

LEX MUNDI
PUBLICATION



ISSUES RELATING TO FOREIGN INVESTMENT

LITHUANIA

Lideika, Petrauskas, Valiūnas ir partneriai LAWIN

CONTACT INFORMATION

Simas Gudynas

Lideika, Petrauskas, Valiūnas ir partneriai LAWIN

Jogailos g. 9/1, LT-01116 Vilnius, Lithuania

Tel.+370 5 268 1888

simas.gudynas@lawin.lt

www.lawin.lt

- 1. Is state governmental permission required for foreign investors to acquire real estate? If so, please identify.**

No.

- 2. Are there other state restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.**

Foreigners are prohibited from acquisition of land into ownership, unless they comply with the criteria of European and Transatlantic Integration. To meet the said criteria a legal entity is required to be established in or a natural person is required to hold the citizenship or a permanent residency of, one of the following states:

- a Member State of the European Union or a state that is a party to the European Treaty (Association Agreement) with the European Communities and their Member States;
- a Member State of the Organisation for Economic Co-operation 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.

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Land may also be acquired into ownership by non-Lithuanian citizens having permanent residence in Lithuania.

With certain minor exceptions, even when complying with the above-described criteria, foreigners are not allowed to acquire agricultural and forestry land into their ownership until 1 May 2011 (i.e. until expiry of the 7-year transitional period after Lithuania's accession to the EU).

There are no restrictions imposed on foreign investors (irrespective of their origin) to acquire interests in Lithuania-based entities which own real estate.

3. Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

No. A local partner may be beneficial only to the extent he may have more knowledge about local business environment and bureaucratic procedures.

4. What state taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

There are no such taxes. Capital gains of either Lithuanian or foreign entities from the sale of real estate in Lithuania are subject to a corporate income tax (levied on Lithuanian entities) or withholding tax (levied on foreign entities) at the same rate of 15%. The only difference is that capital gains of a Lithuanian entity are taxed along with other taxable income (i.e. after allowed deductions), which is not the case for the taxation of foreign entities.

With certain minor exceptions, capital gains of foreign individuals (non-residents) and foreign entities generated from the sale of interests in Lithuanian-based entities are not subject to taxation in Lithuania.

5. Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

None.