



INVESTMENT GUIDE TO
LITHUANIA
JANUARY 2018

LEADING THROUGH WITH
CONFIDENCE AND CLEAR VISION

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LEADING THROUGH INTRODUCTION

This investment guide will provide you a brief insight into the basic requirements in Lithuania related to incorporation of companies, taxation, employment, and real estate acquisition matters.

This investment guide is based on the laws in effect at the time it was developed.

This investment guide contains only a general description of the issues it covers; each practical situation has its own nuances and should be approached on a case-by-case basis.

If you need a more detailed description of some issues addressed in this investment guide or comments in relation to certain issues not dealt with in this investment guide, and/or legal assistance in practical situations, please instruct us accordingly and we will be honoured to provide you with our assistance.

COBALT LITHUANIA









IN FOCUS

- Lithuania at a glance
- Incorporation and basic legal requirements
- Taxation
- Employment
- Real estate acquisition



LEADING THROUGH LITHUANIA AT A GLANCE

Lithuania is one of the three Baltic States in northern Europe on the eastern coast of the Baltic Sea.

POPULATION		2.8 M
LARGEST CITIES		Vilnius Kaunas Klaipėda
GDP GROWTH Q1 2017		2.4%
REGISTERED UNEMPLOYMENT Q1 2017		8.3%
EXPORT MAY 2017		1 879.8 MEUR
IMPORT MAY 2017		2 136.8 MEUR
FOREIGN DIRECT INVESTMENT (CUMULATIVE)		13 066.24 MEUR
TOP COUNTRIES BY AMOUNT OF DIRECT INVESTMENTS		SE • NL DE • NO • PL

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Sources:
Statistics Lithuania

LEADING THROUGH INCORPORATION AND BASIC LEGAL REQUIREMENTS

A private limited liability company is by far the most popular form of incorporation in Lithuania, which is accounted for by simplicity of incorporation procedure, flexibility of management structure and low capital requirements. The table below summarizes the basic requirements in relation to incorporation of private limited liability companies in Lithuania, as well as other applicable legal requirements.

Minimum share capital	EUR 2,500
Incorporation fees	EUR 57.34 stamp duty; EUR 16.22 stamp duty for company name reservation (mandatory only when a company is incorporated electronically under an expedited procedure ¹)
Other costs	Notary fees usually do not exceed EUR 232
Duration of registration procedure	3 business days or, in case of electronic registration, up to 2 business days from the date of submission of documents. Normally, the whole process takes 2-3 weeks (gathering signatures, translation/notarisation, payment of the share capital).
Management bodies	<ul style="list-style-type: none"> – CEO (mandatory) – Management Board consisting of 3 or more members (optional) – Supervisory Board consisting of 3-15 members (optional) – General Meeting of Shareholders (mandatory)
Types and number of shares	Types of shares (based on their form): book-entry shares and certificated shares (share certificates). Classes of shares (based on the scope of rights granted by them): ordinary and preference shares.
VAT registration	If certain thresholds are exceeded, VAT registration is mandatory. Voluntary registration is also possible upon submission of the incorporation documents.

¹ Such procedure is available not in all cases; there are additional requirements with regard to the founders, name of the legal entity and others.

LEADING THROUGH TAXATION

Corporate income tax	15%
Corporate income tax on dividend distribution (withholding tax)	Dividends are exempt from corporate income tax if the parent company has held at least 10% of the shares in the subsidiary for at least 12 months (exemption is not applicable to dividends paid to offshore companies and is subject to anti-avoidance provisions). In other cases – 15%.
VAT	21% / 9% / 5% / 0%
Minimum monthly salary (gross)	EUR 400
Payroll taxes	Personal income tax at a flat rate of 15% (withheld from gross salary); mandatory social insurance contribution of 39.98% (paid on top of salary).
Total tax on a monthly net salary of EUR 1000	EUR 726.05
Total tax on a monthly net salary of EUR 2000	EUR 1,452.10
Real estate tax	0.3% to 3% of taxable value of non-residential real estate Individuals are subject to a 0.5% real estate tax; real estate tax is paid on taxable value of residential real estate owned or acquired by individuals, exceeding the exempt value of EUR 220,000
Land tax	0.01% to 4% of the taxable value of the land plot

LEADING THROUGH EMPLOYMENT

Form of employment contract (oral / written)	Written
Language of employment contract	Lithuanian or bilingual
Maximum probation period	3 months
Maximum working time (weekly, daily)	8 hours per day, 40 hours per week Shorter time for specific categories of employees
Minimum annual paid leave	20 working days (5-working day week arrangement), 24 working days (6-working day week arrangement); 4 calendar weeks (different working time arrangements)
Overtime compensation	1.5 of the regular salary of the employee
Notice period in case of economic / organisational dismissal	Two weeks for employees who have worked less than one year in the company. One month for employees who have worked one year and longer in the company. The above notice periods are doubled for employees with less than 5 years left before they reach the statutory old-age pension age. The above notice periods are tripled for employees bringing up a child (adopted child) under the age of 14, employees bringing up a disabled child under the age of 18, employees with less than 2 years left before they reach the statutory old-age pension age, and disabled employees.
Severance payment in case of economic / organisational dismissal	One half of the average monthly salary of the employee if the employee has worked less than one year in the company. Two average monthly salaries of the employee if the employee has worked one year and longer in the company.
Minimum termination notice period for an employee	20 calendar days
What is the role of trade unions in case of termination of employment (if any)?	If the employer seeks to terminate the contract of any employee who is a member of the representative bodies and/or the management bodies of the works council or trade union during his or her term of office or 6 months after the term of his or her office, the employer is required to obtain consent from the Chief State Labour Inspector of the Republic of Lithuania.

LEADING THROUGH REAL ESTATE ACQUISITION

The real estate market in Lithuania is regulated following the generally accepted principles of inviolability of ownership, protection of the rights of a bona fide acquirer, equality of the parties, and publicity.

Foreign investors have equal rights with their Lithuanian counterparts to acquire structures and/or buildings in Lithuania. In the meanwhile, land may be sold to foreign investors who meet the criteria of European and Trans-Atlantic integration.² Foreign investors (together with related parties) may acquire not more than 300 ha of agricultural land in the territory of Lithuania from the state and not more than 500 ha in total (from the state and other persons), except for particular cases established by law and subject to the right of first refusal granted to certain categories of land users.

Real estate may be acquired by executing:

- Asset deals – acquisition of real estate must at all times be pursuant to the rules of the Civil Code of the Republic of Lithuania, certified by a notary public and post-signing registered with the Real Estate Register.
- Share deals – acquisition of shares in a company owning real estate (if 25% or more shares of a private limited liability company are sold or the selling price of the shares is higher than EUR 14,500) may be executed through (i) a notary public; or (ii) a manager of securities accounts.

	Asset deal	Share deal through a notary public	Share deal through a manager of securities accounts
Notary fee	0.45 per cent of the transaction amount, but not less than EUR 28.96 and not more than EUR 5,792.40. ³	From 0.4 to 0.5 per cent of the amount of transferred securities, but not less than EUR 14.48 and not more than EUR 5,792.40. ⁴	N/A
Fees for the Depository and the manager of securities accounts	N/A	N/A	The costs depend on the selection of the service provider (manager of securities accounts). Managers of securities accounts charge the following fees, amounting to approx. EUR 800–900 in total (for each target company separately): – Service fee – to be paid by each target company before the transaction and in every subsequent quarter; – Securities account opening fee – to be paid by each party to the transaction for opening their personal accounts (by

² Foreign legal entities, and other foreign organisations that have been set up in countries which are members of: (i) the European Union; (ii) the North Atlantic Treaty Organisation; (iii) the European Economic Area Agreement; or (iv) the Organisation for Economic Cooperation and Development and which have not acceded to any political, military, economic and other unions of the states founded on the basis of the former Union of Soviet Socialist Republics. Foreign nationals (natural persons) of the states specified above and permanent residents of the above-mentioned foreign states, as well as permanent residents of the Republic of Lithuania who are not citizens of the Republic of Lithuania.

³ If several real estate properties are transferred in a single transaction, the notary fee is calculated based on the applicable tariff; however, the maximum notary fee may not exceed EUR 14,481.

⁴ If the shares of several companies are transferred in a single transaction, the notary fee is calculated in accordance with the applicable tariff; however, the maximum notary fee may not exceed EUR 14,481.

	Asset deal	Share deal through a notary public	Share deal through a manager of securities accounts
			<p>each seller and each purchaser) before the transaction;</p> <ul style="list-style-type: none"> - Fee for issuing an additional extract from the securities account – to be paid by the seller before the transaction; - Fee for registration of the SPA – to be paid by any of the parties to the transaction (either the seller or the purchaser, or both).
Fee for registration with the Real Estate Register/Register of Legal Entities	Registration fees are calculated on the basis of the average market value of the property (separately for land plots and buildings: from EUR 37.65 to EUR 1,448.10 for registration of title to the building and from EUR 23.17 to EUR 1,448.10 for registration of title to the land plot).	EUR 2.90 (for one record; there may be a few of them, i. e. change of shareholders, change of the managing director)	
Mortgage/pledge fee	From 0.2 to 0.3 per cent of the property value, but not less than EUR 14.48 and not more than EUR 144.81.		
Fee for registration with the Mortgage Register	EUR 31.28		
Additional expenses	A certain fee has to be paid to the notary public for additional services (collecting information from public registers, etc.).		N/A

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