania) if the founder of such entity has not given its consent in advance.

Arbitration is recognized and well-established in Lithuania thanks to support of the Lithuanian courts. Only a fraction of all arbitral awards issued in Lithuania are set-aside by the Lithuanian courts. In very rare instances the Lithuanian courts refuse to recognize and enforce foreign arbitral awards. The Law on Commercial Arbitration of Lithuania is in line with the newest version of the Model Law on International Commercial Arbitration as developed by the international body, UNCITRAL, in 2006 and the best international practice in arbitration.

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### 19.3. LENGTH OF COURT PROCEEDINGS

The length of court proceedings may vary due to the case load of the respective courts, type and complexity of a case, as well as the adjournment or suspension of proceedings for the reasons set out in the law. Compared to the courts of other states, Lithuanian courts are comparatively quick in resolving the disputes.

The general trend with regard to the length of court proceedings in Lithuania are:

- approx. 1,5-2 years in the first two instances and 6-9 months for the cassation for civil disputes;
- approx. 1-1,5 year for all two instances for the administrative disputes.

### 19.4. SECURING OF THE ENFORCEABILITY OF FUTURE DECISIONS

#### Lithuania

Lithuanian laws provide for a possibility to apply interim measures to secure a future decision in the claimant's favour. Both national courts and the arbitration courts have jurisdiction to impose interim measures.

Interim measures in the judicial proceedings include: seizure of immovable and movable property, property rights or bank accounts; prohibition of certain transactions or actions, transfers of property, including seizure on payments due from other persons; suspension of enforcement proceedings, etc. The list is non-exhaustive and any other measures, which are prescribed by the law or considered necessary by the courts, might be applied. The choice of interim measures is based on the principle of economy and their total amount must not substantially exceed the amount of the claim.

The courts apply interim measures if the claimant provides evidence that: (i) the claim is on its face (prima facie) not baseless; and (ii) it may be assumed that there is risk that the defendant will act in bad faith by hindering the enforcement of future court judgment.

The arbitration courts may apply three types of interim measures: (i) a prohibition to conclude certain agreements or take certain actions; (ii) an obligation to preserve an asset related with the case or to present a monetary deposit or bank/insurance guarantee; (iii) an obligation to preserve the evidence that may be important for the case. The arbitration court's order on application of interim measures is an enforceable document. If it is not being complied with, at the request of a party the Lithuanian state court issues an enforcement order.

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## 19.5. ENFORCEMENT OF FOREIGN COURT DECISION AND ARBITRAL AWARDS

### Lithuania

Foreign court decisions and arbitral awards can be enforced in Lithuania subject to certain rules.

In general, the decisions of the EU courts in civil and commercial matters are enforced according to the Regulation (EU) No 1215/2012 (Brussels I recast). The decisions of the EU courts are enforced directly without any recognition procedure. The decisions coming from non-EU states must to be recognised and allowed to be enforced according to Hague Convention on Choice of Court Agreements of 30 June 2005 or, if it is not applicable, according to the international bilateral agreements concluded with the respective states. When such an agreement does not exist, a court decision is recognised under Lithuanian laws based on reciprocity principle.

For arbitral awards the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards and national procedural rules of recognition are applicable.

Under the procedure for recognition and enforcement of foreign court decisions and arbitral awards, there is no review as to their substance. Lithuanian courts only check the compliance with general procedural standards, such as whether the party was informed of the proceedings and was afforded due procedural defence, whether the decision is in force in the country of its adoption, whether it does not contradict public policy.

## 19.6. ENFORCEMENT OF NATIONAL COURT DECISIONS OUTSIDE THE COUNTRY

In general, the decisions of Lithuanian courts are enforceable outside Lithuania subject to Hague Convention on Choice of Court Agreements of 30 June 2005 or bilateral international agreements (in non EU member states) and EU regulations (in the EU, for example, the Regulation (EU) No 1215/2012 (Brussels I recast)).

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