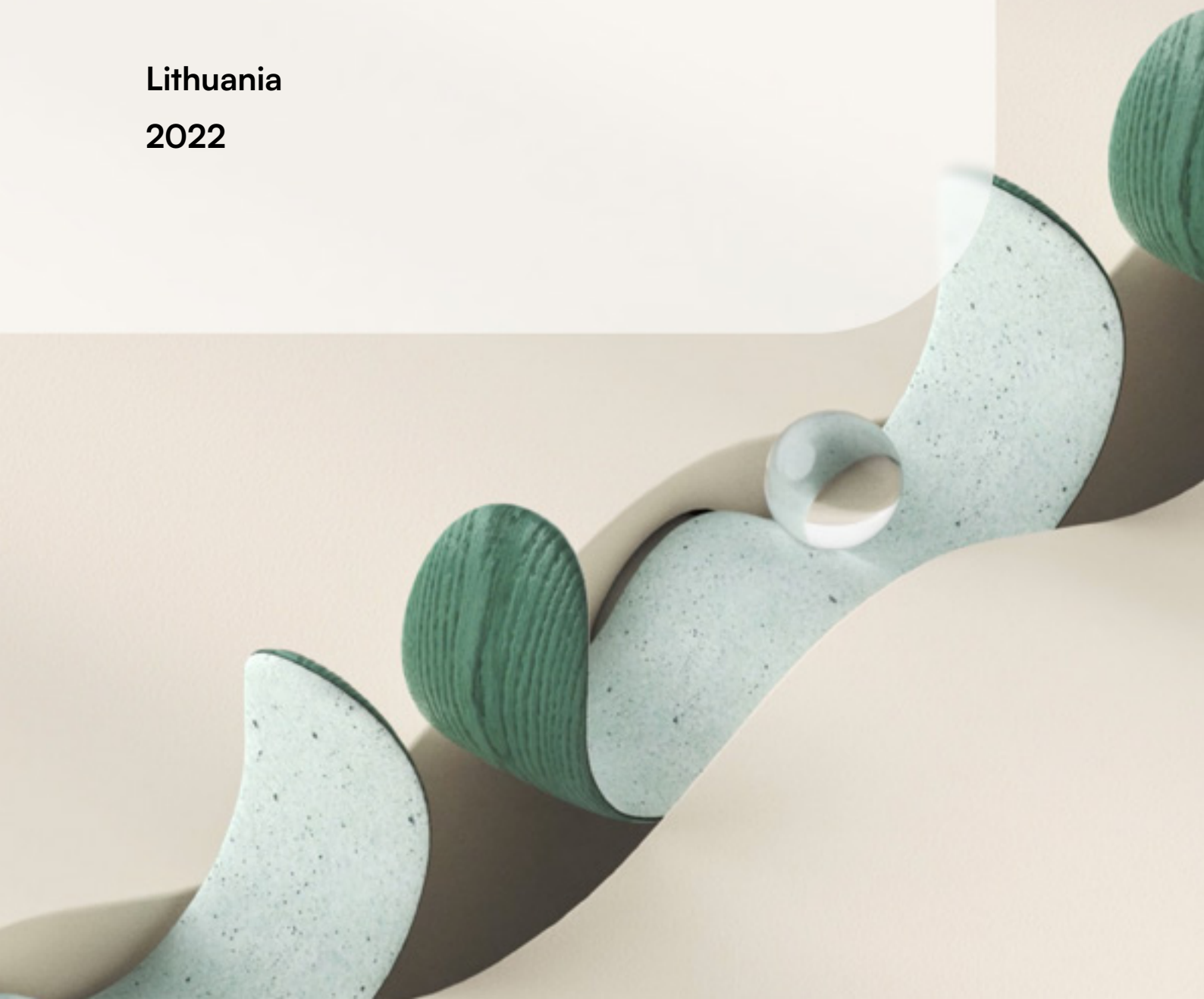
TRINITI JUREX
TALLINN RIGA VILNIUS

Legal Guide

Lithuania

2022



Lithuania

GENERAL INFORMATION

The Republic of Lithuania is located on the eastern coast of the Baltic Sea, and its territory covers 65 303 square kilometres. The capital of Lithuania, Vilnius, is only 25 kilometres to the south of the geographical centre of Europe. Lithuania borders Latvia to the north, Belarus to the east, Poland to the south and the Kaliningrad region of the Russian Federation to the southwest.

The Republic of Lithuania (Lietuvos Respublika) is an independent democratic state. The foundation of the social system is enforced by the Constitution of the Republic of Lithuania, adopted in 1992 by a referendum, which is the highest act of national legislation and establishes the rights, freedoms, and duties of citizens. Sovereign state power is vested in the people of Lithuania and is exercised by the Seimas (Parliament), the President of the Republic, the government and the courts.

Since regaining independence in 1990, Lithuania has transformed its economy from a Soviet-era planned economy into a modern market economy. This change has been mainly facilitated by a stable political situation and the sensible and innovative economic policies of the government. Lithuania has been one of the fastest growing countries in the world over the past decade, with eight years of positive GDP growth until 2020. Between 2012 and 2020, Lithuania's GDP grew by more than 50%, and since the COVID-19 pandemic shocked the world, Lithuania's GDP has been recovering rapidly and gaining momentum, and is projected to rise further in 2022 and 2023.

Lithuania is a member of the European Union (EU), UN, OSCE, OECD, WTO, IOC and NATO. Thereby, Lithuania can provide additional comfort and assurances with respect to its business environment and to offer stability to foreign investors.

According to 2019 World Bank rankings on ease of doping business (http://www.doingbusiness.org/en/rankings/), Lithuania ranked 11th overall just behind Sweden and above Belgium, France and also for example Netherlands. Compared to the 2011 World Bank rankings, Lithuania has risen 13 places, and based on these rankings, it is reasonable to say that Lithuania is a great place to establish a start-up company.

Despite all the advantages already mentioned, Lithuania has a strong business presence in artificial intelligence, financial technology, product development, compliance and anti-money laundering, manufacturing, life sciences, real estate, and other areas. The physical infrastructure is also extremely convenient, with airports in all three of the country's major cities and a port in the beautiful city of Klaipėda, which allows for fast and high-quality

logistics operations. An interesting fact is that Lithuania has the fastest public internet in the world, so you can be certain that you will always be connected.

Lithuania's national currency is euro.

EFFICIENT AND REGULATED CAPITAL MARKETS

Lithuanian capital market laws and regulations comply with EU regulations. NASDAQ OMX stock exchanges in Vilnius, Tallinn and Riga form the NASDAQ OMX Baltic Market, which facilitates cross border trading and attracts more investments to the region. These exchanges also share a common trading system and have similar rules and practices, all with the aim of reducing the costs of cross-border trading within the Baltic region.

ABSENCE OF RESTRICTIONS ON FOREIGN INVESTMENTS

Lithuania's government sets no limitation on foreign ownership. There is no requirement for a foreign investor to obtin any government license or permit before making an investment in Lithuania.

There are of course normal licensing requirements in certain sectors, e.g. mining, financial services, telecommunication etc., but these apply equally to foreign and domestic investors.

There are certain limitations on, for example, purchasing agricultural land and forests.

PROHIBITION OF UNLAWFUL EXPROPRIATION

Expropriation of immovables is defined under Lithuanian law as the transfer of an immovable without the consent of the owner in the public interest for fair and immediate compensation. The right of Republic of Lithuania to expropriate property is limited and has been used very rarely (mainly in connection where the expropriation is needed in order to acquire land for important roads and defence needs).

As a rule, expropriation of immovables is decided by the Government of the Republic. Expropriation is not allowed in case the purpose for which expropriation is requested is achievable in another permissible manner.

BILATERAL INVESTMENT PROTECTION TREATIES

Lithuania has concluded investment promotion and protection agreements which promotes and protects investments made by investors from respective countries in each other's territory with over 50 countries including the Belgium-Luxembourg Economic Union, China, the Czech Republic, Denmark, Finland, Greece, Israel, Italy, Latvia, Estonia, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom and the United States. Among the new treaties is the Lithuania-Turkey BIT, which was signed on 28 August 2018 but has not yet entered into force.

LEGAL SYSTEM

Lithuanian legal system is principally based on the legal traditions of continental Europe. The principal body of law is statutory. Substantive branches of the law are codified in codes. All regulatory acts, including laws, must comply with the Constitution. International treaties and conventions automatically become part of the Lithuanian legal system from the moment of signing or accession. Those ratified by the Seimas prevail over internal laws, whether enacted at the moment of ratification of such treaty or convention or later. A law enters into force upon its promulgation by the President (or in some cases, the Chairman of the Seimas) and its publication in "Teisės aktų registras" (www.e-tar.lt) (the Official Website).

Since May 1st, 2004 the Republic of Lithuania has been a full member state of the European Union (EU) and accordingly, EU law is binding upon Lithuania. In view of Lithuania's goal to accede to the European Union, a central priority of these ongoing reforms is the harmonization of Lithuanian law with that of the EU.

THE COURT SYSTEM

The core of the Lithuanian court system consists of courts of general jurisdiction, dealing with civil and criminal matters, i.e. Supreme Court (1), the Court of Appeal (1); regional courts (5); and district courts (49). Administrative cases are tried in specialized courts: the Supreme Administrative Court and regional administrative courts; however, district courts also hear some cases of administrative offences within their jurisdiction by law.

The Lithuanian Constitutional Court is a separate independent judicial body and is entitled to decide whether the laws and other legal acts adopted by the Seimas are in conformity with the Constitution, and whether legal acts adopted by the President and the government violate the Constitution or laws.

The Lithuanian Supreme court is responsible for the formation of uniform court practice in the interpretation and application of laws and other legal acts, and thus interpretations of law in the published decisions of plenary sessions or chambers of the Supreme Court must be taken into consideration by other courts, and by governmental and non-governmental institutions.

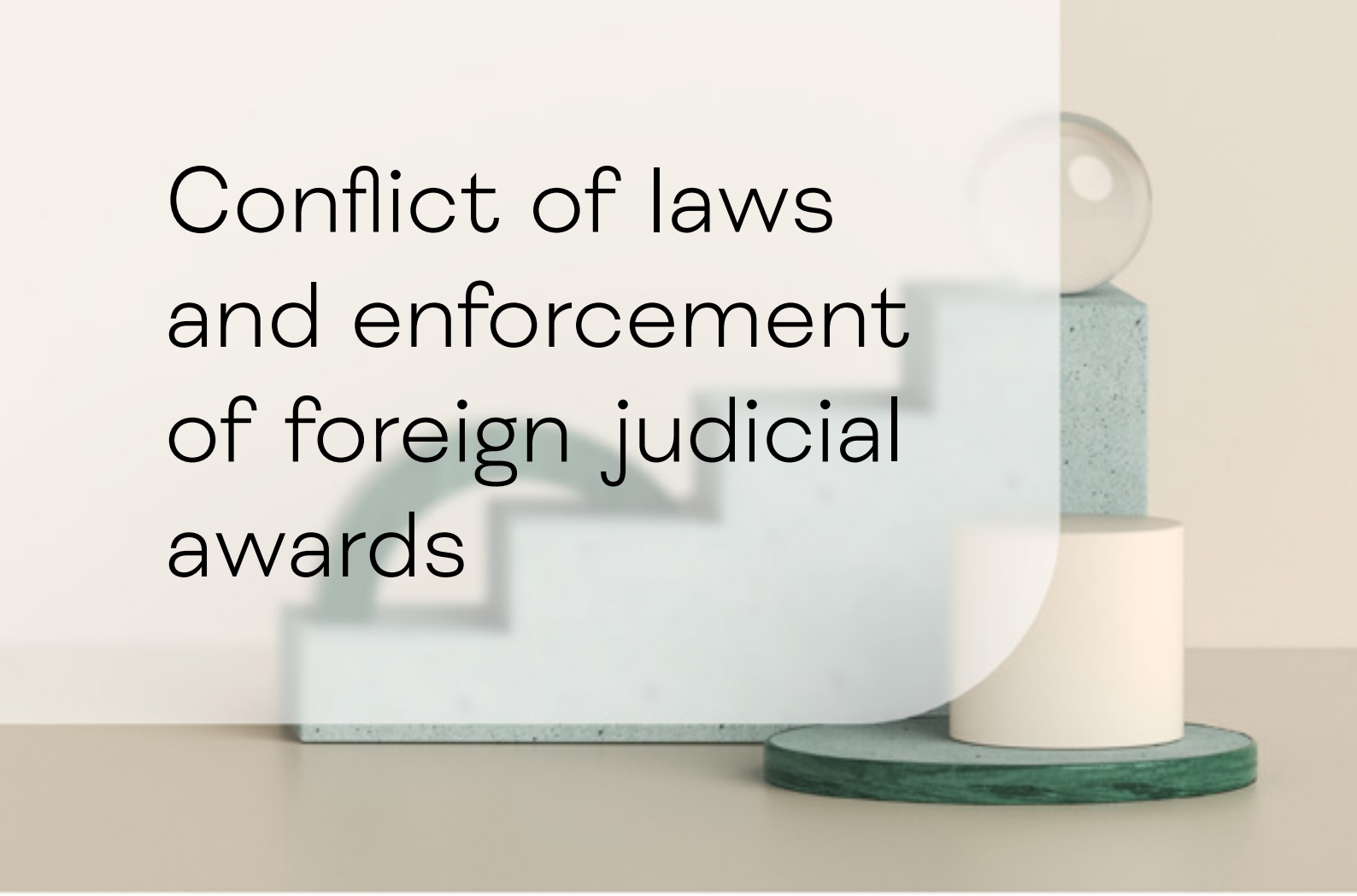
ARBITRATION AND ALTERNATIVE DISPUTE RESOLUTION

Since 1995 Lithuania is a signatory to New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958. This, therefore, provides for legal tools for recognitiona and enforcement of Arbitral decisions in Lithuania. More so, the legal framefork and case law of the Supreme Court of Lihuania favors arbitration and thus provides for Lithuanian to be called as a pro-arbitration state.

The Law of Commercial Arbitration of the Republic of Lithuania, should it be used as the law of seat or arbitration, is adopted, only with some slight changes, from UNICITRAL Model Law on International Commercial Arbitration. Therefore, most litigants would not be surprised by application of lex arbitri similar to UNICITRAL Model Law on International Commercial Arbitration.

Other means of alternative dispute resolution are less common in Lithuania, yet mediation is gaining popularity in commercial dispute resolution as an alternative to years of litigation. In some disputes (e.g. divorce) pre-trial mediation is mandatory.

Binding Expert Determination is yet to be discovered in Lithuania. Contracting parties are not aware of such option, but the legal framework provides for such tool to be used.



Conflict of laws and enforcement of foreign judicial awards

ENFORCEMENT OF FOREIGN JUDICIAL AWARDS

General Remarks

Pursuant to the Code of Civil Procedure (Lietuvos Respublikos civilinio proceso kodeksas, CPK), claims arising from decisions recognized or subject to enforcement without recognition by courts of foreign states are enforceable in Lithuania. The enforcement of a claim is dealt by an official bailiff; however, in order to turn to a bailiff, an enforceable execution document is required.

Therefore, although foreign awards against both natural or legal persons are enforceable in Lithuania, there are special rules for having a judgment given in another country declared enforceable. The exact procedure and measures to be taken in order to have an award declared enforceable depend on the nature of the claim as well as its origin.

Enforcement of European Union (EU) judicial awards

Since Lithuania is a member of the EU, the enforcement of EU judicial awards in Lithuania is regulated by the Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters also known as the Brussels I bis Regulation.

According to the Regulation, a judgment given in a national court of the EU country, in a court proceedings, which started later than 10 January 2015, may be enforced without a declaration of enforceability, therefore no recognition of the given judgement shall be needed. The abolition of the exequatur procedure (recognition of the judgement of the foreing court) simplifies the recognition and enforcement of EU judgments in other member states substantially.

As well as this, Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 21 April, 2004 creates the European Enforcement Order for uncontested claims. The purpose of this regulation is to permit, by laying down minimum standards throughout all member states without any intermediate proceedings in the member state of enforcement prior to recognition and enforcement. This means that in cases where the debtor has not contested, there is no need to send the claim to the court to be recognized. A judgment on an uncontested claim is certified as a European enforcement order by the member state of origin. After that, the claim can be sent straight to the bailiff of the country where a person wishes to enforce the judgment.

Enforcement of Icelandic, Norwegian and Swiss judicial awards

As of 2010 in relations with Norway and of 2011 in relations with Iceland and Switzerland, the revised Lugano Convention is applicable and therefore resolutions made in those countries are also enforceable in Lithuania and vice versa. This is of course after respective formalities to declare the award enforceable have been completed. The Lugano Convention follows the present legal framework of the European Community, namely the Brussels I Regulation, and therefore quite similar formalities have to be followed.

Enforcement of other foreign judicial awards

A court decision in a civil matter made by a foreign state other than a member state of the EU, or Iceland, Norway and Switzerland, is subject to recognition in the Republic of Lithuania. According to Lithuanian legislation, judgments of the foreign courts are recognized and

enforced in the Republic of Lithuania in accordance with international treaties. In case of an absence of the relevant treaty, judgments of the foreign courts are recognized subject to the legal grounds set forth within the CPK.

In general, judgments of the foreign courts, except for the judgments of the courts of EU members states, may be enforced in the Republic of Lithuania only after they have been recognized by a competent court of the Republic of Lithuania. The judgment cannot be recognized and enforced in the case where recognition of the decision would be clearly contrary to the essential principles of Lithuanian law (public order) and, above all, to the fundamental rights and freedoms of persons; the decision is in conflict with an earlier decision made in Lithuania regarding the same matter between the same parties; or if an action between the same parties has been filled with a Lithuanian court, and etc.

Enforcement of foreign arbitral awards

As of 2 February, 1995, the Republic of Lithuania is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958; therefore the arbitral awards adopted by foreign arbitration institutions are enforceable in Lithuania in accordance with the terms of the New York Convention.

CONFLICT OF LAWS

Applicable law

In cases where a legal relationship is connected with the law of more than one state, the question of applicable law arises. Such a situation is also known as a conflict of law. The purpose of conflict of law rules is to determine which substantive law is applicable to a particular legal relationship.

Since Lithuania is a member of the EU, situations of this kind are regulated by Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June, 2008 on the law applicable to contractual obligations also known as the Rome I Regulation.

This Regulation is applicable in relations between parties from European Union Member States. Otherwise the applicable law is determined by following the provisions of international agreements concluded between Lithuania and non-EU countries or by CPK.

In general, according to the law regulating applicable law, contracts shall be governed by the

law of the state agreed upon by the parties.

The parties may choose the law applicable to the whole contract or to a part thereof if the contract is divisible in such manner. Despite this, the parties are not always completely free to choose the applicable law. For example, a foreign law shall not be applied if the result of such application would be in obvious conflict with the essential principles of Lithuanian law (public policy).

Despite that, for some kinds of contracts, the Rome I Regulation lays down specific provisions regulating options of applicable law. For example, in the absence of choice, the applicable law for the insurance contracts will be that of the country of residence of the insurer. However, if the contract is more closely related to another country, that country's law will regulate relations between parties.

Moreover, if the law applicable to a contract has not been chosen, the contract shall be governed by the law of the state with which the contract is most closely connected. A contract is presumed to be most closely connected with the state where the residence or the seat of the directing body of the party who is to perform the obligation characteristic of the contract is situated at the time of entry into the contract.

Similar rules are laid down in international treaties concluded with non-EU countries and CPK.

Jurisdiction

Jurisdiction is the right and obligation of a person to use his or her procedural rights with a specific court. In Lithuania the questions of jurisdiction are regulated by the CPK.

A person who wants to initiate legal proceedings in civil or commercial matters, should identify what court system (general competence or administrative) can deal with his case. Courts of general competence (courts of first instance - district courts) examine all civil cases — that is, disputes in connection with or arising out of civil, family, labour and other private relationships. Courts of general competence (courts of first instance — regional courts) examine civil cases — that is, disputes in connection with or arising out of intellectual property, bankruptcy, restructuring etc.

Pursuant to the CPK, claims arising from civil or commercial matters should be heard in the court situated in the location of the defendant. However, there are regulations stipulating cases when a person can choose one among several courts and cases when a person can apply only to a single court, having exclusive jurisdiction.

Agreement on jurisdiction is possible if the jurisdiction of this court is prescribed by an agreement between the parties.

Since Lithuania is a member of the EU, matters of jurisdiction are also regulated by the Brussels I bis Regulation. The provisions of the CPK concerning international jurisdiction apply in Lithuania upon determination of the jurisdiction between the courts of the member states of the EU only to the extent that this is not regulated by the Brussels I bis Regulation.

The main rule of the so-called Brussels regime is that a person domiciled in a member state, whatever his/her nationality, may be sued in the courts of that member state. If a party is not domiciled in the EU country of the court considering the matter, the court shall apply the law of another EU country to determine whether the party is domiciled in the said state. In the case of legal persons or firms, domicile is determined by the country where they have their statutory seat, central administration or principal place of business.

Apart from the basic principle on jurisdiction, in certain circumstances a defendant may be sued in the courts of another EU country. Brussels I bis Regulation lists areas of jurisdiction where this is the case: special or exclusive jurisdiction, as well as jurisdiction on matters relating to insurance, consumer contracts and individual contracts of employment. For example, in matters relating to a contract as a general rule, these will be dealt with by the courts for the place of performance of the obligation in question.

As of 2010, in relations with Iceland, Norway and Switzerland, the revised Lugano Convention is applicable. The revised Lugano Convention sets out quite similar rules on jurisdiction to the Brussels I Regulation.

Security rights

GENERAL INFORMATION

Performance of obligations may be secured in accordance with a contract or laws in the form of penalty, pledge, mortgage (hypothec), suretyship, guarantee or earnest money, or any other forms resulting from the contract.

There is no legal definition of security rights available in the Lithuanian legal system and the parties are free to agree on rights not regulated by the law in order to secure the performance of obligations.

Depending on their nature, security rights may in general be divided into:

1. rights of security, which constitute a part of real rights and are connected to a thing, e.g. right of pledge, mortgage and
2. securities, which constitute a part of rights in contracts between the parties and are connected to a person, e.g. suretyship, guarantee, earnest money, contractual penalty.

RIGHT OF PLEDGE

General Remarks

If a creditor wishes to establish security rights on certain movables to secure his claim, right of pledge is the solution. The object of the pledge may be transferred to the creditor or a third person or may remain with the pledger.

Claims secured by a pledge usually have priority with respect to all other claims towards the obligor and therefore the right of pledge is designed to offer the creditor more security towards the satisfaction of his claim.

A pledge may secure any monetary claims of the creditor. In general, the pledge can be applied on movable things and real rights. Rights towards land and forest; and other things, i.e. the right of use, the right of lease and other property rights, except for rights related to the personality of the owner of the thing pledged as well as rights that are not transferable by laws or by the contract; may also be the object of the pledge. Unless otherwise spevified in the contract and by the law, a pledge of the thing covers accessories of the pledged object and non-separated fruits.

In case of pledge of goods in stock that are in circulation, a pledger has a right to change the composition and form of pledged goods in stock, provided their total value is not reduced. When pledged goods are sold while the pledger is engaged in business as set forth in its bylaws, the pledge of goods is released and new goods in stock acquired by the pledger become the object of the pledge from the time of the acquisition of ownership of the goods.

The object of pledge may also be changed to another object defined by individual characteristics.

Depending on the object of the pledge, different types of pledge are distinguished and it is crucial for the creditor to choose the right type of pledge.

Features of pledge

As the right of security connected to the thing when the right of ownership of the collateral is transferred to another person, the right to pledge remains due only when the object of the pledge was transferred to the pledgee or when the pledge bond was registered in the Register of Mortgages. During the pledge, the creditor has a right to inspect the number, condition, storage conditions, etc., of pledged things controlled by the pledger. However, the parties are free to stipulate a contrary clause in the pledge agreement

MORTGAGE

In addition to the right of pledge, other rights of security can be established. For example, an immovable, its essential parts and accessories may be encumbered with a mortgage.

A real right contract entered into for the establishment of a mortgage shall be notarial certified. One immovable may be encumbered with several mortgages and also a combined mortgage to several immovables is recognized. Mortgage does not prevent the transfer of the immovable and it will continue to exist until terminated. Mortgaged objects are not transferred to the creditor and this is one of the main features of mortgages. A mortgage can be of two types - legal or contractual. Although usually a mortgage is established on the consent of the parties, a legal mortgage arises on the basis of the law or a court judgment securing the claims arising from taxing and state social insurance legal relations, from construction works or to secure property claims in accordance with a court judgment. According to Lithuanian law, contractual mortgage may be also different types depending on the consent of the parties. The parties can agree on an ordinary, joint, the mortgage of the thing of another, maximum, common or conditional mortgage.

However, the mortgage comes into force as of its registration in the Register of Mortgages. As the security right the mortgage could be transferred and pledged as well.

RIGHT ON RETENTION

If an obligor has failed to perform a duty, the entitled person may, in strictly limited circumstances, withhold things to the extent which is necessary in order to secure the claims. This is called right of retention and may not be exercised before the term for performance of the obligation. However, a person who has the right of retention may not lease, pledge or otherwise encumber the thing or use it in accordance with its destination except for the use that is necessary to preserve the thing, unless the law or agreement specifies otherwise.

SECURITIES UNDER THE OBLIGATIONS LAW

General Remarks

In addition to the aforementioned, securities may be agreed upon under the obligations law. The security of performance may be applied both to already existing obligations under contracts and to those that may arise in the future. Agreements on setting up securities of this kind arising from a contract must be entered into in written form.

1. Penalty

In cases of failure to perform an obligation or defective performance thereof (fine, forfeit) the debtor shall be bound to pay a penalty to the creditor. A penalty is a sum of money determined by laws or a contract. The penalty may be established in the form of a concrete sum of money or expressed in percentage terms on the amount of the secured obligation.

2. Suretyship

Suretyship is basically an accessory obligation by which the surety binds himself to be liable towards the creditor of another person in the event that the person in whose favour suretyship is granted fails to perform the obligation in whole or in part. Suretyship terminates upon the extinguishment of the principal obligation or it being declared void.

As the security suretyship has specific features, if the debtor fails to perform the obligation, both the debtor and the surety shall be liable as solidary debtors towards the creditor for the fulfilment of this obligation, unless otherwise specified by the contract of suretyship.

3. Guarantees

Guarantees are also a possible option for securing a claim. In cases of guarantee, persons engaged in an economic or professional activity may, through a contract, assume an obligation before an obligee, according to which the person undertakes to perform obligations arising from the guarantee on the demand of the obligee. Unlike suretyship, which is an accessory right, a guarantee is strictly abstract and therefore the obligation of a guarantor before the obligee is not affected by the obligation of the principal obligor even if the guarantee contains a reference to the obligation of the principal obligor. Having performed the obligation, the guarantor has right of recourse against the obligor only if this right arises from the concluded between them.

4. Earnest Money

Earnest money is deemed to be a monetary amount issued by one contracting party from the payments due to be paid by him under a contract to the other party, not only to prove the conclusion of the contract but also to secure its performance.

MEASURES OF ENFORCEMENT

1. Pledge

Satisfaction of a claim of a pledgee is effected by sale of the pledged object. The right to sell arises when a claim secured by the pledge is not duly satisfied. When a debtor fails to perform the obligation secured by a pledge, the claim of a creditor is satisfied by the value of the collateral, unless the law or the contract provides otherwise. A concrete measure of enforcement depends on the kind of pledged object. If property rights are the object of the pledge, they are realized by transferring to a creditor the pledger's claims arising from the pledged right. If the object of pledge is a thing a creditor may sell the collateral in the manner agreed by a creditor, a debtor and a pledger (when the pledger is not the same person as the debtor); or, upon their mutual agreement, the collateral is transferred into the ownership of a creditor. In case of a failure to agree, the pledged object may be sold at auction.

2. Mortgage

If within the time period indicated in the mortgage bond, the debtor fails to perform his obligation, the mortgagee may exercise his rights by applying to the notary to perform an executive record. When the notary performs the executive record, the mortgagee is entitled to contact the bailiff, requesting to sell the object of the mortgage at a public auction sale and the full payment of the due sum from the proceeds that he is entitled to receive before other creditors or granting the right of administration over the mortgaged property.

3. Suretyship

In the case of non-performance, the principal obligor and the surety are solely liable to the obligee unless the contract prescribes otherwise. A surety shall be liable for the obligation secured by the suretyship in full (unless restrictive conditions have been agreed upon in the surety agreement).

4. Guarantee

In contrary to suretyship, in the case of non-performance of contract secured by a guarantee the obligation of a guarantor is subsidiary and limited to the amount for which the guarantee was issued.

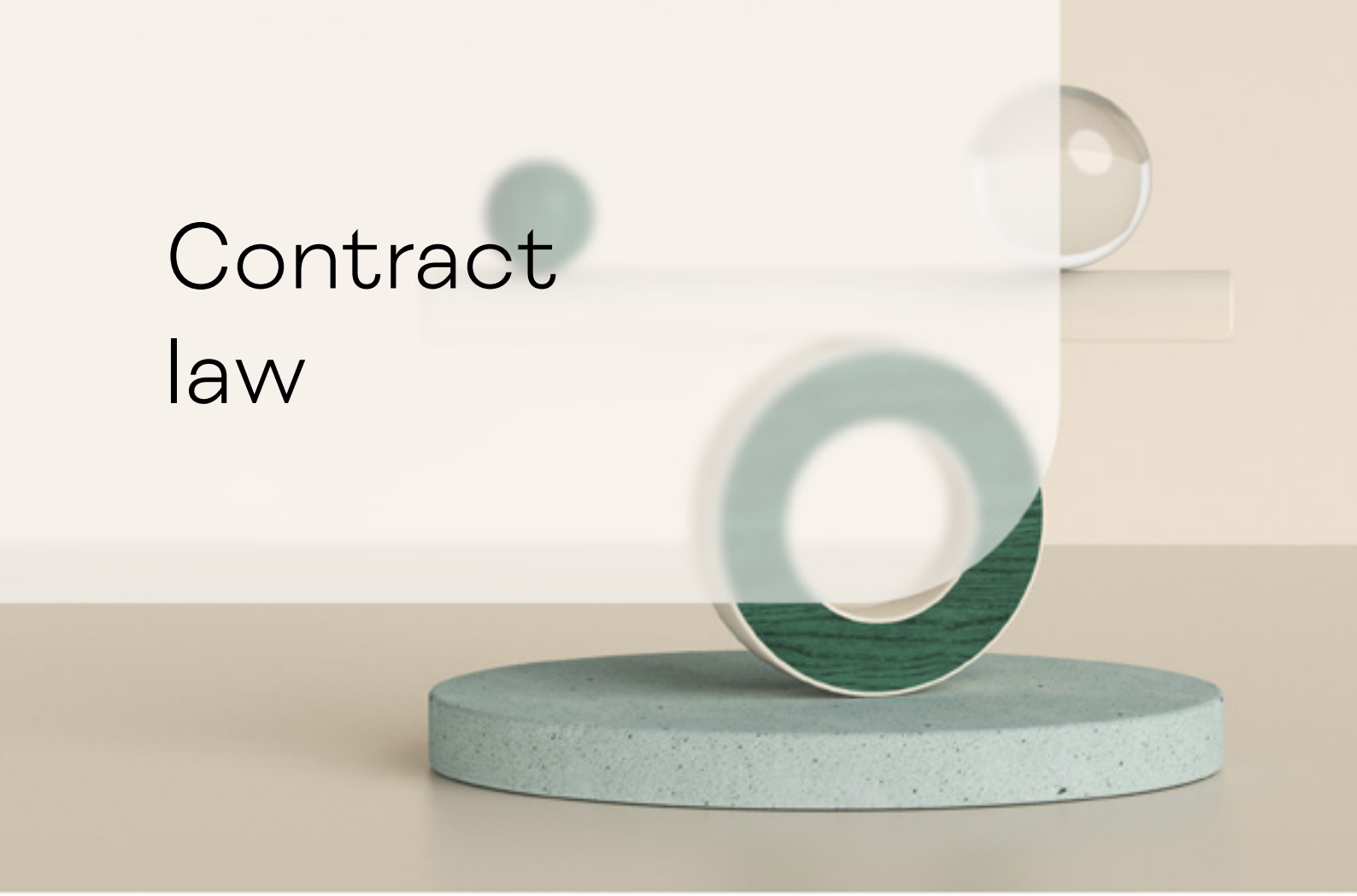
5. Earnest Money

Enforcement of earnest money depends on which party failed to perform its obligation. If the party which issues an earnest is liable for non-performance of the contract, the earnest remains with the other party. In the event that the party to whom the earnest was handed over is liable for non-performance of the contract, this party is bound to pay to the other party double the amount of the earnest money.

6. Contractual Penalty

In cases where the debtor has delayed the performance of the obligation, the creditor may demand both the real performance of the principal obligation and the penalty. Otherwise the creditor should choose either to demand the contractual penalty or the performance of obligation.

Contract law



GENERAL INFORMATION AND MAIN PRINCIPLES

The regulation of the Lithuanian contract law is included in the General and Special Part of the Civil Code of the Republic of Lithuania (hereinafter — the Civil Code). That act entered into force on 1 July, 2001. The General Part of the Civil Code contains general provisions on persons, objects of right, transactions, representation, terms and due dates, declarations of intention, forms of transaction, invalidity and terms and conditions of the revocation of a transaction and the procedure for the conclusion of a transaction through a representative. However, the Special Part of the Civil Code specifies the definition of an obligation, substantial general principles, the main questions related to entry into contracts, principles of violation of obligations, compensation for damage and the rule of law of different types of contracts.

The General Part of the Civil Code specifies that civil relationships are regulated in accordance with the principles of equality of their subjects' rights, inviolability of property, non-interference in private relations, legal certainty, proportionality, and legitimate expectations, prohibition to abuse a right, as well as the principles of comprehensive judicial protection of civil rights.

However, contractual relationships are also regulated by specific legal principles. It can be said, that the Lithuanian contract law is based on principle of dispositive, which provides that parties are allowed to agree on terms which do not contradict laws. Deviation from the law is allowed only if it is directly specified in law or if it arises from the substance of the provision that the deviation from law is not allowed or if deviation would be contrary to public order or good morals or if it would violate the fundamental rights of a person.

The principle of freedom of contract originates from the principle of dispositive. Freedom of contract means that all persons are free to determine their individual rights and duties at their own discretion (taking into account the restrictions arising from imperative legislation) and to decide the following:

1. whether and with whom to enter into a contract (freedom of conclusion);
2. the content of the contract to be entered into (freedom of content);
3. which form the contract be entered into takes (freedom of form).

The principle of the binding nature of contracts (pacta sunt servanda) specifies that a contract which is formed in accordance with the provisions of law and is valid has the force of law between its parties.

Persons holding pre-contractual negotiations and persons already having contractual relations must also follow the principles of good faith and co-operate with the other party of the contract to the extent which is necessary for the other party for the performance of its obligations.

CONTRACTS

According to the Civil Code, a contract is an agreement between two or more persons to establish, modify or extinguish legal relationships by which one or several persons obligate themselves to one or several other persons to perform certain actions while the latter persons obtain the right of claim. It must be said that there are several types of contracts. For example, there are unilateral and bilateral contracts; onerous and gratuitous contracts; consensual and real contracts, contracts of successive performance and of instantaneous performance; consumer contracts; and others.

1. Entry into a Contract

First of all, it must be said that obligation is a legal relationship, which starts on basis of juridical facts. One of them is the conclusion of a contract. By way of conclusion, the contracts may be divided into contracts concluded through bilateral negotiation and contracts concluded on the basis of standard terms and conditions.

According to the law, a contract is concluded either by the proposal (offer) and the assent (acceptance), or by any other actions of the parties that are sufficient to show their will to make a contract. The moment at which the contract is deemed to have been entered into is important for the parties of the contract, because from that moment they acquire legally binding obligations and rights and must perform the contract entered into. Accordingly, the place where the contract was concluded is also important, because the place of conclusion of the contract provides the applicable law for the interpretation of the contract. The Civil Code determines that the place of contract forming is the place where the offeror's residence or his business is located, unless otherwise provided for by law or by the contract.

The content of the agreement must be sufficient to infer the will of the parties to be legally bound under the contract. The achievement of an agreement is sufficiently clear, when the agreement has been reached, at least with regards to the substantial terms and conditions of the contract. The parties may leave some terms and conditions deliberately open upon entry into the contract with the objective of reaching an agreement later or leaving these terms and conditions to be determined by one party to the contract or by a third person.

According to the principle of freedom of form, the parties may enter into a contract in any form. For some contracts, however, the law specifies that it must be in written form particularly for the purpose of protection of the parties. These contracts can be made in ordinary written form but must be drawn up in the notarial form. For example, the object of the notarial authentication is transactions of the transfer of real rights in an immovable thing, transactions on the encumbrance of real rights and of the immovable thing, contracts of marriage (pre-nuptial and post-nuptial) and other transactions.

2. Performance

The Civil Code specifies that the contract must be performed by the parties in a proper way and in good faith. Pro rata, the most important principles of performance of contractual obligations are, in addition to the principle of good faith, the principle of reasonableness and cooperation between the parties.

Performance is considered to be an act whose result is the fulfilment of an obligation. The

obligation must be performed pursuant to a contract. If the relevant regulation is absent from a contract or is incomplete, the obligation must be performed pursuant to law.

A contractual obligation is deemed as having been properly performed if it is performed for the person entitled to accept the performance, at the right time, in the right place and in the right manner. Performance in the right manner means that the obligor must perform the obligation to a level of quality conforming to the contract or law. If the quality of performance of the contractual obligation does not arise from the contract or law, a party to the contract must perform the obligation at least to an average quality, taking into account the circumstances. If an obligor does not have to perform the obligation personally pursuant to law, agreement or the substance of the obligation, the obligation may be performed partially or entirely by a third person. In such case the obligor shall be released from the obligation.

3. Violation of Obligations and Legal effects of non-performance of contracts

Violation of obligations is defined as a failure to perform an obligation or an improper performance thereof, including delay to the performance.

The Civil Code specifies the so-called essential violation of a contract: that violation should be understood as violation if one of the parties violated the contract so that the other party could not expect a good performance of the contract. In determining whether a violation of a contract is essential, the following conditions must be taken into account:

1. whether the aggrieved party is substantially deprived of what he was entitled to expect under the contract, except in cases when the other party did not foresee or could not have reasonably foreseen such result;
2. whether, taking into consideration the nature of the contract, strict compliance with the conditions of the obligation is of essential importance;
3. whether the non-performance was due to malice malicious propensities or great imprudence;
4. whether the non-performance gives the aggrieved party basis to think that he/she cannot believe in the future performance of a contract;
5. whether the non-performing party, who was preparing for performance or was effectuating the performance of the contracts, would suffer significant damages if the contract were dissolved.

The liability of the obligor who has violated the obligations is excluded only if the violation is excused. Pursuant to the Civil Code, the violation of an obligation is excused only if the violation is caused by Force Majeure i.e. circumstances which are beyond the control of the obligor and which, at the time the contract was entered into, the obligor could not reasonably

have been expected to take into account, avoid or overcome impediments or consequences thereof which the obligor could not reasonably have been expected to overcome.

A valid assumption arising from the law is that violation is not excused. On the basis of the above the obligor is released from liability for the violation of an obligation only if he or she proves that the violation has been excused.

If one of the parties has violated the obligations arising from the law or the contract, the law grants the damaged party the right to apply legal remedies with respect to the party who has violated the obligation. Legal remedies may be a party's formation rights, such as the termination of the contract by withdrawal, cancellation, reduction of price and refusal to perform obligations. Legal remedies also include claims against the party who has violated the obligation, such as claim for performance, compensation for damage and default interest. If an obligor is not liable for violation of the obligations, the creditor cannot demand the performance of the obligation, compensation for damage and upon acting beyond the economic or professional activities also the payment of default interest. Upon violation of an obligation a creditor may also use several legal remedies simultaneously with respect to the obligor, unless such simultaneous application is precluded.

4. Expiry

The contract may expire in the following cases:

1. by proper performance - in such cases, an obligation shall be deemed as having been properly performed, if it has been performed to the person entitled to accept the performance, at the right time, in the right place and in the right manner;
2. by the expiry of a resolutely time-limit, which means that at maturity the legal relationship between countries are terminated;
3. under an agreement, whereas the termination of an obligation under an agreement substantially means the waiver of the creditor from the claim partially or entirely and acceptance of the obligor therewith;
4. in case of a merger, which is a specific way of terminating an obligation if the obligor simultaneously becomes a creditor, or vice versa, due to inheritance, merger of legal persons, or for any other reason;
5. by the impossibility of contract performance - in such cases, an obligation is extinguished when its performance becomes impossible as a consequence of superior force which is not imputable to the debtor. An obligation can be extinguished upon these grounds only in the event that the superior force arose before the obligation was violated by the debtor;
6. upon the death of a natural person or liquidation of a legal person. According to the Civil

Code, an obligation is extinguished upon the death of a debtor if it cannot be performed without the participation of the debtor himself, or if it is in any other way inseparably connected with the person of the debtor. The death of a creditor if the performance of the obligation was assigned to the creditor personally, or if it was in any other way inseparably connected with the person of the creditor, is the basis for the expiry of the contract.

7. by set-off, which is a specific manner of terminating the obligation. In these cases, only counter-claim obligations which are of the same kind and whose time-limit has expired can be terminated, or if the time limit of its performance is not fixed or it is defined by the moment of demand to perform the obligation.

TRANSFER OF CONTRACTUAL CLAIMS AND OBLIGATIONS

Under the contract, a creditor may transfer his or her claim, independent of the consent of the obligor, entirely or partially to another person (assignment of claim). The claim may not be assigned if the assignment is prohibited under the law or if the obligation cannot be performed for anyone else besides the hitherto creditor without the content being amended.

A third person may take over the obligor's obligation under the contract entered into with the creditor in the manner that the third person steps in instead of the hitherto obligor. A third person may also take over the obligor's obligation pursuant to a contract entered into with an obligor, but the obligation shall transfer only under the condition that the creditor agrees to it.

One party to the contract may also transfer the rights and obligations arising from the contract to a third person under an agreement entered into with him or her, if the other party to the contract agrees to it (assumption of contract). Upon the assumption of the contract, it is considered that all rights and obligations arising from the contract have been transferred to the transferee of the contract.

Property law

GENERAL INFORMATION

Property law is the part of private law governing property rights (real rights), their content, creation and extinguishment. The main provisions pertaining to Lithuanian property law are included in the Book Four of the Lithuanian Civil Code.

There are two kinds of real rights: ownership; and limited (accessory) real rights such as possession, trust, servitude, usufruct, mortgage (pledge), superficies.

Pursuant to Article 4.37 of the Lithuanian Civil Code, the right of ownership is the right to use, possess and dispose of the object of an ownership right at one's discretion, without violating the law, or the rights and interests of other persons. Moreover, the owner has the right to demand the prevention of violation of these rights and elimination of the consequences of violation by any other persons. Limited real rights give the right owner a limited right to a thing but never equal to the right of the owner.

The object of ownership rights may be material things or other types of property. Each person may own any things except those that taken out of circulation or are in limited circulation. Things that are taken out of circulation belong exclusively to the state. The Lithuanian

Constitution declares that the Lithuanian state has exclusive rights to the airspace over its territory; its continental shelf and economic zone in the Baltic Sea as well as underground; internal waters; forests; parks; roads; and historical, archaeological and cultural objects of state importance. Things in limited circulation refer to things whose circulation is limited by laws due to safety or health concerns, or other public needs (such as guns, hazardous chemicals, poison etc.). These things can be taken into one's ownership only upon acquiring the relevant licenses or permits. The right of ownership may be acquired in many ways; for instance, by contract, by inheritance, by producing a new thing, by appropriating an ownerless thing, by acquisitive prescription etc.

The Lithuanian Civil Code differentiates between immovable and movable things. Immovable things are things immovable by nature (parcels of land and things related thereto, which cannot be moved from one place to another without altering their essence and significantly reducing their value), as well as things movable by nature but considered immovable by law (for instance, trains, ships, aircraft, etc.). Anything that does not fall under the definition of immovable is generally considered to be a movable thing.

MOVABLE PROPERTY OWNERSHIP

Agreements on the transfer of movable property ownership can be concluded either in oral or written form, or even by conduct if the person demonstrates by his/her behaviour the will to conclude a contract. If a contract is concluded between two natural persons and its price is higher than EUR 1500, it is required that the contract be formalized in written form, except for contracts which are executed at the time of conclusion. The requirement of a written form may also be imposed by other laws or by agreement between the parties. Failure to comply with the written form required by law deprives the right to use the testimony of witnesses to prove the fact of the conclusion of the contract when there is a dispute as to whether the contract has been concluded or has been carried out. Moreover, where the law expressly requires a written form, failure to comply with such a form even makes a contract void.

The acquirer of an object (asset) acquires ownership of the object (asset) from the moment it is transferred to the acquirer, unless otherwise provided by law or contract. This means that the parties can agree that, irrespective of the transfer of possession, ownership will only pass to the acquirer only when certain conditions will be performed (e.g. upon full payment of the sale price). This retention of ownership can be seen as a guarantee for the seller of the proper performance of the contract.

IMMOVABLE PROPERTY OWNERSHIP

The transactions on the acquisition of an immovable may primarily lie in the sales contract, gratuitous contract, succession contract or a barter agreement of an immovable thing but also in making a non-monetary contribution in the capital of a legal person.

The Lithuanian civil code establishes a mandatory requirement that a contract on the acquisition of the immovable property must be certified by a notary. Transactions which do not conform to this formal requirement are null and void. Generally speaking, this is the only requirement for the form of immovable property transactions. The effect of the immovable property transaction is not based on its registration within the public Real Property Register — a contract of this kind, if certified by a notary, is valid for the parties from the moment of its formation. The registration of the immovable property contract is necessary in order to fulfil the principle of openness, i.e. a contract of this kind may be invoked against third persons only if it has been registered in the public register.

It is worth mentioning that the conclusion of a contract does not always mean that the person has obtained an ownership title to the immovable property. The ownership title is transferred to the acquirer only after the transfer of the immovable thing, which is formalized by the transfer acceptance deed or other document, signed by both parties. A transfer acceptance deed of this kind is a legal background to register the ownership rights of the immovable property within the Real Property Register. Nonetheless, parties can indicate in the contract that the transfer acceptance deed shall not be signed and the contract itself shall be considered as transfer acceptance deed. In cases of this kind, the contract is a basis to register the ownership title of the acquirer within the Real Property Register. An application to register the ownership rights of immovable property can be submitted either by the acquirer or by the notary who certified the contract.

The Real Property Register is a state register maintained by the state enterprise Centre of Registers, whose purpose is to fix the legal regime for immovable property. The Real Property Register indicates the owner of the immovable property, limited real rights (encumbrances) related to this property (for instance servitudes, mortgages etc.) as well as any legal facts related to this property (for instance, seizures, transactions and decisions by which the legal status of the propertycould be changed, or the possibilities for its management, use and disposal are substantially modified, etc.) It is presumed that any data given in this register is accurate and comprehensive until contested in the manner prescribed by law. The Register of Real Property is public and any person is entitled to examine the information therein under the terms and conditions specified by law.

RESTRICTIONS ON PURCHASING AGRICULTURAL LAND

Since 1 May, 2014, EU residents have the right to purchase agricultural land in Republic of Lithuania. Also, foreign legal entities set up in the member states of NATO, states parties to the European Economic Area Agreement, Member states of the Organisation for Economic Co-operation and Development have a right to acquire agricultural land in Lithuania. Also, the same right have nationals of the states mentioned before and permanent residents of the said foreign states.

The Law on the Purchase of Agricultural Land of the Republic of Lithuania establishes the maximum amount of agricultural land, which person or related persons have the right to acquire. If the person or related persons purchase agricultural land only from the state, the maximum is 300 hectares; in other cases it is 500 hectares (this restriction is not applied if the person is purchasing the agricultural land to develop livestock farming).

Persons may acquire agricultural land only having obtained a permission from a division of the National Land Service under the Ministry of Agriculture according to the location of their land. A permission to acquire agricultural land shall be issued after the National Land Service verifies the data contained in registers of state enterprises concerning the areas of agricultural land managed by persons and determines that the total surface area of acquired/ held agricultural land does not exceed the maximum areas of agricultural land, which could be acquired.

Persons who have acquired agricultural land must ensure that this land is used for agricultural activity for at least five years after its acquisition (except for the cases when a land plot is transferred to third parties before the expiry of the above mentioned time limit). This obligation is not applied, for instance:

1. if the area of agricultural land held by a person within the territory of Lithuania does not exceed 10 hectares;
2. where the agricultural land plots being acquired are used for the operation of the buildings and facilities held by the right of ownership or being acquired together with the land plots;
3. where the land plots assigned to the territory of a land consolidation project are purchased by the pre-emption right in accordance with the procedure laid down by the Law on Land;
4. where state-owned areas of agricultural land edging in between the land parcels managed by the right of ownership are purchased under Law on the Purchase of Agricultural Land of the Republic of Lithuania;
5. where a land plot being acquired falls within a territory wherein, according to municipal-level and local-level general plans, land is envisaged to be used for non-agricultural activity;
6. where an agricultural land plot is transferred to a credit institution under a mortgage

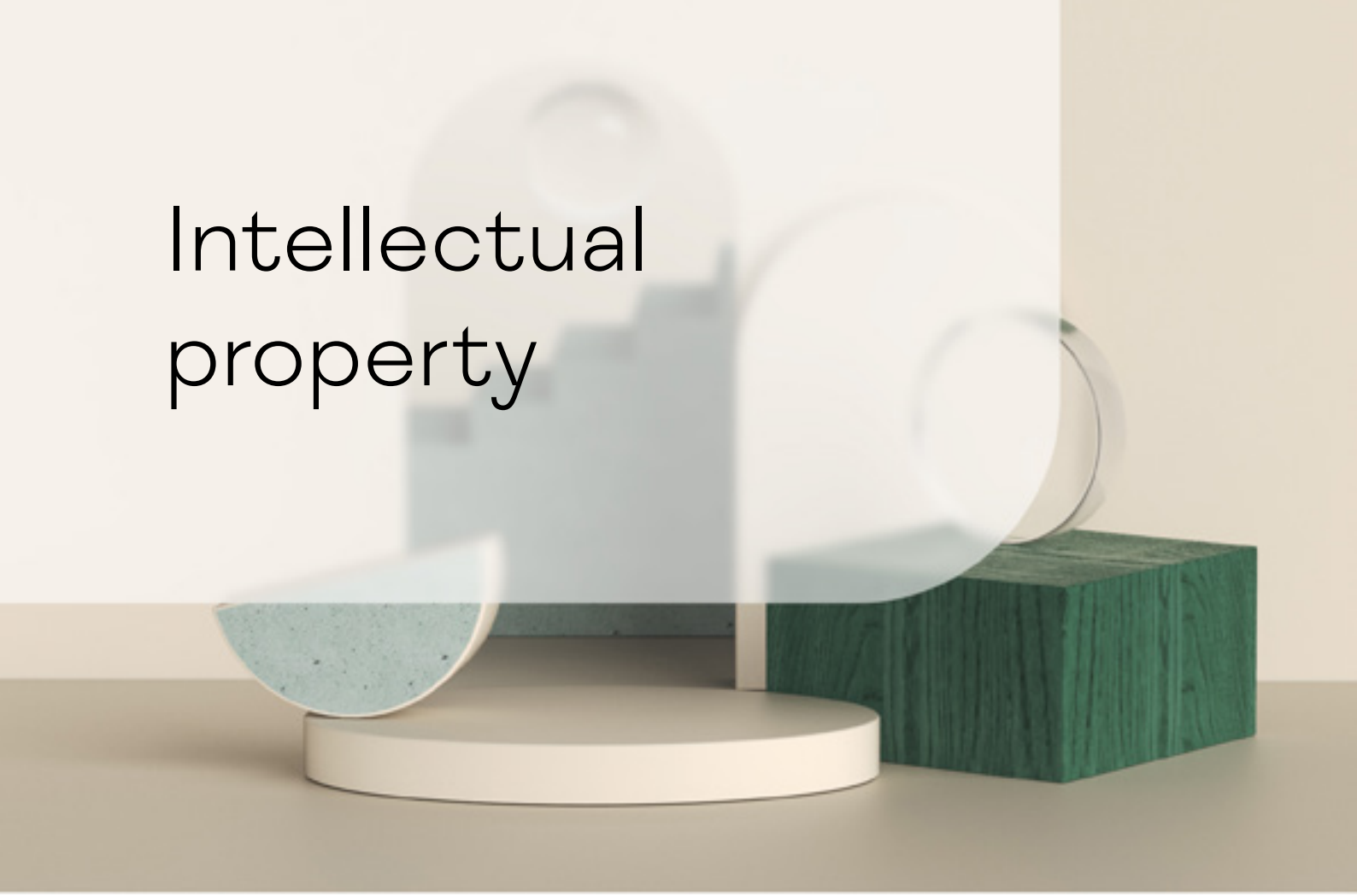
transaction in accordance with the procedure laid down by Article 4.192 of the Civil Code (the credit institution must realise the land parcel transferred to the credit institution no later than within three years from the acquisition of the land plot).

Law on the Purchase of Agricultural Land of the Republic of Lithuania stipulates the persons who have the priority right to acquire private agricultural land at the price at which it is offered for sale and under other same conditions (with the exception of the cases when it is sold at a public auction). The order of priority for the acquisition of private agricultural land:

1. co-owners of a land plot;
2. a user of the land plot offered for sale who has used this land for agricultural activity for at least one year under a contract/contracts entered in the Real Property Register, except a contract of uncompensated use of a thing (loan for use) if he is a natural person who has registered a farm holding in accordance with the procedure laid down in the Law of the Republic of Lithuania on a Farm Holding of a Farmer (hereinafter - Farmer) or if it is a legal entity whose income from agricultural activity accounts for more than 50 per cent of its total income;
3. a person who holds by the right of ownership the agricultural land parcel bordered by the agricultural land parcel offered for sale — if he is a Farmer or if it is a legal entity whose income from agricultural activity accounts for more than 50 per cent of its total income;
4. a natural person who has declared his place of residence or a legal entity who has registered its head office in the territory of the municipality in which an agricultural land parcel is located, or in the territory of the adjacent municipalities — if he is a Farmer or if it is a legal entity whose income from agricultural activity accounts for more than 50 per cent of its total income.

A person who does not have a priority right to acquire a particular agricultural land plot may acquire it only if no other person has exercised his priority right to acquire mentioned land plot.

Intellectual property



GENERAL REMARKS

The results of men's creative activities are secured by legal protection in Lithuania, in a similar way to the protection that is afforded throughout Europe. Lithuania has ratified all major international treaties and agreements in this field.

In 31 May, 2001, Lithuania became a member of the World Trade organization (WTO). Lithuania joined the Stockholm Convention establishing the World Intellectual Property Organization (WIPO) and became a member of WIPO on 30 April 1992.

The Republic of Lithuania is a party to the following international agreements:

1. Paris Convention for the Protection of Industrial Property;
2. Geneva Trademark Law Treaty;
3. Washington Patent Cooperation Treaty;
4. Madrid Protocol Relating to the Madrid Agreement Concerning Trademark Registration;
5. Nice Agreement Concerning International Classification of Goods and Services;
6. Bern Convention for the Protection of Literary and Artistic Works;

7. Budapest Treaty on the International Recognition of the Deposit of Microorganisms;
8. Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations;
9. Geneva Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms;
10. World Intellectual Property Organisation Copyright;
11. Patent Law Treaty.

The Ministry of Culture of the Republic of Lithuania is responsible for the enforcement of copyright legislation. The State Patent Bureau is a governmental institution that registers intellectual property rights in patents, industrial designs, trademarks and topographies of semiconductor products. LATGA-A (the Lithuanian Copyright Protection Association) is an association that represents and protects authors' rights based upon written agreements with the authors, while AGATA (the Neighbouring Right Protection Association) is an association that represents and protects the rights of performers, translators, creators of films and producers of phonograms based upon written agreements with these persons.

COPYRIGHT AND NEIGHBOURING RIGHTS

The Law on Copyright and Neighbouring Rights of the Republic of Lithuania establishes the copyright on works of literature, science and art; the rights of performers and phonogram-makers, the rights of broadcasting organizations and manufacturers of the first recording of the audio-visual work (film); special provisions for the legal protection of databases; as well as the implementation, collective administration and protection of copyright and neighbouring rights.

Copyright exists on original scientific, literary or artistic works that are the result of creative activity, expressed in any objective form (books, computer programs, speeches, lectures, sermons, written and verbal scientific works, dramatic and dramatic-musical works, pantomimes, choreographic works, scenarios, music works, databases, architecture works etc.).

The term for protection of copyright is the both the life of an author and 70 years after his or her death, irrespective of the date when the work is lawfully made available to the public; the term for protection of neighbouring and producers' of phonograms rights is 50 years after the date of the performance.

INDUSTRIAL PROPERTY

Industrial property is distinguished from copyright and related rights by the fact that these rights do not appear automatically, so to obtain the rights, particular procedures should be followed in the Patent Bureau.

1. Trademarks

The Law on Trademarks of the Republic of Lithuania regulates the registration, legal protection and use of trademarks in the Republic of Lithuania.

Words, personal surnames, names, artistic pseudonyms, slogans, pictures, emblems, colours or combinations of colours, three-dimensional forms, etc. may constitute trademarks.

Individual or legal persons intending to register a trademark have to present an application to the State Patent Bureau. Foreign individuals having no permanent residence in the Republic of Lithuania or in another EU member state and foreign registered legal entities having no branch or representative office in Lithuania and also having no registration, branch or representative office in another EU member state, while addressing to the State Patent Bureau should have their applications presented by a Lithuanian patent attorney.

One application has to be presented in order to register one trademark. The applicant may also request to register one trademark for one or more class of goods/services. The initial validity of the trademark is 10 years starting from the presentation date of the application. The validity of the trademark can be prolonged (each time not longer than for 10 years).

From the date of its international trademark registration under the Protocol of Madrid where Lithuania is stated, or territorial extension after international trademark registration is made, the internationally registered trademark enjoys the same protection as a trademark registered under the abovementioned law. After joining EU on 1 May, 2004, Lithuania is a member of the CTM (Community Trademark) system. All CTM marks filed or registered before 1 May, 2004 were automatically extended to Lithuania.

The trademark may be transferred to another person for marking all or part of the goods. The owner of the trademark may also grant an exceptional or non-exceptional license to another person for marking all or part of goods in the entire territory of Lithuania or in part of it.

2. Designs

The Law on Design of the Republic of Lithuania establishes legal protection, registration and use of design in the Republic of Lithuania. Legal protection is granted to designs which are registered with the Design Registrar of the Republic of Lithuania except if international treaties specify otherwise. The design may be registered and protected if it is new and it has individual features. The design registered under this law may also be protected under copyright laws.

3. Patents

The Law on Patents of the Republic of Lithuania legitimates inventions as commercial property objects; establishes the way patents are issued; regulates the rights and obligations of individuals and legal entities with respect to inventions; and provides for the legal protection of inventions.

The law defines an invention as something new, unknown to specialists in the relevant area and which has industrial adaptability. The way to secure the invention is a patent. The right to the patent belongs to an inventor or his/her assignor or employer, if the invention is officially registered. The right to the patent could also be established on a basis of the agreement if the invention is made at the company performing scientific research, industrial, designing or similar works.

The term of the patent validity is 20 years as of the date of the application being filed. The maintenance of the patent is subject to an annual fee. A person intending to obtain a patent has to present a patent application to the State Patent Bureau.

Applicants presenting patent applications could also request to grant a priority according to the Paris Convention for the Protection of Industrial Property on the basis of national or international patent applications earlier presented in other countries.

Where a patent concerns a product (equipment, material, etc.) the owner of the patent has the right to prevent third parties from manufacturing products incorporating the patented invention or offering, importing, or providing as well as stocking for the market a product incorporating the patented invention without his/her authorization. Where the patent concerns a process, the owner of the patent has the right to prevent third parties from using a process which is the subject matter of the patent without his/her authorization.

BUSINESS NAMES

Pursuant to the Civil Code of the Republic of Lithuania, the business name of a legal person is not registered separately and shall be protected as of the day on which an application for the registration of a legal person is filed with the register of legal persons or a legal act on establishment of the legal person has been adopted.

The business name of a legal person is an integral part of the legal person and it cannot be separated from the legal person. The business name is an commercial property of the company. The exceptional right to the business name may be inherited, pledged, sold or otherwise transferred only with the legal person. A legal person has an exceptional right to its name and it is prohibited to gain rights and assume obligations by using other legal person's business name as a cover or to use other legal person's business name without the latter's consent.

KNOW-HOW AND TRADE SECRETS

The Civil Code of the Republic of Lithuania provides protection of know-how, trade and professional secrets based on common grounds. Also these forms of intellectual property may be protected by the Law on Competition and by certain other specific laws that include clauses concerning the protection thereof.

Information is recognized to be know-how or trade secrets, 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 authorized person to keep it in secret. Know-how encompasses business, organizational, financial and technological, information, formulas, procedures, etc., and includes trade secrets. Know-how and trade secrets are not subject to registration; however, know-how may be patentable if it concerns a technical solution.

Information is recognized as a professional secret if persons engaged in certain professions (attorney at law, medical service employee, auditor etc.) are obliged to keep it in secret according to the law or to an agreement.

DOMAIN NAMES

Lithuanian laws do not regulate the use of .lt domain names. The official administration of .lt top-level domains is delegated to the Information Technology Development Institute at Kaunas University of Technology. The creation, suspension, extension, transfer, cancellation and

alteration of domain names are determined by the institute's Procedural Regulation for the .It Top-Level Domain, which states that .It domains are registered on the principle of "first come, first served". Thus, the institute checks only whether the domain name complies with technical requirements and is not contrary to public morals, whereas the assertion that certain domain name does not infringe a third party's industrial property rights or copyright is the personal responsibility of an applicant. Also, there is no specific procedure for opposing the registration of an .It domain name and, as a result, anyone can register a name that infringes a third party's rights to a trademark, corporate name or personal name.

Employment law

GENERAL INFORMATION AND PRINCIPLES

Valid Labour Code of the Republic of Lithuania (hereinafter — Labour Code, the Code) entered into force on 1st of July, 2017. It should be noted that changes to the Labour Code occur; as a consequence, this legal guide will have to be revised in such case.

Labour Code, as well as the amendments hereof, is consistent with European Union (EU) legislation.

The Labour Code comprehensively regulates all the main aspects of employment law, including the content and conclusion of an employment contract, expiry of an employment contract, working time and rest periods, remuneration, liability, as well as collective labour relations and other legal aspects related to labour relations.

OBLIGATIONS OF THE PARTIES

Pursuant to Labour Code an employer's main obligation is to provide employees with the work agreed on and give necessary instructions clearly and in a timely manner; pay remuneration for work in time and in the amount prescribed; grant holidays as prescribed and pay holiday pay; ensure working conditions that conform to health and occupational safety requirements; and to implement the principles of gender equality and nondiscrimantion on other grounds.

An employee is required, among other things, to perform the work agreed on and fulfill tasks which arise from the character of the work; perform the work at the agreed capacity, location and time; comply with work standards and adhere to the prescribed working time; comply with legal instructions of the employer in a timely manner and precisely; participate in training to expand his or her employment knowledge and skills.

EMPLOYMENT CONTRACT

1. Conclusion of the Employment Contract

An employment contract is an agreement between an employee and an employer whereby the employee undertakes to perform work of a certain profession, speciality, qualification or to perform specific duties in accordance with the work regulations established at the workplace, whereas the employer undertakes to provide the employee with the work specified in the contract, to pay him the agreed wage and to ensure working conditions as set in labour laws, other regulatory acts, collective agreement and agreement between the parties.

Obligatory conditions of employment contract are specific work function, conditions of payment for work and workplace — by agreeing to all of these conditions it shall be considered that the employment contract between the labour parties is legally concluded.

The employer must notify territorial division of the State Social Insurance Fund Board under the Ministry of Social Security and Labour at least one business day prior to the planned beginning of work (exceptions are applicable regarding employments with foreign workplace with applicable foreign legal acts on social security matters).

The employer is obliged to present the employee with a detailed notice on the work terms prior to the beginning of the employee's work.

2. The types of the employment contracts

The new Labour Code establishes vast variety employment contract types that are listed below:

1. Open-ended employment contract;
2. Fixed-term employment contract;
3. Temporary employment contract;
4. Apprenticeship employment contract;
5. Project employment contract;
6. Job-sharing employment contract;
7. Employment contract for work for several employers;
8. Seasonal employment contract.

Moreover, remote work is available on request of the employee or under mutual agreement of the parties.

Labour Code stipulates a probationary period in order to assess if the employee has necessary knowledge, abilities, suitable skills and personal characteristics to perform work agreed on in the employment contract or to assess suitability of work for the employee.

Probationary period provided by law is up to three months.

3. Working parties

Employee is a natural person obliged to perform remunerated work function under an employment contract with the employer. Employees can be persons of full legal capacity (the ability to have rights and obligations as a worker), i. e. natural persons that have reached the age of sixteen years, acquires the legal capacity to work, except for exceptions provided by law.

The Government of the Republic of Lithuania has determined the type of work that can be worked by the persons under sixteen years. Minors can start working at the age of fourteen, they are subject to different restrictions on the type of work they can do, on the hours of work

and rest they can take, and on health and safety.

REQUIREMENTS TO THE CONTENT OF THE EMPLOYMENT CONTRACT

Pursuant to Labour Code in every employment contract, as it was mentioned, the parties must agree on the obligatory conditions of the contract: the employee's place of work (enterprise, establishment, organisation, structural subdivision, etc.), the conditions of remuneration for work, and work function, i.e. on work of a certain profession, speciality, qualification, or specific duties.

In respect of certain types of employment contracts, labour laws and collective agreements may also provide for other obligatory conditions, which shall be agreed by the parties when concluding such an employment contract (agreement on the term of the contract, the nature of seasonal work, etc.).

In every employment contract the parties are obliged to agree on the conditions of remuneration for work (system of remuneration for work, amount of wage that can be set as a monthly wage or calculated as an hourly rate, payment procedure, etc.).

Other conditions of an employment contract may be established by agreement between the parties, unless labour laws, other regulatory acts or the collective agreement prohibit doing so (trial, combination of professions, etc.).

With employees, receiving wage over two amounts of the average monthly gross earnings published by the Lithuanian Department of Statistics, separate agreement on deviation from imperative provisions of Labour code can be entered into (except for provisions related to maximum works hours and minimum rest hours, conclusion and termination of employment agreements, minimum wages, safety and health at work, gender equality and non-discrimination on other grounds), when balance of interests of an employee and an employer is ensured.

Amendment of Employment Contract

Amendment of employment contract is making amendments to the terms determined in the employment contract, including but not limited to exclusion of certain terms from the contract or addition of supplementary terms into the contract.

1. Employment contract amendment on demand of the employer

In order to change obligatory and supplementary conditions of the employment contract, the type of prescribed working hours regime of the employee, or to transfer an employee to work in another location of employer, there is a necessity to receive a written consent of the employee.

Nevertheless, working conditions that are not mentioned above can be amneded by decision of the employer if conditions governing work changes or economic, organizational, industrial necessity exists. The employee must be informed about changes of these conditions by the employer within a reasonable time limit. The employer must create sufficient conditions for the employee to prepare for future changes.

2. Employment contract amendment on demand of the employee

When the Labour Code or other labour law does not provide the employee with the right to request to change the working conditions, the employee has the right to ask the employer to change necessary and supplementary working conditions. Refusal of such written request of the employee must be motivated and submitted in writing no later than within five business days from the request of the employee.

TERMINATION OF THE EMPLOYMENT CONTRACT AND SEVERANCE PAY

Both a fixed-term employment contract, as well as open-ended employment contract may be terminated by agreement of the parties at any time. The contract may also be terminated upon the expiry of the term of the contract, death of the employee, liquidation of the employer without legal successor, etc.

The Labour Code distinguishes termination of an employment contract at the initiative of the employee without important reasons, at the initiative of the employee for important reasons, at the initiative of the employer without the fault of the employee, at the initiative of the employer due to the fault of the employee, at the employer's own will, in the absence of the will of the parties to the contract of employment, in the event of bankruptcy of the employer.

At all events the declaration of cancellation has to be in a format which can be reproduced in writing.

LAYING OFF

Grounds for termination of employment contract	Notice period	Severance pay (amount of the employee's monthly average wage)
Mutual agreement of the parties	Response to the proposal must be provided in 5 business days	Depends on agreement of the parties. Non-compulsory.
Under one party's initiative:		
a) Under the employee's initiative without an important reason	20 days' notice period	0
b) Under the employee's initiative with an important reason (downtime, non-paid salary, disease, disability, nursing, retirement)	5 business days' notice period	2 (if employed 1 year or more) or 1 (if employed less than 1 year)
c) Under the employer's initiative without the employee's fault (valid reasons: redundant work function, insufficient work results according to improvement plan, refusal to work under changed terms, refusal to proceed with employment in case of transfer of business or a part hereof, winding up of the employer)	1 month (if employed 1 year or more) or 2 weeks (if employed less than 1 year). Double term: if less than 5 years remain until retirement age. Triple term: if employee have child under 14 and employees with a disabled child under 18, as well for pregnant employees, disable employees and employees who are less than 2 years from retirement.	2 (if employed 1 year or more) or ½ (if employed less than 1 year). In case of long-term employment (more than 5 years), the employer shall receive additional payment from the state Long-term Employment Pay Fund

d) Under the employer's initiative because of the employee's fault	0	0
Under the will of the employer	3 business days	6
In the absence of any of the parties will	0	In case of health reasons, replacement: 2 (if employed 1 year or more) or 1 (if employed less than 1 year) In case of contradiction to law or return to this position of other employee: 1 (if employed 1 or more) ½ (if employed less than 1 year)
In case of the event of the employer's bankruptcy	7 business days after the entry into force of bankruptcy proceedings or the creditors' meeting's decision to pursue the bankruptcy proceedings	2 (if employed 1 year or more) or ½ (if employed less than 1 year)
Upon death of the party that is a natural person		
In case it is impossible to determine location of the employer (if it is a natural person) or representatives of the employer		
Other grounds		

Employment contracts termination restrictions are set in respect of:

1. Pregnant women;
2. Women that have a new-born of up to 4 months;
3. Employees that have a child (or adopted child) aged up to 3 years;
4. Employees that are on maternity, paternity or parental leave;
5. Employee that is called to perform compulsory military service or alternative state defence service.

In case of bankruptcy an employee has also a right to insurance indemnity upon the conditions and in the amount provided by the Guarantee Fund Act.

The employer must pay the employee all the due amounts on the day of the settlement of accounts. If the employer does not comply with this obligation, the employee is entitled to the average wage for the delay time.

NON-COMPETITION AGREEMENTS

The legal regulation of non-competition agreement is established in the Labour Code.

Parties of an employment contract may agree on the fact that the employee for a certain period of time will not perform certain work activities under an employment contract with another employer upon the termination of employment contract, as well the employee will not start independent commercial or industrial activity that relates to work functions if this activity is directly competing with the employer's activities. This non-competition agreement shall be valid for no longer than two years after the termination of the employment contract.

The main features of non-competition agreement:

1. May be concluded only with the employees that have special knowledge or abilities that may be applied in a competing unit and cause damage in this way;
2. This agreement must include:
    a) Definition of prohibited labour or professional activity;
    b) Compensation (at least 40 % of average monthly salary at the end of the employment contract);
    c) Non-competition territory;

d) Validity term (maximum 2 years after termination of the employment contract).

5. Maximum penalty for the employee — up to 3 months compensation received by the employee.

CONFIDENTIALITY AGREEMENTS

Parties of an employment contract may agree on the fact that the employee during validity of employment contract and after termination of employment contract for any personal or commercial purposes will not use and will not disclose to the third parties certain information obtained from the employer or gained during performance of the work function that is considered to be confidential information agreed by the parties through the confidentiality agreements.

The main features of the agreement on protection of confidential information:

1. Definition of the information that shall be regarded as confidential;
2. Validity period of confidentiality agreement;
3. The employer's obligations to the employee in order to keep confidential information safe.

The parties may agree on the forfeit for non-conformity of confidentiality agreement or for improper execution of it.

Agreement of the protection of confidential information is valid for the period of one year after termination of employment contract if the parties do not agree on a longer term.

Requirements of employee's obligation to protect the company's trade secrets.

Firstly, information is considered to be the trade secret only if it has an actual or potential commercial (production) value because the third parties are unaware of it and it cannot be freely available because of the owner's reasonable efforts to maintain its secrecy. Secondly, though the company is free to determine what kind of knowledge will be considered as the trade secrets, the list of information which constitutes trade secrets must be clearly defined. Thirdly, the employee must be introduced with such list before starting his work in the company (in case of a new employee) or right upon conclusion or amendment of such list (if the list is concluded or amended when the employee has already started working in the

company). Only if all of these requirements are met the employee might be held liable for the disclosure of the trade secrets.

MATERIAL RESPONSIBILITY OF EMPLOYEES

Full material responsibility agreement can not be concludedexcept for the cases provided in collective agreements. Damage may be reimbursed according to the provisions of the Labour Code.

The employee's material responsibility is:

1. Limited to 3 months average salary in common cases;
2. Limited to 6 months average salary if damage was made because of the employee's high negligence;
3. Limited to maximum 12 months average salary if such term is permitted by territorial or branch collective agreement;
4. Unlimited in these cases:
    a) Definition of prohibited labour or professional activity;
    b) Damage is done by the employee's activities having elements of a crime;
    c) Damage is done by an employee that is drunk or intoxicated from drugs, toxic or psychotropic substances;
    d) Damage is done as a breach of obligation to protect confidential information or an agreement on non-competition;
    e) Employer incurred non-pecuniary damage;
    f) Full compensation is provided for in the collective agreement.

The amount of damage not ecxceeding monthly average wage of an employee can be deducted from his/ her wage.

Nevertheless, the Company shall be responsible for providing work conditions that insure safety of the assets (security equipment, services, etc.).

The products should be transferred to the employee under a transfer-acceptance deed.

Procedure for accounting, storage and sale of the products should be set clearly and employees must be instructed how to work with them.

OVERTIME, BONUSES, EMPLOYER'S DUTIES IN REFERENCE TO EMPLOYEES

1. Overtime

Common rule is that working time limit is 40 hours per week.

Overtime may be designated only upon the employee's consent (except from exceptional cases set forth in the Labour Code). It is permitted to expand the list when the employee's consent is not necessary in the collective agreement.

Overtime limit:

1. 8 hours per 7 consecutive days, or
2. 12 hours per 7 consecutive days if the employee expresses his/her consent in writing;
3. Average maximum 48 working hours (including basic time and overtime) per week calculated over accounting period of up to 3 months;
4. Maximum 180 hours per year (unless extended in the collective agreement).

Overtime work is paid:

1. At least 1,5 times of the employee's wage;
2. At least double wage for overtime on the day of rest that is not set in the work (shift) schedule or for overtime work at night;
3. At least 2,5 times of the wage for overtime on public holidays.

The employee may require to exchange increased remuneration to leave days multiplied by respective rate.

Work shall not be paid for as overtime for these employees:

1. The head of the Company (overtime is not paid at all unless agreed otherwise in the employment contract);

2. Company‘s management staff (unless agreed otherwise in the employment contract) (overtime is paid only by regular rate). The number of such employees may constitute up to 20 percent of all employees on the average.

2. Bonuses

Bonuses are permitted. There are 2 ways to settle them:

1. Indicate bonuses that are payable if particular results are achieved, etc. The employer is obliged to settle work remuneration system. If such system clearly identifies cases and grounds for payment of bonuses, they are obligatory for the employer in such cases;
2. Pay bonuses at the employer’s sole discretion.

Possible goals of the bonuses may be:

1. To remunerate the employee for his/her work (the employer is not relieved from the obligation to pay these bonuses even after termination of the employment contract);
2. To motivate the employee for good work, activity or its results at the employer’s discretion.

3. Employer’s duties in reference to employees (e. g. breaks, necessary infrastructure, vacations, etc.)

Minimal rest time:

1. Physiological and special short breaks during the workday (shift);
2. Lunch break of 0,5-2 hours;
3. At least 11 hours’ (or 24 hours’ if workday (shift) length exceeds 12 hours but is up to 24 hours) break between the workdays (shifts) and at least 35 consecutive hours of rest in 7 days;
4. Rest time must be at least 24 hours if on-call lasts 24 hours.

Work on public holidays is allowed only upon the employee‘s consent unless summary

recording of working time or collective agreement is applied.

Common rest day is Sunday unless summary recording of working time or collective agreement is applied.

Types of vacations:

1. Annual leave (minimum annual leave shall be a period of 20 working days);
2. Purpose leave (maternity, paternity, parental, educational, sabbatical, unpaid);
3. Extended leave (for children under 18 years of age, employees with a child under 15 or a disabled child under 18, and disabled employees, employees whose work involves nervous, emotional and mental strain and occupational risks, and whose working conditions are specific.).

Each employee's workplace and its environment must comply with safety and health and other requirements. Workplaces must be arranged so that they would protect employees against injuries and their work environment would be without harmful or dangerous risk factors. Installation of workplaces must include assessment of the employee's physical capabilities.

WORK REGULATIONS

The employer must set up work regulations and introduce them to the employees in writing. Labour council must be informed and consulted with regarding enactment and amendment of the work regulations if the employer has employed at least 20 employees on the average.

UNIONS OF EMPLOYEES

A union or federation of employees unites employees by branch of activity, enterprise, agency or other organization or profession (occupation) and protects and represents them in labour relations pursuant to its statutes. Employees unions are for the most part trade unions, which according to the Trade Unions Act are independent and voluntary associations of persons which are founded on the initiative of the persons and the objective of which is to represent and protect employment, service-related, professional, economic and social rights and interests of employees. The Trade Unions Act grants to trade unions the right to protect interests of their members in collective disputes. In individual cases the rights are protected

on the basis of an authorization.

REQUIREMENTS FOR EMPLOYMENT FOR NON-RESIDENT WORKERS

The employment of non-resident workers is mainly regulated by the Labour Code and the Law on the Legal Status of Aliens, as well as other legal acts.

As a general rule, Lithuania's labour market is open to foreign employees. However, it should also be noted that from the formal perspective some restrictions, requirements and the applicable procedure for employing a foreigner may appear quite strict. Besides, the employer and the employee must cooperate and bear some costs during work permit application process even before their employment relationship officially start. There is also one important rule in employment relationships with foreigners: all documents accompanying the employment relationship must be drawn up in two languages: in Lithuanian and in a language understood by the foreigner.

It is very important to keep in mind that different legal basis and procedures apply to the European Union (EU) citizens and citizens of the third countries.

EU citizens can apply for any job in Lithuania without any restrictions except from some specific public positions where only Lithuanian citizens can be employed.

An EU citizen is allowed to work in Lithuania for 3 months within a half of a calendar year without any permit or additional procedure. If an EU citizen would like to work in Lithuania for longer than 90 days, he/she must acquire a certificate confirming his/her right of temporary residence in the Republic of Lithuania. This is quite simple procedure and does not include any very specific requirements. The application for the temporary residence certificate is filled in electronically, followed by two physical visits to the Migration Department, and the foreigner receives the temporary residence certificate. The temporary residence certificate is issued within 1 month from the date of submission of the application to the Migration Department.

Nationals of third countries are allowed to work in Lithuania only on the basis of a work permit issued by Lithuanian Labour Exchange, except for certain exceptions set out in the law, such as highly skilled workers, workers who come to work according to the list of professions for which there is a shortage of workers in the Republic of Lithuania, etc. Foreigners who intend to work in Lithuania for up to 12 months can, in certain cases, obtain a national visa and work in Lithuania with it.

In some specific cases a person is allowed to work only with the residence permit and without the work permit, e. g. on the basis of so called "legitimate activities", i. e. business. This

ground for obtaining a temporary residence permit is relevant for foreigners who intend to and/or have established/acquired a business in Lithuania, or intend to manage a Lithuanian company.

In this case, temporary residence permit to live in Lithuania on the basis of legal activity and the intention to carry it out is issued to a foreigner when the following conditions are met:

1. The foreigner is a member, manager, member of the collegial management/supervision body or a shareholder of a Lithuanian company, whose owned shares have a nominal value of no less than 1/3 of the authorized capital of the company and the purpose of foreigner's arrival is to work in the company;
2. The value of the Lithuanian company's authorized capital is no less than 28 000 EUR, of which not less than 14 000 EUR are funds or other assets invested by the foreigner;
3. The Lithuanian company provides employment to citizens of the Republic of Lithuania, citizens of other EU member country, citizens of a member state of the European Free Trade Association or foreigners with a permanent residence permit to live in the Republic of Lithuania who are paid a monthly salary not lower than 2 gross mothly salaries of Lithuanian employees as indicated in the latest report of the Lithuanian Statistics Department.
4. The Lithuanian company operates according to its founding documents for at least the past 6 months until the foreigner's application for a temporary residence permit is submitted.

A foreigner who engages and intends to continue engaging in lawful activities in the Republic of Lithuania shall be issued a temporary residence permit for two years or for the period of the activities of the foreigner in the Republic of Lithuania, when the lawful activities of the foreigner in the Republic of Lithuania shall last less than two years. The foreigner is allowed to bring his/her family members with him/her. Family members are: his/her spouse, registered partner, unmarried and dependent underage children, his/her dependent parents if he/she has been supporting them for at least 1 year and they are unable to use the assistance of other family members living abroad.

Further, a foreigner who invests in the company's capital not less than 260 000 EUR and is a manager or a shareholder of a Lithuanian company, whose owned shares have a nominal value of no less than 1/3 of the authorized capital of the company, shall be issued or replaced with the temporary residence permit with the validity term of three years. Furthermore, In case the foreigner is a director of a company, carrying out activities (indicated in its founding documents) in the Republic of Lithuania, the equity capital of which is not less than EUR 500 000 (the value of assets in cases other than UAB-type private limited company or AB-type public limited company) and which provides full-time employment to not less than 10 citizens of the Republic of Lithuania, citizens of other EU member countries or citizens of a member state of the European Free Trade Association and these employees are paid a monthly

salary not lower than the gross mothly salary of the Lithuanian employees as indicated in the latest report of the Lithuanian Statistics Department or to foreginers, who have a temporary residence permit and work as highly-qualified specialists, and the purpose of the entrance of the foreigner is to work in this company, he shall be issued a temporary residence permit every 3 years or for the period of duration of the activities in the Republic of Lithuania in case it is less than 3 years. After five years of an uninterrupted stay in the European Union, whereof not less than two years are in Lithuania, a foreigner holding a temporary residence permit may seek for permanent residence permit with a validity term of five years.Startups are another exception. Foreigners whose planned activities are related to the introduction of new technologies or other innovations significant for the economic and social development of the Republic of Lithuania may be granted a temporary residence permit for 1 year with the possibility of its extension.

Highly skilled workers also fall under this exemption. Highly skilled workers in Lithuania are entitled to a Blue Card. The Blue Card is a temporary residence permit to legally reside and work in a highly skilled job in Lithuania. High professional skills means: a qualification attested by a diploma of higher education which is necessary for the profession or sector specified in the employer's obligation to employ a foreigner under an employment contract or in the employment contract; or at least 5 years of professional experience equivalent to a higher education qualification required by the occupation or sector indicated in the employer's obligation to employ the foreigner under an employment contract or in the employment contract.

In Lithuania, a Blue Card (i.e. a temporary residence permit) can be issued in the following cases:

1. If the foreigner's monthly salary in Lithuania is at least 1.5 times the average monthly gross earning of the country's economy according to the last published values of the Lithuanian Department of statistics and he/she need a decision of the Employment Service on the compliance of his/her work with the needs of the Lithuanian labor market;
2. If his/her profession is included in the List of occupations which are currently experiencing a shortage of qualified professional workers in the Republic of Lithuania is approved by the Minister of Economy and Innovation;
3. If his/her monthly wage in Lithuania is less than the three values of last average gross monthly wage published by the Statistics Lithuania or he/she intend to work as the head of the company and Public Body "Invest Lithuania" confirmed that your employer is Lithuanian registered company, the annual income of its participant (company or group of companies established in the foreign company) within the last three financial years (if the company has been active for less than three years, - from the day of the company's establishment) at least during one financial year is less than 1,000,000.00 EUR.

A foreigner who has applied for a temporary residence permit on the basis of high qualification may start working immediately after submitting the application to the Migration Department electronically. The temporary residence permit is issued within a maximum of 15 days. The foreigner can bring his/her family members with him/her. A temporary residence permit can be issued or renewed for the foreigner for 3 years and if the employment contract is concluded for less than 3 years — for the duration of the employment contract period plus 3 months.On June 15 2021, amendments to the Law on Investment and other legal acts came into force in order to create more favorable conditions for foreign investors to move to Lithuania and easier employment for their employees and family members. A temporary residence permit in Lithuania may be issued to the foreigner who meets one of the following conditions:

1. is an employee of a group of companies who has worked for an investor group of investors for at least 3 months. Before the date of conclusion of the investment agreement, and an undertaking to employ him / her in the place of employment provided for in the investment agreement for a period of at least 1 year;
2. the date of conclusion of the investment agreement was an employee of the group of companies of the investor, an investor or an investor in the group of companies for at least 3 months prior to the date of conclusion of the investment agreement, and works according to the intended employment;
3. is an investor who owns at least 1/10 of the authorized capital of companies established in Lithuania, which, according to investments in Lithuania, provide jobs and whose invested funds in this company amount to at least EUR 14,000.

In all other cases a foreigner intending to be employed in Lithuania shall, despite the application for temporary residence permit, also apply for work permit. The following basic requirements are set for the foreigner who intends to work in Lithuania:

1. The foreigner shall have a qualification in an appropriate area, also shall provide documents evidencing such qualification;
2. The foreigner must have at least 1 years' work experience within the last 5 years in an appropriate area and documents proving that.

Family members of a foreigner who has obtained temporary residence permit on the above grounds may enter and obtain their own temporary residence permits for the family reunification purposes only after the foreigner has resided in Lithuania for the last two years and has a valid temporary residence permit for at least one year, also has reasonable prospects of obtaining the right to permanently reside in the Republic of Lithuania. The rule applies both to the foreigner's spouse and minor children.

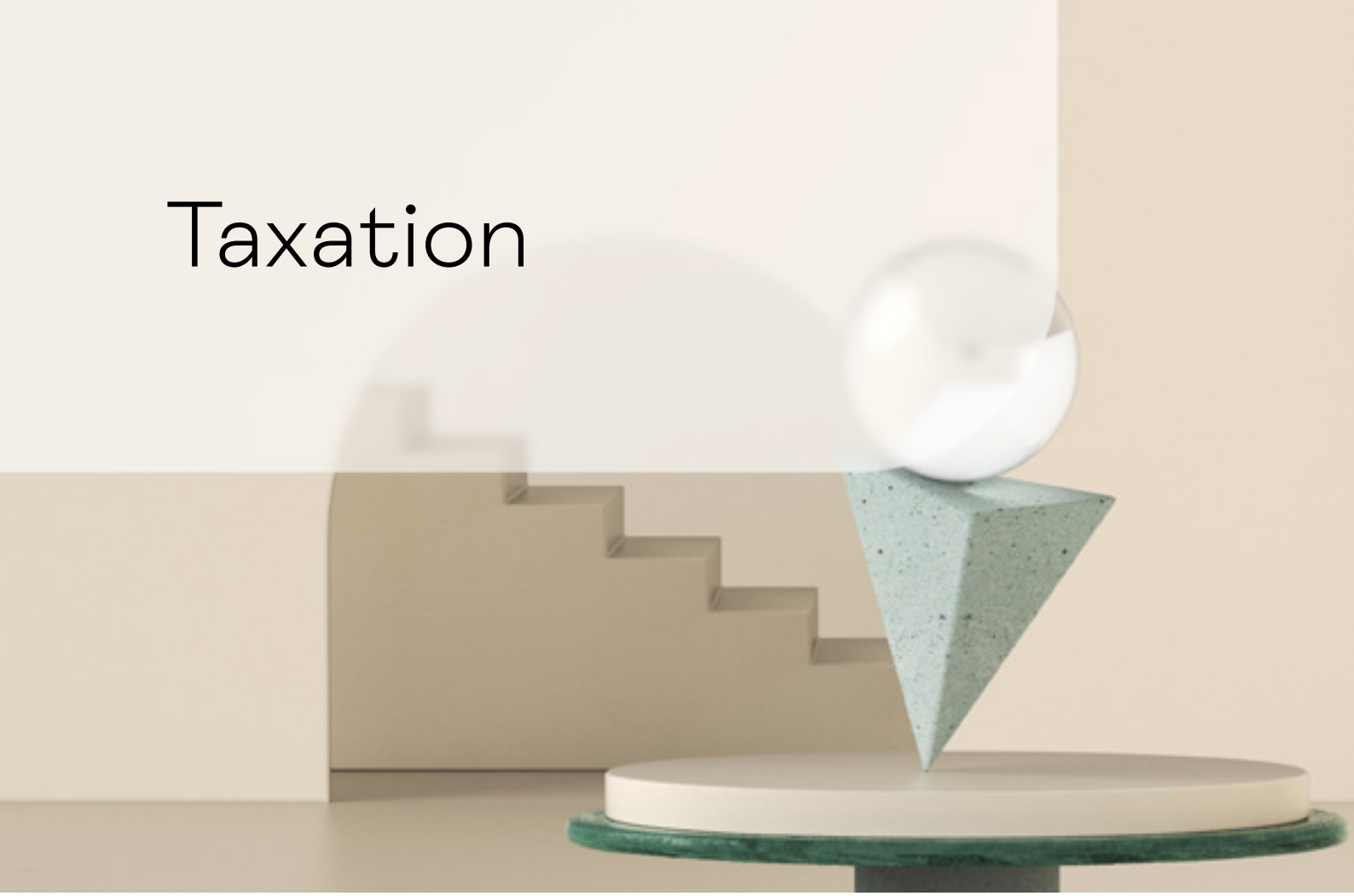
The only exception is the cases where the foreigner invests in Lithuanian company's authorized capital not less than 260 000 EUR and establishes in the company not less than 5 (five) full-time positions for the citizens of the Republic of Lithuania.

In the event of family reunification, a family member shall be issued with a temporary residence permit for the same period as the foreigner whom he comes to join.

The work permit provides the foreigner the right to work for the employer specified in the work permit. If the employee would like to change the job and start working for another employer, he/she must apply for a new work permit, except for the exceptions mentioned above.

The work permit is issued for maximum period of 2 years. The work permit, in case the foreigner holds a valid residence permit, will be initially issued until the expiry term of the residence permit. It is possible to extend the work permit only together with the residence permit.

Taxation



GENERAL INFORMATION AND CENTRAL PRINCIPLES

In Lithuania, the general legal framework of taxation and its fundamental principles are established in the Law on Tax Administration. This law provides that any tax imposed in Lithuania specifies only in a law.

In total, 24 taxes are administrated under the Law on Tax Administration. The most important are:

1. corporate income tax (CIT)
2. personal income tax (PIT);
3. value added tax (VAT);
4. social security contributions;
5. real estate tax;
6. land tax.

The underlying principles of tax proceedings include the general principles of administrative procedure, such as equality between taxpayers, fairness and universal obligations, clarity of taxation and substance over form.

The powers of tax authority are vested in the State Tax Inspectorate. According to the Law on Tax Administration, the main duties of a tax authority are:

1. to provide summarised explanations of tax laws;
2. to provide consultation to the taxpayer on the payment of taxes and supply information about laws and legal acts concerning tax matters;
3. to keep accounts of the taxes paid to the budget;
4. to exercise control over the correct calculation, declaration and payment of taxes;
5. to enforce the recovery of arrears in payments;

The State Tax Inspectorate may investigate the current and three previous tax periods. However, in some cases, a longer period may be applied.

CORPORATE INCOME TAX

Corporate profit tax is levied on:

1. Lithuanian entities;
2. foreign entities.

The standard CIT rate is 15%. Generally, CIT is applied on taxable income received by a Lithuanian tax resident from its local and worldwide activities. Taxable income is calculated by reducing general income of a certain tax period with deductible expenses and non-taxable income.

Entities with fewer than 100 employees and less than EUR 300,000 in gross annual revenues can benefit from a reduced CIT rate of 0% for the first year of operations and 5% for the following periods if certain other conditions are met.

In case a foreign entity carries its economic activities in Lithuania via permanent establishment, such permanent establishment must be registered as a taxpayer and its profits are subject to CIT at the rate of 15%.

Capital gains are taxed as part of the corporate profit of the Lithuanian entity. Capital gains are treated as non-taxable income when they are derived from the transfer of shares in a company incorporated in the EEA or in a country with which Lithuania has a valid Double taxation avoidance treaty and that pays CIT or an equivalent tax. This holds true if the Lithuanian holding company holds more than 10% of voting shares for a continuous period of (i) at least two years or (ii) at least three years when the shares were transferred in one of the established forms of reorganisation. Certain restrictions apply.

Dividends distributed by a Lithuanian entity to another company are subject to a 15% CIT, which is withheld by a distributing company.

The dividends distributed by a resident company are exempt from withholding taxes if the recipient company has held not less than 10% of the voting shares in the distributing company for at least a 12-month period. However, this relief is not applied if the foreign entity (recipient) is registered or otherwise organised in blacklisted territories. The requirement of the 12-month holding period does not necessarily have to be fulfilled on the day of dividend distribution.

Lithuanian entity's operating losses may be carried forward for an indefinite period, provided that certain requirements are met. Current year operating losses can be transferred to another legal entity of the group if certain conditions are met.

PERSONAL INCOME TAX AND SOCIAL SECURITY CONTRIBUTIONS

Employment-related income is subject to PIT at a 20% rate which is applied to income amounts not exceeding EUR 81,162 per calendar year in 2021 and at a 32% rate for the exceeding part.

Income derived under employment agreements are also subject to social security contributions at 1.45% to 2.71% are applied to employers (no threshold applies), and social security contributions at 19.5% (including health insurance contributions at 6.98%) are withheld from employees the income of EUR 81,162 per calendar year. A 6.98% rate applies above this threshold, withheld from the employee. Employers (with certain exceptions) also pay an additional contribution to the Guarantee Fund amounting to 0.16% and to the Long-term Employment Fund amounting to 0.16% on employee remuneration.

Income from profit distribution (e.g. dividends) is taxable at a flat PIT rate of 15%.

VALUE ADDED TAX

Value Added Tax rate

The standard rate of value added tax is 21% from the taxable value, but in certain cases 0% (e.g. exports, intra-community supply etc.) or a reduced rate of 5% or 9% is applied.

As a general rule, value added tax is applied as a tax on added value, which means that the end-consumer shall bear the total cost of the value added tax calculated on the final value of the service or product. Unless an exemption from value added taxation applies, supply created in Lithuania, import of goods into Lithuania, provision of services the place of supply of which is not Lithuania, supply of goods or services to the taxable value of which the taxable person has added value added tax and intra-community acquisitions of goods are subject to value added tax.

Taxable Persons

The Value Added Tax Act defines a taxable person (i.e. a person liable to value added tax) as a person engaged in business and registered or required to register as a taxable person. An obligation to register as a value added tax payer arises if the taxable supply carried out by a person exceeds 45 000 EUR as calculated during last twelve months.

Rights and Obligations of Taxable Persons

A taxable person or taxable person with limited liability shall pay value added tax as of the date of registration as a taxable person or a taxable person with limited liability and calculate value added tax on taxable supply.

The amount of value added tax to be paid by a taxable person is the value added tax calculated during the taxable period on transactions or acts taxable with value added tax, minus the deductible input value added tax for the same taxable period.

LAND AND REAL ESTATE TAXES

Land taxpayers are defined as owners of private land situated in Lithuania. The tax rate varies from 0,01% to 4% of the average market value of the land. The specific rate for each calendar year is established by the municipalities.

Real estate located in Lithuania is subject to real estate tax paid by individuals and legal entities. Real estate tax ranges from 0,5% to 3%.

ACQUISITION OF SHARES IN LITHUANIAN COMPANIES

Formalities in connection with the acquisition of shares in Lithuanian companies depend on the type of a company which shares are being transferred. In Lithuania, business activities are mainly carried out through either an private limited company (UAB) or an public limited company (AB).

One of the main difference between the private limited company and public limited company is the amount of the authorised capital. The minimum amount of authorised capital of private limited company (UAB) should be not less than EUR 2500. Whereas an public limited company (AB) has a 25 000 EUR minimum share capital requirement. Managmenent system also have some differences. Private limited companies usually have single-tier management system (the company must have a single-member management body (the head of the company) and a management board and (or) supervisory council are only optional bodies). Whereas public limited company must have two-tier management system (the company must have not only single member management body, but also one of the collegial management organ (management board or supervisory council)).

Another difference is that the shares of public limited companies are sold through the stock exchange if the company is listed. The transfer of securities in a public limited company is done via a securities transfer, in which the seller submits an instruction to its securities account holder to transfer the shares from the securities account and the buyer submits an instruction to its securities account holder to accept the delivery of these shares.

If public limited company does not sell its shares through the stock exchange, tangible shares or share certificates are transferable to other persons by way of a transfer by way of an endorsement on the share or share certificate i.e. the endorsement. Transfers of dematerialised shares are recorded by entries in the personal stock accounts of the transferor and transferee through the account manager (usually the head of the company). The same rules apply to transfers of shares in private limited companies.

Transactions for transferring and pledging the shares of private limited companies or unlisted public limited companies should be made in ordinary written form. However, transactions of purchasing or selling shares of private limited companies, when 25 percent or more shares are for sale or when the value of those shares are higher than 14 500 EUR, must be made in notary form (except where the personal securities accounts of the shareholders of a private limited company have been transferred to a legal entity authorised to open and manage personal accounts for financial instruments).

It should be noted that in a private limited company, current shareholders of the company have a prior right to acquire the shares. Shareholders who are planning to sell all or part of their shares must notify the company, specifying the number of shares to be transferred by class and the sale price. The director of the company must notify each shareholder of the private limited liability company of the receipt of the shareholder's notice. Not later than 30 from the date of receipt of the shareholder's notice of intention to sell shares, the manager of the company must notify the shareholder about other shareholders' requests to buy all his/her shares. If the shares are to be transferred in a different way (not by selling - e.g., by donating or exchanging) or executing the court judgement, the requirement concerning the prior right is not applicable.

ACQUISITION OF AN ENTERPRISE OR OTHER ASSETS

According to the Civil Code, an enterprise is the whole property, and property and non-property rights, debts and other obligations which belong to a person doing business (profit-seeking).

An enterprise comprises the assets, rights and obligations relating to and in the service of the management of the enterprise, including contracts relating to the enterprise. The transfer of enterprises is regulated by the Civil Code. Under contracts for purchase-sale of enterprises, the seller consents to the obligation to transfer to the buyer by the right of ownership as an object of property the whole enterprise or a substantial part thereof, with the exception of the rights and duties which the seller has no right to transfer to other persons, while the buyer consents to the obligation to accept the said object and to pay the price. The right to the name of the firm, trade name or service name or to other marks identifying the seller or his/her goods or services supplied by him/her, as well as rights possessed by the seller under the license agreement passes to the buyer, unless otherwise provided by the contract. Contracts for the purchase-sale of an enterprise must be notarized after doing an inventory and reaching a positive conclusion, and also after the protection of the interests of creditors as they are described by law. Because of these procedures, contracts for the purchase-sale of an enterprise are difficult to draw up and extremely rare.

In practice, enterprises are usually sold by transferring the shares or property of the company and making an ordinary written purchase-sale contract for shares/property, which does not have to have audit requirement.

When assessing if only some assets were transferred or it was transfer an enterprise, one has to examine the following factors: essential assets and employees were transferred, relations with main clients and suppliers continued, similarity of the economic activities and its instant continuity.

MERGERS

General Introduction

According to the Law on Companies, a company (the company being acquired) may merge with another company (the acquiring company). Once this has happened, the company being acquired is deemed to have been dissolved. Companies may also merge in such a way that they form a new company. In this case, the merging companies are deemed to have been dissolved.

The assets of a company being acquired, including its obligations, are transfered to the acquiring company upon the merger. Upon the incorporation of a new company, the assets of the merging companies, including their obligations, are transfer to it.

The shareholders of a company being acquired become partners or shareholders of the acquiring company upon the merger. Upon the incorporation of a new company, the partners or shareholders of the merging companies become its partners or shareholders.

Merging companies must be of the same legal form unless otherwise specified by laws allowing different legal forms.

Merger Procedures and Timeline

Merger procedures can generally be divided into the following main phases:

1. Merger terms - The management boards of the merging companies (if there is no board, then the head of the company) draft the merger terms, which describe the merger and provide the legal and economic grounds for it, as well as other information specified in the law such as:

b) the information on all legal entities participating in the merger;

c) the method of the merger, i.e. legal entities terminating their activities and legal entities continuing after the merger;

d) the procedure, conditions and terms of becoming a partner or shareholder of the acquiring company or the new company formed after the merger and payments to the partners and shareholders of the merged companies;

e) the moment from which the rights and obligations of the dissolved legal entities pass to the acquiring company or the new company formed after the merger;

f) additional rights that are granted to the management and other bodies, as well as employees of the administration of the merged companies or experts specified in the law.

7. Review of merger terms. An expert reviews and evaluates the merger terms, in cases specified by law.
8. Publication.The details of the merger must be made public three times at intervals of at least thirty days or made public once and parallelly in writing to all creditors of the merged companies. The creditor of the reorganized legal entity has the right to demand termination or performance of the obligation before maturity, as well as indemnification if provided for in the contract or there is reason to believe that the performance after the merger will become more difficult. ;
9. Access to merger terms and other documents. Not later than thirty days prior to the general meeting of shareholders on reorganization, the shareholders must be given access to the terms of merger, incorporation documents or corresponding drafts of the company continuing its activities after the merger or the new company, as well as the reports prepared by the management bodies of all legal entities participating in the merger, expert assessments and financial statements for the previous three financial years. If the terms of the merger were drawn up six months after the end of the financial year of at least one of the companies involved in the merger, the interim financial statements must be drawn up in accordance with the same rules as before. They should not be drawn up earlier than three months before the merger terms are drawn up. Each partner or shareholder of the entities participating in the merger has the right to receive copies of all the listed documents. The management bodies of legal entities must notify of all material changes that have taken place after the merger terms have been drawn up and before the resolution on merger has been adopted.
10. Approval of merger. The general meeting of shareholders of the merged companies adopt a resolution on merging. Under circumstances specified in the laws, the resolution on merger of the acquiring company may also be adopted by the management bodies of that company. The resolution on merger must be taken by a qualified majority of votes.
11. Registration of the Articles of Association in the Register of Legal Entities and the removal of the company being dissolved from the Register of Legal Entities.

Normally the completion of a merger takes 2-4 months.

MERGER CONTROL

General Introduction

Lithuanian competition law follows the principles of European competition law, including the merger control provisions, which are based inter alia on the EC Merger Regulation 139/2004 (ECMR).

The Competition Law sets forth what is deemed to be a concentration (merger) within the meaning of Lithuanian competition law, establishing that a concentration is deemed to arise inter alia where "concentration" means:

1. a merger in which one or more undertakings which are terminating their activity as independent undertakings are merged with an undertaking which is continuing its operations, or when a new undertaking is established from two or more undertakings which are terminating their activity as independent undertakings;
2. the acquisition of control, when the same natural person or natural persons already controlling one or more undertakings, or one or more undertakings, by agreement, jointly set up a new undertaking or gain control over another undertaking by acquiring an enterprise or part thereof; all or part of the assets of the undertaking; shares or other securities; or voting rights, by contract or by any other means.

Change of Control

The Competition Law defines control as any rights arising from laws or transactions which entitle a legal or natural person to exert a decisive influence on the activity of an undertaking, including:

1. the right of ownership to all or part of the assets of the undertaking or the right to use all or part of the undertaking's assets;
2. other rights which permit exertion of a decisive influence on the decisions of the bodies of the undertaking or the composition of its personnel.

Therefore, acquisition of control may take place by the simple acquisition of a majority of shares in the company, whereas acquisition of more than 50% of shares would be sufficient to ensure control or by way of another transaction (e.g. shareholders' agreement, blocking

rights in the articles of association, etc.) which would satisfy the requirements set forth above.

Jurisdictional Thresholds for Merger Control in Lithuania

The Competition Council must be notified of the intended concentration and its permission must be obtained where the combined aggregate income of the undertakings concerned in the business year preceding concentration is more than 20 000 000 EUR and the aggregate income of each of at least two undertakings concerned in the business year preceding the concentration is more than 2 000 000 EUR.

If an undertaking that belongs to a group of related undertakings participates in the concentration, the gross income of this undertaking in the Republic of Lithuania is calculated as the sum of the total income of all undertakings that will belong to the group of related undertakings after the implementation of the concentration. The Competition Council must be notified immediately of any changes in the group of related undertakings that occur during the examination of the notification of concentration.

Concentration control procedure may be applicable even though the aggregate income indicators are not exceeded when it is likely that concentration will result in the creation or strengthening of a dominant position or a substantial restriction of competition in a relevant market. The Competition Council may adopt a separate decision to apply the concentration control procedure only in cases where no more than 12 months have passed from the implementation of the concentration in question.

Concentrations are not controlled by the Lithuanian Competition Council if the concentration is subject to control pursuant to ECMR, unless the European Commission appoints, pursuant to Article 9 of the ECMR, the local competition control authority to exercise control over the concentration.

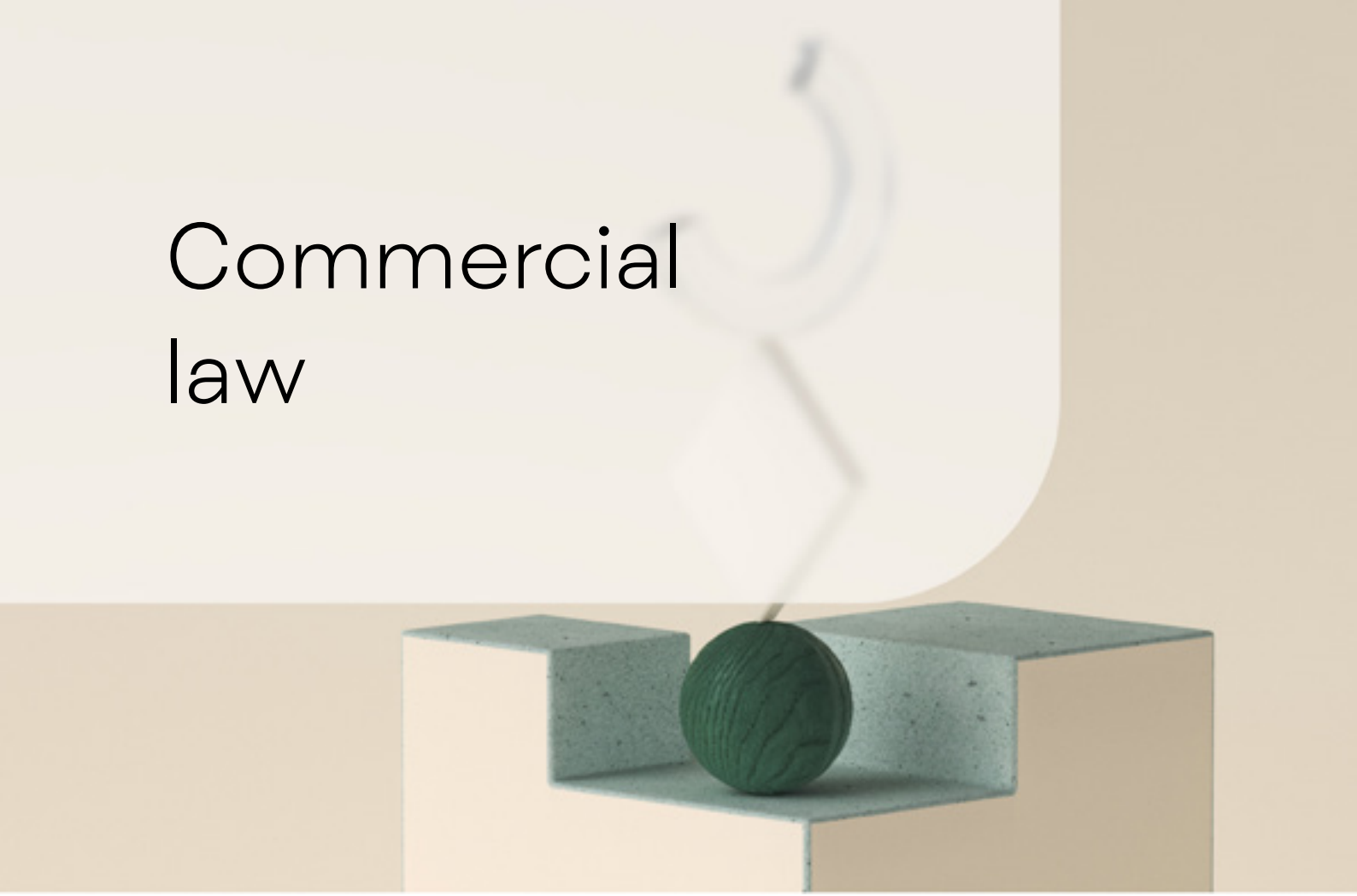
Time frame for Receiving a Merger Clearance

The decision of the Competition Council may be produced within 30 calendar days from the submission of notice of a concentration. If the decision is not taken within this time, the Competition Council will notify that it needs to proceed with further examination of the notification of concentration.

In case further examination is required in order to ascertain whether the concentration subject to control significantly impacts competition, the law imposes a term of maximum four months from the moment the notification of concentration has been submitted. Within that term, the Competition Council must make one of the following decisions:

1. to allow the implementation of the concentration in accordance with the submitted notification;
2. to allow the implementation of the concentration in accordance with the conditions and obligations established by the Competition Council for the implementation of the concentration by the participating undertakings or controlling persons, necessary to prevent the creation or strengthening of a dominant position or significant restriction of competition in the relevant market;
3. refuse to authorize a concentration and oblige the undertakings or controlling persons involved in the concentration to take steps to restore the status quo ante, or to eliminate the effects of the concentration, including obligations to sell the undertaking or part thereof, assets or shares, terminate or amend the agreements and set the terms and conditions for the fulfillment of these obligations if the concentration will create or strengthen a dominant position or significantly restrict competition in the relevant market.

Commercial law



GENERAL INFORMATION

The legal environment for business entities in Lithuania is for the most part regulated by separate legal acts dedicated to different forms of legal entities.

COMPANIES - TYPES AND GENERAL PROVISIONS APPLICABLE

The law of the Republic of Lithuania provides for these types of companies:

1. general partnership (tikroji ūkinė bendrija) — a company in which two or more partners operate under a common business name and are solidary liable for the obligations of the general partnership with all of their assets;
2. limited partnership (komanditinė ūkinė bendrija) - a company in which two persons (with no fewer than one partner and one limited partner) operate under a common business name, and all partners are solely liable for the obligations of the general partnership with all of their assets and all limited partners are liable only for the amount they paid for the limited partnership;

3. private limited company (uždaroji akcinė bendrovė) - a company which has share capital divided into private limited company shares and whose shareholders are not personally liable for the obligations of the private limited company, but which (itself) is liable for the performance of its obligations with all of its assets;
4. public limited company (akcinė bendrovė) - a company which has share capital divided into public limited company shares and its shareholders, and which is personally liable for the obligations of the public limited company but which (itself) shall be liable for performance of its obligations with all of its assets;
5. Small community (mažoji bendrija) - a legal entity of a limited liability, whose members can only be natural persons and whose number of members cannot exceed ten.
6. association (asociacija) - a public legal person of limited civil liability who has its name and whose purpose is to coordinate activities of the association members, to represent the interests of association members and to defend them or to meet other public interests. A commercial association shall be liable for its obligations with all of its assets. Members of commercial associations shall not be personally liable for the obligations of the association;
7. public establishment (viešoji įstaiga) - a non-profit public legal person of limited civil liability founded according to the Law on Public Establishments and other laws, whose aim is to promote the public interest by carrying out educational training or scientific, cultural, health care, environmental protection, sports development, social or legal aid provision, or other activities useful to the public;
8. individual enterprise (individuali įmonė) - a private legal entity with unlimited liability. The founder of an individual enterprise may only be a legally capable natural person and the individual enterprise can only be established by a sole natural person. Companies shall be entered into the register of legal entities (Juridinių asmenų registras).

All undertakings (including companies) must have a business name, which is the name entered in the commercial register under which the undertaking operates. The business name shall contain the appendage referring to the legal form of the undertaking. A business name must not be misleading with regard to the legal form, area of activity or scope of activity of the undertaking, nor may it be contrary to good morals. Undertakings have the exclusive right to their business names. In general, undertakings are under accounting obligations and need to submit financial reports to the commercial register. The existence of auditing obligations usually depends on the legal form of the company. Companies may merge, divide or be transformed only in cases and pursuant to procedures specified by law. In cases specified by law, the permission of a competent agency is required for mergers, divisions or transformations.

PRIVATE AND PUBLIC LIMITED LIABILITY COMPANIES

Introductory Remarks

Of the types of companies listed above, the private and public limited liability companies are the most commonly used forms of entities for business purposes, due to their most essential characteristic - limitation of shareholder liability. Consequently, the main emphasis of this chapter shall be on these two forms of business and the central aspects of their operation will be presented in the form of a comparison.

Foundation

Limited liability companies are established by concluding act of incorporation or incorporation agreement (depending on number of incorporators) and adopting notarially certified articles of association. As of 2011, private limited companies may also be established via an expedited procedure. In such cases, standard documents of incorporation shall be presented to the register of legal entities electronically and authenticated with qualified digital signatures.

Shareholders

Both natural and legal persons could become shareholders and acquire shares of a private limited company and a public limited company. The shares of a private limited liability company may not be offered for sale or traded publicly, unless other laws specify otherwise.

Shares of private limited companies can be transferred only in accordance with the prior rights of the rest of the shareholders (with some exceptions under the legal acts of Lithuania). The term during which the other shareholders decide if they want to buy the shares or not can be no shorter than 10 days and no longer than 21 days after the notification of the company or the sending of the registered letter. No later than 30 days after the receipt of the notification of the wish to sell the shares, the manager of the company must notify the shareholder about the other shareholders' wishes to buy all his shares. If the manager notifies the shareholder that other shareholders do not wish to buy the shares, or have not provided the notification, the shareholder has the discretion to sell the shares to the third parties at price, for no less than the price specified in the notification about the wish to sell the shares.

Share Capital and Shares

The minimum share capital is 25 000 EUR in the case of a public limited company and 2 500 EUR in the case of a private limited company. Each share grants one vote at the shareholders' general meeting.

The shares of a public limited company must be registered in the central securities depository of Lithuania, which keeps the shares register. The shares of a private limited company must be registered in the lists of shareholders. The lists of shareholders must be submitted to the Register of Legal Entities.

Corporate Governance

Companies have a general meeting of shareholders and a single-person management organ: the company manager. A collegial supervisory body - the supervisory board - and a collegial management organ - the board — may be formed in the private limited company. The Supervisory Board or the Board must be formed in public limited company. If the Supervisory Board is not formed in public limited company, its functions might be assigned to the Board.

The single-person management organ (in a public limited company and a private limited company) acts in the company's relations with other persons; the manager of the company acts on his own discretion on behalf of the company. The manager of the company must be a natural person. Persons may not be the manager of the company if they are not allowed to hold this office under legal acts. The manager of the company must be elected and removed from office by the board (if a board has not been formed, by the supervisory board; and, if the supervisory board has not been formed either, by the general meeting of shareholders).

The general meeting of shareholders is the highest management body of a public limited company and a private limited company. This body is vested with powers to take the most crucial decisions from the perspective of the company's development — dividing dividends; approving financial reports; electing and recalling members of the supervisory board; amending the articles of association; determining the class, number, nominal value and minimum issue price of the shares and other powers indicated in the articles of accosiation and / or legal acts.

The supervisory board is elected by the general meeting of shareholders. The number of members of the supervisory board shall be set by the articles of association of the company. The supervisory board must have at least 3 but not more than 15 members. The supervisory board elects the members of the board and removes them from office; supervises the activities of the Board and the manager of the company; etc.

Board - the number of the members of the board is laid down in the articles of association of the company. The board must have at least 3 members. The board is elected by the supervisory board or by the general meeting of shareholders if the supervisory board is not formed. The board makes the company's annual report; is responsible for the management structure of the company and the positions of the employees; etc.

Liability

The members of managing bodies of legal persons have to be loyal to the legal person and maintain confidentiality; and also have to avoid situations where his/her personal interests are contrary or may be contrary to the interests of the legal person, may not confuse the property of a legal person with his own property, etc. Members of managing bodies of legal persons who fail to perform their duties or perform them improperly must compensate all damage incurred to legal persons, except if otherwise specified by law, incorporation documents, or agreements.

Contracts concluded by the managing bodies of a private legal person in overstepping their authority shall impose obligations on a legal person, except in cases where it has been proved that while concluding the contract the third person was aware or due to certain circumstances may not have failed to be aware of the fact that the contract has been entered into by the managing body of a legal person who was not authorized to conclude it. If a legal person fails to satisfy fully the claim of a third person, the person who has concluded the contract under these circumstances takes on subsidiary liability.

Contracts concluded by the administrative bodies of public legal persons when overstepping their authority cannot impose obligations on legal persons.

Generally, a legal person is not liable for the obligations of its member and the latter shall not be liable for the obligations of the legal person, with the exception of cases specified by law and incorporation documents of a legal person. However, where a legal person fails to perform his obligations due to acts in bad faith of a member of the legal person, the member of a legal person is liable, in a subsidiary manner, for the obligations of a legal person by his property.

SMALL COMMUNITY

The Law on Small Communities came into force on 1 September, 2012. The law established a new form of legal entity - small communities (mažoji bendrija, hereinafter - MB) created

to facilitate the establishment of small and medium-sized businesses: MBs have smaller requirements and a simplified establishment procedure.

MBs, like UABs, are legal entities with limited liability. This means that members of MBs are not liable for the obligations of the MB and vice versa. However, MBs differs from UABs in that members of MBs can only be natural persons but not legal persons and its members cannot exceed ten in number.

A beneficial difference from UAB is that there is no minimum authorized capital requirement for MB. The members of MB are free to decide on the size of members' contributions. Moreover, members of MB have the possibility to withdraw funds from the MB for their personal needs as profits payable in advance, and the profits of MBs may be allocated without having to wait until the end of the financial year.

Another advantage that MBs have over UABs is related to company governance rules. There are two possible management options: (i) a general meeting of members and a director; or (ii) only a general meeting of members. This flexibility of the MB management system is intended to better accommodate the needs of small businesses as well as keeping business start expenses low. In addition, a labour contract is not concluded between the MB and its director; a civil (services) contract is concluded instead. This is to ensure the flexibility of the relations between the MB and its director. Moreover, the MB is not required to have an accountant and its duties may be assigned to any member of the MB.

BRANCHES OF FOREIGN COMPANIES

Another way for a foreign company to permanently offer goods or services under its own name in Lithuania is to establish a branch. There are two types of units: a branch office and a representative office. The branch office of a legal person is its structural unit, which has its registered office and performs all or part of the legal person's functions. It should be borne in mind though that a branch is not a legal person. The legal person shall be liable for the obligations of the branch office and the branch office shall be liable for the obligations of the legal person.

The representative office of a legal person is a unit of a legal person, which have its registered office enjoy the right to perform operations: the representative office of a legal person has the right to represent and safeguard the interests of a legal person; to enter into contracts, as well as perform other operations in a legal person's name; to conduct import and export operations exclusively between foreign legal persons and other organisations which have established a representative office or related enterprise, institutions or organisations and the representative office. The representative office of a legal person is not a legal person.

Finally, it should be noted that there are areas of activity for which a license is required or in which only a particular class of undertaking may operate.

REGISTER OF LEGAL ENTITIES

Legal entities have to be registered with the Register of Legal Entities. The Register of Legal Entities is where legal entities are filed and related data is stored. The Register of Legal Entities is the principal register of the state.

Any changes in registry data (e.g. change of members of managing bodies of a company, address, share capital, legal form, branch offices and representative offices, code of a company, etc.) must be entered into the Register of Legal Entities. Managing body of a legal entity is responsible for the timely production of the documents of a legal entity, and submit the data and other requested information to the Register of Legal Entities except as otherwise specified by the law or incorporation documents.

Documents submitted to the Register of Legal Entities must be notarially authenticated when law requires it. If the law does not require for a notarial authentication of the documents, any amended data might be submitted to the Register of Legal Entities electronically. An application for amending information in the Register of Legal Entities shall be made immediately if changes occur in the information entered in the register. Documents of foreign origin may require legalization by certifying the document with apostille.

There is no requirement to certify with an apostille documents, which have been issued in countries with which Lithuania has concluded legal aid agreements. Lithuania has concluded legal aid agreements with Estonia, Latvia, Ukraine, Belarus, the Russian Federation, Moldova, etc. Pursuant to a legal aid agreement, a public document is recognized in Lithuania if it has been compiled or certified in one of the above-mentioned countries without any additional certification.

The Register of Legal Entities virtually implements the policy of transparency of Lithuanian businesses, institutions and non-governmental organizations (NGOs), since all the data and information is public. Aside from the registries of any legal entity and annual financial statements, a list of shareholders or copy of any other document (such as memorandum of foundation or board minutes) stored in the archive of the register are accessible to anybody for a fee which is set by the government. Any person, who provides company code and the name of the company, has the right to receive, free of charge, oral information or information through the Internet about the name, code, legal form, registered office, legal status of a legal entity, restrictions imposed on its activities or the date of removal of the company from the register.

BOOKKEEPING AND AUDITING REQUIREMENTS

Lithuanian GAAP

All legal entities, sole proprietorships, branches of foreign companies and permanent establishments are subject to Lithuanian bookkeeping and reporting requirements. Economic entities whose securities are traded on a regulated market must handle accounting in accordance with the International Accounting Standards. Profit-seeking legal entities with limited civil liability could choose to handle accounting, in pursuance of Lithuanian GAAP or the International Accounting Standards, but could not change the chosen standards five years after the decision is made (except when the company has become part of the company group). When handling accounting, legal entities with unlimited civil liability shall observe Lithuanian GAAP when they decide at their own discretion to prepare a financial statement or are obliged to do so by the Law on Financial Statements of Enterprises.

Lithuanian GAAP is produced, approved and published by the Authority of Audit and Accounting of the Republic of Lithuania. Lithuanian GAAP must be prepared in compliance with the EU law and the International Accounting Standards.

In handling accounting, budgetary institutions shall follow the Accounting Standards for Budgetary Institutions. The Ministry of Finance shall approve these standards. The Accounting Standards for Budgetary Institutions must be produced in accordance with the International Public Sector Accounting Standards and other methodology.

Auditing Requirements

Auditing financial statements refers to an independent examination of financial statements or consolidated accounts of an enterprise, institution or organization and provision of an opinion, which indicates whether the financial statements or the consolidated financial statements do, in all material respects, give a true and fair view of the financial position of the enterprise, the results of its activities and cash flows. The goals of the audit are to establish whether:

1. the financial statements of the enterprise give, in all material respects, a true and fair view of the financial position of the enterprise, the results of its operations and cashflows;
2. the data given in the annual report (the consolidated annual report) or the activity report of the enterprise (if they are developed following the requirements of legal acts) correspond to the data presented in the annual financial statements (consolidated annual financial statements).

An audit of annual financial reports is compulsory for:

1. state and municipal enterprises;
2. enterprises of public interest;
3. public limited companies;
4. private limited companies, where the shareholder is the state and/or municipality;
5. private limited companies, cooperative companies (cooperatives), general partnerships and limited partnerships, where all full members are public limited companies or private limited companies;
6. private limited companies whose prices for goods/services are regulated by law.

With respect to other accounting entities (private limited companies, cooperative companies (cooperatives), general partnerships and limited partnerships, where all full members are public limited companies or private limited companies) the audit is compulsory in case on the last day of the financial year at least two their indicators exceed the following rates:

1. the sales net income during the reporting financial year is 3 500 000 EUR;
2. the assets value indicated in the balance sheet amounts to 1 800 000 EUR;
3. the average listed number of staff during the financial reporting year is 50.

Auditing of consolidated financial statements must be carried out in enterprises drawing up consolidated financial statements.

Annual financial reports shall be audited in compliance with the Republic of Lithuania Law on Audit and other legal acts.

LICENSING REQUIREMENTS

When starting operations in Lithuania, it should be borne in mind that there are certain areas of activity for which a license is required or in which only a particular type of undertaking may operate, as well as areas of activity in which operation is prohibited by law. There may also be special requirements deriving from the law with respect to the obligations of companies which depend on the area of business of the company (e.g. banking, investment, sale of fuel or alcohol, etc). The Government approves the licensing requirements for every licensed sphere of activity specified by law except if otherwise specified by other laws. Where the requirements specified in the regulations of licensing are fulfilled, an open-ended license is issued. Refusal to issue a license may not be based on the inexpediency of activities and has to be motivated. Information on the issuing of a license, its revocation and withdrawal is stored

in the register of legal entities. The licensing authority must notify the register of legal entities about the issuing, revocation and withdrawal of licenses, in accordance with the procedure established by the regulations of the register of legal entities.

PERSONAL DATA AND PROTECTION

General information

Since Lithuania is a part of European Union the The General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) applies in this jurisdiction. This law became directly applicable law in all Member States of the European Union on May 25, 2018, without requiring implementation by the EU Member States through national law, which results that every organization conducting its business in Lithuania is obliged to have in place all documentation and procedures demonstrating its compliance with GDPR.

For the supplementation of the GDPR there is the Law on Legal Protection of Personal Data of the Republic of Lithuania. There are two supervisory authorities — the State Data Protection Inspectorate (VDAI) and the Office of the Inspector of Journalist Ethics — that are tasked with monitoring and application of the regulation.

Supervisory authority

The VDAI has been active in enforcing data protection legislation and in publishing guidelines which address, among other things, biometric data, the processing of personal data in the context of debt collection, as well as security measures and risk assessments. Areas of focus for the VDAI have been biometric data, as indicated by its thorough review of the use of biometric data in sports, strengthening international cooperation, and educating the public in the field of personal data protection. Moreover, VDAI published data protection impact assessment „blacklist“.

In practice, fines imposed by VDAI for infringements of the GDPR are fairly low (comparing with other EU Member States). Every year VDAI conducts ex officio investigations in various industries, also investigates complaints from data subjects and assesses the behaviour of organisations in managing data breaches.

Sanctions for non-compliant entities

VDAI for violation of the GDPR requirement may simpose the administrative fines of up to €20 mln. or 4 % from the annual worldwide turnover (whichever is greater). Moreover, the data subjects who have suffered damage because their data was breached can apply to a court for compensation for the damage suffered from the controller who processed their data.

	Estonia	**Latvia**	**Lithuania**
Most common types	Dsaiihing (“OU”) - limited liability company (private limited company) Aktsiasells (“AS”) — joint stock company (public limited company) Filiaal - branch office (not a legal person)	Sabiedriba ar ierobežotu atbildlbu (“SIA”) - limited liability company Akcijų sabiedriba (“AS”) — joint stock company Filiale - branch office (not a legal person)	Uždaroji akcinė bendrovė (UAB) — private limited liability company; Akcinė bendrovė (AB) — public limited liability comapny; Filialas - branch office (not a legal person)
Minimum share capital (does it have to be paid in at foundation?)	Minimum share capital: OŪ 2500 EUR AS 25 000 EUR An OŪ may also be founded without the initial payment of share capital if its planned share capital does not exceed EUR 25 000 and if it is prescribed by the articles of association. Before the shareholder makes the payment, he or she is personally liable for the private limited company’s obligations, but this liability is still limited to his or her future payments.	Minimum share capital: ŠIA- 2 860 EUR AS - 35 715 EUR NB: An ŠIA can be founded with LVL1 share capital. SIA may also be founded by paying only 50% of share capital if it is prescribed by the foundation agreement and articles of association. In cases of this kind, the other half of the share capital shall be paid within a year. Before the limited liability company is registered in the Commercial register, shareholder is personally liable for the private limited company’s obligations.	Minimum share capital: UAB - 2 500 EUR; AB - 25 000 EUR; Filialas - 0 EUR. The initial contributions for the shares subscribed must be paid in at foundation. It must be paid in money only and must be not less than one quarter of the nominal value of the shares subscribed for, plus the whole of any premium. However, the total amount of initial contributions paid must be not less than the minimum share capital.

Foundation proceeding	Decision regarding the foundation (before an Estonian notary) Opening of a temporary account in the bank and payment of the equity capital Submitting of application and registration documents to the Register (notarized by an Estonian notary) Registration in the Register Activating the temporary bank account Registration in the Tax and Customs Board	Decision regarding the foundation, approval of the articles of association, election of members of the company's management bodies. Opening of a temporary account at a bank and payment of the equity capital (1/2 can be paid in, the rest within one year) Application to the Register regarding the foundation shall be signed by the founder (signature as well as the capacity to act of the founder must be notarized) Member of the management board sign the application of consent to become a member of the management board (the signatures of member of the management board must be notarized) Submission of application and registration documents to the Register Registration in the Register Activating the bank account	Decision regarding foundation (or Act of establishment if there is only one founder). Opening an account at a bank and payment of the initial contributions. Initial meeting of shareholders. The meeting approves the report of incorporation, elect members of the company's management bodies. Before the initial meeting the articles of the company must be prepared and signed by all the incorporators or their representatives. Submission of application and registration documents to the Registry (notarized by a Lithuanian notary). The company shall be deemed to be incorporated from the date of its registration in the Register. At the time of incorporation, the register gives all the necessary information to tax authorities, and founders themselves do not need to register incorporation in the tax authorities. Activating the bank account.
FTime and cost of foundation	Time: 3-7 days State duties and related costs: EUR 250 Legal advice: EUR 500-1000 Private persons who have valid Estonian ID- cards may found an OU-type company in the electronic commercial register within a couple of hours.	Time: 1-3 days State duties and related costs: EUR 200 - 470 (depending on speed) Legal advice: EUR 500-1000 Electronic registration is available; electronic signature needed.	Time: 1-3 days Cost: approx. EUR 200 Legal advice: EUR 500 -1000 A natural person who has a valid Lithuanian ID-card and meets all other requirements (founder owns real estate where the company's registered

					office will be situated; the name of the company is temporarily included in the Register) may found a UAB company electronically. Document preparation takes approx. 1 hour, registration in Register takes 24 hours.	
Corporate governance	II level (normally in OŪ-s) or III level (AS) or III level (AS) OŪ		II level (normally in SIA) or III level (AS) or III level (AS) AS		II level (normally UAB) or III level (AB) or level (AS) AB	
	Shareholders Supervisor Board Management Board	Shareholders Management Board	Shareholders Management Board	Shareholders Supervisor Board Management Board	Shareholders Management Board (optional) General manager	Shareholders Supervisory Board (optional) Management Board (optional) General manager Starting from 2015-07-01 Supervisory Board or Management Board should be elected by the public limited company.
	NB: Management Board: 1 or more persons (personally accountable)		NB: Management Board: 1 or more persons (personally accountable)			
Representation rules	Members of management boards are authorised to represent the company by default. Limitations on the board members' authority are not valid vis-a-vis third persons, with the exceptions of limitations e.g. joint representation among board members (but only in case if this is registered in the Commercial Register)		Members of management boards are authorised to represent the company by default (jointly or separately according to articles). Limitations on the board members' authority are not valid vis-a-vis the third persons, with the exceptions of limitations e.g. joint representation set out in the articles.		In the company's relations with other persons, the manager of the company acts on his own discretion on behalf of the company. In the articles of company the rule of quantitative representation can be prescribed. There is also possibility of procuracy.	
Liability	Members of the management board perform their duties with due diligence.		Members of the management board perform their duties with due diligence. The same applies with respect to		Memebrs of the management board perform his or her duties with due diligence. The same applies with respect	

	The same applies with respect to the supervisory board members. Generally, the liability of shareholders for the limited company's obligations is limited to their payments into the company's share capital. However, shareholders are held liable for any damage wrongfully caused to the public limited company, another shareholder or third persons.	the supervisory board members. Generally, the liability of shareholders for the limited company's obligations is limited to their payments into the company's share capital. However, shareholders are held liable for any damage wrongfully caused to the public limited company, another shareholder or third persons.	to the supervisory board members. Generally, the liability of shareholders for the limited company's obligations is limited to their payments into the company's share capital. However, shareholders shall be held liable for any damage wrongfully caused to the public limited company, another shareholder or third persons.
Residency requirements for managers/board members?	None; however, if at least half of the board members are not from Estonia, EEA or Switzerland, the company must designate an Estonian address to whom official documentation can be delivered.	None	Not applicable.
Auditor review	An audit of the annual accounts is compulsory for accounting entities (e.g. private limited companies), in whose annual accounts at least two of the indicators of the financial year exceed the following conditions: 1) sales revenue or income of 2,000,000 euro; 2) total assets as of the balance sheet date of 10,000,000 euro; 3) average number of employees is 30 people. Or one of the following: 1. sales revenue or income 6,000,000	The annual accounts of a company, co-operative society, European co-operative society and European commercial company registered in Latvia, shall be audited by a sworn auditor in accordance with the Law on Sworn Auditors, if in the annual accounts at least two of the indicators of the financial year exceed the following conditions: 1) balance sheet total of 357 000 euros; 2) net turnover of about 714 000 euros; 3) average number of employees in the accounting year - 25.	Of annual financial statement is obligatory to AB. Private limited companies, cooperative companies, general partnerships and limited partnerships, where all full members are public limited companies or private limited companies the audit is compulsory in case on the last day of the financial year at least two their indicators exceed the following rates: 1) the sales net income during the reporting financial year is 3 500 000 EUR; 2) the assets value indicated in the balance sheet amounts to 1 800 000 EUR;

	euro; 2. total assets as of the balance sheet date 3,000,000 euro; 3. average number of employees is 90 people. A review of the annual accounts is compulsory for accounting entities, in whose annual accounts at least two of the indicators of the financial year exceed the following conditions: 1) sales revenue or income 1,000,000 euro; 2) total assets as of the balance sheet date 500,000 euro; 3) average number of employees is 15 people. A review of the annual report is compulsory for accounting entities, in whose annual accounts at least one of the indicators of the financial year exceeds the following conditions: 1) sales revenue or income 3,000,000 euro; 2) total assets as of the balance sheet date 1,500,000 euro; 3) average number of employees is 45 people. A compulsory review may be replaced by an audit.	If transferable securities a company, co-operative society, European co-operative society and European commercial company registered in Latvia are admitted to trading on the regulated market of Member States, their prepared annual accounts shall be audited by a sworn auditor in accordance with the Law on Sworn Auditors.	3) the average listed number of staff during the financial reporting year is 50.
Registration with the tax authorities	The newly established company is automatically registered with tax authorities as a tax payer at the moment of registration in the company register. To acquire the status of a VAT payer a separate application and registration procedure	The newly established company is registered with tax authorities as a taxpayer automatically at the moment of registration in the company register. To acquire the status of VAT payer a separate application and	At the time of incorporation, the register of legal entities of Lithuania gives all the necessary information to the tax authorities, and the company is automatically registered as a tax payer.

	applies (3 working days from the day of the submission of the application).	registration procedure applies (10 working days from the day of the submission of the application).	To acquire the status of VAT payer, a separate application and registration applies.
Employment			
Form of an Employment Contract	In writing. An employment contract is also deemed entered into if an employee commences work which, according to the circumstances, can be expected to be done only for remuneration. Failure to adhere to the above formal requirement does not result in the voiding of the employment contract.	In writing. However, an employment contract is also considered to have been concluded if an employee agrees to do work which under the circumstances is presumed to be done for remuneration; in such cases, the employee has the right to require of the employer the conclusion of the employment agreement in written form.	In writing. There is a standard form for employment contracts approved by the Lithuanian government. However, parties can agree on other forms of contracts.
Are fixed term agreements allowed?	It is presumed that employment contracts are concluded for an indefinite term. A fixed-term employment contract may be made for up to five years if it is justified by good reasons arising from the temporary fixed-term characteristics of the work, especially a temporary increase in work volume or performance of seasonal work. A fixed-term employment contract may also be concluded in order to replace another employee.	As a general rule, employment contracts are concluded for an indefinite term. Fixed-term employment contracts are permitted in cases of seasonal work, work in activity areas where a contract of employment is normally not entered into for an unspecified period, the replacement of an employee who is absent, casual work which is normally not performed in the company, emergency work in order to prevent consequences caused by an unexpected event, etc. Fixed-term contracts may also be concluded in special areas such as sports, etc. The term of a contract of employment entered into	It is presumed that employment contracts are made for an indefinite term. The law prohibits the conclusion of a fixed-term contract of employment if the work is of a permanent nature except in the cases when this is provided by laws or collective agreements. A fixed-term contract of employment may be concluded for a certain period of time or for the period of the performance of certain work, but not for more than 5 years. A fixed-term employment contract may be concluded for seasonal work or a temporary contract of employment (the latter for a period not

		for a specified period may not exceed three years (including extensions of the term), whereas the term for which a contract of employment has been entered into for performing seasonal work (including all extensions of the term) may not exceed 10 months within a period of one year.	exceeding 8 months.)
Probation Period	Can be agreed for up to 4 months.	Can be agreed for up to 3 months	Can be agreed for up to 3 months.
Liability of Employees	Liable if guilty or causing damage intentionally. By an agreement on proprietary liability an employee can assume, regardless of guilt, liability for the preservation of the property of the employee, but the practical application of proprietary liability agreements is limited.	According to the law and contracts. Liable if guilty or having caused damage intentionally.	An employee must compensate damage arising due to loss of property or reduction of its value, or damage to it; misuse of materials; fines and compensation benefits which the employer had to pay through the employee's fault; expenses resulting from damaged articles; any other violations of work rules, job or any other instructions. The employee's compensation for all damages shall not exceed three average monthly wages, except if the agreement of the full liability is concluded. In that case the compasation is not limited.
Notice of Termination	An employer gives an employee advance notice of extraordinary cancellation if the employee's employment relationship with the employer has lasted: 1) less than one year of employment (e.g	1 month During the probationary period both parties can terminate the employment relationship by giving prior notice in writing three days before termination.	Notice should be delivered to the employee no later than 2 months before the termination date. Employees who will be entitled to the full old age pension in no more than 5 years, persons under 18 years of age, disabled

	during probation period) - no less than 15 calendar days; 2) one to five years of employment - no less than 30 calendar days; 3) five to ten years of employment - no less than 60 calendar days; 4) ten or more years of employment - no less than 90 calendar days.		persons and employees raising children under 14 years must be given the notice of dismissal from work at least 4 months in advance. In case employee would like to terminate the contract, the notice should be delivered to employer not later than 14 working days before termination date.
Compensation upon termination	Upon cancelling an employment contract due to a lay-off, an employer must pay an employee compensation to the extent of one month's average wages of the employee. If an employee cancels an employment contract extraordinarily for the reason that an employer is in fundamental breach of the contract, the employer shall pay the employee compensation to the extent of three months' average wages of the employee If the employer cancels a fixed-term employment contract, it has to pay compensation to the extent of the wage the employee would have earned by the end of the term.	Upon cancelling an employment contract due to a lay- off, an employer shall pay an employee compensation to the extent of: a) one month's average earnings if the employee has been employed by the relevant employer for less than five years b) two months' average earnings if the employee has been employed by the relevant employer for five to 10 years c) three months average earnings if the employee has been employed by the relevant employer for 10 to 20 years and d) four months average earnings if the employee has been employed by the relevant employer for more than 20 years.	1 to 6 average monthly salaries, depending on the experience of working life The compensation must be 1 month average wage if the duration of employment is less than 12 months until 6 months average wage if the duration of employment has been over 240 months.
Working Time and Rest Time	Presumed: 8 hours day/5 days and 40 hours week. As an exception, working hours can be agreed if	Presumed: 8 hours day/5 days and 40 hours week. Where, however, daily	May not exceed 40 hours per week. In all cases working time can not exceed 48 hours per

	the working time does not exceed, on average, 52 hours per seven days over a calculation period of 4 months. The employee must have at least 11 consecutive hours rest time a day and at least 48 consecutive hours rest time a week.	working time on any weekday is less than the regular daily working time, the regular working time of some other weekday may be extended, but not more than by one hour. In such case provisions of the length of weekly working time shall be complied with.	week, including overtime. A daily work period must not exceed 8 working hours. For employees employed in more than one company the working day may not be longer than 12 hours. The duration of rest between working days may not be shorter than 11 hours. Sunday shall be a general rest day and where there is a five-day working week also Saturday.
Annual Leave	It is presumed that an employee's annual holidays are 28 calendar days.	It is presumed that an employee's annual holidays are 28 calendar days.	The minimum annual leave shall be a period of 28 calendar days.
Taxes			
Corporate income tax	20% Companies are subject to income tax only in respect of all distributed profits (both actual and deemed), including: corporate profits distributed in the tax period; gifts, donations and representation expenses; expenses and payments not related to business.	15%	15% Small companies with up to 10 employees and taxable income not exceeding, approximately, €300 000 — benefit from a lower 5% rate.
Personal income tax	20%	25%	PIT at a 20% rate is applied to income amounts not exceeding € 90 246 per calendar year and at a 32% rate for the exceeding part for: • employment-related income; • payments to the members of the

			Board of Supervisory Board; • income derived under copyright agreements (when it is received from the company that is also the employer of individual), and • others. Income from profit distribution (e.g. dividends) is taxable at a flat PIT rate of 15%.
Value Added Tax (VAI)	20% The standard rate of value added tax is 20% of the taxable value, but in certain cases, 0% (e.g. exports, intra- community supply etc.) or 9% (books, newspapers, some medicines etc.) can also apply	22%	21% The standard rate of value added tax is 21 % of the taxable value, but in certain cases 0% (e.g. exports, intra-community supply etc.) or a reduced rate of 9% can also apply.
Social tax	33% (20% for social security and 13% for health insurance).	24.09% by employer 11% by employee	21.27%-24.27% (1.77% by employer and 19.5%-22.5% by employee)
Other taxes	Fringe benefits are taxable at the level of the employer. The employer pays income tax and social tax on fringe benefits. Land Land Tax is levied on the taxable value of all land based on an official valuation. The owners of the land (and in some cases the users) are liable to land tax. The annual land tax rate varies between 0.1% and 2.5% of the taxable value of the land annually. The rate is established by the local government for each year. As a tax incentive, 1500	Real estate tax This tax is based on the cadastral assessed value of the immovable property. With a few exceptions, it is imposed on all real estate. The exemptions from the tax payment obligation apply mainly with respect to land where economic activities are prohibited by law or pursuant to the procedure provided by law, but also with regard to land under places of worship of churches and congregations, as well as land in public use and in the use of foreign	Companies are subject to land tax collected by the municipalities for the land they own in Lithuania. The assessment and payment terms are set forth by the municipalities, which are also entitled to grant land tax incentives. The annual land tax rate ranges from 0.01% to 4%, depending on local municipalities. The RET rate ranges from 0.5% to 3%. Tax is levied on the value of real estate owned by individuals and used for commercial

	m2 (in densely populated areas) or 2000 m2 of every plot of land under dwelling houses is exempt from land tax.	states or international organizations. This tax is paid by the owner of the property. The rate of tax is 1.5% of the taxable value of the estate.	purposes or owned by legal entities (with certain exemptions). Municipal councils establish a specific tax rate for real estate situated in their territories annually.

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Address: TRINITI JUREX Vilniaus st. 31 01402, Vilnius, Lithuania

Web: www.trinitijurex.lt

Phone: +370 5231 2211

E-mail: info@trinitijurex.lt